COMMERZBANK
The bank at your side

Annual Report

2019

Key figures

Income statement	1.1.-31.12.2019	1.1.-31.12.2018[1]
Operating profit (€m)	1,258	1,242
Operating profit per share (€)	1.00	0.99
Pre-tax profit or loss (€m)	1,129	1,242
Consolidated profit or loss[2] (€m)	644	862
Earnings per share (€)	0.51	0.69
Operating return on equity based on CET1[3] (%)	5.3	5.4
Return on equity of consolidated profit or loss[8] (%)	2.3	3.1
Cost/income ratio in operating business (excl. compulsory contributions) (%)	73.0	75.4
Cost/income ratio in operating business (incl. compulsory contributions) (%)	78.3	80.3

Balance sheet	31.12.2019	31.12.2018
Total assets (€bn)	463.6	462.4
Risk-weighted assets (€bn)	181.8	180.5
Equity as shown in balance sheet (€bn)	30.7	29.4
Total capital as shown in balance sheet (€bn)	38.6	38.5

Regulatory key figures	31.12.2019	31.12.2018
Tier 1 capital ratio (%)	14.3	13.4
Common Equity Tier 1 ratio[4] (%)	13.4	12.9
Common Equity Tier 1 ratio[4] (fully loaded, %)	13.4	12.9
Total capital ratio (%)	16.8	16.3
Leverage ratio (%)	5.3	5.0
Leverage ratio (fully loaded, %)	5.1	4.8

Staff	31.12.2019	30.09.2019
Germany	34,584	34,728
Abroad	13,928	13,829
Total	48,512	48,557

Ratings[5]	31.12.2019	30.09.2019
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+/F1	A-/BBB+/F1
Scope Ratings, Berlin[6]	–/A/S–1	–/A/S–1

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders and investors in additional equity components.
[3] Average Common Equity Tier 1 capital (CET 1) fully loaded.
[4] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital (CET1) mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully loaded basis anticipates full application of the new regulations.
[5] Further information can be found online at www.commerzbank.com.
[6] Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.
[7] Counterparty rating/deposit rating and issuer credit rating/short-term liabilities.
[8] Ratio of net income attributable to Commerzbank shareholders after potential (completely discretionary) AT1-Coupon and average IFRS equity after deduction of goodwill and other intangible assets without additional equity components and before minorities.

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

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Letter from the Chairman of the Board of Managing Directors
Frankfurt/Main, March 2020

Dear shareholders,

2019 was another difficult year for the banking industry. Banks are facing major challenges in the form of negative interest rates, more regulation, a weaker economy and tough competition. Nevertheless, they have to accept the situation and take advantage of the opportunities as they come along. We intend to do just that with the new "Commerzbank 5.0" strategy we presented in September 2019, which will make the Bank ready to weather the storms that lie ahead, setting it up to be successful with its customers even in a difficult market environment. This means significantly reducing our cost base, while at the same time investing heavily in sales and faster digitalisation. Above all, we want to gain even more customers by offering an attractive range of products and services. Commerzbank should be the first choice for bank customers.

In the Private and Small-Business Customers segment, we will drive forward the expansion of the mobile channel and bundle our digital expertise through the planned integration of comdirect. Our branch network will remain a strong pillar of the strategy. In the Corporate Clients segment, we will strengthen our sales activities and in particular our market presence in the Mittelstandsbank. We are also targeting growth in selected international markets.

We are planning large-scale investment in technology to drive forward digitalisation, improve our customer experience and ultimately generate savings by simplifying processes. A total investment volume of around €1.6bn is planned, with some €750m for additional investments in digitalisation, IT infrastructure and growth, and approximately €850m to cover restructuring costs for the required headcount reduction and planned changes in the branch network.

A further Group-wide headcount reduction is unfortunately unavoidable due to the need to cut costs in the competitive environment and counter the increasing pressure on margins. Around 4,300 full-time positions in the Group are likely to be eliminated. The creation of approximately 2,000 new full-time positions is planned in strategic areas. Thus, in net terms, the reduction in Group headcount will be around 2,300 full-time positions. We will be discussing the details with the employee representative committees in the coming months. The aim is to make the planned headcount reduction as socially responsible as possible. The "Commerzbank 5.0" strategy also envisages the sale of Commerzbank's majority stake in Poland's mBank. This will enable the Bank to generate funds to permit rapid implementation of the strategy and the associated investments. However, the sale is subject to the condition that the offer price and transaction structure are suitable.

The further development of the strategy should help the Bank achieve further growth in customers and assets and rising income by 2023, even in a market environment that is set to become increasingly difficult. Commerzbank is aiming to reduce costs by around €600m by 2023 compared with the current year. Following the sale of mBank, a cost base of no more than €5.5bn is planned for 2023. The target capital ratio will remain unchanged at between 12% and 13%. With our strategy, we are placing long-term success above short-term return targets. This is courageous, but it is also how we will be judged. And we will work hard to achieve it.

The "Commerzbank 5.0" strategy will also allow us to anchor our corporate responsibility even more firmly in our business model. For our business model to work, it depends on social acceptance, which is the basic prerequisite for our economic success. This is also what we represent as "the bank by your side" – fairness, competency and sustainability. To underpin this, in September 2019 we became one of the first signatories of the United Nations Principles for Responsible Banking, which support the goals of the Paris Agreement and the Sustainable Development Goals. A binding and unifying corporate culture lays the foundation for the entrepreneurial and individual responsibility of every employee of Commerzbank. Shared values such as customer focus, integrity, courage, performance and team spirit shape our interactions within the Bank as well as with customers, business partners and society.

In 2019, Commerzbank's income before loan loss provisions of €8.6bn was in line with the previous year. The risk result was higher in the reporting year than in the previous year at €–620m. The fourth quarter saw individual cases in the international corporate customer business in particular. Up to now, no risk concentration has been be identified in our well-diversified loan book with regard to specific industries and countries. The non-performing loans ratio further improved as at the end of 2019 to a low 0.9%, which underscores the Bank's strong risk profile. We were able to keep total costs – i.e. operating expenses and regulatory compulsory contributions – below €6.8bn as announced. The operating profit of €1,258m was slightly above the previous year's level. After deductions for restructuring expenses for the first phase of the planned headcount reduction as well as taxes and minority interests, Commerzbank thus generated consolidated profit of €644m, compared with €862m in the previous year.

The Private and Small-Business Customers segment performed positively in 2019, with continued customer and asset growth. In total, the segment posted an operating profit of €846m, compared with €735m in the previous year. The result was boosted by capital gains of around €100m from the sale of comdirect subsidiary ebase.

The Bank's corporate customer business delivered robust results. We are the market leader in Germany and hugely important to German Mittelstand companies. However, against the backdrop of low interest rates, intense price competition in the German market and an uncertain macroeconomic environment, operating profit in the Corporate Clients segment fell to €328m overall in the year under review, compared with €597m in the previous year.

With a CET1 ratio of 13.4% as at the end of December, we have a comfortable capital position and considerably exceed all the applicable regulatory requirements.

We will put a proposal before the Annual General Meeting to distribute a dividend of €0.15 per share, which corresponds to an unchanged payout ratio from the previous year. We aim to propose a similar dividend for the current financial year 2020.

The environment will remain challenging in 2020, and despite making a great deal of progress we still have numerous tasks ahead of us. With regard to the planned integration of comdirect, we have now acquired more than 90% of the company's shares. Commerzbank has thus reached the required threshold for a squeeze-out under merger law.

We expect to post a profit in 2020 even without the effects related to the sale of mBank. Our better than expected operating performance and strong capital ratio in the fourth quarter of 2019 have granted us leeway that we will use for our business and the implementation of our strategy. If we continue to make such progress, I believe it will be possible to generate even higher returns than forecast in our strategy communication.

Dear shareholders, I am delighted to welcome Sabine Schmittroth and Roland Boekhout to the Board of Managing Directors of Commerzbank. With their appointment, the Board of Managing Directors is ideally positioned to meet the challenges that lie ahead.

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.

There is still another reason why 2020 is particularly special for Commerzbank. We are celebrating our 150th anniversary this year. We are all delighted to be able to congratulate our Bank on this milestone. 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 7 May 2020, 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 57, Chairman
Member of the Board of Managing Directors since 5 November 2010

Jörg Hessenmüller

Age 49, Chief Operating Officer
Member of the Board of Managing Directors since 15 January 2019

Roland Boekhout

Age 56, Corporate Clients
Member of the Board of Managing Directors since 1 January 2020

Michael Mandel

Age 53, Private and Small-Business Customers
Member of the Board of Managing Directors since 23 May 2016

Dr. Marcus Chromik

Age 47, Chief Risk Officer
Member of the Board of Managing Directors since 1 January 2016

Dr. Bettina Orlopp

Age 49, Chief Financial Officer
Member of the Board of Managing Directors since 1 November 2017

Stephan Engels

Age 58,
Member of the Board of Managing Directors since 1 April 2012 (until 31 March 2020)

Sabine Schmittroth

Age 54, Compliance, Human Resources, Customer Process & Data Management
Member of the Board of Managing Directors since 1 January 2020

Report of the Supervisory Board
Frankfurt/Main, March 2020

Dear Shareholders,

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, the reorganisation under Campus 2.0, compliance issues, the performance of the share price, sustainability matters and the strategic orientation of the Bank, including its risk strategy, and it advised the Board of Managing Directors on these topics. The Supervisory Board was kept fully informed and consulted on both the discussions with Deutsche Bank about a potential merger and the development of the "Commerzbank 5.0" strategy. 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, strategic considerations, the risk situation, risk management, compliance issues and major business transactions within both the Bank and the Group.

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

Meetings of the Supervisory Board

Eleven 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. As Chairman of the Supervisory Board, I attended both strategy meetings.

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. Finally, the Supervisory Board regularly discussed a range of issues where the Board of Managing Directors was not present.

The Supervisory Board subjected the reports of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately 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.

At the meeting on 13 February 2019, the Board of Managing Directors reported in detail on the current business situation and the preliminary results for the 2018 financial year. The Supervisory Board also discussed and resolved the variable remuneration of the members of the Board of Managing Directors for the 2018 financial year and was informed about the status of various regulatory audits. Brexit and the Group's risk strategies for 2019 were also discussed. In addition, the Supervisory Board addressed the report of the Supervisory Board and the corporate governance report. Finally, the results of the Supervisory Board's evaluation and efficiency audit for the 2018 financial year were presented and discussed.

At the extraordinary meeting of the Supervisory Board on 17 March 2019, which was held as a telephone conference, the Board of Managing Directors informed the Supervisory Board about the start of open-ended discussions between Commerzbank and Deutsche Bank regarding a potential merger of the two banks (Project Carl). The Supervisory Board discussed the project and the form of the Supervisory Board's involvement in detail with the Board of Managing Directors.

At the accounts review meeting on 21 March 2019, the Supervisory Board reviewed the 2018 financial statements for the parent company and the Group and approved them on the Audit Committee's recommendation. It also approved the proposed resolutions for the agenda of the 2019 Annual General Meeting, including the proposal for the appropriation of profit. In addition, the Board of Managing Directors informed the Supervisory Board about the current status of the discussions with Deutsche Bank and discussed the progress of Project Carl with the members of the Supervisory Board. The Supervisory Board resolved to form a temporary special committee to advise and oversee the Board of Managing Directors on matters relating to Project Carl and appointed the members of the committee. The Supervisory Board also resolved to engage a law firm and an investment bank to help the Supervisory Board in assist and oversee the Board of Managing Directors on matters relating to Project Carl. In addition, the Supervisory Board was informed about the current status of compliance and tax issues. The Supervisory Board also discussed the remuneration report and the 2018 combined separate non-financial report for the Annual Report and dealt with the pension commitments for the members of the Board of Managing Directors.

At the extraordinary meeting of the Supervisory Board on 25 April 2019, which was held as a telephone conference, the Board of Managing Directors informed the Supervisory Board about the termination of the discussions between Commerzbank and Deutsche Bank regarding a potential merger. The reasons for this decision and the knowledge gained from the project were discussed with the Supervisory Board. The temporary special committee established to advise and oversee the Board of Managing Directors on matters relating to Project Carl was dissolved.

At the meeting on 21 May 2019, the Board of Managing Directors provided a further in-depth report on Project Carl. The members of the Supervisory Board also assessed the Supervisory Board's involvement in the project and discussed the next steps with the Board of Managing Directors, in particular the process for developing the new strategy. Finally, the Supervisory Board discussed the programme for the 2019 Annual General Meeting.

At the meeting on 12 June 2019, the Board of Managing Directors reported on the current business situation, compliance issues and regulatory audits. The topic of payment transactions was examined and discussed in-depth. The Supervisory Board was also informed about the update of the risk strategy and selected sub-risk strategies for 2019, and about developments and measures to reduce the number of external staff. In addition, the Supervisory Board advised the Board of Managing Directors on strategic issues and provided suggestions on strategic considerations.

At the extraordinary meeting of the Supervisory Board on 11 July 2019, which was held as a telephone conference, the Supervisory Board extended the appointment of Michael Reuther as a member of the Board of Managing Directors until the close of 31 December 2019. The Supervisory Board also appointed Roland Boekhout as a member of the Board of Managing Directors.

