COMMERZBANK
The bank at your side

Annual Report 2018

Key figures

Income statement	1.1.–31.12.2018	1.1.–31.12.2017[1]
Operating profit (€m)	1,245	1,149
Operating profit per share (€)	0.99	0.92
Pre-tax profit or loss (€m)	1,245	341
Consolidated profit or loss[2] (€m)	865	128
Earnings per share (€)	0.69	0.10
Operating return on equity based on CET1[3] (%)	5.4	4.9
Return on equity of consolidated profit or loss[8] (%)	3.4	0.5
Cost/income ratio in operating business (%)	80.3	78.0

Balance sheet	31.12.2018	31.12.2017
Total assets (€bn)	462.4	452.5
Risk-weighted assets (€bn)	180.5	171.4
Equity as shown in balance sheet (€bn)	29.4	30.0
Total capital as shown in balance sheet (€bn)	38.5	40.1

Regulatory key figures	31.12.2018	31.12.2017
Tier 1 capital ratio (%)	13.4	15.2
Common Equity Tier 1 ratio[4] (%)	12.9	14.9
Common Equity Tier 1 ratio[4] (fully phased-in; %)	12.9	14.1
Total capital ratio (%)	16.3	18.3
Leverage ratio (%)	5.0	5.5
Leverage ratio (fully phased-in, %)	4.8	5.1

Staff	31.12.2018	30.9.2018
Germany	36,009	36,431
Abroad	13,401	12,743
Total	49,410	49,174

Ratings[5]	31.12.2018	30.9.2018
Moody's Investors Service, New York[6]	A1/A1/P–1	A1/A1/P–1
S&P Global, New York[7]	A/A–/A–2	A/A–/A–2
Fitch Ratings, New York/London[6]	A–/BBB+/F2	A–/BBB+/F2
Scope Ratings, Berlin[6]	–/A/S–1	–/A/S–1

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[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 phased-in 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 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 2019

Dear shareholders,

The end of the 2018 financial year is a good opportunity to draw some interim conclusions about the implementation of our Commerzbank 4.0 strategy. We have come to the half-way point along our chosen path, and the last two years have shown that our strategy is the right one and it is working. We continued to make good progress in 2018.

We have achieved a great deal in the last two years of strategy implementation, even though the environment has been extremely challenging. We have made considerable progress with the digitalisation of the Bank. As at the end of the reporting year, around 60% of all core processes were available digitally. This shows that we made the right decision with our strategy to implement the "Digital Campus" as an idea generator and driver of our digital orientation. In our core business, we grew further thanks to steady gains in new customers and an increase in assets under management and credit volume. Also, the high quality of our service and advice was once again acknowledged externally. This is expressed also in customer satisfaction, which is consistently at a very good level. The strategic objective of further simplifying the Group was also driven forward as planned last year. We sold the Equity Markets & Commodities business, thereby streamlining our trading activities. In addition, we now cover large corporate and institutional clients from a single point in the Corporate Clients segment and we have nearly completed the reduction of problem portfolios in the Asset & Capital Recovery segment. Moreover, the Bank's foundation was strengthened further by a comfortable capital position, a low risk profile and high compliance standards.

Overall, the growth paid off. In financial year 2018, income before loan loss provisions adjusted for positive one-off income and remeasurement effects rose by 5% to €8.6bn. At around €450m, the risk result was considerably lower during the reporting year than in the previous year. Ongoing strategic investment in digitalisation and technology and higher regulatory charges and levies were offset through strict cost management. Operating expenses in 2018 came to €6.9bn, which was in line with our expectations. At €1.2bn, operating profit was up by about 8.4% on the previous year.

After deductions for taxes and minority interests, Commerzbank thus generated consolidated profit of €865m as of the half-way mark of strategy implementation. This compares with €128m in the previous year, which, however, was impacted by the restructuring expenses booked at the time.

The Private and Small-Business Customers segment generated pleasing growth in business volume both in Germany and at the Polish subsidiary mBank in the 2018 reporting year. A major strategic milestone in new customer growth was also reached in 2018. The segment has gained one million net new customers since the Commerzbank 4.0 strategy was launched, just under 420,000 in 2018 alone. We are thus on course to meeting our target of having two million net new customers by the end of 2020. Moreover, we have gained some €46bn in assets since 2016. New retail mortgage financing business amounted to €13.4bn in the reporting year. We are now operating the consumer lending business on Commerzbank's own platform and have further increased the volume. In total, the segment posted an operating profit of €735m in the year under review, compared with €858m in the previous year. However, if one-off income items from the prior year and a special factor in the current year are excluded, operating profit in 2018 would have risen significantly, in line with the growth in income.

The corporate banking business is a core business for the Bank. We are the market leader in this business and are highly respected in the German economy. In the Corporate Clients segment we created a further basis for growth and new business in the 2018 financial year and initiated a transformation process that is still ongoing. We reached key milestones with the transfer of small and medium-sized enterprises to the Small-Business Customers area and the introduction of the new SME advisory model. In the past two years, the Bank has gained around 8,900 new corporate customers, mainly German small and medium-sized enterprises, with more than 3,500 of these coming on board last year. Total lending with corporate customers increased by around €4bn to €82bn. However, the 2018 financial year did see a number of challenges. The persistently low level of interest rates, intense competition in the German market and the regulatory environment weighed on earnings performance. Moreover, increasing geopolitical uncertainty factors caused customer activity to decline. Overall, the Corporate Clients segment posted an operating profit of €629m in 2018, compared with €676m in the previous year.

In the year under review, the Asset & Capital Recovery (ACR) segment continued to press ahead with the existing wind-down mandate and reduced the ship finance and commercial real estate finance portfolios by €2.8bn to around €1.3bn in a value-preserving manner. The segment recorded an operating profit of €34m compared with €–264m in the previous year.

With a CET1 ratio of 12.9% as at the end of December, we have a comfortable capital position and considerably exceed all the applicable regulatory requirements. Our loan loss provisions remain low thanks to the stable economic situation in Germany, the quality of our loan book and the consistent and value-preserving reduction of non-strategic portfolios, as reflected in the once again lower non-performing loan ratio of just 0.9%. We passed the EBA stress test last year with a good result, despite further intensification of the crisis scenario. We consider this to be another sign of the Bank's healthy risk profile and high resilience to stress.

We will put a proposal before the Annual General Meeting to distribute a dividend of €0.20 per share.

Dear shareholders, we achieved a great deal last year and made further progress with the restructuring of Commerzbank. Not all developments were pleasing, however. Our exclusion from the DAX in September 2018 is a point in case, although it does not change anything for our clients, our business model or the significance of the Bank for the German economy. And it motivates us to continue consistently implementing our strategy so that we can once again improve the Bank's valuation on the capital market.

The environment in 2019 will remain challenging and, in spite of much progress, numerous tasks still lie ahead of us. We intend to continue our growth unabated in private and corporate customer business in order to gain more market share and increase our adjusted income. We will transfer our experience with the Digital Campus to large parts of the central organisation. We want to pick up the pace in this regard and become much faster at providing our sales force with viable products and services for our clients.

All in all, we expect consolidated profit in the current financial year to be slightly higher than last year.

I would like to take this opportunity to join with the entire Board of Managing Directors in extending a special thanks to all the employees of the Bank for their hard work and commitment.

We sincerely hope that you will continue supporting Commerzbank on its path into the future. I am pleased to take this opportunity to invite you to our Annual General Meeting in Wiesbaden on 22 May 2019, and I look forward to seeing you there.

Yours

Martin Zielke
Chairman of the Board of Managing Directors

The Board of Managing Directors

Martin Zielke

Age 56, Chairman
Member of the Board of Managing Directors since 5 November 2010

Michael Mandel

Age 52, Private and Small-Business Customers
Member of the Board of Managing Directors since 23 May 2016

Dr. Marcus Chromik

Age 46, Chief Risk Officer
Member of the Board of Managing Directors since 1 January 2016

Dr. Bettina Orlopp

Age 48, Compliance, Human Resources, Legal
Member of the Board of Managing Directors since 1 November 2017

Stephan Engels

Age 57, Chief Financial Officer
Member of the Board of Managing Directors since 1 April 2012

Michael Reuther

Age 59, Corporate Clients
Member of the Board of Managing Directors since 1 October 2006

Jörg Hessenmüller

Age 48, Chief Operating Officer
Member of the Board of Managing Directors since 15 January 2019

Report of the Supervisory Board
Frankfurt/Main, March 2019

Dear Shareholders,

At the 2018 Annual General Meeting you elected me as a member of the Commerzbank Supervisory Board. I would like to take this opportunity to thank you for the trust you have placed in me. In my role as Chairman of the Supervisory Board I would now like to report to you on the work of the Supervisory Board.

During the year under review, the Supervisory Board advised the Board of Managing Directors on its conduct of the Bank's affairs and regularly supervised 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 the economic situation of its individual business segments, its corporate planning, implementation of the Commerzbank 4.0 strategy, compliance issues, the performance of the share price, and the strategic orientation of the Bank, including its risk strategy, and it advised the Board of Managing Directors on these topics. Between meetings, I, as 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 myself up to date with the current business progress and major business transactions within both the Bank and the Group.

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

Meetings of the Supervisory Board

Nine meetings of the Supervisory Board were held during the financial year, plus two full-day strategy meetings: one for the employee representatives and one for the shareholder representatives.

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 Bank's financial and business performance, the risk situation, the strategy and its implementation status, planning, compliance issues, the risk management system and the internal control system. Another area of emphasis of the Supervisory Board's activities was the financial performance and strategy of the individual business segments. The Supervisory Board was also kept continually informed of the status of cooperation with the US monitor.

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 and to the Supervisory Board's satisfaction. 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. When necessary, the Supervisory Board passed resolutions between meetings by way of circulars.

The meeting on 7 February 2018 was held at Commerzbank's Digital Campus, which the Supervisory Board members visited on 6 and 7 February 2018 in order to get a first-hand impression of the work being done by the Campus. At this meeting, discussions centred on the report on the implementation status of the Commerzbank 4.0 strategy and reports on the current business situation and the provisional results for the 2017 financial year. The Supervisory Board also discussed and decided on the variable remuneration of the members of the Board of Managing Directors for 2017 and was informed of the status of the cooperation with the US monitor and internal investigations concerning cum/ex transactions of the Bank. The Group's risk strategies for 2018 were also discussed. In addition, the Supervisory Board addressed the report of the Supervisory Board and the corporate governance report.

At the accounts review meeting on 21 March 2018, the Supervisory Board reviewed the 2017 financial statements for the parent company and the Group and approved them on the Audit Committee's recommendation. The Supervisory Board furthermore approved the proposed resolutions for the agenda of the 2018 Annual General Meeting, including the proposal for the appropriation of profit and the proposals for the election of new Supervisory Board members. The senior management of the European Central Bank's Single Supervisory Mechanism gave a presentation on the main supervisory focal points in 2018, and the Supervisory Board discussed a range of issues with them. The Supervisory Board also received a report on the Bank's IT progress, and it was informed of the current status with regard to compliance and tax issues. It furthermore considered the "4.0 Branch Strategy" for the Private and Small-Business Customers segment. The Supervisory Board also discussed the remuneration report and the 2017 combined separate non-financial report for the Annual Report. Finally, the Supervisory Board decided to extend the appointment of Dr. Marcus Chromik as a member of the Board of Managing Directors and was consulted on the new appointment of the Remuneration Officer and his deputy.

At the meeting on 8 May 2018, the Supervisory Board discussed the programme for the Annual General Meeting.

At the inaugural meeting of the Supervisory Board on 8 May 2018 following the Annual General Meeting, I was elected as the new Chairman of the Supervisory Board. My deputy and the members of the Supervisory Board committees were also elected. Moreover, Klaus-Peter Müller was appointed as Honorary Chairman of the Supervisory Board.

At the meeting on 20 June 2018, the Supervisory Board discussed the report on the current business situation and also once again gave in-depth consideration to the Commerzbank 4.0 strategy and the "Campus 2.0" project. The Supervisory Board also looked at the Group's overall development by comparing its performance in 2015 with that in 2017, the trend of new customers in the Corporate Clients segment and the earnings development in the Private and Small-Business Customers segment. The Supervisory Board was informed about current compliance issues and regulatory audits.

At the meeting on 5 September 2018, the Board of Managing Directors explained the business situation and reported on topics including the planned spin-off of Equity Markets & Commodities and compliance issues. The Supervisory Board decided on the key audit matters for the annual audit of the 2018 financial statements and was informed about the status of the Commerzbank brand. It approved the amendment of the rules of procedure for the Board of Managing Directors and resolved on amendments to the Supervisory Board's rules of procedure. The Supervisory Board was also informed about the design of the remuneration models for Commerzbank employees. It received detailed information on the Remuneration Ordinance for Institutions 3.0 and the requirements it specifies for the remuneration system for the members of the Board of Managing Directors. In addition, the Supervisory Board extended the appointments of Dr. Bettina Orlopp and Michael Mandel as members of the Board of Managing Directors.

The Board of Managing Directors met with employee representatives on 26 September 2018 to conduct in-depth discussions on Commerzbank's strategy, and on 27 September it met with shareholder representatives for the same purpose.

At the meeting on 7 November 2018, the Board of Managing Directors reported on the current business situation, including Commerzbank's first green bond issue, regulatory audits and the impact of various Brexit scenarios on the Bank as well as related measures taken by Commerzbank. The Supervisory Board discussed and acknowledged the business, risk, IT and outsourcing strategies. It also gave in-depth consideration to the formulation of a new remuneration system for members of the Board of Managing Directors and decided to adopt the new system with effect from 1 January 2019. Furthermore, the Supervisory Board addressed its statutory audit duty with regard to the non-financial report (the combined separate non-financial report or "CSR report"). For this purpose, it appointed the professional services firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft based in Eschborn/Frankfurt/Main to audit the combined separate non-financial report as at 31 December 2018 for Commerzbank AG and the Group. In addition, a further audit focus for auditing the 2018 annual financial statements and the interim report for the first quarter of 2019 was agreed. 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, set objectives for the composition of the Supervisory Board, and resolved diversity policies for the composition of the Board of Managing Directors and the Supervisory Board. More details on corporate governance at Commerzbank can be found on pages 23 to 28 of this Annual Report. Finally, the Supervisory Board discussed a range of issues where the Board of Managing Directors was not present.

At an extraordinary meeting of the Supervisory Board on 27 November 2018, the Board of Managing Directors informed the Supervisory Board that Commerzbank had decided not to submit a binding offer for NordLB in the bidding process and explained the reasons for this.

At the last meeting of the year on 5 December 2018, the Supervisory Board discussed the multi-year plan for the period up until 2022 and considered Commerzbank's US business. It also considered and approved the targets for the members of the Board of Managing Directors for 2019. Moreover, the Supervisory Board was informed of compliance and tax law issues. The Supervisory Board resolved to terminate the appointment of Frank Annuscheit as member of the Board of Managing Directors by mutual agreement at the close of 28 February 2019. Jörg Hessenmüller was appointed as his successor; he became a member of the Board of Managing Directors with effect from 15 January 2019.

Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed eight committees from its members. In 2018, the Supervisory Board created a new committee, the Digitalisation and Technology Committee, in order to adequately support the Bank's transformation into a digital enterprise and, in particular, to provide appropriate assistance for the changes to the business model, the development of digital products and processes and the associated changes to the organisational structure and to support the Board of Managing Directors as it advises and monitors the progress made in the Bank's digitalisation and the related IT and investment budgets.

The current composition of the committees is shown on page 15 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 met a total of seven times in the 2018 financial year. It received explanations from the auditors 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 auditors on the current status and individual results of the annual audit of the financial statements including the key audit matters, as well as the results of the audit reviews of the interim reports, and it focused particularly on the effects arising from the first-time application of IFRS 9.

The Audit Committee discussed the financial statements for the parent company and the Group, 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 with the CFO. On the basis of this, the Audit 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.

To safeguard the economic independence of the auditors, the Audit Committee obtained the auditor's declaration of independence pursuant to section 7.2.1 of the German Corporate Governance Code and received and discussed the statement by Group Compliance in relation to this declaration. The Audit Committee also dealt with requests for the auditor to perform non-audit services and adopted a policy in this regard, which is to be applied across the Group. Moreover, the Audit Committee submitted proposals to the

Supervisory Board for the appointment of the auditor, the amount of the auditor's fees and the key audit matters, and for the appointment of an auditor for the combined separate non-financial report.

The work of the Bank's Group Audit and Group Compliance units was also discussed in detail. Both these areas reported regularly about the results of their work and on measures to optimise their work. In addition, through the compliance business reports of the segments and numerous reports on special issues, the Audit Committee kept itself informed about the status of efforts to further develop compliance. In this context, the Audit Committee received regular reports on developments in the monitorship in the USA and the status of implementation of the monitor's findings as well as the latter's final report. Tax compliance was another focus of the Audit Committee's work. It also received information on other internal and external (regulatory) investigations and obtained regular reports on the progress in implementing regulatory findings.

The Audit Committee also reviewed the effectiveness of the Bank's risk management system and internal control system in particular. It further took note of 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 and the MiFiD II/MiFiR projects.

The Risk Committee convened a total of six times in the 2018 financial year. At its meetings, it closely examined the Bank's risk situation and risk management, devoting particular attention to the overall risk strategy for 2018, the sub-risk strategies and credit, market, liquidity, counterparty and operational risks as well as reputational and compliance 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; in this context, it dealt in particular with the sale of Equity Markets & Commodities. Moreover, it was briefed on measures taken by the Bank to prevent cyber crime and on the Bank's recovery plan. It reviewed also whether terms and conditions in customer business are compatible with the Bank's business model and risk structure. It also discussed various stress tests and their results, in particular the 2018 EBA stress test. The meetings included consideration of the employee remuneration system and the audits and risk assessment of Commerzbank by its regulators. The Risk Committee examined Commerzbank's risk-bearing capacity, major loans to Commerzbank Group companies, loans to officers at those companies and high-risk exposures.

During the year under review, the Presiding Committee held eight meetings and one joint meeting with the Remuneration Control Committee. 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 strategy. The Committee also resolved on amendments to the model employment agreement and current employment agreements for members of the Board of Managing Directors. It agreed to members of the Board of Managing Directors taking up mandates in other companies and considered loans to employees and officers of the Bank. Urgent resolutions were passed by way of circulars. Together with the Remuneration Control Committee, the Presiding Committee deliberated on the termination of the appointment of Frank Annuscheit to the Board of Managing Directors by mutual agreement.

In addition to the above-mentioned joint meeting of the Presiding Committee and the Remuneration Control Committee, the Remuneration Control Committee met five times. It gave in-depth consideration to the changes to the remuneration of members of the Board of Managing Directors in the light of the Remuneration Ordinance for Institutions 3.0 and prepared the relevant resolutions for the meeting of the Supervisory Board. It also considered the target achievement of the Board of Managing Directors for 2017 and reviewed the setting of the total amount of variable remuneration for employees in respect of 2017. The Remuneration Control Committee was also consulted on the new appointment of the Remuneration Officer and his deputy. It examined the appropriateness of the design of the remuneration systems for employees and the Board of Managing Directors. Finally, the Remuneration Control Committee considered the objectives of the members of the Board of Managing Directors for 2019.

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 addressed the trend of headcount reduction, the implementation of the Commerzbank 4.0 strategy from an HR perspective and the reorganisation of the Group head office including implementation with respect to HR as part of “Campus 2.0”. It furthermore dealt with the topics of diversity management, the occupational pension scheme and general HR indicators.

The Nomination Committee held eight meetings during the year under review. It gave in-depth consideration to the new membership of the Supervisory Board and its committees for the period after the 2018 Annual General Meeting.

The Nomination Committee also deliberated on the extension of appointments to the Board of Managing Directors and the successor to Frank Annuscheit and recommended resolutions accordingly to the meeting of the Supervisory Board. The Nomination Committee furthermore deliberated on the future successor to Michael Reuther. It also addressed the duties of the Nomination Committee pursuant to Art. 25d (11) sentence 2 of the German Banking Act, in particular the assessment of the Supervisory Board and Board of Managing Directors required by that act. The Nomination Committee additionally developed and adopted a suitability guideline for the Board of Managing Directors and the Supervisory Board of Commerzbank. Finally, the Nomination Committee reviewed the principles and processes of the Board of Managing Directors for the selection and appointment of persons at top management level.

The Digitalisation and Technology Committee, which was newly created in the year under review, convened for two meetings, during which it primarily gave in-depth consideration to the status of the progress made with digitalisation in the context of the Commerzbank 4.0 strategy and “Campus 2.0”. It also discussed issues such as cultural change. The Digitalisation and Technology Committee furthermore covered the topics of big data and advanced analytics in depth and received an IT status report and considered the Bank’s IT investments and IT budget.

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 body of the Supervisory Board.

Conflicts of interest

In accordance with section 5.5.2 of 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 potential conflicts of interest to the Chairman of the Supervisory Board or the Chairman's deputy, who will in turn consult with the Presiding Committee and disclose the conflict of interest to the Supervisory Board. No member of the Supervisory Board declared a potential 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.

In 2018, following the Supervisory Board elections, a two-day onboarding event was held for the newly elected Supervisory Board members, with the re-elected members also attending. The new Supervisory Board members were additionally offered individually tailored internal qualification and induction measures. Divisions such as Risk and Compliance provided individual Supervisory Board members with in-depth insight into their activities and organisation. Some members also visited branch offices, where presentations were given on the Know Your Customer process, for example.

Further training and development takes place regularly. In 2018, this included talks on the "Remuneration Ordinance for Institutions 3.0 – requirements for the remuneration system for members of the Board of Managing Directors" in meetings of the Supervisory Board and "Big data & advanced analytics" in the Digitalisation and Technology Committee and a workshop on "Modelling deposits and loans and the impact on the refinancing model" for members of the Risk Committee.

Various Supervisory Board members also took part in in-house and external training. Board members were offered the opportunity to take part in a separate meeting with the auditors on the annual financial statements in advance of the Board's accounts review meeting. Additionally, regular dinners were organised to facilitate exchanges between Supervisory Board members and various persons from top management.

Participation in meetings

In the year under review, every member of the Supervisory Board attended more than half of the plenary sessions held during their term of office. Specifically, during their respective terms of office, Beate Mensch, Stefan Burghardt, Dr. Rainer Hillebrand and Nicholas Teller were each absent from one meeting and Dr. Markus Kerber was absent from three meetings out of the total of nine meetings of the Supervisory Board.

Dr. Markus Kerber was absent from one meeting of the Presiding Committee. Stefan Burghardt was absent from one meeting of the Risk Committee. Dr. Rainer Hillebrand was absent from one meeting of the Digitalisation and Technology Committee and from two meetings of the Risk Committee. Stefan Wittmann was absent from one meeting of the Social Welfare Committee.

Otherwise, the members of the Supervisory Board attended all Supervisory Board and committee meetings during their terms of office.

In general, Supervisory Board members issue voting instructions if they are unable to attend a meeting of the Supervisory Board or a committee meeting.

Parent company and Group financial statements

The auditor and Group auditor appointed by the Annual General Meeting – the professional services firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), based in Eschborn/Frankfurt am Main – audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and also 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 the 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 20 March 2019. At the meeting on 22 March 2019, the Supervisory Board examined and approved the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. The auditors attended the above-mentioned meetings of the Audit Committee and the plenary Supervisory Board, where they explained the main findings of their 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 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.

The Audit Committee and the Supervisory Board also reviewed the combined separate non-financial report as at 31 December 2018 for Commerzbank AG 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 20 March 2019 and by the Supervisory Board at its meeting on 22 March 2019. 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.

Changes in the Supervisory Board and the Board of Managing Directors

Beate Mensch, Klaus-Peter Müller, Hans-Hermann Altenschmidt, Karl-Heinz Flöther, Stefan Jennes, Oliver Leiberich, Dr. Stefan Lippe, Dr. Helmut Perlet and Mark Roach left the Supervisory Board of Commerzbank at the end of the Annual General Meeting on 8 May 2018.

Monika Fink, Kerstin Jerchel, Dr. Victoria Ossadnik. Alexander Boursanoff, Dr. Rainer Hillebrand, Robin J. Stalker, Stefan Wittmann and myself became new members of the Supervisory Board of Commerzbank at the end of the Annual General Meeting on 8 May 2018.

Jörg Hessenmüller joined the Board of Managing Directors of Commerzbank on 15 January 2019. Frank Annuscheit stepped down from the Board of Managing Directors at the close of 28 February 2019. We would like to thank Mr. Annuscheit for his excellent performance and great commitment to Commerzbank.

We would also like to thank all departed Supervisory Board members for their dedication and outstanding service. Special thanks go to Klaus-Peter Müller, who worked for Commerzbank for almost 52 years in various roles in Germany and abroad. As an expression of its gratitude and in extraordinary recognition of the services provided by Klaus-Peter Müller, his loyalty and unwavering commitment, the Supervisory Board appointed Mr. Müller as Honorary Chairman of the Supervisory Board on 8 May 2018.

We would also like to thank the Board of Managing Directors and all our employees for their outstanding commitment and performance in 2018.

For the Supervisory Board

Dr. Stefan Schmittmann
Chairman

Committees of the Supervisory Board

Presiding Committee
Compensation Control Committee

Dr. Stefan Schmittmann
Chairman

Christian Höhn

Dr. Markus Kerber

Uwe Tschäge

Nomination Committee

Dr. Stefan Schmittmann
Chairman

Christian Höhn

Dr. Markus Kerber

Nicholas Teller

Uwe Tschäge

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

Dr. Stefan Schmittmann
Chairman

Christian Höhn

Nicholas Teller

Uwe Tschäge

Audit Committee

Dr. Tobias Guldimann
Chairman

Gunnar de Buhr

Monika Fink

Anja Mikus

Robin J. Stalker

Dr. Gertrude Tumpel-Gugerell

Social Welfare Committee

Dr. Gertrude Tumpel-Gugerell
Chairwomen

Stefan Burghardt

Sabine U. Dietrich

Anja Mikus

Uwe Tschäge

Stefan Wittmann

Risk Committee

Nicholas Teller
Chairman

Stefan Burghardt

Dr. Tobias Guldimann

Dr. Rainer Hillebrand

Dr. Markus Kerber

Robin J. Stalker

Committee for Digitalisation and Technology

Sabine U. Dietrich
Chairwomen

Heike Anscheit

Gunnar de Buhr

Dr. Rainer Hillebrand

Anja Mikus

Dr. Viktoria Ossadnik

Dr. Stefan Schmittmann

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Dr. Stefan Schmittmann

Age 62, Member of the Supervisory Board since 8 May 2018, Chairman of the Supervisory Board of Commerzbank Aktiengesellschaft

Stefan Burghardt[1]

Age 59, Member of the Supervisory Board since 19 April 2013, Branch Manager Mittelstandsbank Bremen

Uwe Tschäge[1]

Age 51, Deputy Chairman of the Supervisory Board
since 30 May 2003, banking professional

Sabine U. Dietrich

Age 58, Member of the Supervisory Board since 30 April 2015, former member of the Management Board of BP Europa SE

Heike Anscheit[1]

Age 48, Member of the Supervisory Board since 1 January 2017, banking professional

Monika Fink[1]

Age 49, Member of the Supervisory Board since 8 May 2018, banking professional

Alexander Boursanoff[1]

Age 55, Member of the Supervisory Board since 8 May 2018, banking professional

Dr. Tobias Guldimann

Age 57, Member of the Supervisory Board since 3 May 2017, independent consultant in the financial sector

Gunnar de Buhr[1]

Age 51, Member of the Supervisory Board since 19 April 2013, banking professional

Dr. Rainer Hillebrand

Age 62, Member of the Supervisory Board since 8 May 2018, Vice Chairman of the Executive Board of the Otto Group

[1] Elected by the Bank's employees.

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

Christian Höhn[1]

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

Dr. Victoria Ossadnik

Age 50, Member of the Supervisory Board since 8 May 2018, Chief Executive Officer of E.ON Energie Deutschland GmbH

Kerstin Jerchel[1]

Age 47, Member of the Supervisory Board since 8 May 2018, Divisional Head for Co-determination, ver.di National Administration

Robin J. Stalker

Age 61, Member of the Supervisory Board since 8 May 2018, former Member of the Executive Board of adidas AG

Dr. Markus Kerber

Age 55, Member of the Supervisory Board since 19 April 2013, State Secretary at the Federal Ministry of the Interior, Building and Community

Nicholas Teller

Age 59, Member of the Supervisory Board since 8 May 2014, Chairman of the Advisory Board of E.R. Capital Holding GmbH & Cie. KG

Alexandra Krieger[1]

Age 48, Member of the Supervisory Board since 15 May 2008, Head Business Administration/Corporate Strategy Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie)

Dr. Gertrude Tumpel-Gugerell

Age 66, Member of the Supervisory Board since 1 June 2012, former member of the Executive Board of the European Central Bank

Anja Mikus

Age 60, Member of the Supervisory Board since 30 April 2015, CEO/CIO of the foundation “Fund for the Financing of Nuclear Waste”

Stefan Wittmann[1]

Age 50, 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 international stock markets were defined by a host of geopolitical events in the 2018 reporting year, including the ongoing tensions in the global trade war between the USA, China and Europe; political elections, in particular in Italy and Turkey; ongoing uncertainty about a potential Brexit agreement between the UK and the European Union; and continuing political conflicts in the Middle East. Internal policy developments, such as the protracted budget negotiations between the EU and Italy, and sociopolitical challenges, such as those in France, have also proven to be adverse factors in the context of the European stock markets. With the gradual deterioration in Europe's economic performance and dwindling prospects of an initial rate hike by the European Central Bank (ECB) in 2019, banks and cyclical stocks in particular came under pressure. Not least, the reciprocal announcement of trade tariffs increasingly gave rise to tense developments and waning confidence. The German stock market gradually weakened over the course of the year, and the euro exchange rate fell as the US dollar gained strength. The DAX lost 18.3% over the course of the year, thus posting its worst performance since 2008, while the EURO-STOXX 50 fell by 14.3%. Falling rate expectations – and a diminished outlook for overall economic performance – led to considerable price declines among European banks and cyclical stocks in particular. German Bunds profited from rising risk aversion in connection with the debt problem in Italy; this weighed mainly on European bank stocks, in particular the Commerzbank share.

The Commerzbank share

The Commerzbank share price was on a consistent downward trend over the course of the year, which intensified in the fourth quarter and resulted in an annual performance of –53.8%. Lower rate expectations dampened the outlook for medium-term interest income, which triggered income adjustments at Commerzbank because of its high interest rate sensitivity. Trade conflicts and global risk factors in turn clouded the outlook for the German export industry and, likewise, the earnings prospects of international trade financing.

In particular, the persistently controversial budget situation in Italy triggered a considerable increase in Italian yields and weighed heavily on the banking sector, which came under increased selling pressure, not least in connection with a potentially unregulated Brexit. As a result, takeover speculation in the European banking sector increasingly took a back seat, which benefited the Commerzbank share to an above-average extent in the previous year. Since 24 September 2018, Commerzbank has been listed in the MDAX. The removal of Commerzbank from the DAX at the regular review date in September had been widely anticipated. Therefore, the event itself did not result in any notable changes in the share price. With a closing price of €5.78 at the end of 2018, the Commerzbank share came very close to its 12-month low of €5.50.

Due to the share's significant price loss, the market capitalisation of Commerzbank fell to €7.2bn as at year-end (high: €17.2bn; low: €6.9bn), compared with €15.7bn a year earlier. In terms of its price-to-book ratio, Commerzbank traded in a range of 0.3 to 0.7 over the course of the year. By way of comparison, the EURO STOXX Banks Index had a price-to-book ratio of 0.8–1.2x. The daily turnover of Commerzbank shares – i.e. the number of shares traded – was down year-on-year in 2018. The average daily trading volume in the year under review was 9.3 million shares, compared with 11.9 million shares in 2017. The lower trading volume must be viewed particularly in the context of Commerzbank's removal from the DAX during the financial year, as stocks in that index have higher average trading volume than stocks in the MDAX.

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

Given the fact that more than 95% of the trading volume in Commerzbank shares occurs on the Frankfurt Stock Exchange (floor trading and Xetra), at the end of the financial year the Bank decided to consolidate trading in its shares in Frankfurt in future and to end the listings on regional German stock exchanges, the Swiss Exchange and the London Stock Exchange. In contrast, the ADR (American Depositary Receipt) programme remains in place in the USA.

Commerzbank share – key figures

On an unchanged number of shares, the earnings per share rose from €0.10 to €0.69 in 2018. Restructuring costs amounting to €808m significantly impacted the prior year's result. Owing to the higher operating profit, which was attributable to the successful implementation of "Commerzbank 4.0", and the Bank's comfortable capitalisation, the Bank improved its income and risk profile in the reporting year.

Highlights of the Commerzbank share	2018	2017
Shares issued in million units (31.12.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	13.82	12.96
Low	5.50	6.97
Closing price (31.12.)	5.78	12.51
Daily trading volume[1] in million units		
High	32.2	46.0
Low	3.7	2.6
Average	9.9	11.9
Index weighting in % (31.12.)		
MDAX	2.8	.
EURO STOXX Banks	0.8	1.7
Earnings per share in €	0.69	0.10
Book value per share[2] in € (31.12.)	22.53	23.04
Net asset value per share[3] in € (31.12.)	21.34	21.88
Market value/Net asset value (31.12.)	0.27	0.57

[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.

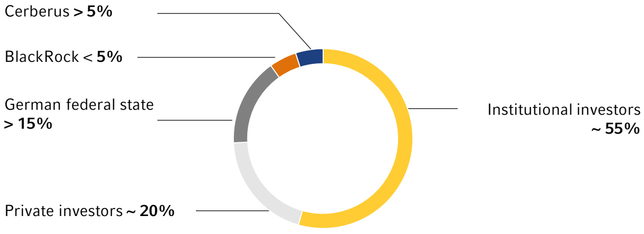
Commerzbank's weight in the MDAX was around 2.8%, compared with around 0.9% in the DAX in the prior year. In addition to being a constituent of the European sector index EURO STOXX Banks, Commerzbank was also represented in 2018 in several sustainability indices that place particular emphasis on environmental and ethical criteria alongside economic and social factors.

Selected Indices containing the Commerzbank share
Blue chip indices
MDAX
EURO STOXX Banks
Sustainability indices
ECPI EMU Ethical Equity
ECPI Euro Ethical Equity
ECPI Euro ESG Equity
ECPI World ESG Equity

Shareholder structure and analyst recommendations

As at 31 December 2018, approximately 45% of Commerzbank shares were held by our major shareholders – the Federal Republic of Germany, Cerberus and BlackRock – as well as our mostly German-based private shareholders. Around 55% of Commerzbank shares were in the hands of institutional investors. The free float stood at just under 80%.

Shareholder structure
As at 31 December 2018



Some 28 analysts provided regular coverage of Commerzbank during 2018. At the end of 2018, the proportion of buy recommendations was 45%, compared with 20% in the prior year. A further 45% of analysts recommended a hold, while 10% of analysts recommended selling our shares, compared with 20% in the prior year. The average price target of analysts at the year-end was €10.12, compared with €11.38 at the end of 2017.

Commerzbank's ratings

The German Resolution Mechanism Act (Abwicklungsmechanismusgesetz or AbwMechG), which took effect two years ago, redefined the rules applying to bail-ins in Germany via debt write-downs or debt/equity swaps. It amended the existing creditor hierarchy for senior unsecured debt, as a result of which some capital instruments that previously ranked equally with one another are now treated preferentially or as subordinated. In particular, complex structured liabilities, where bail-ins can be hard to enforce, are now senior to plain vanilla capital instruments. Rating agencies have already revised their rating methodologies in recent years to take account of the varying probabilities of different capital instruments being bailed in under a resolution scenario. The main impact of the new legislation was firstly to open up a significant gap in ratings between an issuer's unsecured liabilities that had previously been treated identically. At the same time, the number of ratings increased to reflect the differing probabilities and extent of participation in losses for the different classes of liabilities in the event of resolution (liability cascade). Commerzbank benefited from the establishment of new rating classes. Agencies' ratings for preferred senior unsecured debt and ratings for deposits not covered by the deposit protection scheme tend to be at the same level, which in the case of Commerzbank is in "A" territory.

By issuing counterparty ratings, agencies are now for the first time providing ratings for unsecuritised contractual obligations, such as the probability of default of a bank as a counterparty in derivative transactions and repurchase obligations, which in the case of Commerzbank are also in "A" territory.

Agencies share the basic assumption that certain core activities of an insolvent bank would be maintained even in the event of resolution, in order to safeguard the systemic stability of the banking sector.

Rating events in 2018

Moody's awarded its new counterparty risk rating (CRR) for the first time in June 2018. This rating indicates the probability of default and the expected loss in the event of a bank's insolvency and applies to a limited form of liabilities, in particular to the unsecured portion of certain financial obligations of counterparties, such as unsecured derivative liabilities.

In August, the counterparty rating, deposit rating and rating for preferred senior unsecured debt was upgraded from the original "A2" to "A1" and the rating for subordinated liabilities was upgraded to "Baa3". This was due to the increase in the stand-alone rating by one level to "baa2" owing to the Bank's improved risk situation, progress with the "Commerzbank 4.0" strategy and its strong capital position. Due to methodological changes, the issuer rating was raised to the level of the rating for preferred senior unsecured debt, thus increasing by three levels to "A1".

S&P assigned the new resolution counterparty rating (RCR) to German banks in June 2018. Commerzbank's RCR is "A", one level higher than its issuer rating ("A–" negative outlook).

Fitch confirmed Commerzbank's ratings in the year under review in the course of its regular rating reviews. The Bank's derivative counterparty rating and deposit rating are "A–", its issuer rating is "BBB+" with a stable outlook and its stand-alone rating is "bbb+".

Scope kept the issuer rating ("issuer credit strength rating") at "A" with a stable outlook. Unsecured liabilities, where bondholders are subject to bail-in under a resolution scenario, are rated one notch lower at "A–".

Corporate Responsibility

› We acknowledge the principles of sound, responsible management as laid down in the German Corporate Governance Code and follow virtually all of the recommendations and suggestions it makes. Pages 23 to 28 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 48 to 60.

Contents

Corporate governance report and declaration on corporate governance

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

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

In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practised at Commerzbank AG. This report also includes the declaration on corporate governance pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB).

Recommendations of the German Corporate Governance Code

Commerzbank AG and its subsidiaries that are required by law to do so declare every year whether the recommendations made by the Commission for the German Corporate Governance Code regarding conduct have been and are being complied with, and they explain which individual recommendations are not being implemented and the reasons why. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies; Commerzbank AG's declarations can be found at https://www.commerzbank.com. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2018.

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

- 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.com.

- 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 on 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. Under this legislation, the Supervisory Board is entitled to adjust the targets and other parameters for determining variable remuneration components in exceptional circumstances, so as 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 has an entitlement to an annual pension module, the amount of which is determined as a percentage of that individual's 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.

- 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 AG. Commerzbank AG therefore deviated from this recommendation in its remuneration report for 2017 and does so again in the remuneration report for 2018. Commerzbank AG has created its own tables which provide clear and transparent information on its board remuneration system. Commerzbank AG has decided to present only the tables that it created itself and those are 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 must support the Supervisory Board in identifying candidates to fill positions on bank management bodies. At Commerzbank AG, this task was formerly performed by the Presiding Committee, in which employee representatives were also included. In order to maintain the established practice at Commerzbank AG of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank AG Supervisory Board's Nomination Committee are employee representatives.

- Section 5.4.1 (2) sentence 2 of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, while considering the specific situation at the company, appropriately take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified limit on length of service on the Supervisory Board and diversity. The Supervisory Board of Commerzbank AG regularly sets specific targets for its composition, appropriately taking into account the criteria listed in section 5.4.1 (2) sentence 2 of the Code. However, it had not yet set a limit on the normal length of service on the Supervisory Board, as the Supervisory Board takes the view that continued service frequently has to be decided in respect of the individual member. This is now reflected by means of a limit that allows exceptions to be made for the Supervisory Board in justified individual cases and gives priority to the provisions of the Codetermination Act for employee representatives. This means that the Code's recommendation pursuant to section 5.4.1 (2) sentence 2 is now and will be fully complied with.

Suggestions of the German Corporate Governance Code

Commerzbank AG also largely complies with the suggestions of the German Corporate Governance Code, deviating from them in only a few points:

- In a departure from section 2.3.2, the proxy can only be reached up to the day prior to the Annual General Meeting. However, shareholders present or represented at the Annual General Meeting are able to give instructions to the proxy at the meeting itself as well.

- In section 2.3.3, it is suggested that shareholders be able to watch the Annual General Meeting on the internet. Up to and including the 2018 financial year, Commerzbank has broadcast the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. This allowed shareholders to discuss matters freely with the management, without a wide-scale public broadcast. From financial year 2019 onwards, Commerzbank AG will broadcast the Annual General Meeting in its entirety on the internet for shareholders and thus fully comply with the suggestion set out in section 2.3.3.

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

Commerzbank AG and its subsidiaries are committed to their corporate, environmental and social responsibilities. In order to ensure sustainable corporate governance, extensive standards have been defined in various spheres of activity, which are published on Commerzbank AG's homepage at https://www.commerzbank.com.

The ComValues thus 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 ComValues, Commerzbank AG has set out codes of conduct for acting with integrity, which provide all Commerzbank Group employees with a binding framework for lawful and ethically appropriate conduct in the day-to-day working environment.

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

In its capacity as a key financier of the German economy, Commerzbank AG has also defined various positions and guidelines for its core business, including environmental guidelines formulated with a special focus on the environment. These guidelines are important reference points for the orientation of the core business as well as for managing the impacts on the environment.

Board of Managing Directors

The Board of Managing Directors of Commerzbank AG 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 AG'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 our website at https://www.commerzbank.com.

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the remuneration report on pages 29 to 40.

Supervisory Board

The Commerzbank AG Supervisory Board advises and supervises the Board of Managing Directors in its management of the Bank. It appoints and dismisses members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures that there is long-term succession planning. 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.

The composition of the Supervisory Board and its committees is presented on pages 15 to 17 of this Annual Report. Details of the work of this committee, its structure and its control function can be found in the report of the Supervisory Board on pages 6 to 14. Further details on how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available online at https://www.commerzbank.com.

Section 5.4.1 (2) of the Code recommends that the Supervisory Board should set concrete objectives and draw up a profile of skills and expertise for the board as a whole. While taking into consideration the company's specific situation, the composition of the Supervisory Board should appropriately reflect the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, an age limit for members of the Supervisory Board, a limit on the normal length of service on the board and diversity. The special requirements of the German co-determination legislation need to be taken into account for the elected employee representatives.

In accordance with section 5.4.1 (4) of the Code, the appointments proposed by the Supervisory Board to the Annual General Meeting should take account of the Supervisory Board's objectives and targets 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 corporate governance report.

The Supervisory Board of Commerzbank AG 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 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 section 5.4.2 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank AG. The normal length of service of individual members of the Supervisory Board should not exceed a period of 15 years, whereby the provisions of the German Codetermination Act must be observed and given priority for the employee representatives. 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 Supervisory Board has resolved a detailed profile of skills and expertise for the board as a body, which may be consulted on Commerzbank's website at https://www.commerzbank.com. The Supervisory Board takes account of the targets and requirements set out there in its election proposals to the Annual General Meeting and the regular assessment of the Supervisory Board as a whole and its individual members. None of the members of the Supervisory Board elected at the Annual General Meeting exceed the normal length of service. All other targets set by the Supervisory Board for its composition and skills profile were also implemented as at 31 December 2018.

In accordance with section 5.4.1 (4) of the Code, the corporate governance report should also provide information on what, in the view of the Supervisory Board, is the appropriate number of independent shareholder members and the names of these members. Under section 5.4.2 of the Code, a Supervisory Board member is not considered independent if he or she has a personal or business relationship with the company, its corporate bodies, a controlling shareholder or a company affiliated with a controlling shareholder that could lead to a significant, non-transient conflict of interest. The employee representatives are not taken into account in this assessment of independence.

Applying the above-mentioned criteria, all ten shareholder representatives can be classified as "independent", namely Dr. Stefan Schmittmann, Sabine U. Dietrich, Dr. Tobias Guldimann, Dr. Rainer Hillebrand, Dr. Markus Kerber, Anja Mikus, Dr. Victoria Ossadnik, Robin Stalker, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell.

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 accordance with section 5.6 of the German Corporate Governance Code, the Supervisory Board reviewed the efficiency of its work in the 2018 financial year as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act. The results of the efficiency audit were presented to the plenary session for discussion. The members of the Supervisory Board believe that the board works in an efficient manner and to a high standard overall. Suggestions from members of the Supervisory Board have been and continue to be taken into account for future activities.

Under section 5.5.2 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 AG Supervisory Board are given on pages 40 to 42 of the remuneration report.

Diversity

At Commerzbank AG and in the Group companies, consideration is given to diversity in the composition of the Board of Managing Directors, appointments to management and recommendations for the election of Supervisory Board members (sections 4.1.5, 5.1.2 and 5.4.1 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 AG 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 section 5.4.2 of the Code and not more than two former members of the Board of Managing Directors of Commerzbank AG. The normal length of service of individual members of the Supervisory Board should not exceed a period of 15 years, whereby 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. 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 also strive to attain a percentage of female representation among employee representatives of at least 30%.

As at 31 December 2018, the Supervisory Board of Commerzbank AG 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 to by law, they have also set their own targets for the proportion of women on their supervisory boards.

Diversity policy and targets for the Board of Managing Directors

The Nomination Committee of Commerzbank AG'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 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 AG's Board of Managing Directors, for which the company is required by law to stipulate a target, the Supervisory Board has set a target of at least one female member by 31 December 2021.

This target has already been met. Dr. Bettina Orlopp, responsible for Compliance, Human Resources and Legal, has been a member of the Board of Managing Directors of Commerzbank AG since 1 November 2017. The proportion of women on Commerzbank AG's Board of Managing Directors is thus 14.3%.

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

The full Board of Managing Directors last set new targets for female representation in the first and second management levels of Commerzbank AG (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 AG 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 2018, the first management level below the Board of Managing Directors in Commerzbank AG consisted of 35 people, of whom 30 were male and 5 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 14.3%.

The second management level below the Board of Managing Directors consisted of 360 people, 298 of whom were male and 62 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 17.2%.

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

In the Group, the first management level below the Board of Managing Directors consisted of 41 people, of whom 36 were male and 5 female. The percentage of women at the first level of management below the Board of Managing Directors as at the reporting date was therefore 12.2%.

The second management level below the Board of Managing Directors consisted of 431 people, 363 of whom were male and 68 female. This means that the percentage of women in the second level of management below the Board of Managing Directors was 15.8%.

Accounting

Accounting in the Commerzbank Group and Commerzbank AG gives a true and fair view of the assets, liabilities, financial position and financial performance 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 AG 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. This appears on pages 107 to 142 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.

In 2015, the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) of the German Stock Corporation Act, gave the Annual General Meeting the opportunity to vote on the approval of the remuneration system for members of the Board of Managing Directors. The 2015 Annual General Meeting approved the principles of the variable remuneration system and the fixed basic annual salary for members of the Board of Managing Directors. The 2015 Annual General Meeting also voted on the ratio of variable to fixed annual remuneration for members of the Board of Managing Directors pursuant to Art. 25a (5) sentence 5 of the German Banking Act and approved an increase in the cap on variable annual remuneration for members of the Board of Managing Directors of Commerzbank AG to 140% of the respective fixed annual remuneration set from 2015 onwards. The revised remuneration system of the Board of Managing Directors effective from 1 January 2019 is described in more detail in the remuneration report on pages 39 and 40 and will be presented and explained to the Annual General Meeting 2019.

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. 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 AG informs the public – and consequently shareholders as well – about the Bank's financial position and financial performance four times a year. Corporate news that may affect the share price is also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results in press conferences and analysts' meetings. Commerzbank uses the options offered by the internet for reporting purposes, providing a wealth of information about the Commerzbank Group at https://www.commerzbank.com. Materials including the Commerzbank Articles of Association and the rules of procedure of the Board of Managing Directors and the Supervisory Board are available online, for instance. 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 the 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. It had become necessary to introduce a new system to bring the remuneration of the Board of Managing Directors into line with new and/or amended rules under the Capital Requirements Directive IV, the German Banking Act and the Remuneration Ordinance for Institutions. The system also needed to be simplified, so as to improve its transparency and its clarity in respect of success measurement. However, the components of the old system that had not been paid out in full by 1 January 2015 continue to be governed exclusively by the rules of that system, which is described in the remuneration report for 2014. This now only concerns the share component from the long-term remuneration components (LTI components) for the 2014 financial year, which will be paid out in April 2019. On 7 November 2018, the Supervisory Board made the decision to amend the remuneration system to bring it into line with the revised version of the Remuneration Ordinance for Institutions of 4 August 2017. It also decided to convert some of the variable remuneration components into fixed remuneration components. The changes entered into force on 1 January 2019 and have been contractually agreed with all members of the Board of Managing Directors. An overview of the main changes can be found at the end of this section. The following describes the remuneration system as applied in the 2018 financial year.

Core elements of the remuneration system

The core elements of the remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. 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.

Fixed remuneration components

The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €750 thousand for ordinary members of the Board of Managing Directors. The Chairman of the Board of Managing Directors receives 1.75 times this amount, i.e. €1,312,500. 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 (accident insurance), 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 the (i) economic value added (EVA) target achievement by the Commerzbank Group, (ii) target achievement by the department (segment and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) achievement of individual performance targets. Target achievement for the Group and the department and individual performance can each be between 0% and 200%; however, the overall level of target achievement from these three components is limited to 150%. Multiplying the overall level of target achievement by the target amount for variable remuneration purposes gives the total amount of variable remuneration based on target achievement. Thus, the total amount of variable remuneration based on target achievement is capped at a maximum of 150% of the Board member's target variable remuneration.

Target amount The target amount of variable remuneration is €1,000,000 for the ordinary members of the Board of Managing Directors and €1,628,640 for the Chairman, based on target achievement of 100%. The Supervisory Board may reduce the target amount if this is necessary to comply with the maximum ratio of fixed to variable remuneration. This can happen if non-monetary remuneration or the service cost for the company pension arrangements for members of the Board of Managing Directors are reduced, as these are both included in the fixed remuneration.

Target setting Before the beginning of each financial year, the Supervisory Board sets targets for the members of the Board of Managing Directors:

- **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.

  In 2018, the Supervisory Board formulated the Group target for all of the members of the Board of Managing Directors as a performance curve on the basis of EVA values. The Supervisory Board likewise set corresponding performance curves for the Private and Small-Business Customers and Corporate Clients segments. The performance curves are based on the expected return of the Group or segments and not on one-year targets or sales targets. In addition to the quantitative targets, the Supervisory Board also set qualitative targets specific to the departments for which the respective members of the Board of Managing Directors are responsible. The qualitative targets pertain in particular to aspects of implementing the Commerzbank 4.0 strategy, such as promoting cultural willingness to change and implementation of the new advisory models in the customer segments of the Bank. Furthermore, the Supervisory Board set targets for attaining the intended earnings growth and cost reductions, such as increasing new business volumes in the Private and Small-Business Customers segment and increasing market share in the Corporate Client business, and targets for digitalisation and automation. The Supervisory Board also set specific compliance and risk targets.

- **Individual targets** The Supervisory Board also sets individual performance targets for the members of the Board of Managing Directors.

  For 2018, for example, these included achieving the digital change targets, promoting the Group's ability to innovate and achieving maximum performance from the Bank's digital campus. Other targets included promoting, developing and motivating managers and employees, sustainable implementation of appropriate compliance and ensuring a high standard of risk management. Lastly, the Supervisory Board defined employee and customer satisfaction and perception of the Bank as a digital enterprise as individual targets.

Target achievement Following the end of each financial year, the Supervisory Board decides to what extent the targets were achieved. 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. Target achievements is measured over a three-year period, with achievement of the company targets for the financial year in question being given a weighting of 3/6, the previous year 2/6 and the year before that 1/6. A transitional arrangement applies to the first two years for newly appointed members of the Board of Managing Directors. The results of the three-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. 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. Individual target achievement in 2018 lay in a range between 100% and 130%, resulting in corresponding factors of between 1.0 and 1.2.

Variable remuneration will only be applied if the Group achieves a profit before taxes and before adjusting for non-controlling interests according to IFRS.

The Supervisory Board may resolve to reduce or cancel the variable remuneration if necessary, for example to take account of the Bank's risk-bearing capacity or ability to ensure that it can maintain or rebuild sufficient capital or liquidity resources over the long term or to safeguard its ability to meet the capital buffer requirements of the German Banking Act. If predefined levels are not met, the Supervisory Board must cancel the variable remuneration. The Supervisory Board must also cancel the variable remuneration of a member of the Board of Managing Directors if said member has committed a serious breach of duty during the financial year in question prior to the determination of target achievement.

For 2018, the Supervisory Board reduced the respective arithmetic level of overall target achievement, and hence the variable remuneration, of the members of the Board of Managing Directors, applying an adjustment clause under the rules of the remuneration system applicable to the Board of Managing Directors. Instead of the respective arithmetic level of overall target achievement, the Supervisory Board decided, in line with the request of the members of the Board of Managing Directors, to adjust the figure to the respective allocation ratios for variable employee remuneration in the different departments. The result was a reduction in the arithmetic level of overall target achievement to figures between 24% and 30%.

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. The share-based half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the STI was awarded.

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 retrospective performance evaluation can result in the LTI being reduced or cancelled completely. This mainly applies when facts subsequently emerge which reveal that the original calculation of target achievement was incorrect or the Bank's capital adequacy has significantly deteriorated due to circumstances related to that financial year. This would also apply if there had been a significant failure in risk management in that financial year at Group level or in a department for which the Board member is responsible, or if the Bank's financial position at the time of the retrospective performance evaluation or at the end of the ensuing waiting period precluded payment. 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 share-based. As with the share-based part of the STI, the share-based half of LTI is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the LTI was awarded. The share-based half of the LTI therefore reflects the performance of the Commerzbank share during the five-year retention period and the subsequent waiting period.

Remuneration for serving on the boards of consolidated 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.

Pension provision

Rules for members of the Board of Managing Directors in office in 2011 The company pension scheme adopted in 2011 by the Supervisory Board for members of the Board of Managing Directors contains a defined contribution benefit for members of the Board of Managing Directors in office at the time.

Each member of the Board of Managing Directors receives a pension module credited to their pension account every year until the end of their term in office. The pension module for a calendar year is calculated by converting the relevant annual contribution into an entitlement to a retirement, disability and surviving dependants' pension. The pension account represents the pension entitlement the Board member has accrued for an annual retirement pension. Since 2015, increases in the fixed annual salary only increase the pension module if so resolved by the Supervisory Board.

Company pension entitlements acquired under the old company pension scheme for members of the Board of Managing Directors before the transition to the new system have been transferred to this new system as an initial module. The initial module is adjusted in accordance with the pension agreement, as the old system provided for a benefit based on final salary.

Members of the Board of Managing Directors receive a retirement benefit in the form of a life-long pension, subject to the following conditions, provided their employment has ended:

- an old-age pension if the Board member has reached age 65;
- an early retirement pension if (i) the Board member has reached age 62 but not age 65, or (ii) the Board member has served at least 10 years on the Board of Managing Directors and has reached age 58, or (iii) the Board member has served at least 15 years on the Board of Managing Directors, or
- a disability pension if the Board member is permanently unable to work.

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.

The monthly amount of the retirement pension is calculated as a twelfth of the amount in the pension account when the pension benefits start.

When calculating the early retirement pension, the pension will be reduced to reflect the fact that the payments start earlier.

If pension is paid due to disability before the age of 55, a supplement is added to the monthly disability pension.

If retiring upon reaching the age of 62, members of the Board of Managing Directors can elect to receive one lump-sum payment or nine annual instalments instead of an ongoing pension. In this case, the amount paid out is calculated using a capitalisation rate based on the age of the Board member.

Members of the Board of Managing Directors who leave the Board at age 62 or older or are permanently unable to work will continue to receive their pro-rata basic salary for six months as a form of transitional pay instead of the pension. The transitional pay can be reduced, especially in the event of misconduct. If a member of the Board of Managing Directors draws an early retirement pension and has not yet reached age 62, income earned from other activities will be deducted from the pension entitlement at a rate of 50% until age 62 is reached.

The surviving dependants' pension for a surviving spouse or partner is 66 2/3% of the pension entitlements of the member of the Board of Managing Directors. If no surviving dependant's pension is paid to a surviving spouse or partner, minors or children still in full-time education are entitled to an orphan's pension of 25% each of the Board member's pension entitlement, the total of the orphan's pensions being limited, however, to a maximum of the pension that would otherwise have been paid to a surviving spouse or partner.

Rules for Board members who were appointed after the new provisions came into effect Pension provision for members of the Board of Managing Directors appointed after the new provisions came into effect was defined according to the Commerzbank capital plan for company pension benefits. Members of the Board of Managing Directors receive a retirement benefit in the form of a capital payment, subject to the following conditions, provided their employment has ended:

- 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.

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 fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system, too, increases in the fixed annual salary since 2015 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. As an alternative to a lump-sum payment, the member of the Board member in question may elect to receive a life-long pension.

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, as a prospective pension recipient, the surviving spouse or partner will receive a surviving dependant's pension calculated on the basis of the retirement capital applying actuarial rules. If the Board member in question was already drawing a pension, a surviving spouse or partner will 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 2018 the corresponding actuarial net present values on 31 December 2018, the service costs for 2018 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	2018	276	7,090	1,044
	2017	237	5,999	1,095
Frank Annuscheit	2018	244	6,140	506
	2017	224	5,525	536
Dr. Marcus Chromik	2018	62[1]	1,027	335
	2017	43[1]	682	342
Stephan Engels	2018	119[1]	2,296	317
	2017	109[1]	1,945	321
Michael Mandel	2018	48[1]	850	323
	2017	32[1]	519	329
Dr. Bettina Orlopp[2]	2018	23[1]	389	332
	2017	3[1]	56	56
Michael Reuther	2018	279	7,432	545
	2017	258	6,711	569
Total	**2018**		**25,224**	**3,402**
	2017		**21,437**	**3,248**

[1] Capital payment annualised.
[2] Dr. Bettina Orlopp has been a member of the Board of Managing Directors since 1 November 2017.

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

As at 31 December 2018, defined benefit obligations for members of the Commerzbank Aktiengesellschaft Board of Managing Directors serving in financial year 2018 totalled €25.2m (previous year: €21.4m).

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 on 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. 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 (cap)[1].

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.

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

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.

Termination agreement with a member of the Board of Managing Directors

Commerzbank Aktiengesellschaft concluded a termination agreement with Frank Annuscheit on 5 December 2018, under which Mr. Annuscheit's term of office as a member of the Board of Managing Directors ended at the close of 28 February 2019. Mr. Annuscheit is entitled to all contractual claims for the period up to the end of the original term of office on 31 December 2020 (original termination date). In particular, he is entitled to the contractual remuneration claims limited by the cap described above. The cap is not calculated on the basis of the increased fixed basic annual salary as of 1 January 2019, but on the basis of the previous fixed basic annual salary of €750 thousand. Mr. Annuscheit will continue to receive contributions to the company pension scheme under his pension agreement until the original termination date. The contributions will likewise be calculated on the basis of the fixed basic annual salary of €750 thousand. Mr. Annuscheit is entitled to fringe benefits in accordance with the employment contract, insofar as the contract stipulates them as also being applicable to the period following the end of the term of office. The value of the fringe benefits will be deducted from the cap. The cap is €2,888 thousand.

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.

Details of remuneration of the Board of Managing Directors in accordance with the German Corporate Governance Code

Under 4.2.5 the German Corporate Governance Code in the version dated 7 February 2017, the remuneration awarded for the year under review and the allocation (actual payouts) for the year under review are to be reported for each member of the Board of Managing Directors. This is to be broken down into fixed remuneration, fringe benefits and one-year and multi-year variable remuneration.

As the model tables recommended by the German Corporate Governance Code do not take account of the specificities of the Remuneration Ordinance for Institutions, and hence are less suitable for institutions such as Commerzbank, the Bank has designed its own tables, which provide transparent and comprehensible information on its remuneration system for members of the Board of Managing Directors. Commerzbank has decided not to include the Code's model tables alongside the tables it designed itself, because this would undermine the clarity and comprehensibility of the remuneration report. Commerzbank also stated this in its declaration of compliance pursuant to Art. 161 of the Stock Corporation Act. As in the previous year, the remuneration awards table and the allocation table below do not distinguish between one-year and multi-year variable remuneration, but instead between short-term and long-term remuneration. This is because the total variable remuneration regularly includes the achievement of company targets over a period of three years. The only exceptions to this stem from a transitional arrangement for newly appointed members of the Board of Managing Directors in the first and second years of their appointment.

Variable short-term remuneration is the Short-Term Incentive under the remuneration system. This is paid out half in cash after the end of the financial year and half in the form of shares after a 12-month waiting period, i.e. in the short term. Entitlement to the long-term portion, the Long-Term Incentive, arises only after a five-year retention period and is subject to a retrospective performance evaluation. The pension expense for pension provision for the individual members of the Board of Managing Directors is shown in the above table in the service costs column. Pension expense is therefore not shown again in either the remuneration allocations or the remuneration awards table.

The following tables show the actual allocations in 2018 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 that the STI 2018 paid in cash for 2018 and for which all inputs are available at the end of the year is shown as an allocation for 2018 even though the actual payment is not made until 2019. Hence, the STI 2017 paid out in cash in 2018 is shown as an allocation for 2017.

Allocation €1,000	Martin Zielke Chairman		Frank Annuscheit Chief Operating Officer	
	2018	2017	2018	2017
Basic salary	1,313	1,313	750	750
Fringe benefits[1]	213	129	134	92
Sub-total	**1,526**	**1,442**	**884**	**842**
Short-term variable remuneration	**416**	**415**	**270**	**273**
STI 2015 in virtual shares (up to Q1/2017)	–	128	–	115
STI 2016 in virtual shares (up to Q1/2018)	328	–	216	–
STI 2017 in cash	–	287	–	158
STI 2018 in cash	88	–	54	–
Long-term variable remuneration[2]	**100**	**178**	**95**	**182**
LTI 2014 in cash (up to 31.12.2017)	–	178	–	182
LTI 2013 in virtual shares (up to Q1/2018)	100	–	95	–
Total	**2,042**	**2,035**	**1,249**	**1,297**

Allocation €1,000	Dr. Marcus Chromik Chief Risk Officer (since 1 January 2016)		Stephan Engels Chief Financial Officer	
	2018	2017	2018	2017
Basic salary	750	750	750	750
Fringe benefits[1]	68	71	129	122
Sub-total	**818**	**821**	**879**	**872**
Short-term variable remuneration	**260**	**186**	**273**	**285**
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	115
STI 2016 in virtual shares (up to Q1/2018)	206	–	219	–
STI 2017 in cash	–	186	–	170
STI 2018 in cash	54	–	54	–
Long-term variable remuneration[2]	**–**	**–**	**87**	**169**
LTI 2014 in cash (up to 31.12.2017)	–	–	–	169
LTI 2013 in virtual shares (up to Q1/2018)	–	–	87	–
Total	**1,078**	**1,007**	**1,239**	**1,326**

Allocation €1,000	Michael Mandel Private and Small-Business Customers (since 23 May 2016)		Dr. Bettina Orlopp Group Compliance, Group Human Resources, Group Legal (since 1 November 2017)		Michael Reuther Corporate Clients	
	2018	2017	2018	2017	2018	2017
Basic salary	750	750	750	125	750	750
Fringe benefits[1]	114	102	92	20	141	130
Sub-total	**864**	**852**	**842**	**145**	**891**	**880**
Short-term variable remuneration	**193**	**170**	**54**	**30**	**226**	**251**
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	–	–	123
STI 2016 in virtual shares (up to Q1/2018)	133	–	–	–	178	–
STI 2017 in cash	–	170	–	30	–	128
STI 2018 in cash	60	–	54	–	48	–
Long-term variable remuneration[2]	**–**	**–**	**–**	**–**	**95**	**174**
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	174
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	95	–
Total	**1,057**	**1,022**	**896**	**175**	**1,212**	**1,305**

[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] Allocations from long-term variable remuneration for the performance years from 2015 onwards will only be made from 2021.

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

At its meeting on 13 February 2019, the Supervisory Board determined the total target achievement amounts applicable to variable remuneration for the individual members of the Board of Managing Directors for 2018. The total target achievement amount is not necessarily the same as the amount that may later actually be paid out. For instance, the Supervisory Board may reduce the portion relating to the LTI during the retrospective performance evaluation if hindsight indicates that this was not originally calibrated correctly. Also, half of the variable remuneration is share-based. Any changes in the Commerzbank share price compared to the conversion price therefore alter the amounts paid out.

Awarded remuneration		Fixed remuneration		Variable remuneration							Total remuneration allocated[1]
€1,000		Basic salary	Fringe benefits[2]	Short-term: STI in cash	Short-term: STI in virtual shares	Long-term: LTI in cash	Long-term: LTI in virtual shares	Total target amount	min	max[3]	
Martin Zielke	2018	1,313	213	88	88	132	132	440	0	2,443	**1,966**
	2017	1,313	129	287	287	430	430	1,433	0	2,443	**2,875**
Frank Annuscheit	2018	750	134	54	54	81	81	270	0	1,500	**1,154**
	2017	750	92	158	158	237	237	790	0	1,500	**1,632**
Dr. Marcus Chromik	2018	750	68	54	54	81	81	270	0	1,500	**1,088**
	2017	750	71	186	186	279	279	930	0	1,500	**1,751**
Stephan Engels	2018	750	129	54	54	81	81	270	0	1,500	**1,149**
	2017	750	122	170	170	255	255	850	0	1,500	**1,722**
Michael Mandel	2018	750	114	60	60	90	90	300	0	1,500	**1,164**
	2017	750	102	170	170	255	255	850	0	1,500	**1,702**
Dr. Bettina Orlopp	2018	750	92	54	54	81	81	270	0	1,500	**1,112**
	2017[4]	125	20	30	30	44	44	148	0	250	**293**
Michael Reuther	2018	750	141	48	48	72	72	240	0	1,500	**1,131**
	2017	750	130	128	128	192	192	640	0	1,500	**1,520**
Total	**2018**	**5,813**	**891**	**412**	**412**	**618**	**618**	**2,060**	**0**	**11,443**	**8,764**
	2017	**5,188**	**666**	**1,129**	**1,129**	**1,692**	**1,692**	**5,641**	**0**	**10,193**	**11,495**

[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] Dr. Bettina Orlopp has been a member of the Board of Managing Directors since 1 November 2017.

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 involves special rules. The main differences that lead to different figures are the following:

- Under DRS 17, the LTI components of the remuneration system may only be stated after the retrospective performance assessment has been completed and the five-year 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.
- The value of the share-based STI components has to be shown in the DRS 17 table using the share price on the day the Supervisory Board determined the total target achievement amounts. Therefore, the performance of the Commerzbank share from the start of the year to the day the amount was determined is included in the value shown. In contrast, in the remuneration awards table, which is based on the German Corporate Governance Code, this component is shown at 20% of the total target achievement amount. This is the value before conversion into a quantity of virtual shares and, thus, it does not include share price performance; therefore, the figure is generally different.

Consequently, total remuneration under DRS 17 cannot be compared with the remuneration awarded shown in the table based on the German Corporate Governance Code. The disclosure does not reflect variable remuneration set by the Supervisory Board for the year under review, nor is it an amount paid out. The disclosure is, however, required for accounting reasons.

Under DRS 17, payments only have to be disclosed if they have been granted on a legally binding basis. For both the cash components and the share-based components of the LTI under the remuneration system this is only the case once the retrospective performance evaluation has been carried out and the five-year retention period has expired. The retrospective performance evaluation for the LTI in respect of 2018 will thus not be carried out by the Supervisory Board until the end of 2023.

The cash components and share-based components of the LTI under the remuneration system are therefore not included in the table.

However, for the purposes of DRS 17, the STI components are deemed to be granted when they are determined by the Supervisory Board after the end of the financial year in question. The cash component of the STI is shown at 20% of the total target achievement amount. This corresponds to the payout sum. The share-based STI component is linked to the performance of the Commerzbank share. Under DRS 17, share-based payments have to be disclosed at the time the grant becomes legally binding, i.e. when they are set by the Supervisory Board. As payout of the share-based STI components only takes place once the 12-month waiting period has expired and is dependent on the performance of the Commerzbank share, the table shows only theoretical values for these components, not the sums to be paid out. The payout sums are calculated by multiplying the number of STI virtual shares shown by the conversion price at the end of the waiting period.

Under the remuneration system, no actual shares are awarded; instead, a cash payment is made on the basis of virtual shares, i.e. based on Commerzbank's share price performance.