At the meeting on 5 September 2019, the Board of Managing Directors explained the business situation and reported on topics including the profitability of the individual business units and the development of earnings and operating profit in the Private and Small-Business Customers segment broken down by business unit. It also presented a peer analysis. The sector shares of Commerzbank's credit portfolio were also considered. In addition, the Supervisory Board was informed about the current status of various regulatory audits and in particular about the official termination of the US monitoring process. The auditing firm PricewaterhouseCoopers GmbH, Frankfurt am Main, also presented the results of its forensic analysis of cum/ex transactions of Commerzbank AG and the former Dresdner Bank AG. The Supervisory Board appointed the professional services firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, to audit the combined separate non-financial report as at 31 December 2019 for Commerzbank Aktiengesellschaft and the Group and was informed in detail about the draft legislation implementing the second Shareholder Rights Directive.

The Board of Managing Directors met with employee representatives on 25 September 2019 to conduct in-depth discussions on Commerzbank's strategy, and on 26 September it met with shareholder representatives for the same purpose.

At the extraordinary meeting on 26 September 2019, the Supervisory Board approved the integration of comdirect bank Aktiengesellschaft into Commerzbank AG and the sale of the holding in mBank S.A. The Supervisory Board also appointed Sabine Schmittroth as a member of the Board of Managing Directors and

Director of Human Resources. The future schedule of business responsibilities was presented to the Supervisory Board.

At the meeting on 6 November 2019, the Board of Managing Directors reported on topics including the results for the third quarter of 2019, earnings performance in the business units and the current status of various tax and compliance issues, as part of its report on the business situation. The Supervisory Board was also informed about feedback from analysts and investors. The Supervisory Board discussed and acknowledged the risk strategy for 2020. Other topics covered at this meeting included the Bank's corporate governance; in particular, the Supervisory Board approved the annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act, looked at the independence of the members of the Supervisory Board, set objectives for the composition of the Supervisory Board, 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 the draft organisational guideline for the remuneration system for members of the Board of Managing Directors.

At the last meeting of the year on 4 December 2019, the Supervisory Board discussed the multi-year plan for the period up until 2023. It also discussed and acknowledged the business, IT and outsourcing strategies. In addition, the Supervisory Board was informed about the structure and appropriateness of Commerzbank's remuneration systems and resolved an organisational guideline for the remuneration system for members of the Board of Managing Directors. The senior management of the European Central Bank's Single Supervisory Mechanism gave a presentation on the main supervisory focal points in 2020, and the Supervisory Board discussed a range of issues with them. The Supervisory Board also considered and approved the targets for the members of the Board of Managing Directors for the 2020 financial year. It also resolved to conclude a contract with Michael Reuther to advise Commerzbank's Executive Pension Committee.

Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed eight permanent committees from its members. On 21 March 2019 it also formed a temporary special committee to advise and oversee the Board of Managing Directors on matters relating to Project Carl. The committee was dissolved again on 25 April 2019.

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 2019 financial year. It held discussions with the CFO on the financial statements for the parent company and the Group, as well as on the interim reports, the development of the key financial indicators, the major business transactions, the principles of accounting and the accounting process, and the outlook for business performance. On the basis of these discussions, the committee decided on the recommendations to the Supervisory Board about the approval of the annual financial statements, the approval of the Group financial statements and the appropriation of profit.

The committee received explanations from the auditor about the results of the audit of the financial statements of Commerzbank's parent company and the Group and the accompanying auditor's reports. It also received regular reports from the auditor on the current status and individual results of the annual audit of the financial statements, as well as the results of the audit reviews of the interim reports. Discussions in the committee centred on the focus areas for the audit and the key audit matters identified by the auditor.

In addition to the seven meetings mentioned above, the members of the Audit Committee also participated in two joint meetings with the members of the Digitalisation and Technology Committee. Discussions at these meetings focused in particular on the results of the audit with respect to the stability of the IT function.

To safeguard the economic independence of the auditor, the Audit Committee obtained and discussed the auditor's declaration of independence. The committee also dealt with requests for the auditor to perform non-audit services and received a report on this from the Group Finance department responsible for monitoring. The committee also discussed the quality of the audit and measures to improve it, both internally and in consultation with the auditor. Based on these discussions, the Audit Committee submitted proposals to the Supervisory Board regarding the appointment of the auditor, the amount of the auditor's fees and the key audit matters, and the appointment of an auditor for the combined separate non-financial report.

The committee also discussed the work of the Bank's Group Audit and Group Compliance units in detail. Both presented regular (at least quarterly) reports on the results of their work, measures to optimise it and the planning of their future activities. The committee also kept itself informed about the status of efforts to further develop compliance through the compliance business reports prepared by the segments and numerous reports on special issues. In particular, the Audit Committee received regular reports on the results of various internal and external reviews of compliance with the local regulations that have to be observed by Commerzbank's branches and subsidiaries worldwide. The committee also obtained an overview of the status of efforts to remedy any deficiencies identified in this area by means of regular (at least quarterly) reports from the business units concerned and from Group Audit and Group Compliance. Tax compliance was another focus of the Audit Committee's work, with the Group Tax division presenting its tax compliance report on this topic.

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

The Risk Committee met five times in the previous financial year. At the meetings, it closely examined the Bank's risk situation and risk management, devoting particular attention to the overall risk strategy and sub-risk strategies for 2019, along with credit, market, liquidity, counterparty and operational risks as well as reputational, compliance, and cyber risks. The Risk Committee also dealt with regulatory risks, particularly those relating to the TRIM (targeted review of internal models) project. 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. It was also informed about the Bank's recovery plan and approved changes in the thresholds of certain recovery plan indicators. 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 also examined Commerzbank's risk-bearing capacity, major loans to Commerzbank Group companies, loans to officers at those parties and high-risk exposures.

During the year under review, the Presiding Committee held seven meetings and one joint meeting with the Compensation 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 strategic direction. The committee approved requests for members of the Board of Managing Directors to take up mandates with other companies and considered loans to employees and officers of the Bank. The Presiding Committee also approved the issue of subordinated debt securities with shareholders' subscription rights excluded. Together with the Compensation Control Committee, the Presiding Committee also dealt with the terms and conditions of the contracts governing Roland Boekhout's appointment to the Board of Managing Directors and his pension arrangements. It also approved the conclusion of the contracts with Sabine Schmittroth governing her appointment to the Board of Managing Directors and pension arrangements. Urgent resolutions of the Presiding Committee were passed by way of circulars.

In addition to the above-mentioned joint meeting of the Presiding Committee and the Compensation Control Committee, the Compensation Control Committee met seven times. It considered the target achievement of the Board of Managing Directors for 2018 and reviewed the setting of the total amount of variable remuneration for employees in respect of 2018. The committee also examined the appropriateness of the design of the remuneration systems for employees and the members of the Board of Managing Directors and the pension commitments in respect of the members of the Board of Managing Directors. It also discussed the compensation control report prepared by the compensation officer. The committee assessed the impact of the remuneration systems on the Bank's risk, capital and liquidity situation and ensured that the remuneration systems are aligned with the Bank's business, risk and remuneration strategy. The committee also monitored the process used to identify risk bearers and Group risk bearers. In addition, the committee considered the objectives of the members of the Board of Managing Directors for 2020 and the organisational guideline for the remuneration system for members of the Board of Managing Directors. Finally, the committee examined the transparency and disclosure requirements governing the remuneration system for members of the Board of Managing Directors under the revised version of the German Corporate Governance Code, the Act Implementing the Second Shareholder Rights Directive and the Guidelines for Sustainable Management Board Remuneration Systems.

The Social Welfare Committee met twice in the year under review, with the meetings focusing on human resource policy and staff development. The Social Welfare Committee also discussed HR marketing, 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 also dealt with issues relating to diversity management, health management, the further development of the working environment at Commerzbank, and general HR management indicators.

The Nomination Committee held six meetings during the year under review. It considered the collective suitability of the Supervisory Board and Board of Managing Directors, along with the suitability of the individual members of each board. The committee also deliberated on the extension of appointments to the Board of Managing Directors, held intensive discussions on the successors to Michael Reuther and Stephan Engels and submitted corresponding resolutions to the meeting of the Supervisory Board. 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.

In addition to the joint meeting with the members of the Audit Committee mentioned above, the Digitalisation and Technology Committee held three meetings, during which it regularly scrutinised the status of the progress made with digitalisation at the Bank in the context of the Commerzbank 4.0 strategy and Campus 2.0 and closely examined aspects such as cultural change and cyber risks. The Committee also received regular reports on the status and development of IT and looked at the Bank's infrastructure investments. The topics it addressed also included the environment for banks in the area of payment transactions as well as next-generation technology and road maps for various business divisions.

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

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

Conflicts of interest

In accordance with the German Corporate Governance Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, members of Commerzbank's Supervisory Board are required to disclose conflicts of interest 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 conflict of interest during the year under review.

Training and development measures

The members of the Supervisory Board undertook the training and development measures required for their duties at their own initiative, with appropriate support from Commerzbank. Further training and development took place on a regular basis. Sessions in 2019 included the following: the Act Implementing the Second Shareholder Rights Directive was presented to the full Supervisory Board; the Digitalisation and Technology Committee held an in-depth discussion on issues relating to blockchain; and a balance sheet modelling workshop was organised for the members of the Risk Committee. An internal training session on risk management was also held during the Committee meeting in June.

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 auditor on the annual financial statements in advance of the Board's accounts review meeting. Regular events were also organised to facilitate exchanges between Supervisory Board members and various persons from top management.

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. In general, Supervisory Board members issue voting instructions if they are unable to attend a meeting of the Supervisory Board or a committee meeting. The members of the Supervisory Board attended the meetings of the Supervisory Board and of the committees which they were members of as follows:

	Meetings (incl. committees and strategy day)	Meetings (plenary and strategy day)	Participation (plenary and strategy day)	Meetings (committees)	Participation (committees)	Partici-pation (all meetings)	
Dr. Stefan Schmittmann	42	13[1]	13	29	28	41	98%
Heike Anscheit	17	12	12	5	5	17	100%
Stefan Burghardt	19	12	11	7	7	18	95%
Alexander Boursanoff	12	12	12	0	0	12	100%
Gunnar de Buhr	24	12	11	12	12	23	96%
Sabine U. Dietrich	19	12	12	7	7	19	100%
Monika Fink	21	12	10	9	9	19	90%
Dr. Tobias Guldimann	29	12	12	17	17	29	100%
Dr. Rainer Hillebrand	22	12	11	10	10	21	95%
Christian Höhn	36	12	11	24	23	34	94%
Kerstin Jerchel	12	12	10	0	0	10	83%
Dr. Markus Kerber	41	12	10	29	22	32	78%
Alexandra Krieger	12	12	12	0	0	12	100%
Anja Mikus	26	12	11	14	14	25	96%
Dr. Victoria Ossadnik	20	12	12	8	8	20	100%
Robin J. Stalker	26	12	12	14	14	26	100%
Nicholas Teller	26	12	11	14	14	25	96%
Dr. Gertrude Tumpel-Gugerell	23	12	11	11	11	22	96%
Uwe Tschäge	38	12	12	26	26	38	100%
Stefan Wittmann	14	12	9	2	2	11	79%

[1] The Chairman of the Supervisory Board attended 13 meetings, including the two strategy days (one day for employees and one day for shareholder representatives).

Parent company and Group financial statements

The auditor and Group auditor appointed by the Annual General Meeting – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY), based in Eschborn/Frankfurt am Main – audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and the management reports of the parent company and the Group, issuing an unqualified auditor's report thereon. The parent company financial statements were prepared according to the rules of the German Commercial Code (HGB), and the Group financial statements according to International Financial Reporting Standards (IFRS). The financial statements and audit reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the audit reports, and all members of the Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 17 March 2020. At the meeting on 18 March 2020, the Supervisory Board examined the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. Representatives of the auditor attended the above-mentioned meetings of the Audit Committee and the plenary Supervisory Board, where they explained the main findings of the audit and answered questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the auditor representatives.

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

The Audit Committee and the Supervisory Board also reviewed the combined separate non-financial report as at 31 December 2019 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 17 March 2020 and by the Supervisory Board at its meeting on 18 March 2020. 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

There were no changes in Commerzbank's Supervisory Board during the period under review. As already announced in the last Annual Report, Jörg Hessenmüller has been a member of the Board of Managing Directors of Commerzbank since 15 January 2019, while Frank Annuscheit stepped down from the Board of Managing Directors at the close of 28 February 2019. Michael Reuther stepped down from the Board of Managing Directors at the close of 31 December 2019, while Stephan Engels will leave the Board of Managing Directors at the close of 31 March 2020. Sabine Schmittroth and Roland Boekhout have been members of the Board of Managing Directors of Commerzbank since 1 January 2020. We would like to thank Michael Reuther, Stephan Engels and Frank Annuscheit for their fantastic service and dedication to Commerzbank.

We would also like to thank the Board of Managing Directors and all our employees for their outstanding commitment and performance in 2019.