		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]	STI in cash[4]	STI in virtual shares[5]		LTI 2014 in cash[6]	
						Number of virtual shares in units		
Martin Zielke	2018	1,313	213	88	73	11,742	–	**1,687**
	2017	1,313	129	287	299	23,400	78	**2,106**
Frank Annuscheit	2018	750	134	54	45	7,210	–	**983**
	2017	750	92	158	165	12,898	80	**1,245**
Dr. Marcus Chromik	2018	750	68	54	45	7,210	–	**917**
	2017[7]	750	71	186	194	15,184	–	**1,201**
Stephan Engels	2018	750	129	54	45	7,210	–	**978**
	2017	750	122	170	177	13,878	74	**1,293**
Michael Mandel	2018	750	114	60	50	8,011	–	**974**
	2017[8]	750	102	170	177	13,878	–	**1,199**
Dr. Bettina Orlopp	2018	750	92	54	45	7,210	–	**941**
	2017[9]	125	20	30	31	2,422	–	**206**
Michael Reuther	2018	750	141	48	40	6,409	–	**979**
	2017	750	130	128	133	10,449	76	**1,217**
Total	**2018**	**5,813**	**891**	**412**	**343**	**55,002**	**–**	**7,459**
	2017[10]	**5,188**	**666**	**1,129**	**1,176**	**92,109**	**308**	**8,467**

1 The performance-related components with long-term incentive effect are only granted once the Supervisory Board has completed the retrospective performance evaluation after expiry of the five-year retention period. For 2018, that will be in 2024.

2 The amounts disclosed as total remuneration in accordance with DRS 17 for the 2018 financial year include only those components in respect of which the members of the Board of Managing Directors already have a legally binding entitlement. As such, the amounts disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2018, as there is no such entitlement until after the retrospective performance evaluation and expiry of the five-year 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 Payable in 2019 following determination of the total target achievement amount for 2018.

5 Payable one year after payment of the STI in cash. The amounts shown represent the values at the time that the variable remuneration was determined in February 2019. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares is calculated using the proportion of the total target achievement amount and the average Commerzbank share price during November and December 2018.

6 Under DRS 17, the LTI-EVA cash component still due for 2014 after the end of the four-year period from 2014 to 2017 and approval of the annual financial statements for 2017 has to be reported for the previous year. The cash element of the 2014 LTI share components and the share elements of both of these LTI components were already disclosed in the Annual Report 2014 and, therefore, do not need to be reported again under DRS 17.

7 Dr. Marcus Chromik has been a member of the Board of Managing Directors since 1 January 2016.

8 Michael Mandel has been a member of the Board of Managing Directors since 23 May 2016.

9 Dr. Bettina Orlopp has been a member of the Board of Managing Directors since 1 November 2017.

10 The amounts in 2017 for the 2014 LTI in cash and total remuneration according to DRS 17 are lower than reported in the 2017 remuneration report because the 2014 LTI for Martin Blessing in cash in the amount of €136 thousand and for Markus Beumer in the amount of €74 thousand are no longer included in the totals for 2017.

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 2018 do not, therefore, reflect either the amounts to be disclosed under DRS 17 or actual expectations or payouts.

The share-based remuneration recorded as expenses under IFRS 2 for the 2018 financial year totalled €342 thousand, of which €289 thousand was for Dr. Bettina Orlopp, €97 thousand for Martin Zielke, €63 thousand for Michael Mandel, €58 thousand for Stephan Engels, €53 thousand for Dr. Marcus Chromik, €–173 thousand for Frank Annuscheit and €–45 thousand for Michael Reuther. The negative figures for Frank Annuscheit and Michael Reuther are due to the fact that provisions were set aside in the previous two years for pro-rated variable remuneration for financial years 2018 and 2019. As Michael Reuther will acquire no new entitlements to variable remuneration as of 1 October 2019 – with the exception of LTIs in progress – and future entitlements of Frank Annuscheit to variable remuneration – with the exception of LTIs in progress – have to be shown in the balance sheet under the item "Termination benefits" as of 1 March 2019, the provisions that had been set aside for share-based remuneration were released on a pro-rata basis.

In 2017, the share-based remuneration recorded as expenses under IFRS 2 totalled €3,503 thousand, of which €856 thousand was for Martin Zielke, €601 thousand for Dr. Marcus Chromik, €577 thousand for Michael Mandel, €485 thousand for Stephan Engels, €455 thousand for Frank Annuscheit, €370 thousand for Michael Reuther and €159 thousand for Dr. Bettina Orlopp.

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 2051 and at interest rates ranging between 0.7% and 2.8% and, in certain cases, up to 9.5% 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 €3,494 thousand; in the previous year, the figure was €3,129 thousand. Repayments of €308 thousand were made in 2018. 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.

Amendment of the remuneration system of the Board of Managing Directors as at 1 January 2019

On 7 November 2018, the Supervisory Board of Commerzbank Aktiengesellschaft amended the remuneration system. It did this in order to meet the requirements set out in the revised version of the Remuneration Ordinance for Institutions of 4 August 2017. It also decided to convert some of the variable remuneration components into fixed remuneration components. The changes entered into force on 1 January 2019 and have been contractually agreed with all members of the Board of Managing Directors. The following aspects are particularly noteworthy:

- The remuneration system contains a clawback provision, which stipulates that variable remuneration already paid out can be reclaimed for a period of up to seven years from the date of payment and variable remuneration not yet paid out may be voided. The provision takes effect in the circumstances set out in section 20 paragraph 6 in conjunction with Art. 18 (5) sentence 3 nos. 1 and 2 of the Remuneration Ordinance for Institutions. This provision enters into force, for example, in the event of a member of the Board of Managing Directors committing a serious breach of duty or being responsible for substantial losses.
- All of the regulatory parameters required to determine whether a total amount of variable remuneration may be made available are subject to an overall assessment.
- In the case of newly appointed members of the Board of Managing Directors, the retention period will in future be extended by two years to seven years for the first year of appointment and by one year to six years for the second year of appointment.
- The retrospective performance evaluation for the LTI will no longer be based on defined criteria with materiality thresholds, but on a full review of the original decision on the determination of the variable remuneration.
- Dividend payments distributed during the retention period will no longer be offset by the virtual shares granted.

Furthermore, the Supervisory Board has decided that some of the variable remuneration components will be converted into fixed remuneration components. The Supervisory Board increased the fixed basic annual salary of the ordinary members of the Board of Managing Directors from €750 thousand to €990 thousand and reduced the target amount for variable remuneration from €1 million to €660 thousand. The total target remuneration (fixed basic annual salary and target amount for variable remuneration) is thus €100 thousand lower than the previous amount. The fixed basic annual salary of the Chairman of the Board of Managing Directors was increased from €1,312,500 to €1,674,247 and the target amount of variable remuneration was reduced from €1,628,640 to €1,116,165. The total target remuneration of the Chairman of the Board of Managing Directors is thus €150,728 lower than the previous figure.

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2018

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 20 April 2016.

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

Members also receive an additional €30 thousand annually for sitting on either the Audit Committee or the Risk Committee. Members also receive an additional €20 thousand annually for sitting on any other committee of the Supervisory Board that meets at least once in the calendar year. The committee chairman receives double these amounts. Additional remuneration is paid for a maximum of three committee appointments, taking the figures for the three highest paid positions. Members of the Supervisory Board who only belonged to the Board or one of its committees for part of a financial year receive reduced remuneration for that year calculated pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1.5 thousand for each meeting or conference call of the Supervisory Board or one of its committees. 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. 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 2018 financial year of € 3,174.0 thousand (previous year: €2,936.3 thousand). Of this figure, the basic remuneration amounted to €1,842.2 thousand (previous year: €1,839.8 thousand) and remuneration for committee memberships to €910.3 thousand (previous year: €765.0 thousand). Attendance fees were €421.5 thousand (previous year: €331.5 thousand).

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
Dr. Stefan Schmittmann (since 8 May 2018)	2018	155.3	77.7	15.0	248.0
	2017	–	–	–	–
Klaus-Peter Müller (until 8 May 2018)	2018	85.3	42.7	9.0	137.0
	2017	240.0	120.0	19.5	379.5
Uwe Tschäge	2018	160.0	60.0	22.5	242.5
	2017	160.0	60.0	15.0	235.0
Hans-Hermann Altenschmidt (until 8 May 2018)	2018	28.4	24.9	15.0	68.3
	2017	80.0	70.0	22.5	172.5
Heike Anscheit	2018	80.0	12.9	13.5	106.4
	2017	80.0	–	12.0	92.0
Alexander Boursanoff (since 8 May 2018)	2018	51.8	–	10.5	62.3
	2017	–	–	–	–
Gunnar de Buhr	2018	80.0	50.0	24.0	154.0
	2017	80.0	49.9	21.0	150.9
Stefan Burghardt	2018	80.0	50.0	19.5	149.5
	2017	80.0	46.8	18.0	144.8
Sabine Ursula Dietrich	2018	80.0	45.9	15.0	140.9
	2017	80.0	20.0	13.5	113.5
Monika Fink (since 8 May 2018)	2018	51.8	19.4	15.0	86.2
	2017	–	–	–	–
Karl-Heinz Flöther (until 8 May 2018)	2018	28.4	10.7	10.5	49.6
	2017	80.0	30.0	19.5	129.5
Dr. Tobias Guldimann (since 3 Mai 2017)	2018	80.0	68.9	27.0	175.9
	2017	52.7	15.8	10.5	79.0
Dr. Rainer Hillebrand (since 8 May 2018)	2018	51.8	32.3	10.5	94.6
	2017	–	–	–	–
Christian Höhn (since 8 May 2018)	2018	51.8	38.8	13.5	104.1
	2017	–	–	–	–
Stefan Jennes (1 February 2017 until 8 May 2018)	2018	28.4	–	4.5	32.9
	2017	73.3	–	12.0	85.3
Kerstin Jerchel (since 8 May 2018)	2018	51.8	–	10.5	62.3
	2017	–	–	–	–
Dr. Markus Kerber	2018	80.0	70.0	25.5	175.5
	2017	80.0	70.0	21.0	171.0
Alexandra Krieger	2018	80.0	–	13.5	93.5
	2017	80.0	–	12.0	92.0
Oliver Leiberich (until 8 May 2018)	2018	28.4	–	4.5	32.9
	2017	80.0	–	12.0	92.0
Dr. Stefan Lippe (until 8 May 2018)	2018	28.4	10.7	7.5	46.6
	2017	80.0	30.0	13.5	123.5
Beate Mensch (until 8 May 2018)	2018	28.4	–	3.0	31.4
	2017	80.0	–	12.0	92.0
Anja Mikus	2018	80.0	62.9	25.5	168.4
	2017	80.0	50.0	22.5	152.5
Dr. Roger Müller (until 3 May 2017)	2018	–	–	–	–
	2017	27.1	–	3.0	30.1
Dr. Victoria Ossadnik (since 8 May 2018)	2018	51.8	12.9	10.5	75.2
	2017	–	–	–	–
Dr. Helmut Perlet (until 8 May 2018)	2018	28.4	32.0	10.5	70.9
	2017	80.0	90.0	21.0	191.0
Mark Roach (until 8 May 2018)	2018	28.4	–	4.5	32.9
	2017	80.0	–	10.5	90.5
Margit Schoffer (until 31 January 2017)	2018	–	–	–	–
	2017	6.7	2.5	1.5	10.7
Robin J. Stalker (since 8 May 2018)	2018	51.8	38.8	18.0	108.6
	2017	–	–	–	–
Nicholas Teller	2018	80.0	80.0	25.5	185.5
	2017	80.0	80.0	19.5	179.5
Dr. Gertrude Tumpel-Gugerell	2018	80.0	55.9	25.5	161.4
	2017	80.0	30.0	19.5	129.5
Stefan Wittmann (since 8 May 2018)	2018	51.8	12.9	12.0	76.7
	2017	–	–	–	–
Total	**2018**	**1,842.2**	**910.3**	**421.5**	**3,174.0**
	2017	**1,839.8**	**765.0**	**331.5**	**2,936.3**

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2018. 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 4.7%, and on amounts overdrawn in certain cases up to 9.5%. 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 €1,578 thousand; in the previous year, the figure was €3,560 thousand. Repayments of €34 thousand were made in 2018. This further decline in loans was mainly due to changes in the members serving on the Supervisory Board. 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.

Purchase and sale of Bank shares

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 €5 thousand within a calendar year. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

The transactions reported to Commerzbank Aktiengesellschaft in 2018 are listed below:

Transaction date	Disclosing party	Relation	Position	Purchase/ Sale	Units	Price €	Transaction volume I €
15.5.2018	Martin Zielke		Member of BMD	Purchase	4,300	10.9982	47,292.26
15.5.2018	Frank Annuscheit		Member of BMD	Purchase	4,600	10.9982	50,591.72
15.5.2018	Stephan Engels		Member of BMD	Purchase	4,000	10.9982	43,992.80
15.5.2018	Michael Reuther		Member of BMD	Purchase	4,600	10.9982	50,591.72

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

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. 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 BaFin, the Deutsche Bundesbank and the 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 and Art. 25c (1) of the German Banking Act (KWG) and Art. 93 Regulation (EU) No. 468/2014 (the 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 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, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €569,253,470.00 by issuing new shares under Art. 4 (3) (Authorised Capital 2015) of the Articles of Association applicable on 31 December 2018. The Board of Managing Directors is authorised to exclude subscription rights, with the approval of the Supervisory Board in certain circumstances.

Moreover, the Annual General Meeting on 30 April 2015 gave the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants, profit-sharing certificates or hybrid debt instruments (both with and without conversion or option rights or mandatory conversion) against a cash or non-cash contribution for a total nominal value of up to €13,600,000,000.00. Financial instruments can also be structured in such a way that they are recognised as additional Tier 1 capital at the time of issue. However, the Board of Managing Directors is authorised to exclude subscription rights to financial instruments, with the approval of the Supervisory Board in certain circumstances. Conditional capital of up to €569,253,470.00 is available to issue financial instruments with conversion or option rights or obligations pursuant to Art. 4 (4) of the Articles of Association (Conditional Capital 2015).

For details of the authorised capital and conditional capital, particularly regarding maturities and terms and conditions of exercise, please refer to the detailed explanations in Note 66 on page 274 f.

On 30 April 2015, the Annual General Meeting authorised the Board of Managing Directors pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act to purchase and sell own shares for the purpose of securities trading until 29 April 2020.

The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

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

In the event of a change of control at Commerzbank, 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 net assets, financial position and operating results 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 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 in respect of 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 net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRSs. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found on pages 110 and 111 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 inaccurate reporting 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 seeks to provide sufficient certainty that it complies with the relevant legal requirements, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate. It is important to note that despite all measures the Bank may take, the ICS methods and procedures used cannot entirely rule out accidental errors or fraud and, as such, offer sufficient certainty but never absolute certainty.

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 basis for process descriptions and other directives. 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 the individual operating 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,
- rules of procedure,
- organisational charts,
- business remits of the units and
- approval authorities for operating 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 structuring the Group-wide ICS and demonstrating that it is appropriate, while the CFO is responsible for structuring the ICS for financial reporting and ensuring its 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 internal audit. 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 shortcomings noted by the auditor within the scope of the follow-up and reporting done by Internal Audit.

During the year, Group Audit reports to the Supervisory Board and its appointed committees 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 reporting across the Group.

GM-F is supported in financial reporting by other Group divisions. Of particular importance here is Group Information Technology, which is responsible for providing and upgrading the accounting IT systems used.

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. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval, the separation of functions and by technical measures when issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

Monitoring by Group Audit

Group Audit (GM-A) provides auditing and advisory services for the Board of Managing Directors independently, objectively and in a risk-oriented manner so as to evaluate the compliance, security and cost-effectiveness of Commerzbank's business processes and flag potential for optimisation. 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 the Board of Managing Directors and reports to that body. 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, extend to all of the Group's activities and processes, regardless of whether these take place within the Group or are outsourced. GM-A's activities complement the work of the subsidiaries' audit departments within the framework of Group risk management. The audit of the suitability and effectiveness of the ICS covers the risk management and risk controlling systems, reporting, IT systems and financial reporting. In performing its duties, GM-A has an 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 these audit reports, GM-A oversees and documents the steps taken to remedy any deficiencies identified within the period of time specified for this. If such deficiencies are ignored, an escalation process comes into effect.

In addition, GM-A prepares an annual report on the audits that it has carried out during the course of the financial year, the material deficiencies identified and the corrective measures taken, and presents this report to the Board of Managing Directors.

The financial reporting process

The financial reporting procedures at Commerzbank are supported by IT systems integrated into each process. The annual financial statements of Commerzbank AG in Germany are produced using a financial architecture consisting of a new 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 consolidated 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 as regards financial reporting

The ICS has been adapted to meet the needs of the Commerzbank Group as regards financial reporting 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:

- statements on types of business transaction: their occurrence, completeness, accuracy, allocation to the correct period and the correct account;
- statements on account balances at the reporting date: availability, rights and obligations, completeness, measurement and allocation;
- statements on presentation in the financial statements and on the notes to the financial statements: occurrence, rights and obligations, completeness, reporting and comprehensibility, 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 structured 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 is reinforced by regular assessment of the effectiveness and efficiency of key controls and regular checks on how controls are implemented in the interest of financial reporting.

This procedure ensures that risks are identified and minimised and that any faulty 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

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

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)). The law requires information to cover at least environmental protection, treatment of employees, social responsibility, respect for human rights and anti-corruption and anti-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. Details on the statutory requirements, on how the material issues are derived and on the reporting format are found at the end of this document, in the section "About this report". The requisite description of the business model is found on page 63 f. of the Group Management Report.

How we define sustainability

Financial institutions have a particular role when it comes to curbing climate change, to which the international community has committed itself with the Paris Agreement. One of the three goals agreed was to direct global financial flows towards projects and technologies that reduce greenhouse gas emissions and promote climate-resistant developments, such as renewable energies. To achieve the goals, it is equally important that financial service providers stop supporting certain types of business. This includes, for example, the decision made by Commerzbank Aktiengesellschaft to stop providing finance for new coal-fired power stations.

The keyword sustainable finance covers a large number of initiatives and working groups in which we are actively involved in order to bring about sustainable development. Examples include the Sustainability Working Group within the Federal Association of German Banks , the ICC Sustainable Trade Working Group (International Chamber of Commerce), the European Banking Federation's Sustainable Finance Working Group or the IIF Sustainable Finance Working Group (Institute of International Finance). Moreover, Commerzbank has been involved in the Green and Sustainable Finance Cluster Germany since its inception in 2017. Commerzbank Aktiengesellschaft and mBank are signatories of the United Nations Global Compact and as such respect its ten principles covering the areas of human rights, labour standards, the environment and anti-corruption.

In its sustainability strategy Commerzbank Aktiengesellschaft has committed itself to confronting the global challenges as a responsible partner for sustainable economic and social development. To this end, we observe the relevant megatrends, analyse developments and evaluate them with regard to potential opportunities and risks. The Bank's divisions with sustainability relevance – which include the customer segments as well as Compliance, Human Resources, organisational units and environmental management – together formulated a sustainability programme containing 100 goals which we have working to achieve since 2017.

The success is reflected in sustainability ratings and in the Bank's inclusion in the corresponding indices. In 2018, major rating agencies for sustainability gave Commerzbank Aktiengesellschaft a rating above the sector average: a C rating and thus Prime status from ISS-oekom, an A from MSCI, a B from CDP, and at Sustainalytics we are an Outperformer with 75 out of 100 points. Commerzbank Aktiengesellschaft is also included in four of ECPI's ethical and ESG equity indices. Moreover, comdirect was given a rating of BB in the MSCI ESG rating, while mBank was included in the portfolio of the Respect Index of the Warsaw Stock Exchange in 2018 for the second time.

The term ESG is used internationally to describe the fact that environmental, social and governance matters are taken into account in corporate decision-making. ESG stands for Environmental, Social and Governance. It is therefore about the careful handling of natural resources or measures for a 2°-compatible development (environment). It is also about employees and social matters, human rights and the commitment to a just society (social). And finally, it is about issues relating to sustainable corporate governance, ethical management and transparent compensation rules (governance). Most rating agencies employ an ESG approach when assessing sustainability, many fund companies take ESG into account in their investment strategy and a growing number of investors integrate ESG criteria into their analyses. The Commerzbank Group also pursues a large number of concepts for sustainable corporate governance and to ensure that the environmental and social risks of business operations are taken into account. They are presented below in this non-financial report.

Our contribution to sustainable finance

The growing importance of ESG is opening up 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. This is why we are developing products and services that take account of these changes while offering a social or ecological benefit. At the same time, we want to prevent a negative impact of our business activities on the environment and on society and avoid or mitigate any resultant risks. This process is assisted by the Sustainable Finance Committee, a committee set up to bring together departments and activities connected with sustainable finance within Commerzbank Aktiengesellschaft and Commerz Real. Through the work of this committee, the Bank aims to actively support international transformation processes and open up new, innovative business areas. Interdisciplinary cooperation enables and promotes the exchange of information across the Group, which supports the development of new sustainable offerings and the improvement of existing ones.

Holistic risk management

The integration of non-financial aspects in a bank's risk management, such as ecological, social or ethical risks resulting from the core business, plays an important role for sustainable finance. For us, this includes transactions, products and customer relationships where environmental and social factors play a particular role – for example, where projects lead to increased pollution of the air, water or soil or could involve overexploitation of natural resources. We also take into account the respect of human rights as part of the business activities with our customers. This may, for example, relate to nearby residents or workers in mining areas of in developing and emerging countries.

The responsibility for this lies with the Reputational Risk Management of Commerzbank Aktiengesellschaft. It defines the criteria for and limits of business operations by carrying out a differentiated analyses of transactions, products and customer relationships. It places a particular focus on ensuring that lending activities are compatible with the Bank's sustainability principles, which are set out in position papers and directives on environmental and social risks. This includes a detailed position on promoting and respecting the human rights of our own employees and at suppliers and customers, which is available online.

The examination process starts in the front office: as soon as an issue defined as sensitive by the Bank is affected, the relevant product, transaction or customer relationship must be presented to Reputational Risk Management, which performs in-depth research into possible ecological and social risks that may be associated with the existing or potential business partners or the transaction content. In this process the department looks at information and reports from non-governmental organisations and analysts as well as media reports and company publications. Subsequently an extensive analysis is performed, which concludes 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 2018, Commerzbank Aktiengesellschaft's Reputational Risk Management investigated around 5,900 cases (2017: 6,000; 2016: 6,200) involving environmental, social and ethical issues.

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 risks, moreover, forms part of Commerzbank's overall risk strategy (for more information please see the Group Risk Report, page 139). If Reputational Risk Management identifies a material reputational risk in the course of an investigation, a member of the Divisional Board will always be involved. In serious cases, the matter can be escalated to the Group executive body. As part of reporting, all material and high reputational risk votes are presented to the CFO and the responsible Segment Board members on a quarterly basis. Since the third quarter of 2018 this information has additionally been sent to the full Board of Managing Directors and the Supervisory Board's Risk Committee.

In 2018, Commerzbank Aktiengesellschaft developed a new framework for handling environmental and social risks in the core business, which is published online. It contains a detailed description of the process we use to manage these risks. The framework additionally 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. For example, Commerzbank Aktiengesellschaft does not finance any new coal-fired power stations or projects relating to fracking or tar sands.

Employees are sensitised to the commercial relevance of non-financial issues in a quarterly newsletter, among other things. For example, due to the great importance of the energy sector in reputational risk management, one issue in 2018 was dedicated to the risks of oil and gas produced through fracking and from tar sands. On top of this, presentations are held at selected locations and a continuous exchange takes place with the front office in the course of the evaluation processes and discussions of issues.

To continue developing its reputational risk management, Commerzbank 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. For example, a position on tobacco and cigarette production is scheduled to be published in 2019. 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 risk management requirements, such as the requirement of defined loan approval and decision-making rules, generally also apply to the material subsidiaries and are agreed with the Reputational Risk Management of Commerzbank Aktiengesellschaft 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. For instance, mBank in Poland operates its reputational risk management based on a commitment to the United Nations Global Compact. The policy, applicable since 2016, 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.

Thus corporate and project finance along the entire value chain of renewable energies has been part of Commerzbank's portfolio since the 1980s. The core business of Commerzbank's Energy Competence Centre with its sites in Hamburg and New York is the global provision of finance to wind and solar parks operated by institutional investors, municipal utilities, energy groups or private investors. Today we number among the main financers of renewable energies in Europe and continue to drive internationalisation forward. Among other things, our first project financing transaction in Latin America – for a combined photovoltaic and solar thermal power plant in Chile – was successfully completed in 2018. In addition, 2018 saw the Energy Competence Centre assist three new offshore wind parks in European countries outside Germany as a syndicate leader and hedging bank.

mBank in Poland will also increase its commitment to environmentally friendly product solutions. In November 2018 it decided to allocate an initial sum of around €116m (PLN 500m) to finance projects in the renewable energies sector, especially wind parks and photovoltaic systems.

- Key figure: The loan exposure of the Energy Competence Centre (exposure at default) came to around €4.6bn in 2018 (2017: €4.6bn, 2016: €4.5bn).

We also include sustainability aspects when developing traditional finance solutions by advising our corporate customers on the benefits of public-sector funding. Thus customers can benefit from favourable conditions of development loans when it comes to financing energy efficiency projects. With a share of around 9% in KfW's commercial energy efficiency programmes, Commerzbank Aktiengesellschaft is one of the leading banks in Germany in using public-sector funding for such investments by small and medium-sized enterprises.

In retail banking, Commerzbank Aktiengesellschaft focuses on responsible lending. This comprehensive advisory approach also includes possible changes in the economic situation of customers. In this event, 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.

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 through the offer of sustainable funds, the integration of sustainability aspects in asset management and through sustainable capital market instruments.

In 2007, the former investment banking firm Dresdner Kleinwort was the syndicate leader of the world's first green bond. Since then, we have supported a large number of customers in preparing and issuing green bonds. In 2018 alone, Commerzbank Aktiengesellschaft was lead manager in the issuance of 20 green and social bond transactions. We also cooperate with industry associations and similar interest groups and thus help actively shape the development of the market.

In October 2018, the Bank issued its first own green bond with a volume of €500m and a term of five years. The order book with a volume of more than €1.1bn shows that investor interest is considerable. The bond was developed on the basis of the Green Bond Principles, a market standard which provides a high degree of transparency as to how the funds are actually used. On this basis we have earmarked the bond proceeds for loans for onshore and offshore wind projects and solar projects in Germany, other European countries, and North and South America. With an installed capacity of just under 462 megawatts the projects refinanced by means of the bond save around 755,200 tonnes in CO_2 emissions each year. The Green Bond Second Party Opinion of sustainability rating agency Sustainalytics confirms that the bond fulfils the requirements of the current Green Bond Principles.

- Key figure: The total volume of all green and social bonds whose issuance Commerzbank Aktiengesellschaft accompanied in 2018 comes to €11.4bn including the Bank's own green bond (2017: €5.8bn, 2016: €5.2bn).

The Group also offers its customers an increasing number of investment opportunities in the growing market of responsible investments. For example, Commerzbank Aktiengesellschaft and comdirect distribute sustainability funds from various providers to private and institutional customers. The in-house fund Global Stocks – Catholic Values allows investors to participate in the performance of an international stock portfolio based on the MSCI Catholic Value Custom Index. At the end of 2018 this fund received the seal of approval from Forum Nachhaltige Geldanlagen (FNG), an industry association promoting sustainable investment in Germany, Austria and Switzerland, for the third time in a row.

comdirect's motif investing allows customers to invest selectively in megatrends such as biotechnology, health, consumer goods, sustainability, robotics and technology. At the end of 2018, the most successful trend was sustainability with 34% of securities purchased, followed by robotics with 20%. For a sustainability custody account, 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.

Wealthy private individuals and corporate customers can agree individual sustainable asset management with Commerzbank Aktiengesellschaft where, on the equity side, investments are made exclusively in individual equities with a high sustainability rating. The Bank has set itself the goal of tripling the percentage of sustainable investments in the total volume of assets managed by Asset Management for retail banking by 2020 versus the 2017 level. This percentage had almost doubled by the end of 2018, with the Bank therefore being on track to achieve its target.

Commerz Real combines sustainable investment opportunities with a 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 had the opportunity to invest in onshore wind energy systems. The first offshore wind park will be added in 2019. With a total annual output of 534 megawatts from around 50 ground-mounted solar power plants and eleven wind parks, Commerz Real today numbers among the major German asset managers in this segment. The total investment volume in renewable energies came to around €1.18bn at the end of 2018. Moreover, Commerz Real attempts to improve sustainability in managing its real estate assets, for example by obtaining electricity from renewable energy sources. Sustainability criteria are also integrated in the due diligence process when buying real estate. Buildings with sustainability certificates currently account for 37.1% of the market value of hausInvest, one of the biggest open-end real estate mutual funds in Germany with around €14bn under management at the end of 2018.

The Commerzbank Group also takes sustainability aspects into account for its German occupational pension products: asset managers selected for the Bank's pension plan must have signed the UN Principles for Responsible Investment (PRI). Moreover, Commerzbank Aktiengesellschaft is a participant in the European emissions trading system and a member of the World Bank's Carbon Pricing Leadership Coalition (CPLC).

Our responsibility towards customers

The Commerzbank Group can only be successful on a sustainable basis if its customers are satisfied. Our products and services are therefore designed to serve the interests of customers, and the Bank treats customer satisfaction as one of the most important metrics in evaluating its business success. For this reason, the protection of customer data and compliance with banking secrecy requirements are of the utmost importance.

Protection of data privacy and data security

The Commerzbank Security Board determines the Group'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. The Group data protection policy forms the basis for the proper handling of personal data and customer-related information. It includes principles applicable Group-wide for the collection, processing, use and international transmission of personal data. It is the responsibility of the individual companies to implement these principles because no Group-wide collection of data takes place 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. In 2018, this includes in particular the new EU General Data Protection Regulation (GDPR). Record-keeping and accountability obligations are among the central concerns of the GDPR, which we meet through an extended data protection documentation. We hold regular training events, such as mandatory tutorials on the protection of data privacy and on safety briefings 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. In Poland, the data protection officer of mBank and the associated team support the business units of mBank. At comdirect, the increased requirements led to the establishment of an independent Data Protection department in 2018.

In view of the fact that the Bank has around 18.8m retail and small-business customers and more than 70,000 corporate customers including multinational corporations, financial service providers and institutional customers worldwide, the number of data protection complaints in 2018 was once again very low. For example, the data protection officer of Commerzbank Aktiengesellschaft in Germany received 369 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.

Measures to prevent payment fraud and the resultant losses are of great benefit for customers, as they make it possible to identify fraud attempts early on, minimising losses. For the form of fraud "CEO fraud" that tricks corporate customers into making payments, Commerzbank AG offers a range of courses for customers in Germany and at selected European locations to address this issue. In July 2018, comdirect's high security standards were recognised by the German magazine Focus-Money, which awarded comdirect the title of "most secure online bank" (first place in the direct banks category).

Transparency and fairness in customer relationships

Fairness towards the customer 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 instance, Commerzbank Aktiengesellschaft pursues its aspiration to provide fair and competent advice through the CustomerCompass financial planning software. The associated advisory process, where the specific requirements of a retail or corporate customer lead to individual solutions and financial plans, has received multiple awards, most recently in the national "Best Local Bank" test, where it was the overall winner in 2018. Moreover, Commerzbank has in recent years introduced new products and services that are particularly beneficial to customers. These include free current accounts, accounts with a satisfaction and security guarantee, mortgage financing with a free choice of supplier or the "savingsCheck" electricity and gas supplier comparison platform which comdirect offers.

The willingness of Commerzbank customers to recommend the Bank plays an important role in the sales management of Commerzbank Aktiengesellschaft and in the remuneration system of comdirect. The benchmark we use in the Private Customers segment is the net promoter score (NPS), an internationally recognised standard for measuring customer satisfaction. Each month, around 15,000 customers of Commerzbank Aktiengesellschaft are asked in a brief telephone interview whether they would recommend their branch to others. The resultant information is used to improve customer service and thereby achieve a lasting increase in customer satisfaction. The proportion of private and small-business customers with a strong willingness to recommend the Bank ("promoters"), as determined by the NPS of Commerzbank Aktiengesellschaft, once again stood at over 60% in 2018. The majority of comdirect customers are also promoters of their bank (65%).

That is a high level, which is reflected in the growing number of new customers: in 2018, the segment exceeded the one million net new customers mark since the Commerzbank 4.0 strategy was launched at the start of the fourth quarter of 2016. The target set out in the strategy is to gain 2 million net new customers by 2020.

- Key figure: The Private Customers segment gained just under 420,000 new customers net in Germany in 2018 (2017: 502,000).

Customer satisfaction is also a 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. In 2018, the results in both customer segments substantially exceeded the Polish industry average. In the Forbes ranking of "Banks recommended for business" in Poland, mBank ranked second in September 2018 and thus occupied a top position for the third year running.

In Commerzbank Aktiengesellschaft's corporate customer business, regular customer surveys are carried out to provide information on how satisfied customers are with the service they receive in this segment and what expectations and suggestions 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.

The Group's 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. These include the UX Studio, a test laboratory where we involve customers in the development of digital products and services. UX stands for user experience, that is, the customer's experience when using a product. The UX Studio allows customers to test and experience products and services in the development phase and to give direct feedback to the development team. comdirect customers can get involved in the "comdirect community", an internet platform where customers and others with an interest in the financial market can discuss products and other financial topics with the Bank.

The Corporate Clients segment of Commerzbank Aktiengesellschaft regularly conducts customer surveys on specific topics in order to develop its product and services range.

This provides information on customer needs and preferences, 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 digitisation.

In the same way, Commerz Real uses regular surveys of the tenants of its properties to integrate the needs of this important customer group in the development of its product range, most recently in December 2017.

To make Commerzbank offerings accessible to all interested parties, we go to great lengths to make our branches fully accessible. At present, around 65% of our branches are fully accessible by customers with restricted mobility. We make sure to provide full access for all user groups if 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 chapter under "Diversity and equal opportunities".

Our responsibility as an employer

The corporate success of the Commerzbank Group is based on qualified and motivated employees. More than 49,000 employees worldwide contribute their knowledge and experience to our work processes. A fundamental appreciation of the importance of fairness, respect of others and lived diversity is anchored in our code of conduct; it is our responsibility as an employer to ensure its implementation.

Employer attractiveness

Commerzbank aims to offer its staff a working environment characterised by a spirit of partnership. Our human resources policy provides a framework which promotes the development of each individual employee as well as collegial cooperation within the Group, even in a challenging economic setting. At the same time, the Bank has to confront the challenges posed by increasing digitisation in order to remain viable. The headcount reduction decided on within Commerzbank Aktiengesellschaft in this context was further implemented in 2018 in a socially responsible way. By contrast, Commerz Real, comdirect and mBank are currently not reducing their headcount.

One of the major challenges for HR work in the Group is to carry out the headcount reduction at Commerzbank Aktiengesellschaft with fairness while at the same time retaining employees in a challenging labour market and securing young, able talent for the digital transformation. To counteract the demographic bottleneck resulting from the exit of the baby boom generation, our human resources and capacity management activities are guided by long-term developments. Initiatives to ensure that the Bank has a healthy pipeline of future talent are firmly anchored in the strategic agenda of HR until 2020.

It is no less important to qualify employees for the transformation of the banking sector resulting from digitisation and to develop their abilities on an ongoing basis. To this end, the Commerzbank Academy offers various qualification modules as part of its various development offerings including a large number of seminars, workshops and e-learning opportunities. The "Digital Campus" of Commerzbank Aktiengesellschaft drives the transformation into a digital technology company. Qualifications are obtained not only through seminars but also on the job. Employees assigned to the Digital Campus substantially accelerated the development and implementation of digital projects in 2018. 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.

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. On top of this, we offer advisory and support services through pme Familienservice relating to childcare, home care and care for the elderly, employee networks and information events. For more than two decades we have been steadily expanding our activities around combining family and work life and we provide our employees with targeted offerings for all stages of life, including with modules that can be used in combination when caring for relatives. In 2018, Commerzbank Aktiengesellschaft was awarded the "audit workandfamily" certificate for the sixth time. 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.

Health management is another central concern that is anchored in the strategic agenda of Commerzbank Aktiengesellschaft's HR work until 2020: the Bank seeks to promote the mental and physical health and social well-being of its employees.

Furthermore, we want to enable our employees and managers to take personal responsibility for their health and well-being, building up the resources they need to meet the changing requirements. To this end, we support them with a wide range of preventative measures such as professional advisory offerings and training, including how to deal with demands, and with campaigns to encourage people to keep mobile. The package of measures on "avoiding health risks resulting from an always-on work culture" was launched in 2018 and has already been largely implemented: through events for managers, keynote speeches and audio events. In 2013, Commerzbank Aktiengesellschaft was the first company in Germany to obtain a certification of its occupational healthcare management from 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 sport and relaxation courses, an employee support programme delivered through specialist service providers offering advice on both physical and psychological health issues, and a company doctor service. In Poland, the employee benefits fund of mBank provides financial help to mBank staff, retirees and their family members in health emergencies. Furthermore, mBank collates a picture of employee satisfaction and the working environment every year through its employee engagement survey. Employees can make suggestions for improvement in the survey and give anonymous feedback on the organisational units they work with.

Information on HR risks such as those related to motivation, resignation and bottlenecks are regularly reported to the Board of Managing Directors (see Group Risk Report, page 140 f.).

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. For almost 30 years, Commerzbank's Diversity Management 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 within the Group.

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, over the past years the measures designed to promote a good work-life balance have been further improved in order 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 this way Commerzbank has recently increased the proportion of women in leadership positions to more than 30% Group-wide. The Bank has set itself the goal of achieving a proportion of 35% across all management levels by the end of 2021; the 2018 figure in the Group was 30.8%. At Commerzbank Aktiengesellschaft Germany the proportion of female managers fell slightly to 28.0% in the year under review due to the headcount reduction (previous year: 28.6%). All divisions of the Bank 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 only attracts female applicants. Further information on the proportion of women on the Supervisory Board and Board of Managing Directors and at the first and second levels of management can be found in the Corporate Governance Report on page 26 f.

- Key figure: The proportion of women in management positions came to 30.8% Group-wide at the end of 2018 (2017: 30.7%, 2016: 29.8%).

The inclusion of people with disabilities is another part of our Diversity Strategy. In July 2018, we were the first bank in Germany to publish an “action plan on inclusion” on the basis of the UN Convention on the Rights of Persons with Disabilities. In the action plan we have committed ourselves to the implementation of major goals and measures by 2023 in order to improve the situation of people with disabilities within Commerzbank Aktiengesellschaft. This includes both employees and customers of the Bank. In particular, the Global Diversity Council, the representative body for severely disabled persons and the accessibility project group are working jointly to ensure that our buildings and our digital services are barrier-free. The motto of Germany’s Diversity Day in 2018 was “inclusion of people with disabilities”, which the Bank marked with a full week of activities with information events. At the end of 2018, 5.7% of all Commerzbank Aktiengesellschaft’s employees were severely disabled.

Between 2014 and 2017 the Bank consistently exceeded the statutory requirement of 5% and no compensation was payable.

We consider the diversity of our employees to be a success factor for the Bank’s performance. In Germany alone, the Group employs people from around 80 nations. Their diverse origins vitalise and enrich interactions. Differences in viewpoint and experience lead to new ideas. With its lived corporate culture Commerzbank wants to set an example of openness, respect and mutual understanding. In 2018, the Bank received the Total E-Quality award for sustainable promotion of equal opportunities and a prejudice-free working environment.

In Poland, mBank signed the Responsible Business Forum’s Diversity Charter in 2018. It commits the Bank to preventing discrimination at the workplace and to take measure to create and promote diversity.

Further information on employee issues can be found on page 93 ff of the Group Management Report.

Our responsibility in corporate governance

For us, sustainable 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. We are committed to complying with laws, directives and market standards, but also make voluntary commitments and adhere to a range of internal guidelines. For example, the binding global 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 act in accordance with our guiding principles.

As an active part of society we want to positively impact 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 such projects.

Integrity and compliance

Compliance with the law and applicable guidelines is the foundation of corporate responsibility. To implement this Group-wide, Commerzbank's Compliance division has wide-ranging authority and escalation rights, including powers to obtain information and carry out investigations. The focus of Commerzbank's compliance activities is on combating money laundering, terrorist financing, insider trading, fraud, corruption and other criminal activities wherever the Bank does business. Moreover, we ensure the protection of insider information, other confidential data about our customers and their transactions and investor protection. Integrity and compliance form an integral part of our corporate culture and require every single person to act responsibly so that their activities are in line with the relevant laws, voluntary commitments such as globally binding codes of conduct and internal directives.

With its cross-divisional "culture of integrity" project, Commerzbank Aktiengesellschaft instils in its employees what is important in their daily working lives: to act attentively, honestly and fairly in accordance with our ComValues. We are guided by these values, and they provide orientation in a dynamic environment. At the same time, it is important to treat compliance risks with the same relevance and professionalism as credit and market risks. In a Bank-wide campaign we report regularly on practical examples of correct conduct in grey areas, we indicate where potential violations of the law may occur and what the response should be, accompanied by a poster campaign in Germany and at the international locations. mBank launched a similar initiative in early 2018. At its core, "Culture of Integrity" is about drawing attention to compliance requirements and illustrating how creating this culture is the responsibility of every single employee.

To promote conduct characterised by a high degree of integrity and reward employees who act as a role model, Commerzbank Aktiengesellschaft created the Culture of Integrity Award in 2018. It is given to employees or teams who have distinguished themselves through their integrity and protection of customer and bank interests. The first recipient in May 2018 was a sales assistant and a relationship manager who showed great commitment in the face of initial resistance by the customer and prevented a corporate customer suffering a loss of around €1m from CEO fraud. The around 30 nominations from various sections of Commerzbank Aktiengesellschaft worldwide included exemplary conduct when uncovering insider trading and unusual money laundering or fraud activities and, in general, with regard to issues of integrity and compliance.

In our fight against corruption and bribery we do more than simply take into account existing statutory requirements such as the UK Bribery Act or the US Foreign Corrupt Practices Act. We also adhere to 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) seeks to combat bribery and other forms of corruption. It applies both within and outside the Group and in dealings with trade organisations, public officials and persons who have a relationship with Bank companies. Special ABC training has been developed to support employees in implementing the policy. It is mandatory for all staff and managers to complete this training every year. Business and functional units with heightened risk profiles and individuals in functions at Commerzbank that have an increased risk of bribery and corruption receive additional needs-based training. For example, assistants to the Board of Managing Directors underwent special training in 2018. In addition, an anti-corruption team is available to answer questions at any time.

Corruption and other criminal acts by staff are explicitly not tolerated by Commerzbank. The Bank has a zero-tolerance approach to criminal offences. 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 2018 (2017: –, 2016: –).

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.

It is the task of Compliance to ensure that the financial and economic sanctions and embargoes applicable for Commerzbank and additional regulatory requirements are observed. This also includes the implementation of UN sanctions provisions aimed at protecting human rights.

To this end, we enact directives and instructions, we inform the different Group divisions about sanction-related restrictions to business policies, advise them in their implementation and monitor compliance with them. If Commerzbank has business relationships with countries affected by sanctions, these are monitored closely and accompanied by measures which can include termination of the business relationship.

The Commerzbank Group furthermore takes extensive precautions to prevent fraud. Compliance has defined a large number of measures to prevent, uncover and respond appropriately to financial crime, with the aim of protecting the assets of our customers and the Bank. The main rule is a zero tolerance approach to attempts at fraud. This also means that we are open to tip-offs. Alongside proven communication channels such as contacting the Compliance and Audit departments, Commerzbank has set up a whistle-blowing platform called the Business Keeper Monitoring System (BKMS). It allows customers, employers and third parties to report any suspicion of financial crime within Commerzbank, anonymously if requested.

Market and customer protection plays an equally important role for Commerzbank. 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, which collects and checks data on relevant transactions in the corporate customer and capital markets businesses. We counter attempts at market manipulation resolutely and work to respect the integrity of markets and the need of our customers for protection.

Commerzbank has introduced central prevention systems for the Group in order to identify, monitor, mitigate and avoid compliance risks wherever possible. These systems comprise risk analysis, compliance reviews including an evaluation of their effectiveness, training, mandatory time away, reliability checks of potential employees, the due diligence reviews of third parties, an integrity clause to be signed by all suppliers and service providers and the whistle-blowing system (BKMS).

Potential compliance risks are evaluated and mitigated on the basis of a risk analysis. It is carried out once a year and applies to all Group companies, branches and companies otherwise affiliated or dependent 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 it into line with current developments and challenges.

Since 2018, Commerzbank has been working with a new "regulatory tracking" application. This central workflow tool documents the findings of the ongoing risk observation and the resulting implementation projects and is based on the approach adopted by the MaRisk compliance function. It seeks to identify the main legal provisions and requirements of relevance to Commerzbank, to implement appropriate and effective processes to ensure compliance with these and to perform corresponding checks. Group-wide implementation extends to all of Commerzbank Aktiengesellschaft's units in Germany and abroad together with the material subsidiaries.

Moreover, in the year under review the Bank's consequences management was established globally in order to ensure that, wherever possible, sanctions are uniformly applied to violations of rules and statutory or regulatory provisions. 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. Transparency allows mistakes to be used as a learning opportunity and to adjust rules and processes accordingly. The Bank has a strict approach to criminal offences. Employees will face the full possible consequences under labour, civil and criminal law.

Further information on the compliance function and compliance risks can be found in the Group Management Report on page 67 f. and in the Group Risk Report on page 137 f.

Stakeholder dialogue

Corporate responsibility also means seeking a regular exchange with external and internal stakeholders. Commerzbank maintains relationships with 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, ecological or social performance or are heavily affected by it. Alongside the employees, this includes the capital market, customers, suppliers, the media, non-governmental organisations, political bodies, representatives of civil society and science.

Given the loss of trust in the wake of the financial market crisis, 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, including 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. 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.

Commerzbank maintains liaison offices in Berlin and Brussels and one of its employees is located at the Institute of International Finance (IIF) in Washington. The Bank is registered with the EU's Transparency Register and reports on local activities, acting persons and annual public policy development expenditure. Several formats of events exist for the dialogue with political representatives, particularly in Berlin. Among them is the "Political Breakfast": in the weeks when parliament is in session, guest speakers debate social and economic policy issues with representatives from politics, science and business. In December 2018, Tijen Onaran was also a guest at "Commerzbank in Dialogue". The CEO and founder of Global Digital Women discussed the importance of the digital transformation for business, politics and society with the Chairman of the Board of Managing Directors of Commerzbank, Martin Zielke. The "She VIP Lunch" provides a further communication platform where successful women in business, politics, society, the media and diplomacy debate aspects relevant to social policy. In accordance with its donations directive which applies Group-wide, Commerzbank makes no donations to political parties, party institutions or politicians.

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. Representatives from business, associations, politics and science debate the results in public podium discussions. In 2018, the focus was on big data and the associated opportunities and challenges for SMEs. At 19 events across Germany and one event in Switzerland, participants had the opportunity to exchange viewpoints, gather ideas regarding implementation and forge new contacts.

Social commitment

In terms of social commitment, the Commerzbank Group engages in a variety of ways with its social environment. Numerous projects and initiatives developed together with partners from politics, the economy and society contribute to resolving current problems. Although social commitment is not regarded as material for the purposes of mandatory CSR reporting, Commerzbank is convinced of the positive impact it is able to achieve.

Here, Commerzbank Aktiengesellschaft focuses on education and sports. One example is the environmental internship launched by the Bank and the German national parks in 1990. Every year, the internship gives up to 70 students practical experience in the areas of environmental education and PR work in national parks throughout Germany. We organise and finance the environmental internship, while the national parks provide the practical and theoretical training. In 2018, the Bank held a scheduled review and decided to continue the project until at least 2022. Almost 1,600 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 ("Das Grüne Band") 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 outstanding contributions to promoting talent and youth in sport. To date, over 500,000 children and young people in more than 1,800 sports clubs have benefited from the initiative. The support of popular sports is also at the focus of the cooperation project DFB Junior Coaches. While the DFB trains young people in schools to become junior football coaches, Commerzbank mentors provide support in preparing the young people for working life: they organise job application training and provide work experience for school students in Commerzbank branches.

The companies of the Commerzbank Group also place an emphasis on corporate volunteering as part of their social commitment. Staff are encouraged and enabled to volunteer by being granted leave and being provided with the necessary infrastructure. This personal commitment benefits society and improves the living conditions of disadvantaged people. At the same time, volunteering raises morale in the workplace and promotes mutual understanding among staff. Our staff can become involved in a whole range of projects: in Germany, for example, they can take part in the Malteser Social Day, help prepare disadvantaged youth for working life or assist in refugee integration, non-profit sports projects, the business@school initiative or various Christmas activities.

In the past year Commerzbank Aktiengesellschaft donated a total of around €332,000 to various institutions and organisations.

In the year under review mBank was also for the first time the official bank partner and sponsor of Poland's biggest charity event: for many years the Great Orchestra of Christmas Charity Foundation has worked to improve Polish healthcare, especially in paediatrics and for care patients, as well as supporting an education programme. At the final event in January 2018 mBank announced that it would match its customers' donations, setting up various payment options in mobile and online banking and at ATMs for this purpose. Customers donated a total of around €1.6m (PLN 7m), which exceeded all expectations. mBank subsequently matched this donation. In 2018, the "Golden Banker" competition in Poland presented mBank with an award for its social commitment in the "Socially Responsible Bank" category.

Various foundations run or supported by the Group also make an important contribution to the sustainable development of society. Within Commerzbank, several foundations are active in the areas of education, science, art and culture and social engagement: the Commerzbank Foundation supports key facilities and exemplary projects related to scientific, cultural and social activities throughout Germany, providing incentives for young researchers, cultural mediation and social participation. The Jürgen Ponto Foundation has been promoting young artists in Germany for around 40 years, in music, the visual and performing arts and literature. In addition, six social foundations have been established to provide financial support to the Bank's employees in unforeseeable emergencies. The common aim of all the foundations is to make a long-term and sustainable contribution to the future viability and development of society. In 2018, Commerzbank Aktiengesellschaft supported these foundations with a total of €925,000, which funded staff, workplaces and other operating costs, among other things.

comdirect is involved together with the Stuttgart stock exchange in the German Numeracy Foundation ("Stiftung Rechnen") that promotes the importance of mathematics as a fundamental science and the improvement of maths skills in Germany. The mFoundation in Poland has a similar objective. For the period from 2014 to 2020, it has put an emphasis on its "m for mathematics" strategy, which entails working with schools, universities and libraries to strengthen maths skills across the country. In 2018, the funding volume of mFoundation came to around €925,000 (PLN 3.97m).

About this report

Under the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz), Commerzbank is obligated to prepare a non-financial report (Art. 340a (1a) of the German Commercial Code). With this non-financial report for Commerzbank Aktiengesellschaft and the Group, we satisfy this requirement pursuant to Art. 340i (5) in conjunction with Art. 315b (3) and Art. 298 (2) of the German Commercial Code.

In autumn 2018, we conducted a materiality analysis to identify ten non-financial issues for the non-financial report. These are issues that are material to understanding the development and performance of the business and on which our business activities have a significant impact (see table "Content of the non-financial report"). Based on the materiality analysis last performed in 2015 we first analysed studies, standards and ratings and established which issues may be relevant. A panel consisting of eleven representatives of external stakeholder groups formulated their expectations of Commerzbank in qualitative interviews and prioritised the issues in order of relevance. We were additionally able to establish the business relevance of these matters and the significance of the impact our business activities have on them in an online survey of employees and managers. A workshop was held with specialists from units with a sustainability connection to discuss the resultant materiality matrix, which was subsequently adopted.

Unless stated otherwise, the information in this report relates to the Group. Alongside the parent company, Commerzbank Aktiengesellschaft, the main subsidiaries according to the risk inventory were included, i.e. comdirect bank AG, Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. (CFCB). 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. CFCB, which only had 10 staff at the end of 2018 and was in charge solely of a workout portfolio, did not have any additional information to contribute on non-financial issues in 2018 and is included in the information on Commerzbank Aktiengesellschaft.

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 the corporate responsibility strategy of Commerzbank Aktiengesellschaft, the objectives of its sustainability programme and other non-financial indicators can be found in the comprehensive GRI report (Global Reporting Initiative) and the declaration of compliance with the German Sustainability Code published on the Group's corporate responsibility web page https://www.sustainability.commerzbank.com. Apart from the description of the business model in the Management Report, references to further information are not an integral 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 on page 110 f.

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 on page 328 f.

Content of the non-financial report

<table>
<tr><th>Material aspects in accordance with the CSR-RUG</th><th>Associated issues according to the materiality analysis</th><th>Included in chapter</th></tr>
<tr><td>Environmental protection
Respect for human rights</td><td>• Holistic risk management
• Sustainability effects in lending
• Sustainable investments and capital market products</td><td>Our contribution to sustainable finance</td></tr>
<tr><td>Treatment of customers</td><td>• Protection of data privacy and data security
• Transparency and fairness in customer relationships</td><td>Our responsibility towards customers</td></tr>
<tr><td>Treatment of employees</td><td>• Employer attractiveness
• Diversity and equal opportunities</td><td>Our responsibility as an employer</td></tr>
<tr><td>Anti-corruption</td><td>• Integrity and compliance</td><td rowspan="2">Our responsibility in corporate governance</td></tr>
<tr><td>Social responsibility</td><td>• Stakeholder dialogue
• Social commitment</td></tr>
</table>

Group Management Report

› In the Group Management Report, we provide in-depth information about the Commerzbank Group's performance in financial year 2018 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 2019 and overall conditions expected.

› In the second year of implementing its strategy, Commerzbank increased its operating profit to €1.2bn and significantly improved the quality of earnings thanks to the successful growth path. Growth was maintained in both of the core segments. Costs remained as expected despite the high investment in digitalisation.

Contents

Basis of the Commerzbank Group

Structure and organisation

Commerzbank is one of Germany's leading banks for private and corporate clients and an internationally active commercial bank. Domestically, it has one of the densest branch networks of any private-sector bank in Germany, with approximately 1,000 branches, serving a total of around 18.8 million private and small-business customers and over 70,000 corporate clients including multinational groups, financial service providers and institutional clients worldwide.

As part of its strategy, Commerzbank is focusing its business activities on the two core segments "Private and Small-Business Customers" and "Corporate Clients", offering a comprehensive portfolio of banking and capital market services. The run-off segment "Asset & Capital Recovery (ACR)" comprises – besides the Public Finance business – all non-strategic activities of commercial real estate and ship finance. Each segment is 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 Tax, Group Treasury, Big Data & Advanced Analytics and the central risk functions. The support functions are provided by Group Services. These include Group Digital Transformation & Strategy, Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Centre. 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 a nationwide branch network through which all customer groups are served. Its major German subsidiaries are comdirect bank AG and Commerz Real AG. Outside of Germany, the Bank has 6 material subsidiaries, 20 operational foreign branches and 31 representative offices in just under 50 countries and is represented in all major financial centres, such as London, New York, Tokyo, Hong Kong 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 considers itself to be a fair and competent bank that wants to be a long-term, reliable partner for its customers. We base our actions on the highest ethical values, integrity and fairness and are committed to complying with all applicable laws, guidelines and market standards. For us, this is the basis on which we work in a relationship of trust with our corporate clients, institutional clients, partners and stakeholders. "The bank at your side" – everything Commerzbank does is measured against this promise, and the Bank has very clearly demonstrated its commitment in this area over recent years.

The Commerzbank 4.0 strategy continues this path into the future. The objective is higher profitability on a sustained basis and increased competitiveness. Commerzbank is continuing to develop its business model as client expectations in the digital era change. Commerzbank is transforming itself into a digital enterprise in order to speed up service provision for customers while considerably improving efficiency and cost-effectiveness within the Bank.

Here are the key elements:

Concentrating on strengths

Commerzbank concentrates on two strong customer segments: "Private and Small-Business Customers" and "Corporate Clients". This means we focus on our strength: advising our customers, personally and digitally. At the same time, we are concentrating on our core competences and seizing the opportunities of digitalisation to become better, faster and more innovative.

The Bank is focusing on areas where it delivers particular added value to its customers, thereby setting itself apart from the competition; at the same time, it is systematically giving up businesses that do not fit with the strategic orientation.

Private and Small-Business Customers: building on our strong position

The Private and Small-Business Customers segment encompasses branch business in Germany, comdirect Group, Commerz Real and the mBank Group.

We continue to offer a personal presence for our private clients across the country with advisory and other services in some 1,000 branches. At the same time, we are expanding our digital offering and creating a single digital platform for all customers and all channels. The Private and Small-Business Customers segment will become Germany's first truly digital multi-channel bank. We are strengthening our offering for small and mid-sized companies. To do this we have created a separate business unit for small-business customers within the Private and Small-Business Customers segment to take responsibility for business customers and small corporate clients. Our aim: we want to make life simpler for our customers. They find it simpler, quicker and better to do their banking transactions with us. That's how we will become the number one bank for customers. Our plan: we offer our customers a digital and a personal presence. And we want to grow profitably.

Corporate Clients: national and international growth from a leading position

In corporate banking, the Bank is further extending its leading position in trade financing. To achieve this, it is looking for focused growth in the most important trade corridors for German and European corporate clients. With its deep penetration of key German industries – automotive and transport, chemicals and pharmaceuticals, engineering, energy and infrastructure, consumer goods and retail – Commerzbank possesses comprehensive sector expertise which sets it apart from the competition. In future it will increasingly offer this expertise to its international clients in Europe as well. Among Mittelstand clients with turnover of between €15m and €100m, Commerzbank also plans to further expand its market position with the aid of its international expertise and digitalisation. To achieve this, it will further develop its offering and introduce new digital products and services.

Evolution into a digital enterprise

In line with the implementation of the strategy in our client segments, we are reshaping Commerzbank into a digital enterprise. We are developing a holistic digital business model which makes banking for all customers as simple as possible through a strong digital offering. This strategic programme involves rebuilding Commerzbank from the ground up. The aim of the Commerzbank 4.0 strategy is to become the leading bank in Germany for private, small-business and corporate customers, close to the client and fast and efficient at processing.

The experience from 15 months of "Digital Campus" has shown that the Bank took the right path at the end of 2016. The digital operation journeys agreed are being driven forward in multi-functional teams using agile methods. Clients and staff are experiencing the first digital products. In the current year, the Bank is going a step further by implementing the new Campus 2.0 delivery organisation. The aim is to deliver functioning products and services for clients to the sales force far quicker than in the past. The planned delivery organisation will consist of 18 key areas divided into 50 or so smaller organisational units or clusters. In each cluster, specialist and IT staff will work together in a team. Each cluster will have responsibility for all IT systems needed for the products and services it covers. In other words, it will be responsible for running them on an ongoing basis as well as developing them. Consistently grouping together all relevant functions and competences allows close and direct cooperation in the clusters, saving time and resources. We are making the Bank more flexible and agile.

Full details of the Commerzbank 4.0 strategy 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 put the plan into operation 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 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 broken down by 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 is shown. The calculation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET 1 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. 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. With a view to the Commerzbank 4.0 strategy, the focus at Group level is 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 average Group equity. The capital cost rate represents our shareholders' expectations for the minimum return on their capital employed and is reviewed on an annual basis. The calculation of the capital cost rate is based on the capital market-oriented Capital Asset Pricing Model (CAPM). Commerzbank currently calculates its post-tax cost of capital to be 7.5%.

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 governance report in the “Corporate responsibility” section. It forms part of the Group Management Report.

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

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 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

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 corporate governance report. They form part of the Group Management Report. The corporate governance report can be found at www.commerzbank.com/annualreport2018.

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

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 governance as a combined separate non-financial report and online at: www.commerzbank.com/NFR2018.

Important staffing and business policy events

With the conclusion of the agreement to sell Equity Markets & Commodities, another milestone was reached in the implementation of the Commerzbank 4.0 strategy. The marked improvement in the results of the stress test conducted by the European Banking Authority is a further demonstration of the Bank’s healthy risk profile and high resilience to stress. With its inaugural green bond, the Bank is sending an important signal about the growing significance of this asset class, while also highlighting its sustainability strategy. The Bank also further strengthened its compliance function. There were some changes in personnel during the year, within both the Board of Managing Directors and the Supervisory Board.

Newly elected Commerzbank Supervisory Board

As proposed by the Supervisory Board, the Annual General Meeting on 8 May 2018 elected Sabine U. Dietrich, Dr. Tobias Guldimann, Dr. Rainer Hillebrand, Dr. Markus Kerber, Anja Mikus, Dr. Victoria Ossadnik, Dr. Stefan Schmittmann, Robin J. Stalker, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell to the Supervisory Board of Commerzbank Aktiengesellschaft. The election of the employee representatives on the Supervisory Board had already taken place at the start of 2018. At its first meeting following the Annual General Meeting, the Supervisory Board elected Dr. Stefan Schmittmann as its chairman. For full details of the Supervisory Board and the composition of the individual committees, please refer to the Commerzbank website at https://www.commerzbank.de/supervisoryboard.

Changes in the Board of Managing Directors of Commerzbank

At the Supervisory Board meeting held on 5 December 2018, Michael Reuther, the member of the Board of Managing Directors of Commerzbank responsible for corporate customer business, announced that he would like to complete his contract running until the end of September 2019 but that he would decline any offer to extend it. At the same meeting, the Supervisory Board accepted with regret the request from Chief Operating Officer Frank Annuscheit to step down from the Board of Managing Directors on 28 February 2019 for health reasons. Frank Annuscheit’s successor is Jörg Hessenmüller, who was previously a member of the Divisional Board for Digital Transformation & Strategy. Jörg Hessenmüller’s appointment to the Board of Managing Directors was confirmed by the regulator on 15 January 2019.

Commerzbank issues inaugural green bond

In mid-October 2018, Commerzbank issued its inaugural green bond in the capital market. The issue raised €500m. Commerzbank will use the proceeds to refinance renewable energy projects. With the inaugural green bond, the Bank is sending an important signal about the growing significance of this asset class. The non-preferred senior bond attracted keen investor interest. The final order book at reoffer was above €1.1bn. The bond has a term of five years. The coupon is 1.25% p.a. Commerzbank already has wide experience in the green bond market. For years Commerzbank has been successfully supporting its corporate clients to prepare their sustainable bond issues and place them in the international capital market. The bond is structured in accordance with the Green Bond Principles. This market standard provides investors with a high degree of transparency as regards how the funds are actually used. Commerzbank has earmarked the bond proceeds for loans for onshore and offshore wind projects and solar projects in Germany, other European countries, and North and South America. Commerzbank is committed to the objective set at the UN Climate Change Conference in Paris in 2015 to limit global warming to less than 2 degrees Celsius versus pre-industrial levels. The associated energy revolution and reduction in CO_2 emissions are creating a need for new technologies and products requiring large investments.

Commerzbank scores good result in the EBA stress test

Commerzbank considerably improved its result in the 2018 stress test conducted by the European Banking Authority (EBA), despite a further tightening of the adverse scenario. This is a further sign of Commerzbank's healthy risk profile and high resilience to stress. Under the adverse stress scenario, the Common Equity Tier 1 (CET 1) ratio is 9.9% at the end of the review period in 2020. That is 2.5 percentage points higher than in the last test in 2016.

Key milestone in implementing the Commerzbank 4.0 strategy

On 8 November 2018, Commerzbank and Société Générale signed a purchase agreement for the Equity Markets & Commodities division (EMC). On 3 July 2018, the two banks had already announced an agreement to sell Commerzbank's EMC business to Société Générale. The employee representative bodies in Germany consented to the transaction, which remains subject to the consent of the relevant authorities.

The Commerzbank EMC business includes issuing and market making in structured trading and investment products, the established ComStage brand for exchange-traded funds (ETFs) and the associated leading platform for ETF market making. The equity capital markets (ECM) business, equity trading and equity sales brokerage are not part of this transaction. The same applies to the business in hedging products for commodity risk. These activities will remain at Commerzbank as part of the strategic customer business. The transaction will see trading books, customer business, employees and parts of the IT infrastructure transferred. EMC front office staff and some employees in downstream units are to move to Société Générale. Transfer of the trading books and the corresponding impact on the balance sheet and income will take place in stages.

Further strengthening of the compliance function

The Bank continued its activities in 2018 to further strengthen the compliance function. As before, this pertains not only to structural changes. We also diligently pushed ahead with building up internal staff, staff training and the successful recruitment of additional experienced compliance experts to work at head office and in foreign locations. Following the creation of a dedicated compliance trainee programme in 2017, 2018 again saw further graduates hired for this new international programme.

The compliance function implemented various measures relating to global financial crime, global markets compliance and anti-bribery and corruption in order to improve the management of compliance risks. Steps were also taken to further strengthen compliance governance in Germany and abroad. Amongst other things, the strengthening of the global compliance system landscape in line with the latest market standards was rigorously driven forward. Commerzbank also set up compliance coordination units in the front office and continued its activities to expand structures and further improve the existing compliance processes in the business units.

In 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Bank has already dealt with the majority of the findings relating to the settlements. The Bank has also received various interim reports and the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank continues to make good progress in carrying out the implementation programmes and has dealt with most of the measures. The DFS will confirm when the monitorship ends. This decision has not yet been taken.

In line with the requirements of the 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 put in place a full-scale remediation project, the implementation of which is being evaluated by the skilled person and reported to the FCA half yearly. Here, too, Commerzbank made good progress in implementation.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). On 8 November 2018, Commerzbank reached agreement with the CFTC in a consent order waiving an investigation into breach of the U.S. swap dealer rules in the U.S. Commodity Exchange Act and the regulations of the CFTC. The consent order also stipulates that Commerzbank must retain 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, based on its assessment of Commerzbank's remedial efforts. During the review period the outside consultant will produce annual reports assessing the swap dealer's compliance with the Commodities Exchange Act and the regulations of the CFTC. The report will also contain recommendations on improving the swap dealer's practices, policies and procedures. The outside consultant will start work once the ongoing CFTC approval process has been completed.

For more information on integrity and compliance at Commerzbank, please see the combined separate non-financial report on pages 48 ff.

Economic report

Economic conditions

Economic environment

The world economy enjoyed above-average growth once again in 2018, but with strong regional divergences. In China, growth slowed due to the tighter economic policy. Overall, though, Asian emerging markets kept up the high pace of growth seen in 2017.

In the USA, 2018 growth was much higher than in 2017 at an estimated 2.9%. Unemployment is now below 4%. Against this backdrop, the Federal Reserve decided to raise key interest rates by a further 100 basis points to 2.25%–2.50% and continued to slowly run down its holdings of securities.

In the eurozone, however, the upturn slowed noticeably in 2018. Growth was a full half-percentage point lower than in 2017 at 1.8%. One reason for this was the feeble rise in exports, especially to China. In the second half, the economy was also hurt by the difficult situation in the auto industry. Despite the growth slowdown, the situation in the labour market continued to improve significantly. The unemployment rate fell from 8.6% at the end of 2017 to 7.9% in December 2018, almost back to the low level seen before the financial crisis started. Greater competition for staff is now apparent in wages. So far, however, climbing wages have not fed through to higher inflation. The core inflation rate, i.e. the year-on-year rate of the consumer price index, excluding the highly volatile food, luxury goods and energy prices, continues to fluctuate around 1%.

The ECB stopped its bond purchasing programme at the year-end. It will, though, reinvest all proceeds from maturing securities.

Germany's economic growth also weakened significantly in 2018 (1.5%) versus 2017 (2.2%), but the growth was still sufficient to reduce unemployment further. Seasonally adjusted unemployment at the start of 2019 was 5.0%, a new low since German reunification. The main brakes on the economy were weaker foreign demand and the difficult situation in the auto industry.

Financial markets were unsettled by ongoing rate hikes by the Federal Reserve and the trade conflict between the USA and China. Stock prices were down sharply and the dollar appreciated considerably. Despite the rising rates in the USA, the yield on ten-year treasury notes ended 2018 0.3% lower than at the start of the year.

Sector environment

2018 was a year of contrasts for the financial services industry. January was one of the best months for equity markets in history, giving one of the most powerful starts to the year in over 35 years. February was more sobering and big price falls in just two weeks unsettled many clients.

The second half of 2018 saw an appreciable rise in international uncertainties compared to the start of the year. The trade dispute between the USA and China broadened out as both sides brought in ever higher and more extensive tariffs. Concern about some emerging markets rose, putting exchange rates in these countries under pressure. With negotiations proving difficult, the uncertainties associated with the UK's departure from the European Union also increased. When the new Italian government then submitted the main points of its draft budget, risk premiums and the volatility of Italian government bonds rose again at the end of September. These negative factors put particular pressure on European equities, with banks once again disproportionately affected by the uncertainties. By contrast, bonds regarded as particularly safe, such as German government securities, were in high demand and the volatility on markets for risky investments rose perceptibly worldwide.

Over the year as a whole, the banking sector received much less support from overall economic activity than in 2017. In both the eurozone and Germany, annual average economic growth was down year-on-year in 2018, with Germany's export growth, which is key for German banks' corporate business, declining by almost half. Total domestic demand, by contrast, kept up the pace of growth due to the strong labour market and the good financial position of the corporate sector, which supported demand for residential mortgages and corporate loans. The auto industry, which is key for the banking sector, faced a series of problems in 2018 that spilled over into other sectors.