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

Stefan Burghardt[1]

Age 60, Member of the Supervisory Board since 19 April 2013, Branch Manager Mittelstandsbank Bremen

Uwe Tschäge[1]

Age 52, Deputy Chairman of the Supervisory Board
since 30 May 2003, banking professional

Sabine U. Dietrich

Age 59, Member of the Supervisory Board since 30 April 2015, former member of the Management Board of BP Europa SE

Heike Anscheit[1]

Age 49, Member of the Supervisory Board since 1 January 2017, banking professional

Monika Fink[1]

Age 50, Member of the Supervisory Board since 8 May 2018, banking professional

Alexander Boursanoff[1]

Age 56, Member of the Supervisory Board since 8 May 2018, banking professional

Dr. Tobias Guldimann

Age 58, Member of the Supervisory Board since 3 May 2017, independent consultant in the financial sector

Gunnar de Buhr[1]

Age 52, Member of the Supervisory Board since 19 April 2013, banking professional

Dr. Rainer Hillebrand

Age 63, Member of the Supervisory Board since 8 May 2018, former Vice Chairman of the Board of Managing Directors 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 58, Member of the Supervisory Board since 8 May 2018, banking professional

Dr. Victoria Ossadnik

Age 51, Member of the Supervisory Board since 8 May 2018, Chief Executive Officer of E.ON Energie Deutschland GmbH and E.ON Energie Holding GmbH

Kerstin Jerchel[1]

Age 48, Member of the Supervisory Board since 8 May 2018, Divisional Head for Co-determination, ver.di National Administration

Robin J. Stalker

Age 62, Member of the Supervisory Board since 8 May 2018, former Member of the Board of Managing Directors of adidas AG

Dr. Markus Kerber

Age 56, Member of the Supervisory Board since 19 April 2013, State Secretary at the Federal Ministry of the Interior, Building and Community

Nicholas Teller

Age 60, 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 49, Member of the Supervisory Board since 15 May 2008, Divisional Head for Controlling Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie)

Dr. Gertrude Tumpel-Gugerell

Age 67, Member of the Supervisory Board since 1 June 2012, former member of the Executive Board of the European Central Bank

Anja Mikus

Age 61, Member of the Supervisory Board since 30 April 2015, Chief Executive Officer/ Chief Investment Officer of KENFO “Nuclear Waste Disposal Fund” (Public Endowment)

Stefan Wittmann[1]

Age 51, 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 marked by a number of economic and geopolitical events in the 2019 reporting year, including the trade war between the USA and China, economic sanctions against Iran, political and economic uncertainty surrounding the impact of the UK's withdrawal from the European Union, and continuing unrest and political conflicts in the Middle East.

Against the backdrop of a weaker global economic environment and increasing risks in foreign trade, the US Federal Reserve changed course in the year under review by abandoning the normalisation of its monetary policy and repeatedly lowering key US interest rates, which boosted the stock markets and international investor confidence in particular. In the eurozone, the European Central Bank (ECB) remained true to its expansionary course and eventually even cut the deposit rate by a further 10 basis points to –0.5%, putting pressure on bank deposit rates in particular. By resuming its bond purchase programme at a faster pace in the fourth quarter, even under new leadership the ECB is ensuring continuity in the medium-term direction of its monetary policy objectives. One consequence of this was the stabilisation of yields on ten-year German Bunds, which had previously fallen significantly to a level of –72 basis points.

Despite all the geopolitical challenges and uncertainties, the international stock markets performed extremely well overall in 2019, led once again by new record highs set on the leading US stock exchanges. While the DAX and Euro Stoxx 50 both recorded significant gains of around +26% in an environment marked by a weaker euro exchange rate, the European banking index lagged behind the broader stock market due to falling interest rate expectations and the threat of an economic downturn.

The Commerzbank share

The performance of the Commerzbank share price was extremely mixed over the course of the year. Discussions with Deutsche Bank about a potential merger and takeover speculations in the European banking sector in the first quarter triggered significant price mark-ups. Widespread disillusionment followed in the second quarter as the discussions came to an end and the euphoria regarding pan-European consolidation trends waned. Lower interest rate expectations and concerns about an impending trade war also dampened the outlook for medium-term interest income, triggering above-average revenue adjustments at Commerzbank due to its high interest rate sensitivity. While the yield on ten-year German Bunds fell sharply until September 2019, reaching a new yearly low of –72 basis points, the ECB's announcement of increased bond purchases from November 2019 onwards led to a stabilisation of interest rate expectations, which also helped support the Commerzbank share for the rest of the year. The Commerzbank share ended 2019 at a closing price of €5.52, a drop of 4.6% year on year.

Due to the decline in the share price during the year, Commerzbank's market capitalisation as at the end of the year fell to €6.9bn (high: €10.2bn; low: €5.9bn), compared with €7.2bn a year earlier. In terms of its price-to-book ratio, Commerzbank traded in a range of 0.2 to 0.4 over the course of the year. By way of comparison, the Euro Stoxx Banks Index had a price-to-book ratio of 0.6–0.8. The daily turnover of Commerzbank shares – i.e. the number of shares traded – was down compared with the 2018 level. The average daily trading volume in the year under review was 8.2 million shares, compared with 9.3 million shares in 2018.

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

Commerzbank share – key figures

With an unchanged number of shares, the earnings per share fell from €0.69 to €0.51 in 2019. The main reasons for this were a higher risk result, early restructuring expenses in connection with the "Commerzbank 5.0" strategic programme and a higher tax burden. In the year under review Commerzbank paid a dividend of €0.20 per share for the 2018 financial year.

Highlights of the Commerzbank share	2019	2018
Shares issued in million units (31.12.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	8.26	13.82
Low	4.66	5.50
Closing price (31.12.)	5.52	5.78
Daily trading volume[1] in million units		
High	21.6	32.2
Low	2.8	3.7
Average	8.2	9.9
Index weighting in % (31.12.)		
MDAX	2.1	2.8
EURO STOXX Banks	0.5	0.8
Earnings per share in €	0.51	0.69
Book value per share[2] in € (31.12.)	22.75	22.53
Net asset value per share[3] in € (31.12.)	21.54	21.34
Market value/Net asset value (31.12.)	0.26	0.27

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

Commerzbank's weight in the MDAX was around 2.1%, compared with around 2.8% in the prior year.

In addition to being a constituent of the European sector index Euro Stoxx Banks, Commerzbank was also represented in 2019 in several sustainability indices that place particular emphasis on environmental and ethical criteria alongside economic and social factors.

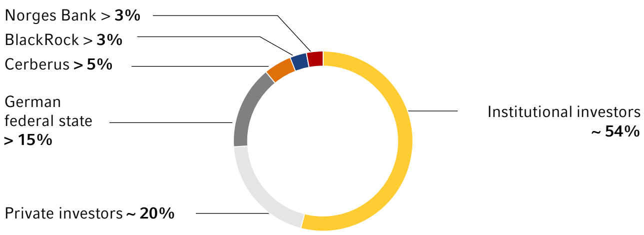
Selected indices containing the Commerzbank share
Blue chip indices
MDAX
EURO STOXX Banks
Sustainability indices
FTSE4GOOD
ECPI Ethical EMU Equity
ECPI Ethical Euro Equity
ECPI Euro ESG Equity
ECPI World ESG Equity

Shareholder structure and analyst recommendations

As at 31 December 2019, around 40% of Commerzbank shares were held by the major shareholders – the Federal Republic of Germany and Cerberus – as well as our mostly German-based private shareholders.

Roughly 60% of all Commerzbank shares were in the hands of institutional investors, including in particular the Norwegian state, which holds a stake via Norges Bank, and BlackRock. The free float stood at just under 80%.

Shareholder structure
As at 31. December 2019



Some 28 analysts provided regular coverage of Commerzbank during 2019. At the end of 2019, the proportion of buy recommendations was 19%, compared with 45% in the prior year. A further 50% of analysts recommended a hold, while 31% of analysts recommended selling our shares, compared with 10% in the prior year. The average price target of analysts at the end of the year was €5.97, compared with €10.12 at the end of the prior year.

Commerzbank's ratings

The rating agencies Moody's, S&P and Fitch have generally been more critical of the German banking market since the second half of 2019. The agencies see greater economic risks such as a weaker economy and a continuation of the low interest rate environment, which threatens to put further pressure on margins and potentially increase risk costs. The profitability of German banks appears rather low despite minimal loan loss provisions.

The rating agencies essentially also see potential for greater implementation risks in connection with the introduction of the new "Commerzbank 5.0" strategy.

Rating events in 2019

Moody's downgraded Commerzbank's non-preferred senior unsecured debt rating by one notch to "Baa2" in May 2019. The downgrade reflects the reduction in the volume of this instrument class. Moody's generally expects a higher loss rate in the event of a default of liabilities under the loss-given-failure analysis applied by the agency. In October 2019, it changed the macro profile for the German banking sector from "very strong–" to "strong+". The outlook for the German banking system was also set to negative a month later. This had an impact on a number of German banks, which saw their ratings lowered in some cases or their outlook set to negative. There was no impact on Commerzbank's ratings (counterparty rating, deposit rating and rating for preferred senior unsecured debt all remained stable at "A1").

S&P revised its outlook for Germany's Banking Industry and Country Risk Assessment (BICRA) to negative in September 2019 (previously stable). Germany remained the only country in the world to hold the best economic risk rating of 1 (scale of 1–10), however, while the banking industry in Germany has a rating of 3. As a result, the rating outlook for a number of German banks was set to negative. The outlook for Commerzbank's issuer rating ("A–") remained negative.

Fitch raised Commerzbank's rating for short-term liabilities from "F2" to "F1" in May 2019 due to a change in methodology. In October 2019, Fitch confirmed Commerzbank's issuer rating of "BBB+" and revised its outlook to negative (previously stable). This is due to possible execution risks associated with the implementation of the Bank's new strategy in a deteriorating environment in Germany. In November, Fitch set the outlook for the entire German banking system to negative. The deposit and counterparty rating was left unchanged at "A–".

Scope confirmed its issuer rating and preferred senior unsecured debt rating of "A" and the non-preferred senior unsecured debt rating of "A–" in October 2019 and set its outlook to negative (previously stable). Commerzbank ended its contractual relationship with Scope when the agreement expired on 31 December 2019.

Corporate Responsibility

› We acknowledge the principles of responsible, transparent management as laid down in the German Corporate Governance Code and adhere to 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 49 to 64.

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 Aktiengesellschaft 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 (version dated 17 February 2017 and applicable to the 2019 financial year), we report below on corporate governance as practised at Commerzbank Aktiengesellschaft. The recommendations of the new German Corporate Governance Code adopted on 9 May 2019, which had not yet entered into force on 31 December 2019, have already been implemented wherever possible. 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 Aktiengesellschaft and its subsidiaries that are required by law to do so declare every year whether the recommendations made by the Commission have been and are being complied with, and explain why individual recommendations are not being implemented. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies; Commerzbank Aktiengesellschaft's declarations can be found at https://www.commerzbank.com. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2019.

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

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

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

- 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 Aktiengesellschaft. Commerzbank Aktiengesellschaft has therefore deviated from this recommendation since the 2017 remuneration report and did so again in its remuneration report for 2019. Commerzbank Aktiengesellschaft has created its own tables which provide clear and transparent information on its board remuneration system. Commerzbank Aktiengesellschaft has decided to present only the tables that it created itself and those required under accounting rules and to omit the model tables recommended by the Code because the intended clarity and comprehensibility of the remuneration report would otherwise be undermined.

- Section 5.3.3 of the Code recommends that the Supervisory Board establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 of the German Banking Act, the nomination committee must support the Supervisory Board in identifying candidates to fill positions in bank management bodies. At Commerzbank Aktiengesellschaft, this task was previously performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established practice at Commerzbank Aktiengesellschaft of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank Aktiengesellschaft Supervisory Board's Nomination Committee are employee representatives.

Suggestions of the German Corporate Governance Code

Commerzbank Aktiengesellschaft also mostly complies with the suggestions of the German Corporate Governance Code, deviating from them on just a single point:

- 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.

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

Commerzbank Aktiengesellschaft and its subsidiaries are committed to their corporate, environmental and social responsibilities. In order to ensure sustainable corporate governance, extensive standards have been defined in various spheres of activity, which are published on Commerzbank Aktiengesellschaft'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 Aktiengesellschaft has set out codes of conduct for acting with integrity, which provide all Commerzbank Group employees with a binding framework for ethical and lawfully appropriate conduct in the day-to-day working environment.

Commerzbank Aktiengesellschaft has also formulated guidelines on corporate responsibility as guidance for the sustainable orientation of the Commerzbank Group's business activities. One of 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 Aktiengesellschaft has also defined various positions and guidelines for its core business, including, for instance, 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 Commerzbank Aktiengesellschaft Board of Managing Directors is responsible for independently managing the Bank in the Bank's best interest. In doing so, it must consider the interests of shareholders, customers, employees and other stakeholders, with the objective of sustainable value creation. It develops the company's strategy, discusses it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors manages the Commerzbank Group as the Group executive body on the basis of uniform guidelines and exercises general control over all Group companies. The board conducts the Bank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank Aktiengesellschaft's other corporate bodies, the employee representatives and the corporate bodies of other Group companies.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of this Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on 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 42.