The Eurosystem's expanded asset purchase programme improved banks' liquidity position and financing conditions in 2018, but at the same time it put pressure on net interest margins and thus had a significant adverse impact on earnings – even though loans to the domestic private sector grew at a faster rate. While the banks' efforts to reduce solvency and liquidity risks and their greater resilience to the 2018 stress test were recognised, there were persistent fears about a sustained weakening of the profitability of the banking system in the eurozone and the ability of banks to generate profitable returns on interest-rate-based business.

Last but not least, the importance of cyber security and compliance was demonstrated once more in the year under review. The protection of data networks and appropriate staff training are an ongoing process which the banking sector must take very seriously, despite its already strong understanding of IT security. The same applies to ensuring compliance with the legal and regulatory requirements.

Overall, the fundamental transformation of the European banking system continued in 2018. The sector today is smaller, more clearly focused on its core functions and less profitable, but also more robust and resilient to future crises.

Financial performance, assets, liabilities and financial position

The Commerzbank Group has applied IFRS 9 "Financial Instruments" since 1 January 2018. The application of IFRS 9 has resulted in changes to the Group's accounting and measurement methods. In accordance with the transitional provisions of IFRS 9, the comparable figures were not restated. Explanations regarding changes or amendments to the accounting and measurement methods and the effects arising from the initial adoption of IFRS 9 can found be in Notes 4 and 5 to the Group financial statements.

Following signature of a purchase agreement between Commerzbank and Société Générale for Equity Markets & Commodities (EMC), the division's assets and liabilities were reclassified in the Group financial statements in accordance with IFRS 5. Income and expenses from discontinued operations are reported in a separate item in the income statement. The prior-year figures were restated accordingly. For more information, please see Note 4 to the Group financial statements.

The Commerzbank Group's operating profit for the year came to €1,245m, a rise of 8.4% year on year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €865m.

Total assets of the Commerzbank Group as at 31 December 2018 were €462.4bn. This represented an increase of 2.5% or €11.2bn over the start of 2018.

The increase in risk weighted assets to €180.5bn was mainly caused by a growth-driven rise in risk-weighted assets from credit risks, which was only slightly offset by reductions from IFRS 9 adjustments and a further reduction of wind-down portfolios. The slight increase in risk-weighted assets from operational risk was made up by a marginal fall in risk-weighted assets from market risk. Common Equity Tier 1 capital was €23.2bn and the corresponding Common Equity Tier 1 ratio 12.9%.

Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2018:

At €4,748m, net interest income in the period under review was 10.5% above the prior-year level. Private and Small-Business Customers managed to increase its net interest income considerably year on year. The segment benefited considerably from a full twelve months of interest income from the instalment loan portfolio taken over in August 2017. Following a further decline in deposit-related income the previous year, the domestic deposit business made a noticeably higher contribution to income in 2018. mBank posted higher interest income in both the lending and deposit business, benefiting from increased margins and further volume growth. In the Corporate Clients segment the growth path paid off. The negative impact from interest rates, restrained demand for capital market and hedging products and intense price competition was almost fully compensated. In the period under review, the Asset & Capital Recovery segment posted a decline in net interest income in connection with the fair value measurement of the shipping portfolio and the continued portfolio wind-down.

Net commission income fell by 3.2% year on year to €3,089m. In the Private and Small-Business Customers segment net commission income declined slightly from the previous year. This reflects the complete absence of commission income from referring consumer loans, which since the first half of 2017 have been offered over Commerzbank's own platform. There was also a significant decline in transaction-related commission income in the domestic securities business, as customer activity was muted with MiFID II coming into effect at the start of 2018. Payment services, by contrast, enjoyed growth in commissions.

Commission income at mBank weakened as income from the disposal of the group insurance business was not repeated, while income from the credit business and transaction-related commissions performed well. In the Corporate Clients segment, net commission income was lower than the previous year, mainly due to a lower contribution from hedging and capital market products.

Income statement I €m	2018	2017[1]	Change
Net interest income	4,748	4,295	452
Dividend income	36	106	–70
Risk result	–446	n/a	.
Loan loss provisions	n/a	–781	.
Other realised profit or loss and net remeasurement gain or loss	n/a	–76	.
Net commission income	3,089	3,192	–103
Net income from financial assets and liabilities at fair value through profit and loss and net income from hedge accounting	414	513	–99
Other realised profit/loss from financial instruments, net income from at-equity investments and other net income	283	733	–450
Operating expenses	6,879	6,834	45
Operating profit/loss	**1,245**	**1,149**	**97**
Restructuring expenses	–	808	–808
Pre-tax profit/loss from continuing business	1,245	341	904
Taxes on income	268	215	52
Consolidated profit/loss from discontinued business	–10	96	–106
Consolidated profit/loss	**968**	**222**	**746**
Consolidated profit/loss attributable to Commerzbank shareholders	865	128	737

[1] Figures restated due to a change in reporting plus other restatements (see Group Financial Statements, Note 4).

The net income from financial assets and liabilities measured at fair value through profit and loss was €366m in the reporting period, after €598m in the prior-year period. The decline is largely attributable to remeasurement effects in the Others and Consolidation segment.

Other realised profit from financial instruments was €26m, €218m lower than the prior-year figure, which included gains on the disposal of a stake in payment services provider Concardis.

Other net income was €245m for the reporting period, compared with €466m a year earlier. The result for the period includes income from the sale of the group insurance business of the mBank subsidiary mFinanse in the Private and Small-Business Customers segment, and an investment in the Corporate Clients segment. Income from sales of real estate and interest for tax refund claims also had a positive effect on net income. The prior-year period included income from the takeover of the instalment loan portfolio and non-recurring income from a sale of real estate.

The risk result in the period under review came to €–446m. In the Private and Small-Business Customers segment the risk result reflected the inclusion of the domestic instalment loan business in the Bank's own books and the reversal of impairments in the previous year. Outside the instalment loan portfolio, domestic loan loss provisions were essentially in line with the previous year. The risk result at mBank was almost the same as last year. The risk result in the Corporate Clients segment continued to benefit from the high quality of the loan portfolio, with the first half of the year in particular including reversals of valuation allowances on specific positions.

Operating expenses in the period under review came to €6,879m, only a slight increase on the prior-year period. The increase was primarily owing to sustained investment in digitalisation and growth, and also due to increased costs for regulatory projects and levies, such as the Deposit Protection Fund and the Polish banking tax.

While personnel expenses were 1.5% below the prior-year level at €3,441m, largely due to the decline in variable remuneration, operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, rose by 2.9% to €3,438m. The rise was largely the result of higher expenditure on IT, increased advertising costs, premises costs and mandatory contributions (including the Polish banking tax) and amortisation of intangible assets.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €1,245m in the year, compared with €1,149m the previous year.

Pre-tax profit from ongoing operations came to €1,245m, compared with €341m in the prior-year period. The prior-year figure included restructuring expenses of €808m relating to the implementation of the Commerzbank 4.0 strategy.

Tax expense on ongoing operations for the period under review was €268m, after €215m the previous year. Consolidated profit from ongoing operations after tax was €978m, compared with €126m in the prior-year period. Discontinued operations posted a loss after tax of €–10m. Net of non-controlling interests, a consolidated profit of €865m was attributable to Commerzbank shareholders for 2018, after €128m the year before.

As Commerzbank Aktiengesellschaft reports its results for the 2018 financial year in accordance with the German Commercial Code (HGB), the plan is to service all profit-related capital instruments issued by Commerzbank Aktiengesellschaft for the 2018 financial year. We will put a proposal before the Annual General Meeting to distribute a dividend of €0.20.

Total comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €626m in 2018.

Other comprehensive income of €–342m consists of the sum of changes in the revaluation reserve FVOCImR (€–93m), the cash flow hedge reserve (€47m), the currency translation reserve (€–102m), changes from remeasurement of defined benefit plans not recognised in income statement (€–287m), changes from the remeasurement of equity instruments FVOCIoR (€–3m) and changes from remeasurement of own credit risk not recognised in the income statement (€96m).

Operating profit per share came to €0.99 and earnings per share to €0.69. The comparable figures in the prior-year period were €0.92 and €0.10 respectively.

Balance sheet of the Commerzbank Group

The application of International Financial Reporting Standard 9 (IFRS 9) led to changes in the classification and measurement of financial assets, as well as to the impairment of financial assets. In the comments on the balance sheet items, for the sake of better comparability we refer to the comparison figures of 1 January 2018 (the opening balance sheet pursuant to IFRS 9). The reconciliation from 31 December 2017 (pursuant to IAS 39) to 1 January 2018 (pursuant to IFRS 9) can be found on pages 167 ff. of the Group financial statements.

Total assets of the Commerzbank Group as at 31 December 2018 were €462.4bn. This represented an increase of 2.5% or €11.2bn over the start of 2018.

The cash reserve and demand deposits fell by €1.3bn to €53.9bn. This fall from 1 January 2018 was due in particular to the reallocation of demand deposits held with central banks to the cash reserve in accordance with the applicable terms and conditions.

Financial assets at amortised cost increased by €14.8bn to €279.1bn compared to 1 January 2018. The increase compared to the IFRS 9 opening balance sheet was largely the result of a rise in residential mortgage business in the Private and Small-Business Customers segment and growth in loans and advances to banks.

Financial assets in the fair value OCI category were €26.7bn, up €1.5bn from 1 January 2018. This 5.8% rise was largely driven by the increase in debt instruments.

At €34.1bn, financial assets mandatorily measured at fair value through profit or loss were €0.9bn higher than on 1 January 2018. The rise was largely attributable to growth in loans and advances to central banks.

Financial assets held for trading were €42.5bn at the reporting date, €18.2bn less than the figure on 1 January 2018. While positive fair values from interest rate derivatives and from currency derivatives fell by €7.7bn overall, equity instruments declined by €7.9bn. The reclassifications of the EMC holdings to assets held for disposal contributed around €12.1bn to the total decline.

At €13.4bn, non-current assets held for sale and disposal groups were on a comparable scale higher than at 1 January 2018. The main reasons for the sharp rise were the sale of the EMC business to Société Générale and the sale of ebase GmbH agreed between comdirekt bank AG and FNZ Group.

Assets €m	**31.12.2018**	**1.1.2018**[1,2]	**Change in %**
Financial assets – amortised cost	279,137	264,345	5.6
Financial assets – fair value OCI	26,659	25,205	5.8
Financial assets – mandatorily fair value P&L	34,073	33,138	2.8
Financial assets – held for trading	42,501	60,716	−30.0
Non-current assets held for sale and assets of disposal groups	13,433	78	.
Other assets	66,566	67,689	−1.7
Total	**462,369**	**451,171**	**2.5**

Liabilities and equity €m	**31.12.2018**	**1.1.2018**[1,2]	**Change in %**
Financial liabilities – amortised cost	346,668	335,978	3.2
Financial liabilities – fair value option	21,949	20,385	7.7
Financial liabilities – held for trading	43,404	56,593	−23.3
Liabilities of disposal groups	12,914	–	.
Other liabilities	8,023	9,395	−14.6
Equity	29,411	28,820	2.1
Total	**462,369**	**451,171**	**2.5**

[1] Opening balance according to IFRS 9 with restatements (see Group Financial Statements, Note 5).
[2] Figures restated due to a change in presentation plus other restatements (see Group financial statements, Note 4).

On the liabilities side, financial liabilities at amortised cost were up €10.7bn from 1 January 2018 at €346.7bn. Both the volume of bonds and notes issued (especially Pfandbriefs and money market securities) and sight deposits from customers increased sharply compared with 1 January 2018.

Financial liabilities under the fair value option increased by €1.6bn from the start of 2018 to €21.9bn. Bonds issued fell by €5.0bn, partly because of the reclassification to liabilities held for disposal from discontinued operations, while deposits and other financial liabilities rose by €6.6bn. The increase was largely due to the rise in secured money market transactions with banks and financial services providers.

Financial liabilities held for trading were €43.4bn, €13.2bn lower than at 1 January 2018. The fall was mainly due to negative fair values of derivatives, which declined by €8.3bn. The reclassifications of the EMC holdings to liabilities held for disposal contributed around €8.3bn to the total decline.

Liabilities from disposal groups amounted to €12.9bn. This includes liabilities related to the sale of the EMC business to Société Générale and the sale of ebase GmbH agreed between comdirekt bank AG and FNZ Group.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet on 31 December 2018 was €28.2bn and therefore 1.9% above the level on 1 January 2018. Further information on the change in equity can be found on pages 152 ff. of the Group financial statements.

Risk-weighted assets were €180.5bn as at 31 December 2018, €9.5bn above the year-end 2017 level (fully phased-in). The increase was largely caused by a growth-driven rise in risk-weighted assets from credit risks, which was only slightly offset by reductions from IFRS 9 adjustments and a further reduction of wind-down portfolios. The slight increase in risk-weighted assets from operational risk is made up by a marginal fall in risk-weighted assets from market risk. Regulatory Tier 1 capital (on a phased-in basis) fell by €1.9bn to €24.1bn compared with year-end 2017, chiefly as a result of the next stage in the Basel 3 phase-in and the conversion to IFRS 9, although this was party compensated by the regulatory eligible profit and lower regulatory deductions. The corresponding Tier 1 ratio fell to 13.4%. Common Equity Tier 1 capital was €23.2bn and the corresponding Common Equity Tier 1 ratio 12.9%. The total capital ratio was 16.3% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which compares Tier 1 capital with leverage exposure, was 5.0% (phase-in) or 4.8% (fully phased-in).

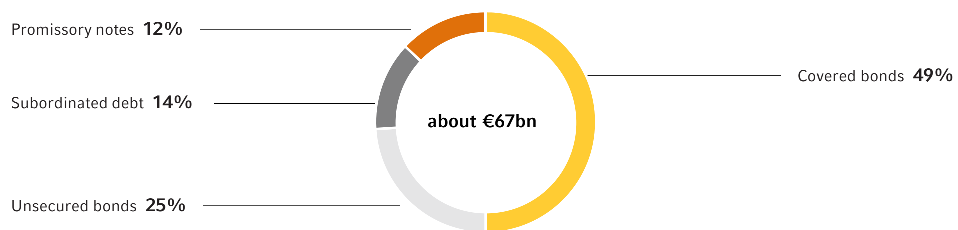
The Bank complies with all regulatory requirements. This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

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 Management 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 2018



[1] Based on reported figures.

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period, and its liquidity and solvency were also adequate at all times. It was always able to raise the resources required for a balanced funding mix and continued to enjoy a comfortable liquidity position in the period under review. The Commerzbank Group raised a total of €10.5bn in long-term funding on the capital market in 2018. The average term of all issues made during the year was around seven years.

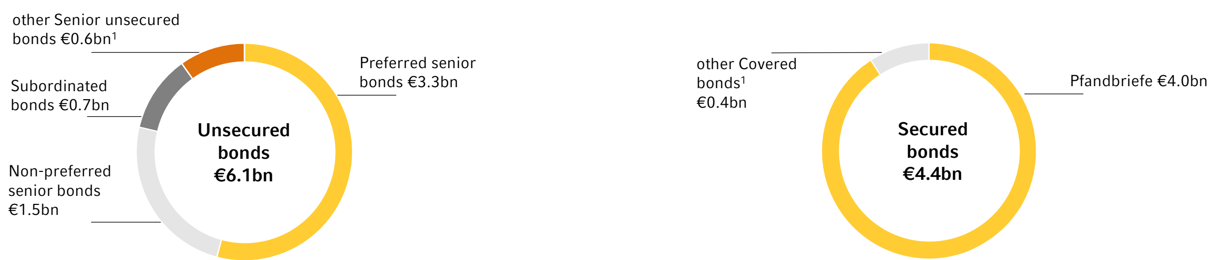
In the unsecured area Commerzbank Aktiengesellschaft issued in the first half a non-preferred senior benchmark bond with a volume of €500m and a term of ten years.

August saw the first issue of the preferred senior bonds. The transaction involved the parallel issue of two bonds: one with a term of five years and a volume of €1.25bn and one with a term of ten years and a volume of €500m. In October Commerzbank issued its inaugural green bond in the capital market. This non-preferred senior security had a volume of €500m and a term of five years and was used for loans in the renewable energies sector. AUD 225m and SGD 400m of subordinated debt were raised in the Asian market. mBank placed the equivalent of around €0.8bn in unsecured bonds.

In the secured area, mortgage Pfandbriefe with a total volume of €3.9bn were issued. Of these benchmark issues, €500m was with a maturity of four years, €1bn with five years, €1.5bn with seven years and €750m with ten years. Commerzbank was able to place its issues with a broad range of domestic and foreign investors.

mBank issued the equivalent of around €0.4bn of euro covered bonds under Polish law.

Group capital market funding of 2018
Volume €10.5bn



[1] mBank.

At the end of 2018, the Bank had a liquidity reserve of €77.3bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. This liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by 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 €10.0bn. At 135.66% (average of the respective last twelve 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 69 to the Group financial statements. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Summary of 2018 business position

Commerzbank made further progress in implementing its Commerzbank 4.0 strategy in 2018 and again grew in its core business, even though the environment was extremely challenging. We gained market share by winning new customers and increasing assets under management and loan volume.

The strategic objective of further simplifying the business was also driven ahead as planned last year: we sold the Equity Markets & Commodities business, streamlining our trading activities. In addition, we now serve large corporates and institutional clients in one place in the Corporate Clients segment and we have nearly completed the planned reduction of the CRE and ship finance portfolios in the Asset & Capital Recovery segment. Moreover, the Bank's foundation was strengthened further by a comfortable equity position, a low risk profile and strict compliance standards.

While implementing our strategy and facing persistently tough market conditions, we met the core objectives we had set for 2018 in terms of both income and costs. The slight decline in operating income year on year was in line with our expectations and mainly related to lower adjusted income; with the cost base stable, the cost/income ratio rose slightly as expected. Adjusting for the higher one-off income seen the previous year, the objective of improved quality of income and earnings last year was achieved. Overall, we managed to increase consolidated profit significantly year on year in 2018, as forecast.

The Private and Small-Business Customers segment faced very challenging conditions in 2018 but achieved major objectives in terms of improved market position and hence profitability. Progress was made in all divisions of the segment both in digitalising services and processes and expanding and bringing together the distribution channels. A major strategic milestone in new customer growth was also reached in 2018: the segment has gained one million net new customers since the Commerzbank 4.0 strategy was launched, almost 420,000 in 2018 alone.

High volumes of new business were again achieved in lending in 2018, too. This was the case in both retail mortgage financing and the instalment loan business. Thanks to the considerable rise in operating income, the sharp decline in one-off income from last year was largely compensated. Operating expenses were largely unchanged and the risk result was up, as expected, which in conjunction with higher adjusted income in the year resulted in significantly higher adjusted operating profit. Both domestic activities, especially the branch business, and mBank contributed to the rise in income and profit.

In the Corporate Clients segment, 2018 saw a number of challenges. The persistently low level of interest rates, intense price competition in the German market and the regulatory environment were reflected in the earnings performance. In addition, increased geopolitical uncertainty factors held back customer activity considerably. As a result, it was no longer possible to achieve our expectations of a slight rise in income. At the mid-year stage in 2018 we therefore adjusted our income forecast for the full financial year. In particular, declining income from hedging and capital markets products resulted in a decline in segment income. The much better than expected risk result continued to benefit from the high quality of the loan portfolio, with the first half of the year in particular including reversals of valuation allowances on specific positions. The anticipated and achieved slight reduction in the cost base proved insufficient to keep the cost/income ratio stable and it moved up year on year.

The ACR segment made further great progress in 2018 in winding down the remaining assets and risks that do not form part of the core business of Commerzbank. Total volume as measured by exposure at default fell by more than a third year on year. The considerable improvement in the risk situation is also reflected in the reduction of the sub-portfolio with the greatest credit risks, commercial real estate and ship finance. This reduction means a significantly lower burden on the income statement. As we had forecast, the risk result fell significantly. The lower risk costs were one of the main reasons why last year's operating loss turned into an operating profit this year.

At a Group level the anticipated lower level of one-off income led to a 2.2% decline in income before risk result to €8.6bn. Owing to the reduction in the scale of the risk result we made in the first half of 2018, operating profit rose by €0.1bn to €1.2bn. Strict cost management made it possible to cover both higher charges for regulatory expenses and high investments in restructuring Commerzbank to become a digital enterprise. At €6.9bn, operating expenses were at the same level as in the previous year. Consolidated profit attributable to Commerzbank shareholders improved to €865m, up from €128m in the previous year. As anticipated, at 3.4% the net return on equity remained above the prior-year level of 0.5%, while the cost/income ratio rose in line with expectations by just under 2.3 percentage points to 80.3%.

The Common Equity Tier 1 ratio declined to 12.9% at the end of 2018. This was the result of a reduction in Common Equity Tier 1 (fully phased-in) at the end of December 2018 to €23.2bn from €24.0 the previous year, while risk-weighted assets rose by 5.5%.

All in all, the Bank seized the growth opportunities available in 2018 in customers, volumes and income.

Segment performance

Private and Small-Business Customers

The Private and Small-Business Customers segment encompasses branch business in Germany, comdirect Group, Commerz Real and the mBank Group. The segment again saw growth in net new customers and assets under management in 2018. With around 13.1 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	2018	2017[1]	Change in %/%-points
Income before risk result	4,803	4,823	–0.4
Risk result	–233	n/a	.
Loan loss provisions	n/a	–154	.
Operating expenses	3,835	3,811	0.6
Operating profit/loss	**735**	**858**	**–14.4**
Average capital employed	4,751	4,509	5.4
Operating return on equity (%)	15.5	19.0	–3.6
Cost/income ratio in operating business (%)	79.8	79.0	0.8

[1] Figures restated (see Group financial statements, Note 65).

The Private and Small-Business Customers segment faced very challenging conditions in 2018 but achieved major objectives in terms of improved market position and hence profitability. Thanks to the considerable increase in operating income, the absence of the €210m in one-off income reported last year (after offsetting one-off expenses) was largely compensated. Both domestic activities, especially the branch business, and mBank contributed to the rise in income and profit. Excluding the special effects mentioned, operating profit fell €123m to €735m.

At €4,803m in the period under review, segment income before risk result was almost in line with the level of the previous year (€4,823m). Net interest income in Germany benefited considerably from full twelve months of interest income provided by the instalment loan portfolio of the former Commerz Finanz GmbH joint venture taken over in August 2017. Following a further decline in deposit-related income the previous year, the domestic deposit business made a noticeably higher contribution to income in 2018. Net interest income includes purchase price allocation amortization taken through the income statement; this spreads the measurement differences arising from the acquisition of the instalment loan portfolio from the joint venture partner over the residual term of the consumer loans transferred.

This resulted in interest expense for the year of €95m, after €44m the previous year. The increase was because the previous year only included a portion of the amortization due to the timing of the acquisition. mBank posted higher interest income in both the lending and deposit business, benefiting from increased margins and further volume growth. Net interest income overall rose sharply by €226m to €2,576m. Net commission income decreased slightly, down €43m year on year to €1,927m. This reflects the complete absence of commission income from referring consumer loans, which have been offered over Commerzbank's own platform since the first half of 2017. There was also a significant decline in transaction-related commission income in the domestic securities business, as customer activity was muted with MiFID II coming into effect at the start of 2018. Payment services, by contrast, enjoyed growth in commissions. Commission income at mBank weakened as income from the disposal of the group insurance business was not repeated, while income from the credit business and transaction-related commissions performed well. Both this year and last year the changes in the other components of profit were predominantly related to one-off changes in the income items.

In the first quarter of 2018 mBank generated a €52m gain on the disposal of the group insurance business of its subsidiary mFinanse, which was reported as other net income. In 2017 these income items contained a positive one-off special effect of €176m in Germany from the acquisition of the instalment loan portfolio. Other net profit or loss from financial instruments in 2017 included a gain of €89m on the disposal of the holding in the payment services provider Concardis. Excluding these three non-recurring income items, total other income in 2018 was a net €88m, roughly in line with the €89m seen the previous year.

The risk result was €–233m, reflecting the consistently high quality of the loan portfolio, albeit by €–79m higher than the loan loss provisions last year. The increase is mainly due to the domestic consumer financing portfolio, which has a volume of around €3.6bn. Compared to other types of loans, such as retail mortgage financing secured by real estate for example, this involves considerably higher risk cost, as expected, but this cost is reflected in the substantially higher interest rate margin, which generally covers it. Outside the instalment loan portfolio, domestic loan loss provisions were essentially in line with the previous year. The risk result at mBank was €–121m, almost the same as last year.

Operating expenses rose slightly by €24m to €3,835m. Personnel expenses were down €23m to €1,318m (€33m lower in Germany, €10m higher at mBank), but operating expenses rose by €43m. The overall cost of regulation, including for example expenses for deposit insurance and the Polish bank tax, rose considerably once again to the order of €250m for the full year. In addition, measures to secure and boost future profitability such as investments in digitalisation of products and processes remained at a high level.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €735m in 2018, €123m less than in the prior-year period.

Main developments in the financial year

The Private and Small-Business Customers segment advanced further with the Commerzbank 4.0 strategy in 2018. Progress was made in all divisions of the segment in digitalising services and processes and expanding and bringing together the distribution channels. The new advisory model for small-business customers was also launched in the domestic branch business. In this context around 24,000 clients move from the Corporate Clients segment to the Small-Business Customers division in September 2018.

A major strategic milestone in new customer growth was also reached in 2018: the segment has gained one million net new customers since the Commerzbank 4.0 strategy was launched, almost 420,000 in 2018 alone.

Managed assets in Germany at year-end were roughly €382bn. As part of the Commerzbank 4.0 strategy, the segment is looking to raise assets under control (the total volume of loans, deposits and custody accounts) in Germany to over €400bn by 2020.

Private Clients and Small-Business Customers

The branch bank in Germany offers the range of services of a full-service bank to private, small-business and wealth management customers both personally and via digital channels. The Bank is keeping its number of locations unchanged: private clients receive advice and/or service in around 1,000 branches, wealth management customers in more than 100 locations and small-business customers in around 330.

High quality and profitable growth

The branch bank made good progress in 2018 in its three core objectives of quality, growth and profitability. Customer satisfaction as the yardstick for the core objective of quality is measured using the net promoter score (NPS); indicating the willingness of clients to recommend the Bank. It was at a consistently high level again in 2018. External prizes and awards confirm the high quality of service and advice. Commerzbank was awarded a prize by the magazine €uro for being "Germany's Best Branch Bank". It was also again number one in the national "Best Local Bank" test run by Gesellschaft für Qualitätsprüfung GmbH. One of the guarantees of high quality is the Commerzbank CustomerCompass for private and small-business customers. This advisory application allows individual, personal advice, tailored to the client's stage of life and based on their financial needs and objectives. This advice has been standard in the Bank since 2012. In wealth management, the "strategy dialogue" is used to take a structured approach to clients' financial situation and needs.

The Bank also made progress in 2018 in the core target of growth. In the second half in particular the branch bank managed to step up growth once again. Marketing activities focused on the free current account with a starting balance as the anchor product. Around 488,000 new current accounts were opened in 2018, some 110,000 of them online. Online channels are playing an increasingly important role in marketing, alongside traditional campaigns.

In its marketing, the Bank is increasingly using data-based methods and advanced analytics to find the best offering for a customer. Previously, smart analytics were used via online channels; since August 2018 they have also been used in the branches and the Customer Centre to highlight sales leads in the new application, Dynamics. This allows the Bank to use existing customer data to approach them in a more focused way – with the consent of the clients. The aim is to identify customer needs quicker and offer exactly the right solutions the customer actually needs. The sales staff get the information they need in Dynamics. Using the data effectively also improves the efficiency of sales: advisors have more time to spend advising their customers.

Cooperations with external partners also contributed to the gains in new customers; tailored offerings were provided for them and distributed through the partners' channels. For example, there are cooperations with Tchibo, supermarket chain REWE and a staff benefits programme with numerous partners such as Allianz. More than one new customer in four at the branch bank came through partner channels in 2018.

High volumes of new business were again achieved in lending in 2018. The volume in new retail mortgage financing was around €13.4bn, compared to around €15bn the previous year. The somewhat lower level of growth can be put down to the aggressive competitive environment. In instalment loans, however, the Bank posted a decent rise: new business volume grew 19% year on year from €1.6bn to around €1.9bn. New and improved offerings and further digitalisation, for example in the instalment loan application process, also made the lending business more efficient.

In retirement savings, customer demand for savings solutions such as pension and endowment insurance remains high. This was reflected in the results of the retirement savings business: the volume of new business was up 8% to €2.7bn (previous year: €2.5bn). Home purchase savings declined slightly, with €2.6bn of new business. This is equivalent to a 6% decline from the strong figure of €2.7bn seen in 2017.

The Markets in Financial Instruments Directive (MiFID II) came into effect at the start of 2018. This involved extensive changes to advisory processes and technical applications in the securities business. Commerzbank implemented the requirements in all distribution channels, so customers can continue to do their securities transactions in person in the branch, online or by telephone. The new regulatory rules, persistently low interest rates and large fluctuations in markets made 2018 another challenging year for investors. This is apparent from the performance of the business: lower prices reduced the volume of portfolios, which ended the year at €93.4bn (previous year: €107.4bn).

The business model has been restructured in recent years to clearly focus on asset management solutions and custody account models with a flat fee. As a result, portfolio income forms an increasingly large share of total income in the securities business, which helped to stabilise income in 2018 despite the difficult market conditions. Total income in the securities business was €757m, compared with €813m the previous year. Around 3,500 new mandates with a volume of roughly €1bn were won in asset management. The total volume was around €15.2bn, compared to round €15.4bn the previous year. The high quality of asset management was confirmed at the end of 2018 with the "Outstanding Asset Management" award from Focus Money and n-tv.

2018 saw the launch of a new digital offering in the securities business from Cominvest. The digital asset management offered in cooperation with online banking subsidiary comdirect is a new form of structured securities investment.

Personally there for the customer

Customer behaviour is changing in the digital era. Customers are making increasing use of the Bank's mobile offerings, but still want a personal contact on site. The Bank remains comitted to a national presence.

Sales for small-business customers were reorganised in 2018 and a new advisory model was introduced. The Private and Small-Business Customers segment now looks after mid-sized companies with turnover of up to €15m as well as private customers, freelancers and tradesmen. The aim of the new structure is to provide even better advice to entrepreneurs for both their private and their business affairs. The offering for small and mid-sized companies, freelancers and independent professionals was also strengthened. A strong local presence combined with innovative digital solutions seeks to take the burden off entrepreneurs and make banking as simple as possible.

Commerzbank is clearly committed to its branches as an important part of the multi-channel bank. The Bank is continuing to implement its branch strategy by rolling out Flagship and City branches and further differentiating the service offering as a way of making them fit for the future. Flagship branches in larger cities will be the showcase for Commerzbank in future. At the end of 2018, there were a total of 17 Flagships in the network. The City branch will be the efficient branch model for local daily banking. There were 22 branches of this model across the country at the end of the year.

Digitalisation proceeding apace

The segment brought several new features to market in 2018 in terms of digital offerings and services. Since June 2018 Commerzbank and its subsidiary comdirect have been cooperation partners with Google and offer the mobile payment service Google Pay. Customers with an Android smartphone who use a credit card and the Commerzbank banking app can pay for their purchases contactless using the phone.

ONE has been the central sales application in the Bank since 2017. It is used in the branches, in online banking and in the Customer Centre. Customers and employees have access to the same technical platform. This allows a seamless and consistent customer experience across all channels. ONE was further expanded in 2018. The new investment advice and the new securities order in ONE meet the regulatory requirements of MiFID II. There were also further innovations in 2018, such as expanded functions in the electronic mailbox, the integration of accounts and credit cards from external banks in the financial overview, and the CashRadar and Development Funds Finder for small-business customers.

More and more customers are also using the Bank’s mobile banking apps and services. At the end of 2018 the banking app had over 1.2 million active users. It was expanded in the year under review to include functions such as multibanking, allowing access to transactions on current accounts and credit cards from other banks. The Commerzbank mortgage app, which has been on the market since 2017, was also enhanced. Customers can use it to apply for a mortgage online, for example. All the stages in taking out a mortgage can now be done from the convenience of an app. If the customers still wants advice in person, this can be arranged at any time directly in the branch or via the Service Centre.

The Bank is constantly working on digital solutions specifically for small-business customers to make their work easier. As an example, CashRadar was launched at the end of 2017. The application is built around a liquidity forecast. Based on historical turnover data, CashRadar calculates the future balances on all accounts included for a period of up to four months.

Another example is ComLease, which is offered in cooperation with Commerz Real. This is a leasing calculator that can produce precisely tailored leasing offers for small-business customers in just a few clicks. The Development Funds Finder is a research tool allowing both customers and non-customers to obtain suggestions for development funds that are available by entering only a small amount of data.

comdirect Group

comdirect Group extended its positioning in the online securities business in 2018. The agreed sale of ebase allowed comdirect to focus on its core B2C business, and investment in growth was stepped up from the second quarter of the year. The success of these investments was reflected in a further acceleration in net new customer growth already in the second half of the year. comdirect gained around 236,000 net new B2C customers in 2018, more than doubling organic year-on-year growth (2017: 103,000 net new B2C customers). The strong growth in custody accounts (181,000) is especially noteworthy. The lending business also reported considerable growth, partly due to the expanded instalment loan offering. Assets under custody (B2C) at year-end were €62.1bn, and securities transactions executed were €21.9m. Hence, assets under custody rose 5.2% in 2018, even though the market was down heavily, with the DAX falling −18.3%.

Apart from its position in the online securities business, comdirect also highlighted its role as a smart financial advisor for “generation mobile”. Following the rollout of Google Pay across Germany in the middle of the year, comdirect was also a launch partner for Apple Pay in Germany, providing innovative payment solutions for its customers from the beginning.

At the start of 2018 comdirect was the first bank in Germany to bring a chat and voice payment transfer to market. Both functions are integrated in the new comdirect app. This puts comdirect at the forefront of voice control, which is going to have a massive impact on banking and brokerage in the future.

comdirect also expanded its service offering to include the comparison platform “comdirect savingsCheck”. The first stage allows electricity and gas suppliers to be compared, and they can be changed in minutes.

Commerz Real

Commerz Real, the asset manager for physical assets in the Commerzbank Group, had a very successful year in 2018. It posted growth for the third year in a row in both real estate and real assets. At the end of the year, assets under management amounted to around €31bn.

This year again, the open-ended real estate fund hausInvest pleased investors with a solid annual return of 2.1%. This makes it an attractive investment in a low interest rate environment. Thanks to net inflows of more than €900m, the size of the fund rose to over €14bn (2017: €13bn). Acquisitions predominated in 2018: hausInvest bought roughly three times as many assets as it sold (€2.1bn compared to €0.7bn). The year's major transactions included the Omniturm in Frankfurt (around €617m), which will be the first hybrid skyscraper in Germany once finished, and the New York University building at 222E 41st Street (USD 333m).

Commerz Real made significant further developments in its institutional business in the hotel, smart living and renewable energies segments during the year. The new business volume was considerably ahead of the previous year at €400m (compared to around €330m). The CR Institutional Smart Living Fund (an open-ended special AIF) with a total volume of around €300m was successfully placed. The product range was expanded in 2018 by launching the CR Institutional Infrastructure Multi-Asset Fund II and the CR European Hotel Fund through the Luxembourg company CR Fund Management S.à r.l.

Real asset leasing saw 21% growth in new business year on year. The new business volume of roughly €1.2bn took assets under management to €4.6bn. This put the division well ahead of the 3.1% average growth for the industry in 2018. The real asset leasing team also considerably stepped up the development of the business model, the digitalisation of processes and their integration into Commerzbank systems.

mBank Group

The mBank Group is one of the largest financial institutions in Poland. It is engaged in private and corporate customer business and investment banking and also offers financial services such as leasing and factoring, commercial real estate financing, brokerage, asset management, corporate financing and capital markets advisory. mBank is also active in retail banking in the Czech Republic and Slovakia.

Financial year 2018 was very successful for the mBank Group. The rising business activities are reflected in a solid balance sheet in terms of volumes of both deposits and loans. At the end of 2018 the Group had roughly 5.7 million private customers and 23,700 corporate customers, compared to 5.3 million and roughly 22,000 respectively the previous year. The corporate strategy of the mBank Group is called “mobile bank” and is based on three pillars: customer focus, extending the bank’s competitive advantage in mobile services and consistently improving efficiency.

Numerous initiatives were launched in 2018 to implement the key strategic goals, primarily to extend the digital offering. Both Google Pay and Apple Pay are available for users of the mBank mobile app and offer a simple and secure payment solution for MasterCard and Visa card holders. mBank customers can open bank accounts and manage their finances on a smartphone without needing any paper documents or having to visit a branch. Customers also no longer need to enter payment details when they settle an invoice. All they have to do is to scan the invoice with OCR and accept the automatically generated transfer instruction. Another feature available to both private customers and corporate clients is called Qlips. This allows service providers to show invoices for their customers on their banking platform, while customers can accept transfers directly.

mBank remains a dynamic player when it comes to innovation. At the end of 2018 a pilot project was started on behavioural biometrics, to improve the security of banking services. mAccelerator, the mBank fund for investing in fintech startups, is also cooperating with companies looking at robotic process automation and the use of artificial intelligence in the banking industry. In addition, mBank set up a new subsidiary called mElements in 2018, which focuses on innovative solutions for API banking products, mainly aimed at e-commerce companies. mBank remains an active participant in the Polish express transfer, which involves entering a telephone number in the Polish BLIK system.

Outlook for Private and Small-Business Customers

In 2019, the segment’s growth strategy will continue to concentrate on making life easier for customers with modern, accurately tailored banking solutions. To this end the segment is investing in further digitalising products and processes. The focus is on developing sales channels so as to make the multi-channel bank something customers are able to experience more and more.

For example, there will be a further extension of the ONE platform, Dynamics and customer potential, improvements in the banking app and the Customer Centre will be systematically transformed into a sales channel. The aim is to raise efficiency in sales and further accelerate growth by making systematic use of the customer potential in Dynamics. The Bank is also aiming for further growth in the credit business by continuing to expand the sales channels for the instalment loan business and further digitalising the mortgage business. Instant payment solutions will make payments even easier for customers. The introduction of mobile securities orders and the expansion of the electronic postbox for custody account business will simplify securities transactions for customers.

The restructuring of the branch network is moving ahead, with a focus on City branches. November 2019 will also see the launch of a new advisory model for private customers. This involves, amongst other things, a stronger differentiation of the range of services in the different branch formats. As part of the Bank-wide restructuring of the central units under the slogan “Campus 2.0”, the head office of the branch bank is also being reorganised. The aim is to be able to bring IT-based solutions to market for customers quicker in future by using cross-functional teams and agile working methods.

For comdirect 2019 will be a year of investment to secure further growth. By expanding technology, products and marketing comdirect is strengthening its market position in brokerage and securing its role as a pioneer in innovation. The comdirect app will also be expanded in 2019 and new functions will be added. Since the start of 2019 comdirect customers have now been able to trade in a way that is simple and modern using the new chat order.

Commerz Real is looking to further extend its position as one of the leading asset managers for real assets in 2019. One of the focuses for the company, along with digitalisation and additional growth in the institutional business, is sustainability. In addition to measures to significantly reduce the heating energy, electricity, CO_2 emissions and water used in the properties it manages, Commerz Real will be intensifying its efforts in social and governance issues.

The focus on the further strategy implementation at mBank in 2019 will remain raising profitability, growing customers once again and improving efficiency, as well as retaining solid capital and risk parameters.

Corporate Clients

The Corporate Clients segment is divided into five reporting areas. The Mittelstand, International Corporates and Financial Institutions divisions are responsible for business with our core customers: the Mittelstand division covers larger Mittelstand customers and domestic large corporates with the relevant products they require. The International Corporates division looks after corporate clients headquartered abroad, large German multinational companies and international insurance companies. The Financial Institutions division is responsible for financing and processing foreign trade and for relationships with banks in Germany and abroad and with central banks. The segment offers customers the complete range of products of an international full-service bank, from traditional credit products, individually tailored financing solutions, cash management and trade finance, investment and hedging products and customised capital market solutions. The performance of the Equity Markets & Commodities (EMC) division is reported separately in view of the sale. The Other Result 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	2018	2017[1]	Change in %/%-points
Income before risk result	3,451	3,613	–4.5
Risk result	–194	n/a	.
Loan loss provisions	n/a	–295	.
Operating expenses	2,628	2,642	–0.5
Operating profit/loss	**629**	**676**	**–6.9**
Average capital employed	10,870	11,254	–3.4
Operating return on equity (%)	5.8	6.0	–0.2
Cost/income ratio in operating business (%)	76.2	73.1	3.0

[1] Figures restated due to a change in presentation plus other restatements (see Group financial statements, Note 4 and Note 65).

2018 brought a few challenges for the Corporate Clients segment. The persistently low level of interest rates, intense price competition in the German market and the regulatory environment (e.g. know your customer) weighed on the earnings performance. In addition, rising geopolitical uncertainty factors (including rising tension in international trade relationships, growing concerns about the sustainability of Italian debt and the scenario of a disorderly Brexit) led to lower customer activity.

The concerns about the economic environment also weighed on the international capital markets, which saw a significant rise in volatility in the fourth quarter. This was reflected in its earnings performance, with the segment posting an operating profit of €629m in the year under review after €676m in the previous year. The decline in earnings is attributable mainly to the competitive environment, with corresponding pressure on margins and weakened demand for capital market and hedging products.

In connection with IFRS 5, for the first time in 2018 the Equity Markets & Commodities division, which is for sale ("discontinued operations"), is shown as a separate item in the income statement and no longer as an operating part of the Corporate Clients segment.

The Mittelstand division benefited from the segment's solid market position, which is reflected in an increasing total lending volume. However, the negative impact of the interest rate environment, along with subdued demand for capital market and hedging products and the intense price competition, suppressed earnings. In International Corporates, profitability was largely stable, despite intense competition in lending. Lower customer activity in hedging interest rate and currency transactions was made up mainly by a positive contribution from capital market products. The refocusing of the Financial Institutions division resulted in a stable business performance over the year, proving solid even as trade conflicts loomed. In Others, the widening of credit spreads had a negative impact, but this was partially compensated by a positive result from restructurings.

In the period under review, income before risk result was down €162m or −4.5% year on year at €3,451m. Net interest income was €1,818m, down by €20m. The decrease was mainly due to a lower contribution from the lending business. Net commission income was €1,191m. This was €67m lower than the previous year, mainly due to a lower contribution from hedging and capital market products.

The risk result continued to profit from the high quality of the loan portfolio. The risk result for the period was €−194m, with the first half of the year in particular including reversals of valuation allowances on specific positions.

Operating expenses were €2,628m, down €14m on the prior-year figure. Investments in strategic development and higher regulatory expenses (e.g. for KYC, MiFID II, Dodd Frank) were compensated by lower personnel expenses. The reduction in operating expenses was achieved ahead of schedule thanks to strict cost discipline.

Overall, the segment posted a pre-tax profit of €629m compared with €676m in the prior-year period.

Main developments in the financial year

The performance of the Corporate Clients segment in 2018 was affected by intense competition and the implementation of measures under the Commerzbank 4.0 strategy. The main features were the focus on the core business and the resultant sale of the Equity Markets & Commodities division (EMC), and the steady implementation of growth initiatives, the introduction of the new advisory model in sales and the digitalisation of processes and products. The segment performance also reflected strong cost discipline.

Considerable growth achieved in the credit business

Last year we carried out numerous growth initiatives and were able to achieve considerable growth in the core business despite the challenging market environment. We exceeded the pro rata year-end targets in 2018 with just under 8,900 new customers and €82bn of loans. We achieved better average growth in lending volumes than the competition while keeping margins in line with the market. This growth, and our successful sales initiatives, show that our strategy is having an impact and being taken positively by our corporate customers.

Progress in digitalisation

We again made good progress in financial year 2018 towards becoming a modern, customer-focused multi-channel bank and digitalising our internal processes.

In addition to providing advice in person, we also offer our customers the ability to access many of our products and services quickly, independently and at any time via our online corporate customer portal, so they can integrate banking transactions into their daily business. Existing services were optimised and the offering expanded during the year, to even better meet the demands of an efficient online banking for corporate customers: term deposits and money market loans can now conveniently be rolled over online, the new authorisation management system creates transparency over the scope of use and permits legal representatives to administer rights and signatory powers. Bank Payment Obligation is a new digital payment protection instrument available for customers.

As well as expanding the range of services, it was also made considerably easier for customers to register for portal access. Around 40% of standardised term deposits are now processed via the corporate customer portal and the percentage of currency, security and money market transactions conducted online is also rising steadily.

A new client relationship management system has been rolled out for sales staff, making it easier for them to service customers and creating new possibilities for analyses. As a bank for corporate customers we want to use the opportunities offered by new procedures and technologies for analysing large quantities of data in a responsible manner. We analyse extensive data with the consent of the customer, which allows us to provide individual and more tailored advice, e.g. on the need to hedge currencies, optimising domestic and foreign payments and the financing and liquidity situation.

New technologies allowed us to extend our product range: with the pay-per-use loan, Commerzbank has created a new and innovative financing option which uses the now widespread Industry 4.0/Internet of Things technology to meet the rising demand for flexible financing offerings in a new way. The feature of the pay-per-use loan is that the amount of the loan repayment is based on the extent to which the equipment financed is used by the customer.

By linking the impact on liquidity to the actual order situation, the product creates greater financial stability and helps to optimise corporate liquidity. This product makes Commerzbank a pioneer in the German market and it is encountering great interest across many industries, especially in the domestic engineering and manufacturing sector. Today, the processing of traditional trade finance activities is largely paper-based, but Commerzbank is taking a leading position in developing digital solutions in this market segment. Commerzbank is playing a leading role, together with other banks, in global blockchain projects to develop a digital platform for trade and supply chain finance business (Batavia, R3, Corda). In May 2018, Commerzbank executed a forward FX transaction with Thyssenkrupp, recording the transaction directly using blockchain technology for the first time.

The Bank is also engaged in this area in a cooperation project with the Fraunhofer Institute for Material Flow and Logistics IML in Dortmund. Commerzbank was the first bank to set up an enterprise lab at the Fraunhofer Institute for Material Flow and Logistics IML. This allows cross-sector cooperation on logistics, supply chain management, supply chain finance and digital innovation.

Keeping up the excellent reputation in brokerage

The equity business remains a major part of our strategic offering of capital market products. Commerzbank has an outstanding reputation in this regard with institutional investors and corporate customers. For the seventh year in a row, Commerzbank was voted “Germany – Leading Brokerage Firm” in 2018, putting it in top place in the Extel Survey, one of the leading polls of institutional investors. This leading position also includes first place in the categories “Country Research, Small & Mid Caps Research” and “Equity Sales”.

Market position maintained despite weaker currency market

The regulatory changes that came into effect at the start of 2018 combined with persistently low interest rates led to very restrained trading activity in currency and interest rate hedging, especially in the first half. In the second half the currency markets benefited mainly from momentum from the Turkish lira, which boosted business activity. The expansion of FX Live Trader, our electronic currency trading platform launched in 2017, is showing sustained success: 57% of the German currency business with our customers is being done electronically. There was a focus on implementing initiatives, such as actively marketing our EUREX interest rate swap expertise. Commerzbank achieved a top 2 ranking in the EUREX Partnership Programme with EUREX Clearing AG. Another prize was “Best in Class Germany Proxy Voting Services” from Global Custodian Magazine.

Further streamlining of trading activities

The streaming of our trading activities started in previous years by reducing complexity and increasing standardisation meant that during the period under review our traders were able to systematically make allowance for the stricter regulatory requirements. We will continue to modernise the infrastructure so as to make our processes and procedures more efficient.

Compliance as an important part of our corporate culture

Once again in the year under review we set a high priority on implementing across various jurisdictions regulatory requirements that have become complex and ever tighter over the years. For this reason, the internal business unit set up for this purpose acts as the centre of competence for dealing with all issues and questions in the segment relating to compliance. This includes the compliance business risk strategy, controls and communication within the segment, support in drafting the compliance guidelines for complex customer structures, ongoing assessment of customer risk, reviewing the quality of customer data and staff training.

Mittelstand

As the leading provider of financing to the German Mittelstand, in this division we serve small and mid-sized companies with turnover in excess of €15m, and large domestic customers with turnover from €250m and a corresponding need for capital market products. As a leading relationship bank, the segment has a broad regional distribution network across Germany.

Growth programme for German Mittelstand companies continues

In 2018 we continued the growth programme to expand our German Mittelstand business. The aim is to gain further market share among small and mid-sized companies, especially those with annual turnover of between €15m and €100m, and further build on the business relationships with our existing customers. We mainly offer loans to finance further growth. Last year saw the first successful sales initiatives in the form of a very attractive product bundle in cooperation with the Mittelstand Lab, which acts as an interface between the central units and sales in developing innovative solutions. The aim was to gain new customers and subsequently win them over to our full offering. There is a clear trend towards a mix of simple, transparent digital products combined with skilled individual advice.

This is why we are consistently working on expanding our data repository to design more focused and tailored sales initiatives for new and especially for existing customers. Our digital sales analytics tools already allow customers to receive targeted solutions customised for them. These and many other measures achieved positive results in 2018. We enjoyed further success last year in gaining new customers and clear growth in loan volume, once again winning awards for our performance in 2018. In a poll of German corporate customers conducted by Finance magazine, Commerzbank was again voted "Top Bank in German Corporate Business" and received the Global Finance magazine's prize for "Best Bank of Germany 2018".

Implementation of our new advisory model in sales

The new advisory model under the Commerzbank 4.0 strategy was successfully launched in sales on 1 September 2018. The new structure will see freelancers, independent professionals and small and mid-sized companies with an annual turnover of up to €15m and straightforward advisory needs served by the Private and Small-Business Customers segment. These customers were transferred from the Corporate Clients segment to the Small-Business Customers division, allowing them to benefit from our national presence and needs-focused customer service. An optimised advisory model for corporate clients was also put in place on 1 September 2018: along with the corporate customer advisor, our customers now also have an expert contact for their daily business in the new role of "Manager Corporate Banking". This marks a further strengthening of the service team directly in contact with the customer. Customers also have our product specialists available to meet their individual needs. Services to do with the account are professionally handled by our Corporate Customer Service.

Further expansion of the sector networks

As a key component of the sector approach our sector networks, consisting of experts in the branches and sector teams, were further extended last year. The aim is for our small and mid-sized corporate customers to profit even more from sector and capital market skills which to date have been focused on the needs of large multinationals. Therefore, sector and capital market experts are working more closely together with risk specialists, research experts, financial engineering specialists and corporate customer advisors in the sector networks.

On this basis, as a strategic sparring partner with our customers we can talk from a position of deep knowledge about industry trends, market developments and transactions, and propose customised solutions. Last year we provided this expertise again to a larger range of customers: we supplied our sector and product expertise in intensive strategic discussions with German and European customers requiring capital markets products and worked on prestigious transactions.

Strong position in syndicated lending and promissory notes confirmed

2018 was another good year for raising syndicated corporate loans in Germany and Europe, thanks to the good market environment. Commerzbank was very active here and once more arranged many such lending facilities as lead arranger for large and mid-sized customers. The large number of recurring mandates is pleasing, reflecting the close and trusting cooperation and the strong position Commerzbank has with its corporate customers. Numerous debut transactions for mid-sized companies using syndicated lending for the first time were arranged by Commerzbank once again in 2018.

Expanding bond transactions for large German customers

Commerzbank has long-standing relationships with capital market-oriented companies in Germany with a financing requirement of at least €250m per year. Contacts with firms that may use the capital market in future are being systematically expanded. We won nearly all bond mandates in this segment in 2018 and placed them successfully.

International Corporates

The International Corporates division handles business with corporate clients headquartered abroad, large German multinational companies and international insurance companies.

Reliable international positioning

Our customer-focused advisory approach, with the relationship manager coordinating the globally active client service team to ensure high-quality advice across borders at the international locations of Commerzbank, was systematically taken forward over the reporting year. Our German corporate customers appreciate the reliability of our local service offering when assisting their foreign subsidiaries.

Our units in Russia and Hungary both celebrated their 25th anniversaries in the year under review. International groups are also choosing Commerzbank as a competent financial services provider, not just in their home markets and in Germany, but increasingly worldwide as well. In addition to the local service, the focus for customers is on the broad product portfolio of cash management, trade finance, corporate finance and interest rate and currency management. Apart from its own locations, Commerzbank also has a network of international partner banks giving it a presence in all the major markets round the world; this network was strengthened by two new partner banks in Nigeria and Kenya in 2018. This means Commerzbank remains a well positioned and reliable partner for corporate customers as they continue to internationalise.

Important partner for export-oriented corporate customers

The current environment is very challenging for exporters. Even so, despite rising trade barriers Commerzbank reported growth in foreign trade financing. This demonstrates the sustained strength of European exporters, and also shows how important financing solutions are in international trade. As part of its range of international trade services Commerzbank offers long-term export financing in conjunction with nearly 20 international export credit insurers such as Euler Hermes. The export financing specialists are available to our customers at 14 locations in important export markets around the world, offering their expertise on structuring and implementing financing, as well as providing direct local support.

Memorandum of understanding with Industrial and Commercial Bank of China (ICBC)

Commerzbank and ICBC, the largest bank in the People's Republic of China, wish to jointly seize the market opportunities of the "Belt & Road Initiative" (BRI). The Chinese Belt & Road Initiative, also known as the "New Silk Road", aims to expand the sea routes and land infrastructure networks between China and Asia, Africa and Europe, coordinate and promote economic cooperation and build up trade between the continents. Commerzbank is aiming to support BRI projects worth a total of USD 5bn over the next five years.

Bond issues in line with strategy

Bond issues in the International Corporates segment in 2018 were in line with our strategy for serving these issuers. Our regional focus is on issuers from Germany and all over Europe, with the addition of issuers from the USA and Asia.

A large number of securities were issued as multi-tranche bonds, predominantly denominated in euro, but also in dollars and sterling. These were mostly intended to finance corporate acquisitions. Despite the difficult market environment, we achieved a top 10 position in 2018 for "All International Bonds".

Financial Institutions

The Financial Institutions division is responsible for relationships with banks in Germany and abroad and with central banks. In carrying out its activities, Financial Institutions makes use of a global network of correspondent banks in industrial nations and emerging markets, promoting the global foreign trade activities of our corporate customers and supporting other segments in their international activities and strategies. Financial Institutions provides our customers throughout the world with (foreign) payment transaction services, hedging of foreign trade risks and funding for foreign trade deals. The Financial Institutions division also provides its customers with bilateral loans, supports them in syndicated loans and offers solutions for active risk management.

Still market leader after the refocusing

Under the new structure implemented, the division retains a competitive global network of correspondent banks, which are of high strategic importance for the customer areas of Commerzbank. This ensures that Commerzbank will remain the market leader for the settlement of Germany's foreign trade in the future. This allows the Bank to support German and European export-oriented corporate clients with their international trading business in the world's main trade corridors. We are also available to international financial institutions, providing all relevant financial services under a risk-based cross-product advisory approach. Thanks to the refocusing of our correspondent banking network in recent years, we are well positioned to manage the complexity arising from increasing requirements on an ongoing basis. We take our business decisions based on a robust and comprehensive set of risk and compliance rules. The specialist magazine Global Finance awarded Commerzbank the title "Best Trade Finance Provider in Germany" – an indication of its trade finance skills.

Comprehensive product range in payments

In cash management we offer our customers a comprehensive range of products and services to optimise their national and international cash and treasury management. These include multibank-enabled solutions for national and international payments and an extensive digital offering. In addition, in 2018 we continually kept our customers informed of the latest risks in payments to protect them from new forms of fraud. Commerzbank can provide a full training offering for customers in Germany and selected European locations on types of fraud that have been identified, such as CEO fraud, where corporate customers are tricked into making payments. The prestigious specialist magazines Global Finance and Euromoney and research firm Greenwich Associates honoured Commerzbank with multiple awards for outstanding performance in cash management and trade finance.

Leader in digitalising trade finance

A further major building block was added to the digital offering for our customers in 2018. Modern online interfaces (APIs) were brought in. Real-time currency conversion was added to payments processing and status monitoring for individual and bulk payments improved. The Commerzbank Trade Innovation Project will consolidate and modernise the IT platforms for processing trade financing transactions, which are key for the Bank. The main functions for processing collections and documentary credit processing went into operation in all Asian and foreign continental European locations in 2018. In addition, Commerzbank was one of the first banks to automate parts of transaction-based compliance checks worldwide. This solution was developed jointly with a fintech company in 2018, making use of the benefits of agile working.

Forward-looking projects include using blockchain to finance and protect our customers' value chains. Using innovative technologies opens up a broad range of new possibilities for communication and interaction between suppliers, logistics companies, banks and buyers. As the leading bank for German foreign trade, we are committed to supporting our customers in processing their transactions. Adapting helpful future technologies and implementing them in practical solutions for our customers is one of the Bank's core competences.

More awards in the Pfandbrief segment

Once again in financial year 2018 we expanded our strong market position in the global Pfandbrief segment. We once more confirmed our market position in fourth place. We remain the market leader in Germany in all bank bonds and are very active in bond financing in the rest of Europe, Asia and North America.

Equity Markets & Commodities

The Commerzbank Equity Markets & Commodities (EMC) business includes issuing and market making in structured trading and investment products and some of the asset management for the business with exchange-traded funds (ETFs).

Sale of EMC

As part of the strategic focusing, the separated part of the EMC division was sold to Société Générale. The sale agreement between Commerzbank and Société Générale was signed on 8 November 2018. The employee representative bodies in Germany have consented to the transaction, which remains subject to approval under competition law and the consent of other relevant authorities. The equity capital markets (ECM) business, equity trading and equity sales brokerage are not part of this transaction. The same applies to the business in hedging products for commodity risk. The sales marks a major milestone in the implementation of the Commerzbank 4.0 strategy; the refocusing makes the Bank simpler and more transparent and frees up resources for the core business. As the market leader in German corporate customer business we will continue to offer our customers the full range of capital market products.

Income affected by low volatility

In a difficult trading environment combined with less customer activity, the performance of the division declined year on year, especially in the investment products business. The asset management business, by contrast, performed strongly and saw further inflows during the year. The EMC expertise in managed investment solutions won various awards over the financial year. We received numerous awards in 2018, such as "Best House, Warrants", "Secondary Market Scope", and "Leveraged Products Certificates".

Outlook for Corporate Clients

In the current business year, the Corporate Clients segment will continue to concentrate on further implementing the Commerzbank 4.0 strategy. Both the initiatives announced back in 2016 and those started in the year under review will be actively driven forward. The successful agreement reached with the employee representatives last year, which will be accompanied by implementation of the agreed target organisational structure during 2018 and personnel reductions in the following two years, was essential for this.

We are keen to expand our market position in Germany and abroad by winning further new customers and are aiming to gain over 10,000 new customers by 2020. In Germany we will focus mainly on small and mid-sized customers with turnover of between €15m and €100m. Special concentration will be paid to gaining further market share by systematically exploiting our strengths in corporate finance and trade finance, risk management, international presence and digitalisation.

The further growth in customers will be supported by advertising campaigns and focused sales activities. New digital offerings will make the Bank more attractive to new customers and increase the loyalty of existing ones.

A new optimised advisory model will support differentiation from the competitors, combining a broad regional presence of advisors in person with digital distribution channels which proactively boost customer retention. At the same time, the old sales channels will be refocused by grouping similar activities together and transferring administrative activities to downstream divisions of the Bank to take the pressure off sales, so they can deal even more closely with customers' needs. Operational excellence will also be emphasised, so customers and advisors can enjoy lean, largely digital, processing. We wish to further build on our market leading position as the provider of finance for the Mittelstand. In 2019, we will further assist our corporate customers as a competent and reliable lender. We also expect sustainable financing with environmental or social features to continue to gain in importance, as increasing numbers of issuers and investors move into the segment.

In addition to the domestic market, we will make use of growth opportunities abroad and further strengthen the international business. The strategic focus will be on building up the business with institutional clients; to do this we will be refocusing the Institutionals business area in 2019.

We also want to realise more growth potential in the corporate finance and trade finance business and hence are continuing to pursue a focused sector approach. The further development of our IT infrastructure and various digital initiatives remain an important objective for our internal processes, like the interaction with our customers as both issuers and investors.

As part of the sale of the Equity Markets & Commodities division, trading books, customer business, employees and some of the IT infrastructure will be transferred to Société Générale and Lyxor. The integration of staff and the transfer of the trading books and the corresponding assets and liabilities will take place in stages and begin in 2019 once the relevant consents have been received.

Special attention will be paid when implementing these measures to further strengthening the segment's compliance culture.

Asset & Capital Recovery

The Asset & Capital Recovery segment comprises the complex financings of the portfolios in the areas Commercial Real Estate (CRE), Ship Finance (SF) and Public Finance (PF).

The ACR run-off strategy aims to systematically reduce the individual segment portfolios in a way that preserves value and minimises risk. The aim of this asset reduction is to free up capital so that it can be employed in business areas offering higher returns.

Performance

€m	2018	2017[1]	Change in %/%-points
Income before risk result	114	170	–33.0
Risk result	–8	n/a	.
Loan loss provisions	n/a	–336	.
Operating expenses	72	98	–26.7
Operating profit/loss	**34**	**–264**	**.**
Average capital employed	2,174	2,982	–27.1
Operating return on equity (%)	1.6	–8.8	10.4
Cost/income ratio in operating business (%)	63.3	57.7	5.5

[1] Figures restated (see Group financial statements, Note 65).

The ACR segment made great progress in 2018 in fully winding down the remaining assets and risks that do not form part of the core business of Commerzbank. The total volume of exposure at default (EaD, including problem loans) fell below €10bn last year, a reduction of over a third from the previous year. The considerable improvement in the risk situation is also reflected in the reduction of the sub-portfolios with the greatest credit risks, commercial real estate and ship finance. All that is left to report here are residual holdings of well under €1bn each. This reduction means a significantly lower burden on the income statement. As a result, the ACR segment recorded its first operating profit of €34m in 2018, after €–264m in the previous year.

Income before risk result fell by €56m to €114m, reflecting the considerable progress in cutting back segment assets. In addition, in 2017 earnings benefited from one-off income of €68m, resulting from the write-up of counterparty risk from hedging transaction that had been written off. Profitability is also impacted more than before since IFRS 9 came into effect on 1 January 2018 by remeasurement gains and losses on assets and liabilities. Since the start of 2018, the ship finance portfolio has been measured at fair value through profit or loss, so that fluctuations in the market values of the shipping loans no longer impact on the risk result.

Whereas the €–336m of loan loss provisions the previous year related almost solely to this portfolio, which was still considerably larger at the end of 2017, in 2018 the risk result was €–8m, primarily reflecting provisions for the remaining commercial real estate loans.

In line with the portfolio reduction and a further cut in headcount, operating expenses fell another €26m to €72m, in line with strategy.

Overall, the ACR segment posted a positive pre-tax result of €34m in 2018. This represents a €298m improvement compared with the same period of the previous year.

Main developments in the financial year

Reduction strategy continued

For all assets bundled in the ACR segment, a reduction plan for all ACR portfolios is drawn up as part of the comprehensive management plan. When reducing EaD (including NPLs), priority is given to winding down higher-risk assets; the ACR management team has an efficient set of tools for shrinking the portfolio. In addition to active restructuring and the use of market opportunities, access to investors and capital markets has made it possible to reduce assets in a selective manner by selling sub-portfolios, provided capital is freed up as a result.

The value-preserving portfolio reduction in financial year 2018 was over €5bn, taking EaD to €8.9bn, including NPLs. The EaD volume of the CRE and ship finance portfolio stood at around €1.3bn as at the end of 2018. Risk-weighted assets (RWA) fell by €6bn year on year to €12bn. The ACR segment still has highly qualified staff with many years of experience in the different asset classes. The operating stability of the units within the ACR segment is assured.

Commercial Real Estate

In financial year 2018, the total CRE volume (EaD) was further reduced by €0.6bn or 43% to €0.8bn through active management. In CRE Germany, which still accounts for around 33% of the total CRE exposure, EaD declined by 39% to €0.3bn. In CRE International, which accounts for around 67% of the total CRE portfolio, EaD fell by 45% over the course of 2018 to €0.6bn. The main components of the exposure are retail (€0.4bn) and logistics (€0.2bn).

Ship Finance

In financial year 2018, the portfolio volume (EaD) booked in ACR was reduced by €2.2bn from €2.6bn to €0.4bn. There was a further recovery in the bulker and container markets in the first half of 2018, building on some significant improvements in 2017 following the historical lows recorded in 2016. Charter rates in both segments slowed again in the second half of the year, however, considerably in some cases, with capesize bulkers falling below the corresponding 2017 level. This slowdown was due to a combination of falling demand and a high number of ship deliveries coupled with extremely low scrappage levels. This meant that full debt servicing was once again not possible in the year under review. It was a contrasting picture for the tanker markets, which saw charter rates fall until the third quarter of 2018 due to the excess supply of tonnage in recent years. Falling new ship deliveries and intense scrappage activity coupled with stronger-than-expected demand for crude oil as a result of the buoyant global economy then sent charter rates soaring from the fourth quarter of the year, allowing a temporary resumption of regular debt servicing. The portfolio is divided principally between three standard types of ship, namely containers (€0.1bn), tankers (€0.2bn) and bulkers (€0.1bn). The rest of the portfolio (€0.1bn) consists of various special tonnages which are well diversified across the various ship segments.

Public Finance

Up to the end of 2018, the Public Finance portfolio consisted mainly of receivables under financings and synthetic credit positions to local authorities, other public-sector or quasi-public-sector institutions, utilities, companies or financing institutions. EaD was reduced by €2.3bn over the past financial year to €7.7bn. Most of the exposure is in western Europe and North America.

Outlook for Asset & Capital Recovery

The run-off strategy for the ACR segment will be rigorously pursued in the coming years. The aim is still to run off the remaining portfolios and residual risks completely over time in a way that preserves value and releases capital. Opportunities to sell assets and portfolios will therefore continue to be taken in cases where a sale makes economic sense. By the end of 2019, the ACR segment aims to further reduce the CRE and SF portfolios to a level that makes them negligible from a risk perspective.

In CRE, persistently low interest rates and ongoing pressure on both large and small investors to invest are such that we assume real estate will remain an attractive asset class. Stable market conditions are expected for the short to medium term. In Ship Finance the future speed of portfolio reduction will continue to depend crucially on the performance of the shipping markets. The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in the UK and the USA. The Public Finance division will continue to seek out and make use of opportunities for asset and portfolio reductions that are focused on risks and do not harm profits. More loans and securities positions are now recognised at fair value, so reporting periods with negative net income cannot be ruled out in future; however, the volatility of income should decline steadily over time as the residual portfolio is heavily reduced.

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 in the division centrally.

The Others and Consolidation segment reported an operating result of €–153m for 2018, compared with €–122m in the prior-year period. This decline of €31m was largely the result of one-off income from a property sale recognised last year. This was counterbalanced by the declining negative impact from the effects of the purchase price allocation associated with the acquisition of Dresdner Bank and a decrease in the external funding costs allocated to the Others and Consolidation segment. Others and Consolidation likewise recorded a pre-tax loss of €–153m for 2018, representing an improvement of €777m compared with the prior-year period. Restructuring expenses of €808m were recorded the previous year in connection with the implementation of the headcount reduction as part of the Commerzbank 4.0 strategy.

Our employees

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

Actual number employed	31.12.2018	31.12.2017
Total staff Group	49,410	49,417
Total staff parent bank	34,001	33,850

At year-end 2018, the Commerzbank Group employed 49,410 staff, compared to 49,417 the previous year. The number of employees was reduced as planned, but mBank Group in Poland saw growth. Owing to the integration of IT subsidiary Commerz Systems GmbH into Commerzbank Aktiengesellschaft there was a corresponding rise in the number of employees shown for Commerzbank Aktiengesellschaft.

The number of full-time equivalents was 43,412, compared with 43,560 in the previous year (FTEs excluding trainees were 41,486 compared with 41,484 the previous year). The following table shows full-time employees at year-end by segment and by staff/management and support function. The staff/management functions perform central Group management tasks. The support functions ensure that the business processes underlying the Bank's operations run smoothly. The costs of the staff/management and support functions are mainly charged to the segments on the basis of an internal allocation formula.

Full-time personnel	31.12.2018	31.12.2017[1]
Private and Small-Business Customers	20,235	20,534
Corporate Clients	5,665	5,484
Staff/management functions and Support functions[2]	17,512	17,542
Group total	**43,412**	**43,560**

[1] Prior year restated.
[2] Staff/management functions: Group Audit, Group Communications, Group Compliance, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Tax, Group Treasury, Big Data & Advanced Analytics and the central risk functions. Support functions: Group Digital Transformation & Strategy, Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Center. The staff/management and support functions are combined in the Others and Consolidation division for reporting purposes.

Most employees in the Commerzbank Group (around 73%) work in Germany. The average length of service at Commerzbank Aktiengesellschaft (Germany) is around 21 years; 17% have worked for the Bank for up to 9 years, 29% for between 10 and 19 years, and over half for 20 years or more. The employee turnover rate in 2018 was 4.8%, compared with 4.6% in 2017.