Supervisory Board

The Commerzbank Aktiengesellschaft 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 the members of its committees are 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 Aktiengesellschaft has approved the following concrete objectives:

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for the activities of the Commerzbank Group. The members of the Supervisory Board must be able to challenge and monitor the decisions made by the Board of Managing Directors. The 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 Aktiengesellschaft. 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. The periods of service of the individual members of the Supervisory Board can be found in their CVs, which are available on Commerzbank Aktiengesellschaft's website at https://www.commerzbank.com. All other targets set by the Supervisory Board for its composition and skills profile were also implemented as at 31 December 2019.

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 – assisted by an outside consultant – reviewed the efficiency of its work in the 2019 financial year as part of the assessment required under Art. 25d (11) Nos. 3 and 4 of the German Banking Act (KWG). All members of the Supervisory Board first completed a questionnaire and were then interviewed in person. The resulting analyses 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 Aktiengesellschaft Supervisory Board are provided on pages 42 to 44 of the remuneration report.

The Supervisory Board works with the Board of Managing Directors to ensure long-term succession planning for the Board of Managing Directors. In accordance with Art. 25 (11) no. 5 of the German Banking Act, the Nomination Committee of the Supervisory Board reviews the principles of the Board of Managing Directors for the selection and appointment of persons at top management level. It also determines whether there are suitable succession candidates at this level. Partly with this task in mind, regular events are organised to put members of the Supervisory Board in touch with top-level managers. Succession planning is also facilitated by the profile of skills and expertise and suitability matrix for the Board of Managing Directors.

Diversity

Both Commerzbank Aktiengesellschaft and the Group companies take diversity into account in the composition of the Board of Managing Directors, appointments to management and recommendations for the election of Supervisory Board members (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 Aktiengesellschaft consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in section 5.4.2 of the Code and not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. 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 at all times. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to fulfilling the statutory minimum requirement of at least 30% female representation. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also striving to maintain a percentage of female representation among employee representatives of at least 30% in future.

As at 31 December 2019, the Supervisory Board of Commerzbank Aktiengesellschaft included three international members and eight women, of whom four were shareholder representatives. The percentage of women on the Supervisory Board is therefore 40% at present.

The situation in the Group companies is similar. Where required 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 Aktiengesellschaft's Supervisory Board assists the Supervisory Board in selecting applicants for positions on the Board of Managing Directors. It takes account of the balance and range of knowledge, skills and experience of all the board members, draws up a job description with an applicant profile and indicates the time requirements associated with the appointment. In making appointments to the Board of Managing Directors, the Supervisory Board aims to increase diversity, particularly with regard to age, geographic origin, education and professional background and to give appropriate consideration to women. As a rule, the members of the Board of Managing Directors should not be over 65 years of age.

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

This target was met on 1 November 2017 when Dr. Bettina Orlopp became a member of the Board of Managing Directors of Commerzbank Aktiengesellschaft. With this, women made up 14.3% of the Board as at 31 December 2019.

As of 1 January 2020, the Board of Managing Directors of Commerzbank Aktiengesellschaft has a second female member, Sabine Schmittroth. Following the departure of Board member Stephan Engels on 31 March 2020, the proportion of women on the Board of Managing Directors of Commerzbank Aktiengesellschaft will therefore be 28.6%.

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

Targets for the first and second levels of management

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

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

As at 31 December 2019, the first management level below the Board of Managing Directors at Commerzbank Aktiengesellschaft consisted of 41 managers, of whom 34 were male and 7 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 17.1%.

The second management level below the Board of Managing Directors consisted of 314 people, of whom 262 were male and 52 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 16.6%.

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

In the Group, the first management level below the Board of Managing Directors consisted of 42 people, of whom 35 were male and 7 female. The percentage of women at the first level of management below the Board of Managing Directors as at the reporting date was therefore 16.7%.

The second management level below the Board of Managing Directors consisted of 359 people, of whom 301 were male and 58 female. The percentage of women in the second level of management below the Board of Managing Directors was therefore 16.2%.

Accounting

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

The Group Management Report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on pages 97 to 134 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 (KWG) and approved an increase in the cap on variable annual remuneration for members of the Board of Managing Directors of Commerzbank Aktiengesellschaft to 140% of the respective fixed annual remuneration set from the 2015 financial year onwards. The remuneration system for members of the Board of Managing Directors, which has been adjusted to comply with the Act Implementing the Second Shareholder Rights Directive (ARUG II) and caps remuneration for those members in particular, will be presented to the 2020 Annual General Meeting for approval.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail or may present them in person. 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 Aktiengesellschaft informs the public – and consequently shareholders as well – about the Bank's financial position and financial performance four times a year. Corporate news that may affect the share price is also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results in press conferences and analysts' meetings. Commerzbank uses the options offered by the internet for reporting purposes, providing a wealth of information about the 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. 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.

Component	Description
Fixed remuneration	Fixed remuneration in a uniform amount of €990 thousand for ordinary members of the Board of Managing Directors, with a higher amount of €1,674 thousand for the Chairman.
Non-monetary elements of remuneration	The non-monetary elements include the use of a company car with driver, security measures and insurance contributions (accident insurance), and the applicable tax thereon.
Short-term and long-term variable compensation (Short Term Incentive, "STI", and Long Term Incentive, "LTI")	The target amount of variable remuneration is €660 thousand for the ordinary members of the Board of Managing Directors and €1,116 thousand for the Chairman. The STI and LTI are based on target achievement by the member of the Board of Managing Directors (Group, departmental and individual targets) in the past financial year. The achievement of company targets in the two previous years is also taken into account. Half of the STI (40% of the target amount) is paid out in cash after the end of the financial year. The other half is paid on the basis of the share price after a waiting period of 12 months. The LTI (60% of the target amount) is subject to a retrospective performance evaluation after a regular period of five years. This retrospective performance evaluation allows the Supervisory Board to check whether the target achievement as originally determined is still appropriate in hindsight. If the success rewarded by the variable remuneration has not proved to be sustainable, the Supervisory Board has the option of amending its original assessment of target achievement. This may result in the LTI being reduced or revoked altogether. Half of the LTI is paid out in cash after the retrospective performance evaluation. The other half is paid on the basis of the share price after a further waiting period of 12 months. Short- and long-term variable remuneration thus helps Commerzbank achieve its strategic goals. Paying half of the remuneration on the basis of the share price further promotes sustainable corporate development and helps the members of the Board of Managing Directors identify more strongly with the company. The LTI's normal retention period of five years and the subsequent retrospective performance evaluation reinforce sustainable target achievement and act as incentives.
Limit on the amount of variable remuneration	To discourage Board members from taking inappropriate risks, variable remuneration is limited to a maximum of 140% of fixed remuneration. Overall target achievement is also capped at a maximum of 150%.
Possibilities for the Supervisory Board to affect the bonus pool for variable remuneration	The Supervisory Board has the option of reducing the bonus pool for variable remuneration, in particular if the indicators for risk-bearing capacity, capital, earnings or liquidity are inadequate, in order to comply with regulatory requirements. This may result in a complete loss of variable remuneration.
Correcting the Group's target achievement if extraordinary circumstances apply	If extraordinary circumstances arise, the Supervisory Board may increase or reduce the Group's target achievement by up to 20 percentage points in order to neutralise positive and/or negative effects. This is subject to the condition that the change in circumstances is beyond the Bank's control and was unforeseeable (e.g. windfall profits or decline in earnings due to losses caused by extreme natural disasters). This provision allows the Supervisory Board to take extraordinary factors not related to the performance of the individual members of the Management Board into account when determining the achievement of targets.

Component	Description
Malus and clawback provisions	If the success rewarded by the variable remuneration has not proved to be sustainable, the retrospective performance evaluation gives the Supervisory Board the opportunity to review its original assessment of target achievement retrospectively after a regular period of five years and correct it if necessary. This may result in the LTI being reduced or revoked altogether. Furthermore, the Supervisory Board has the option, particularly in the event of serious misconduct on the part of a member of the Management Board, to reclaim previously paid variable remuneration (STI and LTI) from the Board member in question and/or to void shares that have not yet been paid out.
Retirement and surviving dependants' pension	The members of the Board of Managing Directors receive a defined contribution benefit in the form of an annual module. The annual module equates to 40% of the pensionable fixed basic annual salary (only part of the annual basic salary is taken into account for the calculation of the annual module, currently €788 thousand) multiplied by an age-dependent conversion factor. The annual contribution is invested in investment funds and placed in a virtual custody account for the Board member in question. The total entitlement corresponds to the amount in the virtual custody account or the sum of the annual modules, whichever is higher at the time the pension benefits become payable. The pension commitment also provides for a survivor's pension, which is calculated according to actuarial rules based on the retirement capital.
Limitation of remuneration in the event of contract termination prior to the end of the term of office	In the event that a contract is terminated by the Bank before the term of office ends, the commitments under the contract shall be fulfilled up until the termination date, unless there are grounds that would justify extraordinary termination. The amount of remuneration payable is limited to a maximum of the annual remuneration for two years. The remuneration payable is also limited to the amount that would have been payable up until the end of the original contract period.

Core elements of the remuneration system

The core elements of the remuneration system are a fixed basic annual salary plus variable remuneration 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. The remuneration system amended as of 1 January 2019 will be submitted to the 2020 Annual General Meeting for approval.

Fixed remuneration components

The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €990 thousand for ordinary members of the Board of Managing Directors and €1,674,247 for the Chairman. This is payable in 12 equal monthly instalments. The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions (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 (i) target achievement by the Commerzbank Group, (ii) target achievement by the departments (segments and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) achievement of individual performance targets. Target achievement for the Group and the departments and individual performance can each be between 0% and 200%; however, the overall level of target achievement from these three components is limited to 150%. Multiplying the overall level of target achievement by the target amount for variable remuneration purposes gives the total amount of variable remuneration based on target achievement. Thus, the total amount of variable remuneration based on target achievement is capped at a maximum of 150% of the Board member's target variable remuneration.

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

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

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

- **Group target** In 2019, the Supervisory Board formulated the Group target for all of the members of the Board of Managing Directors uniformly as a performance curve on the basis of EVA values. Weighted at 70% of company target achievement, the Group target is the decisive factor for the overall target achievement of the members of the Board of Managing Directors for the financial year. Variable remuneration is thus largely linked to the Group's business success.

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

  For Group Management Communications (GM-C) and Group Management Audit (GM-A), responsibility for which lies with the Chairman of the Board of Managing Directors **Martin Zielke**, specific departmental targets were defined along with cross-departmental targets within the purview of the Chief Executive Officer (CEO) function. Examples of targets within the purview of the CEO function included "leadership and communication strength" and "further consistent implementation of the Commerzbank 4.0 strategy to create a DTU (digital technology company) for customers and employees". GM-C targets included "facilitating communication and establishing innovations and new working methods" within the Bank. The GM-A department's targets also included "further developing expertise relating to new legal requirements".

  For the Group Services division, responsibility for which lies with the Chief Operating Officer **Frank Annuscheit**, the targets set by the Supervisory Board for the 2019 financial year until his departure from the Board of Managing Directors on 28 February 2019 included achieving efficiency goals within the Bank and ensuring the necessary framework conditions for IT in equal measure by "establishing Campus 2.0", "reducing run-the-bank costs" and "ensuring compliance and cyber security".

Jörg Hessenmüller, newly appointed to the Board of Managing Directors of Commerzbank Aktiengesellschaft as Chief Operating Officer on 15 January 2019, largely took over the Group Services targets from Mr. Annuscheit and also assumed responsibility for the Group Digital Transformation & Strategy (GM-DTS) department with the target of "strategic further development of the Commerzbank Group".

The Supervisory Board also set departmental targets for Group Risk Management (GRM), Big Data & Advanced Analytics (BDAA) and Asset & Capital Recovery (ACR), responsibility for which lies with the Chief Risk Officer **Dr. Marcus Chromik**. For example, the Supervisory Board defined the "further consistent, value-preserving reduction of the Ship Finance, Commercial Real Estate and Public Finance portfolios" as a target for the ACR segment. The targets for GRM were derived by the Supervisory Board from the business mandate and in line with the business strategy. They included "managing overall risk with respect to operating profit and regulatory and economic capital commitment", "building the data lake" and "expanding application programming interfaces (APIs)". Achievement of these targets is a prerequisite for the "automation of processes" and the "monetisation of data", key targets for the BDAA department.

The key targets set by the Supervisory Board for Chief Financial Officer **Stephan Engels** included "coordinating and tracking all the earnings measures and cost objectives set as part of the Commerzbank 4.0 strategy". For the Polish subsidiary mBank, the Supervisory Board relied on figures from multi-year planning when setting targets. The targets for the Group Management Treasury (GM-T) department are represented by a performance curve.

For **Michael Mandel**, the member of the Board of Managing Directors responsible for the Private and Small-Business Customers segment (PSBC), the Supervisory Board made the departmental targets heavily dependent on the segment result and defined a corresponding performance curve. The performance curve for the PSBC segment is based on the return the segment is expected to generate, not on one-year targets or sales targets. The Supervisory Board also set further qualitative and quantitative targets for the PSBC segment as part of Commerzbank's strategy, including "achieving the interim target of 1.5 million net new customers" and "maintaining a high level of customer satisfaction".

The departmental targets set by the Supervisory Board for **Dr. Bettina Orlopp** included "human resource implementation of Campus 2.0" and "expanding the digital mindset among managers and employees". The Supervisory Board also set specific compliance targets, including the establishment of a new target operating model.