Commerzbank continues to drive forward digitalisation

Commerzbank drove its strategic Commerzbank 4.0 programme further forward in 2018, pursuing the objective of developing into a digital enterprise. HR assisted the business units in moving to the new target structure and continued to implement the job reductions planned by 2020 on schedule and in a way which is socially responsible. We set up a portal called “New Perspectives” so employees are well prepared for the Bank's change process. This gives staff an opportunity to learn about internal and external opportunities. They can explore their professional options and are given support preparing for a change of work.

Restructuring head office to improve the Bank's performance

Commerzbank started a fundamental restructuring of its Group head office in 2018 with Campus 2.0. This programme is the next stage in transforming the Bank into a digital enterprise. In future, every product and service will be developed and run by a clearly defined organisational unit known as a cluster. The new cluster delivery organisation will be an integral part of the Bank. We are doing this to make the Bank more efficient and improve performance, so as to be faster and more flexible in the market and for customers. HR played a major part in Campus 2.0 in negotiating with the employee representatives and designing and implementing the staffing changes needed to restructure the Group head office.

Making employees fit for digital transformation

We want our employees and managers to be optimally prepared for the digital world. We will only be able to develop into a digital enterprise if the Bank succeeds in this transformation. Hence, we are offering measures across the Bank to help employees and managers extend what they know about digitalisation. We provide both in-class lectures and events and innovative online tutorials. In additional we teach our employees a great deal about agile working methods.

We are also breaking new ground in the way we bring on the next generation of managers. Last year we launched our international trainee programme in digital banking, attracting many graduates in STEM subjects to Commerzbank. During the year under review we again hired just under 20 graduates for the trainee programme. This will allow us to expand the skills required for our digital strategy.

Digitalisation is also being felt in HR. Last year we modernised a host of HR products and launched new digital products, including a new employee portal and a new study platform. Our aim is to further digitalise and simplify our HR products and processes.

Strong culture of integrity promotes the long-term growth of the Bank

Compliance and integrity are firmly integrated in our corporate culture. They protect our reputation, strengthen our brand and help us to achieve long-tern business success.

In 2018 we presented the "Culture of Integrity" award for the first time. This goes to employees who have demonstrated conduct that exemplifies integrity.

For years our ComValues have formed the basis of a binding corporate culture that unites us. Commerzbank revised the ComValues during the year under review and added the word "courage". We strongly believe that everyone has to have the courage to follow new paths and take responsibility for their own actions. This includes deliberately not doing some things and learning from mistakes.

Our updated code of conduct is based on our ComValues; this was introduced across the Group in stages following a revision last year. It provides us with orientation for acting correctly and morally impeccably in our daily work. At the same time, the Bank further expanded the process for managing consequences. This defines a consistent approach for handling breaches of legal regulations, regulatory requirements or internal guidelines.

Diversity management firmly embedded in the HR strategy

Commerzbank has a corporate culture of diversity and inclusiveness, and these form key elements of our HR work. We are clearly committed to a working environment that is free from prejudice and where the individuality and diversity of our employees, customers and business partners are not only accepted but desired. We are confident that we also profit from this as a bank. We want to continue strengthening understanding for this among our employees and managers in future.

As a signatory to the diversity charter we took part in numerous campaigns during the year, including German Diversity Day and the "#Flag for diversity" campaign. Our activities focused on including people with disabilities. In 2018, Commerzbank became the first bank in Germany to publish an action plan for inclusion based on the UN Convention on the Rights of Persons with Disabilities. It committed itself to implementing numerous measures by 2023 to improve the situation for people with disabilities in the Bank and in their business relationships. Commerzbank also supported the newly established employee network IDEAL, for people with disabilities.

Bank committed to work/life balance

We strongly believe that our employees are better motivated and perform better when they have a good work/life balance. We therefore have a range of offerings to support them in this respect at different stages of life. These include, for example, childcare arrangements, flexible working time models and part-time working options like "Keep in Touch". We also feel it is important to support employees who have to care for family members. Commerzbank has worked for many years with professional partners who advise employees and arrange services.

We won several prizes and awards this year for taking account of family issues and the different stages of life in our HR policy. The Bank's range of events and various staff networks also give employees the opportunity to learn and swap experiences within and outside the Bank.

The Bank remains committed to encouraging female managers

In 2018, Commerzbank signed the United Nations Women's Empowerment Principles. In doing so the Bank committed itself to promoting gender equality and strengthening the position of women in the company.

Encouraging female managers remains an important objective for Commerzbank. The Bank was able to employ more women in management positions (30.8%) in the year under review than in 2017. This moves the Bank closer to its target of having 35% of management positions held by women by the end of 2021. To achieve this, the Bank took various measures during the year. Whenever a management position has to be filled, discussions will always be held with both male and female candidates before a decision is taken on the appointment. Qualifications and skills remain the key considerations when filling positions.

Extensive offerings for promoting employee health

Commerzbank goes well beyond the legal requirements when it comes to promoting employee health. We firmly believe that healthy living and working has a positive impact on motivation and performance. Health objectives have therefore been an integral part of our HR policy for many years. Our health offering is wide-ranging and aims to better equip employees and managers to deal with the health challenges that arise from the digital restructuring of the world of work.

We also offer our staff training opportunities and health-related activities to encourage healthy behaviour in their daily working lives. Commerzbank again took part in the Global Challenge "step" competition; some 1,600 employees walked a total of over 1.5 million kilometres. Around 160 company sports groups are available to staff at Commerzbank across the country, offering more than 50 different types of sport.

In addition to physical health, Commerzbank's holistic and integrated approach to company health management means it also takes employees' mental health very seriously. The Employee Assistance Programme provides our staff with skilled advice in difficult personal and professional situations.

Attractive company benefits for employees

Along with remuneration, Commerzbank offers its employees other attractive benefits as a further means of creating a good working environment, showing recognition and positioning ourselves as an attractive employer. Commerzbank supplements the statutory pension with a company pension. In 2018, we also enhanced our tax-privileged direct insurance and pension fund deferred compensation models in line with the new German Company Pension Act (Betriebsrentenstärkungsgesetz or BetrAVG). As in previous years, our employees were also able to use numerous extras such as leasing Bank cars and bikes. Around 6,500 employees made use of these offers. The Bank is also encouraging electromobility and for the second time offered employees the chance to try an electric car on a leasing basis. Once again, our employees were also able to lease high-end IT devices for private use. Some 7,000 employees made use of this offer, with around 18,000 devices being ordered.

Remuneration

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

Outlook and opportunities report

Future economic situation

The global economy looks set to grow somewhat slower in 2019. The greatest risk comes from China, where the economy has clearly lost momentum. In addition, the trade dispute with the USA is weighing on the outlook for the Chinese economy. As in previous years, politicians are likely to prevent a collapse in the economy that could place political and social stability at risk. The government has already taken countermeasures and provided relief to individuals and companies through tax cuts. Monetary policy has also been loosened. If the actions taken so far prove insufficient, more are likely to follow.

The upturn in the USA will probably continue in 2019. There are no signs of excesses where a correction might drive the economy into a recession. However, the rate hikes and the slackening support from fiscal policy will likely result in a more moderate pace of growth. But the US economy is still set to grow by 2.5% in 2019, faster than productive potential. The already low unemployment rate will decline further. This is likely to strengthen underlying inflation slightly. The US Federal Reserve will probably not raise its benchmark rates any further in 2019. The biggest risk to the US economy comes from politics. The tussle between the Republicans and Democrats, who hold the majority in the House of Representatives since the elections in November, and the trade dispute with China are causing unease.

Real gross domestic product Change from previous year	2018	2019[1]	2020[1]
USA	2.9%	2.5%	1.8%
Eurozone	1.8%	1.4%	1.6%
Germany	1.5%	1.2%	2.0%
Central and Eastern Europe	3.0%	1.6%	2.2%
Poland	5.1%	3.2%	3.3%

[1] The figures for 2019 and 2020 are all Commerzbank forecasts.

In the eurozone the upturn noticeably slowed in 2018. However, the economy is unlikely to slip into recession. Domestic demand continues to be driven by the ECB's expansive monetary policy. The ECB terminated its bond buying programme at the end of the year. But that does not mean the end of loose monetary policy. The ECB deposit rate is likely to remain at −0.4% for a considerable time. Low interest rates are making the still high debt levels of many companies and households more sustainable. The foreign trade environment is also likely to brighten a little as the Chinese economy stabilises. However, although economic growth is set to pick up further in the course of the year, the average for 2019 will probably be only close to 1.4%. The planned UK departure from the EU is likely to have only a temporary impact on the economy in the eurozone. The economy is unlikely to slip into recession even if the EU and UK are unable to reach an exit agreement. Both sides will be keen to minimise the economic turbulence.

After a weak second half in 2018, the German economy is likely to gain speed again over the course of 2019. The main support for the economy will be investment, which remains robust. However, consumption and exports should provider stronger boosts again as the year progresses. For the year as a whole we expect growth of 1.2%, after 1.5% last year. It is worthy of note, however, that unit labour costs at German companies have been rising faster than in the rest of the monetary union for several years now. And in the property market, low interest rates are still driving up prices, especially in the major cities.

The end of interest rate hikes in the USA and the continuation of the ECB's highly expansive monetary policy will shape the financial markets in 2019. Even after the end to ECB bond purchases the yield on 10-year German government bonds will not rise materially. Not only because there is no prospect of a genuine cycle of rate hikes, but because the ECB will be reinvesting the bonds that mature.

It will therefore hold just under one-third of government bonds for a long time to come, permanently pushing down the maturity premium on them. The euro will probably tend to appreciate against the dollar in 2019. This is not a matter of euro strength, but rather the dollar weakness that is likely as the end of the Federal Reserve's cycle of rate hikes draws nearer. Equity markets should recover from last year's setback in 2019, once it becomes apparent that there is no threat of a global recession. The persistently loose monetary policy is also supportive of equity valuations.

Exchange rates	31.12.2018	31.12.2019[1]	31.12.2020[1]
Euro/US-dollar	1.15	1.24	1.32
Euro/Sterling	0.90	0.89	0.92
Euro/Zloty	4.29	4.25	4.20

[1] The figures for 2019 and 2020 are all Commerzbank forecasts.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the medium term have not changed significantly since the statements published in the interim report as at 30 June 2018. However, the risks to short-term prospects for the banking environment have risen further in recent months, and unlike one year previously the risks are now mainly to the downside.

The financial sector will enjoy less support from the overall economic environment in 2019 than in the previous two years. The fact that the global economy, the eurozone and Germany remain on the growth track and there is no threat of recession in the most likely scenario is a positive. The corporate and small-business customer business in Germany will benefit from the further growth in capital investment and exports, albeit to a lesser degree than in 2018. By contrast, business with private customers will enjoy the positive impact of stable growth in private consumption, construction investment, the persistent strength of the labour market and a strong ability to save. Large repayments by customers and the increased use of internal and alternative external sources of funding, along with tough competition, will also limit income growth. Furthermore, 2019 will again be a year with no sign of a traditional cycle of interest rate hikes in the eurozone. We do not expect the deposit rate to be increased until after March 2020. There is still no prospect of a genuine turning point in monetary policy or a perceptible steepening of the yield curve in the eurozone. Banks thus remain exposed on this front, and market participants' incentives to place their money in risky investments are not weakening.

The downside risks have risen in the period under review and a sharper awareness of them means there is a risk that the private sector will review its consumption and investment decisions and hence that the corporate and retail customer business will experience stronger headwinds from the real economic and financial environment at interest-earnings and commission business level than previously assumed. The growing disconnect between the growth prospects for the real economy, which remain solid, and the increasing disquiet among investors and companies, is having a negative impact on the banking environment.

Over-reactions on the financial markets and misallocations in the real economy caused by the lengthy period of expansive monetary policy would have a direct impact on the banking sector through interest rate and commission business. The already relatively high valuation of equities and bonds, real estate and private equity has built up considerable potential for disappointment which may not yet have unwound as the environment for various risk assets deteriorated in 2018. The expectations of market participants are still very one-sided. Investors who normally buy safe assets might panic at (further) market turbulence, and pro-cyclical investors have become much more significant. In their reports on financial stability, the Deutsche Bundesbank and the European Central Bank both drew attention to the challenging environment for the financial sector. The German banking sector is vulnerable to a scenario in which the macroeconomic environment undergoes an unexpectedly sharp deterioration. The risk of fears about the sustainability of the level of debt in countries with large borrowings has grown, as has the potential risk of liquidity tensions in the investment fund sector. We should also point out the risk of a sudden rise in risk premiums and the dangers for banks ability to act as intermediaries.

A largely disorderly UK departure from the EU without any transitional period or free trade agreement could cause harm to the German banking sector, even though there would be marginally positive value creation effects as market-related financial services are moved to Germany. The current level of integration between the UK and the EU, especially Germany, is very high, due to specialisation in the internal market and international value chains. Banks foreign business with key German export industries could be affected. This applies, through trading, to cars, engineering, electricals, chemicals, pharmaceuticals, food and textiles. Deliveries of intermediate goods are significant at the macro and micro-economic level for both Germany and the UK. Research by the Ifo Institute shows that at least 550,000 jobs in Germany depend on exports to the UK, hence business with retail bank customers would be directly affected. Germany is one of the world's largest exporters of services as well as goods. Services are a very important part of domestic and cross-border value chains and frequently accompany exports of goods. The Deutsche Bundesbank recently demonstrated that the costs from an increase in trade barriers for services can be very significant for some countries. In addition, the UK's departure from the EU internal market and the customs union may affect trade with other EU countries. Banks have to hope that their credit customers identify the risks Brexit will have for their own business models and mitigate these. In the short term there would be major general downside risk for the macroeconomic environment from market jitters and political uncertainty, with a negative impact on the customers of the banking sector. The perception of serious institutional consequences from the departure of one of the three large member states (in terms of the balance of power in the EU, a potential change of direction on free trade and the effect on the EU budget) could add to this. If the UK government lowers regulatory standards in the banking sector after Brexit to support London as a financial centre, the competitive position of the banks in the remaining EU countries would be harmed. If London, Europe's financial centre, loses its unrestricted access to the European single market this would increase fragmentation in investment banking, and equity, liquidity and other resources will have to be committed separately and profitability will suffer as a result. In the worst-case scenario, according to the Deutsche Bundesbank, bottlenecks, frictions and an absence of licenses might mean some activities have to be shut down entirely.

There is also ongoing uncertainty on the markets regarding capital adequacy, valuation of credit risks and credit security, interest rate risks, non-performing loans, cyber risks and especially profitability of European banks.

The focus remains on individual business models for sustainable profit generation and stress resistance in the low interest rate environment. Full-service banks have to demonstrate that they can make up for the high costs of complexity in the current regulatory environment by economies of scale, despite their relatively low market share in Germany.

One of the main challenges still facing banks is to adapt their business models – in view of ongoing overcapacity in some countries coupled with new technology-driven competitors – to the changed conditions, reduce costs and increase profitability. This means pushing ahead with the systematic modernisation of banking operations and making sufficient capacity available for digitalisation.

Essentially, the banking sector in the eurozone is still in the midst of a protracted period of structural change. The stronger capital base is offset by reductions in implicit government guarantees, stricter rules on resolution and greater creditor loss participation. A further reduction in leverage exposure levels and improved asset quality in an increasingly digitalised and automated industry are still essential if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

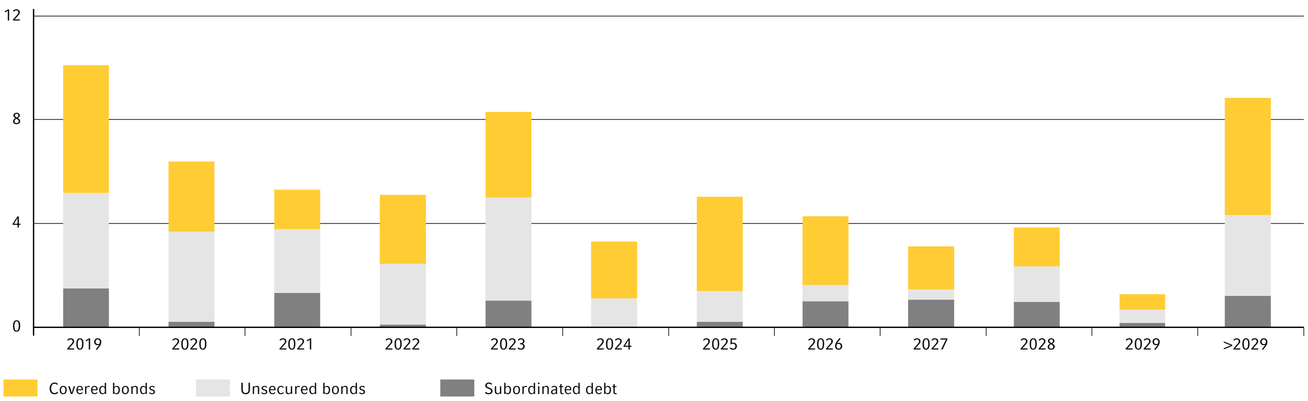
The outlook for the banking environment in Poland remains gloomy for the medium term as a result of economic policy and the threat of considerable reductions in EU infrastructure funds. The close trade and income relations with the UK would also cause temporary uncertainty in the event of a disorderly Brexit. The Polish economy continues to grow relatively strongly, though. After a healthy rise of around 5.1% in economic output last year, 2019 is likely to see a slowdown to 3.2% growth. Private consumption will again play a major role, accentuated by fiscal policy measures such as support programmes for families and pensioners. However, consumer confidence appears to have peaked and private consumption, which is so important, will probably grow less strongly this year than in 2018. In addition, as the funding period draws to an end, an increasing amount of EU funding can be expected to be drawn down, which should support investment in 2019. The positive trend in wages and unemployment should generally boost credit volumes, and the solid position of private households and the corporate sector will be reflected favourably in banks' risk costs.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be of the order of €10bn. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments (preferred and non-preferred senior bonds and Tier 2 subordinated debt), 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. Commerzbank does not anticipate any negative effects on the placing of long-term funding instruments in connection with Brexit.

Group maturity profile of capital market issues as at 31 December 2018
€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

The ongoing digitalisation of products and processes means that in future it will be possible to produce services in the Group more efficiently and more rapidly. Commerzbank is therefore planning to invest roughly €0.7bn in 2019, after €1bn last year. Around two-thirds of this relates to IT investment. The investments are focused on further digitalisation and regulation.

Private and Small-Business Customers
The main investment targets for the branch bank in 2019 are still the central initiatives relating to the Commerzbank 4.0 strategy with the four focuses on digitalisation, customers, products and channels, and compliance with regulatory requirements. Investments continue to concentrate on growth by gaining new customers to increase utilisation of the Commerzbank platform. Digitalisation measures are also ongoing. These include in particular investments in expanding the digital online, mobile and telephone channels. The focus is on increasing the ability to complete transactions in products on the ONE digital platform with the aim of making it possible to have a consistent digital and personal customer experience across all relevant touchpoints. In future, ONE will provide all relevant functions for customers, advisors, the Customer Centre and the back office. There will also be further investment in Commerzbank's sales platform. Findings from analysing customer needs in the Dynamics application will also be uploaded in a focused manner to the branches, Customer Centre and online banking. This will make it possible to approach and serve customers in a way that is industrialised, scaled and automated. Tailored offerings targeted at specific needs increase customer satisfaction and promote opportunities for selling. This calls for the efficient use of big data and advanced analytics as part of digital customer relationship management (DCRM). At the same time, Commerzbank is also investing in 2019 in specific issues for customer groups. The focus is on expanding and optimising digital offerings, accompanied by intensive market coverage. Further in-

vestment is going into digitalising products, especially developing the digital instalment loan platform and further digitalising the securities business. 2019 will also see more rigorous work on making the structure of the branch business more efficient. Following the implementation of the new advisory model for the small-business customer segment in 2018, November 2019 will see the new advisory model for private customers come into effect. The restructuring of the branch network will move ahead, with a focus on opening more city branches. The range of services will continue to be differentiated by location, with a focus on maintaining local presence. The Customer Centre will also be expanded to become a direct sales channel.

Implementing the wide range of regulatory requirements in a timely and customer-centric manner remains the Bank's top priority. Investments will focus on further minimising compliance risk, for example by simplifying and digitalising the know-your-customer process. There will also be process optimisations related to the requirements of the EU General Data Protection Regulation (GDPR) and the Payment Services Directive (PSD2).

To strengthen its position as market leader in digital banking, mBank is planning further investments in 2019 in optimisation and automation of both customer-related and internal processes. The projects planned should support the mobile strategy and the further development of a client-focused multi-channel bank. The existing mobile banking application will be expanded and customers will gain access to additional functions, such as the investment fund supermarket. Work will continue on the online banking platform in 2019 to further increase customer satisfaction. There will be changes to the design and optimisation of the navigation within the transaction system. New instruments will also be rolled out, with the aim of strengthening customer loyalty and boosting product sales. mBank will implement a new sales approach in its branches, with advisors in the branches showing customers how to use digital channels. The aim is to make the use of digital access channels more popular so customers are more willing in future to serve themselves using these channels. Further investments will improve process efficiency and IT security, for example by bringing user authorisation up to new security standards and helping to optimise the cost base while also growing organically. In the Czech Republic and Slovakia mBank is pursuing its long-term objective to grow its market position. The focus is on gaining customers, customer satisfaction and improving the mobile banking platform. The One Network Project is being continued, with the opening of two "light" branches and a new advisory centre. As part of the new project to develop the branch network, mBank is planning to open another ten "light" branches and two mini-advisory centres. mBank will also invest in 2019 in measures to implement regulatory requirements, e.g. GDPR and PSD2.

Corporate Clients

The investments in the Corporate Clients segment in 2019 will again concentrate on the measures decided as part of the Commerzbank 4.0 strategy. The emphasis will be on investments in the growth programme "Leading the Future" – the top position in the Mittelstand. This aims to gain market share and expand the market position in Germany by clearly focusing all actions on the needs of sales and the customer. At the same time, the steady increase in the level of digitalisation should reduce the administrative work in sales and create more time for customers. A new CRM system was rolled out in 2018 that aims to make work easier for sales staff by providing new ways to do analysis. Investment is planned in 2019 to replace another remaining customer relationship management system.

There will also be a focus on actively managing compliance risks. The segment plans to launch a system across Germany to automate transaction checking in cross-border trade financing. In addition to compliance-related transaction checking, there are also plans to invest in expanding the functionality of the new trade finance process platform to include guarantees. As part of the sale of the Equity Markets & Commodities division (EMC), trading books, customer business, employees and some of the IT infrastructure will be transferred to Société Générale S.A. This will involve corresponding investment in adapting the infrastructure and providing the necessary advice.

Campus 2.0 – a new delivery organisation

Following the successful experience with agile working in the Digital Campus, a decision was taken in 2018 to extend this to much of head office. From mid-2019, digital products and services for our clients will be developed in a new cluster delivery organisation. Agile working methods will be used both for the clusters and also for the other units of the Bank, as required.

Back office

Commerzbank will continue in 2019 with the ongoing optimisation of the IT structure. There will also be further significant investment in payment transactions and securities processing. In 2018 Commerzbank entered into a strategic partnership in payments processing with the payment processing provider equensWorldline. Commerzbank is outsourcing payments to equensWorldline, continuing to streamline so it can concentrate fully on the strategic restructuring.

The compliance function will be reinforced in connection with the further development of legal compliance and ethical principles. Ever stricter regulatory requirements mean Commerzbank needs to make substantial investments in order to comply with national and international standards. More expenditure is planned in 2019 for the implementation of the EU General Data Protection Regulation (GDPR).

Anticipated liquidity trends

In the fourth quarter of 2018, events on the eurozone money and capital markets were still largely dictated by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone.

The ECB continued to provide additional liquidity through its securities purchase programme. At its meeting in mid-June 2018, the ECB decided to continue the purchasing programme at a monthly rate of €30bn until the end of September 2018. The programme was reduced from €30bn to €15bn between October and December 2018 and ceased for the time being at the year-end. Based on what the ECB is saying, the benchmark rate should therefore remain unchanged if necessary until beyond the summer of 2019. Excess liquidity was just under €1,800bn as at the end of December 2018. The ECB will remain a major market investor as it reinvests the proceeds of maturing securities. At present the ECB is discussing replacing the targeted long-term refinancing operations (TLTROs) maturing in 2020 with new TLTROs, in order to provide sufficient liquidity for the market.

The restrictive regulatory framework and the ECB's interest rate policy are continuing to limit transaction volumes in the repo market, although the ECB and the national central banks are providing the market with additional collateral through various securities lending programmes, which has a counteracting positive impact. As in previous years, the repo market only provides limited liquidity over the year-end. Collateral is expected to become even tighter as a result of the introduction of mandatory bilateral margin requirements for over-the-counter (OTC) derivatives. This requirement comes into full effect for all market participants concerned at the end of 2019. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. The trend in liquidity in the bond markets reflects the activities of the ECB and the political uncertainties related to Italy and Brexit.

This has led to steady demand for good-quality names. Against this backdrop, the considerably reduced liquidity in the secondary markets will persist. We still assume that German government bond yields in the range of up to five years will be negative and anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight. There is further potential for moderate widening of spreads in specific markets such as German Pfandbriefs, but the trend for the market as a whole is expected to be sideways.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and able to respond promptly to new market circumstances. We still anticipate no significant impact on our liquidity situation from Brexit. The Bank has a comfortable liquidity position that is above internal limits and the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk.

Our business planning is designed to maintain a liquidity cushion commensurate with the prevailing market conditions and related uncertainties. This is supported by our stable business model in private and corporate customer business and continued access to secured and unsecured debt instruments in the money and capital markets.

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. The pressure on profitability has increased significantly in respect of both earnings and costs. Rising competition means old structures have to be reviewed and new paths taken. Whereas in the past, personal customer relationship management was a key element of banking, these days our customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. We are rising to these challenges with the strategic initiatives we have launched and in some cases have already successfully implemented. But we face additional challenges from increasingly stringent regulatory requirements. With this in mind, the constant review of internal processes, structures and technical platforms to make ourselves leaner, more efficient and more customer-oriented is not a one-off project but an ongoing process that will occupy us on an ongoing basis and should enable us to largely counteract the significantly tougher requirements.

The Commerzbank 4.0 strategy announced in autumn 2016 has three main thrusts. Firstly, we are concentrating on businesses with clear competitive advantages and selling non-core activities. Secondly, we are transforming ourselves into a digital enterprise. And thirdly, we are simplifying the Bank's structure and thus boosting our efficiency. Our aim is to be the leading bank in Germany for private, small-business and corporate clients. We want to provide a modern and considered range of digital and personal services, close to the customer and offering fast and efficient processing. We will remain personal and digital: the customer can decide which channel to use to contact us. The Bank focusses its customer activities in two strong sales segments – Private and Small-Business Customers and Corporate Clients.

By 2020 the Private and Small-Business Customers segment will a digital multi-channel bank in Germany. The key elements of this are digital and analogue service offerings, new sales platforms and a differentiated branch concept. We are sticking to our national presence with 1,000 branches, over 100 wealth management locations, 330 locations for small-business customers and 100 locations for corporate customers. On 1 September 2018 we launched a new management structure and new market divisions in the Private and Small-Business Customers segment and the new advisory models for small-business and corporate customers. This marks a major step in the implementation of the Commerzbank 4.0 strategy but we want to achieve faster growth by combining digital platform strategies with modern branch formats. The "ONE" sales application is a standardised technical platform for online and branch sales. Broad-based market coverage is assured through flagship branches focusing on advisory services and city branches that combine efficient customer service with a reduced infrastructure and lower operating costs. With the aim of gaining two million net new customers by 2020, the Bank is offering attractive products such as digital instalment loans and digital asset management and working with partners such as Tchibo, Amazon and Lufthansa. Small-business customers are handled in a separate business unit within the Private and Small-Business Customers segment. We combine strong expertise in private customer business with the credit experience of Mittelstandsbank. With new digital offerings coupled with a nationwide local presence we wish to significantly increase our share of the business customer and smaller Mittelstand customer markets from 5% to 8%. The holistic advisory services take both business and private considerations into account.

The Corporate Clients segment combines the Bank's traditional strengths in corporate banking – a national presence coupled with support for customers entering international markets, a unique relationship management model and a leading range of trade and export financing services – with the capital market know-how of our investment bank. We are thus creating the optimal framework for developing solutions tailored to the specific needs of larger companies. We will also leverage our expertise in Germany's key industries at a European level in order to better harness it for international growth. Our aim is to be the leading provider of hedging products for corporate clients and the number one debt house. We strive to ensure a consistently high quality of advice worldwide. Corporate customer advisors in Germany not only coordinate the involvement of product specialists, they also work with the Bank's global client service teams. The multilingual relationship managers and specialists on the European desks in their global markets are in constant contact with corporate customer advisors in the domestic market. New data analysis tools (e.g. the foreign payments dashboard) put us a step ahead of the competition and support the corporate customer sales team with specific transaction approaches and analyses of potential to achieve income. We are the first bank in Germany to offer our corporate customers a fully digitalised advisory process for both interest and currency risk management and investment management. We have also introduced a digital lending platform that allows mid-sized companies to apply for an overdraft of up to €5m entirely digitally.

We will transform the Bank into a digital enterprise across all segments. This restructuring affects strategy, technology, competence and culture. We will actively drive forward digitalisation in the banking business and be a technology leader. We want to be number one in all technologies that provide our customers with speed, security and convenience. For some time now, we have been involved in start-ups, both directly and through our subsidiaries CommerzVentures, main incubator and the digitalisation platform #openspace. We support entrepreneurs with good ideas, so we have a finger on the pulse of tomorrow's innovations. The Digital Leadership programme will support our managers in their multiplier role for digital change. Commerzbank was the first bank to set up an enterprise lab at the Fraunhofer Institute for Material Flow and Logistics IML. The Trade Finance Innovation Lab covers financial services, focusing on trade financing. It will develop new payment and financing solutions for the trade finance business using innovative technologies and bring to them market maturity.

The Digital Campus has become the engine driving the Commerzbank transformation, where we test and develop new, agile working methods and new forms of cooperation.

This will bring us to results more quickly and allow us to deal with changes more flexibly. Having gained one and a half years of experience with the Digital Campus, we are now in a position to further expand this new form of cooperation. We can now step up the pace and drive the transformation forwards more vigorously. We will further extend our Digital Campus success in the Campus 2.0 project and will restructure the head office. We are creating what is known as a "cluster delivery organisation". In future, sales will receive functioning solutions more quickly and be able to focus entirely on customers' needs. Instead of traditional hierarchies there will be agile working teams or "cells". Each cell is multi-functional and combines technical and IT expertise. They can develop a complete product and deliver it to customers and are also responsible for operating the systems later. All cells work independently in around 50 clusters on developing new products and processes in specific areas.

The specific opportunities arising for the two customer segments this year are described in the corresponding parts of the "Segment performance" section.

Anticipated performance of the Commerzbank Group

The banking environment remained very challenging in 2018, but Commerzbank made further progress towards achieving a sustainable, higher level of profitability in the medium term with the help of the Commerzbank 4.0 strategy. In 2019, the focus will remain on further growth in customer numbers and business volumes, and thus on income in both of the core business areas, Private and Small-Business Customers and Corporate Clients. One key to a sustainably improved market position is the continued digital transformation of the business model, which is being pursued with considerable investment. We will transfer our experience with the Digital Campus to large parts of the central organisation. Less complex processes and leaner organisational structures should open up tangible potential for efficiency and – combined with the expected growth in income – allow operating profit to be significantly higher in the medium term. The task of the Asset & Capital Recovery segment to wind down higher-risk portfolios that make no strategic value contribution while preserving value was largely completed last year.

By the end of 2018 the remaining positions in shipping loans and commercial real estate financing had already been cut to a negligible level of around €1.3bn and they are scheduled to be cut back again heavily in 2019. This will further strengthen Commerzbank's high resistance to adverse stress scenarios.

The overall conditions for the German banking sector this year look set to remain very challenging. The low/negative interest rate environment will continue to weigh on profitability, as will the intensity of competition, with margins on new lending business at an unsatisfactory level in some cases. We think a normalisation of interest rates that would allow to accelerate the desired medium term improvements in income and earnings is unlikely to occur in 2019. Our main focus this year will be on increasing client-related income, in other words we are anticipating a good quality of income and earnings, even without any support from one-off or exceptional items of income. Overall, Commerzbank is aiming for a slight increase in income. Compared to the exceptionally low level of loan loss provisions seen last year, we expect the risk result this year to be significantly higher. In our view, the high quality of the loan portfolio will again keep the rise in credit impairments to a very low level by historical standards in the current year. We anticipate a slight decline in operating expenses thanks to the progress in efficiency from digitalising business processes. We therefore expect that Commerzbank will be able to report an improved operating profit and higher profitability overall in 2019, despite relatively adverse general conditions.

Anticipated performance of individual earnings components

Even though we assume the interest rate environment will remain difficult, Commerzbank is aiming for a slight increase in net interest income as the most important source of income. The planned further growth in credit volume will make an important contribution to this. As in past years, Commerzbank intends to strive for growth with middle-market customers that is higher than the market, especially in the Private and Small-Business Customers segment, but also in the Corporate Clients segment. However, owing to the persistently high pressure on margins in Germany as a result of competition, we assume that the growth in income will be disproportionately less than the volume increase.

The targeted growth in customer deposits, combined with efficient asset/liability management, should make it possible to increase income in the deposits business again after several years of decline. All in all, we still see sizable growth potential in the private, small-business and corporate customer business both for Commerzbank in Germany as well as at mBank.

We expect net commission income to be largely stable this year. In the absence of any periods of excess volatility on the financial markets, which normally harm customer activity, a slight increase is possible. Growth potential remains in both core business areas, Private and Small-Business Customers and Corporate Clients, especially in securities and capital markets business. With private customers, higher portfolio-related income from mandated transactions and in wealth management, combined with an anticipated market related rise in custody account volumes, should result in higher commission income. With institutional and corporate customers, commission business should develop positively, in part due to increased activity in the primary and secondary markets.

In terms of net income from financial assets and liabilities at fair value through profit and loss, the risk-oriented and client-focused approach at Commerzbank means the objective remains to achieve a contribution to earnings that is as stable as possible. It is hard to make a forecast, however, given the uncertainties over the performance and volatility on global capital markets. For the ship finance portfolio which moved to fair value measurement in line with IFRS 9 on 1 January 2018 Commerzbank assumes that by the end of 2019 the remaining holdings will have essentially been reduced in full with no material impact on earnings.

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, which are hard to forecast. Given the relatively low level of such non-recurring income items in 2018, we assume there will be no material change to them overall in 2019.

The overall forecast trend in operating income, especially net interest income, is based on the assumption that interest rates will remain low. If rates look set to rise, especially at the short end of the yield curve, we feel it is realistic that the expected improvements in income could be considerably accelerated.

Despite the transfer of a consumer financing portfolio with high expected risk costs onto the bank's own books, the risk result had a considerably smaller impact in 2018 than originally anticipated. We do not expect loan impairments in 2019 to be on a level comparable to last year (i.e. exceptionally low).

Even so, the risk result of at least €550m anticipated in the baseline scenario reflects a favourable level by historical standards. Even in a somewhat weaker economic environment, Commerzbank will in our view continue to benefit from good risk management in both new lending and dealing with problem loans. Also, with respect to the three stages under IFRS 9, we again anticipate a similar picture to last year, when non-performing loans accounted for most of the loan loss provisions. The expectation of above-average portfolio quality is reflected in our forecast that also in the current year only a relatively small share of the risk result is likely to relate to value losses caused by a significant deterioration of credit quality, known as phase 2 impairments. Under IFRS 9, expected lifetime losses must be taken through profit and loss in the risk result when credit exposures suffer a material rating deterioration.

Operating expenses in 2019 should remain lower than the past year. The planned cost base of less than €6.8bn should allow further investment to boost future profitability and also cover the expected ongoing high level of regulatory costs. We expect increasing cost relief from the efficiency improvement measures already implemented and still to come, such as the digitalisation offensive in all areas of the Group, although much of this is only scheduled to become visible in subsequent years.

Anticipated segment performance

In the Private and Small-Business Customers segment, rising customer numbers and business volumes, especially in Germany, remain the main driver for the targeted slight improvement in total operating income. The segment expects growing scope for income from improved penetration of the existing customer base by applying data-based analysis tools efficiently; customers will be offered customised banking offerings to suit each stage of their lifecycle. As the move to a multi-channel bank proceeds, over time it will be possible to conclude the full product range over all channels, so customers will ultimately have unlimited choice between online, mobile or branch distribution channels. We see the ongoing digitalisation of products and processes, combined with innovative branch and distribution concepts, as a competitive advantage which we expect to provide further growth potential. We are aiming for further significant volume growth in lending, to counter the persistently unfavourable interest rate and competitive environment and the resultant margin pressure.

New business in higher-margin consumer loans should grow particularly strongly in 2019, supported by increased use of online sales channels. The aim in real estate financing is to at least maintain the considerably improved market position attained in recent years. Third-party sales, being connected more efficiently to Commerzbank systems through the application programming interface (API), will play an increased role here. Higher income is also expected from corporate customers following the completion last autumn of the transfer of small and medium-sized customers with annual turnover of less than €15m from the Corporate Clients segment to the Private and Small-Business Customers segment. Business volumes should be increased by better coverage, especially as regards operational issues. The broad range of services for small business customers includes, for example, leasing offerings and innovative digital solutions for liquidity management. We expect our Polish subsidiary mBank, which operates what is acknowledged to be one of the most innovative direct banking platforms in Europe, to maintain its growth path. Given the steady expansion of the market position in recent years in both corporate and private customer banking, we expect further improvements in business volume and adjusted income at mBank. In addition to higher income, efficiency gains should make an increasing contribution to improving operating earnings in the whole Private and Small-Business Customers segment. The advanced expansion of the central ONE distribution platform in Germany will result in significant process optimisations and thus better cost efficiency, as will the trend towards less product diversity. The product range will become increasingly digital and thereby create additional benefits for clients. As a result, operating expenses should remain stable or decline slightly despite an ongoing high anticipated burden from regulatory costs. The sharp increase predicted in the risk result for the Private and Small-Business Customers segment as a whole is primarily related to the higher volume of loans expected in Germany. Instalment loans in particular require significantly higher impairments, but experience shows these are covered by the considerably higher credit margin. Although we assume that the low level of risk costs, which is to an extent unusual, cannot be sustained, we remain confident that given the high quality of the loan portfolio, it will prove robust even in a less favourable economic environment. Overall, we anticipate a significant increase in operating profit in the Private and Small-Business Customers segment in 2019. Slightly higher income combined with slightly lower operating expenses and a small rise in the risk result should also considerably improve the operating return on equity. There is likely to be a considerable drop in the cost/income ratio.

In the Corporate Clients segment, too, the focus is on growth initiatives aimed at modestly increasing income by further strengthening and improving the market position, which is that of leader in many areas. In Germany, the aim is to leverage potential, especially among SMEs with turnover in the range of €15m to €100m, on the one hand by winning further customers and, on the other, by applying a new advisory model and data-supported needs analysis that will make it possible to tap into existing customers better. In international business, the segment positions itself as a eurobank focused on fast-growing regions such as the USA and China. With the aim of also broadening the customer base, it can build on the strong competitive position in trade financing, for example, and euro payments, and benefit from outstanding sector and corporate finance expertise. A further focus of segment activities in the current year will remain the digital transformation of the advisory and distribution processes. The ongoing digitalisation goes hand in hand with the further major expansion of the ability to do business online across the whole product range. The segment expects that exploiting increasing efficiency gains over time will lead to a slight reduction in operating expenses year on year. The forecast of a considerably higher risk result in the current year is based on lower expected reversals of loan impairments, which had a large favourable impact on the prior-year figure. Based on the fundamental assumption of no major weakening in the overall economic environment, we expect portfolio quality to remain robust both in Germany and abroad. Overall, in 2019 the Corporate Clients segment should achieve operating profit that is at least stable or slightly higher, with a slight improvement in the cost/income ratio. We expect the operating return on equity to be essentially unchanged.

We are forecasting that by the end of 2019 the size of the portfolio in the Asset & Capital Recovery segment will have been substantially reduced compared to the end of 2018. We are confident that we will manage to once again cut the remaining positions in shipping loans and commercial real estate financing considerably during the course of the year. We are also targeting a major reduction in Public Finance. Current income in the ACR segment will fall sharply this year in both absolute and relative terms in line with the size of the portfolio. The future performance of the ACR segment will continue to be dominated by measurement gains or losses, which experience has shown are hard to forecast reliably. In the baseline scenario, total revenue in 2019 will again fall below zero, although not by much, since, like in 2018, no significant burden is expected from the shipping portfolio, which is measured at fair value through profit and loss. We also forecast only a small risk result for the commercial real estate financing portfolio. Overall, we assume the Asset & Capital Recovery segment will post an operating profit significantly below the past year's figure, with operating expenses substantially lower again.

General statement on the outlook for the Group

The Bank will continue to systematically implement the Commerzbank 4.0 strategy in 2019. Our forecasts for the rest of the year assume neither a trend in interest rates that would positively affect profitability nor any relaxation in the competitive environment. It is highly likely that margin pressure will persist in both private and corporate customer business, as maturing loans with higher interest rates can generally only be replaced with new business at lower rates. Commerzbank is forecasting slightly higher income overall for the current financial year, operating expenses below €6.8bn and a significantly higher risk result. This will result in a slight rise in operating profit; the cost/income ratio should improve slightly. We anticipate a minor but perceptible burden from items that do not contribute to operating profit, largely attributable to profit or loss from discontinued operations, which includes the contribution from the former Equity Markets & Commodities division. Overall, we expect a slight increase in consolidated net profit. As a result, we see both the return on equity and economic value added rising to a slightly higher level. In terms of the Common Equity Tier 1 ratio (fully phased-in), in future Commerzbank will focus more closely on the capital requirements arising from the Supervisory Review and Evaluation Process (SREP). At the end of 2018, the regulator, the European Central Bank (ECB), praised the progress made by Commerzbank in improving its risk profile. Consequently, it set the minimum Common Equity Tier 1 ratio resulting from the SREP one-quarter of a percentage point lower for 2019. The success in reducing risks and the size of the balance sheet in recent years has also resulted in the German regulator leaving the capital buffer for other systematically important institutions (O-SIIs) at 1.0% for 2019, delaying the increase to 1.5% which had been planned. Our own ambition for the Common Equity Tier 1 ratio at the end of 2019 is at least 12.75%. This figure is well above the ECB regulatory requirement and in management's opinion it includes a sufficient buffer to cover potential stress situations. We assume that we will initially report a Common Equity Tier 1 ratio below our 12.75% target, probably in the first half of the year. The implementation of new accounting standards and the anticipated impact of regulatory measures are likely to push the ratio down temporarily, before a steady improvement over the course of the year is seen towards the target figure.

We plan to use the 2019 profit mainly to further strengthen the capital base through earnings retention. Given what is estimated to be a sufficiently comfortable capital position at Commerzbank, we assume we will be able to propose a dividend for 2019 on a comparable level with the dividend for 2018.

Despite the steady improvement in resilience to external influences in recent years, numerous risk factors are present that could affect the forecast profit for 2019 to a considerable, though not reliably quantifiable, extent should events take an unfavourable turn. Among these are the highly uncertain geopolitical situation and increased global economic risks, including in the core region for Commerzbank, Europe. Here we see looming trade disputes and the currently unpredictable outcome of the Brexit process having a considerable impact. Difficulties related to the normalisation of monetary policy over time and the end to the unconventional central bank measures, which is desired by most central banks, caused short, sharp price corrections and a leap in volatility on the capital markets at the end of 2018. Valuation levels remain high by historical standards on both international equity and bond markets. The economic situation is fundamentally positive, but if this were to darken significantly it could hit Germany's internationally connected economy particularly hard and result in risk costs much higher than expected. Other risk factors include unfavourable trends in the regulatory or legal environment, which could delay the impact of the intended cost improvements, and a further tightening of the competitive situation in Germany. If margins were to fall further to levels that are unattractive from a risk/return perspective, this could considerably constrain Commerzbank's profitability.

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.

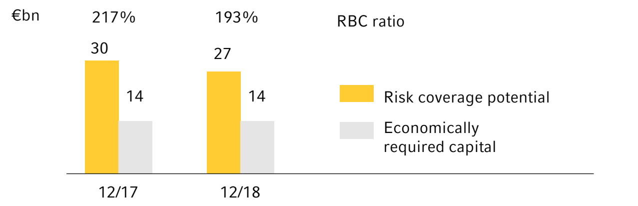
Contents

Executive summary 2018

Solid capitalisation and high risk-bearing capacity ratio

- The risk-bearing capacity ratio remains on a high level.
- The decline in the RBC ratio to 193% is the result of the risk coverage potential (among others the introduction of IFRS 9 and time-to-maturity effects of subordinated capital).

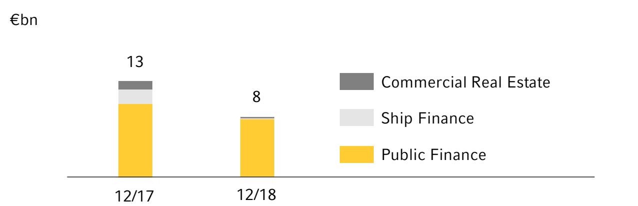
Risk-bearing capacity



Exposure reduction in the Asset & Capital Recovery segment

- ACR exposure in the performing loan book was reduced by around €5bn compared with the end of the previous year due to the conversion to IFRS 9 and the ongoing wind-down of the portfolio.
- Ship Finance exposure in ACR was below €500m as at the end of 2018.

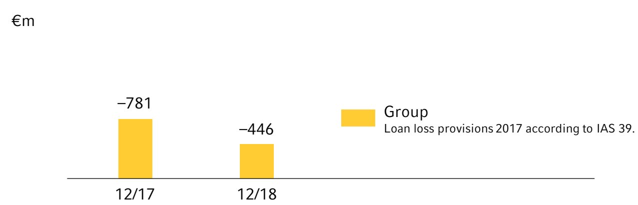
EaD



Risk result for the Group lower at €–446m

- The risk result relating to the Group's lending business in 2018 amounted to €–446m.
- Compared with the previous year the calculation of the risk result showed substantial changes due to the conversion to IFRS 9.

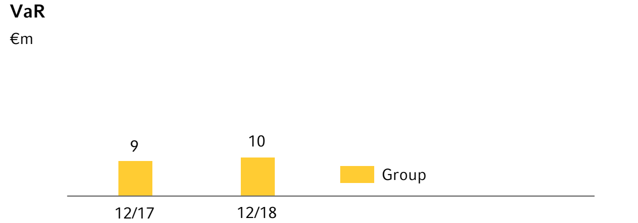
Risk result



Market risk in the trading book increased slightly in 2018

- The Value-at-Risk increased slightly from €9m to €10m over the year.
- VaR in the trading book is still at a historical low.

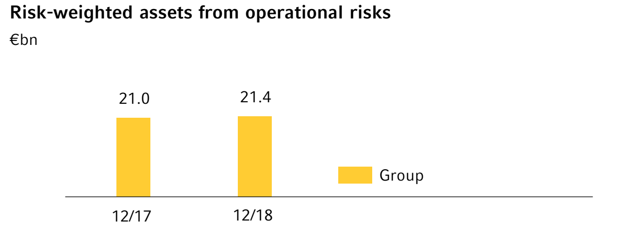
VaR



Operational risks remained virtually constant year-on-year

- Risk-weighted assets from operational risks remained virtually constant at €21.4bn.
- The total charge for OpRisk events fell from €38m to €30m compared with the previous year.

Risk-weighted assets from operational risks



Risk oriented overall bank management

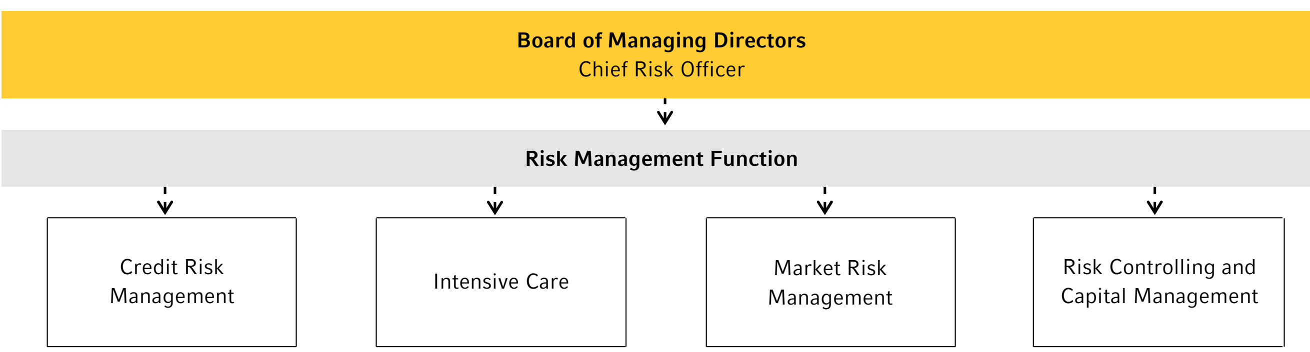
Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management, we normally distinguish between quantifiable and non-quantifiable types of risk. Quantifiable risks are those to which a value can normally be attached in financial statements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

The risk management organisation comprises Credit Risk Management, Intensive Care, Market Risk Management as well as Risk Controlling and Capital Management. In all segments except for Asset & Capital Recovery (ACR), credit risk management is separated into a performing loan area and Intensive Care, while in ACR it has been merged into a single unit across all rating classes. All divisions have a direct reporting line to the CRO.

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. This includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance, and fraud and corruption. Group Compliance is led by the Chief Compliance Officer, who reports directly to the member of the Board of Managing Directors with responsibility for Group Compliance.



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 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.

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 Bank 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 **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 the Risk & Analytics Executive Committee:

The **Supervisory Board's Risk Committee** is the Bank's highest risk committee. It comprises at least five Supervisory Board members. The Risk Committee's tasks include monitoring the risk management system and dealing with 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 **Risk & Analytics Executive Committee** is the discussion and decision-making committee within the risk function and Big Data & Advanced Analytics. It is responsible in particular for the organisation and strategic development of risk management and for creating and maintaining 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.

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. Others include a deep recession lasting several years with serious repercussions for the German economy, 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 is an inherent, existential threat for Commerzbank in the context of increasing digitalisation in the business environment.

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 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 99.91% 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 99.91%. 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.

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event. The gone concern analysis is supplemented here by elements aimed at ensuring the institution's continuing existence (going concern perspective).

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). The quantification of the risk coverage potential is based on a differentiated view of the accounting values of assets and liabilities and involves economic valuations of certain balance sheet items.

The capital requirement for the risks taken is quantified using the internal economic capital model. When assessing the economic capital required, allowance is made for all the types of risk at the Commerzbank Group that are classified as material and quantifiable in the annual risk inventory. 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 of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-bearing capacity concept is internally consistent. The quantifiable risks in the economic capital model can be divided into default risk, market risk, operational risk and (although not shown separately in the table on page 114) business risk, physical asset risk, investment portfolio risk, deposit model risk and reserve risk. Business risk is the risk of a loss resulting from discrepancies between actual income and expense and the respective budgeted figures. Business risk is considered as a deductible amount in risk coverage potential. Investment portfolio risk indicates the risk of an unexpected fall in the value of unlisted investments. 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). Deposit model risk is the risk arising from the deposit model used by Commerzbank and from modelling unscheduled repayment rights in commercial credit business. Reserve risk is the risk of additional charges being incurred on the portfolio of loans already in default through the creation of additional loan loss provisions. Allowance is made for this risk by means of a 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.

The 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 2018, the RBC ratio was consistently above 100% and stood at 193% on 31 December 2018. The decline in the RBC ratio is attributable to the change in the risk coverage potential, which fell compared with December 2017 due mainly to the introduction of IFRS 9, time-to-maturity effects of subordinated capital and the market-related developments in the Public Finance portfolio. The RBC ratio remains at a high level.

Risk-bearing capacity Group | €bn	31.12.2018	31.12.2017
Economic risk coverage potential[1]	**27**	**30**
Economically required capital[2]	**14**	**14**
thereof for default risk	10	10
thereof for market risk[3]	3	3
thereof for operational risk	2	2
thereof diversification effects	–2	–2
RBC ratio (%)[4]	**193**	**217**

[1] Including deductible amounts for business risk.
[2] Including physical asset risk, risk of unlisted investments and reserve risk.
[3] Including deposit model risk.
[4] 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 scenarios on which they are based take into account the interdependence in development between the real and financial economies and extend over a time horizon of at least two years. 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. The scenario simulation is run monthly 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. The European Central Bank (ECB) published revised ICAAP and ILAAP guidelines on 9 November 2018. Commerzbank will adjust its risk-bearing capacity and stress testing concept to comply with the new requirements from 2019. This will involve changing the economic approach from a gone concern approach to a going concern approach. 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 addition to its own internal stress test of economic risk-bearing capacity, Commerzbank once again took part in the EU-wide stress test conducted by the European Banking Authority (EBA), achieving a significantly better result than in the previous stress test in 2016. Under the adverse stress scenario the common equity tier one (CET1) ratio was 9.9% at the end of the review period in 2020. That is 2.5 percentage points higher than in the last test in 2016. Overall, the stress effect reduced the CET 1 ratio by 3.4 percentage points from 13.3% (full application of Basel 3 including the new IFRS 9 accounting rules as at year-end 2017/2018). In 2016, the ratio fell by 4.7 percentage points under the adverse stress scenario.

In 2018, the risk-weighted assets resulting from Commerzbank's business activities increased from €171bn to €180bn.

The increase was mainly attributable to volume growth in the Private and Small-Business Customers and Corporate Clients segments. RWA also increased as a result of parameter adjustments, partially offset by the planned reduction of the Asset & Capital Recovery portfolio.

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

Risk-weighted assets as at 31.12.2018 | €bn	Default risk	Market risk	Operational risk	Total
Private and Small-Business Customers	36	1	5	41
Corporate Clients	80	6	11	98
Asset & Capital Recovery	9	2	1	12
Commercial Real Estate	1	0	1	2
Ship Finance	0	0	0	1
Public Finance	8	2	0	9
Others and Consolidation	22	3	4	29
Group 2018	**147**	**12**	**21**	**180**
Group 2017	137	13	21	171

Regulatory environment

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of shareholders' equity and ratios as well as the management of liquidity risk. The Capital Requirements Directive and Regulation (CRD-IV) package of measures, constituting the European implementation of Basel 3, has been in force since 1 January 2014, 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 prepared itself for 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. The capital conservation buffer, the buffer for other systemically relevant institutions and the countercyclical capital buffer, which the Federal Financial Supervisory Authority (BaFin) has again set at 0% for German exposure for the fourth quarter of 2018, have applied since 1 January 2016. The buffer for other systemically relevant institutions was set by BaFin for Commerzbank at 1% for 2018.

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, is due to be transposed into European law as part of the Capital Requirements Regulation II (CRR II). 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 ECB, in its capacity as the supervisory authority for the eurozone banks directly supervised by it, has conducted the Supervisory Review and Evaluation Process (SREP) and specified individual minimum capital requirements for each bank.

The aim of the ECB's targeted review of internal models (TRIM) is to harmonise the 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 2018, reviews focused in particular on low default portfolios. The decision regarding the TRIM assessment in 2017 will be prepared by the ECB in 2019. This may result in higher risk-weighted assets.

The EU Bank Recovery and Resolution Directive has been in force since mid-2014. It was transposed into German law in the form of the Bank Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG). Based on this law, the Financial Market Stabilisation Authority (FMSA), as the national resolution authority, took over responsibility for the drafting of resolution plans and the resolution of German banks with effect from 1 January 2015. 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. In 2018, the SRB defined a first formal minimum requirement for own funds and eligible liabilities (MREL) for the banks under its responsibility on a consolidated basis.

The Group-wide recovery plan was updated in 2018 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. As the European and German regulations and requirements are finalised, the Bank will refine its recovery plan accordingly.

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 participates 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, the rules on interest rate risks in the banking book and revision of the framework for operational risks and credit risks, including the associated floor rules and disclosure requirements. At European level, Commerzbank is monitoring the European Commission initiatives to introduce a European deposit insurance scheme and establish a capital markets union, and in particular the associated EU securitisation framework.

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 material 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.

Commerzbank's underwriting practices are governed by its Corporate Clients Loan Underwriting Policy, which addresses amongst other things, loan origination, underwriting criteria, as well as the credit decision process. Furthermore, the Loan Underwriting Policy is interlinked with the bank's credit risk strategy and credit policies.

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 safe guards, 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 in Corporate Clients and Private and Small-Business 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. Intensive Care 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.

In the ACR segment, by contrast, there is no separation of responsibilities between the performing loan area and Intensive Care. Credit risk management here has been merged into one unit across all rating classes.

The aim is to fully wind down all the assets grouped in this segment in a way that preserves value. To this end, EaD-based guidelines have been established and an asset management programme has been implemented. This is carried out through regular asset planning. The main aim here is to prioritise the winding down or reduction of those parts of the portfolio and individual loans for which the capital requirement is particularly high. Opportunities for selling sub-portfolios in a way that preserves value may also be used to free up capital as part of the systematic portfolio reduction. For business in Public Finance, the reduction is primarily through regular maturities of assets. Market opportunities that arise are used in a targeted way for the sale of individual assets.

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. The Bank's particular preference is for credit growth in granular lending business with good credit ratings. It also 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. 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.

A uniform definition based on "all-in" is used to manage 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.

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

Management of economic capital commitment

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

Overview of management instruments and levels

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

Rating classification

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and five default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults. 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 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–			
1.8	0.07	0.05 – 0.08	A+, A	A	II	
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	100	> 90 days past due	D			Default
6.2		Imminent insolvency				
6.3		Restructuring with recapitalisation				
6.4		Termination without insolvency				
6.5		Insolvency				

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

Risk mitigation

The collateral taken into account in risk management changed in the period under review from €99.0bn to €104.5bn for positions in the Group's performing portfolio and from €1.6bn to €0.9bn for positions in the default portfolio.

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

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

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

As at the reporting date, no loan loss provisions were created for transactions with a total volume of €5.3bn, 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 processing for Corporate Clients is performed exclusively by the collateral management team within the risk function.

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). Legally verified standard agreements and models are used wherever 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 focusses its business on two customer segments, "Private and Small-Business Customers" and "Corporate Clients". In the "Asset & Capital Recovery" segment, the Bank has bundled the activities of the Commercial Real Estate and Ship Finance areas and complex financings from the Public Finance area. The intention is that all the portfolios in this segment should be completely wound down over time.

Credit risk parameters

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

Credit risk parameters as at 31.12.2018	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	165	420	25	2,476
Corporate Clients	187	467	25	5,458
Asset & Capital Recovery	8	46	57	643
Others and Consolidation[1]	72	35	5	1,790
Group 2018	**432**	**968**	**22**	**10,366**
Group 2017	423	1,180	28	10,362

[1] Mainly liquidity portfolios of Group Treasury.

When broken down on the basis of PD ratings, 84% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

Rating breakdown as at 31.12.2018 EaD | %	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	51	14	3	1
Corporate Clients	20	59	16	3	1
Asset & Capital Recovery	27	56	8	9	1
Others and Consolidation	45	53	1	0	0
Group 2018	**29**	**55**	**13**	**2**	**1**
Group 2017	32	51	13	2	2

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 defined credit risk and transfer risk limits at country level. Country exposures which are significant for Commerzbank due to their size are handled by the Strategic Risk Committee on a separate basis.

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

Group portfolio by region as at 31.12.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	227	477	21
Western Europe	84	162	19
Central and Eastern Europe	41	197	48
North America	32	54	17
Asia	37	44	12
Other	10	34	33
Group 2018	**432**	**968**	**22**
Group 2017	423	1,180	28

Around half of the Bank's exposure relates to Germany, another third to other countries in Europe, 8% to North America and 9% 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. A main driver of the expected loss in the region "Other" is ship financing.

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of 2018, exposure to Russia was €2.6bn, exposure to Turkey was €1.7bn and exposure to China was €6.4bn.

The sovereign exposures of Italy and Spain are also still closely monitored as a result of the sovereign debt crisis. As at the end of 2018, Commerzbank's Italian sovereign exposure was €8.4bn, while its Spanish sovereign exposure was €1.3bn.

Risk result

The risk result relating to the Group's lending business in 2018 amounted to €–446m. The risk result in the Corporate Clients segment benefited mainly from a reversal associated with a single exposure.

Compared with the previous year the calculation of the risk result showed substantial changes due to the conversion to IFRS 9. The following table shows the breakdown of the risk result by stage according to IFRS 9. In Note (2) of the Group financial statements (changes in accounting and measurement policies) details regarding the stages can be found; in Note (12) (risk result) the definition of the risk result can be found.

The fluctuations of market values in the shipping portfolio are not recognised in the risk result. They are recognised in the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

	2018			
Risk result | €m	**Stage 1**	**Stage 2**	**Stage 3[1]**	**Total**
Private and Small-Business Customers	9	–63	–180	–233
Corporate Clients	–26	–46	–121	–194
Asset & Capital Recovery	9	0	–18	–8
Others and Consolidation	–5	–6	0	–11
Group	**–13**	**–115**	**–318**	**–446**

[1] Stage 3 including POCI (POCI – purchased or originated credit-impaired).

Loan loss provisions[1] | €m	**2017**
Private and Small-Business Customers	–154
Corporate Clients	–295
Asset & Capital Recovery	–336
Others and Consolidation	4
Group	**–781**

[1] Loan loss provisions according to IAS 39.

The risk result of the third and fourth quarters of 2018, with loan loss provisions of €133m and €154m respectively projected for a full year, is in line with a normalised level. From the present perspective, the risk result for the year 2019 as a whole will therefore not be less than €550m.

Default portfolio

The Group's default portfolio stood at €3,839m as at 31 December 2018.

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, of which by far the greatest share of €3.6bn relates to the loans and receivables class and €171m to off-balance sheet transactions, are assigned solely to the amortised cost category. The fair value OCI category exclusively includes securities in the amount of €67m, which are fully assigned to the securitised debt instruments class. The collateral shown shall be liable to the full extent for loans in the amortised cost category, with €876m relating to loans and receivables and €37m to off-balance sheet transactions.

The decrease in the parameters is mainly due to the reclassification of the shipping portfolio as part of the conversion to IFRS 9 at the beginning of 2018.

	31.12.2018			31.12.2017[1]
Default portfolio Group | €m	Loans	Securities	Total	Total
Default portfolio	3,769	71	3,839	5,569
LLP[2]	1,606	3	1,609	2,770
Coverage ratio excluding collateral (%)[3]	43	4	42	50
Collateral	913	0	913	1,578
Coverage ratio including collateral (%)[3]	67	4	66	78
NPL ratio (%)[4]			0.9	1.3

[1] Until 31 December 2017 only loans.
[2] Loan loss provisions.
[3] Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.
[4] NPL ratio: default portfolio (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

The default portfolio is divided into five classes based on the nature of the default:

- Rating class 6.1: Over 90 days past due.
- Rating classes 6.2/6.3: Imminent insolvency, or the Bank is assisting in financial rescue/restructuring measures at the customer with restructuring contributions.
- Rating classes 6.4/6.5: The Bank recalls the loan and the customer has become insolvent respectively.

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

Group rating classification €m	6.1	6.2/6.3	6.4/6.5	31.12.2018	31.12.2017
Default portfolio	454	1,280	2,106	3,839	5,569
LLP	169	395	1,045	1,609	2,770
Collateral	173	314	426	913	1,578
Coverage ratio (%)	75	55	70	66	78

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 2018:

EaD €m	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Private and Small-Business Customers	787	107	57	1	952
Corporate Clients	1,948	50	40	0	2,039
Asset & Capital Recovery	10	0	0	0	10
Group 2018[1]	**2,746**	**157**	**97**	**1**	**3,000**
Group 2017[1]	2,590	157	65	2	2,920

[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 bank 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 contains 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 €81bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €20bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans and credit cards, to a total of €16bn). The portfolio's expansion over the last twelve months was largely due to residential mortgage loans.

Compared with year-end 2017, the risk density of the portfolio decreased by one basis point to 25 basis points.

Credit risk parameters as at 31.12.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	99	177	18
Business Customers	29	67	23
comdirect bank	4	6	17
Commerz Real	1	2	29
mBank	33	167	50
Private and Small-Business Customers 2018	**165**	**420**	**25**
Private and Small-Business Customers 2017	154	397	26

In 2018, the risk result in the Private and Small-Business Customers segment was €–233m and therefore remained at a low level.

The default portfolio in the segment stood at €1,751m as at 31 December 2018.

	31.12.2018			31.12.2017
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Total**
Default portfolio	1,751	0	1,751	1,864
LLP	850	0	850	951
Coverage ratio excluding collateral (%)	49	0	49	51
Collateral	531	0	531	564
Coverage ratio including collateral (%)	79	0	79	81
NPL ratio (%)			1.1	1.2

Corporate Clients segment

This segment 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.

Credit risk parameters as at 31.12.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	74	198	27
International Corporates	68	149	22
Financial Institutions	23	69	30
Other	22	50	23
Corporate Clients 2018	**187**	**467**	**25**
Corporate Clients 2017	180	421	23

The EaD of the Corporate Clients segment increased from €180bn to €187bn compared with 31 December of the previous year. Risk density increased slightly from 23 basis points to 25 basis points.

For details of developments in the Financial Institutions portfolio, please see page 126.

In November 2018, Commerzbank and Société Générale Group, Paris, France concluded a purchase agreement for the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients, following coordination with the relevant tax authorities.

Detailed information on this can be found in Note 53 of the Group financial statements (Discontinued business division).

Supported by continuing robustness in the overall economy, the risk result in the Corporate Clients segment was again at a low level in fiscal year 2018, at €–194m.

The default portfolio in the segment stood at €1,736m as at 31 December 2018.

	31.12.2018			31.12.2017
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Total**
Default portfolio	1,669	67	1,736	2,592
LLP	636	3	639	1,243
Coverage ratio excluding collateral (%)	38	4	37	48
Collateral	251	0	251	543
Coverage ratio including collateral (%)	53	4	51	69
NPL ratio (%)			0.9	1.4

Asset & Capital Recovery segment

The Asset & Capital Recovery (ACR) segment comprises positions of the portfolios in the areas of Commercial Real Estate (CRE) and Ship Finance (SF) and complex financings from the Public Finance area. The intention is that all the portfolios in this segment should be completely wound down over time.

EaD for the ACR segment in the performing loan book totalled €8bn as at 31 December 2018, which is a decrease of around €5bn compared with the end of the previous year due to the conversion to IFRS 9 and the ongoing wind-down of the portfolio.

Credit risk parameters as at 31.12.2018	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	0	2	53
Ship Finance	0	0	29
Public Finance	8	44	57
ACR 2018	**8**	**46**	**57**
ACR 2017	13	330	255

Commercial Real Estate

The portfolio further decreased due to redemptions and repayments. Compared with 31 December 2017, risk density decreased from 185 basis points to 53 basis points.

Ship Finance

Ship finance exposure in the performing loan book was reduced by almost €2bn overall and expected loss by more than €250m compared with 31 December 2017, primarily as a result of the conversion to IFRS 9. The decrease was mainly attributable to the introduction of the fair value approach according to IFRS 9 at the beginning of 2018 as well as to disposals during the course of the year.

Overall our portfolio is mainly made up of three standard types of ship: container ships (€0.1bn), tankers (€0.2bn) and bulkers (€0.1bn). The rest of the portfolio consists of various special purpose vehicles, which are well diversified across the various ship segments.

There was a further recovery in the bulker and container markets in the first half of 2018, building on some significant improvements in 2017 following the historical lows recorded in 2016. Charter rates in both segments slowed again in the second half of the year, however, considerably in some cases, with Capesize bulkers falling below the corresponding 2017 level. This slowdown was due to a combination of falling demand and a high number of ship deliveries coupled with extremely low scrappage levels. This meant that full debt servicing was once again not possible in the year under review. It was a contrasting picture for the tanker markets, which saw charter rates fall until the third quarter of 2018 due to the excess supply of tonnage in recent years. Falling new ship deliveries and intense scrappage activity coupled with stronger-than-expected demand for crude oil as a result of the buoyant global economy then sent charter rates soaring from the fourth quarter of the year, allowing a temporary resumption of regular debt servicing. The Bank will continue to reduce problem and non-performing loan exposures as part of its ongoing effort to run down the portfolio.

Public Finance

The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€2.9bn EaD), a private finance initiative (PFI) portfolio (€3.5bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.3bn EaD).

The risk result in the ACR segment was €–8m in financial year 2018.

The default portfolio in the segment stood at €351m as at 31 December 2018. The decrease in the parameters is mainly due to the reclassification of the shipping portfolio as part of the conversion to IFRS 9 at the beginning of 2018. The exposure of fair value P&L credit positions with default criterion stood at €385m. The default portfolio of the sub-portfolio Ship Finance stood at €729m as at 31 December 2017.