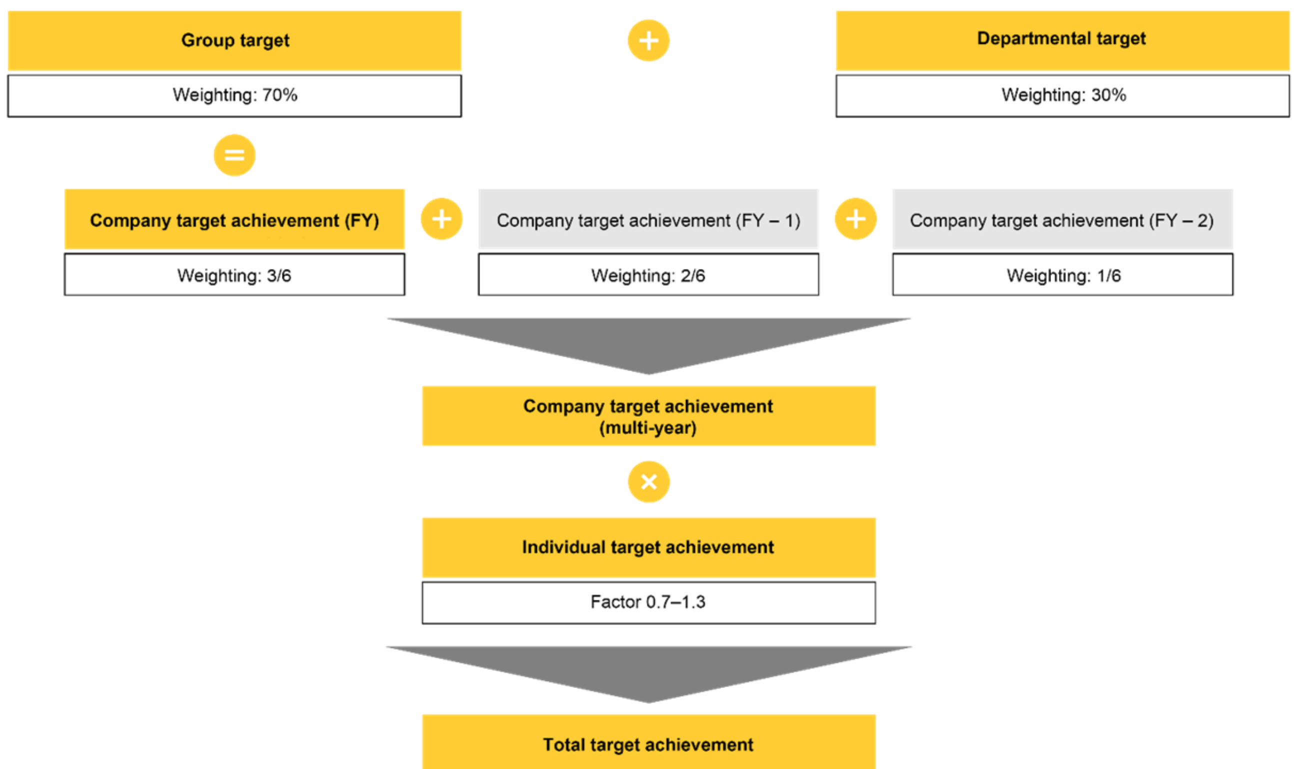
For **Michael Reuther**, the member of the Board of Managing Directors responsible for corporate customer business, the departmental targets were also made heavily dependent on the result of the Corporate Clients (CC) segment and defined using a corresponding performance curve. As for the PSBC segment, the performance curve is based on the return the segment is expected to generate, not on one-year targets or sales targets. The Supervisory Board also set qualitative targets such as the "sale of the Equity Markets & Commodities business" and "cost reductions through ongoing digitalisation".

- **Individual targets** The Supervisory Board also sets individual targets for the members of the Board of Managing Directors and defines the basis for their measurement. Achievement of the individual targets is reflected in overall target achievement with a factor of 0.7 to 1.3.

  The targets for the 2019 performance year included "promoting the Group's innovative strength", "increasing the proportion of women in management positions", "customer satisfaction" and "adherence to defined cost budgets".

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

Remuneration of the Board of Managing Directors



To measure the achievement of Group targets, the Supervisory Board used a performance curve defined on the basis of EVA values. This also applies to the performance curves for the PSBC and CC segments and Treasury. To measure departmental and individual target achievement, the Supervisory Board drew primarily on the key figures defined for the Commerzbank 4.0 strategy and the target figures set out in the multi-year plan. In the case of project-related targets, the Supervisory Board compared the current status with the project objectives agreed a priori. In addition, the Supervisory Board used various media to assess the qualitative criteria embodied in the targets. For example, the Supervisory Board uses customer satisfaction surveys to determine net promoter scores for the market areas and to measure the willingness of customers to recommend the Bank to others over time. The Supervisory Board also used externally available data such as studies and statistics to measure brand perception and employer attractiveness. Important parameters for assessing target achievement can also be derived from internal departmental reports. For example, the number and criticality of IT malfunctions or compliance or internal audit findings can serve as indicators.

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

If extraordinary circumstances arise that are beyond the Bank's control, the Supervisory Board can increase or reduce the Group's target achievement by up to 20 percentage points in order to appropriately neutralise both positive and negative effects on the Group's target achievement.

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 twelve-month waiting period, also in cash but based on share price performance. This half is linked to the performance of the Commerzbank share since the cash payment.

Long-Term Incentive (LTI) The remaining 60% of the variable remuneration takes the form of a long-term incentive. Entitlement to the LTI arises only after a five-year retention period and is subject to a retrospective performance evaluation. The purpose of the retrospective performance evaluation is to enable the Supervisory Board to check whether the total target achievement amount determined is still appropriate in retrospect, for example whether risks were underestimated or not recognised or whether unexpected losses were incurred. The Supervisory Board also adjusts the LTI, if necessary, based on the follow-up review of the bonus pool. The retrospective performance evaluation can thus result in the LTI being reduced or cancelled completely. Half of the LTI element resulting from the retrospective performance evaluation is payable in cash and half after a further twelve-month waiting period, also in cash but on the basis of the share price. As with the share-based part of the STI, the performance of the Commerzbank share since the end of the financial year in respect of which the cash part of the STI was awarded is taken into account. The share-based half of the LTI therefore reflects the performance of the Commerzbank share during the five-year retention period and the subsequent 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 appointed in or before 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 who were already in office at the time. In the 2019 financial year, this applied to Martin Zielke, Frank Annuscheit and Michael Reuther.

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. With regard to the partial salary conversion from variable remuneration to fixed remuneration as at 1 January 2019, the Supervisory Board decided to allow 5.1% of the basic salary increase to qualify as pensionable. This corresponds to the development of non-pay-scale remuneration for employees of Commerzbank Aktiengesellschaft from 2011 to 2019. The annual contribution that is converted into a pension module therefore increased by 5.1% as of 1 January 2019.

Company pension entitlements acquired under the old company pension scheme before the transition to the new system were transferred to the new system as an initial benefit 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 one-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 a 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 may 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 the age of 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 dependant's 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 appointed after 2011 Pension provision for members of the Board of Managing Directors appointed after the new rules came into effect was defined according to the Commerzbank capital plan for company pension benefits for non-pay-scale employees of Commerzbank AG. 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.

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

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

For each calendar year during the employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the pensionable 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. With regard to the partial salary conversion from variable remuneration to fixed remuneration as at 1 January 2019, the Supervisory Board decided to allow 5.1% of the basic salary increase to qualify as pensionable for the current pension scheme as well. This corresponds to the development of non-pay-scale remuneration for employees of Commerzbank Aktiengesellschaft from 2011 to 2019. The annual contribution therefore increased by 5.1% as of 1 January 2019.

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

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

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

If a member of the Board of Managing Directors dies before the pension benefits become due, his/her dependants are entitled to receive dependants' capital, which is the amount in the virtual custody account on the value date or the amount in the pension account plus any applicable supplement, whichever is higher. A supplement is payable if, at the time pension benefits become due because of inability to work or death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached age 55.

If a Board member selected the option of drawing a retirement pension, in the event of that Board member's death, the surviving spouse or partner, as a prospective pension recipient, will receive a surviving dependant's pension calculated on the basis of the retirement capital applying actuarial rules. If the Board member in question was already drawing a pension, a surviving spouse or partner will 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 2019, the corresponding actuarial net present values on 31 December 2019, the service costs for 2019 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[5]
Martin Zielke	2019	317	9,488	1,065
	2018	276	7,090	1,044
Frank Annuscheit[1]	2019	263	7,715	494
	2018	244	6,140	506
Dr. Marcus Chromik	2019	77[4]	1,547	350
	2018	62[4]	1,027	335
Stephan Engels	2019	127[4]	2,760	331
	2018	119[4]	2,296	317
Jörg Hessenmüller[2]	2019	17[4]	345	314
	2018	–	–	–
Michael Mandel	2019	62[4]	1,288	337
	2018	48[4]	850	323
Dr. Bettina Orlopp	2019	40[4]	813	347
	2018	23[4]	389	332
Michael Reuther[3]	2019	304	8,961	570
	2018	279	7,432	545
Total	**2019**		**32,917**	**3,808**
	2018		**25,224**	**3,402**

[1] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019. Figures up until 31 December 2019 are included.
[2] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.
[3] The appointment of Michael Reuther as a member of the Board of Managing Directors ended at the close of 31 December 2019.
[4] Capital payment annualised.
[5] Only 5.1% of the basic salary increase on 1 January 2019 qualifies as pensionable.

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

As at 31 December 2019, defined benefit obligations for members of the Commerzbank Aktiengesellschaft Board of Managing Directors serving in the 2019 financial year totalled €32.9m (previous year: €25.2m).

Rules applying to the termination of office

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

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

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

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

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

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

Termination agreement with a member of the Board of Managing Directors

The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019. The material content of the termination agreement is disclosed in the remuneration report for the 2018 financial year.

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 section 4.2.5 of 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 (the declaration of compliance of Commerzbank Aktiengesellschaft for 2019 was issued on the basis of the version of the Code applicable in 2019; for this reason, the recommendations of the new German Corporate Governance Code adopted on 9 May 2019, which had not yet come into force as of 31 December 2019, will not be addressed below). 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 (AktG). 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 on the basis of shares after a twelve-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 2019 with the figures from the previous year for comparison for each individual member of the Board of Managing Directors. The allocation "for" the year means, for example, that the STI 2019 paid in cash for 2019 and for which all inputs are available at the end of the year is shown as an allocation for 2019 even though the actual payment is not made until 2020. Hence, the STI 2018 paid out in cash in 2019 is shown as an allocation for 2018.

[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 remuneration granted for the three financial years prior to termination of the term of office.

Allocation €1,000	**Martin Zielke** Chairman		**Frank Annuscheit** Chief Operating Officer (until 28 February 2019)	
	2019	**2018**	**2019**	**2018**
Basic salary	1,674	1,313	165	750
Fringe benefits[1]	170	213	14	134
Sub-total	**1,844**	**1,526**	**179**	**884**
Short-term variable remuneration	**326**	**416**	**106**	**270**
STI 2016 in virtual shares (up to Q1/2018)	–	328	–	216
STI 2017 in virtual shares (up to Q1/2019)	165	–	91	–
STI 2018 in cash	–	88	–	54
STI 2019 in cash	161	–	15	–
Long-term variable remuneration[2]	**102**	**100**	**104**	**95**
LTI 2013 in virtual shares (up to Q1/2018)	–	100	–	95
LTI 2014 in virtual shares (up to Q1/2019)	102	–	104	–
Total	**2,272**	**2,042**	**390**	**1,249**

Allocation €1,000	**Dr. Marcus Chromik** Chief Risk Officer		**Stephan Engels** Chief Financial Officer		**Jörg Hessenmüller** Chief Operating Officer (since 15. January 2019)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Basic salary	990	750	990	750	953	–
Fringe benefits[1]	74	68	120	129	51	–
Sub-total	**1,064**	**818**	**1,110**	**879**	**1,004**	**–**
Short-term variable remuneration	**209**	**260**	**196**	**273**	**94**	**–**
STI 2016 in virtual shares (up to Q1/2018)	–	206	–	219	–	–
STI 2017 in virtual shares (up to Q1/2019)	107	–	98	–	–	–
STI 2018 in cash	–	54	–	54	–	–
STI 2019 in cash	102	–	98	–	94	–
Long-term variable remuneration[2]	**–**	**–**	**97**	**87**	**–**	**–**
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	87	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	97	–	–	–
Total	**1,273**	**1,078**	**1,403**	**1,239**	**1,098**	**–**

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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Basic salary	990	750	990	750	990	750
Fringe benefits[1]	105	114	88	92	151	141
Sub-total	**1,095**	**864**	**1,078**	**842**	**1,141**	**891**
Short-term variable remuneration	**184**	**193**	**113**	**54**	**148**	**226**
STI 2016 in virtual shares (up to Q1/2018)	–	133	–	–	–	178
STI 2017 in virtual shares (up to Q1/2019)	98	–	17	–	73	–
STI 2018 in cash	–	60	–	54	–	48
STI 2019 in cash	86	–	96	–	75	–
Long-term variable remuneration[2]	**–**	**–**	**–**	**–**	**99**	**95**
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	95
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	99	–
Total	**1,279**	**1,057**	**1,191**	**896**	**1,388**	**1,212**

[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) and 60% to long-term variable remuneration (LTI). In both cases, half of the remuneration is share-based.

At its meeting on 12 February 2020, the Supervisory Board determined the total target achievement amounts applicable to variable remuneration for the individual members of the Board of Managing Directors for 2019. 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**		**Long-term**		**Total target amount**			
				STI in cash	**STI in virtual shares**	**LTI in cash**	**LTI in virtual shares**		**min**	**max[3]**	
Martin Zielke	2019	1,674	170	161	161	241	241	804	0	1,674	**2,648**
	2018	1,313	213	88	88	132	132	440	0	2,443	**1,966**
Frank Annuscheit	2019[4]	165	14	15	15	23	23	77	0	165	**256**
	2018	750	134	54	54	81	81	270	0	1,500	**1,154**
Dr. Marcus Chromik	2019	990	74	102	102	152	152	508	0	990	**1,572**
	2018	750	68	54	54	81	81	270	0	1,500	**1,088**
Stephan Engels	2019	990	120	98	98	146	146	488	0	990	**1,598**
	2018	750	129	54	54	81	81	270	0	1,500	**1,149**
Jörg Hessenmüller	2019[5]	953	51	94	94	141	141	470	0	953	**1,474**
	2018	–	–	–	–	–	–	–	–	–	**–**
Michael Mandel	2019	990	105	86	86	129	129	429	0	990	**1,524**
	2018	750	114	60	60	90	90	300	0	1,500	**1,164**
Dr. Bettina Orlopp	2019	990	88	96	96	145	145	482	0	990	**1,560**
	2018	750	92	54	54	81	81	270	0	1,500	**1,112**
Michael Reuther	2019	990	151	75	75	113	113	376	0	990	**1,517**
	2018	750	141	48	48	72	72	240	0	1,500	**1,131**
Total	**2019**	**7,742**	**773**	**727**	**727**	**1,090**	**1,090**	**3,634**	**0**	**7,742**	**12,149**
	2018	**5,813**	**891**	**412**	**412**	**618**	**618**	**2,060**	**0**	**11,443**	**8,764**

[1] Total remuneration does not include pension expense. This is shown in the section on pension provision.
[2] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[3] Maximum amount in the relevant year, i.e. excluding any rise in the share price for share-based remuneration.
[4] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
[5] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.

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 evaluation 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 component 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 does not include share price performance, meaning that the figure is frequently different.

€1,000		Fixed components		Performance-related components				
				with short-term incentive			with long-term incentive[1]	Total remuneration under DRS 17[2]
		Basic salary	Fringe benefits[3]	STI in cash[4]	STI in virtual shares[5]	Number of virtual shares in units		
Martin Zielke	2019	1,674	170	161	175	29,546	–	**2,180**
	2018	1,313	213	88	73	11,742	–	**1,687**
Frank Annuscheit	2019[6]	165	14	15	17	2,825	–	**211**
	2018	750	134	54	45	7,210	–	**983**
Dr. Marcus Chromik	2019	990	74	102	111	18,684	–	**1,277**
	2018	750	68	54	45	7,210	–	**917**
Stephan Engels	2019	990	120	98	106	17,956	–	**1,314**
	2018	750	129	54	45	7,210	–	**978**
Jörg Hessenmüller	2019[7]	953	51	94	102	17,281	–	**1,200**
	2018	–	–	–	–	–	–	**–**
Michael Mandel	2019	990	105	86	93	15,773	–	**1,274**
	2018	750	114	60	50	8,011	–	**974**
Dr. Bettina Orlopp	2019	990	88	96	105	17,714	–	**1,279**
	2018	750	92	54	45	7,210	–	**941**
Michael Reuther	2019	990	151	75	82	13,831	–	**1,298**
	2018	750	141	48	40	6,409	–	**979**
Total	**2019**	**7,742**	**773**	**727**	**791**	**133,610**	**–**	**10,033**
	2018	**5,813**	**891**	**412**	**343**	**55,002**	**–**	**7,459**

[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 retention period. This period is generally five years; in the case of Jörg Hessenmüller it is seven years owing to his appointment in 2019.
[2] The amounts disclosed as total remuneration in accordance with DRS 17 for the 2019 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 2019, as there is no such entitlement until after the retrospective performance evaluation and expiry of the retention period.
[3] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[4] Payable in 2020 following determination of the total target achievement amount for 2019.
[5] The STI 2019 in virtual shares is payable in 2021. The amounts correspond to the value at which the variable remuneration was fixed on 12 February 2020. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares for the STI 2019 is calculated using the proportion of the total target achievement amount and the average Commerzbank share price in January 2020.
[6] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
[7] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.

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 2019 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 2019 financial year totalled €1,595 thousand, of which €433 thousand was for Jörg Hessenmüller, €327 thousand for Martin Zielke, €247 thousand for Dr. Bettina Orlopp, €202 thousand for Dr. Marcus Chromik, €198 thousand for Stephan Engels, €163 thousand for Michael Mandel, €42 thousand for Michael Reuther and €–17 thousand for Frank Annuscheit.

In 2018, the share-based remuneration recorded as expenses under IFRS 2 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.

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 2043 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 €5,549 thousand; in the previous year, the figure was €3,494 thousand. Repayments of €424 thousand were made in 2019. With the exception of rental guarantees, Commerzbank Group companies did not enter into any contingent liabilities in favour of members of the Board of Managing Directors in the year under review.

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2019

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 in which the member participates. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year.

Commerzbank Aktiengesellschaft reimburses any expenses incurred by members of the Supervisory Board in the performance of their duties and any VAT due on remuneration or expenses. 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 2019 financial year of €3,321.9 thousand (previous year: €3,174.0 thousand). Of this figure, the basic remuneration amounted to €1,840.0 thousand (previous year: €1,842.2 thousand) and remuneration for committee memberships to €983.9 thousand (previous year: €910.3 thousand). Attendance fees were €498.0 thousand (previous year: €421.5 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)	2019	240.0	120.0	31.5	391.5
	2018	155.3	77.7	15.0	248.0
Klaus-Peter Müller (until 8 May 2018)	2019	–	–	–	–
	2018	85.3	42.7	9.0	137.0
Uwe Tschäge	2019	160.0	60.0	28.5	248.5
	2018	160.0	60.0	22.5	242.5
Hans-Hermann Altenschmidt (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	24.9	15.0	68.3
Heike Anscheit	2019	80.0	20.0	22.5	122.5
	2018	80.0	12.9	13.5	106.4
Alexander Boursanoff (since 8 May 2018)	2019	80.0	–	18.0	98.0
	2018	51.8	–	10.5	62.3
Gunnar de Buhr	2019	80.0	50.0	28.5	158.5
	2018	80.0	50.0	24.0	154.0
Stefan Burghardt	2019	80.0	50.0	25.5	155.5
	2018	80.0	50.0	19.5	149.5
Sabine Ursula Dietrich	2019	80.0	60.0	21.0	161.0
	2018	80.0	45.9	15.0	140.9
Monika Fink (since 8 May 2018)	2019	80.0	30.0	25.5	135.5
	2018	51.8	19.4	15.0	86.2
Karl-Heinz Flöther (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	10.7	10.5	49.6
Dr. Tobias Guldimann (since 3 Mai 2017)	2019	80.0	91.3	34.5	205.8
	2018	80.0	68.9	27.0	175.9
Dr. Rainer Hillebrand (since 8 May 2018)	2019	80.0	50.0	25.5	155.5
	2018	51.8	32.3	10.5	94.6
Christian Höhn (since 8 May 2018)	2019	80.0	60.0	24.0	164.0
	2018	51.8	38.8	13.5	104.1
Stefan Jennes (1 February 2017 until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Kerstin Jerchel (since 8 May 2018)	2019	80.0	–	15.0	95.0
	2018	51.8	–	10.5	62.3
Dr. Markus Kerber	2019	80.0	70.0	25.5	175.5
	2018	80.0	70.0	25.5	175.5
Alexandra Krieger	2019	80.0	–	18.0	98.0
	2018	80.0	–	13.5	93.5
Oliver Leiberich (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Dr. Stefan Lippe (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	10.7	7.5	46.6
Beate Mensch (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	3.0	31.4
Anja Mikus	2019	80.0	70.0	27.0	177.0
	2018	80.0	62.9	25.5	168.4
Dr. Victoria Ossadnik (since 8 May 2018)	2019	80.0	21.3	25.5	126.8
	2018	51.8	12.9	10.5	75.2
Dr. Helmut Perlet (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	32.0	10.5	70.9
Mark Roach (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Robin J. Stalker (since 8 May 2018)	2019	80.0	60.0	30.0	170.0
	2018	51.8	38.8	18.0	108.6
Nicholas Teller	2019	80.0	81.3	31.5	192.8
	2018	80.0	80.0	25.5	185.5
Dr. Gertrude Tumpel-Gugerell	2019	80.0	70.0	25.5	175.5
	2018	80.0	55.9	25.5	161.4
Stefan Wittmann (since 8 May 2018)	2019	80.0	20.0	15.0	115.0
	2018	51.8	12.9	12.0	76.7
Total	**2019**	**1,840.0**	**983.9**	**498.0**	**3,321.9**
	2018	**1,842.2**	**910.3**	**421.5**	**3,174.0**

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2019. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2042 and at interest rates ranging between 1.0% and 2.3%, and on amounts overdrawn in certain cases up to 9.4%. 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 €1,468 thousand; in the previous year, the figure was €1,578 thousand. Repayments of €113 thousand were made in 2019. 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. The increase in the threshold value to €20 thousand came into force on 1 January 2020. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

No such transactions were reported to Commerzbank Aktiengesellschaft in the past 2019 financial year.

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

Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority of the share capital represented at the date of resolution, a simple majority of the capital represented 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 €626,178,817.00 by issuing new shares under Art. 4 (3) and (4) (Authorised Capital 2019/I and Authorised Capital 2019/II) of the Articles of Association applicable on 31 December 2019. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain circumstances. Moreover, the Annual General Meeting on 22 May 2019 gave the Board of Managing Directors the authority to issue profit-sharing certificates or other hybrid debt instruments against a cash or non-cash contribution for a total nominal value of up to €5,000,000,000.00. Financial instruments can also be structured in such a way that they are recognised as additional Tier 1 capital at the time of issue. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights to financial instruments in certain circumstances.

For details of the authorised capital, particularly regarding maturities and terms and conditions of exercise, please refer to the detailed explanations in Note 62 on page 253 ff.

On 30 April 2015, the Annual General Meeting authorised the Board of Managing Directors to purchase and sell own shares for the purpose of securities trading until 29 April 2020 pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act. 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 due to a merger or transfer of assets, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market value, which can be determined on any stock exchange trading day. However, the possibility cannot be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's assets, liabilities, financial position and financial performance could nevertheless be heavily impacted due to the Bank's potential payment obligations.

Compensation agreements in the event of a takeover offer

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

Equity holdings that exceed 10% of the voting rights

According to the notification of voting rights dated 4 June 2013, the Financial Market Stabilisation Fund holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights are unchanged, the Financial Market Stabilisation Fund would hold a stake of approximately 15.6% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015.

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

The aim of the internal control and risk management system over financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the assets, liabilities, financial position and financial performance in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. Below, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found on pages 100 and 101 of the risk report.

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

Legal basis and guidelines

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

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

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

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

Organisation

The written rules of procedure form a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. These rules are defined as the transparent description, to be updated on an ongoing basis, of the organisational structure and processes of a company, including powers. The binding standard required by regulation for the organisational structure is set down in the policy on the written rules of procedure and the process framework. These form the 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 administrative cost approval authorities at the lower management levels. The scope and structure of the governance framework follow both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the full Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and comprises the following elements:

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

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

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

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

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

Controls to minimise risk

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

Monitoring by Group Audit

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

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

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

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

The financial reporting process

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

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

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

Measures to further enhance the ICS over financial reporting

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

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

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

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

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

Other

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

Combined separate non-financial report

The success of the Commerzbank Group is also shaped by non-financial factors. We report on these factors for the Group and for Commerzbank Aktiengesellschaft in the following "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)). Unless stated otherwise, the information relates to the Group. Alongside the parent company, Commerzbank Aktiengesellschaft, the main subsidiaries comdirect bank AG, Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. were also included.

Our responsibility

Commerzbank's business model depends on social acceptance. It is the basic prerequisite for our economic success. With this in mind, we closely monitor social developments and political megatrends and evaluate them in terms of potential opportunities and risks. Our stakeholders expect us to handle the impact of our business activities in a responsible manner. We are facing up to this responsibility. We have defined binding rules for handling environmental and social risks. Transparency and fairness towards our customers are one of the key pillars of sustainable business development. The partnership with our employees – even and especially at times of great upheaval and economic challenges – is another.

Further developing the strategy

The Bank's strategy "Commerzbank 5.0", published in September 2019, solidifies its corporate responsibility even more firmly within its business model for the future. Responsible banking is embodied in the triad of integrity, data security and sustainability. Integrity and compliance are essential components of our business model. The responsible handling of our customers' data has always been one of Commerzbank's core competencies – and is becoming increasingly important with the advent of digitalisation. We also want to make a greater contribution to mitigating climate change by taking better account of climate risks in financing decisions, significantly expanding our range of environmentally friendly products and increasing the share of renewable energies in the energy mix we finance. Sustainable banking also means keeping our own ecological footprint as small as possible.