	31.12.2018			31.12.2017
Default portfolio ACR | €m	**Loans**	**Securities**	**Total**	**Total**
Default portfolio	348	4	351	1,113
LLP	123	0	123	571
Coverage ratio excluding collateral (%)	35	0	35	51
Collateral	131	0	131	471
Coverage ratio including collateral (%)	73	0	72	94
NPL ratio (%)			4.1	7.9

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

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

Corporates portfolio by sector as at 31.12.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	18	62	34
Consumption	14	54	37
Technology/Electrical industry	13	31	24
Wholesale	13	48	37
Transport/Tourism	11	30	26
Basic materials/Metals	11	42	40
Services/Media	10	30	29
Automotive	10	27	28
Chemicals/Plastics	9	41	43
Mechanical engineering	9	24	28
Construction	6	16	28
Pharmaceutical/Healthcare	4	10	24
Other	5	7	13
Total	**133**	**421**	**32**

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 with individual issues such as recessions, embargoes or economic uncertainty caused by political events and are responding with flexible portfolio management that is tailored to the individual situation of each country. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

	31.12.2018			31.12.2017		
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	5	6	12	5	5	11
Western Europe	15	12	8	13	9	7
Central and Eastern Europe	3	17	56	4	16	42
North America	2	1	4	2	1	9
Asia	12	24	21	11	27	25
Other	6	23	40	5	19	40
Total	**43**	**83**	**19**	**38**	**77**	**20**

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 and the United States.

We carry out new business with NBFIs, partly in light 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. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

	31.12.2018			31.12.2017		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	18	25	14	17	25	15
Western Europe	12	23	19	12	20	16
Central and Eastern Europe	1	8	65	1	5	56
North America	9	24	28	7	41	58
Asia	2	2	13	1	1	10
Other	1	2	31	1	1	16
Total	**42**	**84**	**20**	**40**	**94**	**24**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €5.9bn, primarily for capital management purposes.

As at the reporting date 31 December 2018, risk exposures with a value of €5.5bn were retained. By far the largest portion of these positions is accounted for by €5.3bn of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 31.12.2018**	**Total volume[1] 31.12.2017**
Corporates	2025–2036	5.3	< 0.1	0.1	5.9	7.6
Total		**5.3**	**< 0.1**	**0.1**	**5.9**	**7.6**

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial paper (ABCP) or through the drawing of credit lines (liquidity lines). The volume and risk values in the Silver Tower conduit rose by €0.1bn in the fourth quarter of 2018. As at 31 December 2018, the volume had fallen by around €0.1bn year-on-year to €3.9bn.

Liquidity risks from securitisations are modelled conservatively in the internal liquidity risk model. Firstly, a worst-case assumption is made that Commerzbank will have to take on the funding of a major part of the purchase facilities provided to its special-purpose vehicles within the scope of the Silver Tower conduit. Secondly, the Bank's holdings of securitisation transactions only qualify as liquid assets if they are eligible for rediscount at the European Central Bank. These positions are only included in the liquidity risk calculation after applying conservative discounts.

The other asset-backed exposures mainly comprise government-guaranteed ABSs held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. The volume fell to €4.0bn during 2018 (December 2017: €4.5bn), while risk values[1] fell to €3.8bn (December 2016: €4.4bn).

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

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €3.8bn (December 2017: €2.9bn). In general, we have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile. At the end of 2018, this portfolio contained only AAA-rated CLO positions. Remaining structured credit positions with a volume of €1.3bn were already in the portfolio prior to 2014 (December 2017: €1.6bn), while risk values stood at €0.4bn (December 2017: €0.7bn).

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 table shows Commerzbank's total forbearance portfolio on the basis of the EBA definition as well as the loan loss provisions for these positions:

Forbearance portfolio by segment as at 31.12.2018	Forborne exposure €m	LLP €m	LLP coverage ratio %
Private and Small-Business Customers	1,062	178	17
Corporate Clients	1,507	177	12
Asset & Capital Recovery	902	296	33
Group	**3,471**	**651**	**19**

The forbearance portfolio by region is as follows:

Forbearance portfolio by region as at 31.12.2018	Forborne exposure €m	LLP €m	LLP coverage ratio %
Germany	1,927	381	20
Western Europe	720	73	10
Central and Eastern Europe	744	183	25
North America	12	3	23
Asia	5	1	22
Other	62	9	15
Group	**3,471**	**651**	**19**

In addition to the loan loss provisions of €651m, the risks of the forbearance portfolio are covered by collateral totalling €1,095m.

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. This committee also manages market risks arising from non-core activities (Asset & Capital Recovery).

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

Risk management

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

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

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

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

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

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

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

Over the course of 2018, the VaR for the overall book fell by €20m to €34m. This was primarily caused by bringing VaR into line with IFRS 9 accounting.

VaR contribution | €m	31.12.2018	31.12.2017
Overall book	**34**	**54**
thereof trading book	10	9

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. Smaller Commerzbank Group entities 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 €9m to €10m over the course of 2018. VaR in the trading book is at a historical low.

VaR of portfolios in the trading book | €m	2018	2017
Minimum	6	9
Mean	9	15
Maximum	12	25
VaR at end of reporting period	**10**	**9**

The market risk profile is diversified across all asset classes.

VaR contribution by risk type in the trading book | €m	31.12.2018	31.12.2017
Credit spreads	1	1
Interest rates	2	3
Equities	3	2
FX	2	3
Commodities	1	1
Total	**10**	**9**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same in the course of the year. Stressed VaR climbed from €31m at end-2017 to €35m at the end of 2018. This was due primarily to changes in positions in the Corporate Clients segment.

The market risk profile in stressed VaR is also diversified across all asset classes.

Stressed VaR contribution by risk type in the trading book | €m	31.12.2018	31.12.2017
Credit spreads	5	8
Interest rates	12	8
Equities	10	5
FX	4	8
Commodities	4	1
Total	**35**	**31**

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 fell by €24m to €19m over the course of 2018. The decline is mainly attributable to the Corporate Clients segment.

The reliability of the internal model (historical simulation) is monitored in various ways, including by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The VaR used in backtesting is based on the complete historical simulation and therefore represents all internal models 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.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In 2018, we saw no negative clean P&L outliers and no negative dirty P&L outliers. The results confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses on the assumption of normal market conditions, it is supplemented by the calculation of stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve or changes to the curve's 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, and the area of Asset & Capital Recovery (ACR) – Public Finance, along with the positions held by the subsidiary Commerzbank Finance & Covered Bond S.A.

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 €41m as at the end of 2018.

Most credit spread sensitivities related to securities positions measured at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the EU Banking Directive, the German Federal Financial Supervisory Authority (BaFin) and the European Central Bank (ECB) 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. The calculation methodology was changed from BaFin rules to ECB methodology with effect from 30 June 2018. The changes versus year-end 2017 are largely attributable to the changed calculation methodology.

The outcome of the +200 basis points scenario would be a potential loss of €1,651m, while the –200 basis points scenario would result in a potential profit of €230m, both as at 31 December 2018. 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.

As at 31 December 2018, the interest rate sensitivity of the entire banking book (without pension fund) was €6.3m per basis point of interest rate reduction.

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

In measuring economic capital adequacy, Commerzbank also takes account of market liquidity risk. This 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.

The first step is to create a realistic downsizing profile for each portfolio on the basis of its product and risk strategies and an assessment of the market. This enables portfolios to be classified in terms of their convertibility into cash using a "market liquidity factor". The market liquidity factor takes into account the heightened volatility of portfolio value resulting from the extended holding period for risk positions in line with the portfolio's downsizing profile. The market risk of every portfolio is then evaluated based on a one-year view and weighted with the market liquidity factor.

At the end of 2018, Commerzbank had earmarked €0.1bn in economic capital to cover market liquidity risk in the trading and banking books. Asset-backed securities and structured products in particular have a higher market liquidity risk.

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 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 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.

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, extensions of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets. As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – 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 the final quarter of 2018, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €11.0bn and €11.7bn respectively.

Net liquidity in the stress scenario | €bn		**31.12.2018**
Idiosyncratic scenario	1 month	16.6
	3 months	19.2
Market-wide scenario	1 month	21.6
	3 months	22.7
Combined scenario	1 month	11.0
	3 months	11.7

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €77.3bn in the form of highly liquid assets. 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. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €10.0bn as at the reporting date.

Liquidity reserves from highly liquid assets | €bn	31.12.2018
Highly liquid assets	77.3
of which level 1	61.9
of which level 2A	14.1
of which level 2B	1.3

Liquidity ratios

Throughout 2018, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times 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 regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. As of 1 January 2018, the Bank must maintain a ratio of at least 100%.

In 2018, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2018, the average month-end value of the LCR over the last twelve months was 135.66%.

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 69 (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; it does not cover strategic or reputational risks. 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 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 reinforcement of the ICS structure is an essential aspect of the proactive reduction or prevention of operational risks.

Chaired by the CRO, the Group OpRisk Committee meets 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 back-testing 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 €21.4bn at the end of the fourth quarter of 2018 (31 December 2017: €21.0bn, 99.9% quantile), while economically required capital was €1.8bn (31 December 2017: €1.7bn, 99.91% quantile).

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

	31.12.2018		31.12.2017	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	5.1	0.4	5.1	0.4
Corporate Clients	11.4	1.0	9.5	0.8
Asset & Capital Recovery	1.3	0.1	2.1	0.2
Others and Consolidation	3.5	0.3	4.4	0.4
Group	**21.4**	**1.8**	**21.0**	**1.7**

The total charge for OpRisk events at the end of 2018 was approximately €30m (full-year 2017: €38m). The events mainly related to losses in the "Process related" and "External fraud" categories.

OpRisk events[1] | €m	31.12.2018	31.12.2017
Internal fraud	4	4
External fraud	7	7
Damage and IT failure	5	0
Products and business practices	– 17	2
Process related	30	24
HR related	0	1
Group	**30**	**38**

[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 model 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 Legal Risk 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 US 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. They have also brought one case. Commerzbank is cooperating fully with these bodies and is also looking into the relevant matters on the basis of its own comprehensive investigations. The possibility of financial consequences arising from some of these matters cannot be ruled out; however, it is not yet possible to make more precise statements in that regard.

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 is cooperating fully with the authorities. It had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 with regard to Commerzbank's equity transactions and is still ongoing regarding the equity transactions of the former Dresdner Bank.

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.

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions for potentially refundable own capital gains taxes.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, there could be a financial impact in these cases.

For the other cum-cum-relevant transactions, Commerzbank has concluded that the legal structuring it adopted was appropriate under Article 42 of the German Tax Code.

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.

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 62 regarding provisions and Note 64 regarding contingent liabilities and lending commitments in the Group financial statements.

Compliance risk

The success of Commerzbank in terms of its competitiveness and integrity (reputation) is critically dependent on the trust of its customers, shareholders, business partners and employees, as well as on the regulatory and supervisory authorities and the public. This trust is based not only on implementing and complying with the applicable laws, rules, regulations and good market practice that Commerzbank is required to observe in its Group-wide activities, but also on recognising and complying with the cultural and legal frameworks of the countries in which Commerzbank does business. The Board of Managing Directors of Commerzbank actively promotes a strong culture of compliance and has set down and communicated corresponding values in the code of conduct.

The risk that may arise from the failure to adhere to key legal regulations and requirements is referred to as compliance risk. It includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance as well as fraud and corruption.

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, thereby enabling it to secure its long-term business success.

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 (1LoD) assume the main responsibility for identifying and managing risks and for complying with their own business rules; they also ensure that process-oriented control mechanisms are set up. Group Compliance, the second line of defence (2LoD), 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 (3LoD), uses regular and independent audits to check that compliance in both the 1LoD and 2LoD is appropriate and effective.

Compliance risks are managed in a control circuit with interacting elements. Commerzbank continually monitors relevant regulatory requirements and defines and/or adapts corresponding internal standards to ensure that the requirements are met. 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. Compliance risks are monitored using appropriate ratios, and regular internal monitoring reports are produced. Where necessary, matters are escalated according to their urgency and severity. A systematic risk analysis (compliance risk assessment) 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 enhance risk management (e.g. introducing additional controls) as necessary and tracks implementation closely.

In 2015 Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. In terms of the findings relating to the settlements the Bank has dealt with the majority of the findings. The Bank has also received various interim reports and the final report from the monitor appointed by the New York State Department of Financial Services ("DFS"), to which it has responded with corresponding implementation programmes. The Bank has made good progress in carrying out the implementation programmes and has dealt with most of the measures. The DFS will confirm when the monitorship ends. This decision has not yet been taken.

In line with the requirements of the 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 put in place a full-scale remediation project, the implementation of which is being evaluated by the skilled person, with half-yearly reports to the FCA. Here too Commerzbank has made good progress in implementation.

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 the consent order issued by the CFTC on 8 November 2018, Commerzbank will retain an outside consultant to be approved by the CFTC for a period of two years. The CFTC may extend this period by a further year at its discretion, based on its assessment of Commerzbank's remedial efforts. During the review period the outside consultant will produce annual reports assessing the swap dealer's compliance with the Commodities Exchange Act and the regulations of the CFTC. The report will also contain recommendations on improving the swap dealer's practices, policies and procedures. The outside consultant will start work once the ongoing CFTC approval process has been completed.

Reputational risk

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

Strategy and organisation

All employees and managers have a fundamental duty to protect and reinforce Commerzbank's good reputation as a significant element of its enterprise value. The segments and significant subsidiaries bear direct responsibility for reputational risk resulting from their particular business activity. The Reputational Risk Management department is part of the central Group Communications division of the Commerzbank Group and focuses on intrinsic reputational risk that may directly lead to reputational damage among stakeholder groups. The department maintains close links with the relevant front office units. Management of intrinsic reputational risk is the responsibility of the Chairman of the Board of Managing Directors. It is a component of Commerzbank's overall risk strategy. Reputational Risk Management's tasks include identifying, evaluating and addressing intrinsic reputational risk in systematic processes at an early stage and suggesting or implementing appropriate measures (early warning function).

Risk management

Managing intrinsic reputational risk means identifying and reacting to potential environmental, social and ethical risks at an early stage, thereby reducing any potential communication risk or even preventing it completely. Intrinsic reputational risk is managed by means of a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental, social and ethical risks on a qualitative five-point scale. This assessment can contain conditions and in some cases a negative verdict, which could lead to a rejection.

The sensitive areas regularly and comprehensively analysed in Reputational Risk Management include armaments exports and 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 report on non-quantifiable risks and the quarterly report on major and high reputational risks (sustainability risks) 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 IT 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.

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 projects. 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 is regarded as extremely important, given the increaseing digitalisation of the Bank and its environment. For this reason, cyber risk was classified as a material risk type during Commerzbank's 2017 risk inventory.

Cyber risk comprises risks with direct relevance to security and risks that lead to relevance to security (in each case, within 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.

Unlike information security risk, whose scope is limited to the Bank and third-party companies with a business connection, the scope of cyber risk extends to unknown persons, to take full account of the requirement to protect their legitimate expectations when using cyber space.

The strategic guidelines from the overall risk strategy and the information security strategy apply without limitation to cyber risk.

In order to prevent cyber risk organisationally, Commerzbank has – in addition to the established governance processes of information security, the related risk reports on key risk indicators and management via the Internal Control System (ICS) – set up a cyber security programme focusing on specific aspects of cyber security. The results of the cyber security programme feed both the ICS and the Bank's risk reporting.

Cyber risk is managed by Group Organisation & Security, which reports to the Group Chief Information Security Officer (CISO).

Cyber risk generally has consequences for the Bank's other material risk types such as operational risk. These can be broken down into direct and indirect consequences. In addition to the operational risk, direct consequences relate to business risk, credit risk, liquidity risk and market risk. Indirect consequences relate to investment portfolio risk, compliance risk, model risk, physical asset risk, reputational risk and reserve risk. All consequences are documented in the cyber sub-risk strategy and updated on an ongoing basis.

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.

[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.

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.

In addition, systematic and strategic personnel planning helps to put the management of medium- and long-term human resources risks on a more professional footing. This has been introduced gradually into the Bank's strategically relevant business areas since 2015.

Overall, the Bank will continue to monitor human resources risk. There is a risk that the human resources risk situation may deteriorate due to the impending structural changes under the "Commerzbank 4.0" 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 implementtation 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 representing >1% of Commerzbank AG's eligible capital) also require the authorisation of the Supervisory Board's Risk Committee. All major investments are subject to careful review by the full Board of Managing Directors.

Model risk

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

Disclaimer

Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit 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 2018 financial year.

Financial Statements of the Commerzbank Group as at 31 December 2018

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.12.2018	1.1.–31.12.2017[1]	Change in %
Interest income accounted for using the effective interest method	(10)	7,318	7,615	– 3.9
Interest income accounted for not using the effective interest method	(10)	1,351	724	86.8
Interest income	(10)	8,670	8,338	4.0
Interest expenses	(10)	3,922	4,043	– 3.0
Net interest income	(10)	4,748	4,295	10.5
Dividend income	(11)	36	106	– 66.3
Risk result	(12)	– 446	n/a	
Loan loss provisions	(13)	n/a	– 781	
Other realised profit or loss and net remeasurement gain or loss	(14)	n/a	– 76	
Commission income	(15)	3,751	3,902	– 3.9
Commission expenses	(15)	662	710	– 6.9
Net commission income	(15)	3,089	3,192	– 3.2
Net income from financial assets and liabilities at fair value through profit or loss	(16)	366	598	– 38.8
Net income from hedge accounting	(17)	48	– 85	.
Other sundry profit or loss from financial instruments		40	244	– 83.7
Gain or loss on disposal of financial assets – Amortised Cost		– 14	–	
Other profit or loss from financial instruments	(18)	26	244	– 89.5
Current net income from companies accounted for using the equity method	(19)	12	23	– 48.9
Other net income	(20)	245	466	– 47.3
Operating expenses	(21)	6,879	6,834	0.7
Restructuring expenses	(22)	–	808	.
Pre-tax profit or loss from continuing operations		**1,245**	**341**	**.**
Taxes on income	(23)	268	215	24.3
Consolidated profit or loss from continuing operations		**978**	**126**	**.**
Consolidated profit or loss from discontinued operations		– 10	96	.
Consolidated profit or loss		**968**	**222**	**.**
Consolidated profit or loss attributable to non-controlling interests		103	94	9.8
Consolidated profit or loss attributable to Commerzbank shareholders		865	128	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see Note 4).

€		1.1.–31.12.2018	1.1.–31.12.2017[1]	Change in %
Earnings per share	(25)	0.69	0.10	.

[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.–31.12.2018	1.1.–31.12.2017[1]	Change in %
Consolidated profit or loss	968	222	.
Change from remeasurement of defined benefit plans not recognised in income statement	– 287	145	.
Change from the remeasurement of equity instruments (FVOCI)			
Reclassified to retained earnings	1	n/a	
Change in value not recognised in income statement	– 4	n/a	
Change in Own Credit Spread (OCS) of Liabilities FVO	96	– 114	.
Items not recyclable through profit or loss	**– 194**	**31**	**.**
Change in revaluation reserve (FVOCI)			
Reclassified to income statement	– 6	n/a	
Change in value not recognised in income statement	– 87	n/a	
Change in revaluation reserve (AFS)			
Reclassified to income statement	n/a	– 173	
Change in value not recognised in income statement	n/a	460	
Change in cash flow hedge reserve			
Reclassified to income statement	19	32	– 41.1
Change in value not recognised in income statement	28	12	.
Change in currency translation reserve			
Reclassified to income statement	– 6	–	.
Change in value not recognised in income statement	– 96	7	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	–	– 66	.
Change in value not recognised in income statement	–	– 3	.
Change in companies accounted for using the equity method	0	– 8	.
Items recyclable through profit or loss	**– 148**	**259**	**.**
Other comprehensive income	– 342	290	.
Total comprehensive income	**626**	**512**	**22.2**
Comprehensive income attributable to non-controlling interests	80	156	– 48.9
Comprehensive income attributable to Commerzbank shareholders	546	356	53.2

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

Other comprehensive income I €m	**1.1.-31.12.2018**		
	Before taxes	**Taxes**	**After taxes**
Change in Own Credit Spread (OCS) of Liabilities FVO	91	5	96
Change from remeasurement of equity instruments (FVOCIoR)	–3	0	–3
Change from remeasurement of defined benefit plans	–416	130	–287
Change in revaluation reserve (FVOCImR)	–117	24	–93
Change in cash flow hedge reserve	57	–10	47
Change in currency translation reserve	–102	0	–102
Change from non-current assets held for sale and disposal groups	–	–	–
Change in companies accounted for using the equity method	0	–	0
Other comprehensive income	**–491**	**149**	**–342**

Other comprehensive income I €m	**1.1.-31.12.2017**		
	Before taxes	**Taxes**	**After taxes**
Change in Own Credit Spread (OCS) of Liabilities FVO	–122	8	–114
Change from remeasurement of defined benefit plans	206	–61	145
Change in revaluation reserve (AFS)	219	67	287
Change in cash flow hedge reserve	58	–14	44
Change in currency translation reserve	6	1	7
Change from non-current assets held for sale and disposal groups	–70	1	–69
Change in companies accounted for using the equity method	–8	–	–8
Other comprehensive income	**288**	**2**	**290**

Balance sheet

Assets | €m	**Notes**	**31.12.2018**	**1.1.2018[1]**	**Change in %**	**31.12.2017[2]**
Cash on hand and cash on demand		53,914	55,222	– 2.4	55,733
Financial Assets – Amortised Cost	(26)	279,137	264,345	5.6	n/a
of which pledged as collateral		3,637	n/a		n/a
Financial Assets – Loans and Receivables	(27, 36)	n/a	n/a		265,712
of which pledged as collateral		n/a	n/a		2,655
Financial Assets – Fair Value OCI	(29)	26,659	25,205	5.8	n/a
of which pledged as collateral		2,377	n/a		n/a
Financial Assets – Available for Sale	(30)	n/a	n/a		31,155
of which pledged as collateral		n/a	n/a		924
Financial Assets – Fair Value Option	(31)	–	–	.	23,745
of which pledged as collateral		–	–		–
Financial Assets – Mandatorily Fair Value P&L	(33)	34,073	33,138	2.8	n/a
of which pledged as collateral		–	n/a		n/a
Financial Assets – Held for Trading	(34)	42,501	60,716	– 30.0	63,666
of which pledged as collateral		1,246	n/a		1,072
Value adjustment on portfolio fair value hedges		199	153	30.5	153
Positive fair values of derivative hedging instruments	(47)	1,457	1,463	– 0.4	1,464
Holdings in companies accounted for using the equity method	(48)	173	181	– 4.0	181
Intangible assets	(49, 50)	3,246	3,294	– 1.5	3,294
Fixed assets	(51)	1,547	1,600	– 3.4	1,600
Investment properties	(52)	13	16	– 17.7	16
Non-current assets held for sale and disposal groups	(54)	13,433	78	.	78
Current tax assets	(56)	783	767	2.1	767
Deferred tax assets	(56)	3,116	3,032	2.8	2,970
Other assets	(58)	2,119	1,961	8.0	1,961
Total		**462,369**	**451,171**	**2.5**	**452,495**

[1] Adjustments to opening balance according to IFRS 9. (see Note 5).
[2] Prior-year figures adjusted due to restatements (see Note 4).

Liabilities and equity | €m	**Notes**	**31.12.2018**	**1.1.2018**[1]	**Change in %**	**31.12.2017**[2]
Financial Liabilities – Amortised Cost	(28)	346,668	335,978	3.2	341,287
Financial Liabilities – Fair Value Option	(32)	21,949	20,385	7.7	14,940
Financial Liabilities – Held for Trading	(35)	43,404	56,593	−23.3	56,484
Value adjustment on portfolio fair value hedges		532	451	18.1	491
Negative fair values of derivative hedging instruments	(47)	1,462	1,872	−21.9	2,255
Provisions	(62, 63)	3,153	3,373	−6.5	3,291
Current tax liabilities	(57)	472	673	−29.8	673
Deferred tax liabilities	(57)	20	3	.	28
Liabilities of disposal groups	(55)	12,914	–	.	–
Other liabilities	(59)	2,384	3,024	−21.2	3,024
Equity	(66)	29,411	28,820	2.0	30,022
Subscribed capital		1,252	1,252	.	1,252
Capital reserve		17,192	17,192	.	17,192
Retained earnings		10,054	9,397	7.0	11,230
Other reserves (with recycling)		−287	−161	77.8	−817
Total before non-controlling interests		28,211	27,680	1.9	28,858
Non-controlling interests		1,200	1,141	5.2	1,164
Total		**462,369**	**451,171**	**2.5**	**452,495**

[1] Adjustments to opening balance according to IFRS 9. (see Note 5).
[2] Prior-year figures adjusted due to restatements (see Note 4).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves: Revaluation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Total before non-controlling interests	Non-controlling interests	Equity[1]
Equity as at 31.12.2016	**1,252**	**17,192**	**11,117**	**–781**	**–97**	**–137**	**28,547**	**1,027**	**29,573**
Change due to retrospective adjustments	–	–	9	–	–	–	9	–	9
Equity as at 1.1.2017	**1,252**	**17,192**	**11,126**	**–781**	**–97**	**–137**	**28,556**	**1,027**	**29,583**
Total comprehensive income	–	–	159	209	43	–55	356	156	512
Consolidated profit or loss			128				128	94	222
Change in Own Credit Spread (OCS) of Liabilities FVO			–114				–114	–	–114
Change from remeasurement of defined benefit plans			145				145	0	145
Change in revaluation reserve (Available for Sale)				277			277	10	287
Change in cash flow hedge reserve					43		43	0	44
Change in currency translation reserve						–46	–46	52	7
Change from non-current assets held for sale and disposal groups				–68		–1	–69	–	–69
Change in companies accounted for using the equity method						–8	–8	–	–8
Dividend paid on shares			–				–	–10	–10
Changes in ownership interests			–8				–8	–4	–12
Other changes			–47				–47	–4	–51
Equity as at 31.12.2017	**1,252**	**17,192**	**11,230**	**–571**	**–54**	**–192**	**28,858**	**1,164**	**30,022**

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

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves			Total before non-controling interests	Non-controlling interests	Equity[1]
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2017 (before restatements)	**1,252**	**17,192**	**11,249**	**–571**	**–54**	**–192**	**28,877**	**1,164**	**30,041**
Change due to retrospective adjustments	–	–	–19	–	–	–	–19	–	–19
Equity as at 31.12.2017 (after restatements)	**1,252**	**17,192**	**11,230**	**–571**	**–54**	**–192**	**28,858**	**1,164**	**30,022**
Change from first time application IFRS 9	–	–	–1,833	657	–2	0	–1,178	–24	–1,202
Equity as at 1.1.2018	**1,252**	**17,192**	**9,397**	**86**	**–55**	**–192**	**27,680**	**1,141**	**28,820**
Total comprehensive income	–	–	672	–94	41	–72	546	80	626
Consolidated profit or loss	–	–	865				865	103	968
Change in Own Credit Spread (OCS) of liabilities FVO			96				96	–	96
Change from remeasurement of defined benefit plans			–286				–286	0	–287
Change in measurement of equity instruments (FVOCIoR)			–3				–3	–1	–3
Change in revaluation of debt securities (FVOCImR)				–94			–94	2	–93
Change in cash flow hedge reserve					41		41	6	47
Change in currency translation reserve						–72	–72	–30	–102
Change from non-current assets held for sale and disposal groups				–			–	–	–
Change in companies accounted for using the equity method						0	0	–	0
Dividend paid on shares			–				–	–22	–22
Changes in ownership interests			–3				–3	–	–3
Other changes			–12				–12	2	–10
Equity as at 31.12.2018	**1,252**	**17,192**	**10,054**	**–9**	**–15**	**–264**	**28,211**	**1,200**	**29,411**

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

As at 31 December 2018, 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).

A proposal to pay a dividend of €0.20 per share out of Commerzbank Aktiengesellschaft's net profit for financial year 2018 will be put before the AGM. With 1,252,357,634 issued shares there results a distribution of €250m. No dividend was paid in the previous year.

As at 31 December 2018, 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 2018, the portion of active hedge relationships in the cash flow hedge reserve was €–12m (previous year: €–24m), and the portion of inactive hedge relationships was €-2m (previous year: €–29m).

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

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 €–3m (previous year: €–8m) resulted from the purchase of additional shares in companies that had already been consolidated.

Cash flow statement

€m	Notes	2018	2017[1]
Consolidated profit or loss		**968**	**222**
Non-cash positions in consolidated profit or loss and reconciliation with cash flow from operating activities:			
Write-downs, depreciation, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting		1,496	1,932
Change in other non-cash positions		−6,217	−7,099
Net gain or loss on the sale of fixed assets	(20)	100	14
Other adjustments		−4,375	−3,971
Sub-total		**−8,028**	**−8,903**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Financial assets – Amortised Cost	(26)	−14,796	n/a
Financial assets – Loans and Receivables	(27)	n/a	11,470
Financial assets – Mandatorily Fair Value P&L	(33)	−1,650	n/a
Financial assets – Fair Value OCI	(29)	−1,453	n/a
Financial assets – Available for Sale	(30)	n/a	8,425
Financial assets – Fair Value Option	(31)	n/a	1,098
Financial assets – Held for Trading	(34)	12,855	9,964
Other assets from operating activities		−13,615	838
Financial liabilities – Amortised Cost	(26)	11,641	−1,605
Financial liabilities – Fair Value Option	(32)	1,534	−3,236
Financial liabilities – Held for Trading	(35)	−1,981	95
Net cash from contributions into plan assets	(62)	65	12
Other liabilities from operating activities		9,664	−1,289
Interest received	(10)	7,532	7,246
Dividends received	(11)	36	106
Interest paid	(10)	−3,193	−3,381
Income tax paid	(23)	−310	−443
Net cash from operating activities		**−1,698**	**20,397**
Proceeds from the sale of:			
Holdings in companies accounted for using the equity method	(48)	28	88
Fixed assets and intangible assets	(51)	−55	19
Payments for the acquisition of:			
Holdings in companies accounted for using the equity method	(48)	−5	−39
Fixed assets and intangible assets	(51)	−534	−908
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired		–	379
Cash flow from disposals less cash reserves disposed of		11	7
Net cash from investing activities		**−556**	**−454**
Net cash from financing activities		**328**	**−273**
Cash and cash equivalents at the end of the previous period		**55,733**	**36,206**
Net cash from operating activities		−1,698	20,397
Net cash from investing activities		−556	−454
Net cash from financing activities		328	−273
Effects from exchange rate changes		107	−144
Cash and cash equivalents at the end of the period		**53,914**	**55,733**

[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	31.12.2018	31.12.2017	Change in %
Cash on hand	9,763	4,423	.
Balances with central banks	43,597	49,063	−11.1
Deposits daily due on demand with banks	554	1,736	−68.1
Debt issued by public-sector borrowers	–	511	.
Total	**53,914**	**55,733**	**−3.3**

As at 31 December 2018, cash and cash equivalents included €0m (previous year: €421m) from companies consolidated for the first time. As at December 31 2018, €0m from deconsolidations was included in cash and cash equivalents (previous year: €0m).

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 receivables 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, which resulted in a disposal of €56m in the "financial assets and liabilities – mandatorily fair value P&L" category.

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 53 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	2018	2017
Net debt as per 1.1.	**10,046**	**10,969**
Changes in net cash from financing activities	−1,279	−642
Changes in the group of consolidated companies	–	–
Exchange rate changes	130	−167
Change in other non-cash positions	−369	−114
Net debt as per 31.12.	**9,136**	**10,046**

Notes

General information

The Commerzbank Group has its headquarters in 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. Our Group financial statements as at 31 December 2018 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 financial year 2018 have been applied. We have not applied standards and interpretations that are not required until financial year 2019 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 37 and 38) 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 61 to 142 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 that are to be applied for the first time

In financial year 2018 the Commerzbank Group implemented all new and revised standards and interpretations requiring initial mandatory application as at 1 January 2018 and which had already been endorsed into European law, insofar as they were relevant for the Group. All amendments to the standards have been taken into account in accordance with the applicable transitional provisions. The relevant and significant new standards for the Group are presented in the following section.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014, which affected not only IFRS 9 but also other standards (particularly IFRS 7 and IAS 1). It was transposed into European law in November 2016.

The standard must be applied in the EU for financial years beginning on or after 1 January 2018. The former standard for the accounting of financial instruments (IAS 39) has been largely replaced.

Reported equity declined by €1,202m as compared with IAS 39. This decrease was the result of two factors: a change in the methodology for risk provisioning versus IAS 39, and the required reclassification of the respective financial instruments. A range of financial assets, such as loans granted primarily for ship financing and loans of British public-sector bodies, are now measured at fair value through profit or loss, leading to a reduction in equity.

Note 5 of this Annual Report contains the reconciliation tables for the balance sheet, equity and loan loss provisions as at 1 January 2018 in accordance with IFRS 9.

The application of the amendments to IFRS 9 regarding the early repayment of loans, which were endorsed into European law in March 2018, clarifies the SPPI-compliance of these interest and principal payments. These amendments had no effects on our Group Financial Statements.

IFRS 15 Revenue from Contracts with Customers introduced a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC 13, 15 and 18 and SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. It was transposed into European law in October 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. For commission income subject to the application of IFRS 15, we use the option of the modified retrospective method in order to simplify matters (see Note 15).

As at 31 December 2018, there was no material impact on the Group financial statements.

Revised standards

Revised standards or amendments implemented as part of the Annual Improvement Project 2015–2017 did not have any material impacts on the Group financial statements.

New Standards

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. The change was transposed into EU law in the fourth quarter of 2017. Under IFRS 16 all leases must be recognised on the lessee's balance sheet together with the associated contractual obligations. To simplify matters, low-value or short-term leases can be excluded from the accounting. The lessee will in future recognise a right-of-use asset and a lease liability, which in particular represents the obligation to make the lease payments. IFRS 16 adopts the criteria of IAS 17 for the classification of finance and operating leases by the lessor. The standard also contains further provisions on recognition, on the information in the notes and on sale-and-leaseback transactions. IFRS 16 will become effective for financial years beginning on or after 1 January 2019. In 2017 the Bank launched a Group-wide project under the responsibility of Group Finance to prepare for the new requirements. The necessary analyses were performed together with experts from the Real Estate Management and Contract Management divisions. The results were included in business specifications and will be incorporated into the Group-wide accounting guidelines. The IT implementation for the calculation of the new balance sheet positions was completed in July, and tests were successfully completed in mid-November 2018 with a Group-wide survey and coordination. These tests involved all relevant material entities consolidated in the Group financial statements. Properties leased by the Group account for most of the liabilities and right-of-use assets that must now be recognised. The Group will use the SAP IFRS 16 module for contract management of properties to measure all relevant leased properties in the Group.

The changeover to IFRS 16 was made using the modified retrospective method. For leases previously classified as operating leases, the status as at the changeover date is used as the basis. For example, the exercise of extension or termination options must be assessed on the basis of the current facts and not based on the retrospective probability of exercise at the start of the contract. The right of use per lease is recognised according to the lease liability less prepaid or accrued payments. The weighted average marginal interest rate on borrowed capital, used to discount the lease liabilities recognised for the first time on 1 January 2019, is 1.22 % p.a. We make use of the simplified provisions regarding low-value leases. Furthermore, 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.

Our analysis has shown that as an initial adoption effect as at 1 January 2019, the total assets will increase by €2,2bn to 2,4bn. In the financial year 2019, instead of the previously recognised operating expenses, the income statement will show depreciation on the recognised rights of use and interest-related expenses from the unwinding of the discount on leasing liabilities. In the cash flow statement, the change in the presentation of the previous expenses from operating leases will lead to an improvement in the cash flow from operating activities, and a decline in net cash from financing activities.

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 European law. We are currently analysing the potential effects on the consolidated financial statements.

On 7 June 2017, IFRIC Interpretation 23 (Uncertainty over Income Tax Treatments) was published. This interpretation aims to clarify the recognition and measurement of income taxes in accordance with IAS 12 when uncertainty prevails regarding the treatment for income tax purposes. The IFRIC interpretation must be applied in the EU for financial years beginning on or after 1 January 2019. We do not expect it to have any material impacts on the Group financial statements.

Accounting and measurement policies

(2) Changes in accounting and measurement policies

The Commerzbank Group has applied IFRS 9 Financial Instruments since 1 January 2018 in the version published by the IASB in July 2014. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. The application of IFRS 9 has resulted in changes to the Group's accounting and measurement methods. As at 30 June 2017, the Commerzbank Group had already applied part of IFRS 9 retrospectively as at 1 January 2017. Remeasurement effects deriving from own credit spread related to the financial liabilities included in the fair value option category are no longer reported through profit and loss, but instead in other comprehensive income.

The application of IFRS 9 led to changes in the classification and measurement of financial assets and liabilities as well as to the impairment of financial assets. The application of IFRS 9 to financial instruments also affects other standards, in particular IFRS 7.

With the exception of the described changes to the accounting policies for financial Instruments, we have applied the same accounting and measurement methods as set out in the Annual Report 2017.

In accordance with the transitional provisions of IFRS 9, we have not restated the comparable figures. As a result, the comparative information for 2017 pursuant to IAS 39 is reported in compliance with the accounting and measurement methods disclosed in the Annual Report as at 31 December 2017 on page 150 ff. This information is not directly comparable with the information presented for financial year 2018 based on IFRS 9. All changes to the carrying amounts of financial assets and liabilities were reflected in retained earnings and other reserves as at the effective date for the initial application of the new standard. We have utilised the option regarding hedge accounting provided in the standard and have continued to apply the previous IAS 39 regulations.

Classification and measurement of financial instruments

The application of IFRS 9 requires the reporting entity to classify all assets and liabilities defined as financial instruments under IAS 32. This classification aims to enable the user of the financial statements to make a better assessment of the amount, timing and uncertainty of future cash flows. Fundamentally, all financial instruments must be recognised at their fair value on the date of acquisition. This acquisition principle applies regardless of the financial instrument's classification.

IFRS 9 sets out four types of subsequent measurement of financial assets, which depend on the respective business model and the fulfilment of the SPPI criterion (solely payment of principal and interest):

- measurement at amortised cost (AC)
- measurement at fair value OCI with recycling (FVOCImR)
- measurement at fair value OCI without recycling (FVOCIoR)
- measurement at fair value through P&L (FVPL) subdivided into mandatorily fair value through P&L (mFVPL) and held for trading (HFT).

Management allocates the financial assets to one of the following business models based on how the financial assets are managed to generate cash flows:

- "hold to collect" business model – receipt of contractual cash flows with only rare or immaterial sales activities;
- "hold to collect and sell" business model – receipt of cash flows through holding and also through sales;
- residual business model – all portfolios that are not allocated to the "hold to collect" or "hold to collect and sell" business model. These include primarily trading portfolios and portfolios managed on a fair-value basis. The receipt of contractually agreed cash flows is of minor importance; the main objective is instead to maximise cash flows through purchases and sales.

The second criterion for classifying financial assets is the characteristics of their cash flows. When assessing these cash flows, the crucial consideration is whether they are solely unleveraged interest and principal payments on the outstanding capital, i.e. the SPPI criterion. In principle, a financial instrument is SPPI-compliant only if its contractual cash flows are equivalent to those of a simple loan.

The allocation to the business model can be made on a portfolio basis, whereas the SPPI criterion must always be assessed for each individual financial instrument allocated to the "hold to collect" or "hold to collect and sell" business model.

Measurement at amortised cost (AC) requires that the financial asset has cash flows which correspond to the SPPI criterion and that it has been allocated to a portfolio with the "hold to collect" business model. The associated booking logic corresponds in principle to the previous IAS 39 fair value category of loans and receivables (LaR).

A financial asset is measured at fair value through other comprehensive income with recycling (FVOCImR) if its cash flows also correspond to the SPPI criterion and it has been allocated to a portfolio with the "hold to collect and sell" business model. The associated accounting therefore corresponds fundamentally to the previous IAS 39 fair value category of available for sale (AfS).

The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if either the financial asset has not been allocated to a portfolio with one of the aforementioned business models or its cash flows are not SPPI-compliant. This measurement category is therefore subsidiary in nature, i.e. if the asset cannot be clearly allocated to one of the two other measurement categories, it must be measured according to this category. A reporting distinction is made in this measurement category between financial instruments held for trading purposes (HFT) and other financial instruments requiring recognition at fair value with the resulting value fluctuation being recorded in the income statement (mandatorily Fair Value P&L/mFVPL). Besides the fair value option (FVO), there is also the possibility of voluntarily allocating financial assets on acquisition to the mFVPL category if accounting mismatches can be avoided.

The methodology for measuring financial assets is based on the allocation of the asset to one of the following three groups:

- Derivatives:
  Financial instruments for which the allocation criteria have not changed as compared with IAS 39. As derivatives do not have fixed redemption amounts, subsequent measurement at amortised cost is not possible. They must always be measured at fair value, with the fluctuation in value being recorded in the income statement. If derivatives are not used for hedge accounting, they must always be allocated to the trading portfolio (HFT).
  Under IFRS 9, financial assets are assessed in their entirety. As a result, the host contract is not separated from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed as compared with IAS 39.
- Equity instruments:
  Financial instruments which correspond to the definition of equity under IAS 32 for the issuing entity. As equity instruments do not involve fixed redemption amounts and instead represent only a proportional right, the SPPI criterion is not fulfilled and measurement at AC or FVOCImR is precluded. However, an irrevocable decision can be made when the equity instrument is acquired to instead measure the instrument based on the FVOCI-without-recycling method. All value fluctuations are recognised in other comprehensive income and are also not reported in the income statement upon the disposal of the financial instrument (without recycling). We have utilised this option and have assigned a portfolio to this group. This option is not available for financial instruments that have been acquired for trading purposes or as conditional payment for the acquisition of a company. These must be measured at FVPL.
- Debt instruments:
  All financial instruments not considered to be derivatives as defined in IFRS 9 or equity as defined under IAS 32 are measured based on the business model and SPPI criteria described above or, in the case of an accounting mismatch, in accordance with the fair value option.

Debt instruments on the asset side of the balance sheet may thus be accounted for thereafter in one of the following ways.

- Subsequent measurement at amortised cost is required if the financial instrument is held only to realise the contractually agreed cash flows (“hold to collect” business model) and, in addition, the contractually agreed cash flows are exclusively interest and principal payments as defined under IFRS 9 (SPPI compliance).
- Subsequent measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCImR) 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 only interest and principal payments. The financial instrument is thus SPPI-compliant. Upon disposal of the financial instrument, the cumulative valuation fluctuations that have been recognised in other comprehensive income are then recognised in the income statement (with recycling).
- The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if the financial instrument has been allocated to a portfolio with a residual business model. This is also applicable in the case of non-SPPI-compliant cash flows and when exercising the fair value option.

As a rule, financial liabilities must be measured at amortised cost. In addition, the possibility exists of applying the fair value option. The remeasurement effect for financial liabilities designated in the fair value option resulting from own credit spread is recognised in other comprehensive income without effect on income. Financial liabilities held for trading and all derivatives must be reported in the balance sheet in a separate line item and measured at fair value through profit or loss.

Under IFRS 9, substantial modifications to the contract for a financial asset result in derecognition of the old financial instrument and recognition of a new financial asset. 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 to 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.

A non-substantial modification exists in the case of contract amendments. For example, in the case of a non-substantial modification of the contractual (fixed) interest rate. In the event of a non-substantial modification, the new carrying amount must be determined on the basis of the modified estimated cash flow and the original cash flow. The adjustment to the carrying amount is recognised in the income statement (see Note 18).

Impairment

The application of IFRS 9 has involved fundamental changes to the regulations regarding the accounting for expected counterparty-specific default risk (risk provisioning). Specifically, the incurred-loss model under IAS 39 has been replaced with the expected-credit-loss model (ECL). IFRS 9 stipulates that an impairment must be recognised in the amount of the ECLs for all loans, off-balance-sheet items and financial guarantees that are not measured at fair value through profit or loss. Unlike in IAS 39, provisions are not recognised only when a specific loss event occurs. For every financial asset (debt instrument) measured at amortised cost or at fair value through other comprehensive income, the loss expected over the next 12 months must be recognised as a provision on initial recognition. If the borrower's credit risk increases significantly, but the borrower is not yet in default, a provision must be recognised for the full lifetime expected losses. If an instrument is in default, a provision must be recognised for the lifetime expected loss on the basis of the estimated cash flows that can still be expected. However, a portfolio loan loss provision (PLLP impaired) is recognised for insignificant defaulted claims using internal parameters.

Fundamentally, the Group determines the expected credit losses by allocating into three stages the financial instruments that are not measured directly at fair value through profit or loss, off-balance sheet lending commitments and financial guarantees. Stage 1 and stage 2 contain the financial instruments that do not display any default criteria. Stage 3 contains the financial instruments that have been identified as being in default. Financial

instruments deemed to be in default at initial recognition (purchased or originated credit-impaired financial assets (POCI)) are not allocated to any of the three stages and are instead handled and disclosed separately.

In principle, every financial instrument is allocated to stage 1 upon initial recognition (except for POCI). In addition, stage 1 contains all transactions with only limited default risk. A limited default risk exists in cases involving an investment-grade internal credit rating (rating 2.8 or better). The provisioning for transactions in stage 1 equals the amount of the 12-month expected credit loss (12-month ECL).

Stage 2 includes financial instruments whose default risk has risen significantly since initial recognition and which are not classified as cases with limited default risk. The basis for recognising impairments or provisions in stage 2 is the lifetime expected credit loss (LECL).

The LECL based on individual cash flow estimates is also the foundation for recognising impairments or provisions for financial instruments in default in stage 3.

In the case of financial instruments classified as POCI, no impairment or provision is established upon initial recognition. They are measured at fair value. The provisioning recognised in subsequent measurement equals the cumulative change in the LECL since the initial recognition. A financial instrument classified as POCI remains in this classification until it is derecognised. The LECL remains the basis for its measurement, even if its rating improves.

For financial assets allocated to stage 1 and stage 2, the interest income is calculated using the effective interest method based on the gross carrying amount. Interest income from financial assets in stage 3 is calculated using the effective interest rate method based on the net carrying amount (less the loan loss provision).

For a detailed description, please refer to Note 36.

Hedge accounting

The Commerzbank Group has decided to continue applying the IAS 39 regulations on hedge accounting after adopting IFRS 9 for the first time.

For further details on the reconciliation from 31 December 2017 under IAS 39 to 1 January 2018 pursuant to IFRS 9, please refer to Note 5.

(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 10). Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised on the one hand on the basis of the accounting treatment of the associated financial instruments and on the other hand on the basis of the nature of the activity. Commission income for services which are performed over a certain period is recognised over the period in which the service is performed. Fees which are 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 2018. 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 53, 54 and 55) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 42 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 fundamentally 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 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. 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 salaries and 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 62 on the impact of changes in parameters).

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 40 and 49.

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 57).

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 Note 36);
- 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 54);
- impairment testing of non-financial assets such as goodwill and other intangible assets, in particular the criteria used to determine the recoverable amount (see Notes 49 and 50);
- 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 56 and 57), 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 62).
- The assessment of legal risks (see Note 64).

(4) Changes

In financial year 2018, a retrospective correction was made to the elimination of intercompany balances to remedy an incorrect currency translation for a Group-internal issue denominated in Swiss francs. As at 1 January 2017, this correction decreased retained earnings by €2m and increased financial liabilities (amortised cost) by a corresponding amount. In 2017, net income from financial assets and liabilities at fair value through profit and loss decreased by €9m, and financial liabilities (amortised cost) increased by a corresponding amount. Consolidated profit therefore decreased by €9m and earnings per share by €0m. As per 31 December 2017 our equity decreased by €11m and the financial liabilities (amortised cost) increased by a corresponding amount.

In financial year 2017, interest was incorrectly accrued for two promissory note loans issued in foreign currency. This was corrected retrospectively, resulting as at 1 January 2017 in a decrease in retained earnings of €5m and an increase in both financial liabilities (amortised cost) of €7m and deferred tax assets of €2m. Interest expenses were €9m higher in financial year 2017, and financial liabilities (amortised cost) rose accordingly. Moreover, taxes on income were €3m, and deferred tax assets increased by the same amount. Consolidated profit therefore decreased by €6m and earnings per share by less than €0m. As per 31 December 2017 our equity decreased by €11m. Deferred tax assets increased by €5m, and financial liabilities (amortised cost) by €16m.

A mistake made in the calculation of deferred tax assets in prior years was corrected retrospectively. As a result, net deferred tax assets increased by €16m as at 1 January 2017, as well as per 31 December 2017, and retained earnings by a corresponding amount. Thus, there was no impact on consolidated profit or earnings per share.

In 2017, an incorrect calculation of the cost of capital for the Corporate Clients segment was used as the basis for the test for impairment of the customer base from the acquisition of Dresdner Bank, which had been recognised as an intangible asset. The use of the correct cost of capital led to an impairment, leading to a reduction in intangible assets by €18m, and a corresponding increase in operating expenses. Taxes on income and profit were reduced by €6m. and deferred income tax liabilities were also reduced accordingly. As at 31 December 2017, consolidated profit as well as equity decreased by €13m and earnings per share by € 0.01.

In addition, an error was corrected in Note 42 (Maturities of assets and liabilities). This note now includes delivery commitments arising from short sales of securities and negative fair values of derivative hedging instruments, which was not the case as at 31 December 2017. Moreover, derivatives in the held-for-trading category, are now reported in the shortest maturity range, as this is consistent with internal management of the trading portfolios.

The correction of an error gave rise to a restatement of the information provided in Note 60 as lessor in connection with finance leases. Finance lease receivables of €1,807m forfaited within the Group as at 31 December 2017 were not previously included in this note and are now included. The corrections pertain only to this note; they had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Moreover, the fair values for securitised debt instruments in the loans and receivables category amounting to €0.1bn were adjusted retrospectively as at 31 December 2017 in Note 40 (IFRS 13 fair value hierarchies and disclosure requirements). A further retrospective correction in this note related to equity instruments in the available for sale category. We reclassified €0.3bn from level 1 to level 3. Moreover, €0.4bn of derivatives in the HFT category were reclassified from level 3 to level 2. The corrections pertain only to this note; they had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

The Bank restated the prior-year figures based on an improvement in the valuation methodology for determining the fair value for loans and claims in the Loans and Receivables category in Note 40 (IFRS 13 fair value hierarchies and disclosure requirements). Now for each individual transaction, the methodology additionally applies a calibration constant including a profit margin (KGM). This ensures that the disbursement amount corresponds to the fair value of a transaction at initial recognition. Furthermore, fair value is now determined using Commerzbank’s actual refinancing costs. A retrospective restatement of €0.6bn was made as at 31 December 2017, which led to an increase in fair value for loans and receivables. Based on the previous measurement policy, fair value would have been lower by €3.7bn as at the changeover date on 30 September 2018. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

The realisation result from the disposal of financial assets at amortised cost was transferred out of the sub-item of the risk result and is now shown as a sub-item of other net income from financial instruments. This results in a more accurate presentation and a consistent separation into valuation and realisation components for financial instruments measured at amortised cost and fair value OCI. The comparative figures for the three quarters of the financial year have been adjusted accordingly. This had no impact on the statement of comprehensive income or the earnings per share. In addition, we have broken down the "interest income" item in the income statement into "interest income calculated using the effective interest method" and "interest income not calculated using the effective interest method".

Additionally, the prior-year figures in the income statement for the discontinued business division EMC have been restated in accordance with the requirements of IFRS 5 (see Note 53).

The tables below summarise the restatements in the balance sheet as at 31 December 2016, which corresponds to 1 January 2017:

Assets €m	**Originally reported 31.12.2016**	**Adjustments**	**Restated 31.12.2016**
Deferred tax assets	3,035	18	3,053
Total	**480,436**	**18**	**480,454**

Liabilities and equity €m	**Originally reported 31.12.2016**	**Adjustments**	**Restated 31.12.2016**
Financial liabilities – Amortised Cost	343,798	9	343,807
Equity	29,573	9	29,583
Subscribed capital	1,252	–	1,252
Capital reserve	17,192	–	17,192
Retained earnings	11,117	9	11,126
Other reserves (with recycling)	–1,014	–	–1,014
Total before non-controlling interests	28,547	9	28,556
Non-controlling interests	1,027	–	1,027
Total	**480,436**	**18**	**480,454**

The tables below summarise the restatements in the income statement for financial year 2017 and the balance sheet as at 31 December 2017.

€m	**Originally reported 31.12.2017**	**Adjustments**	**Restated 31.12.2017**
Intangible assets	3,312	–18	3,294
Deferred tax assets	2,950	21	2,970
Total	**452,493**	**2**	**452,495**

€m	Originally reported 31.12.2017	Adjustments	Restated 31.12.2017
Financial liabilities – Amortised Cost	341,260	27	341,287
Deferred tax liabilities	34	– 6	28
Equity	30,041	– 19	30,022
Subscribed capital	1,252	–	1,252
Capital reserve	17,192	–	17,192
Retained earnings	11,249	– 19	11,230
Other reserves (with recycling)	– 817	–	– 817
Total before non-controlling interests	28,877	– 19	28,858
Non-controlling interests	1,164	–	1,164
Total	**452,493**	**2**	**452,495**

Besides the aforesaid corrections, the restatements in the income statement also include adjustments to the comparative figures for the discontinued business division EMC in accordance with IFRS 5 (see Note 53).

€m	Originally reported 1.1.-31.12.2017	Adjustments according to IAS 8	Adjustments discontinued operations[1]	Restated 1.1.-31.12.2017
Interest income	8,423	–	– 85	8,338
Interest expenses	4,222	9	– 188	4,043
Net interest income	4,201	– 9	103	4,295
Dividend income	106	–	–	106
Loan loss provisions	– 781	–	–	– 781
Other realised profit or loss and net remeasurement gain or loss	– 76	–	–	– 76
Commission income	3,923	–	– 21	3,902
Commission expenses	745	–	– 35	710
Net commission income	3,178	–	14	3,192
Net income from financial assets and liabilities at fair value through profit or loss	1,092	– 10	– 485	598
Net income from hedge accounting	– 86	–	2	– 85
Other profit or loss from financial instruments	259	–	– 16	244
Current net income from companies accounted for using the equity method	23	–	–	23
Other net income	465	–	1	466
Operating expenses	7,079	18	– 263	6,834
Restructuring expenses	808	–	–	808
Pre-tax profit or loss	**495**	**– 37**	**– 118**	**341**
Taxes on income	245	– 9	– 21	215
Pre-tax profit or loss from continuing operations	**250**	**– 28**	**– 96**	**126**
Consolidated profit or loss from discontinued operations	–	–	96	96
Consolidated profit or loss	**250**	**– 28**	**0**	**222**
Consolidated profit or loss attributable to non-controlling interests	94	–	–	94
Consolidated profit or loss attributable to Commerzbank shareholders	156	– 28	0	128

[1] EMC business which is to be sold to Société Générale (see Note 53).

(5) Reconciliation of the carrying amounts and equity with the application of IFRS 9

The following tables contain reconciliations of the carrying amounts as at 31 December 2017 based on IAS 39 regulations to the new carrying amounts as at 1 January 2018 in accordance with IFRS 9. In the opening balance as at 1 January 2018, equity was adjusted by €11m as compared with the disclosure in Note 74 of the Annual Report 2017 (of which €30m relates to an effect from the initial adoption of IFRS 9 and €–19m. is due to retrospective restatements; see Note 4).

The Group reclassified retrospectively as at 1 January 2018 a holding of €38m in preferred shares in a credit card provider, which until now had been reported under equity instruments, from the category FVOCI (without recycling) to the category mFVPL. This reclassification was necessary because these shares cannot be classified as equity instruments under IAS 32, and must instead be disclosed as debt instruments. The preferred shares do not fulfil the SPPI criterion and must therefore be assigned to the mFVPL category. As a result, the Group shifted €10m in the opening balance between retained earnings and other reserves. We also reclassified reverse repos of €783m from the AC category to the mFVPL category with retroactive effect from 1 January 2018 because the residual business model applies to them. Furthermore, loans of €112m in a subsidiary were retrospectively reclassified from the AC category to the mFVPL category because the SPPI criterion was not met. As a result, the opening balances for loss allowances in accordance with IFRS 9 have decreased by €5m compared with the original opening balance sheet.

a) Reconciliation of financial assets

Assets €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017[1]	Presentation IFRS 9	Adjustments[2]	Reclassification	Remeasurement	Carrying amount IFRS 9 1.1.2018
Cash on hand and cash on demand		**55,733**		**–**	**55,733**	**–**	**55,733**
	LAR	–	AC	–	55,222	–	55,222
	LAR	–	mFVPL	–	511	–	511
Financial assets – Loans and Receivables		**265,712**		**–**	**265,712**	**–3**	**265,709**
Loans and advances		241,708		–	241,708	–293	241,415
	LAR	–	AC	–	232,225	–200	232,025
	LAR	–	FVOCImR	–	2,027	2	2,029
	LAR	–	mFVPL	–	7,456	–95	7,360
Debt securities		24,004		–	24,004	290	24,294
	LAR	–	AC	–	22,420	298	22,718
	LAR	–	FVOCImR	–	1,352	3	1,354
	LAR	–	mFVPL	–	232	–11	221
Financial assets – Available for Sale		**31,155**		**–**	**31,155**	**599**	**31,753**
Debt securities		30,661		196	30,857	599	31,456
	AFS	–	AC	–	9,003	599	9,602
	AFS	–	FVOCImR	–	21,498	–	21,498
	AFS	–	mFVPL	–	356	–	356
Equity instruments		493		–196	297	–	297
	AFS	–	FVOCIoR	–	30	–	30
	AFS	–	mFVPL	–	267	–	267
Financial assets – Fair Value Option		**23,745**		**–**	**23,745**	**–**	**23,745**
Loans and advances	FVO	23,000	mFVPL	–	23,000	–	23,000
Debt securities		393		352	746	–	746
	FVO	–	FVOCImR	–	293	–	293
	FVO	–	mFVPL	–	452	–	452
Equity instruments		352		–352	–	–	0
	FVO	–	FVOCIoR	–	–	–	–
	FVO	–	mFVPL	–	–	–	–
Financial assets – Held for Trading		**63,666**		**–**	**63,666**	**–1,980**	**61,686**
Loans and advances	HFT	1,080	HFT	–	1,080	–	1,080
Debt securities		2,955		2,364	5,319	–	5,319
	HFT	–	mFVPL	–	970	–	970
	HFT	–	HFT	–	4,349	–	4,349
Equity instruments	HFT	11,302	HFT	–2,364	8,938	–	8,938
Derivatives and other	HFT	48,328	HFT	–	48,328	–1,980	46,349
Value adjustment on portfolio fair value hedges		153		–	153	–0	153
Positive fair values of derivative hedging instruments		1,464		–	1,464	–1	1,463
Holdings in companies accounted for using the equity method		181		–	181	–	181
Intangible assets		3,294		–	3,294	–	3,294
Fixed assets		1,600		–	1,600	–	1,600
Investment properties		16		–	16	–	16
Non-current assets held for sale and disposal groups		78		–	78	0	78
Current tax assets		767		–	767	–	767
Deferred tax assets		2,970		–	2,970	62	3,032
Other assets		1,961		–	1,961	–	1,961
Total		**452,495**		**–**	**452,495**	**–1,323**	**451,171**

[1] Prior-year figures adjusted due to restatements (see Note 4).
[2] The adjustment is necessary because under IFRS 9 the assessment of equity and debt is based on that of the issuer.
Investment fund units and profit-sharing certificates and preferred shares to a credit card provider, which were previously reported under equity instruments, were reallocated to securitised debt instruments and assigned to the measurement categories mFVPL or HFT.

Assets €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017	Presentation IFRS 9	Reclas-sification	Remeasure-ment	Carrying amount IFRS 9 1.1.2018
Cash on hand and cash on demand						
			to: Debt securities – mFVPL	−511	–	−511
Total	**LAR**	**55,733**	**AC**	**−511**	**−511**	**55,222**
Financial assets – Amortised Cost						–
			from: Loans and advances – LAR	232,225	−200	232,025
			from: Debt securities – LAR	22,420	298	22,718
			from: Debt securities – AFS	9,003	599	9,602
Total	**n/a**	**–**	**AC**	**263,649**	**697**	**264,345**
Financial assets – Loans and Receivables						–
			to: Loans and advances – AC	−232,225		−232,225
			to: Loans and advances – FVOCImR	−2,027		−2,027
			to: Loans and advances – mFVPL	−7,456		−7,456
			to: Debt securities – AC	−22,420		−22,420
			to: Debt securities – FVOCImR	−1,352		−1,352
				−232		−232
Total	**LAR**	**265,712**	**n/a**	**−265,712**	**–**	**n/a**
Financial assets – Fair Value OCI						
			from: Loans and advances – LAR	2,027	2	2,029
			from: Debt securities – LAR	1,352	3	1,354
			from: Debt securities – AFS	21,498	–	21,498
			from: Equity instruments – AFS	30	–	30
			from: Debt securities – FVO	293	–	293
Total	**n/a**	**–**	**FVOCI**	**25,200**	**5**	**25,205**
Financial assets – Available for Sale						
			to: Debt securities – AC	−9,003		−9,003
			to: Debt securities – FVOCImR	−21,498		−21,498
			to: Debt securities – mFVPL	−356		−356
			to: Equity instruments – FVOCIoR	−30		−30
			to: Equity instruments – mFVPL	−267		−267
Total	**AFS**	**31,155**	**n/a**	**−31,155**	**–**	**n/a**
Financial assets – Fair Value Option						
			– to: Loans and advances – mFVPL	−23,000	–	−23,000
			to: Debt securities – FVOCI	−293	–	−293
			to: Debt securities – mFVPL	−452	–	−452
Total	**FVO**	**23,745**	**FVO**	**−23,745**	**–**	**–**
Financial assets – Mandatorily Fair Value P&L						
			from: Cash on hand and cash on demand – LAR	511	–	511
			from: Loans and advances – LAR	7,456	−95	7,360
			from: Debt securities – LAR	232	−11	221
			from: Debt securities – AFS	356	–	356
			from: Equity instruments – AFS	267	–	267
			from: Loans and advances – FVO	23,000	–	23,000
			from: Debt securities – FVO	452	–	452
			from: Debt securities – HFT	970	–	970
Total	**n/a**	**–**	**mFVPL**	**33,244**	**−106**	**33,138**
Financial assets – Held for Trading						
			to: Loans and advances – mFVPL	–	−1,980	−1,980
			to: Debt securities – mFVPL	−970		−970
Total	**HFT**	**63,666**	**HFT**	**−970**	**−1,980**	**60,716**
Value adjustment on portfolio fair value hedges		153		153	−0	153
Positive fair values of derivative hedging instruments		1,464		1,464	−1	1,463

The explanations below summarise the main effects contained in the reconciliation table for the financial assets. The respective effect from deferred taxes is taken into account accordingly for all remeasurements. The following disclosures related to equity are each presented before deferred taxes.

We reclassified primarily securities issued by eurozone public-sector bodies totalling €9bn, which were previously measured at fair value without effect on income as required by the IAS 39 AfS category, into the AC measurement category (IFRS 9), because the "hold to collect" business model is applicable for them. As a result, the carrying amount of these assets increased by €0.6bn and equity was higher by €0.6bn.

If this portfolio had not been reclassified to the AC measurement category with the application of IFRS 9 as at 1 January 2018, this would have resulted in a fair value change of €–844m in the course of the 2018 financial year, which would have been recognised in other comprehensive income (revaluation reserve). As at 31 December 2018, the fair value of these securities still held in the portfolio amounted to €7.4bn.

In addition, securities of €22.4bn issued primarily by public-sector borrowers were assigned to the LaR measurement category (IAS 39). With the adoption of IFRS 9, the "hold" business model is now applicable and therefore, measurement at amortised cost is required. In principle, both measurement categories reflect the same accounting methodology, but in this case the carrying amounts in the financial statements as at 31 December 2017 and in the opening balance sheet as at 1 January 2018 vary by €0.3bn. This variance is due to the reclassification of these securities during the financial market crisis from the IAS 39 AfS category to the LaR category. The fair value determined when this reclassification was made was used as the starting point for the measurement at amortised cost. The negative revaluation reserve of €0.3bn resulting from these financial instruments was derecognised against the carrying amount, which increased equity by €0.3bn.

Loans with carrying amounts under IAS 39 of €2.7bn, which were used for ship financing, were allocated to the "residual" business model because of the Group's intention to dispose of these loans if a favourable opportunity were to arise.For that reason, they were reclassified from the LaR measurement category to the mFVPL measurement category under IFRS 9. Their carrying amount decreased as a result by €0.7bn and equity by €0.7bn. Several loan portfolios used to finance domestic and foreign commercial real estate totalling €0.6bn were reclassified for the same reason; as a result, the carrying amount decreased by €0.1bn, with equity declining by €0.1bn. A portfolio of promissory note loans issued by British public-sector bodies with special call options, which had a carrying amount of €2.5bn, were also reclassified into the mFVPL measurement category. Derivatives of €1.7bn that had previously required separation under IAS 39 are now measured in this context using the full fair value of the entire instrument and are included in the mFVPL carrying amount. The carrying amount of these promissory note loans decreased as a result by a total of €1.1bn and equity by €1.1bn.

b) Reconciliation of financial liabilities

Liabilities and equity €m	Presen-tation IAS 39	Carrying amount IAS 39 31.12.2017[1]	Presen-tation IFRS 9	Reclas-sification	Remeasure ment	Carrying amount IFRS 9 1.1.2018
Financial liabilities – Amortised Cost		**341,287**		**341,287**	**135**	**341,422**
Deposits		297,907		297,907	−34	297,872
	AC	–	AC	297,667	–	297,667
	AC	–	FVO	239	−34	205
Bonds and notes issued		43,380		43,380	170	43,550
	AC	–	AC	38,317	−6	38,311
	AC	–	FVO	5,064	176	5,239
Financial liabilities – Fair Value Option		**14,940**		**14,940**	**–**	**14,940**
Deposits	FVO	14,279	FVO	14,279	–	14,279
Bonds and notes issued	FVO	661	FVO	661	–	661
Financial liabilities – Held for Trading		**56,484**		**56,484**	**110**	**56,593**
Bonds and notes issued	HFT	5,565	HFT	5,565	–	5,565
Derivatives and other trading liabilities	HFT	50,919	HFT	50,919	110	51,028
Value adjustment on portfolio fair value hedges		491		491	−41	451
Negative fair values of derivative hedging instruments		2,255		2,255	−383	1,872
Provisions		3,291		3,291	82	3,373
Current tax liabilities		673		673	–	673
Deferred tax liabilities		28		28	−24	3
Liabilities from disposal groups held for sale		–		–	–	–
Other liabilities		3,024		3,024	–	3,024
Equity		30,022		30,022	−1,202	28,820
Subscribed capital		1,252		1,252	–	1,252
Capital reserve		17,192		17,192	–	17,192
Retained earnings		11,230		11,230	−1,833	9,397
Other reserves		−817		−817	655	−162
Total before non-controlling interests		28,858		28,858	−1,178	27,680
Non-controlling interests		1,164		1,164	−24	1,141
Total before non-controlling interests		**452,495**		**452,495**	**−1,323**	**451,171**

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

Liabilities and equity €m	**Presentation IAS 39**	**Carrying amount IAS 39 31.12.2017**[1]	**Presentation IFRS 9**	**Reclassification**	**Remeasurement**	**Carrying amount IFRS 9 1.1.2018**
Financial liabilities – Held for Trading						
			to: Deposits – FVO	–239		–239
			to: Bonds and notes issued – FVO	–5,064		–5,064
			to: Bonds and notes issued – AC		–6	–6
Total	**AC**	**341,287**	**AC**	**–5,303**	**–6**	**335,978**
Financial liabilities – Fair Value Option						
			from: Deposits – AC	239	–34	205
			from: Bonds and notes issued – AC	5,064	176	5,239
Total	**FVO**	**14,940**	**FVO**	**5,303**	**141**	**20,385**
Financial liabilities – Held for Trading						
			to: Derivatives and other trading liabilities		110	110
Total	**HFT**	**56,484**	**HFT**	**–**	**110**	**56,593**
Value adjustment on portfolio fair value hedges		491		491	–41	451
Negative fair values of derivative hedging instruments		2,255		2,255	–383	1,872
Provisions		3,291		3,291	82	3,373

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

When applying IFRS 9, the Group exercised for the first time the fair value option for its own structured issues in order to avoid an accounting mismatch between hedging derivatives measured at fair value through profit or loss and the structured issue. This decreased equity by €0.1bn.

c) Reconciliation of equity

€m	Presentation IAS 39	Presentation IFRS 9	Retained earnings	Revaluation reserve	Cash flow hedge reserve
As at 31.12.2017 (IAS 39)			**11,230[1]**	**–571**	**–54**
Financial assets	FVO	FVOCI	–2	2	–
	AFS	mFVPL	33	–33	–
	AFS	FVOCImR	–12	12	–
	AFS	AC	–8	607	–
	LAR	mFVPL	–106	0	–
	LAR	FVOCImR	–5	8	–
	LAR	AC	–269	367	–
Financial liabilities	AC	AC	–141	–	–
	AC	FVO	6	–	–
Fair values from derivatives	HFT	HFT	–1,707	–	–
Value adjustment on portfolio fair value hedges			41	–	–
Provisions for off-balance-sheet loan losses			–82	–	–
Deferred tax assets/liabilities			402	–312	–2
Non-controlling interests (deductions)			18	6	–
As at 1.1.2018 (IFRS 9)			**9,397**	**86**	**–55**

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

d) Reconciliation of risk provisioning

€m	Presentation IAS 39	Presentation IFRS 9	Loan losses and Impairments on securities IAS 39 31.12.2017	Reclassification	Revaluation	Loan losses IFRS 9 1.1.2018	of which Stage 1	of which Stage 2	of which Stage 3	of which POCI
On- balance-sheet loan losses – Loans and receivables			**3,125**	**–648**	**–351**	**2,126**	**244**	**245**	**1,637**	**–**
Financial assets – Loans and Receivables			3,125	–648	–351	2,126	244	245	1,637	–
	LAR	AC	2,474	–	–355	2,119	240	243	1,637	–
	AFS	FVOCI	4	–	4	7	5	3	–	–
	LAR	mFVPL	648	–648	–	–0	–	–	–	–
Cumulative net remeasurement gain or loss – securities [1]			**94**	**–82**	**87**	**99**	**26**	**71**	**2**	**–**
Financial assets – Loans and Receivables			16	–1	68	83	13	70	–	–
	LAR	AC	15	–	68	83	13	70	–	–
	LAR	FVOCI	1	–	–0	0	–	–	–	–
	LAR	mFVPL	1	–1	–	–	–	–	–	–
Financial assets – Available for Sale			79	–82	18	15	13	1	2	–
	AFS	AC	–	–	7	7	7	0	–	–
	AFS	FVOCI	–3	–	11	8	5	1	2	–
	AFS	mFVPL	82	–82	–	–	–	–	–	–
Financial assets – Fair Value Option			–	–	1	1	1	–	–	–
	LAR	FVOCI	–	–	1	1	1	–	–	–
Assets held for sale and disposal groups			9	–9	–	–	–	–	–	–
Off-balance-sheet loan losses			211	–	82	293	73	103	92	24
Total			**3,440**	**–739**	**–182**	**2,518**	**344**	**420**	**1,730**	**24**

[1] Not part of loan loss provisions as at 31 December 2017.