In December 2019, mBank – in its capacity as an independent institution – also published its new strategy "Growth fuelled by our clients" for the years 2020 to 2023. By incorporating sustainability issues into its business strategy, mBank is reaffirming its intention to align itself with the United Nations Sustainable Development Goals that are relevant to its activities.

Joining forces

To underpin the commitment to responsible banking formulated in "Commerzbank 5.0", in September 2019 Commerzbank Aktiengesellschaft became one of the first signatories of the United Nations Principles for Responsible Banking. The six principles support the goals of the Paris Agreement and the UN Sustainable Development Goals. The Bank also committed to the Green Investment Principles for the Belt and Road Initiative in September. The aim here is to ensure that infrastructure projects in the countries along the "new Silk Road" are as low-emission and sustainable as possible. These are just two current examples from a host of initiatives underlining Group companies' commitment to sustainable development. Commerzbank Aktiengesellschaft and mBank are also signatories of the UN Global Compact and as such respect its ten principles covering the areas of human rights, labour standards, the environment and anti-corruption.

Measuring success

In developing the new strategy, Commerzbank was able to build on many years of experience and a wide range of measures for sustainable business development. The relevant areas, including the customer segments along with Compliance, Human Resources and the data protection, environmental management, purchasing and IT units, jointly formulated a sustainability programme comprising 100 goals back in 2017, and we have been working to achieve or further develop these goals ever since. The success of this programme is also reflected in sustainability ratings and in the Bank's inclusion in the corresponding indices. In 2019, 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, a B "positive" from imug, and at Sustainalytics we are an Outperformer with 75 out of 100 points. Commerzbank Aktiengesellschaft was included in the FTSE4Good sustainability index in July 2019 and is listed in four of ECPI's ethical and ESG-equity indices (ESG stands for the triad of environmental, social and governance factors). In the year under review, the MSCI ESG Ratings also rated comdirect as BB and mBank as A. mBank was also included in the Warsaw Stock Exchange's new WIG-ESG index.

Commerzbank repeatedly receives awards for its commitment to the environment and society. For example, in 2019 the Canadian organisation Corporate Knights included it in the Global 100 Most Sustainable Corporations in the World Index. Commerzbank was ranked second of the five German companies listed in the index.

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

Our contribution to sustainable finance

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

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

Holistic risk management

The integration of non-financial aspects into the Bank's risk management processes is hugely important for sustainable finance. These include risks resulting from climate change. They form part of the overall risk management and in future will be anchored even more firmly in the risk strategy under "Commerzbank 5.0". Credit risk management already incorporates climate issues in country and sector analyses and in risk assessment. Physical risks include rising sea levels and flooding for the real estate sector, along with crop failures in agriculture or low water levels in rivers, with implications for the transport and chemical industries. Transition risks such as changes in energy policy are also taken into account in the analysis. Lending decisions for companies and institutional customers are therefore based not only on an individual risk assessment but also – where relevant – on the extent to which they involve climate risks and on the level of resistance to them. If a customer is exposed to a higher probability of physical climate risk, a scenario analysis is carried out and the resilience to climate-related phenomena tested.

Taking a position

By contrast, environmental and social risks arising from our core business are assessed in Commerzbank Aktiengesellschaft's Reputational Risk Management department. The Bank has adopted a clear position on controversial issues such as weapons, environmentally harmful energy sources and speculative trading in basic foodstuffs. Our process for managing these risks is described in detail in the framework for handling environmental and social risks in the core business, which is published online. The framework also includes all industry-specific requirements, for example relating to mining, energy, oil and gas. Cross-sector requirements relate to human rights and indigenous peoples. Exclusion criteria were defined for particularly critical products, transactions or business relationships. These include projects related to fracking or tar sands, but also the Group-wide decision not to finance new coal mines or coal-fired power stations. After the parent company took this decision with its 2018 coal position, the Polish subsidiary mBank issued a corresponding directive in April 2019.

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

Setting limits

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

- Key figure: In 2019, Commerzbank Aktiengesellschaft's Reputational Risk Management department assessed around 5,450 transactions, business relationships and products relating to specific environmental, social and ethical issues (2018: 5,900 votes, 2017: 6,000 votes).

The decline in the number of votes was due to an adjustment in the voting scope and a more restrictive approach to transactions in controversial sectors. In view of the special risks associated with the energy and arms sectors, Commerzbank Aktiengesellschaft has passed its own directive for arms and coal that defines many of the relevant transactions and business relationships in these areas as being subject to assessment. For example, Reputational Risk Management performs a critical, case-by-case review of all transactions relating to the delivery of individual coal-fired power plant components. Financing of arms supplies is also assessed on a case-by-case basis in accordance with the arms policy.

Breakdown of 2019 risk assessment by sector

Sector	Number of Votes
Oil and gas	1,184
Energy	1,130
Arms	1,090
Agriculture and forestry	526
Mining	480
Textiles	304
Other sectors	735
Total	**5,449**

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 also forms part of Commerzbank's overall risk strategy (for more information please see the "Other risks" section of the Group Risk Report). If Reputational Risk Management identifies a material reputational risk in the course of an assessment, 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 full Board of Managing Directors and the Risk Committee of the Supervisory Board on a quarterly basis.

To continue developing its reputational risk management, Commerzbank Aktiengesellschaft monitors issues of potential environmental and social relevance on an ongoing basis and checks how they may be embedded in the Bank's internal processes and evaluation criteria. For example, it published a new position on tobacco and cigarette production 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 requirements, such as the requirement for defined loan approval and decision-making rules, generally also apply to the material subsidiaries and are agreed with Commerzbank Aktiengesellschaft's Reputational Risk Management department as global functional lead. The Group companies define priorities according to the requirements of their business model, for example based on the reasons for customer complaints. mBank in Poland operates its reputational risk management based on a commitment to the United Nations Global Compact. The policy on providing services and financing to entities operating in areas that are particularly sensitive in terms of mBank's reputational risk is designed to implement this commitment and can lead to particular lending transactions or the opening of bank accounts being turned down. mBank's reputational risk strategy is reviewed annually and coordinated with the parent company.

Sustainability effects of lending

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

In implementing the "Commerzbank 5.0" strategy, we are currently developing a methodology for embedding sustainability considerations in the future management of Commerzbank Aktiengesellschaft's loan portfolio. The initial focus is on the CO_2 emissions associated with our business activities. The CO_2 intensity of the bank's loan portfolio is to be reduced through individual target values and measures. These include the promotion of emission-reducing technologies and the active management of financing in CO_2-intensive industries.

Promoting renewable energies

The Bank is able to build on extensive experience in this area: corporate and project finance along the entire value chain of renewable energies has been part of its portfolio since the 1980s. The core business of Commerzbank Aktiengesellschaft'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 and also private investors. We are now one of the main financers of renewable energies in Europe and are also increasingly driving internationalisation forward in the rest of the world. In 2019, the Energy Competence Centre acted as syndicate leader and hedging bank for five offshore wind farms in Taiwan, the UK and France. In the onshore wind and photovoltaics segments, a large number of transactions were carried out in the USA in the year under review along with project finance transactions in Europe (including in Spain, France, Sweden, Finland and Poland).

- Key figure: The loan exposure of the Energy Competence Centre (exposure at default) came to around €5.1bn in 2019 (2018: €4.6bn, 2017: €4.6bn).

mBank in Poland also wants to step up its commitment to environmentally friendly product solutions, with an initial investment of around €118m (PLN 500m) in renewable energy projects at the end of 2018. In July 2019, mBank decided to double this financing pool. To date, around three-quarters of the funds for investments have gone to the wind sector, with the rest supporting the development of solar parks.

In July 2019, the European Investment Bank (EIB) approved a credit line with a total value of €250m for mBank and its subsidiary mLeasing to support Polish SMEs and mid-caps with climate protection measures focusing on photovoltaic systems. A new coal guideline has been in force at mBank since April 2019, according to which no new coal mines or coal-fired power plants will be financed. In addition, mBank will not establish any new relationships with companies for which the share of electricity generated from coal exceeds 50%. Furthermore, in October 2019 mBank adopted a new lending policy geared to the mining, energy and transport sectors in particular, based on the EU's climate and energy policy.

Promoting energy efficiency

Commerzbank Aktiengesellschaft also incorporates sustainability aspects into the development of traditional financing solutions by advising corporate customers about the advantages of public promotional loans for energy efficiency projects. With a share of around 9% in KfW's commercial energy efficiency programmes, we are one of the leading banks in Germany in using public-sector funding for such investments by small and medium-sized enterprises. Private and small-business customers also receive attractive financing conditions for energy-efficient buildings: The green mortgage loans scheme introduced in September 2019 offers an interest discount on loans for the construction, modernisation or acquisition of buildings – for personal or third-party use – whose final energy demand is less than 75 kWh per square metre of usable floor space.

Avoiding overindebtedness

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

Sustainable investments and capital market products

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

Developing sustainable bonds and loans

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 the year under review alone, Commerzbank Aktiengesellschaft acted as lead arranger for the issue of 18 green and social bonds. We also cooperate with industry associations and similar interest groups, thus helping to actively develop the market for sustainable bonds. At the end of 2019, for example, the Bank became a partner in the Climate Bonds Initiative, an organisation working solely to mobilise the US$ 100trn market for climate change solutions.

- Key figure: The total volume of all green and social bonds issued under the lead management of Commerzbank Aktiengesellschaft in 2019 was €12bn (2018: €11.4bn, 2017: €5.8bn).

Commerzbank Aktiengesellschaft also arranges, structures and places sustainable promissory note loans and syndicated loans in the form of green loans or ESG-linked loans for companies in a wide range of sectors. ESG-linked loans, also known as positive incentive loans, are a comparatively new product category but one that is seeing very dynamic growth. With this type of syndicated loan, the conditions are linked to sustainability criteria such as the borrower's ESG rating. The better the criteria perform, the lower the interest rates – and vice versa. Commerzbank Aktiengesellschaft was involved in 20 green or ESG-linked loans with a total volume of €27.3bn in 2019. Since 2017, we have been participating in working groups of the Loan Market Association to actively shape the implementation of sustainability in the syndicated loan market.

Sustainability aspects are also playing an increasingly important role in the Bank's own investments. As part of its liquidity management activities, Commerzbank Aktiengesellschaft is increasingly investing in sustainable bonds and building up its own ESG portfolio. To this end, the Bank plans to invest an increasing proportion of its own assets in green and social bonds. By the end of 2019, the volume had already reached around €430m. The Commerzbank Group takes sustainability aspects into account in its company pension scheme in Germany, with asset managers only selected for the pension plan if they have signed the UN Principles for Responsible Investment (PRI).

Investing customers' money sustainably

The Group also offers its customers an increasing range of opportunities to participate in the growing responsible investment market, for example through sustainability funds offered by various providers for private and institutional customers. Wealthy private individuals and corporate customers can agree individual sustainable asset management with Commerzbank Aktiengesellschaft where, on the equity side, investments are made exclusively in individual equities with a high sustainability rating. We have set ourselves the goal of tripling the percentage of sustainable investments in the total volume of assets managed by Asset Management for retail banking by 2020 versus the 2017 level. We were able to more than double this percentage by the end of 2019.

Since November 2019, institutional investors who obtain their equity research from Commerzbank Aktiengesellschaft have also been receiving quantitative sustainability indicators from Arabesque S-Ray. The data analysis company evaluates companies in terms of their compliance with the principles of the UN Global Compact and draws up an ESG score. This information is made available to customers in addition to fundamental equity votes.

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

Commerz Real combines sustainable investment opportunities with a direct contribution to shaping the energy revolution: it invested in solar energy for the first time back in 2005, and since then it has made investments in a large number of solar plants accessible to private investors through funds. Since 2016, professional investors have also had the opportunity to invest in onshore wind energy systems. This was extended to offshore systems in 2019. With a total annual output of around 949 megawatts from around 50 ground-mounted solar power plants and 13 onshore/offshore wind parks, Commerz Real is now one of the biggest German asset managers in this segment. The total transaction volume in renewable energies came to around €3bn at the end of 2019. Commerz Real also attempts to improve sustainability in the management of 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 and infrastructure assets. Buildings with sustainability certificates currently account for just under 35% of the reported real estate assets of hausInvest, one of the biggest open-end real estate mutual funds in Germany with around €15.7bn under management at the end of 2019.

Trading or offsetting emissions

Commerzbank Aktiengesellschaft participates in the European Emissions Trading Scheme (ETS). It advises companies and governments on the procurement of carbon emissions rights and certificates and the associated risk management aspects, and implements the resulting trading strategies for customers. This is accompanied by the option of voluntary carbon offsetting for companies not subject to the mandatory ETS. Commerzbank Aktiengesellschaft launched a pilot project in autumn 2019 designed to allow its corporate customers to conduct climate-neutral business. As a member of the World Bank's Carbon Pricing Leadership Coalition (CPLC), the Bank also participates in the global debate on carbon pricing.