The change in the balance resulted primarily from the reclassification of the ship financing, which the Group included in the fair value measurement amid a derecognition of the loan loss provision. In addition, the remeasurement included a reduction in the balance associated with the derecognition of the risk provision for financial assets that under IFRS 9 were classified as POCI. This new classification therefore required that no initial risk provision balance be taken into account, rather an adjustment entry was made against the carrying amount. In contrast, the balance increased to a lesser extent for financial assets that under IFRS 9 are to be provisioned for with the LECL. Overall, significant portions of the portfolio are classified as investment grade, so that only 17 % of the loan loss provisions are attributable to stage 2.

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.

(6) 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 managing the relevant activities, control can be established more straightforwardly in these cases. We are nonetheless obliged to investigate whether there are any other factors such as legislative provisions or contractual agreements which mean that Commerzbank does not exercise 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 remeasured now 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.

(7) 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 48). 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.

(8) 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 75.

(9) 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 net assets, financial position and earnings 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 78 for more information on the structure of the Commerzbank Group including a full list of the Group’s ownership interests.

Acquisitions and disposals

Divestment of Capital Investment Trust Corporation

In the first quarter of financial year 2018, the Bank sold its interest in Capital Investment Trust Corporation, Taipei, Taiwan, a shareholding that previously had been accounted for using the equity method. This sale resulted in a positive effect on the income statement in other net income (see Note 20).

In financial year 2017, our subsidiary comdirect bank Aktiengesellschaft, Quickborn, acquired a 100 % interest in onvista Aktiengesellschaft, Frankfurt/Main, and its affiliated companies from Boursorama S.A..

In addition, Commerz Finanz GmbH, a joint venture with BNP Paribas Personal Finance S.A, was transferred to Commerzbank Aktiengesellschaft in exchange for the return of the interest in Commerz Finanz GmbH.

Divestment of mLocum S.A.

On 2 June 2017, mBank S.A., Warsaw, Poland signed a preliminary sales agreement with Archicom S.A. to divest its interest in mLocum S.A., Lódz, Poland. After the fulfilment of several conditions precedent, by means of a guarantee and pledge agreement between mBank S.A. and DRK Investment Sp. z o.o., 14 120 880 shares representing 51.0 % of the share capital were sold to the majority shareholder of Archicom S.A. on 31 July 2017. On 3 January 2018, the name of mLocum S.A. was changed to Archicom Polska S.A. The sale of the remaining 8 026 120 shares (29.0 % of the share capital of Archicom Polska S.A., formerly mLocum S.A.) was completed on 20 December 2018.

The transaction was the result of the mBank Group’s initiative to focus on its core activities. The sale of the interest in mLocum S.A. will improve the ability of the mBank Group to exploit its potential and achieve its business objectives on the Polish market.

No further sales or acquisitions took place in the financial year 2018.

Notes to the income statement

(10) Net interest income

All interest income and interest expense – including interest-related income and expense – 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 or other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

In Other interest expenses the net of interest income and interest expenses of hedge accounting items is included.

€m	2018	2017[1]	Change in %
Interest income accounted for using the effective interest method	**7,318**	**7,615**	**–3.9**
Interest income – Amortised Cost	6,891	n/a	
Interest income from lending and money market transactions	6,056	n/a	
Interest income from the securities portfolio	835	n/a	
Interest income – Loans and Receivables	n/a	6,823	
Interest income from lending and money market transactions	n/a	6,310	
Interest income from the securities portfolio	n/a	513	
Interest income – Available for Sale	n/a	664	
Interest income from the securities portfolio	n/a	664	
Interest income – Fair Value OCI	312	n/a	
Interest income from lending and money market transactions	26	n/a	
Interest income from the securities portfolio	286	n/a	
Prepayment penalty fees	115	109	5.5
Unwinding	n/a	18	
Interest income accounted for not using the effective interest method	**1,351**	**724**	**86.8**
Interest income – Fair Value Option	–	249	.
Interest income from lending and money market transactions	–	248	.
Interest income from the securities portfolio	–	1	.
Interest income – Mandatorily Fair Value P&L	801	n/a	
Interest income from lending and money market transactions	760	n/a	
Interest income from the securities portfolio	41	n/a	
Positive interest from financial instruments held as liabilities	551	474	16.1
Interest expenses	**3,922**	**4,043**	**–3.0**
Interest expenses – Amortised Cost	2,667	3,190	–16.4
Deposits	1,638	1,948	–15.9
Debt securities issued	1,029	1,243	–17.2
Interest expenses – Fair Value Option	625	226	.
Deposits	605	177	.
Debt securities issued	20	49	–59.1
Negative interest from financial instruments held as assets	609	601	1.4
Other interest expenses	20	25	–18.3
Total	**4,748**	**4,295**	**10.5**

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

(11) 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 category Mandatorily Fair Value P&L.

In the previous year, this income also contained distributions on profit-sharing certificates and participating bonds, plus fund distributions on units classified as equity capital. Investment fund units and profit-sharing certificates previously reported under equity instruments were reallocated to securitised debt instruments and assigned to the measurement categories mFVPL or HFT. The resulting income has therefore been reported in interest income since the financial year 2018. The adjustment is necessary because under IFRS 9 the assessment of equity and debt is based on that of the issuer.

€m	2018	2017	Change in %
Dividends from equity instruments – Available for Sale	n/a	28	
Dividends from equity instruments – Fair Value OCI	1	n/a	
Dividends from equity instrument – Fair Value Option	–	47	.
Dividends from equity instruments – Mandatorily Fair Value P&L	19	n/a	
Current net income from non-consolidated subsidiaries	15	31	–50.5
Total	**36**	**106**	**–66.3**

(12) 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 64) are taken into account.

The composition of the risk result has been adjusted compared with the last three quarters of the 2018 financial year (see Note 4).

€m	2018	2017	Change in %
Financial Assets – Amortised Cost	–477	n/a	
Financial Assets – Fair Value OCI	2	n/a	
Financial guarantees	1	n/a	
Lending commitments and indemnity agreements	29	n/a	
Total	**–446**	**n/a**	

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 our Annual Report (see page 110 ff.).

(13) Loan loss provisions

This item in financial year 2017 included the loan loss provisions for both on- and off-balance-sheet lending business. With the application of IFRS 9, comparability with the previous year is not possible.

€m	**2018**	2017	Change in %
Allocations to loan loss provisions[1]	n/a	– 1,231	
Reversals of loan loss provisions[1]	n/a	816	
Direct write-downs	n/a	– 592	
Write-ups and amounts recovered on claims written down	n/a	226	
Total	**n/a**	**– 781**	

[1] Gross figures (e.g. migrations between different types of provisions are not netted off).

The breakdown of the net allocation to provisions was as follows:

€m	**2018**	2017	Change in %
Specific risks	n/a	– 571	
Loans and advances banks	n/a	8	
Loans and advances corporate customers	n/a	– 398	
Loans and advances private customers	n/a	– 131	
Loans and advances other financial corporations	n/a	– 15	
Loans and advances general governments	n/a	– 0	
Off-balance-sheet exposures	n/a	– 34	
Portfolio risks	n/a	156	
Loans and advances banks	n/a	10	
Loans and advances corporate customers	n/a	71	
Loans and advances private customers	n/a	19	
Loans and advances other financial corporations	n/a	25	
Loans and advances general governments	n/a	1	
Off-balance-sheet exposures	n/a	29	
Direct write-downs, write-ups and amounts recovered on claims written down	n/a	– 366	
Total	**n/a**	**– 781**	

(14) Other realised profit or loss and net remeasurement gain or loss

Under IAS 39, this item in the previous year included the net gain or loss from the measurement of financial assets – loans and receivables, and financial assets – available for sale.

In the previous year, other realised profit or loss and net remeasurement gain or loss also contained the net realised gain or loss from the sale of claims and securities of the loans and receivables category, irrespective of whether the gain or loss was credit-induced. With the application of IFRS 9, the previous item is now part of the risk result or other net income from financial instruments. This prevents comparability with the previous year.

€m	2018	2017	Change in %
Financial assets - Loans and Receivables	n/a	–76	
Net remeasurement gain or loss	n/a	–10	
Realised gain or loss	n/a	–66	
Financial assets - Available for Sale	n/a	0	
Net remeasurement gain or loss	n/a	0	
Total	**n/a**	**–76**	

(15) 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	2018	2017[1]	Change in %
Commission income	**3,751**	**3,902**	**–3.9**
Securities transactions	1,155	1,204	–4.1
Asset management	314	333	–5.5
Payment transactions and foreign business	1,384	1,386	–0.2
Guarantees	206	210	–1.9
Net income from syndicated business	240	260	–7.8
Intermediary business	200	283	–29.4
Fiduciary transactions	22	24	–6.7
Other income	231	203	13.5
Commission expenses	**662**	**710**	**–6.9**
Securities transactions	257	266	–3.1
Asset management	30	61	–51.1
Payment transactions and foreign business	156	149	4.5
Guarantees	21	20	4.9
Net income from syndicated business	0	0	3.2
Intermediary business	147	165	–10.5
Fiduciary transactions	13	11	18.3
Other expenses	37	39	–5.2
Net provision income	**3,089**	**3,192**	**–3.2**
Securities transactions	897	939	–4.4
Asset management	284	272	4.7
Payment transactions and foreign business	1,228	1,237	–0.7
Guarantees	185	190	–2.6
Net income from syndicated business	240	260	–7.9
Intermediary business	52	118	–55.7
Fiduciary transactions	10	13	–26.9
Other income	193	164	17.9
Total	**3,089**	**3,192**	**–3.2**

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

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

2018 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	1,148	52	0	– 46	1,155
Asset management	311	3	0	–0	314
Payment transactions and foreign business	633	762	1	– 12	1,384
Guarantees	26	194	0	– 14	206
Net income from syndicated business	2	237	0	–	240
Intermediary business	199	68	0	– 67	200
Fiduciary transactions	15	7	–	–	22
Other income	193	72	0	– 34	231
Total	**2,527**	**1,396**	**2**	**– 174**	**3,751**

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

This item includes the net income from financial assets and liabilities measured at fair value through profit and 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 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;
- dividends received from financial instruments held for trading;
- 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	2018	2017[1]	Change in %
Profit or loss from financial instruments – Held for Trading	131	548	– 76.1
Profit or loss from financial instruments – Fair Value Option	31	50	– 38.4
Profit or loss from financial instruments – Mandatorily Fair Value P&L	204	n/a	
Total	**366**	**598**	**– 38.8**

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

(17) Net income from hedge accounting

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

€m	2018	2017[1]	Change in %
Fair Value Hedges			
Changes in fair value attributable to hedging instruments	518	136	.
Micro fair value hedges	291	113	.
Portfolio fair value hedges	227	23	.
Changes in fair value attributable to hedged items	–470	–219	.
Micro fair value hedges	–249	–233	7.1
Portfolio fair value hedges	–221	13	.
Cash Flow Hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	1	–2	.
Total	**48**	**–85**	**.**
of which hedge ineffectiveness from micro fair value hedges	41	–120	.
of which hedge ineffectiveness from portfolio fair value hedges	6	37	–82.9

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

(18) Other net gain or loss from financial instruments

This item contains the gain or loss on disposals 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. In the previous year the gain or loss on disposals of financial assets in the available for sale category was reported here.

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 securitised debt instruments is reversed through profit and loss when the asset is disposed of. In the previous year this was also applicable for the available for sale category.

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 costs.

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	2018	2017[1]	Change in %
Other realised profit or loss from financial instruments	40	244	.
Realised profit or loss from financial assets – Fair Value OCI	6	n/a	
Realised profit or loss from financial assets – Available for Sale	n/a	239	
Realised profit or loss from financial liabilities – Amortised Cost	0	5	.
Gain or loss on non-substantial modifications – Amortised Cost	–4	n/a	
Gain or loss on non-substantial modifications – Fair Value OCI	–	n/a	
Changes in uncertainties in estimates – Amortised cost	38	n/a	
Changes in uncertainties in estimates – Fair Value OCI	–	n/a	
Gain or loss on disposal of financial instruments (AC portfolio)	–14	n/a	
Gains on disposal of financial instruments (AC portfolio)	7	n/a	
Losses on disposal of financial instruments (AC portfolio)	21	n/a	
Total	**26**	**244**	**.**

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

The Commerzbank Group has loan portfolios totalling €281bn 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 portfolio) in the amount of €–14m resulted when the Group sold securities and promissory note loans from the liquidity portfolio as part of permitted portfolio measures and repayments of securities and loans.

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 original risk under the original conditions. Amortised cost before modification amounted to €52m.

€m	2018	2017	Change in %
Modified assets during the period, which are provisioned at their LECL post modification			
Gross carrying amount pre-modification	52	n/a	
Corresponding ECL	6	n/a	
Gross carrying amount post-modification	52	n/a	
Corresponding ECL	6	n/a	
Net result from modification	1	n/a	
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	39	n/a	
Corresponding ECL	1	n/a	

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

Current net income from companies accounted for using the equity method was €12m (previous year: €23m).

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 €35m (previous year: €194m), the total net income from companies accounted for using the equity method was €47m (previous year: €217m). In the financial year there is a non-recurring effect from the sale of Capital Investment Trust Corporation, Taipei, Taiwan, which was reported in other net income. The result in the previous year was positively impacted primarily by the spin-off and acquisition of the instalment loan business as well as the resulting remeasurement of the holding in Commerz Finanz GmbH.

(20) 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	2018	2017[1]	Change in %
Other material items of income	**631**	**853**	**−26.1**
Reversals of provisions	142	200	−29.2
Operating lease income	174	174	0.3
Income from building and architects' services	0	1	−97.4
Hire-purchase income and sublease income	10	11	−9.4
Income from investment properties	1	1	−26.6
Income from non-current assets held for sale	–	240	.
Income from disposal of fixed assets	111	18	.
Income from FX rate differences	42	25	69.3
Other items in other income	151	182	−17.3
Other material items of expense	**453**	**483**	**−6.3**
Allocations to provisions	94	104	−9.6
Operating lease expenses	130	126	2.9
Expenses arising from building and architects' services	0	16	−99.0
Hire-purchase expenses and sublease expenses	4	4	−4.2
Expenses from investment properties	0	0	−49.0
Expenses from non-current assets held for sale	–	0	.
Expenses from disposal of fixed assets	10	5	.
Expenses from FX rate differences	41	31	34.5
Other items in other expenses	173	197	−12.3
Balance of remaining other income/expenses	32	−98	.
Realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures (netted)	35	194	
Other net income	**245**	**466**	**−47.3**

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

(21) Operating expenses

Operating expenses in the Group were €6,879m (previous year: €6,834m) and included personnel expenses of €3,441m (previous year: €3,493m), administrative expenses of €2,776m (previous year: €2,713m) and depreciation of office furniture and equipment, land, buildings and other fixed assets, as well as amortisation of intangible assets of €663m (previous year: €629m).
The breakdown of operating expenses was as follows:

Personnel expenses | €m	**2018**	**2017**[1]	**Change in %**
Wages and salaries	3,188	3,259	– 2.2
Expenses for pensions and similar employee benefits	253	234	8.0
Total	**3,441**	**3,493**	**– 1.5**

[1] Figures adjusted due to restatements (see Note 4).

Wages and salaries contain €446m (previous year: €446m) for social security contributions. They also include the employers' contributions to the statutory pension scheme in the amount of €216m (previous year: €215m).

Expenses for pensions and similar employee benefits consist of expenses for defined benefit and defined contribution pension plans (see Note 62), age-related short-time working schemes and early retirement, as well as other pension-related expenses.

Operating expenses | €m	**2018**	**2017**[1]	**Change in %**
Occupancy expenses	581	554	5.0
IT expenses	556	504	10.3
Workplace and information expenses	248	236	5.3
Compulsory contributions	420	404	3.9
Advisory, audit and other expenses required to comply with company law	386	479	– 19.4
Travel, representation and advertising expenses	275	249	10.3
Personnel-related operating expenses	146	121	20.9
Other operating expenses	164	166	– 1.4
Total	**2,776**	**2,713**	**2.3**

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

The compulsory contributions include €179m for bank levies in the current financial year (previous year: €169m) and Polish bank tax of €94m (previous year: €87m).

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany, was appointed as the group auditors of Commerzbank. The key audit partners responsible for this mandate pursuant to Art. 319a (1) sentence (4) of the German Commercial Code were Claus-Peter Wagner and Marcus Binder. This is the first 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 for the group auditors amounted to €15,157 thousand excluding VAT for the financial year 2018.

For the year 2017, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany, was appointed group auditors of the Commerzbank Group

Auditors' fees | €1,000	**2018**	**2017**	**Change in %**
Audit services	14,324	16,136	– 11.2
Audit- related services	278	3,552	– 92.2
Tax services	–	906	.
Other services	555	11,153	– 95.0
Total	**15,157**	**31,748**	**– 52.3**

The fee for audit services covers the annual audits of Commerzbank Aktiengesellschaft and its subsidiaries, and the audit of the Group accounts in accordance with the amended standard IDW AcP HFA 36 promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany).

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 fees for other services are mainly fees for project-related advisory services.

Deprectiation and amortisation| €m	2018	2017[1]	Change in %
Office furniture and equipment	123	127	– 3.9
Land and buildings	11	14	– 22.0
Intangible assets	529	487	8.6
Total	**663**	**629**	**5.4**

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

Besides the scheduled depreciation, the items also include impairments and write-ups of impairments. The amortisation of intangible assets included €3m of impairment charges (previous year: €19m). On land, buildings and other fixed assets there were write-ups of €3m (previous year: write-ups of €3m).

(22) Restructuring expenses

€m	2018	2017	Change in %
Expenses for restructuring measures in progress	–	808	.
Total	**–**	**808**	**.**

The restructuring expenses in the 2017 reporting year are connected with the implementation of the “Commerzbank 4.0” strategy in Germany and abroad.

(23) Taxes on income

€m	2018	2017[1]	Change in %
Current taxes on income	205	299	– 31.3
Tax expense/income for the current year	285	271	5.1
Tax expense/income for previous years	– 80	27	.
Deferred income taxes	63	– 84	.
Tax expense/income due to temporary differences and tax loss carryforwards	150	– 89	.
Tax rate differences	– 101	– 82	23.2
Tax expense due to impairment of previously recognised deferred taxes	14	87	– 83.9
Tax income from previously unrecognised tax loss carryforwards and temporary differences	–	–	.
Total	**268**	**215**	**25.0**

[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 % (Singapore) and 40.0 % (New York).

As at 31 December 2018 the Group tax rate was 21.5 % (previous year: 63.1 %).

The increase in the tax rate stemmed primarily from current European Court of Justice case law, under which tax losses from foreign branches are disallowed for domestic tax purposes.

€m	2018	2017[1]	Change in %
Pre-tax profit or loss under IFRS	**1,245**	**341**	**.**
Group's income tax rate (%)	32	32	–
Calculated income tax expense in financial year	**392**	**107**	**.**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	– 99	– 83	19.3
Effect from the remeasurement of deferred taxes	14	– 30	.
Effects of non-deductible operating expenses and tax-exempt income	73	25	.
Unrecognised deferred tax assets	– 58	206	.
Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated	– 7	– 32	– 78.1
Effects of additions and deductions for trade tax	8	8	–
Withholding taxes not creditable	16	12	33.3
Current taxes relating to other periods	– 101	– 27	.
Other effects	30	29	3.4
Taxes on income	**268**	**215**	**24.7**

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	2018	2017	Change in %
Current taxes on income	–	–	.
Deferred taxes on income	809	972	– 16.8
Measurement differences arising from cash flow hedges	1	13	– 92.3
Revaluation reserve	7	272	– 97.4
Loss carryforwards	149	150	– 0.7
Remeasurement of defined benefit plans	653	530	23.2
Other	– 1	7	.
Total	**809**	**972**	**– 16.8**

(24) 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	2018	2017[1]	Change in %
Net income from continuing operations			
Financial assets and liabilities – Held for Trading	180	464	–61.3
Financial assets – Fair Value Option	–	-103	.
Financial liabilities – Fair Value Option	–208	241	.
Financial assets – Mandatorily Fair Value P&L	628	n/a	
Financial assets – Amortised Cost	6,348	n/a	
Financial liabilities – Amortised Cost	–2,503	–3,083	–18.8
Financial assets – Loans and Receivables	n/a	5,846	
Financial assets – Fair Value OCI	318	n/a	
Financial assets – Available for Sale	n/a	931	
Net income from discontinued operations	**240**	**395**	**–39.4**
Change in value not recognised in income statement			
Financial assets – Available for Sale	n/a	460	
Financial assets – Fair Value OCI – debt instruments	–87	n/a	
Financial assets – Fair Value OCI – equity instruments	–3	n/a	
Financial liabilities – Fair Value Option (Own credit spread)	96	–114	.

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

(25) Earnings per share

	2018	2017[1]	Change in %
Operating profit (€m)	1,245	1,149	8.4
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	865	128	.
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	–
Operating profit per share (€)	0.99	0.92	8.4
Earnings per share (€)	0.69	0.10	.

[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 65).

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 receivables
- Securitised debt instruments
- 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

As well as 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 Commerzbank 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.

Under IAS 39, derivatives that are embedded in financial assets, liabilities and non-financial host contracts were treated as stand-alone derivatives and measured at fair value if they met the definition of a derivative and if their economic characteristics and risks were not closely related to those of the host contract.

In accordance with IFRS 9, since 1 January 2018 we have separated only those derivatives that are embedded in financial liabilities and non-financial host contracts. Under IFRS 9, financial assets are assessed in their entirety. As a result, the host contract is no longer accounted for separately from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions.

Such a separation must be made for accounting purposes only 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.

Financial assets and liabilities in accordance with IAS 39

General classification and measurement

In accordance with IAS 39 all financial assets and liabilities – which also include derivative financial instruments – had to 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 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 were accounted for on their recognition and disposal on the trade date.

The derecognition rules of IAS 39 were based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualified for derecognition, the evaluation of the transfer of the risks and rewards of ownership took precedence over the evaluation of the transfer of control. If the risks and rewards were transferred only partially and control over the asset was retained, the continuing involvement approach was used. The financial asset continued to be recognised to the extent of the Group's continuing involvement, and special accounting policies applied. The extent of the continuing involvement was the extent to which the Group was exposed to the risk of changes in the value of the transferred asset. A financial liability (or part of a financial liability) was derecognised when it was extinguished, i.e. when the obligations arising from the contract were discharged or cancelled or expired. The repurchase of own debt instruments was also a transfer of financial liabilities that qualified for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price were recognised in profit or loss; if the asset was sold again at a later date a new financial liability was recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount were allocated over the term of the debt instrument using the effective interest method.

Some amendments of contractual terms and conditions between borrowers and the Bank, for example as a consequence of forbearance measures or restructuring, led to derecognition. A substantial modification of the contractual terms and conditions of a financial instrument between an existing borrower and the Bank led 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 had to be treated as a repayment of the original financial liability. In quantitative terms, a modification of the contractual terms and conditions was regarded as substantial if the discounted net present value of the cash flows under the new contractual terms and conditions varied by at least 10 % from the discounted net present value of the residual cash flows of the original debt instrument.

b) Classification of financial assets and liabilities and their measurement

The Commerzbank Group classified its financial assets and financial liabilities in accordance with the applicable IAS 39 categories:

Financial assets
- Loans and Receivables (LAR)
- Available for Sale (AFS)
- Fair Value Option (FVO)
- Held for Trading (HFT)

Financial liabilities
- Amortised Cost (AC)
- Fair Value Option (FVO)
- Held for Trading (HFT)

c) Net gains or losses

Net gains or losses included 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 IAS 39 categories. The components were detailed in the condensed statement of comprehensive income and in the notes on net interest income, loan loss provisions, other realised profit or loss and net remeasurement gain or loss, net income 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 (see Note 64). If Commerzbank 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. Under certain conditions, the embedded derivative must be accounted for separately from the original host contract as a stand-alone derivative.

Such a separation had to be made if the following three conditions were met:
- The economic characteristics and risks of the embedded derivative were not closely related to those of the host contract.
- a separate instrument with the same terms as the embedded derivative would have met the definition of a derivative under IAS 39;
- the hybrid (combined) contract was not measured at fair value through profit or loss.

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

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

(26) 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 36).

Interest payments for these financial instruments are recognised in net interest income using the effective interest method. Premiums and discounts are recognised in net interest income over the life of the asset.

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	247,387	n/a	
Central banks	93	n/a	
Banks	31,775	n/a	
Corporate clients	92,090	n/a	
Private customers	100,902	n/a	
Other financial corporations	11,369	n/a	
General governments	11,159	n/a	
Debt securities	31,750	n/a	
Banks	2,563	n/a	
Corporate clients	3,506	n/a	
Other financial corporations	5,529	n/a	
General governments	20,152	n/a	
Total	**279,137**	**n/a**	

(27) Financial assets – Loans and Receivables

Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market were assigned to this category in the previous year in accordance with IAS 39. This was true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market existed if quoted prices were readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represented actual and regularly occurring market transactions on an arm's length basis. Measurement of these assets was at amortised cost. If there was impairment, this was recognised in profit or loss when determining the amortised cost. Premiums and discounts were recognised in net interest income over the life of the asset using the effective interest method.

Impairments on securities were recognised in the same way as for lending business (see Annual Report 2017, page 178 ff.). The impairments for these financial instruments were recognised in other realised profit or loss and net remeasurement gain or loss and directly reduced the corresponding item in the balance sheet. If the indicators for impairment of given securities ceased to apply or no longer suggested an impairment, the impairment of the securities in question was reversed through profit or loss, but to no more than the level of amortised cost. Similarly, an improved risk environment could lead to the reversal of an impairment that was previously recognised at the portfolio level.

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	n/a	241,708	
Central banks	n/a	906	
Banks	n/a	29,502	
Corporate clients	n/a	90,468	
Private customers	n/a	93,476	
Other financial corporations	n/a	10,389	
General governments	n/a	16,967	
Debt securities	n/a	24,004	
Banks	n/a	2,256	
Corporate clients	n/a	3,799	
Other financial corporations	n/a	3,834	
General governments	n/a	14,115	
Total	**n/a**	**265,712**	

(28) Financial liabilities – Amortised Cost

As a rule, financial liabilities must be subsequently measured at amortised cost. We have explained the exceptions to this fundamental classification in the aforementioned items within Note 5.

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

We report in other debt issues also 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	31.12.2018	31.12.2017[1]	Change in %
Deposits	301,144	297,907	1.1
Central banks	2,955	4,427	– 33.3
Banks	45,076	44,468	1.4
Corporate clients	80,618	86,297	– 6.6
Private customers	125,899	114,087	10.4
Other financial corporations	30,993	33,072	– 6.3
General governments	15,603	15,555	0.3
Debt securities issued	45,524	43,380	4.9
Money market instruments	5,648	4,428	27.6
Covered bonds	18,869	17,237	9.5
Other debt securities issued	21,006	21,716	– 3.3
Total	**346,668**	**341,287**	**1.6**

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

(29) 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 36 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 gain or loss 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. All 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	31.12.2018	31.12.2017	Change in %
Loans and advances (with recycling)	1,300	n/a	
Banks	148	n/a	
Corporate clients	539	n/a	
Other financial corporations	38	n/a	
General governments	574	n/a	
Debt securities (with recycling)	25,328	n/a	
Banks	10,448	n/a	
Corporate clients	749	n/a	
Other financial corporations	5,001	n/a	
General governments	9,131	n/a	
Equity instruments (without recycling)	31	n/a	
Corporate clients	30	n/a	
Other financial corporations	1	n/a	
Total	**26,659**	**n/a**	

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified in the fair value OCI category. Previously this portfolio was assigned to the available-for-sale IAS 39 category. In addition, an equity stake in a credit card provider was allocated to this category.

As at 31 December 2018, the fair value of these shares amounted to €31m. Dividends of €1m were received from these shares and recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in a realised profit or loss totalling €–1m, which was recognised in retained earnings without effect on income.

(30) Financial assets – Available for Sale

In accordance with IAS 39, this category comprised all non-derivative financial assets not assigned to one of the other categories or designated for the category "Financial assets – available for sale". This included interest-bearing securities, equities, profit-sharing certificates and units in investment funds. Available-for-sale assets primarily comprised fixed-income securities that were traded on an active market but which the Bank did not intend to sell in the short term. They were measured at fair value. If the fair value could be established on an active market, items were 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).

€m	31.12.2018	31.12.2017	Change in %
Debt securities	n/a	30,661	
Banks	n/a	8,373	
Corporate clients	n/a	1,894	
Other financial corporations	n/a	3,585	
General governments	n/a	16,809	
Equity instruments	n/a	493	
Banks	n/a	11	
Corporate clients	n/a	269	
Other financial corporations	n/a	213	
Total	**n/a**	**31,155**	

As at 31 December 2017, equity instruments contained financial instruments totalling €131m that were predominantly unlisted (e.g. shareholdings in limited companies) and were measured at cost, as reliable fair values for these assets were not available. We plan to continue to hold these financial instruments.

Financial instruments valued at historical cost, with a carrying amount of €34m, were derecognised in 2017. This resulted in net income of €5m.

Financial assets and liabilities –Fair Value Option

(31) Financial assets –Fair Value Option

If acquired debt instruments are SPPI-compliant and were allocated to the business models "hold to collect" or "hold to collect and sell", the fair value option may be applied to them. As a result, the respective assets are not measured at amortised cost or at fair value through other comprehensive income. Instead, they are measured at fair value through profit or loss.

The option to measure at fair value may be exercised only when initial recognition takes place. The precondition to use this option is that by doing so an accounting mismatch can be eliminated or reduced.Such a mismatch can result, for example, if according to the classification criteria assets are measured at amortised cost, whereas the associated liabilities are measured at fair value.

Under the IFRS 9 classification model, the previous alternatives to apply the fair value option to manage assets on a fair value basis and to avoid the separation of embedded derivatives are no longer possible. The elimination of the separation requirement for embedded derivatives means that structured products are assessed as a whole to determine SPPI compliance. In the case of debt instruments that are managed on a fair value basis as a component of a portfolio, IFRS 9 (in contrast to IAS 39) requires measurement at fair value. As a result, the fair value option is not available.

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	–	23,000	.
Central banks	–	4,113	.
Banks	–	9,181	.
Corporate clients	–	574	.
Private customers	–	3	.
Other financial corporations	–	7,121	.
General governments	–	2,009	.
Debt securities	–	393	.
Banks	–	91	.
Corporate clients	–	151	.
Other financial corporations	–	114	.
General governments	–	38	.
Equity instruments	–	352	.
Other financial corporations	–	352	.
Total	**–**	**23,745**	**.**

In the previous year, for the loans and receivables of €153m measured at fair value, €108m were hedged by credit derivatives. In the previous year, the change in the fair value of claims attributable to changes in default risk was €1m and amounted cumulatively to €3m. The change in the fair values of the related risk-limiting credit derivatives amounted cumulatively to €0m (previous year: €–3m).

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 assets – fair value option" category:

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	–	153	.
Debt securities	–	50	.
Equity instruments	–	352	.
Total	**–**	**556**	**.**

The credit risk-specific changes in the fair value of claims 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	31.12.2018	31.12.2017	Change in %
Loans and advances	–	22,846	.
Debt securities	–	343	.
Total	**–**	**23,189**	**.**

(32) Financial liabilities – Fair Value Option

The regulations regarding the exercise of the fair value option for financial liabilities are unchanged compared with IAS 39.
Besides the existence of an accounting mismatch, an additional precondition requiring application for liabilities can be the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation.

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 spread are not recognised in the income statement, but in other comprehensive income (without recycling) with no effect on income.

€m	31.12.2018	31.12.2017	Change in %
Deposits	21,083	14,279	47.6
Central banks	2,734	2,445	11.8
Banks	8,498	5,020	69.3
Corporate clients	1,015	1,027	– 1.1
Private customers	157	153	2.3
Other financial corporations	8,511	5,517	54.3
General governments	167	116	43.5
Debt securities issued	866	661	31.0
Other debt securities issued	866	661	31.0
Total	**21,949**	**14,940**	**46.9**

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	31.12.2018	31.12.2017	Change in %
Deposits	1,269	1,144	10.9
Debt securities issued	866	661	31.0
Total	**2,135**	**1,805**	**18.3**

For liabilities to which the fair value option was applied, the change in fair value in financial year 2018 for credit risk reasons was €–91m (previous year: €122m). The cumulative change was €–61m (previous year: €30m). The repayment amount of financial liabilities measured at fair value was €2,224m (previous year: €1,702m).

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	31.12.2018	31.12.2017	Change in %
Deposits	19,814	13,135	50.8
Bonds and notes issued	–	–	.
Total	**19,814**	**13,135**	**50.8**

(33) 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 29).

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	31,386	n/a	
Central banks	8,266	n/a	
Banks	10,785	n/a	
Corporate clients	2,053	n/a	
Private customers	262	n/a	
Other financial corporations	6,082	n/a	
General governments	3,938	n/a	
Debt securities	2,350	n/a	
Banks	73	n/a	
Corporate clients	116	n/a	
Other financial corporations	1,407	n/a	
General governments	754	n/a	
Equity instruments	337	n/a	
Banks	9	n/a	
Corporate clients	283	n/a	
Other financial corporations	44	n/a	
Total	**34,073**	**n/a**	

Financial assets and liabilities – Held for Trading

(34) Financial assets – Held for Trading

This category includes interest- and equity-related securities, promissory note loans and other claims, derivative financial instruments (derivatives that do not qualify for hedge accounting) 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.

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 and 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 and loss.

€m	31.12.2018	31.12.2017	Change in %
Loans and advances	1,028	1,080	–4.8
Banks	628	702	–10.6
Corporate clients	254	310	–18.0
Other financial corporations	3	13	–75.0
General governments	143	55	.
Debt securities	1,621	2,955	–45.1
Banks	523	596	–12.3
Corporate clients	61	287	–78.6
Other financial corporations	390	1,106	–64.8
General governments	648	966	–33.0
Equity instruments	1,021	11,302	–91.0
Banks	10	646	–98.5
Corporate clients	1,011	7,770	–87.0
Other financial corporations	–	2,887	.
Positive fair values of derivative financial instruments	38,067	47,783	–20.3
Interest-rate-related derivative transactions	27,302	33,467	–18.4
Currency-related derivative transactions	7,442	9,992	–25.5
Equity derivatives	1,518	3,145	–51.7
Credit derivatives	511	720	–29.0
Other derivative transactions	1,294	459	.
Other trading positions	764	546	40.0
Total	**42,501**	**63,666**	**–33.2**

The decline on the previous year is mainly due to the reclassification of assets related to the discontinued business division EMC, as assets held for sale.

(35) 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	31.12.2018	31.12.2017	Change in %
Certificates and other issued bonds	49	5,565	−99.1
Delivery commitments arising from short sales of securities	3,091	2,467	25.3
Negative fair values of derivative financial instruments	40,264	48,452	−16.9
Interest-rate-related derivative transactions	29,464	33,279	−11.5
Currency-related derivative transactions	8,512	9,514	−10.5
Equity derivatives	743	3,927	−81.1
Credit derivatives	923	1,102	−16.3
Other derivative transactions	622	629	−1.1
Total	**43,404**	**56,484**	**−23.2**

The decline on the previous year is mainly due to the reclassification of liabilities related to the discontinued business division EMC, as assets held for sale.

(36) Credit risks and credit losses

Principles and measurements in accordance with IFRS 9

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not recognised at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of loans and advances as well as securitised debt instruments measured at amortised cost;
- financial assets in the form of loans and advances as well as securitised debt instruments measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes 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 investment-grade internal credit rating on the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better, see Group Management Report page 120). 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 Capital Requirements Regulation (CRR).

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:

- Imminent insolvency (over 90 days past due).
- The Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contribution(s).
- 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 – 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 there is no longer a default criterion, the financial instrument recovers and 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) 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. Firstly, uncollectibility may arise in the settlement process based on various objective criteria. These can be, for example, the demise of the borrower without realisable assets of the estate, or completed insolvency proceedings without further prospect of payments. Secondly, loans are generally regarded as (partially) uncollectible at the latest by 720 days after their due date, and are (partially) written down to the recoverable amount within the framework of existing loan loss provisions. Such a (partial) write-down has no direct impact on ongoing debt collection measures.

Calculation of the expected credit loss in accordance with IFRS 9

Commerzbank calculates the LECL as the probability-weighted, unbiased and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within twelve months following the end of the reporting period.

The ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters.These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

The Group derives the PD by applying an internal ratings procedure, which is based on the respective customer group. The determination includes a wide variety of qualitative and quantitative variables, which are taken into account or weighted based on the respective procedure. The allocation of the PD ranges to the internal rating categories and the reconciliation to external ratings can be found in the master scale contained in the 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 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. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If needed, these models are supplemented with expert-based assumptions, the collection of which is regulated by a policy set by a panel. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor.

When calculating the expected credit loss, additional effects may also have to be taken into account such as those resulting from scenarios or events that are not reflected in the IFRS 9 ECL parameter set presented as part of the modelling (these may relate to singular events such as substantial political decisions or military conflicts); for these a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top level adjustments with the involvement of senior management are necessary, as well as their possible implementation, are regulated in a policy.

Determination of the ECL is documented in comprehensive specialist and technical guidelines.

All parameters used when determining the ECL are regularly validated by an independent unit (usually once a year). If needed, they are adjusted accordingly. The relevant policies are reviewed on an ad hoc basis.

Assessment of a significant increase in default risk

Commerzbank's rating systems combine into the PD all available quantitative and qualitative information relevant for forecasting the default risk. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions.

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 re-rating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria.

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 116 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 sub-portfolios, the original and current PD are compared based on the probability of default over a period of 12 months after the end of the reporting period (12-month PD). In these cases, the Bank uses equivalence analyses to demonstrate that no material variances have occurred compared with an assessment using the lifetime PD.

Thresholds are set using a statistical procedure in order to determine whether an increase in the PD compared with the initial recognition date is "significant". These thresholds, which are differentiated by rating models, represent a critical degree of variance compared with the average development of the PD. In order to ensure an economically sound assignment of the stage, transaction-specific factors are taken into account, including the extent of the PD at the initial recognition date, the term to date and the remaining term of the transaction.

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

The net position from allocations and reversals includes write-ups from recoveries on written-down claims.

€m	As at 1.1.2018	Net-additions/ reversals	Reversals	Change in the group of consolidated companies	Exchange rate changes/ reclassification/ unwinding	As at 31.12.2018
Value adjustment for risks of financial assets	2,226	475	466	–	–6	2,229
Financial assets – Amortised Cost	2,209	477	467	–	–7	2,213
Loans and advances	2,119	462	467	–	–9	2,106
Debt instruments	90	15	–0	–	2	107
Financial assets – Fair Value OCI	16	–2	–1	–	1	16
Loans and advances	7	–0	–	–	0	7
Debt instruments	9	–1	–1	–	1	9
Provisions for financial guarantees	10	–1	–	–	0	9
Provisions for lending commitments	127	9	–	–	–0	136
Provisions for indemnity agreements	156	–38	0	–	1	119
Total	**2,518**	**446**	**466**	**–**	**–5**	**2,493**

The breakdown into stages for the change in valuation allowances is as follows:

Value adjustment for risks from loans, advances and provisions €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2018	**244**	**245**	**1,637**	**–**	**2,127**
New business	123	19	54	14	210
Changes in positions resulting from stage transfers					
from Stage 1	– 82	342	75	–	335
from Stage 2	74	– 303	245	–	16
from Stage 3	4	13	– 28	–	– 11
Disposals	98	86	400	52	636
Changes of parameters and models	– 17	108	415	118	624
Utilisation	–	–	510	33	543
Exchange rate changes / Reclassifications	– 1	– 3	– 20	14	– 9
Value adjustments as at 31.12.2018	**248**	**335**	**1,469**	**61**	**2,113**
Provisions for financial guarantees	2	1	2	4	9
Provisions for lending commitments	70	48	13	5	136
Provisions for indemnity agreements	1	67	37	15	119
Provisions as at 31.12.2018	**73**	**116**	**52**	**24**	**265**

Value adjustment for risks from debt instruments €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2018	**26**	**71**	**2**	**–**	**99**
New business	2	0	–	–	2
Changes in positions resulting from stage transfers					
from Stage 1	– 0	4	–	–	4
from Stage 2	0	– 5	–	–	– 5
from Stage 3	0	–	–	–	0
Disposals	1	0	–	–	1
Changes of parameters and models	3	10	1	0	14
Utilisation	–	–	–	1	1
Exchange rate changes / Reclassifications	– 0	2	– 0	1	3
Value adjustments as at 31.12.2018	**30**	**83**	**2**	**1**	**116**

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 shown in the balance sheet during the reporting period. The line "Changes in parameters / changes in model" 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 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.

€59m of the total amount of the provisions are 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 64). Claims totalling €203m were (partially) written down in the reporting period. Collection activities continue to be performed regarding these claims.

The carrying amounts changed as follows in the period under review:

Loans and advances | €m	31.12.2018	Net changes	1.1.2018
Stage 1	237,967	14,088	223,879
Stage 2	9,572	581	8,990
Stage 3	2,628	–569	3,197
POCI	625	–382	1,007
Total	**250,793**	**13,719**	**237,074**

Debt securities | €m	31.12.2018	Net changes	1.1.2018
Stage 1	55,974	1,967	54,006
Stage 2	1,158	–322	1,479
Stage 3	12	–1	13
POCI	42	–16	58
Total	**57,185**	**1,629**	**55,556**

The carrying amounts of the financial assets for which value adjustments have been made are allocated to the rating classes as follows:

	Loans and advances				Debt securities			
Rating grades €m	12m ECL	Lifetime ECL	POCI	Total	12m ECL	Lifetime ECL	POCI	Total
1.0 – 1.8	60,185	0	11	60,196	29,081	0	0	29,081
2.0 – 2.8	111,756	0	76	111,832	24,473	0	0	24,473
3.0 – 3.8	34,949	4,142	34	39,125	1,718	988	0	2,706
4.0 – 4.8	4,968	3,113	21	8,102	14	69	0	83
5.0 – 5.8	1,375	2,317	139	3,831	0	100	0	100
6.1 – 6.5	0	2,628	344	2,972	0	12	42	54
Total	**213,233**	**12,200**	**625**	**226,058**	**55,285**	**1,169**	**42**	**56,497**

	Financial guarantees, lending commitments, indemnity agreements			
Rating grades €m	12m ECL	Lifetime ECL	POCI	Total
1.0 – 1.8	32,607	3,450	6	36,063
2.0 – 2.8	84,693	21,208	45	105,946
3.0 – 3.8	13,799	6,664	21	20,483
4.0 – 4.8	1,178	1,749	23	2,950
5.0 – 5.8	418	900	3	1,320
6.1 – 6.5	0	204	85	290
Total	**132,694**	**34,174**	**183**	**167,051**

Provisions for on- and off-balance-sheet loan losses in accordance with IAS 39

We made provision for the particular risks of on- and off-balance sheet lending in the form of specific loan loss provisions (SLLPs), portfolio loan loss provisions (PLLPs) and general loan loss provisions (GLLPs).

When determining provisioning levels, the fundamental criteria included whether the claims are in default or not and whether the claims are significant (over €5m) or insignificant (up to €5m). All claims which are in default under the Basel 3 regulations were identified as in default or non-performing. The following events can be indicative of a customer default:

- Imminent insolvency (over 90 days past due).
- The Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contributions.
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

For significant claims which are in default we recognised specific loan loss provisions in accordance with uniform standards across the Group. The net present value of the expected future cash flows was used to calculate both specific valuation allowances as well as specific loan loss provisions. In addition to the expected payments from the borrower the cash flows included the expected proceeds from realising collateral and other recoverable cash flows. The loan loss provision or valuation allowance was therefore equal to the difference between the carrying value of the loan and the net present value of all the expected cash flows. The increase in the net present value over time using the original effective interest rate (unwinding) was recognised as interest income. If the reason for the impairment ceased to apply, it was reversed through profit or loss.

In ship financing, a distinction had to be made between claims in default that can be restructured ("going concern" approach) and those which must be liquidated ("gone concern" approach). In the case of the former, expected cash flows were determined primarily based on the Bank's estimates of future charter rates, whereas in cases requiring liquidation, the primary cash flows taken into account were the proceeds resulting from the sale of the ship furnished as collateral.

The shipping markets were traditionally very volatile. This volatility was driven, for example, by exogenous factors, such as the general trend in the global economy and strong price fluctuations for commodities, as well as by endogenous factors, such as new orders and scrapping. The Bank's forecasts for charter rates were therefore subject to estimation uncertainty. For example, a decrease in the forecasts for charter rates by up to 20 % in the ship indices used internally would have led to an incremental need for provisions in 2017 for an amount in the low triple-digit millions.

A portfolio loan loss provision (PLLP) was recognised for insignificant defaulted claims using internal parameters.

We deducted the total loan loss provision, insofar as it related to on-balance-sheet claims, directly from the respective asset items. However, the provision for losses in off-balance-sheet business (e.g. contingent liabilities and irrevocable lending commitments) was shown under provisions for lending business.

Uncollectable portions of claims were likewise written down against previously recognised loan loss provisions. Amounts recovered on claims written off were recognised in the income statement under loan loss provisions.

We have calculated general loan loss provisions (GLLP) for loan losses which have already occurred but are not yet known. The breakdown of loan loss provisions in financial year 2017 was as follows:

€m	As at 1.1.2017	Additions	Utilisation	Reversals	Change in the group of consolidated companies	Exchange rate changes/ reclassification/ unwinding	As at 31.12.2017
Loan loss provisions for on-balance-sheet loan losses	3,729	1,151	1,145	740	53	78	3,125
Loans and advances banks	59	1	2	18	–	11	50
Loans and advances corporate customers	3,037	889	874	561	– 0	– 122	2,368
Loans and advances private customers	497	231	224	119	11	180	577
Loans and advances other financial corporations	132	30	44	40	42	9	129
Loans and advances general corporates	3	0	1	1	–	1	1
Loan loss provisions for off-balance-sheet loan losses	205	80	0	75	–	2	211
Total	**3,934**	**1,231**	**1,145**	**816**	**53**	**80**	**3,337**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €781m in financial year 2017, of which €382m was attributable to ship financing.

	Valuation allowances for specific risks		Valuation allowances for portfolio risks		Valuation allowances total		
€m	2018	2017	2018	2017	2018	2017	Change in %
As at 1.1.	**n/a**	**3,185**	**n/a**	**544**	**n/a**	**3,729**	**n/a**
Allocations	n/a	1,137	n/a	14	n/a	1,151	n/a
Disposals	n/a	1,745	n/a	140	n/a	1,885	n/a
of which utilised	n/a	1,145	n/a	–	n/a	1,145	n/a
of which reversals	n/a	600	n/a	140	n/a	740	n/a
Changes in the group of consolidated companies	n/a	43	n/a	10	n/a	53	n/a
Exchange rate changes/ reclassifications/ unwinding	n/a	52	n/a	26	n/a	78	n/a
As at 31.12.	**n/a**	**2,672**	**n/a**	**454**	**n/a**	**3,125**	**n/a**

	Provisions for specific risks		Provisions for portfolio risks		Provisions for lending business		
€m	2018	2017	2018	2017	2018	2017	Change in %
As at 1.1.	**n/a**	**76**	**n/a**	**129**	**n/a**	**205**	**n/a**
Allocations	n/a	75	n/a	5	n/a	80	n/a
Disposals	n/a	41	n/a	34	n/a	75	n/a
of which utilisation	n/a	0	n/a	–	n/a	0	n/a
of which reversals	n/a	41	n/a	34	n/a	75	n/a
Changes in the group of consolidated companies	n/a	–	n/a	–	n/a	–	n/a
Exchange rate changes/ reclassifications/ unwinding	n/a	2	n/a	– 1	n/a	1	n/a
As at 31.12.	**n/a**	**112**	**n/a**	**99**	**n/a**	**211**	**n/a**

An enhanced estimation method for the probability of default was used for the first time in the fourth quarter of financial year 2017. This adjustment resulted in a GLLP reversal amounting to €74m.

The loan loss provisions for default risks by customer group were as follows as at 31 December 2017:

€m	2018			2017		
	Specific valuation allowances and provisions for lending business	Loan losses[1]	Net allocation to valuation allowances and provisions in lending business [2]	Specific valuation allowances and provisions for lending business	Loan losses[1]	Net allocation to valuation allowances and provisions in lending business[2]
Customers and banks in Germany	**n/a**	**n/a**	**n/a**	**1,253**	**1,055**	**319**
Banks	n/a	n/a	n/a	0	–	–
Corporate clients	n/a	n/a	n/a	996	834	235
Manufacturing	n/a	n/a	n/a	331	162	72
Construction	n/a	n/a	n/a	41	35	– 23
Trade	n/a	n/a	n/a	132	165	34
Services and others	n/a	n/a	n/a	492	472	152
Private customers	n/a	n/a	n/a	228	209	56
Other financial corporations	n/a	n/a	n/a	29	13	28
General government	n/a	n/a	n/a	0	–	0
Customers and bank outside Germany	**n/a**	**n/a**	**n/a**	**1,530**	**682**	**253**
Banks	n/a	n/a	n/a	8	4	– 8
Corporate clients	n/a	n/a	n/a	1,165	550	197
Manufacturing	n/a	n/a	n/a	344	189	20
Construction	n/a	n/a	n/a	129	13	27
Trade	n/a	n/a	n/a	120	30	40
Services and others	n/a	n/a	n/a	572	318	110
Private customers	n/a	n/a	n/a	264	81	77
Other financial corporations	n/a	n/a	n/a	94	46	– 13
General government	n/a	n/a	n/a	0	1	0
Total	**n/a**	**n/a**	**n/a**	**2,783**	**1,737**	**572**

[1] Direct write-downs, utilised valuation allowances and utilised loan loss provisions.
[2] Allocations less reversals.

(37) 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 to a customer in the event of the default or insolvency of that customer. The gross carrying amounts of credit risks relating to claims were as follows:

	Loans and advances	
€m	31.12.2018	31.12.2017
Banks and customers in Germany	**164,698**	**160,844**
Banks	7,666	7,260
Corporate clients	54,336	54,009
Manufacturing	18,115	17,130
Construction	792	877
Trade	8,778	8,661
Services and others	26,651	27,341
Private customers	89,599	82,518
Other financial corporations	2,588	3,807
General governments	10,509	13,251
Banks and customers outside Germany	**118,508**	**106,989**
Banks	44,078	36,491
Corporate clients	41,962	39,402
Private customers	12,223	11,538
Other financial corporations	14,937	13,832
General governments	5,309	5,726
Sub-total	**283,207**	**267,833**
Less valuation allowances on Loans and advances amortised cost	−2,106	−3,125
Total	**281,100**	**264,708**

	Irrevocable lending commitments, financial guarantees and other indemnity agreements	
€m	31.12.2018	31.12.2017
Banks and customers in Germany	49,686	53,012
Banks and customers outside Germany	67,352	63,239
Sub-total	**117,038**	**116,252**
Less valuation allowances	−212	−177
Total	**116,826**	**116,074**

The carrying amounts of credit risk concentrations in loans and receivables, contingent liabilities and irrevocable lending commitments shown in the table 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.

(38) 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	31.12.2018	31.12.2017	Change in %
Financial Assets – Amortised Cost	279,137	n/a	
Loans and receivables	247,387	n/a	
Debt instruments	31,750	n/a	
Financial Assets – Loans and Receivables	n/a	265,712	
Loans and receivables	n/a	241,708	
Debt instruments	n/a	24,004	
Financial Assets – Fair Value OCI	26,627	n/a	
Loans and receivables	1,300	n/a	
Debt instruments	25,328	n/a	
Financial Assets – Available for Sale	n/a	30,661	
Debt instruments	n/a	30,661	
Financial Assets – Mandatorily Fair Value P&L	33,736	n/a	
Loans and receivables	31,386	n/a	
Debt instruments	2,350	n/a	
Financial Assets – Fair Value Option	–	23,393	.
Loans and receivables	–	23,000	.
Debt instruments	–	393	.
Financial Assets – Held for Trading	41,480	52,364	–20.8
Loans and receivables	1,028	1,080	–4.8
Debt instruments	1,621	2,955	–45.1
Derivatives	38,067	47,783	–20.3
Other trading assets and liabilities	764	546	40.0
Positive fair values of derivative hedging instruments	1,457	1,464	–0.5
Irrevocable lending commitments	78,471	79,965	–1.9
Financial guarantees	2,369	2,024	17.0

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.

(39) 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 us to achieve three important goals:

- 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 financial year 2018, Commerzbank Aktiengesellschaft had launched four securitisation programmes as the buyer of protection.

The legal maturity date is 9 to 10 years. Overall a total volume of €5.1bn of loans to customers had been hedged by end-December 2018 (previous year: €6.3bn). This reduced the Bank's risk-weighted assets by €1.5bn (previous year: €2.1bn).

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– 2 Limited	Commerzbank Aktiengesellschaft	2015	10	Corporate clients	1,042	– 31
CoCo Finance III– 1 Limited	Commerzbank Aktiengesellschaft	2017	9	Corporate clients	1,497	643
CoSMO Finance III– 1 Limited	Commerzbank Aktiengesellschaft	2015	10	Corporate clients	604	76
CoSMO Finance III– 2 Limited	Commerzbank Aktiengesellschaft	2016	10	Corporate clients	1,987	851
Total					**5,130**	**1,539**

(40) 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 finance 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, reasons for and information about reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured at fair value

According to IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing parties in an arm's length transaction. The fair value therefore represents an exit price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit spread. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVAs), the funding costs or income of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVA is approximated by the Commerzbank funding curve. In the reporting period, Commerzbank adapted the calculation of the fair values of the derivative portfolios to be consistent with current developments of the market standards. This adaptation resulted in a conversion effect of €–17m. In the reporting period, we also modified the valuation adjustment for own credit risk of the derivative portfolios, and €–28m. structured issues in the fair value option, with a remeasurement effect of €–70m, in order to be consistent with current valuations of comparable instruments.

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 IAS 39 measurement category for the previous year) and by class.

Financial assets | €bn		31.12.2018			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets – Fair Value OCI	Loans and advances	–	1.3	–	1.3
	Debt instruments	15.4	9.7	0.2	25.3
	Equity instruments	0.0	–	–	0.0
Financial Assets – Fair Value Option	Loans and advances	–	–	–	–
	Debt instruments	–	–	–	–
	Equity instruments	–	–	–	–
Financial Assets – Mandatorily Fair Value P&L	Loans and advances	–	26.6	4.8	31.4
	Debt instruments	0.6	0.7	1.0	2.4
	Equity instruments	0.0	–	0.3	0.3
Financial Assets – Held for Trading	Loans and advances	0.2	0.9	–	1.0
	Debt instruments	0.9	0.7	0.0	1.6
	Equity instruments	1.0	–	–	1.0
	Derivatives	–	34.7	3.4	38.1
	Others	0.8	–	–	0.8
Positive fair values of derivative financial instruments	Hedge accounting	–	1.5	–	1.5
Non-current assets held for sale and disposal groups	Loans and advances	–	0.2	–	0.2
	Debt instruments	2.3	0.1	0.0	2.4
	Equity instruments	7.8	–	–	7.8
	Derivatives	–	2.2	0.1	2.3
Total		**29.1**	**78.4**	**10.0**	**117.5**

Financial assets | €bn		**31.12.2017**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial Assets – Available for Sale	Debt instruments	24.1	6.5	0.1	30.7
	Equity instruments[1]	0.1	–	0.4	0.4
Financial Assets – Fair Value Option	Loans and advances	–	22.5	0.5	23.0
	Debt instruments	0.0	0.4	0.0	0.4
	Equity instruments	0.4	–	–	0.4
Financial Assets – Held for Trading	Loans and advances	–	1.1	–	1.1
	Debt instruments	1.3	0.7	0.9	3.0
	Equity instruments	11.3	–	0.0	11.3
	Derivatives[1]	–	43.9	3.9	47.8
	Others	0.5	–	–	0.5
Positive fair values of derivative hedging instruments	Hedge accounting	–	1.5	–	1.5
Non-current assets held for sale and disposal groups	Loans and advances	–	–	–	–
	Debt instruments	0.0	–	–	0.0
	Equity instruments	0.1	–	–	0.1
Total		**37.8**	**76.5**	**5.8**	**120.1**

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

Financial liabilities | €bn		31.12.2018				31.12.2017			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities – Fair Value Option	Deposits	–	21.1	–	21.1	–	14.2	0.1	14.3
	Bonds and notes issued	0.9	–	–	0.9	0.7	–	–	0.7
Financial liabilities – Held for Trading	Derivatives[1]	–	37.0	3.3	40.3	–	44.6	3.9	48.5
	Certificates and other notes issued	0.0	–	0.0	0.0	5.6	–	–	5.6
	Delivery commitments arising from short sales of securities	2.7	0.4	0.0	3.1	2.2	0.3	–	2.5
Negative fair values of derivative hedging instruments	Hedge accounting	–	1.5	–	1.5	–	2.3	–	2.3
Liabilities of disposal groups	Deposits	–	3.3	–	3.3	–	–	–	–
	Bonds and notes issued	–	–	–	–	–	–	–	–
	Derivatives	–	3.4	0.3	3.7	–	–	–	–
	Certificates and other notes issued	4.5	–	–	4.5	–	–	–	–
	Delivery commitments arising from short sales of securities	0.5	0.0	–	0.5	–	–	–	–
Total		**8.6**	**66.5**	**3.7**	**78.8**	**8.4**	**61.2**	**4.0**	**73.7**

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

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 on the input factors used to value the financial instrument.

Commerzbank reclassifies items as at the end of the reporting period.

A number of reclassifications from level 1 to level 2 were carried out in financial year 2018, as there were no listed market prices available. These related to €1.2bn securitised debt instruments in the HFT category, €0.3bn securitised debt instruments in the mFVPL category, €0.5bn securitised debt instruments in the FVOCI category and €0.1bn delivery commitments arising from short sales of securities in the HFT category. Furthermore €0.8bn of securitised debt instruments in the FVOCI category, €0.1bn securitised debt instruments in the mFVPL category, €0.1bn securitised debt instruments in the HFT category, and €0.1bn delivery commitments arising from short sales of securities in the HFT category were reclassified from level 2 to level 1, as observable market 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[1]	Financial Assets – Mandatorily Fair Value P&L[1]	Financial Assets – Held for Trading[1]	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2018	**36**	**6,319**	**3,754**	**–**	**10,109**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	−1	−90	−158	–	−249
of which unrealised gains or losses	−1	−88	−153	–	−242
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	–	2,164	−9	1	2,155
Sales	−31	−2,592	−51	–	−2,674
Issues	–	–	–	–	–
Redemptions	–	–	–	–	–
Reclassifications to level 3	288	542	109	2	941
Reclassifications from Level 3	−78	−135	−108	–	−321
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	−122	122	0
Fair Value as at 31.12.2018	**215**	**6,208**	**3,415**	**125**	**9,962**

Prior-year figures adjusted due to restatements (see Note 4 and Note 5).

Financial Assets €m	Financial Assets – Available for Sale[1]	Financial Assets – Fair Value Option	Financial Assets – Held for Trading[1]	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2017	**140**	**944**	**6,179**	**68**	**7,332**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–14	–31	–338	–2	–385
of which unrealised gains or losses	–14	–31	–348	–2	–395
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	4	413	164	–	581
Sales	–	–158	–751	–66	–975
Issues	–	–	–	–	–
Redemptions	–	–	–16	–	–16
Reclassifications to level 3	319	7	85	–	105
Reclassifications from Level 3	–7	–661	–507	–	–747
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair Value as at 31.12.2017	**442**	**514**	**4,816**	**–**	**5,772**

[1] Prior-year figures adjusted due to restatements (see Notes 4 and 5).

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 and loss.

€0.1bn of securitised debt instruments in the IFRS 9 mFVPL category were reclassified in 2018 from level 3 back to level 2 because market parameters were again observable. In contrast, €0.3bn of loans and receivables in the mFVPL category and €0.3bn securitised debt instruments in the mFVPL category were reclassified from level 2 to level 3 because market parameters were not observable.

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[1]	Liabilities of disposal groups[1]	Total
Fair Value as at 1.1.2018	**100**	**3,897**	**–**	**3,997**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	–126	–	–126
of which unrealised gains or losses	–	–104	–	–104
Purchases	–	120	–	120
Sales	–100	–2	–	–102
Issues	–	–	–	–
Redemptions	–	–13	–	–13
Reclassifications to level 3	–	49	–	49
Reclassifications from level 3	–	–261	–	–261
Reclassification from/to liabilities of disposal groups	–	–334	334	–
Fair Value as at 31.12.2018	**–**	**3,330**	**334**	**3,665**

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

Financial Liabilities €m	Financial Liabilities – Fair Value Option	Financial Liabilities – Held for Trading[1]	Total
Fair Value as at 1.1.2017	**–**	**4,171**	**4,171**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	–97	–97
of which unrealised gains or losses	–	–76	–76
Purchases	100	154	254
Sales	–	–65	–65
Issues	–	–	–
Redemptions	–	–33	–33
Reclassifications to level 3	–	63	63
Reclassifications from Level 3	–	–296	–296
Reclassification from/to liabilities of disposal groups	–	–	–
Fair Value as at 31.12.2017	**100**	**3,897**	**3,997**

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

Unrealised gains or losses on financial liabilities held for trading are a component of the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

In the financial year 2018, €0.1bn of derivatives with negative fair values were reclassified from level 3 to level 2, as market parameters were again observable. Otherwise there were no reclassifications of financial liabilities into or out of level 3.

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		31.12.2018			31.12.2018	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**4,830**	**–**		–	–
Repos	Discounted cash flow model	1,528	–	Repo-curve (bps)	126	257
Ship financing	Discounted cash flow model	479	–	Credit spread (bps)	600	1,200
Other loans	Discounted cash flow model	2,823	–	Credit spread (bps)	70	700
Debt instruments		**1,267**	**–**		–	–
Interest-rate-related transactions	Spread based model	1,267	–	Credit spread (bps)	100	500
of which ABS	Spread based model	1,072	–	Credit spread (bps)	100	500
Equity instruments		**328**	**–**		–	–
Equity-related transactions	Discounted cash flow model	328	–	Price (%)	90 %	110 %
Derivatives		**3,537**	**3,665**			
Equity-related transactions	Discounted cash flow model	122	334	IRR (%), price (%), investment fund volatility	1 %	9 %
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	3,415	3,152	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	40 %	80 %
Interest-rate-related transactions	Option pricing model	–	179	IR-FX correlation (%)	−30 %	52 %
Other transactions		–	–		–	–
Total		**9,962**	**3,665**			

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	31.12.2018		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans	**76**	**–76**	
Repos	15	–15	Repo curve
Ship financing	5	–5	Credit Spread
Other loans	56	–56	Credit Spread
Debt securities	**52**	**–52**	
Interest-rate-related transactions	52	–52	Price
of which ABS	33	–33	IRR, recovery rate, credit spread
Equity instruments	**1**	**–1**	
Equity-related transactions	1	–1	Price
Derivatives	**19**	**–19**	
Equity-related transactions	9	–9	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	10	–10	Credit spread, recovery rate, price
Interest-rate-related transactions	–	–	Price, IR-FX correlation

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:

	Day-One Profit or Loss		
€m	Financial Assets – Held for Trading	Financial Liabilities – Held for Trading	Total
Balance as at 1.1.2017	**–**	**4**	**4**
Allocations not recognised in income statement	–	37	37
Reversals recognised in income statement	–	–8	–8
Balance as at 31.12.2017	**–**	**34**	**34**
Allocations not recognised in income statement	–	35	35
Reversals recognised in income statement	–	–11	–11
Balance as at 31.12.2018	**–**	**58**	**58**

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 administrative 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, administrative 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.

31.12.2018 | €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**332.0**	**333.9**	**−1.9**	**–**	**113.2**	**218.8**
Cash on hand and cash on demand	53.9	53.9	–	–	53.9	–
Financial Assets – Amortised Cost	277.4	279.1	−1.7	–	58.8	218.6
Loans and advances	248.9	247.4	1.5	–	32.1	216.8
Debt securities	28.5	31.8	−3.3	–	26.7	1.8
Value adjustment on portfolio fair value hedges	–	0.2	−0.2	–	–	–
Non-current assets held for sale and disposal groups	0.7	0.7	0.0	–	0.4	0.2
Loans and advances	0.6	0.6	0.0	–	0.4	0.2
Debt securities	0.0	0.0	0.0	–	0.0	–
Liabilities	**348.5**	**348.0**	**0.5**	**–**	**345.4**	**3.1**
Financial Liabilities – Amortised Cost	347.7	346.7	1.1	–	344.6	3.1
Deposits	300.9	301.1	−0.3	–	300.9	–
Bonds and notes issued	46.8	45.5	1.3	–	43.7	3.1
Value adjustment on portfolio fair value hedges	–	0.5	−0.5	–	–	–
Liabilities of disposal groups	0.8	0.8	–	–	0.8	–
Deposits	0.8	0.8	–	–	0.8	–
Bonds and notes issued	–	–	–	–	–	–

31.12.2017 | €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**319.7**	**321.6**	**−1.9**	**–**	**109.4**	**210.3**
Cash on hand and cash on demand	55.7	55.7	–	–	55.7	–
Financial Assets – Loans and Receivables[1]	264.0	265.7	−1.7	–	53.7	210.3
Loans and advances	241.9	241.7	0.2	–	32.5	209.4
Debt securities	22.0	24.0	−2.0	–	21.2	0.9
Value adjustment on portfolio fair value hedges	–	0.2	−0.2	–	–	–
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	**344.6**	**341.8**	**2.8**	**0.2**	**339.2**	**5.2**
Financial Liabilities – Amortised Cost[1]	344.6	341.3	3.3	0.2	339.2	5.2
Deposits	298.3	297.9	0.4	–	298.3	–
Bonds and notes issued	46.3	43.4	2.9	0.2	40.9	5.2
Value adjustment on portfolio fair value hedges	–	0.5	−0.5	–	–	–
Liabilities of disposal groups	–	–	–	–	–	–
Deposits	–	–	–	–	–	–
Bonds and notes issued	–	–	–	–	–	–

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

(41) 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	**31.12.2018**		**31.12.2017**	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	49,781	93,485	33,195	101,586
Carrying amount not eligible for netting	7,997	5,018	5,784	4,514
a) Gross amount of financial instruments I and II	41,784	88,467	27,411	97,072
b) Amount netted in the balance sheet for financial instruments I[1]	24,565	51,657	13,912	52,339
c) Net amount of financial instruments I and II = a) – b)	17,219	36,810	13,499	44,733
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 32,4[2]	4,345	24,928	379	29,662
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	9,709	58	12,227	43
Cash collateral	2	7,790	3	8,990
e) Net amount of financial instruments I and II = c) – d)	3,163	4,033	890	6,038
f) Fair value of financial collateral of central counterparties relating to financial instruments I	1,258	147	890	–
g) Net amount of financial instruments I and II = e) – f)	1,904	3,886	–	6,038

[1] Of which for positive fair values €2,708m (previous year: €2,553m) 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 I €m	31.12.2018		31.12.2017	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	43,793	95,193	26,091	101,810
Carrying amounts not eligible for netting	2,505	4,324	5,248	675
a) Gross amount of financial instruments I and II	41,288	90,869	20,843	101,135
b) Amount netted in the balance sheet for financial instruments I[1]	24,565	49,754	13,912	51,103
c) Net amount of financial instruments I and II = a) – b)	16,723	41,115	6,931	50,032
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]	4,345	24,928	379	29,662
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	10,780	730	6,320	934
Cash collateral	1,445	12,161	1	13,358
e) Net amount of financial instruments I and II = c) – d)	153	3,296	231	6,078
f) Fair value of financial collateral of central counterparties relating to financial instruments I	114	568	231	–
g) Net amount of financial instruments I and II = e) – f)	38	2,728	–	6,078

[1] Of which for negative fair values €4,611m (previous year: €3,789m) 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).

(42) 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 62.

€m	31.12.2018		31.12.2017[1]	
	Short-term	Long-term	Short-term	Long-term
Cash on hand and cash on demand	53,914	–	55,733	–
Financial Assets – Amortised Cost	92,396	186,741	n/a	n/a
Financial Assets – Loans and Receivables	n/a	n/a	95,421	170,291
Financial Assets – Fair Value OCI	5,329	21,330	n/a	n/a
Financial Assets – Available for Sale	n/a	n/a	5,948	25,206
Financial Assets – Mandatorily Fair Value P&L	26,938	7,134	n/a	n/a
Financial Assets – Fair Value Option	–	–	19,539	4,206
Financial Assets – Held for Trading	40,745	1,756	57,660	6,006
Holdings in companies accounted for using the equity method	–	173	–	181
Intangible assets	–	3,246	–	3,294
Fixed assets	–	1,547	–	1,600
Investment properties	–	13	–	16
Non-current assets held for sale and disposal groups	13,433	–	78	–
Current tax assets	783	–	767	–
Deferred tax assets	–	3,116	–	2,970
Other assets	2,292	26	2,091	23
Total	**235,829**	**225,082**	**237,238**	**213,792**
Financial Liabilities – Amortised Cost	269,366	77,302	258,179	83,108
Financial Liabilities – Fair Value Option	19,762	2,187	13,122	1,818
Financial Liabilities – Held for Trading	40,887	2,517	54,917	1,567
Provisions	2,069	1,084	2,401	890
Current tax liabilities	472	–	673	–
Deferred tax liabilities	–	20	–	28
Liabilities of disposal groups	12,914	–	–	–
Other liabilities	2,537	379	2,411	1,104
Total	**348,007**	**83,489**	**331,703**	**88,515**

[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 basically 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.

31.12.2018	**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	242,812	28,987	42,678	42,421
Financial Liabilities – Fair Value Option	19,720	536	615	1,538
Financial Liabilities – Held for Trading	3,117	20	1	2
Derivatives – Held for Trading	40,264	–	–	–
Negative fair value of derivative hedging imstruments	4	9	132	1,317
Financial guarantees	2,369	–	–	–
Irrevocable lending commitments	78,471	–	–	–
Total	**386,756**	**29,552**	**43,426**	**45,278**

31.12.2017[1]	**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	229,964	30,597	49,576	44,450
Financial Liabilities – Fair Value Option	12,494	716	569	1,385
Financial Liabilities – Held for Trading	4,077	2,388	1,435	132
Derivatives – Held for Trading	48,452	–	–	–
Negative fair value of derivative hedging imstruments	5	2	164	2,085
Financial guarantees	2,024	–	–	–
Irrevocable lending commitments	79,965	–	–	–
Total	**376,980**	**33,703**	**51,745**	**48,052**

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

(43) 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	31.12.2018	31.12.2017	Change in %
Own assets	48,345	47,594	1.6
Loans and advances	33,331	36,295	– 8.2
of which cash securities from OTC transactions	13,605	14,132	– 3.7
Debt securities	9,769	6,711	45.6
Equity instruments	5,245	4,588	14.3
Other securities	–	–	.
Repledged securities	53,524	50,974	5.0
Securities lending transactions	6,412	8,952	– 28.4
Securities repo-business	41,734	37,757	10.5
Certificate business	99	161	– 38.5
Variation margin	5,278	4,105	28.6
Total	**101,868**	**98,568**	**3.3**

No restrictions apply to the equity instruments totalling €5,065m or the securitised debt instruments in the amount of €8,663m.

The assets pledged by the Commerzbank Group are attributable to the following own liabilities:

€m	31.12.2018	31.12.2017	Change in %
Derivatives/Financial Liabilities – Held for Trading	19,183	18,462	3.9
Deposits	39,016	34,274	13.8
Debt securities issued	–	500	.
Return commitments for securities from lending transactions	13,327	14,823	– 10.1
Total	**71,526**	**68,059**	**5.1**

(44) 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	2018	2017	Change in %
Total received collateral	71,903	70,510	2.0
of which sold or repledged	57,045	52,866	7.9

(45) 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:

31.12.2018 €m	Held for Trading	Mandatorily Fair Value P&L	Fair Value OCI	Amortised Cost
Carrying amount of securities transferred	1,230	–	2,315	3,566
Carrying amount of associated liabilities	1,172	–	2,288	3,184
Fair value of securities transferred	1,230	–	2,315	3,669
Fair value of associated liabilities	1,172	–	2,288	3,184
Net position	**58**	**–**	**27**	**382**

31.12.2017 €m	Held for Trading	Available for Sale	Loans and Receivables
Carrying amount of securities transferred	1,041	924	2,655
Carrying amount of associated liabilities	1,035	927	2,675
Fair value of securities transferred	1,041	924	2,655
Fair value of associated liabilities	1,035	927	2,675
Net position	**5**	**–3**	**–19**

Derivatives and hedging relationships

(46) 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 €54,365m as at 31 December 2018 (previous year: €54,892m). On the assets side, €51,657m (previous year: €52,339m) of this was attributable to positive fair values, and €2,708m to claims for variation margins (previous year: €2,553m). Netting on the liabilities side involved negative fair values of €49,754m (previous year: €51,103m) and liabilities for variation margins payable of €4,611m (previous year: €3,789m).

As at the reporting date the outstanding volume of the Commerzbank Group's transactions as a protection buyer and seller amounted to €13,279m (previous year: €19,661m) and €10,623m (previous year: €18,174m). 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.

(47) 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 has weighed the pros and cons of both approaches. In the Bank's view, the revision of the hedge accounting rules has not yet progressed sufficiently in IFRS 9. Due to their provisional character, and considering the costs of a changeover, the revised rules do not offer any substantial advantage over the existing regulations of IAS 39. Commerzbank is therefore exercising its option to continue 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. Two main 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. Limited use is also made of swaptions, forwards and 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.

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 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.

The interest rate risk (IRR) of the commercial business arises mainly from the fact that the portfolios of assets and liabilities, which are mostly held until maturity, consist of variable and fixed cash flows, which lead to fluctuating net interest income when the interest rates change.

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. 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.

Commerzbank applies micro fair value hedge accounting (MFVH) when Treasury also hedges the interest rate 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 the 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.

Commerzbank only uses micro and macro fair value hedge accounting for interest rate risks. The basis for measurement of the risk to be hedged is the 3M Euribor curve. The interest rate risk of the Bank's commercial business is hedged by macro fair value hedges, and the future cash flows are derived from the 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. 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.

Commerzbank's macro 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 macro 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 macro 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.

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	31.12.2018			31.12.2017		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Micro fair value hedge accounting	1,030	1,413	77,055	1,184	2,198	n/a
Interest Rate Swaps	965	1,051	73,349	–	–	n/a
Others	65	362	3,706	n/a	n/a	n/a
Portfolio fair value hedge accounting	387	33	82,436	274	38	n/a
Interest Rate Swaps	124	1	19,376	n/a	n/a	n/a
Others	263	32	63,060	n/a	n/a	n/a
Cash flow hedge accounting	40	16	2,597	7	19	n/a
Interest Rate Swaps	40	16	2,597	–	–	n/a
Others	–	–	–	–	–	n/a
Total	**1,457**	**1,462**	**162,088**	**1,464**	**2,255**	**n/a**

Nominal values of hedge instruments | €bn	**2018**	**2017**	**Change in %**
Cash flow hedge accounting derivatives	3	16	– 84
Up to 3 months	0	3	– 93
Interest Rate Swaps	0	n/a	
Others	–	n/a	
3 months up to 1 year	0	4	– 98
Interest Rate Swaps	0	n/a	
Others	–	n/a	
1 year up to 5 years	2	4	– 42
Interest Rate Swaps	2	n/a	
Others	0	0	
Over 5 years	0	5	.
Interest Rate Swaps	0	n/a	
Others	0	0	
Micro fair value hedge accounting derivatives	77	n/a	
Up to 3 months	2	n/a	
Interest Rate Swaps	2	n/a	
Others	–	n/a	
3 months up to 1 year	6	n/a	
Interest Rate Swaps	5	n/a	
Others	0	n/a	
1 year up to 5 years	26	n/a	
Interest Rate Swaps	26	n/a	
Others	0	n/a	
Over 5 years	44	n/a	
Interest Rate Swaps	41	n/a	
Others	3	n/a	
Portfolio fair value hedge accounting derivatives	82	n/a	
Up to 3 months	5	n/a	
3 months up to 1 year	23	n/a	
1 year up to 5 years	28	n/a	
Over 5 years	27	n/a	

Disclosures on underlying transactions in hedge accounting to hedge interest rate risks

Carrying amount attributable to hedged items	2018		2017	
€m	Micro fair value hedge	Portfolio fair value hedge	Micro fair value hedge	Portfolio fair value hedge
Assets – carrying amount attributable to hedged items	39,243	0	n/a	n/a
Financial assets – amotised cost	26,042	0	n/a	n/a
Loans and advances	6,290	0	n/a	n/a
Debt instruments	19,752	0	n/a	n/a
Financial assets – fair value OCI	13,201	0	n/a	n/a
Loans and advances	654	0	n/a	n/a
Debt instruments	12,546	0	n/a	n/a
Liabilities – carrying amount attributable to hedged items at amortized cost	39,004	59,930	n/a	n/a
Deposits and other financial liabilities	14,856	59,930	n/a	n/a
Bonds and notes issued	24,148	0	n/a	n/a

Cumulative carrying amount adjustments	2018		2017	
€m	Micro fair value hedge	Portfolio fair value hedge	Micro fair value hedge	Portfolio fair value hedge
Assets – Cumulative amount of carrying amount adjustments	5,394	199	n/a	n/a
Active hedge accounting	5,248	199	n/a	n/a
Financial assets – Amortised Cost	5,118	n/a	n/a	n/a
Loans and advances	1,088	n/a	n/a	n/a
Debt instruments	4,030	n/a	n/a	n/a
Financial assets – Fair Value OCI	130	n/a	n/a	n/a
Loans and advances	10	n/a	n/a	n/a
Debt instruments	120	n/a	n/a	n/a
Inactive hedge accounting	146	n/a	n/a	n/a
Financial assets – Amortised Cost	143	n/a	n/a	n/a
Loans and advances	58	n/a	n/a	n/a
Debt instruments	86	n/a	n/a	n/a
Financial assets – Fair Value OCI	3	n/a	n/a	n/a
Loans and advances	0	n/a	n/a	n/a
Debt instruments	3	n/a	n/a	n/a
Liabilities – Cumulative amount of carrying amount adjustments	−1,772	532	n/a	n/a
Active hedge accounting	−1,589	532	n/a	n/a
Deposits and other financial liabilities	−1,507	n/a	n/a	n/a
Bonds and notes issued	−83	n/a	n/a	n/a
Inactive hedge accounting	−182	n/a	n/a	n/a
Deposits and other financial liabilities	−150	n/a	n/a	n/a
Bonds and notes issued	−32	n/a	n/a	n/a

The changes in value of underlying transactions hedged against interest rate risks by means of cash flow hedges amounted to €16m.

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

(48) Holdings in companies accounted for using the equity method

	Associated companies		Joint ventures	
€m	**2018**	**2017**	**2018**	**2017**
Equity carrying amount as at 1.1.	**180**	**179**	**1**	**1**
Acquisition cost as at 1.1.	133	132	17	17
Exchange rate changes	2	–5	–	–
Additions	8	–	–	–
Disposals	–16	–	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	1	7	–	–
Acquisition cost as at 31.12.	128	133	17	17
Write-ups	23	7	–	–
Cumulative write-downs as at 1.1.	26	24	–	–
Exchange rate changes	–	–	–	–
Additions	0	2	–	–
Disposals	–	–	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	1	–	–	–
Cumulative write-downs as at 31.12.	27	26	–	–
Cumulative changes from remeasurement using the equity method	48	65	–17	–17
Equity carrying amount as at 31.12.	**173**	**180**	**1**	**1**
of which holdings in banks	82	80	–	–

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 78.

In 2018, €15m (previous year: €20m) in dividends from associated companies accounted for using the equity method were 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

(49) 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 66. 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 this process, the carrying amount of the capital employed in a segment as a CGU (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGUs.

First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to the total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less cost 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 & Consolidation are distributed to the segments based on a precise key. If the value in use falls below the carrying amount, the fair value less costs of disposal is also calculated. The higher of the two figures is reported. 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, in order to calculate goodwill using the discounted cash flow method. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units. This produces 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 cash-generating unit, which is reported under impairments of goodwill and other intangible assets in the income statement. Any additional impairment required is divided pro-rata between the remaining assets in the unit and is also reported in this item in the income statement. The expected results of the cash-generating units are generally based on the segments' multi-year planning, which has a horizon of four years. If necessary, 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. 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 projections are based on forecasts from economic research for the main parameters such as movements in interest rates, exchange rates and equity and bond markets. Planning is based both on management's past experience and an assessment of risks and opportunities in line with the forecasts.

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 taken into account 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. In order to take fully into account the effects of Basel IV on capital adequacy, the multi-year planning was extended until 2027, solely for the purpose of impairment testing of goodwill.

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	Commerzbank 4.0 – Continuation of growth strategy as a pioneer in Germany's private and small-business customer segment and development towards a digital, multi-channel bank • Ongoing income growth in the role of a profitable driver of growth for the Bank • Growth creation, in particular by establishing small-business customers as a business area and through a cross-segment marketing strategy • Evolution into a digital enterprise by investing substantially in digitalisation: – Expansion of the uniform multi-channel platform ONE for customers and employees to boost efficiency and make the business model more flexible – Utilisation of big data and advanced analytics to facilitate an industrialised, scaled, automated customer approach • Development of partnership banking by widening strategic cooperation range • Further development of lending business and growth in own instalment loan book • Product innovations and further digitalisation of service offerings • Efficient positioning of branch business by differentiating the service offering at the individual locations through a new • service model and innovative branch formats • Development towards goal of being "Customer bank no.1", largely through optimal sales management, stronger customer focus in branch processes, modern leadership and maximum level of service quality • Fulfilment of all regulatory requirements • Expansion and strengthening of Commerz Real's market position, e.g. through lead role as the first digital asset manager and integrated investment service provider • Growth path of comdirect bank AG through expansion of smart, innovative asset management in securities and with cominvest as digital asset manager • mBank with successive implementation of the 2016–2020 Mobile Bank strategy for organic growth as announced in June 2016: – Continuation of our digitalisation strategy with multichannel approach, particularly in the private customer business (expansion of market leadership in mobile & transaction banking) – – Making better use of existing business potential, especially through the expansion of consumer credit and deposit business with private customers – Further strengthening of our position in the medium-sized corporate customer segment and expanding cross-border corporate business – Further efficiency gains through digitised processes and active cost management	• Central assumptions based on internal analyses and external studies of economic development and the market • Management projections for growth in new customers and the stabilisation of costs based on progress achieved so far • Institutionalised customer surveys and measurement of customer satisfaction • Inclusion of independent benchmark analyses • Initiatives that are part of the strategy to be based on business plans developed by management

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
- Interest rate outturn differs from economic forecast
- Uncertainties about the regulatory environment, particularly the implementation of new rules at the European level
- Greater intensity of competition than assumed

Risk-adjusted interest rates (before tax) 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 impairment test carried out as planned at the end of 2018 did not result in any write-downs being required. The Private and Small-Business Customers segment continues to have high excess cover.

	Private and Small Business Customers		Corporate Clients		Asset & Capital Recovery		Group	
€m	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Carrying amount as at 1.1.	**1,507**	**1,484**	**–**	**–**	**–**	**–**	**1,507**	**1,484**
Cost of acquisition/production as at 1.1.	1,543	1,520	592	592	725	725	2,860	2,837
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	–	23	–	–	–	–	–	23
Disposals	–	–	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cost of acquisition/production as at 31.12.	1,543	1,543	592	592	725	725	2,860	2,860
Cumulative write-downs as at 1.1.	36	36	592	592	725	725	1,353	1,353
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	–	–	–	–	–	–	–	–
of which unscheduled	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cumulative write-downs as at 31.12.	36	36	592	592	725	725	1,353	1,353
Carrying amount as at 31.12.	**1,507**	**1,507**	**–**	**–**	**–**	**–**	**1,507**	**1,507**

Sensitivities

In 2018, the recoverable amount corresponded to the value in use of the Private and Small-Business Customers segment. A sensitivity analysis was also performed to further validate the recoverability of goodwill. It identified no potential impairment requirement for the Private and Small-Business Customers CGU. 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. Any non-controlling interests were taken into account when determining the sensitivity.

		Private- and Small- Business Customers	
		2018	2017
Realistic value[1]	Assumed risk-adjusted interest rate	78.8 %	116.0 %
Sensitivity analysis[1]	Risk- adjusted interest rate – 25 bps (advantageous)	85.5 %	123.6 %
	Risk- adjusted interest rate +25 bps (disadvantageous)	72.6 %	108.9 %

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

Further sensitivities for the growth rate were determined on the basis of the realistic scenario:

		Private- and Small- Business Customers	
		2018	2017
Sensitivity analysis[1]	Growth rate +25 bps (advantageous)	84.0 %	121.8 %
	Growth rate – 25 bps (disadvantageous)	74.0 %	110.6 %

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

The changes in the underlying premises and central planning assumptions that would equalise the recoverable amount and the carrying amount are as follows:

	Private- and Small- Business Customers	
	2018	2017
Risk-adjusted interest rate (after taxes) from/to	7.6 % / 10.8 %	8.4 % / 14.3 %
Growth rate from/to	1.6 % / negative[1]	1.6 % / negative[1]
Risk result/risk-weighted assets based on the end of the planning phase from/to	72BP. / 188BP.	71BP. / 352BP.

[1] Impossible to quantify, as the recoverable amount is above carrying amount even with a long-term growth rate of 0 %.

(50) 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 7
Customer relationships	up to 15

	Customer relationships		In-house developed software		Purchased software and other intangible assets	
€m	**2018**	**2017**[1]	**2018**	**2017**	**2018**	**2017**
Carrying amount as at 1.1.	**200**	**241**	**1,121**	**882**	**466**	**440**
Cost of acquisition/production as at 1.1.	983	964	2,160	1,671	1,689	1,549
Exchange rate changes	−0	0	−0	0	−11	13
Additions	–	–	376	491	159	205
Disposals	–	–	5	6	69	82
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	−4	–	−22	–
Other reclassifications/changes in the group of consolidated companies	–	18	−55	4	−31	3
Cost of acquisition/production as at 31.12.	983	983	2,472	2,160	1,714	1,689
Write-ups	–	–	–	–	0	1
Cumulative write-downs as at 1.1.	783	724	1,038	788	1,223	1,109
Exchange rate changes	−0	0	−0	0	−6	7
Additions	41	59	316	256	177	177
of which unscheduled	–	18	2	1	1	0
Disposals	–	–	5	6	53	70
Reclassifications to non-current assets held for sale and disposal groups	–	–	−2	–	−19	–
Other reclassifications/changes in the group of consolidated companies	–	–	−39	–	−23	−0
Cumulative write-downs as at 31.12.	824	783	1,309	1,038	1,297	1,223
Carrying amount as at 31.12.	**159**	**200**	**1,163**	**1,121**	**417**	**466**

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

Tangible assets

(51) Fixed assets

The land and buildings, office furniture and equipment, and assets under operating leases shown under this item 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	1 – 25

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	
€m	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Carrying amount as at 1.1.	**422**	**443**	**490**	**476**	**688**	**803**
Cost of acquisition/production as at 1.1.	899	906	2,014	2,025	1,102	1,207
Exchange rate changes	– 3	5	– 8	1	38	– 113
Additions	3	2	113	152	161	52
Disposals	82	11	94	162	53	43
Reclassifications to non-current assets held for sale and disposal groups	– 140	– 0	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	– 0	– 2	– 5	– 1	–	–
Cost of acquisition/production as at 31.12.	677	899	2,021	2,014	1,249	1,102
Write-ups	3	–	–	–	–	–
Cumulative write-downs as at 1.1.	477	463	1,524	1,549	414	404
Exchange rate changes	– 1	2	– 6	– 3	17	– 42
Additions	14	14	124	129	78	73
of which unscheduled	0	–	1	3	–	9
Disposals	70	2	77	150	26	20
Reclassifications to non-current assets held for sale and disposal groups	– 62	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	0	– 0	– 3	– 1	–	–
Cumulative write-downs as at 31.12.	358	477	1,562	1,524	483	414
Carrying amount as at 31.12.	**322**	**422**	**458**	**490**	**766**	**688**

The total value of fixed assets in the Commerzbank Group was €1,547m (previous year: €1,600m) of which, as in the previous year, none was pledged as collateral. Beyond this there were no restrictions with regard to rights of disposal.

(52) 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: €16m) were classified at fair value hierarchy level 3 and developed as follows:

€m	2018	2017
Carrying amount as at 1.1.	**16**	**16**
Cost of acquisition/production as at 1.1.	195	196
Exchange rate changes	–	–
Additions	–	0
Disposals	0	1
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.	194	195
Cumulative changes from remeasurement at fair value	– 182	– 179
Carrying amount as at 31.12.	**13**	**16**

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 mean fluctuation range calculated on this basis to determine the potential changes in value of our properties.

Non-current assets and liabilities held for sale

(53) Discontinued business division

In November 2018, Commerzbank Aktiengesellschaft and Société Générale Group, Paris, France concluded a purchase agreement for the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients, following coordination with the relevant tax authorities. This transaction is a further milestone in the implementation of the "Commerzbank 4.0" strategy, which aims to reduce the Bank's complexity and free up capital for Commerzbank's core business areas.

The transaction, which is still subject to the approval of the banking supervisory authorities and competition authorities, is expected to be completed in several stages by the end of 2020.

Major parts of the discontinued operation will already be transferred in 2019. Due to the scope of the transactions and the employees to be transferred as well as the complexity of the individual transfer processes, it will not be possible to complete all the transfers in 2019.

As at 31 December 2018, the assets and liabilities of the discontinued operation amounted to €13.0bn and €12.4bn respectively. The assets and liabilities are mostly measured at fair value. For further explanation, please refer to Note 40.

As a result, the assets and liabilities of the EMC division were reclassified in the Group financial statements in accordance with IFRS 5. EMC is a discontinued operation because EMC's areas of business, namely the development and issuing of structured financial products and asset management, are characterised by particularly complex products and hedging transactions that are not comparable to the other business activities of the Corporate Client segment and the Bank as a whole, and have therefore been isolated in internal management and reporting purposes and prepared for spin-off. The earnings of this business division are therefore presented separately in the income statement. In order to achieve an economically appropriate presentation of the discontinued operation, intragroup services between continuing operations and the discontinued business division are eliminated under continuing operations. The prior-year figures were restated accordingly.

Detailed information on the discontinued business division is provided below.

€m	1.1.–31.12.2018	1.1.–31.12.2017[1]	Change in %
Current income	231	380	
Current expenses	246	263	
Pre-tax current net income	–15	118	
Taxes on income on current profit or loss	–5	21	
Realised profit or loss	–	–	
Taxes on income on realised profit or loss	–	–	
Consolidated profit or loss from discontinued operations	**–10**	**96**	
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	–10	96	

[1] Prior-year figures were restated in accordance with IFRS 5.

The profit attributable to Commerzbank shareholders from continuing operations amounted to €875m (previous year: €32m).

€	1.1.–31.12.2018	1.1.–31.12.2017[1]	Change in %
Earnings per share for discontinued operations	–0.01	0.08	

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

€m	2018	2017[1]	Change in %
Net cash from operating activities	–10	94	
Net cash from investing activities	–	–	
Net cash from financing activities	–	–	

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

(54) Non-current assets and disposal groups held for sale

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 property 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 and disposal groups held for sale 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 53).

€m	31.12.2018	31.12.2017	Change in %
Financial Assets – Amortised Cost	665	–	.
Loans and advances	642	–	.
Debt instruments	23	–	.
Financial Assets – Loans and Receivables	n/a	7	
Loans and advances	n/a	7	
Debt instruments	n/a	–	
Equity instruments	n/a	–	
Financial Assets – Available for Sale	n/a	54	
Debt instruments	n/a	–	
Equity instruments	n/a	54	
Financial Assets – Fair Value Option	–	18	.
Loans and advances	–	–	.
Debt instruments	–	18	.
Equity instruments	–	–	.
Intangible assets	13	–	.
Financial Assets – Mandatorily Fair Value P&L	325	n/a	
Loans and advances	241	n/a	
Debt instruments	83	n/a	
Equity instruments	0	n/a	
Financial Assets – Held for Trading	12,444	–	.
Loans and advances	–	–	.
Debt instruments	2,294	–	.
Equity instruments	7,847	–	.
Derivatives	2,304	–	.
Fixed assets	23	–	.
Other assets	−38	–	.
Total	**13,433**	**78**	**.**

In all cases of non-current assets held for sale and disposal groups, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in the course of financial year 2019.

In the Private and Small Business Customers segment, a decision was made in the fourth quarter of 2017 to place shares in closed investment funds. This transaction was closed in the first quarter of 2018 and the shares were derecognised.

In the Business Segment Corporate Clients, loans assigned to the amortised cost category (formerly loans and receivables) were classified as held for sale in the third quarter of 2017 and reclassified accordingly. This transaction was closed in the first quarter of 2018 and the loans were derecognised.

In the first quarter of 2018, a loan portfolio assigned to the category mandatorily fair value P&L in the Asset & Capital Recovery segment was newly categorised as held for sale and reclassified accordingly. This transaction was closed in the second quarter of 2018 and the loans were derecognised.

In the Private and Small-Business Customers segment, the sale of ebase GmbH (European Bank for Financial Services GmbH), a wholly owned subsidiary of comdirect bank Aktiengesellschaft, Quickborn, based in Aschheim near Munich, was agreed in the second quarter of 2018. The purchaser is FNZ Group, a financial technology company based in London, United Kingdom. ebase GmbH offers multi-client-capable brokerage and banking solutions for asset accumulation and investments. Its client base includes financial distributors, insurance companies, banks and asset managers. The transaction is subject to the approval of the supervisory authorities.

In the Private Customers segment, in the fourth quarter of 2018 shares in a fund previously reported under "Financial Assets – Mandatorily Fair Value P&L" were reclassified as assets held for sale. The placement of these shares is planned for the 2019 financial year.

Real estate was transferred to non-current assets held for sale as at 30 June 2018. The transaction closing took place in the fourth quarter, and the real estate was derecognised accordingly.

This item also includes the assets of the discontinued EMC business division (see Note 53).

(55) Liabilities from disposal groups

€m	31.12.2018	31.12.2017	Change in %
Financial Liabilities – Amortised Cost	815	–	.
Deposits	815	–	.
Financial Liabilities – Fair Value Option	3,267	–	.
Deposits	3,267	–	.
Financial Liabilities – Held for Trading	8,726	–	.
Certificates and other issued bonds	4,543	–	.
Delivery commitments arising from short sales of securities	470	–	.
Derivatives	3,713	–	.
Other liability items	105	–	.
Total	**12,914**	**–**	**.**

Liabilities from disposal groups relate to the discontinuation of the EMC business division (see Note 53) and the sale of ebase GmbH (see Note 54).

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 disclosing 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 2018 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 tax effects will apply to the same taxable entity and in relation to the same tax authority in the foreseeable future. To assess impairment, detailed 5-year fiscal profitability 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 result 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 in 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 €185m (previous year: €242m).

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.

(56) Tax assets

€m	31.12.2018	31.12.2017[1]	Change in %
Current tax assets	**783**	**767**	**2.0**
in Germany	677	658	2.8
Outside Germany	106	109	−2.8
Deferred tax assets	**3,116**	**2,970**	**4.9**
Tax assets recognised in income statement	2,736	2,504	9.3
Tax assets not recognised in income statement	380	467	−18.6
Total	**3,899**	**3,738**	**4.3**

[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 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 2018 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

Tax loss carryforwards | €m	31.12.2018	31.12.2017	Change in %
Corporation tax/federal tax	**7,933**	**7,502**	**5.7**
Can be carried forward for an unlimited period	4,669	4,452	4.9
Can be carried forward for a limited period[1]	3,264	3,050	7.0
of which expires in the subsequent reporting period	7	–	.
Trade tax/local tax	**3,999**	**3,323**	**20.3**
Can be carried forward for an unlimited period	566	232	.
Can be carried forward for a limited period[1]	3,433	3,091	11.1
of which expires in the subsequent reporting period	7	–	.

[1] Expires 20 years after the date on which the tax liability arose.

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	31.12.2018	31.12.2017[1]	Change in %
Fair values of derivative hedging instruments	527	700	–24.7
Financial assets and liabilities - Held for trading	2,023	2,080	–2.7
Other financial assets	498	775	–35.7
Provisions (excluding pension obligations)	40	51	–21.6
Other financial liabilities	173	190	–8.9
Pension obligations	1,158	1,031	12.3
Other balance sheet items	752	795	–5.4
Tax loss carryforwards	1,181	1,173	0.7
Deferred tax assets gross	**6,352**	**6,795**	**–6.5**
Offsetting with deferred tax liabilities	–3,236	–3,824	–15.4
Total	**3,116**	**2,970**	**4.9**

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

(57) Tax liabilities

€m	31.12.2018	31.12.2017[1]	Change in %
Current tax liabilities	**472**	**673**	**–29.8**
Tax liabilities to tax authorities from income tax	67	49	35.9
Provisions for income tax	406	624	–35.0
Deferred tax liabilities	**20**	**28**	**–28.6**
Tax liabilities recognised in income statement	20	28	–28.6
Tax liabilities not recognised in income statement	–	–	.
Total	**492**	**701**	**–29.8**

[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 consolidated 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	31.12.2018	31.12.2017[1]	Change in %
Financial assets and liabilities - Held for trading	163	502	–67.5
Fair values of derivative hedging instruments	493	507	–2.8
Other financial assets	823	1,001	–17.8
Other financial liabilities	294	698	–57.9
Other balance sheet items	1,483	1,144	29.6
Deferred tax assets gross	**3,256**	**3,852**	**–15.5**
Offsetting with deferred tax liabilities	–3,236	–3,824	–15.4
Total	**20**	**28**	**–28.6**

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

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.

(58) Other assets

€m	31.12.2018	31.12.2017	Change in %
Precious metals	26	23	14.7
Accrued and deferred items	220	218	1.2
Defined benefit assets recognised	377	390	–3.5
Other assets	1,496	1,331	12.4
Total	**2,119**	**1,961**	**8.0**

(59) Other liabilities

€m	31.12.2018	31.12.2017	Change in %
Liabilities attributable to film funds	313	1,004	–68.8
Liabilities attributable to non-controlling interests	66	100	–34.1
Accrued and deferred items	312	274	14.1
Other liabilities	1,692	1,646	2.8
Total	**2,384**	**3,024**	**–21.2**

(60) Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, leases where the lessee bears all the substantial risks and rewards are classified 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.

The Group as lessor

The assets where the Group acts as lessor include, in particular, chartered ships, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment).

- Operating leases
  If the risks and rewards of ownership remain substantially with the lessor (operating lease), the asset will continue to be reported on the balance sheet. Leased assets are normally reported in the Group balance sheet under other assets. Leased assets are shown at cost, less depreciation and/or impairments over their useful economic lives. Unless a different distribution is appropriate in individual cases, we recognise the proceeds from leasing transactions on a straight-line basis over the lifetime of the lease and report them under other net income. Ship leases usually include a fixed chartering period. The leases usually include an option for the lessee to buy or to extend the lease. The ships are depreciated over a 25-year period. Investment properties let under operating leases are contained in the investment properties item on the balance sheet (see Note 52).
- Finance leases
  If virtually all the risks and rewards relating to the leased asset are transferred to the lessee (finance lease), the Commerzbank Group recognises a claim on the lessee. The claim is shown at its net present value (net investment value at the inception of the lease less repayments). Lease payments received (annuities) are divided into an interest portion and a repayment portion. The income is recognised as interest income over the lifetime of the lease.

The payments to be made by lessees are calculated based on the total investment costs less the residual value of the leased asset (real estate, ships) as determined at the start of the lease. During the fixed basic rental period lessees bear all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessors.

Leases for moveable assets are structured as partially amortising agreements with the possibility of subsequent purchase and can be terminated. Because the fixed rental period is shorter in relation to the normal length of use in the case of partially amortising agreements, only part of the total investment costs is amortised.

Leases which may be terminated have no fixed rental period. In the event of termination, a previously agreed final payment becomes due, which covers the portion of the total investment costs not yet amortised. If notice of termination is not given, the lease rolls over. The risk of unexpected or partial loss of the leased asset is then borne again by the lessor.

The Group as lessee

Expenditure on operating leases is always recorded on a straight-line basis over the life of the lease and reported under operating expenses.

Finance leases where the Commerzbank Group is a lessee are of minor significance.

Lessor disclosures – operating leases

Commerzbank acts as a lessor in operating lease arrangements. 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	31.12.2018	31.12.2017
up to 1 year	128	126
in 1 year up to 5 years	442	469
in more than 5 years	98	171
Total	**669**	**766**

Impairment losses of €14m were reversed and recognised as income during the financial year.

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	31.12.2018	31.12.2017[1]
Outstanding lease payments	5,189	4,371
+ guaranteed residual values	104	98
= minimum lease payments	5,293	4,470
+ non-guaranteed residual values	4	4
= gross investments	5,297	4,474
of which from sale and leaseback transactions	555	477
- unrealised financial income	262	218
= net investments	5,036	4,256
- net present value of non-guaranteed residual values	4	3
= net present value of minimum lease payments	5,032	4,253
of which from sale and leaseback transactions	495	426

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

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 accumulated allowance for uncollectable minimum lease payments receivable was €53m (previous year: €46m). In addition, €3m (previous year: €4m) of contingent rents were recognised as income in the year under review.

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		of which from sale and leaseback transactions	
€m	2018	2017[1]	2018	2017
up to 1 year	1,528	1,282	117	102
1 year up to 5 years	3,353	2,750	358	330
more than 5 years	416	442	80	45
Total	**5,297**	**4,474**	**555**	**477**

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

Residual terms as at 31.12.	Net present value of minimum lease payments		of which from sale and leaseback transactions	
€m	2018	2017[1]	2018	2017
up to 1 year	1,436	1,211	100	88
1 year up to 5 years	3,216	2,635	326	298
more than 5 years	381	406	69	39
Total	**5,032**	**4,253**	**495**	**426**

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

Lessee disclosures – operating leases

The Group's existing obligations arising from operating leases involve rental and leasing agreements for buildings, office furniture and equipment and led to expenses of €446m in 2018 (previous year: €448m). The breakdown of the expenses was as follows:

€m	2018	2017
Minimum lease payments	153	174
Payments for terminable agreements	7	17
Conditional payments	286	261
Less sublease income	0	4
Total	**446**	**448**

The following expenses are expected in future financial years for non-cancellable rental and leasing agreements:

Residual terms as at 31.12.	Non-cancellable rental and leasing contracts		of which from sale and leaseback transactions	
€m	2018	2017	2018	2017
up to 1 year	430	443	54	52
1 year up to 5 years	1,173	1,338	222	211
more than 5 years	1,054	998	424	397
Total	**2,657**	**2,780**	**700**	**661**

For real estate, mostly rental agreements were concluded, but occasionally also leases. These leases are usually long term and include opt-out clauses, options for the lessee to extend the lease for follow-up periods or price adjustment clauses. Price adjustment clauses exist in a number of different forms such as step-up leases and index clauses. Leases may also include purchase options. Operating leases do not entail any restrictions with respect to the future payment of dividends or contracting of additional debt.

Subletting agreements have been signed for buildings no longer in use in the Commerzbank Group. These leases are non-cancellable. The following income will accrue to the Commerzbank Group in the next few years from these leases:

Due date |€m	2018	2017
up to 1 year	19	18
1 year up to 5 years	91	72
more than 5 years	56	85
Total	**166**	**175**

(61) 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 €9,129m (previous year: €7,857m) were furnished as collateral for obligations to futures exchanges and clearing houses.

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 factual 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 possible 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 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 proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. 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, although this 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 64).

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 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.

(62) Provisions

€m	2018	2017	Change in %
Provisions for pensions and similar commitments	1,084	890	21.8
Other provisions	2,069	2,401	–13.8
Total	**3,153**	**3,291**	**–4.2**

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 €1,000m (previous year: €811m), as well as provisions for early retirement of €70m (previous year: €80m).

The interest and operating expenses for pensions and other employee benefits consist of the following components:

€m	2018	2017	Change in %
Expenses for defined benefit plans	92	82	13.0
Expenses for defined contribution plans	92	95	–3.3
Other pension benefits (early retirement and part-time scheme for older staff)	53	51	3.6
Other pension-related expenses	21	20	7.3
Expenses for pensions and similar employee benefits	**258**	**247**	**4.4**

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 updated Heubeck-Richttafeln 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 application of the updated Heubeck mortality tables led to a one-off measurement effect in the financial year due to changes in demographic assumptions, which caused the pension obligation to increase. For the first time, the mortality tables take the connection between the level of pension and life expectancy into account. As the pension rises, life expectancy also tends to rise. This relationship is reflected by a flat socio-economic factor applied across the board in the 2018G mortality tables. This resulted in a negative measurement effect of €84m in the financial year, which was recognised in other comprehensive income.

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.

%	31.12.2018	31.12.2017
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	1.9	1.9
Expected adjustment to pensions	1.6	1.6
for determining the pension expenses in the financial year		
Discount rate	1.9	1.8
Expected adjustment to pensions	1.6	1.6
(Weighted) parameters for pension plans outside Germany		
for determining the pension obligation at year-end		
Discount rate	2.8	2.5
Expected adjustment to pensions	2.9	2.9
for determining the pension expenses in the financial year		
Discount rate	2.5	2.7
Expected adjustment to pensions	2.9	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. 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 or a contribution to private medical insurance. 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 13 % 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 85 %), New York and Amsterdam, which all together 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 expense 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 and past service cost due to plan changes. Apart from the current service cost, which represents the entitlements earned by members during the financial year, this also includes 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 profits 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 debt of the defined benefit obligation changed as follows:

	Pension obligation		Plan assets		Net liability	
€m	2018	2017	2018	2017	2018	2017
As at 1.1. current year	**9,421**	**9,729**	**–8,982**	**–8,765**	**439**	**964**
Service cost	80	88	–	–	80	88
Past service cost	11	–15	–	–	11	–15
Curtailments/settlements	–	1	–	–	–	1
Interest expense/income	183	184	–179	–172	4	12
Remeasurement	–2	–116	418	–90	416	–206
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	–	418	–90	418	–90
Experience adjustments	–8	9	–	–	–8	9
Adjustments in financial assumptions	–78	–109	–	–	–78	–109
Adjustments in demographic assumptions	83	–16	–	–	83	–16
Pension payments	–356	–393	91	132	–264	–261
Settlement payments	–44	–4	44	4	–	–
Change in the group of consolidated companies	1	0	–0	–	1	0
Exchange rate changes	–5	–58	9	66	3	9
Employer contributions	–	–	–26	–155	–26	–155
Employee contributions	2	2	–2	–2	0	0
Reclassifications/other changes	–63	4	0	–	–41	4
As at 31.12. current year	**9,227**	**9,421**	**–8,604**	**–8,982**	**623**	**439**
of which provision for pension					1,000	811
of which recognition of defined benefit assets					–377	–372

In the 2019 financial year, employer contributions of €17m to plan assets for defined benefit pension plans are expected, as well as pension payments of €261m.

The asset ceiling had no effects within Commerzbank, and the net liability may therefore be equated with the funded status.

In connection with the UK pension plans, a past service cost of €10m resulting from the GMP equalisation was recognised in the financial year. GMP equalisation describes the necessary elimination of gender-specific inequalities due to different age limits in connection with regulations on guaranteed minimum pensions.

Furthermore, settlement payments for UK pension plans in the amount of €44m were paid out in the financial year. The effects on earnings resulting from these settlements were already recognised in previous financial years.

The geographical breakdown of the pension obligations was as follows:

€m	31.12.2018	31.12.2017
Germany	8,078	8,066
United Kingdom	1,006	1,164
America	86	89
Others	87	102
Total	**9,257**	**9,421**

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 2018 would have the following effects on the obligation:

€m	31.12.2018	31.12.2017
Interest rate sensitivity		
Discount rate +50bps	−765	−787
Discount rate −50bps	882	909
Pension adjustment sensitivity		
Adjustment to pensions +50bps	520	536
Adjustment to pensions −50bps	−457	−488
Mortality rate (life expectancy) change sensitivity		
Reduction in mortality by 10 %[1]	340	336

[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:

%	2018		2017	
	Active market	Inactive market	Active market	Inactive market
Fixed-income securities/bond funds	51.0	24.2	46.5	21.3
Shares/equity funds	6.4	2.0	8.2	1.5
Other investment fund units	0.0	0.4	0.3	0.6
Liquid assets	1.0	–	3.7	–
Asset-backed securities	5.3	1.3	4.9	1.9
Derivatives	8.8	0.5	9.9	1.1
Others	0.1	−1.0	–	0.1

As at 31 December 2018, 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 18.1 years (previous year: 18.3 years). The anticipated maturities of undiscounted pension obligations are as follows:

€m	2019	2020	2021	2022	2023	2024–2028
Expected pension payments	303	308	311	321	324	1,712

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.

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 €78m (previous year: €81m) in payments to the BVV. Contributions in 2019 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 36 to 39 on credit risks and credit losses.

b) Other provisions

Other provisions changed as follows in the financial year:

€m	As at 1.1.2018	Allocations	Utilisation	Reversals	Unwinding of discount	Reclassifi-cations/ change in the group of consolidated companies/ other	As at 31.12.2018
Personnel provisions	605	279	317	38	0	−3	527
Restructuring measures	850	3	167	5	4	−112	572
Legal proceedings and recourse claims	301	69	48	89	0	−1	233
Other	432	260	181	43	2	14	484
Total	**2,188**	**611**	**713**	**175**	**6**	**−102**	**1,816**

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 vesting period. The provisions listed under Other mostly have a residual term of under one year.

The restructuring provisions are largely attributable to the areas of Human Resources and Organisation. We expect them to be used by 2020.

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 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. 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. Commerzbank anticipates the recovery of the corresponding charges by its customers.

- 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. The Bank contested these actions.
- A subsidiary of Commerzbank was involved in two South American banks which in the meantime have gone into liquidation. A number of investors and creditors of these banks 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.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition, the company's insolvency administrator has raised recourse claims against the Bank arising from its joint liability and for other legal reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. The proceedings were concluded while under appeal before the Hamburg Higher Regional Court in May 2018 by means of a settlement.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. The court of first instance upheld the suit against the subsidiary of Commerzbank, which is now appealing the decision. The case is ongoing.
- 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 foreign currency. In October 2018 the class action suit was dismissed in its entirety by the court of first instance. The claimants are appealing against this judgement. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. The subsidiary has defended itself against each of the claims.
- A customer has sued Commerzbank for alleged false advice in connection with an interest derivative. Commerzbank has defended itself against the claim. In July 2018 the parties reached a settlement in a mediation procedure, which was adopted by the court in November.
- During the insolvency proceedings of a customer, the customer's insolvency administrator raised claims against Commerzbank. As the Bank and the insolvency administrator were not able to reach a settlement, the insolvency administrator filed a lawsuit against the Bank in June 2018.
- 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 will defend itself against the action.

(63) 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 cash settlement option 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 include the function carried out by the employee, the group to which the employee belongs and whether certain requirements determined by the Bank are met. 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 as a cash STI payment is tolerated by the supervisory authorities, subject to general salary levels in the banking sector. 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 STI in cash rather than shares. 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 60 % and the LTI component is 40 % of the potential variable remuneration. 50 % of both the STI and LTI are paid in shares.

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 in future the share component of the STI of the financial year (n) will be paid out in April of the second following financial year (n+2) instead of in October of the following financial year (n+1).

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 taker I can acquire it at the earliest after five years and risk taker II at the earliest after three years. 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 is set from the 2019 financial year onwards will be made after completion of the performance appraisal II for risk taker 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 taker 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 financial year 2018, 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. The changes to the remuneration entitlement in the three-year retention period are treated as non-vesting conditions.

b) Share awards

Share awards are a deferred component of variable compensation where non-pay-scale employees of Commerzbank Aktiengesellschaft are allocated virtual Commerzbank shares.

The Commerzbank Incentive Plan (CIP) was introduced as a result of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung), which became law in Germany in October 2010. For the financial years from 2011 onwards, share awards were therefore used for selected employees only and they expired in 2017.

c) Share-based payment plans 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.

d) 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 expense 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 expense 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 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. In the case of share awards the portion of the provisions attributable to share awards is reassigned from other personnel provisions to the provision for share awards at the date of the award. The provision is calculated as the product of the number of rights allocated multiplied by the average Xetra closing price of Commerzbank shares in January and February of the year of the award and December of the previous year. The provisions fluctuate on each subsequent reporting date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. Discounts are not applied for staff natural wastage as the share awards do not lapse on the departure or death of an employee. If Commerzbank pays dividends during the vesting period, a cash payment equal to the dividend, or cash compensation for a capital action, will be paid out for each CIP and share award at the payout date in addition to the payout value. Provisions are recognised for these payments if applicable. Personnel expenses are spread over the three financial years, which form the basis for the achievement of individual targets.

Measurement

The provision for the Commerzbank Incentive Plan and the share awards 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 value of Commerzbank shares for the second mBank programme from 2008 is calculated by using average market prices of the Commerzbank share on the date the shares were granted. The expense for the allocations to the provisions can also be recognised over the vesting period of four years, depending on the remuneration plan.

Expenses relating to share-based payments were incurred in financial year 2018 in connection with services already rendered by employees (including the Board of Managing Directors). Expense for share-based payments was as follows:

€m	2018	2017
Cash-settled plans	4	43
of which Commerzbank Incentive Plan	4	43
Equity-settled plans	3	2
Total	**7**	**46**

The provisions for share-based payment plans and the reserves in equity for share-based payment settled with equity instruments were as follows:

€m	2018	2017[1]
Provisions	68	107
of which share awards	–	0
of which Commerzbank Incentive Plan	68	107
Equity reserves	6	7

[1] Prior-year figures restated. Further components of the CIP have been included in this presentation.

Share awards. The number of rights outstanding under the share award programmes developed as follows during the financial year:

Number of awards units	Share Awards
Balance as at 1.1.2017	**3,686**
Granted during the year	–
Forfeited during the year	–
Exercised during the year	3,565
Expired during the year	–
Balance as at 31.12.2017	**121**
Granted during the year	–
Forfeited during the year	–
Exercised during the year	121
Expired during the year	–
Balance as at 31.12.2018	**–**

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 1.1.2017	**4,236,903**
Granted during the year	1,664,336
Forfeited during the year	–
Exercised during the year	2,026,863
Expired during the year	–
Balance as at 31.12.2017	**3,874,376**
Granted during the year	1,380,223
Forfeited during the year	–
Exercised during the year	2,023,877
Expired during the year	–
Balance as at 31.12.2018	**3,230,722**

(64) 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	31.12.2018	31.12.2017	Change in %
Contingent liabilities	**38,439**	**36,179**	**6.2**
Banks	6,274	6,669	−5.9
Corporate clients	28,681	26,570	7.9
Private customers	256	291	−11.9
Other financial corporations	3,145	2,531	24.2
General governments	84	117	−28.5
Lending commitments	**78,387**	**79,896**	**−1.9**
Banks	1,337	1,382	−3.3
Corporate clients	58,239	59,543	−2.2
Private customers	9,969	10,618	−6.1
Other financial corporations	8,657	8,130	6.5
General governments	185	222	−16.7
Total	**116,826**	**116,074**	**0.6**

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2018 the contingent liability for legal risks amounted to €1,038m (previous year: €558m) 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 Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal on point of law against the judgement of the appellate court of May 2016. The appeal was rejected in September 2018 in favour of the Bank.
- Commerzbank held 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 the Commerzbank Group and others for repayment of the proceeds it received from the sale of its stake. Two of these suits were rejected on appeal. Whether the appeal will be upheld on review has not yet been decided. A third suit has in the meantime been dismissed, in favour of the banking consortium. This decision is being appealed.
- 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. Commerzbank will defend itself against the action. Irrespective of the action described above, one group company of the Hungarian borrower sued the Bank for damages in November 2017. Commerzbank considers the action to be unfounded and will defend itself accordingly.
- 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 will defend itself against the action.
- Supervisory authorities and other relevant authorities in a number of countries have been investigating market manipulation and irregularities in connection with exchange rate fixing and the foreign exchange market in general for some time.

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 Art. 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes.

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions of €12m as at the end of 2017 for potentially refundable own investment income taxes.

With respect to securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. In this respect a lawsuit had been initially filed in one case. In the meantime, it has been withdrawn. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, including interest on arrears.

For the other cum-cum-relevant transactions, Commerzbank has concluded that no inappropriate legal structuring is present under Art. 42 of the German Tax Code.

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.

(65) 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, Asset & Capital Recovery and the Others and Consolidation segment. This reflects the Commerzbank Group’s organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. A modification to the business model of the Corporate Clients segment in the first quarter of 2018 led to minor changes in business responsibilities; tasks related to sales assistance were transferred to the support functions. Owing to changes in customer relationship management associated with the Commerzbank 4.0 strategy, customer transfers between the Corporate Clients and the Private and Small-Business Customers segments occurred in the third quarter of 2018. The prior-year figures have been restated accordingly. An impairment of the capitalised customer base led to an adjustment of the previous year’s figures in the Corporate Clients segment (see Note 4). The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 54). Further information on the segments is provided in the Group Management Report of this Annual Report. In 2018, the Commerzbank Group implemented the new requirements of IFRS 9 (see Note 5). The effects of this implementation are also reflected in the Group’s segment reporting. The operating segments’ capital requirement for risk-weighted assets based on the fully phased-in application of Basel 3 regulations is 12 % since 2018, as the capital adequacy requirements have increased. A capital requirement of 15 % of risk-weighted assets on a fully phased-in basis under Basel 3 continues to be applied to the Business Segment Asset & Capital Recovery. The prior-year figures have been restated accordingly.

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 in 2018 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 and loss, net income from hedge accounting, other net gain or loss from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses. The operating profit does not include any impairments of goodwill and other intangible assets or restructuring expenses. The previous year's figures were reported on the basis of IAS 39 measurement categories. Due to the disclosure of pre-tax earnings, minority interests are included in both the profit or loss and the 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. For 2018, it is calculated from the ratio of operating expenses to income before the risk result. For 2017, it is calculated from the ratio of operating expenses to income before loan loss provisions.

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 operation. At Group level, Common Equity Tier 1 (CET 1) capital is shown, which is used to calculate the operating return on equity. The calculation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET 1 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, other operating expenses as well as 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 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 market prices or at full cost.

2018 €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	2,576	1,818	61	293	4,748
Dividend income	10	14	0	12	36
Risk result	–233	–194	–8	–11	–446
Net commission income	1,927	1,191	1	–30	3,089
Net income from financial assets and liabilities at fair value through profit or loss	160	422	35	–251	366
Net income from hedge accounting	–1	3	1	46	48
Other profit or loss from financial instruments	48	–22	–7	7	26
Current net income from companies accounted for using the equity method	–0	12	–0	–	12
Other net income	83	14	23	125	245
Income before risk result	*4,803*	*3,451*	*114*	*202*	*8,570*
Income after risk result	*4,570*	*3,258*	*106*	*191*	*8,124*
Operating expenses	3,835	2,628	72	344	6,879
Operating profit or loss	**735**	**629**	**34**	**–153**	**1,245**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**735**	**629**	**34**	**–153**	**1,245**
Assets	**138,409**	**179,330**	**18,904**	**125,726**	**462,369**
of which discontinued assets	–	12,996	–	–	12,996
Liabilities	**169,933**	**178,988**	**17,034**	**96,414**	**462,369**
of which discontinued liabilities	–	12,375	–	–	12,375
Carrying amount of companies accounted for using the equity method	**23**	**150**	**1**	**–**	**173**
Average capital employed[1]	**4,751**	**10,870**	**2,174**	**5,091**	**22,886**
Operating return on equity (%)	**15.5**	**5.8**	**1.6**	**–**	**5.4**
Cost/income ratio in operating business (%)	**79.8**	**76.2**	**63.3**	**–**	**80.3**

[1] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

2017[1] €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	2,351	1,837	183	−75	4,295
Dividend income	24	25	0	57	106
Loan loss provisions	−154	−295	−336	4	−781
Other profit or loss and net remeasurement gain or loss	−12	−38	−32	6	−76
Net commission income	1,971	1,258	2	−38	3,192
Net income from financial assets and liabilities at fair value through profit or loss	148	475	28	−53	598
Net income from hedge accounting	−2	0	−34	−49	−85
Other profit or loss from financial instruments	119	12	4	109	244
Current net income from companies accounted for using the equity method	2	21	−0	0	23
Other net income	224	21	21	201	466
Income before loan loss provisions	*4,823*	*3,613*	*170*	*158*	*8,764*
Income after loan loss provisions	*4,669*	*3,318*	*−166*	*162*	*7,983*
Operating expenses	3,811	2,642	98	284	6,834
Operating profit or loss	**858**	**676**	**−264**	**−122**	**1,149**
Restructuring expenses	–	–	–	808	808
Pre-tax profit or loss	**858**	**676**	**−264**	**−929**	**341**
Assets	**128,280**	**173,011**	**24,374**	**126,831**	**452,495**
Liabilities	**152,028**	**196,709**	**19,903**	**83,856**	**452,495**
Carrying amount of companies accounted for using the equity method	**11**	**169**	**1**	**–**	**181**
Average capital employed[2]	**4,509**	**11,254**	**2,982**	**4,864**	**23,609**
Operating return on equity (%)	**19.0**	**6.0**	**−8.8**	**–**	**4.9**
Cost/income ratio in operating business (%)	**79.0**	**73.1**	**57.7**	**–**	**78.0**

[1] Prior-year figures adjusted due to restatements (see Note 4).
[2] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

€m	2018		
	Others	Consolidation	Others and Consolidation
Net interest income	262	31	293
Dividend income	8	4	12
Risk result	– 11	–	– 11
Net commission income	– 26	– 4	– 30
Net income from financial assets and liabilities at fair value through profit or loss	– 265	15	– 251
Net income from hedge accounting	46	–	46
Other profit or loss from financial instruments	2	4	7
Current net income from companies accounted for using the equity method	–	–	–
Other net income	142	– 17	125
Income before risk result	*169*	*33*	*202*
Income after risk result	*158*	*33*	*191*
Operating expenses	364	– 20	344
Operating profit or loss	**– 205**	**53**	**– 153**
Restructuring expenses	–	–	–
Profit or loss before tax	**– 205**	**53**	**– 153**
Assets	**125,245**	**482**	**125,726**
Liabilities	**96,104**	**311**	**96,414**

€m	2017[1]		
	Others	Consolidation	Others and Consolidation
Net interest income	– 98	23	– 75
Dividend income	57	–	57
Loan loss provisions	4	0	4
Other realised profit or loss and net remeasurement gain or loss	– 11	18	6
Net commission income	– 35	– 4	– 38
Net income from financial assets and liabilities at fair value through profit or loss	– 53	0	– 53
Net income from hedge accounting	– 49	–	– 49
Other profit or loss from financial instruments	109	– 1	109
Current net income from companies accounted for using the equity method	0	–	0
Other net income	217	– 16	201
Income before loan loss provisions	*138*	*20*	*158*
Income after loan loss provisions	*142*	*20*	*162*
Operating expenses	313	– 29	284
Operating profit or loss	**– 171**	**50**	**– 122**
Restructuring expenses	808	–	808
Profit or loss before tax	**– 979**	**50**	**– 929**
Assets	**126,424**	**407**	**126,831**
Liabilities	**83,571**	**284**	**83,856**

[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 regional breakdown contained in the segment reporting was adjusted compared with the previous presentation. We now report in this item only income before the risk result and credit-risk-weighted assets (phase-in). The breakdown within segment reporting by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

2018 €m	Germany	Europe without Germany	America	Asia	Others	Total
Income before risk result	5,918	2,309	97	247	–	8,570
Risk assets without credit risks (phase-in)	88,247	47,235	4,959	6,269	–	146,710

2017[1] €m	Germany	Europe without Germany	America	Asia	Others	Total
Income before loan loss provisions	6,146	2,287	117	214	– 0	8,764
Risk assets without credit risks (phase-in)	85,059	45,927	3,631	2,870	–	137,486

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

Of the income before loan loss provisions in Europe (not including Germany), around 26 % was from our units in the United Kingdom (previous year: 37 %), 50 % from our units in Poland (previous year: 46 %) and 13 % from our units in Luxembourg (previous year: 6 %). 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 management reporting.

Other notes

Reported equity and regulatory capital

(66) 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 2018, 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:

€m	Conditional capital 1.1.2018	Additions	Expirations/ utilisations	Authorisation expired	Conditional capital 31.12.2018	thereof: Used conditional capital	thereof: Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	569	–	–	–	569	–	569
Total	**569**	**–**	**–**	**–**	**569**	**–**	**569**

As resolved at the Annual General Meeting of 30 April 2015, the Company's share capital will be conditionally increased by up to €569,253,470.00 divided into up to 569,253,470 bearer shares with no par value (Conditional Capital 2015 in accordance with Art. 4 (4) of the Articles of Association). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit participation rights, convertible hybrid bonds, or warrants attached to bonds or profit-sharing certificates, with warrants issued or guaranteed until 29 April 2020 by the Company (or by companies in which the Company directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act) on the basis of the authorisation resolved at the Annual General Meeting dated 30 April 2015 (Authorisation 2015), exercise their conversion/option rights or fulfil their related conversion or option obligations, or the Company utilises its right to provide alternative performance, and other forms of settlement are not chosen. The new shares are issued at the option or conversion price, as the case may be, to be determined in accordance with the Authorisation 2015. The new shares will be entitled to dividend payments from the start of the financial year in which they are issued through the exercise of either conversion or option rights, or through the fulfilment of the related conversion or option obligations; as far as legally permissible, the Board of Managing Directors may, with the approval of the Supervisory Board, determine the dividend right in respect of new shares in derogation of Art. 60 (2) Stock Corporation Act, even for a fiscal year already ended.

The Board of Managing Directors is authorised to determine the further details of the conditional capital increase and its implementation.

Authorised capital

Date of AGM resolution	Original amount €m	Used in previous years for capital increases €m	Used in 2018 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
30.04.2015	569	–	–	–	569	29.04.2020
Total	**569**	**–**	**–**	**–**	**569**	

The conditions for capital increases from authorised capital as at 31 December 2018 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 24 May 2016.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 29 April 2020 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 €569,253,470.00 (Authorised Capital 2015 in accordance with Art. 4 (3) of the Articles of Association). 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 Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the Supervisory Board in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) 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 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) Stock Corporation Act);
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 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 2015, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 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 2015, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 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 20 % 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 which are issued or sold 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. Moreover, if shares are issued to members of the Board of Managing Directors, members of the management or employees of the Company or its group companies within the meaning of Art. 18 (1) Stock Corporation Act in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right, the pro rata amount of the share capital attributable to such shares must not, in aggregate, exceed 5 % of the share capital of the Company existing at the time when the General Meeting adopts the resolution. When determining this limit, shares shall also be taken into account which are issued or sold during the term of this authorisation under another authorisation with the exclusion of 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) Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

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 2015 or to amend it after the expiry of the authorisation period.

(67) 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 are subject to defined phase-in rules. The phase-in for capital deductions ended at the beginning of the 2018 financial year. This means that the remaining phase-in now only takes place in Additional Tier 1 capital and Tier 2 capital, and gradually reduces the recognition of capital issues that are not CRR-compliant.

Common Equity Tier 1 (CET 1) 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 CET 1 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-taking capability 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.

CET 1 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 fully phased-in implementation of the CRR requirements, the transitional regulations are completely disregarded.

The overview below of the composition of the Commerzbank Group's capital shows the figures on both a phase-in (currently used) and a fully phased-in basis.

Position €m	31.12.2018 Phase-in	31.12.2017 Phase-in	31.12.2018 Fully phased-in	31.12.2017 Fully phased-in
Equity as shown in balance sheet	**29,411**	**30,041**	**29,411**	**30,041**
Effect from debit valuation adjustments	–159	–86	–159	–108
Correction to revaluation reserve	–	114	–	–
Correction to cash flow hedge reserve	15	54	15	54
Correction to phase-in (IAS 19)	–	260	–	–
Correction to non-controlling interests (minorities)	–440	–421	–440	–495
Goodwill	–1,507	–1,507	–1,507	–1,507
Intangible assets	–1,328	–1,381	–1,328	–1,381
Surplus in plan assets	–307	–257	–307	–322
Deferred tax assets from loss carryforwards	–784	–566	–784	–707
Shortfall due to expected loss	–205	–608	–205	–676
Prudential valuation	–459	–264	–459	–264
Direct, indirect and synthetic positions of the bank's own instruments in Core Tier 1	–11	–49	–11	–60
First loss positions from securitisations	–199	–213	–199	–213
Advance payment risks	–1	–	–1	–
Allocation of components from additional Equity Tier 1	–	647	–	–
Deferred tax assets from temporary differences which exceed the 10 % threshold	–453	–110	–453	–278
Dividend accrued	–250	–	–250	–
Others and rounding	–117	–47	–117	–45
Common Equity Tier 1 [1]	**23,206**	**25,607**	**23,206**	**24,039**
Additional Equity Tier 1 [2]	**904**	**378**	**–**	**–**
Tier 1 capital	**24,110**	**25,985**	**23,206**	**24,039**
Tier 2 capital	**5,389**	**5,404**	**5,564**	**5,808**
Equity	**29,499**	**31,389**	**28,770**	**29,847**
Risk-weighted assets	180,498	171,369	180,498	171,019
of which Credit risk	146,710	137,486	146,710	137,136
of which Market risk [3]	12,395	12,842	12,395	12,842
of which Operational risk	21,393	21,041	21,393	21,041
Common Equity Tier 1 ratio (%)	12.9 %	14.9 %	12.9 %	14.1 %
Equity Tier 1 ratio (%)	13.4 %	15.2 %	12.9 %	14.1 %
Total capital ratio (%)	16.3 %	18.3 %	15.9 %	17.5 %

[1] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[2] Under the transitional provisions for the eligible former balance of additional Tier 1 capital; until 31 December 2017 after offsetting of the corresponding deductions.
[3] Includes credit valuation adjustment risk.

The table reconciles reported equity to Common Equity Tier 1 (CET 1) and the other components of core capital and regulatory capital. The main changes compared with 31 December 2017 result from the introduction of IFRS 9. Additionally, the last phase-in step took place in the phase-in capital. The decline in the capital ratios over the end of the previous year is primarily the result of the two effects referred to above, as well as the increase in risk-weighted assets.

(68) 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. The leverage ratio at the end of financial year 2018 was calculated on the basis of the CRR as revised in January 2015. 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. Segments actively get involved in the steering of the leverage ratio by segment specific targets for their leverage ratio exposure.

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 segments' leverage exposures and the main factors influencing them.

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

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

Summary reconciliation of accounting assets and leverage ratio exposures	**Applicable amounts**
€m	**31.12.2018**
Total assets as per published group financial statements	462,369
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	−124
(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	−28,589
Adjustment for securities financing transactions (SFTs)	2,325
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	52,428
(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	–
Phase-in	−2,074
Fully phased-in	−2,074
Leverage ratio total exposure measure	**–**
Phase-in	**486,335**
Fully phased-in	**486,335**

Leverage ratio common disclosure	CRR leverage ratio exposures
€m	31.12.2018
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	395,578
(Asset amounts deducted in determining Tier 1 capital)	
Phase-in	−4,780
Fully phased-in	−4,780
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
Phase-in	390,798
Fully phased-in	390,798
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	8,540
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	19,919
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)	−14,990
(Exempted CCP leg of client-cleared trade exposures)	−2,800
Adjusted effective notional amount of written credit derivatives	10,044
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	−7,475
Total derivative exposures	**13,238**

Leverage ratio common disclosure (continuation)	CRR leverage ratio exposures
€m	31.12.2018
Securities financing transaction (SFTs) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	52,111
(Netted amounts of cash payables and cash receivables of gross SFT assets)	–24,565
Counterparty credit risk exposure for SFT assets	2,325
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)	29,871
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	171,906
(Adjustments for conversion to credit equivalent amounts)	–119,478
Total other off-balance sheet exposures	52,428
(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	
Phase-in	24,110
Fully phased-in	23,206
Leverage ratio total exposure measure	
Phase-in	486,335
Fully phased-in	486,335
Leverage ratio	
Phase-in (%)	**5.0**
Fully phased-in (%)	**4.8**
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	Phase-in and Fully phased-in
Phase-in	–
Fully phased-in	–
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	31.12.2018
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	395,578
Trading book exposures	33,792
Banking book exposures, of which:	361,786
Covered bonds	5,463
Exposures treated as sovereigns	82,345
Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	11,075
Institutions	26,288
Secured by mortgages of immovable properties	64,662
Retail exposures	49,681
Corporate	82,563
Exposures in default	2,041
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	37,668

The leverage ratio based on the CRR phase-in rules was 5.0 % as at 31 December 2018 (as at 30 September 2018: 4.7 %). The leverage ratio with full phasing-in of the revised CRR rules stood at 4.8 %, compared with 4.5 % as at 30 September 2018.

The fully phased-in and the phase-in leverage ratios have risen because of sharply lower leverage-ratio exposure, slightly offset by only marginally lower regulatory Tier 1 capital under the fully-phased-in rules and phase-in rules. As at the reporting date, the leverage ratio exposure was €486.3bn; as at 30 September 2018 it was €519.4bn.

Note: "Phase-in" and "fully phased-in" leverage ratio exposure has been identical since 2018 because the phase-in rules applicable to the capital deductions to be factored out of the LR exposure expired on 31 December 2017. However, phase-in rules still apply to the numerator of the leverage ratio, i.e. the Tier 1 capital. Therefore, a "phase-in" ratio is still to be declared.

(69) 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. It has been reported to the supervisory authorities in this form since 30 September 2016. Under the CRR, a minimum value of 100 % must be observed for the LCR since 2018. Commerzbank has integrated the LCR into its internal liquidity risk model as a binding secondary condition, and the change in the LCR is monitored regularly.

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.

For further information about the responsibilities for managing liquidity risk and the corresponding internal models, please refer to the liquidity risk section of the Risk Report in this document.

The calculation of the LCR for the current reporting year is shown below. The averages of the respective previous 12 month-end values are calculated for each quarter of the reporting year 2018. 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		31.3.2018	30.6.2018	30.9.2018	31.12.2018
	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:	104,422	107,120	110,251	113,826
3	Stable Deposits	71,861	74,749	76,609	78,787
4	Less stable Deposits	32,557	32,369	33,641	35,039
5	Unsecured Wholesale Funding	107,041	105,550	105,164	104,841
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	34,619	35,520	35,397	35,028
7	Non-operational deposits (all counterparties)	71,172	68,686	68,279	68,341
8	Unsecured debt	1,251	1,343	1,489	1,472
9	Secured Wholesale Funding		0	0	0
10	Additional requirements	85,719	85,143	85,296	85,202
11	Outflows related to derivative exposures and other collateral requirements	10,140	9,740	9,349	9,046
12	Outflows related to loss of funding on debt products	142	257	210	199
13	Credit and liquidity facilities	75,437	75,146	75,737	75,957
14	Other contractual funding obligations	1,594	1,720	2,489	3,271
15	Other contingent funding obligations	102,231	105,772	108,923	110,193
16	**Total Cash Outflows**				
Cash-Inflows					
17	Secured lending (eg reverse repos)	67,758	65,900	64,627	65,818
18	Inflows from fully performing exposures	27,712	27,556	27,553	26,519
19	Other cash inflows	2,934	2,778	3,542	4,557
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**	**98,403**	**96,234**	**95,722**	**96,894**
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**	**90,321**	**89,822**	**89,590**	**90,724**
21	**Liquidity Buffer**				
22	**Total Net Cash Outflows**				
23	**Liquidity Coverage Ratio (%)**				

		Total weighted value (average)			
€m		31.3.2018	30.6.2018	30.9.2018	31.12.2018
	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)	93,791	89,955	87,797	85,627
Cash-Outflows					
2	Retail deposits and deposits from small business customers, of which:	7,119	7,238	7,466	7,727
3	Stable Deposits	3,593	3,737	3,830	3,939
4	Less stable Deposits	3,523	3,499	3,635	3,788
5	Unsecured Wholesale Funding	53,647	52,302	52,252	52,300
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,631	8,855	8,826	8,732
7	Non-operational deposits (all counterparties)	43,766	42,104	41,938	42,096
8	Unsecured debt	1,251	1,343	1,489	1,472
9	Secured Wholesale Funding	5,188	4,733	4,877	5,262
10	Additional requirements	24,592	24,089	23,730	23,401
11	Outflows related to derivative exposures and other collateral requirements	9,410	8,953	8,569	8,272
12	Outflows related to loss of funding on debt products	142	257	210	199
13	Credit and liquidity facilities	15,040	14,880	14,951	14,930
14	Other contractual funding obligations	950	1,031	1,668	2,337
15	Other contingent funding obligations	682	677	674	675
16	**Total Cash Outflows**	**92,179**	**90,070**	**90,667**	**91,702**
Cash-Inflows					
17	Secured lending (eg reverse repos)	3,702	3,493	3,974	4,921
18	Inflows from fully performing exposures	20,160	20,043	20,100	19,306
19	Other cash inflows	2,789	2,650	3,424	4,369
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**	**26,651**	**26,186**	**27,498**	**28,595**
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**	**26,651**	**26,186**	**27,498**	**28,595**
21	**Liquidity Buffer**	**93,791**	**89,955**	**87,797**	**85,627**
22	**Total Net Cash Outflows**	**65,528**	**63,884**	**63,169**	**63,107**
23	**Liquidity Coverage Ratio (%)**	**143.42**	**140.99**	**139.13**	**135.66**

The average quarterly LCR values have been consistently high. As at each of the reporting dates, Commerzbank has considerably surpassed the required minimum ratio of 100 % for 2018. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out:

Highliquid assets in accordance with EU/2015/61 €m	31.3.2018	30.6.2018	30.9.2018	31.12.2018
Total:	93,791	89,955	87,797	85,627
thereof Level 1	86,720	83,025	80,834	77,695
thereof Level 2A	5,893	6,042	6,103	7,075
thereof Level 2B	1,178	888	860	857

Commerzbank also reports the LCR in US dollars, as this is to be considered a significant foreign currency 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 a possible deterioration in credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions.

(70) 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.

	2018			2017		
	Total	male	female	Total	male	female
Group	47,977	22,532	25,445	48,289	22,781	25,508
in Germany	35,550	16,874	18,676	35,803	17,150	18,653
outside Germany	12,427	5,658	6,769	12,486	5,631	6,855

(71) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Banking transactions with related parties are carried out at normal market terms and conditions.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

Besides the stake held by the German federal government, other factors (including membership of the supervisory board) that could potentially allow a significant influence to be exerted on Commerzbank Aktiengesellschaft also need to be taken into account. Accordingly, the German federal government and entities controlled by it are classified as related entities and persons in accordance with IAS 24.

Transactions with non-consolidated subsidiaries

The assets relating to non-consolidated subsidiaries in the amount of €284m (previous year: €289m) as at 31 December 2018 included primarily loans and receivables. Liabilities in the amount of €231m (previous year: €201m) comprised mostly deposits. The income of €28m (previous year: €46m) comprised primarily interest income as well as net gain or loss from trading and remeasurement. The expenses in the amount of €1m (previous year: €84m) were mostly operating expenses. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €2m (previous year: €2m) and received guarantees and collateral totalling €81m (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 €5m (previous year: €12m) as at 31 December 2018 included primarily loans and receivables as well as equity instruments in the mFVPL category. Liabilities in the amount of €31m (previous year: €42m) comprised mostly deposits. The income of €41m (previous year: €110m) resulted primarily from commission income and interest income. The expenses of €82m (previous year: €6m) resulted largely from goods and services. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €41m (previous year: €54m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 December 2018 in the amount of €30m (previous year: €121m) included primarily securitites in the HFT category. The liabilities of €208m (previous year: €230m) were primarily deposits. The deposits were mostly attributable to external providers of occupational pensions. The income of €1m (previous year: €46m) resulted largely from interest income. The expenses of €14m (previous year: €10m) resulted primarily from interest expenses. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €0m (previous year: €1m).

Transactions with entities controlled by the German federal government

The Commerzbank Group conducts transactions with federal government-controlled entities as part of its ordinary business activities at standard market terms and conditions. The assets relating to entities controlled by the German federal government as at 31 December 2018 in the amount of €25.065m (previous year: €28.558m) comprised primarily deposits with Deutsche Bundesbank totalling €20,891m (previous year: €25,592m). Of the liabilities related to entities controlled by the German federal government in the amount of €12,718m (previous year: €13,383m), €12,624m (previous year: €12,550m) were deposits. As at 31 December 2018, the Bank had granted guarantees and collateral totalling €70m (previous year: €309m) to entities controlled by the German federal government. The income of €49m (previous year: €251m) resulted largely from interest income and the expenses of €114m (previous year: €23m) from net income from financial assets and liabilities at fair value through profit or loss.

Transactions with key management personnel

The assets relating to key management personnel as at 31 December 2018 in the amount of €5m (previous year: €7m) comprised loans and receivables. These were mainly mortgage loans. The liabilities of €5m (previous year: €5m) included deposits from key management personnel. The expenses represent personnel expenses in the amount of €19m (previous year: €19m) 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Claims (€ 1,000)[1]	3,494	3,129	1,578	3,560
Last due date[2]	2051	2051	2042	2043
Range of interest rates used (%)[3]	0.68 – 2.8	0.86 – 2.8	1.04 – 4.65	1.04 – 5.1

[1] In the reporting year, members of the Board of Managing Directors repaid €308 thousand, and members of the Supervisory Board repaid €34 thousand.
[2] Besides loans with fixed repayment dates, loans without a specified maturity were granted.
[3] In individual cases, up to 9.5 % (previous year: 11.9 %) was charged for overdrafts by members of the Board of Managing Directors and up to 9.5 % (previous year 11.4 %) by members of the Supervisory Board.

Where necessary, loans to members of the Board of Managing Directors and the Supervisory Board were secured by land charges or liens.

With the exception of rental guarantees, the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review.

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 (see page 29 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 German Accounting Standard 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	2018	2017
Short-term employee benefits	7,116	6,983
Post-employment benefits	3,402	3,248
Other long term benefits	618	1,693
Termination benefits[1]	2,888	–
Share-based remuneration[2]	342	3,503
Total remuneration in accordance with IAS 24.17	**14,366**	**15,427**
less		
Post-employment benefits	3,402	3,248
Termination benefits	2,888	–
Measurement and other differences[3]	617	3,712
Total remuneration in accordance with Art. 314 1 No. 6 a sentence. 1 HGB	**7,459**	**8,467**

[1] The termination benefits in financial year 2018 concern Frank Annuscheit. Please see the section entitled "Termination agreement with a member of the Board of Managing Directors" in the Remuneration Report.
[2] The present 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.
[3] Under the current remuneration system, granting does not take place until the entitlements exist, which in the 2016 and 2017 financial years 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 prior-year figures were restated.

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 €25,224 thousand as at 31 December 2018 (previous year: €21,437 thousand). The service costs reflected in the calculation of pension provisions for post-employment benefits amounted to €3,403 thousand in the financial year (previous year: €3,248 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 €3,733 thousand as at 31 December 2018 (previous year: €2,408 thousand). Provisions of €12,800 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2018 (previous year: €14,550 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 €8,993 thousand (previous year: €10,043 thousand). The pension liabilities for these persons amounted to €105,232 thousand (previous year: €103,289 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 for financial year 2018 of €3,174 thousand (previous year: €2,936 thousand), which is categorised as short-term employee benefits in accordance with IAS 24.17.

Other details

(72) Date of release for publication

The Board of Managing Directors approved these Group financial statements on 1 March 2019 for submission to the Supervisory Board. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2018 results were released by the Board of Managing Directors on 11 February 2019 for publication.

(73) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Stock Corporation Act (Aktiengesetz) and made it permanently available to shareholders on the internet (www.commerzbank.com).

An annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, Stock Corporation Act has also been issued for comdirect bank AG and made permanently available on the internet (www.comdirect.com).

(74) Country-specific reporting

The following information pursuant to Art. 26a KWG relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group was 0.21 % as at 31 December 2018. For the statement of business purpose please refer to our ownership interests (Note 78). 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.

31.12.2018 €m	Turnover	Pre-tax profit or loss	Taxes on income[1]	Number of employees
Germany	7,380	1,533	137	31,218
China including Hongkong and Shanghai	102	21	10	310
France	28	0	4	87
United Kingdom	581	117	16	971
Luxembourg	312	219	–13	222
Netherlands	15	1	0	34
Poland	1,193	468	115	6,988
Russia	41	26	6	148
Singapore	73	12	3	400
USA	134	34	–1	338
Others	206	52	9	761

[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).

31.12.2017 €m	Turnover	Pre-tax profit or loss	Taxes on income[1]	Number of employees
Germany	6,397	–489	158	32,236
China including Hongkong and Shanghai	76	9	12	289
France	33	8	3	86
United Kingdom	843	356	26	990
Luxembourg	144	–11	–7	246
Netherlands	14	3	–3	36
Poland	1,078	387	101	6,977
Russia	42	21	4	141
Singapore	64	–2	1	381
USA	146	39	–24	356
Others	272	83	23	697

[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).

(75) 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 Funds Business
  This includes 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. comprises various types of passive investment funds. The company offers ETFs as well as mutual funds covering different strategies for, as an example, European markets, industries or particular asset classes. ComStage, which is a Commerzbank brand, is registered as an open-ended investment entity in the form of a SICAV. It serves as the umbrella fund for ComStage ETFs. ComStage ETFs are sub-funds under Luxembourg law that are 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. Commerzbank holds units in individual mutual funds and ETFs in order to ensure a liquid market or supports new fund launches with a seed money contribution.
- 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. 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 the issue of asset-backed securities and liquidity lines. Default risk is covered by external bad debt insurance as well as existing over-hedging.
- 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 structured entities
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous special-purpose company is established in which the Commerz Real Group is a majority or minority stakeholder. As a financial services company, the Commerz

Real Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group. The core business of the Commerz Real Group does, however, include administration related to the structured entities.

- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former Portfolio Restructuring Unit (PRU), 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 Solutions & Structured Finance (AS&SF) and structured transactions in connection with credit derivatives transactions. AS&SF 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 Finance is on structuring and distributing financing and investment solutions for corporate customers and financial institutions. Structured Asset Solutions 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 securitis-ations and securitisation platform	CFS fund business	Hedge-funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2018	**11,301**	**2,266**	**134**	**169**	**425**	**1,145**	**332**
Financial assets – Amortised Cost	7,325	2,264	–	68	410	2	274
Financial assets – Available for Sale	3,805	–	–	–	–	57	42
Financial assets – Mandatorily Fair Value P&L	167	–	–	–	13	860	0
Financial assets – Held for Trading	3	1	134	101	2	226	16
Other assets	–	–	–	–	–	–	–
Liabilities as at 31.12.2018	**–**	**1,065**	**15**	**15**	**43**	**0**	**27**
Financial liabilities – Amortised Cost	–	1,063	13	15	43	–	2
Financial liabilities – Fair Value Option	–	–	–	–	–	–	0
Other liabilities	–	2	2	–	–	0	25
Income and expenses from 1.1.–31.12.2018							
Net interest income after risk result	209	−52	−1	–	24	45	9
Net commission income	–	3	0	–	7	0	1
Net income from financial assets and liabilities at fair value through profit or loss and other profit or loss from financial instruments	6	14	−4	2	−2	4	−10
Other net income	–	–	–	–	−2	−1	–
Maximum exposure to loss as at 31.12.2018							
Assets	11,301	2,266	134	169	425	1,145	332
Lending commitments	–	2,451	–	–	–	–	128
Guarantees	–	16	–	–	0	–	–
Extent[1]	**64,835**	**4,265**	**11,080**	**169**	**2,895**	**1,145**	**200,532**

[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 securitisations and securitisation platform	CFS fund business	Hedge-funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2017	**7,073**	**1,380**	**108**	**235**	**458**	**1,226**	**223**
Financial assets – Loans and Receivables	–	1,358	5	0	451	0	84
Financial assets – Available for Sale	7,073	17	–	24	4	183	98
Financial assets – Held for Trading	–	5	103	211	3	943	40
Other assets	–	0	–	–	–	100	0
Liabilities as at 31.12.2017	**–**	**1,058**	**24**	**0**	**28**	**0**	**30**
Financial liabilities – Amortised Cost	–	112	1	–	28	–	2
Financial liabilities – Held for Trading	–	0	23	–	–	0	28
Other liabilities	–	946	–	0	–	0	0
Income and expenses from 1.1.–31.12.2017							
Net interest income after risk result	82	–47	–5	–	15	59	5
Net commission income	–	4	0	–	7	0	0
Net income from financial assets and liabilities at fair value through profit or loss and other profit or loss from financial instruments	5	–37	618	18	–1	59	–24
Other net income	–	–	–	–	–1	30	–
Maximum exposure to loss as at 31.12.2017							
Assets	7,073	1,380	108	235	458	1,226	223
Lending commitments	–	2,565	–	–	–	–	106
Guarantees	–	16	–	–	0	–	–
Extent[1]	**68,450**	**5,450**	**10,634**	**235**	**3,003**	**1,073**	**40,766**

[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 2018 the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €–16m (previous year: €625m). The negative result arose from a one-off interest expense of €70m from the "own securitisations" cluster. The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €2,871m (previous year: €2,046m).

(76) 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Attributable to non-controlling interests				
Capital (%)	31	31	18	18
Voting rights (%)	31	31	18	18
Consolidated profit or loss (€m)	67	63	9	13
Equity (€m)	960	937	113	113
Dividend paid on shares (in €m)	16	–	6	6
Assets (€m) [1]	9,793	9,111	4,773	4,085
Liabilities (€m) [1]	8,749	8,091	4,660	3,971
Profit or Loss (€m) [1]	75	74	9	13
Other comprehensive income (€m) [1]	–19	–58	0	5
Total comprehensive income (€m) [1]	57	17	9	17
Cash flows (€m) [1]	101	–159	–24	48

[1] Before elimination of intragroup-transactions.

(77) 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
comdirect bank Aktiengesellschaft	Quickborn
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

(78) 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 in 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	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	56.0	3.0	
ABORONUM Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	SOFDL	0.0	85.0	EUR	0	2.0	
Asekum Sp. z o.o.	Warsaw, Poland	SOUNT	100.0		PLN	0	–	
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	3,825.0	–	a)
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	269,364.0	–	a) b)
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	24.0	236.0	
BDH Development Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	90,557.0	–1,416.0	
Bridge Re Limited	Hamilton, Bermuda	SOFDL	100.0		USD	620.0	–60.0	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	2,137.0	–	a) b)
CBG Commerz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0		EUR	0	–	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0		EUR	15,097.0	17,747.0	
CERI International Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	50,878.0	15,599.0	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	26.0	–	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	KREDI	82.3		EUR	567,340.0	71,544.0	
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo, Brazil	KREDI	100.0		BRL	239,120.0	–11,135.0	
Commerz Bankenholding Nova GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	982,707.0	–	a) b)
Commerzbank (Eurasija) AO	Moscow, Russia	KREDI	100.0		RUB	10,811,457.0	1,347,035.0	
Commerzbank Finance 3 S.à r.l.	Luxembourg, Luxembourg	SOUNT	100.0		EUR	752.0	–20.0	
Commerzbank Finance BV	Amsterdam-Zuidoost, Netherlands	SOFDL	100.0		EUR	1,127.0	–77.0	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	KREDI	100.0		EUR	2,131,063.0	–83,644.0	
Commerzbank Finance Limited	London, United Kingdom	SOFDL	100.0		GBP	343,964.0	81,838.0	
Commerzbank Holdings France	Paris, France	SOFDL	100.0		EUR	40,523.0	–1,608.0	
Commerzbank Holdings (UK) Limited	London, United Kingdom	SOFDL	100.0		GBP	15,889.0	154.0	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	462,597.0	–	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	
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	732,578.0	–	a) b)
Commerzbank Leasing 6 S.à r.l.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	95.0	−2.0	
Commerzbank Leasing December (1) Limited	London, United Kingdom	SOFDL	100.0		GBP	317.0	−2.0	
Commerzbank Leasing December (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	−34.0	300.0	
Commerzbank Leasing Holdings Limited	London, United Kingdom	SOFDL	100.0		GBP	1,197.0	47.0	
Commerzbank Leasing Limited	London, United Kingdom	SOFDL	100.0		GBP	23.0	3.0	
Commerzbank Leasing March (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	−3.0	17.0	
Commerzbank Leasing September (5) Limited	London, United Kingdom	SOFDL	100.0		GBP	−22.0	49.0	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	341.0	11.0	
Commerzbank Zrt.	Budapest, Hungary	KREDI	100.0		HUF	27,296,000.0	561,000.0	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	164.0	–	a) b)
Commerz Direktservice GmbH	Duisburg, Germany	SOUNT	100.0		EUR	1,205.0	–	a)
Commerz (East Asia) Limited	Hong Kong, Hongkong	SOFDL	100.0		EUR	4,633.0	−211.0	
CommerzFactoring GmbH	Mainz, Germany	SOFDL	50.1		EUR	1,099.0	–	a)
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	BETGE	100.0		EUR	12,368.0	5,418.0	
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	90.0		EUR	14,500.0	772.0	
Commerz Markets LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	203,876.0	10,019.0	
Commerz Pearl Limited	London, United Kingdom	SOFDL	100.0		GBP	20.0	−2.0	
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	21,958.0	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	BETGE	100.0		EUR	5,000.0	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	5,385.0	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	26.0	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hongkong	SOFDL	100.0		EUR	1,115.0	−84.0	
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	SOUNT	100.0		EUR	435.0	–	a) b)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	15,979.0	–	a) b)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	99.5		EUR	32,560.0	−27.0	b)
CommerzVentures GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	35,420.0	−1,964.0	b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
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	–	4) a) b)
ComTS West GmbH	Hamm, Germany	SOUNT	100.0		EUR	1,256.0	–	a) b)
Dresdner Capital LLC I	Wilmington, Delaware, USA	SOFDL	100.0		USD	1,831.0	42.0	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	SOFDL	100.0		JPY	18,528.0	−43.0	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	101,477.0	−82,785.0	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	SOFDL	100.0		EUR	32,109.0	–	a) b)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG	Düsseldorf, Germany	SOUNT	0.1	0.3	EUR	−1,517.0	1,134.0	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	SOUNT	6.0	7.0	EUR	−903.0	143.0	c)
Dr. Gubelt Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	SOUNT	8.1	65.0	EUR	−3,107.0	1,193.0	c)
Dr. Gubelt Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	SOUNT	100.0		EUR	−1,009.0	306.0	
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	25.0	–	a) b)
Entertainment Asset Holdings C.V.	Amsterdam-Zuidoost, Netherlands	SOUNT	58.2		EUR	200.0	38.0	
Entertainment Asset Holdings GP B.V.	Amsterdam-Zuidoost, Netherlands	SOUNT	100.0		EUR	1.0	–	
Eschborn Capital LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	7,318.0	54.0	
European Bank for Financial Services GmbH (ebase)	Aschheim, Germany	KREDI	100.0		EUR	26,800.0	–	a)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	26.0	–	a) b)
Film Library Holdings LLC	Wilmington, Delaware, USA	SOUNT	51.0		USD	11,389.0	5,970.0	
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	31.0	−92.0	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	SOFDL	99.0	0.0	PLN	223,416.0	−3,011.0	
Garbary Sp. z o.o.	Poznan, Poland	SOUNT	100.0		PLN	45,027.0	−34,502.0	
Greene Elm Trading II LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	15,344.0	163.0	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	15,383.0	−1.0	
Greene Elm Trading VI LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	11,926.0	119.0	
Greene Elm Trading V LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	9,801.0	110.0	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Gresham Leasing March (2) Limited	London, United Kingdom	SOFDL	100.0		GBP	4.0	13.0	
Kira Vermögensverwaltungsgesellschaft 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	20,738.0	8,192.0	b)
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2		EUR	22,541.0	16,742.0	b)
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	19,034.0	8,543.0	b)
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2	77.3	EUR	17,223.0	15,755.0	b)
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	73.9		EUR	36,120.0	13,724.0	b)
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	20,197.0	15,815.0	b)
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	20,810.0	8,394.0	b)
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	SOUNT	100.0		EUR	37,067.0	–	a) b)
Main Incubator GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	7,872.0	–	a) b)
mBank Hipoteczny S.A.	Warsaw, Poland	KREDI	100.0		PLN	1,028,572.0	27,829.0	
mBank S.A.	Warsaw, Poland	KREDI	69.3		PLN	13,197,857.0	1,089,704.0	
mCentrum Operacji Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	28,944.0	6,341.0	
MERKUR Grundstücks GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	1,939.0	–	a)
mFaktoring S.A.	Warsaw, Poland	SOFDL	100.0		PLN	72,395.0	12,081.0	
mFinance France S.A.	Paris, France	SOFDL	100.0		EUR	529.0	–290.0	
mFinanse S.A.	Lódz, Poland	SOUNT	100.0		PLN	154,710.0	114,051.0	
mLeasing Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	333,201.0	48,577.0	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	25.0		EUR	760.0	8,146.0	c)
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	SOFDL	100.0		EUR	32,123.0	53,745.0	b)
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	11,176.0	–	a)
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	SOUNT	85.0	93.0	EUR	5,541.0	3,977.0	c)
OnVista Aktiengesellschaft	Frankfurt/Main, Germany	SOUNT	100.0		EUR	33,094.0	6,862.0	
onvista media GmbH	Cologne, Germany	SOUNT	100.0		EUR	912.0	167.0	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	SOFDL	100.0		EUR	933.0	1.0	
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	541.0	–6,152.0	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	22,778.0	–	a) b)
Twins Financing LLC	Dover, Delaware, USA	SOUNT	100.0	60.0	USD	1,937.0	8,421.0	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	SOFDL	100.0		EUR	–25,516.0	–6,491.0	

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) %
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	
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	
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	
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	
ABELLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ABODA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, 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		c)
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ACONITA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany		c)
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	
Actium Leasobjekt Gesellschaft mbH	Frankfurt/Main, 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	50.0	
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	
ADORA 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	

Name	Registered office	Share of capital held %	Voting rights (where different) %
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	
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	
ALVINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ALWIGA Netzbeteiligungen GmbH	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	
AMOJA Netzbesitz GmbH & Co. Objekt Scholven KG	Düsseldorf, Germany	100.0	
AMOJA Netzbeteiligungs-GmbH & Co. Objekt Gelsenkirchen KG	Düsseldorf, Germany	100.0	
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
AMTERA 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 GmbH & Co. GESCHLOSSENE INVESTMENT KG	Düsseldorf, Germany	100.0	
ANET Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	
APTEMUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	
ARAUNA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	

Name	Registered office	Share of capital held %	Voting rights (where different) %	
AREBA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARIBELLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Ariondaz SAS	Paris, France	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)
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVANTLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Avantlux S.à r.l.	Luxembourg, Luxembourg	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
Avestlux S.à r.l.	Luxembourg, Luxembourg	100.0		
AVIO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AVOLO Flugzeugleasinggesellschaft mbH	Karlsruhe, Germany	100.0		
AWINTO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
BENE Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		c)
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.0	19.0	
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt/Main, Germany	100.0		
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0		
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0		
BONITAS Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG	Düsseldorf, Germany		51.0	c)
Bot4Business Sp. z o.o.	Warsaw, Poland			
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main, Germany	100.0		
CCR Courtage	Paris, France	100.0		
Centrum Bezpieczenstwa Cyfrowego S.A.	Warsaw, Poland			1)
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	100.0		a)
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		
CG Japan GmbH	Wiesbaden, Germany	100.0		
CIMONUSA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
CIV GmbH Beta	Frankfurt/Main, 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		
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0		
Commerzbank Auslandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0		2) a) b)
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0		
Commerzbank Investments (UK) 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 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		
Commerz Building and Management GmbH	Essen, Germany	100.0		a)
Commerz Equipment Leasing Limited	London, United Kingdom	100.0		
Commerz GOA Realty Associates LLC	Wilmington, Delaware, USA	49.0	50.0	c)
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0		
CommerzKommunalbau GmbH i.L.	Düsseldorf, Germany	100.0		3)
Commerz Kreditbearbeitung GmbH	Duisburg, Germany	100.0		
CommerzLeasing Anlagen-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
CommerzLeasing GmbH	Düsseldorf, Germany	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, Hongkong	100.0		
Commerz Real Asset Structuring GmbH	Düsseldorf, Germany	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	22.9	23.0	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	100.0		
Commerz Real North Ltd.	London, United Kingdom	100.0		
Commerz Real Southern Europe GmbH	Wiesbaden, Germany	100.0		
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	100.0		
Commerz Real West BV	Amstelveen, Netherlands	100.0		
Commerz Real Western Europe GmbH i.L.	Wiesbaden, Germany	100.0		
CommerzStiftungsTreuhand GmbH	Frankfurt/Main, Germany	100.0		
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
CommerzTrust GmbH	Frankfurt/Main, Germany	100.0		
CommerzVentures Beteiligungsverwaltungs GmbH	Frankfurt/Main, Germany	100.0		
COMUNITHY Immobilien GmbH	Düsseldorf, Germany	51.0		
Copernicus Germany GmbH	Frankfurt/Main, Germany	100.0		a)
Crédito Germánico S.A.	Montevideo, Uruguay	100.0		
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden, Germany	100.0		
CR KaiserKarree Holding	Luxembourg, Luxembourg	100.0		
CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg, South Africa	100.0		
CSK Sp. z o.o.	Lódz, Poland	100.0		
DAUNUS Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0		
Digital Teammates S.A.	Warsaw, Poland			5)
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG	Grünwald, Germany	6.0	2.0	c)
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELOBA Grundstücks-Vermietungsgesellschaft & Co. Objekt Gevelsberg KG	Grünwald, Germany	6.0	5.0	c)
DRELOBA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRESANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		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	50.0		c)
Dr. Gubelt Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Potsdam Alte Wache KG i.L.	Düsseldorf, Germany		0.4	c)
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH	Düsseldorf, Germany	100.0		
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0		
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		a)
EuREAM GmbH	Wiesbaden, Germany	100.0		
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	50.0	50.0	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			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
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			c)
GRALIDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRAMINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLDISCUS Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.	Grünwald, Germany	94.0	40.0	c)
GRASSANO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAVIATION Flugzeug-Vermietungsgesellschaft mbH i.L.	Grünwald, Germany			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	50.0		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 (3) Limited	London, United Kingdom	70.0		
GRETANA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRILISA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRINA Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		
GRONDOLA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hanover EXPOPark KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hanover Hauptbetrieb KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Grünwald, Germany	0.6	5.0	c)
GROTEGA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMENTO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMOSA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUNATA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
HAJOBANTA GmbH	Düsseldorf, Germany	100.0		
HAJOBURGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
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		
Hamudi S.A.	Madrid, Spanien	100.0		
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0		
HDW Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
Herradura Ltd	London, United Kingdom	100.0		
HIMUS Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Histel Beteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prag, Czech Republic	100.0		
Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH i.L.	Eschborn, Germany	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		
Japanturm Betriebsgesellschaft mbH i.L.	Wiesbaden, Germany	100.0		
KENSTONE GmbH	Eschborn, Germany	100.0		a)
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Erfurt, Germany			c)
LOUISENA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
LOUISENA Vermietungsgesellschaft mbH & Co. Objekt Königstein KG	Grünwald, Germany			c)
LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Berlin, Germany			c)
MARBARDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBINO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf, Germany	100.0	50.0	c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf, Germany	100.0	50.0	c)
MARIUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARLINTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MAROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
Marseille Shipping Limited	Monrovia, Liberia	100.0		
Marylebone Commercial Finance (2)	London, United Kingdom	100.0		
Max Lease S.à r.l.	Luxembourg, Luxembourg	100.0		
mBOX Sp. z o.o.	Warsaw, Poland	100.0		
mCorporate Finance S.A.	Warsaw, Poland	100.0		
mElements S.A.	Warsaw, Poland	100.0		7)
MOLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANCONA Vermietungsgesellschaft mbH	倦 üsseldorf, Germany	50.0		c)
MOLANDA Vermietungsgesellschaft mbH	Munich, Germany			c)
MOLANGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLANKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLANZIO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARELLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAREZZO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARISA Vermögensverwaltung mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG i.L.	Düsseldorf, Germany	100.0	49.0	c)
MOLARIS Geschäftsführungs GmbH	Düsseldorf, Germany			c)
MOLARIS Grundstücksverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Immobilienverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Managementgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Objektverwaltung GmbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG	Düsseldorf, Germany	1.0	2.0	c)
MOLARONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAROSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLASSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLATHINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAMBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLBERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBERNO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
MOLBOLLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLBRIENZA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBURGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCAMPO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCOCO Vermietungsgesellschaft mbH	Düsseldorf , Germany			c)
MOLCORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Lünen KG	Düsseldorf, Germany			c)
MOLDESKA Vermietungsgesellschaft mbH & Co. Objekt Mallersdorf KG	Düsseldorf, Germany			c)
MOLDICMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDOMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLEMPA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLENDRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLETUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFENNA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFINO Vermietungsgesellschaft mbH i.L.	Berlin, Germany			c)
MOLFOKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFRIEDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFUNDA Vermietungsgesellschaft mbH	Berlin, Germany			c)
MOLGABA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLGEDI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGEKA Vermietungsgesellschaft mbH	Meerbusch, Germany			c)
MOLGERBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGERO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLHABIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGELA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGO Vermietungsgesellschaft mbH	Rostock, Germany			c)
MOLISTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLITA Vermietungsgesellschaft mbH	Hanover, Germany			c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG	Düsseldorf, Germany			c)
MOLKIRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKRIMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMARTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMELFI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMIRA VermietungsgesellscHFT mbH	Düsseldorf, Germany			c)
MOLNERA Vermietungsgesellschaft mbH	Berlin, Germany			c)
MOLOTA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
MOLPANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPETTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLPURA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRAWIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRESTIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRISTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRITA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRONDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLROSSI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSCHORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSIWA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSOLA Vermietungsgesellschaft mbH	Grünwald, Germany			c)
MOLSTEFFA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSTINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLTANDO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTERAMO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTIVOLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLUGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVANI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINCA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVORRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG	Düsseldorf, Germany	1.0	2.0	c)
MOLWANKUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG	Düsseldorf, Germany	1.0	2.0	c)
MONATA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MONEA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MORANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
mServices Sp. z o.o.	Lódz, Poland	100.0		8)
MS "PUCCINI" Verwaltungsgesellschaft mbH	Frankfurt/Main, Germany	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		
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG i.L.	Hamburg, Germany	93.6	93.7	
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
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		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITA 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	10.0	15.0	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	70.0		
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	90.0	65.0	
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG	Düsseldorf, Germany	–	50.0	c)
NOSCO Grundstücks-Vermietungsgesellschaft mbH	Mainz, 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	–	50.0	c)
openspace GmbH	Berlin, Germany	100.0		
OPTIO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schönborn KG	Düsseldorf, Germany			c)
OPTIONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
ORNATUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		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			c)
PATULA Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.0		
Pisces Nominees Limited	London, United Kingdom	100.0		
Projekt CH Lodz Sp. z o.o.	Warsaw, Poland	95.5		
Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
quatron Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			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		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
REGALIS Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany			c)
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RIVALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
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	–	50.0	c)
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt ISF Sindlingen KG	Düsseldorf, Germany	–	50.0	c)
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Veldhoven KG	Düsseldorf, Germany	100.0	50.0	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	Frankfurt/Main, Germany			c)
Smart Living Immobiliengesellschaft mbH	Düsseldorf, Germany	100.0		
SOLTRX Transaction Services GmbH	Düsseldorf, Germany	100.0		a)
TALORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TAMOLDINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
TASKABANA erste Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany			c)
TIGNARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG	Düsseldorf, Germany		50.0	c)
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Kleve KG	Düsseldorf, Germany	1.0	50.0	c)
TIGNARIS Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TIGNATO Beteiligungsgesellschaft mbH i.L.	Eschborn, Germany	100.0		
TOULON NOVA Shipping Limited	Monrovia, Liberia	100.0		
T-Rex Baugesellschaft mbH	Wiesbaden, Germany	100.0		
T-Rex Verwaltungs GmbH	Wiesbaden, Germany	100.0		
Urban Invest Holding GmbH i.L.	Eschborn, Germany	100.0		
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0		
VM Offshore Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		9)
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 Rayerschied Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Schenkendöbern Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Schöneseiffen Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Sien Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Spechenwald Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Streu & Saale Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Wustermark Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windsor Asset Management GP Ltd.	Toronto, Ontario, Canada	75.0	0.0	c)
Windsor Canada Verwaltungsgesellschaft mbH	Düsseldorf, Germany			c)

2. Associated companies

a) Associated companies in the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6		EUR	234,632	4,100	
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0		EUR	87,170	9,900	
CR Hotel Target Pty Ltd	Sydney, NSW , Australia	50.0		AUD	25,326	–3,804	
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0		USD	68,686	10,478	
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8		EUR	13,233	1,810	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0		EUR	29,249	7,707	c)

b) Associated companies in the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %	
AF Eigenkapitalfonds für deutschen Mittelstand GmbH & Co. KG	Munich, Germany	47.4	47.5	
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	
ASTIRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		
ATISHA Verwaltungsgesellschaft mbH & Co. Objekt Paris KG	Düsseldorf, Germany	50.0		
Film & Entertainment VIP MEDIENFONDS 3 GmbH & Co. KG i.L.	Grünwald, Germany	43.9		
FRAST Beteiligungsgesellschaft mbH	Grünwald, Germany	49.0		
FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG	Grünwald, Germany	–		c)
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v.d.Höhe, Germany	24.8	28.8	
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	
MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG i.L.	Düsseldorf, Germany	21.0		
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG	Düsseldorf, Germany	6.0	31.0	
MS "Meta" Stefan Patjens GmbH & Co. KG i. L.	Drochtersen, Germany	30.6		
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen	Düsseldorf, Germany	–	50.0	
NOSSIA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Pöcking, Germany	2.5	25.0	
Pinova GmbH & Co. Erste Beteiligungs KG	Munich, Germany	40.0		
PRUNA Betreiber GmbH	Grünwald, Germany	51.0		
Rendite Partner Gesellschaft für Vermögensverwaltung mbH i. L.	Frankfurt/Main, Germany	33.3		
ROSCAs UG (haftungsbeschränkt)	Frankfurt/Main, Germany	25.0		
SUEZ Immobilia GmbH & Co. KG	Cologne, Germany	5.1	50.0	

3. Joint ventures

a) Joint ventures in the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000
Delphi I LLC	Wilmington, Delaware, USA	33.3		EUR	434,402	−119,230
FV Holding S.A.	Bruxelles, Belgium	60.0		EUR	1,223	−35

b) Joint ventures in the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %
Bonitos Verwaltungs GmbH i.L.	Frankfurt/Main, Germany	50.0	50.0
NULUX NUKEM LUXEMBOURG GmbH	Luxembourg, Luxembourg	49.5	49.5

4. Structured entities

a) Structured entities included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000
Agate Assets S.A. S014	Luxembourg, Luxembourg	FK			EUR	41.0
Borromeo Finance S.r.l.	Milan, Italy	FK			EUR	16,582.0
Bosphorus Capital DAC	Dublin, Ireland	FK			EUR	75.0
Bosphorus Investments DAC	Dublin, Ireland	FK			EUR	12.0
CoCo Finance II–2 DAC	Dublin, Ireland	PUK			EUR	12.0
Justine Capital SRL	Milan, Italy	FK			EUR	−4,351.0
Liffey Emerald Limited	Dublin, Ireland	FK			EUR	57.0
Plymouth Capital Limited	St. Helier, Jersey	FK			GBP	–
Thames SPC	Grand Cayman, Cayman Islands	FK			GBP	2.0

b) Structured entitites not included in the Group financial statements 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	
HSC Life Policy Pooling S.À R.L.	Luxembourg, Luxembourg	FK	
LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG i.L.	Grünwald, Germany	SuK	6)
MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG i.L.	Grünwald, Germany	SuK	b)

5. Investment funds

a) Investment funds included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of investor to fund %	Currency	Fundvolume 1,000
CDBS-Cofonds	Frankfurt/Main, Germany	PUK	100.0	EUR	142,530
CDBS-Cofonds II	Frankfurt/Main, Germany	PUK	100.0	EUR	96,534
CDBS-Cofonds III	Frankfurt/Main, Germany	PUK	100.0	EUR	132,441
CDBS-Cofonds IV	Frankfurt/Main, Germany	PUK	100.0	EUR	132,820
CDBS-Cofonds V	Frankfurt/Main, Germany	PUK	100.0	EUR	109,138
Green Loan Fund I	Luxembourg, Luxembourg	PUK	100.0	EUR	62,380
Olympic Investment Fund II	Grevenmacher, Luxembourg	FK	98.1	EUR	2,456,656
Premium Management Immobilien-Anlagen	Frankfurt/Main, Germany	PUK	98.6	EUR	92,772
VFM Mutual Fund AG & Co. KG	Gamprin-Bendern, Liechtenstein	FK	63.5	CHF	402,741

b) Investment funds not included in the Group financial statements pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment
Commerzbank CCBI RQFII Money Market UCITS ETF B	London, United Kingdom	FK
Commerzbank CCBI RQFII Money Market UCITS ETF C	London, United Kingdom	FK
Commerzbank Flexible Volatility Strategy Fund II EUR	Luxembourg, Luxembourg	FK
Commerzbank Flexible Volatility Strategy Fund I USD	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus I	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus II	Luxembourg, Luxembourg	FK
ComStage CBK 10Y US-Treasury Future Short UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CBK 10Y US-Treasury Future UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CBK U.S. Treasury Bond Future Double Short TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage Commerzbank Bund-Future Leveraged UCITS ETF	Luxembourg, Luxembourg	FK
ComStage Commerzbank Bund-Future UCITS ETF	Luxembourg, Luxembourg	FK
ComStage EURO STOXX 50® UCITS ETF	Luxembourg, Luxembourg	FK
ComStage FTSE 100 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped Overall UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 15+ UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 10+ UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 1-5 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 5-10 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Italy UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Japan 100 % Daily Hedged Euro UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Taiwan UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Media UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Retail UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Telecommunications UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Travel & Leisure UCITS ETF	Luxembourg, Luxembourg	FK
ComStage Vermögensstrategie Defensiv ETF	Frankfurt/Main, Germany	FK
ComStage Vermögensstrategie Offensiv ETF	Frankfurt/Main, Germany	FK

6. Investments in large corporations where the investment exceeds 5% of the voting rights

Name	Registered office	Share of capital held %	Voting rights (where different) %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main, Germany	13.9	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen, Germany	7.1	
SCHUFA Holding AG	Wiesbaden, Germany	18.6	

Footnotes	
1)	Renamed: from Libitina S.A. to Centrum Bezpieczenstwa Cyfrowego S.A.
2)	Renamed: from Commerzbank Auslandsbanken Holding AG to Commerzbank Auslandsbanken Holding GmbH
3)	Renamed: from CommerzKommunalbau GmbH to CommerzKommunalbau GmbH i.L.
4)	Renamed: from ComTS Kredit GmbH to ComTS Rhein-Ruhr GmbH
5)	Renamed: from Feronia S.A. to Digital Teammates S.A.
6)	Renamed: from LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG to LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG i.L.
7)	Renamed: from Falest Investments S.A. to mElements S.A.
8)	Renamed: from Devizes Sp. z o.o. to mServices Sp. z o.o.
9)	Renamed: from GRUMONA Vermietungsgesellschaft mbH to VM Offshore Beteiligungsgesellschaft mbH

Comments and explanations	
a)	Control and profit transfer agreement.
b)	No disclosures 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
KAFOG	Investment- and Funds-Companies
KREDI	Banks
SOFDL	Other Financial Institutions
SOUNT	Other Companies
VERSI	Insurance Companies
ACR	Asset & Capital Recovery
FK	Corporate Clients
PUK	Private and Small-Business Customers
SuK	Others and Consolidation

Foreign exchange rates for €1 as at 31 December 2018		
Australia	AUD	1.6220
Brazil	BRL	4.4440
United Kingdom	GBP	0.8945
Japan	JPY	125.8500
Poland	PLN	4.3014
Russia	RUB	79.7153
Switzerland	CHF	1.1269
Hungary	HUF	320.9800
USA	USD	1.1450

Report on events after the reporting period

There have been no events of particular significance since the end of the reporting period.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. Stefan Schmittmann
(since 8.5.2018)
Chairman

Klaus-Peter Müller
(until 8.5.2018)
Chairman

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Hans-Hermann Altenschmidt[1]
(until 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
(since 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstandsbank Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former Member of the Management
Board of BP Europa SE

Monika Fink[1]
(since 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Karl-Heinz Flöther
(until 8.5.2018)
Independent management consultant

Dr. Tobias Guldimann
Independent consultant in the financial sector

Dr. Rainer Hillebrand
(since 8.5.2018)
Dep. Chairman of the Management Board
of Otto Group

Christian Höhn[1]
(since 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Stefan Jennes[1]
(until 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
(since 8.5.2018)
Divisional Head Co-determination
ver.di Bundesverwaltung

Dr. Markus Kerber
State Secretary in the Federal Ministry of
the Interior, Building and Community

Alexandra Krieger[1]
Head Business Administration
/Corporte Strategy Industrial Union
Mining, Chemical and Energy

Oliver Leiberich[1]
(until 8.5.2018)
Banking professional
Commerzbank Aktiengesellschaft

Dr. Stefan Lippe
(until 8.5.2018)
Former President of the
Company Management of Swiss Re AG

Beate Mensch[1]
(until 8.5.2018)
Trade Union Secretary
ver.di Region of the Federal State Hessen
(Vereinte Dienstleistungsgewerkschaft ver.di)
Organisational development

Anja Mikus
CEO/CIO of the "Fund for the Financing of
Nuclear Waste Disposal" foundation
under public law

Dr. Victoria Ossadnik
(since 8.5.2018)
Chief Executive Officer
EON Energie Deutschland GmbH

Dr. Helmut Perlet
(until 8.5.2018)
Chairman of the Supervisory Board of
GEA GROUP AG

Mark Roach[1]
(until 8.5.2018)
Trade Union Secretary
ver.di-Bundesverwaltung

Robin J. Stalker
(since 8.5.2018)
Former Member of the Management
Board of adidas AG

Nicholas Teller
Chairman of the Advisory Board of
E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell
Former Member of the Executive Board
of the European Central Bank

Stefan Wittmann[1]
Trade Union Secretary
ver.di National Administration

Klaus-Peter Müller
(since 8.5.2018)
Honorary Chairman

Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Frank Annuscheit
(until 28.2.2019)

Dr. Marcus Chromik

Stephan Engels

Jörg Hessenmüller
(since 15.1.2019)

Michael Mandel

Dr. Bettina Orlopp

Michael Reuther

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/Main, 1 March 2019
The Board of Managing Directors

Martin Zielke

Marcus Chromik

Stephan Engels

Jörg Hessenmüller

Michael Mandel

Bettina Orlopp

Michael Reuther

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 2018, and the balance sheet as at 31 December 2018, statement of changes in equity and cash flow statement for the financial year from 1 January to 31 December 2018, 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 2018. In accordance with the German legal requirements, we have not audited the content of the parts specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying 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 ["Handelsgesetzbuch": German Commercial Code] 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 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, 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 parts of the management report specified in the "Other information" section.

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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. 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 derivatives classified in level 3 of the fair value hierarchy in the ACR run-off portfolio

Reasons why the matter was determined to be a key audit matter

The Bank's ACR run-off segment contains a significant portfolio of illiquid financial instruments as of 31 December 2018. The derivatives classified in level 3 of the fair value hierarchy are mainly OTC credit derivatives referencing debt securities issued for British infrastructure projects, and other OTC derivatives.

Fair value measurement of these derivatives is subject to judgment, especially as a result of estimation uncertainty regarding the relevant parameters for model-based valuation. Significant parameters are the probabilities of default by the issuers of the debt securities and the probability of occurrence of the credit event under the credit derivatives as well as the probability of default by the derivative counterparties. The probabilities of default are derived from credit spreads and security prices. Changes in the assumptions regarding these parameters can cause fair values to diverge significantly.

Given the judgment involved, we consider the measurement of derivatives classified in level 3 of the fair value hierarchy in the ACR run-off portfolio to be a key audit matter.

Auditor's response

We obtained an understanding of the method underlying the valuation model used by the Bank and examined it for conformity with the requirements of IFRS 13.

We assessed the design and operating effectiveness of the internal control system, especially with regard to price verification that is independent of the front office, for selected controls used for validating the calculation of the fair values of the derivatives classified as level 3 in the ACR run-off segment.

We performed substantive procedures to assess, on a sample basis, the arithmetical accuracy of the fair value calculations and the appropriateness of the parameters used.

Specialists with particular expertise in the field of mathematical finance were used during the audit.

Our procedures did not lead to any reservations relating to the measurement of the derivatives classified in level 3 of the fair value hierarchy in the ACR run-off portfolio.

Reference to related disclosures

Information on the measurement of derivatives classified in level 3 of the fair value hierarchy in the ACR run-off portfolio is provided in Notes 34, 35 and 40 of the notes to the IFRS consolidated financial statements.

2. Application of the SPPI criterion to (non-recourse) loans in the IFRS 9 opening balance sheet

Reasons why the matter was determined to be a key audit matter

When applying IFRS 9 for the first time, the SPPI criterion can be decisive for determining whether a debt instrument may be measured at amortized cost. IFRS 9 contains specific rules on the assessment of non-recourse loans that are very much open to interpretation and thus offer scope for the use of judgment in making accounting decisions. The identification of non-recourse loans for the first-time application of IFRS 9 is complex.

Given the scope for judgment in connection with the first-time application of IFRS 9, we consider the application of the SPPI criterion to (non-recourse) loans in the IFRS 9 opening balance sheet to be a key audit matter.

Auditor's response

We examined the internal accounting rules of Commerzbank regarding the application of the SPPI criterion to non-recourse loans for conformity with the requirements of IFRS 9.

We assessed the design and operating effectiveness of selected relevant controls over the identification and assessment of non-recourse loans.

We also performed substantive procedures on a sample basis. In order to audit the proper identification of non-recourse loans, our sample included in particular loan agreements from portfolios that typically contain non-recourse loans. We tested the agreements governing the non-recourse loans included in our sample for those criteria that would lead to non-fulfillment of the SPPI criterion under IFRS 9.

Our procedures did not lead to any reservations relating to the application of the SPPI criterion to (non-recourse) loans in the IFRS 9 opening balance sheet.

Reference to related disclosures

Information on the application of the SPPI criterion in the IFRS 9 opening balance sheet is provided in Notes 2 and 5 of the notes to the IFRS consolidated financial statements.

3. Measurement of ship financing and promissory note loans to British public-sector bodies in the IFRS 9 opening balance sheet as at 1 January 2018 and as at 31 December 2018

Reasons why the matter was determined to be a key audit matter

For the first-time application of IFRS 9 as of 1 January 2018, the ship financing and the promissory note loans to British public-sector bodies were allocated to the "residual" business model. As a result, these items have been measured at fair value through profit or loss since 1 January 2018. Both sub-portfolios constitute a significant share of the financial instruments measured at fair value through profit or loss in the ACR run-off segment.

The fair value measurement of ship financing entails judgment with regard to future cash flows, which, depending on the class of ship and type of claim, are derived from the expected sale proceeds or the relevant market expectations (e.g., charter rates). In addition, the discount rates used entail further scope for judgment.

The fair value measurement of the promissory note loans to British public-sector bodies is subject to judgment in particular due to their very long residual terms. Changes in the assumptions can cause fair values to diverge significantly.

Due to the existing scope for judgment, the measurement of ship financing and promissory note loans to British public-sector bodies in the IFRS 9 opening balance sheet as at 1 January 2018 and as at 31 December 2018 was a key audit matter.

Auditor's response

We obtained an understanding of the method underlying the valuation model used by the Bank and examined it for conformity with the requirements of IFRS 13.

We assessed the design and operating effectiveness of selected controls over the calculation of the fair values of the ship financing, for instance by comparing realized sales prices with calculated fair values.

For the ship financing, we assessed, on a sample basis, the appropriateness of the cash flow estimates and discount rates on the basis of data from external analysts and checked the arithmetical accuracy of the fair value calculation. We also compared the sales prices realized in financial year 2018 with the previously calculated fair values.

For the promissory note loans to British public-sector bodies, we assessed the appropriateness of the discount rate used on the basis of data available internally at the Bank and externally and checked the arithmetical accuracy of the fair value calculation.

Specialists with particular expertise in the field of mathematical finance were used during the audit.

Our procedures did not lead to any reservations relating to the measurement of ship financing and promissory note loans to British public-sector bodies in the IFRS 9 opening balance sheet as at 1 January 2018 and as at 31 December 2018.

Reference to related disclosures

Information on the measurement of ship financing and promissory note loans to British public-sector bodies in the IFRS 9 opening balance sheet as at 1 January 2018 and as at 31 December 2018 is provided in Notes 5, 33 and 40 of the notes to the IFRS consolidated financial statements.

4. Calculation of the loss provisions for financial instruments not in default (stage allocation)

Reasons why the matter was determined to be a key audit matter

Financial instruments not in default have been measured in accordance with IFRS 9 for the first time since 1 January 2018. This involves replacing the incurred loss model under IAS 39 with an expected loss model.

Impairments of financial instruments not in default are accounted for in accordance with IFRS 9, depending on the change in credit risk since initial recognition, either at an amount equal to the 12-month expected credit loss (stage 1) or, if there has been a significant increase in credit risk since initial recognition, at an amount equal to the lifetime expected credit loss (stage 2).

In this context, in particular setting the criteria for determining a significant increase in credit risk (allocation to stage 2) is subject to judgment.

Given that the criteria for determining a significant increase in credit risk (hereinafter also referred to as "stage allocation") were set for the first time and given the related scope for judgment and the volume of financial instruments not in default for which loss provisions are to be recognized under IFRS 9, we consider the calculation of the loss provisions for financial instruments not in default (stage allocation) to be a key audit matter.

Auditor's response

To audit the criteria for determining a significant increase in credit risk, we assessed the stage allocation model devised by the Bank and its significant assumptions for financial instruments not in default for their conformity with IFRS 9.

We assessed the design and operating effectiveness of selected controls over stage allocation, in particular the procedures and controls in place for loan origination (determination of the original credit risk) and for loan monitoring (determination of the current credit risk).

We performed substantive analytical procedures based on a data excerpt from significant sub-portfolios, analyzing the original credit risk stored in the relevant data for anomalies. We also obtained an understanding of stage 2 allocation based on quantitative and qualitative criteria. In risk-based samples, we assessed the significant anomalies, in particular in view of the stage allocation.

Our procedures did not lead to any reservations relating to the calculation of the loss provisions for financial instruments not in default (stage allocation).

Reference to related disclosures

Information on the calculation of the loss provisions for financial instruments not in default (stage allocation) is provided in Note 36 of the notes to the IFRS consolidated financial statements.

5. 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 judgment and requires the consideration of objective factors as well as of estimates regarding the future tax income situation and the usability of tax losses.

The IFRS forecasts from the Bank's multi-year plans for 2019 to 2022 form the basis for the assessment of deferred tax assets. Estimates and assumptions regarding future business development that are subject to uncertainty are factored into the multi-year plans. The forecasts are then reconciled with the tax plans, giving due consideration to the requirements of IFRS 12.

Given the scope for judgment, the measurement of deferred tax assets was a key audit matter.

Auditor's response

We assessed the plausibility of the planning assumptions underlying the multi-year plans forming the basis for impairment testing. In doing so, we analyzed the plans for units of the Group that have significant levels of deferred tax assets before impairment losses and netting with deferred tax liabilities. We consulted valuation specialists for this purpose.

We assessed the reconciliation of the forecasts from the multi-year plans 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 tax specialists 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 23 and 56 of the notes to the IFRS consolidated financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following parts of the group management report whose content is unaudited:

- The combined separate non-financial report pursuant to Sec. 289b (3) HGB and Sec. 315b (3) HGB.
- The group declaration on corporate governance pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB.

The other information also comprises the other parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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 judgment and maintain professional skepticism 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

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 3 May 2017. We were engaged by the Supervisory Board on 13 December 2017. 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, 4 March 2019
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner	Marcus Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Further Information

› We inform you here about the seats on mandatory supervisory boards and similar bodies held by members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank. We also inform you here about the result of the review of the combined separate non-financial report as well as about the information on the encumbrance of assets and the quarterly results by segment.

Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Martin Zielke

b) CommerzVentures GmbH[1]

Frank Annuscheit
(until 28 February 2019)

a) BVV Versicherungsverein des Bankgewerbes a.G.
Deputy Chairman

comdirect bank Aktiengesellschaft[1]
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e.V.
Deputy Chairman

Commerz Services Holding GmbH[1]
Chairman
(until 31 January 2019)

Dr. Marcus Chromik

b) mBank S.A.[1]

Stephan Engels

b) CommerzVentures GmbH[1]
Deputy Chairman

EIS Einlagensicherungsbank GmbH
Chairman

mBank S.A.[1]
Deputy Chairman

Jörg Hessenmüller
(since 15 January 2019)

b) Commerz Business Consulting GmbH[1]
Chairman

Commerz Services Holding GmbH[1]
(since 1 February 2019)
Chairman

CommerzVentures GmbH[1]
Chairman

Main Incubator GmbH[1]
Chairman

mBank S.A.[1]

openspace GmbH[1]
Deputy Chairman

Michael Mandel

a) comdirect bank Aktiengesellschaft[1]
Chairman

Commerz Real AG[1]
Deputy Chairman

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman

CommerzVentures GmbH[1]

mBank S.A.[1]

Dr. Bettina Orlopp

a) Commerz Real AG[1]

Michael Reuther

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung

[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

Dr. Stefan Schmittmann
(since 8 May 2018)

a) Commerz Real AG, Eschborn[1]
Chairman

Commerz Real Investment-gesellschaft mbH, Wiesbaden[1]
Chairman

b) HETA Asset Resolution AG, Klagenfurt (Austria)
Deputy Chairman

Klaus-Peter Müller
(until 8 May 2018)

a) Fresenius Management SE, Bad Homburg

Fresenius SE & Co. KgaA, Bad Homburg

b) Parker Hannifin Corporation, Cleveland (USA)

Uwe Tschäge

– –

Hans-Hermann Altenschmidt
(until 8 May 2018)

– –

Heike Anscheit
– –

Alexander Boursanoff
(since 8 May 2018)
– –

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
– –

Sabine U. Dietrich
– –

Monika Fink
(since 8 May 2018)
– –

Karl-Heinz Flöther
(until 8 May 2018)
a) Deutsche Börse AG, Frankfurt/Main

Dr. Tobias Guldimann

b) Edmond de Rothschild Holding S.A., Chambésy (Switzerland)

Edmond de Rothschild (Suisse) S.A., Geneva (Switzerland)

Edmond de Rothschild (Monaco) S.A., Monaco (Principality of Monaco)

Fedafin AG, Widnau (Switzerland)
Chairman

Dr. Rainer Hillebrand
(since 8 May 2018)
a) Hermes Europa GmbH, Hamburg (until 21 June 2018)
b) Vorwerk & Co. KG Wuppertal

Christian Höhn
(since 8 May 2018)
– –

Stefan Jennes
(until 8 May 2018)
– –

Kerstin Jerchel
(since 8 May 2018)
a) Allianz Deutschland AG, Munich

Dr. Markus Kerber

b) Computershare Limited, Melbourne (Australia)
(until 8 June 2018)

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Resource Efficiency GmbH, Essen
(Deputy Chairman)

Oliver Leiberich
(until 8 May 2018)
– –

[1] Group mandate.

Dr. Stefan Lippe
(until 8 May 2018)

b) Acqupart Holding AG, Zug (Switzerland)
Deputy Chairman
AXA S.A., Paris (France)
Celsius Pro AG, Zurich (Switzerland)
Chairman
YES.com AG, Lachen (Switzerland)
Chairman

Beate Mensch
(until 8 May 2018)

a) Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich

Anja Mikus
– –

Dr. Victoria Ossadnik
(since 8 May 2018)

a) Linde AG, Munich
Linde Intermediate Holding AG, Munich
(since 29 October 2018)

b) Linde plc, Guildford (UK)
(since 29 October 2018)

Dr. Helmut Perlet
(until 8 May 2018)

a) GEA GROUP AG, Düsseldorf
Chairman

Mark Roach
(until 8 May 2018)
– –

Robin J. Stalker
(since 8 May 2018)

a) Schaeffler AG, Herzogenaurach
Schmitz Cargobull AG, Horstmar
Deputy Chairman

Nicholas Teller
– –

Dr. Gertrude Tumpel-Gugerell

b) Österreichische Bundesbahnen Holding AG, Vienna (Austria)
(until 9 February 2018)
OMV Aktiengesellschaft, Vienna (Austria)
Vienna Insurance Group AG, Vienna (Austria)

Stefan Wittmann
(since 8 May 2018)
– –

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

Information in accordance with Art. 340a (4) no. 1 of the German Commercial Code (HGB)
as at reporting date: 31 December 2018

Ulrich Coenen
Commerz Direktservice GmbH[1]

Volker Ergler
Stadtwerke Viernheim GmbH

Gerold Fahr
Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick
Borgers SE & Co. KGaA

Sven Gohlke
Bombardier Transportation GmbH

Andrea Habermann
Delta Direkt Lebensversicherung Aktiengesellschaft Munich

Marcus König
N-ERGIE Aktiengesellschaft

VAG Verkehrs-Aktiengesellschaft

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

Christian Rhino
Commerz Direktservice GmbH[1]

Roman Schmidt
Commerz Real AG[1]

Sabine Schmittroth
comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]
Chairman

Commerz Real AG[1]

Dr. Jochen Sutor
Commerz Real AG[1]

Benedikt Winzen

Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

[1] Group mandate.

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the Commerzbank Non-financial Report 2018. The following text is a translation of the original German Independent Assurance Report.

To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the non-financial report of Commerzbank AG according to §§ 340a in conjunction with 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial report of the group according to §§ 340i in conjunction with 315b HGB, consisting of the Combined Separate Non-financial Report as well as the sections "Structure and organisation" and "Objectives and strategy" of the chapter "Basis of the Commerzbank Group" in the Group Management Report being incorporated by reference, for the reporting period from 1 January 2018 to 31 December 2018 (hereafter non-financial report). Our engagement did not include any disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 340a in conjunction with 289c to 289e HGB and §§ 340i in conjunction with 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 §§ 340a in conjunction with 289c to 289e HGB and §§ 340i in conjunction with 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 between December 2018 and February 2019, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Commerzbank AG 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 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, analyzing and aggregating data in the relevant areas e.g. compliance and employees in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- 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 2018 to 31 December 2018 has not been prepared, in all material respects, in accordance with §§ 340a in conjunction with 289c to 289e HGB and §§ 340i in conjunction with 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.

Munich, 4 March 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)

ppa. Dr. Patrick Albrecht

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.

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.

There are no material Pfandbrief liabilities.

In repo and Pfandbrief business, besides transactions in euros, there are also relevant foreign currency liabilities denominated in US dollars and Polish zloty.

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 2018 was used.

31.12.2018 | €m	Encumbered assets		Unencumbered assets	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets	**83 988**	**0**	**393 608**	**0**
Equity instruments	5 132	5 132	4 174	4 174
Debt securities	15 807	15 654	49 236	48 491
of which: covered bonds	540	540	6 503	6 480
of which: asset-backed securities	261	261	9 015	8 861
of which: issued by general governments	9 411	9 258	22 873	23 070
of which: issued by financial corporations	4 100	4 100	25 075	24 135
of which: issued by non-financial corporations	2 296	2 296	1 288	1 286
Other assets	63 049	0	340 198	0
of which: loans and advances other than loans on demand	62 014	0	230 900	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:

31.12.2018 €m	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	**68,992**	**15 256**
Loans on demand	0	310
Equity instruments	532	936
Debt securities	68,460	14 010
of which: covered bonds	2,098	605
of which: asset-backed securities	760	835
of which: issued by general governments	58,232	10 544
of which: issued by financial corporations	7,720	2 732
of which: issued by non-financial corporations	2 508	734
Own debt securities issued other than own covered bonds or ABSs	**0**	**1 732**
Retained covered bonds issued		**641**
Total assets, collateral received and own debt securities issued	**152 980**	**0**

The liabilities associated or secured with encumbered assets were as follows at the reporting date:

31.12.2018 €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	**104 854**	**138 340**

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

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 2018 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	616	426	14	42	1,098
Dividend income	2	10	–	3	14
Risk result	−49	−25	−2	−1	−77
Other realised profit or loss and net remeasurement gain or loss	–	−0	–	–	−0
Net commission income	508	300	0	−7	802
Net income from financial assets and liabilities at fair value through profit or loss	32	108	67	−4	203
Net income from hedge accounting	−0	−1	−5	−11	−16
Other realised profit or loss from financial instruments	11	1	−40	9	−19
Current net income from companies accounted for using the equity method	0	6	−0	–	6
Other net income	67	22	7	33	129
Income before risk result	*1,236*	*871*	*45*	*66*	*2,217*
Income after risk result	*1,187*	*846*	*43*	*64*	*2,140*
Operating expenses	984	744	27	127	1,882
Operating profit or loss	**203**	**102**	**16**	**−62**	**258**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**203**	**102**	**16**	**−62**	**258**

2nd quarter 2018 €m €	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	644	444	16	85	1,190
Dividend income	2	−3	–	8	6
Risk result	−66	−37	16	5	−82
Other realised profit or loss and net remeasurement gain or loss	–	−0	–	0	0
Net commission income	471	298	0	−6	763
Net income from financial assets and liabilities at fair value through profit or loss	54	193	51	−98	200
Net income from hedge accounting	−1	2	3	33	36
Other realised profit or loss from financial instruments	20	−2	−14	−0	3
Current net income from companies accounted for using the equity method	1	2	−0	–	3
Other net income	10	−27	5	−13	−24
Income before risk result	*1,200*	*908*	*62*	*8*	*2,178*
Income after risk result	*1,134*	*871*	*77*	*13*	*2,095*
Operating expenses	961	650	17	67	1,694
Operating profit or loss	**174**	**221**	**60**	**−54**	**401**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**174**	**221**	**60**	**−54**	**401**

3rd quarter 2018 €m €	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	649	464	18	93	1,223
Dividend income	7	5	1	−4	9
Risk result	−69	−60	2	−4	−133
Other realised profit or loss and net remeasurement gain or loss	–	−0	–	0	–
Net commission income	483	295	1	−8	771
Net income from financial assets and liabilities at fair value through profit or loss	48	101	−6	−58	85
Net income from hedge accounting	−1	−1	2	6	6
Other realised profit or loss from financial instruments	9	−5	6	−4	6
Current net income from companies accounted for using the equity method	−1	2	−0	–	1
Other net income	10	5	6	18	40
Income before risk result	*1,204*	*865*	*28*	*43*	*2,140*
Income after risk result	*1,135*	*804*	*30*	*39*	*2,007*
Operating expenses	949	620	16	76	1,661
Operating profit or loss	**186**	**184**	**14**	**−38**	**346**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**186**	**184**	**14**	**−38**	**346**

4th quarter 2018 €m €	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	667	484	12	73	1,237
Dividend income	−1	3	−1	5	6
Risk result	−49	−71	−23	−10	−154
Other realised profit or loss and net remeasurement gain or loss	–	0	–	−0	–
Net commission income	465	299	0	−10	754
Net income from financial assets and liabilities at fair value through profit or loss	26	21	−78	−90	−121
Net income from hedge accounting	1	3	1	17	22
Other realised profit or loss from financial instruments	8	−16	40	3	35
Current net income from companies accounted for using the equity method	0	2	−0	–	2
Other net income	−5	13	5	87	101
Income before risk result	*1,163*	*808*	*−20*	*85*	*2,035*
Income after risk result	*1,114*	*737*	*−44*	*75*	*1,882*
Operating expenses	941	615	12	73	1,641
Operating profit or loss	**172**	**122**	**−56**	**2**	**240**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**172**	**122**	**−56**	**2**	**240**

Five-year overview

Income statement | €m	2018	2017[1]	2016	2015	2014
Net interest income	4,748	4,295	4,165	4,272	4,273
Dividend income	36	106	164	316	231
Risk result	–446	n/a	n/a	n/a	n/a
Loan loss provisions	n/a	–781	–900	–696	–1,144
Other realised profit or loss and net remeasurement gain or loss	n/a	–76	40	–248	–133
Net comission income	3,089	3,192	3,212	3,424	3,205
Net income from financial assets and liabilities at fair value through profit or loss	366	598	1,019	1,509	1,506
Net income from hedge accounting	48	–85	–37	–60	16
Other realised profit or loss from financial instruments	26	244	393	440	151
Current net income from companies accounted for using the equity method	12	23	150	82	44
Other net income	245	466	293	28	–540
Operating expenses	6,879	6,834	7,100	7,157	6,926
Operating profit	1,245	1,149	1,399	1,909	684
Impairment of goodwill and other intangible assets	–	–	627	–	–
Restructuring expenses	–	808	128	114	61
Pre-tax profit or loss from continuing operations	1,245	341	643	1,796	623
Taxes on income	268	215	261	619	253
Consolidated profit or loss from continuing operations	978	126	382	1,177	370
Consolidated profit or loss from discontinued operations	–10	96	n/a	n/a	n/a
Consolidated profit or loss	968	222	382	1,177	370
Consolidated profit or loss attributable to non-controlling interests	103	94	103	115	106
Consolidated profit or loss attributable to Commerzbank shareholders	**865**	**128**	**279**	**1,062**	**264**

Balance sheet | €bn	2018	2017	2016	2015	2014
Total assets	462.4	452.5	480.4	532.6	557.6
Equity as shown in balance sheet	29.4	30.0	29.6	30.4	27.0

Capital ratios | %	2018	2017	2016	2015	2014
Tier 1 capital ratio	13.4	15.2	13.9	13.8	11.7
Total capital ratio	16.3	18.3	16.9	16.5	14.6

Ratings[2]	2018	2017	2016	2015	2014
Moody's Investors Service, New York	A1/ A1/ P–1	A2/Baa1/P–1	A2/Baa1/P–1	Baa1/P–2	Baa1/P–2
S&P Global, New York	A/ A–/ A–2	A–/A–/A–2	BBB+/BBB+/A2	BBB+/A–2	BBB+/A–2
Fitch Ratings, New York/London	A–-/ BBB+/ F2	A–/BBB+/F2	A-/BBB+/F2	BBB/F2	A+/F1+
Scope Ratings, Berlin	–/ 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.de). 2014–2015 rating for long- and short term liabilities.

Published by
Commerzbank AG
Head Office
Kaiserplatz
Frankfurt/Main
www.commerzbank.com

This Annual Report is also
available in German.
Both versions are available online.

Photographs
Commerzbank (p. 2)
Alexandra Lechner (p. 6)

Printing and processing
Kunst- und Werbedruck,
Bad Oeynhausen

Production
Produced in-house using firesys

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 is 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 was audited by the auditors.

References made to persons in the masculine for reasons of readability apply equally in the feminine.

Publication of the Annual Report
as at 27 March 2019

MIX
Papier aus verantwortungsvollen Quellen
FSC® C011291
www.fsc.org

CO_2 neutral

Commerzbank's operations are climate-neutral.
Commerzbank offsets the greenhouse gas emissions produced by the paper used in this Annual Report by investing in high-quality climate protection projects.
Further information can be found at: klimaneutrale.commerzbank.de

Significant Group companies

Germany
comdirect bank AG, Quickborn
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, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Bucharest, 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	**31**
Significant Group companies abroad	**6**

Domestic branches in private customer business	**~1,000**
Foreign branches	**414**
Worldwide staff	**49,410**
International staff	**13,401**
Domestic staff	**36,009**

2019/2020 Financial calendar	
8 May 2019	Interim Report as at 31 March 2019
22 May 2019	Annual General Meeting
7 August 2019	Interim Report as at 30 June 2019
7 November 2019	Interim Report as at 30 September 2019
End-March 2020	Annual Report 2019

Commerzbank AG
Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

Postal address
60261 Frankfurt am Main
Tel. +49 69 136-20
info@commerzbank.com

Investor Relations
Tel. +49 69 136-21331
Fax +49 69 136-29492
ir@commerzbank.com