Our responsibility towards customers

Customer orientation is one of the five "ComValues" guiding us in our day-to-day activities. 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. The protection of customer data and compliance with banking secrecy requirements are also of the utmost importance in this era of increasing digitalisation. With this in mind, data security has been included in the "Commerzbank 5.0" strategy as one of three key topics for responsible banking.

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.

Preventing cyber crime

With the increasing digital networking of state, business and society, the topic of cyber security and resilience is becoming more and more important. Commerzbank scrutinises not only its own information, premises and IT systems, but also those of its customers and service providers, including any independent transport routes. Cyber security is a strong driver of customer confidence and thus an important competitive factor. As part of the critical infrastructure, the financial industry is subject to enhanced legal requirements. This is also one of the reasons why the security level at Commerzbank is very high compared with companies in the real economy. Within the Group, the Information Security division ensures that the Bank is aware of current attack routes and techniques and is able to counter these effectively. The services provided by the division include threat analyses, forensic investigations and penetration tests, security consulting and monitoring, and compliance with information security regulations. Commerzbank Aktiengesellschaft is a founding member of the German Competence Centre against Cyber Crime (G4C) association, which started work in 2014 and cooperates with the Federal Criminal Police Office. The association's aim is to develop and optimise measures to counteract cyber crime in order to protect its members and their customers against damage.

Ensuring data protection

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

The data protection officers of Commerzbank Aktiengesellschaft provide assistance to the Bank's business units in Germany and abroad and monitor adherence to data protection provisions in compliance with the law. In 2019, this included in particular the ongoing implementation of the EU General Data Protection Regulation (GDPR). 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.

At comdirect, in addition to the established central monitoring authority in the shape of the data protection officer, a data protection management unit was set up in the year under review responsible for the active management of all the company's data protection activities. comdirect is thus pursuing the approach of using data protection as a tool for building customer and employee trust. Under the new data protection mission statement, objectives for management modules will be developed and implemented on a step-by-step basis. The aim is to integrate data protection into agile project and process flows without slowing the pace of innovation. In Poland, the mBank data protection officer and the associated team support the bank's business units.

In view of the fact that the Bank has around 16.9 million private 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 was again comparatively low in 2019. For example, the data protection officer of Commerzbank

Aktiengesellschaft in Germany received 298 customer complaints in the year under review. In most cases, the complaint was that customer data had been subject to unauthorised use or had been obtained by third parties.

Using big data responsibly

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

Data-related measures that help prevent payment fraud and the resultant losses are of great benefit for customers, allowing fraud attempts to be detected at an early stage and losses minimised. Commerzbank Aktiengesellschaft offers a range of courses for customers in Germany and at selected European locations to address CEO fraud, where corporate customers are tricked into making payments.

Data security recognised

Security was one of the assessment criteria in the 2019 online banking test conducted by the specialist magazine Chip. Commerzbank Aktiengesellschaft impressed in this category and was rated “very good”, while comdirect was rated “good” overall and “very good” for its banking app. mBank, meanwhile, received two awards in the Golden Banker 2019 competition: in the Best Practices for Secure Banks category and for behavioural biometrics – a solution for identifying users via their interaction with the computer.

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. Moreover, Commerzbank has in recent years introduced new products and services that are particularly beneficial to customers. These include accounts with a satisfaction and security guarantee, digital instalment loans, mortgage financing with a free choice of supplier or the “savingsCheck” electricity and gas supplier comparison platform offered by comdirect.

Measuring satisfaction

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 Commerzbank Aktiengesellschaft’s private and small-business customers with a strong willingness to recommend the Bank (promoters) was once again 60% in 2019. Satisfaction is also measured via other contact channels such as the Customer Centre, online banking or mobile apps, in order to positively influence the customer experience in these areas. The majority of comdirect customers are also promoters of their bank under the NPS benchmark (54 %).

Customer satisfaction is also a high priority for mBank. Projects such as “mSatisfaction” are designed to further strengthen customer loyalty. mBank measures satisfaction with the relationship in general and with particular products and processes in retail and corporate banking by using the NPS. The results in both customer segments substantially exceeded the Polish industry average in the year under review. At the beginning of 2019, mBank was awarded a Service Quality Star in the cross-sector consumer survey on customer satisfaction conducted as part of the Polish Service Quality Programme.

The high level of customer satisfaction is reflected in the growing number of new customers: in 2019, the Private Customers segment hit 1.5 million net new customers since the fourth quarter of 2016. This put the segment well on track to meet the target of 2 million net new customers by the end of 2020.

- Key figure: The Private Customers segment gained more than 470,000 net new customers in Germany in 2019 (2018: 420,000, 2017: 502,000).

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

Engaging customers

All Group companies actively engage with customers so as to take systematic account of their interests. Experts communicate with customers through various media to ensure that their ideas and suggestions are taken into account when developing products and services. These include the UX Studio, a test laboratory where customers and employees of Commerzbank Aktiengesellschaft are involved in the development of digital products and services. UX stands for user experience, that is, the customer's experience before, during and after their use of a product. mBank has a similar project known as the mLab, where banking experts meet with customers to design and test new services. In line with the design thinking method, customers become part of the process by supporting us in developing solutions and testing prototypes. comdirect's customer integration activities are based around the comdirect community web platform, where customers and others with an interest in the financial markets can discuss products and other financial topics with the Bank.

The Corporate Clients segment of Commerzbank Aktiengesellschaft conducts regular customer surveys on specific topics in order to develop its range of products and services. This provides us with information on customer preferences and requirements, which can be used in the design of products and processes. The aim is to base product optimisation and innovation on the benefits provided to customers, e.g. in the field of digitalisation. At Commerz Real, too, Asset Management addresses its real estate tenants directly. Their suggestions help with the optimisation of the property portfolio.

Removing barriers

To make Commerzbank's products and services available to all interested parties, we go to great lengths to ensure that our branches and online offering are fully accessible. In 2019, around 65% of our branches were fully accessible. We strive to ensure accessibility for all user groups where possible whenever we renovate a branch or install an ATM. For cash disbursements, all of Commerzbank Aktiengesellschaft's ATMs have a read aloud function for visually impaired customers. Further information on our efforts to be inclusive, including towards our employees, can be found in the following section under "Diversity and equal opportunities".

Our responsibility as an employer

The corporate success of the Commerzbank Group is based on qualified and motivated employees. Our 48,512 colleagues worldwide contributed their knowledge and experience to our work processes in 2019. A fundamental appreciation of the importance of fairness, respect of others and lived diversity is anchored in our "ComValues" and 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 digitalisation in order to remain viable. The associated headcount reduction decided on within Commerzbank Aktiengesellschaft was further implemented in 2019 in a socially responsible way.

Despite staff increases in strategically important areas, an additional Group-wide reduction in full-time positions of 4,300 gross and 2,300 net is unavoidable as a result of the transition to "Commerzbank 5.0". The Bank will do everything it can to ensure that this additional headcount reduction is also as socially responsible as possible through the responsible use of human resource management instruments.

One of the major challenges for the Group's HR team at the moment is to implement the headcount reduction fairly while at the same time retaining employees in a challenging labour market and securing new experts for the digital transformation. Initiatives to ensure that the Bank has a healthy pipeline of future talent are firmly solidified in the HR strategic agenda. These include, for example, new trainee programmes focusing on digitalisation or a more generalist pathway. Rising numbers of trainee positions, innovative training programmes and the opportunity to pursue various development paths should also make the bank attractive for talented young people, however.

Commerzbank Aktiengesellschaft fundamentally restructured its Group head office in the year under review. All products and services are now developed and managed by clearly defined organisational units under the Campus 2.0 project. Within these units, known as clusters, specialist and IT staff work together in non-hierarchical teams, applying agile working methods to become faster and more flexible in the market and for our customers.

Developing employees

Commerzbank Aktiengesellschaft offers a host of optional and mandatory training modules (seminars, workshops and e-learning courses) designed to prepare employees for the transformation of the banking sector resulting from digitalisation and develop their skills on an ongoing basis. The different requirements call for learning and information formats that are appropriate to specific target groups. These include needs-based learning sprints for managers or digi sessions for all employees. Our performance instruments such as performance appraisal or competence management and individual development concepts have also been realigned to meet the needs of the digital strategy. We are also addressing the increasingly digital working world within the Group through changes in work structures: mobile technical applications, agile working and flexible workplaces and working hours are just a few of the keywords in this context.

Combining work and private life

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

With an ageing workforce, taking care of relatives is becoming increasingly important. As a result, there was higher demand for our care-related workshops and advisory services in 2019. In the year under review, Gruner&Jahr Verlag honoured this commitment by naming the Bank best employer for women. 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. comdirect is also a member of the Federal Ministry for Family Affairs "Success Factor Family" network and is committed to innovative working models that support the diverse realities of family life.

Maintaining health

Health management is another key aspect of Commerzbank Aktiengesellschaft's HR activities: the Bank seeks to promote the mental and physical health and social well-being of its employees. We analyse working conditions on a continuous and holistic basis using the legally required risk assessment tools. Significant changes on workplaces are considered as a preventive measure when new software is introduced. We also consult employees and managers on a regular basis about various aspects such as work structures or leadership and team topics. Based on this analysis, targeted measures are then developed and their effectiveness tested.

The demands on the world of work are changing. We want to empower employees and managers to deal with this themselves. To this end, we offer them a wide range of preventive measures such as professional advisory services (e.g. the Employee Assistance Programme) or training, including how to deal with stress, and campaigns to encourage people to stay mobile. A pilot series of training sessions on de-escalation in customer contact was continued in 2019 to provide employees with concrete recommendations for action in stressful situations. Employees of Commerzbank Aktiengesellschaft also have the opportunity to participate in more than 50 types of sport offered by the some 150 company sports groups throughout Germany. Around 11,000 employees took advantage of this in 2019.

Health has been a strategic topic at Commerzbank Aktiengesellschaft since 2016. In 2013, the Bank became the first company in Germany to have its occupational healthcare management certified by TÜV Süd according to the Corporate Health Standard. Although the principles of HR apply Group-wide, there are some company-specific particular features when it comes to how they are implemented. Commerzbank Aktiengesellschaft and Commerz Real implement most concepts jointly. comdirect works to improve its employees' health through 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.

Consulting employees

Employee satisfaction during periods of corporate restructuring is an important yardstick for assessing whether key objectives of our strategy resonate with employees. To this end, in July 2019

Commerzbank Aktiengesellschaft conducted a short survey of 3,500 randomly selected employees for the first time. The results showed that the vast majority of employees are happy at work, even though the recent headcount reductions have demanded a great deal from them. The survey, known as the "Pulse Check", will in future be conducted twice a year among around 10% of the workforce each time. mBank also obtains an anonymised picture of employee satisfaction every year through its employee engagement survey.

Offering fair remuneration and attractive additional benefits

We want to create a good working environment by offering attractive additional benefits, showing recognition and positioning ourselves as an attractive employer. Commerzbank Aktiengesellschaft has for many years supplemented the statutory pension with a company pension. Employees can also take advantage of other occupational pension products at special conditions. We also offer our employees the opportunity to lease cars, high-quality bicycles or IT equipment for private use through the Bank.

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

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

Diversity and equal opportunities

A working environment that is free of prejudice, characterised by mutual respect and acceptance is a basic requirement for a climate where everyone is able to thrive. We do not tolerate discrimination at Commerzbank. Any form of discriminatory treatment on the basis of ethnicity, age, disability, gender, origin, physical ability, nationality, political activity, religion or sexual identity constitutes a violation of human dignity and personal rights. With this in mind, in 2004 Commerzbank Aktiengesellschaft and the Central Works Council concluded a works agreement prohibiting discrimination, bullying and sexual harassment. The agreement defined preventative measures, procedures for dealing with complaints, and sanctions to be applied. In Poland, mBank is a signatory of the Responsible Business Forum's Diversity Charter. As such, the Bank also undertakes to prevent discrimination in the workplace and implement measures to create and promote diversity.

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

Promoting women

Teams characterised by diversity often perform better, and they are also indispensable for corporate success in view of internationalisation and demographic change. Although a small majority of the Commerzbank staff is female (53%), women are not yet represented at management level to the same extent. For this reason, in recent years the measures designed to promote a good work-life balance have been further improved to open up fresh career opportunities for women in particular. They include the expansion of childcare offerings, innovative part-time working models, including for managers, and a Bank-wide mentoring programme.

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

- Key figure: The proportion of women in management positions came to 32.5% Group-wide at the end of 2019 (2018: 30.8%, 2017: 30.7%).

Driving inclusion

The inclusion of people with disabilities is another part of our diversity strategy. In 2018, Commerzbank Aktiengesellschaft became the first bank in Germany to publish an inclusion action plan based on the UN Convention on the Rights of Persons with

Disabilities. Following on from this, we set clear implementation priorities in 2019. Barrier-free access to the workplace and to working tools is just as high a priority as the implementation of accessibility in our digital offerings for customers. In the Bank's UX studio, for example, employees with a range of disabilities take part in tests to ensure that our digital innovations are accessible.

Framework agreements were also concluded with the Rhineland-Palatinate Regional Association for the Deaf and the Association of Sheltered Workshops (GDW Mitte) in 2019. These will help us improve the availability of sign language interpreters for deaf employees and standardise the provision of services and products from workshops for people with disabilities throughout Germany, with a view to promoting inclusivity in our business activities.

Between 2014 and 2018, Commerzbank Aktiengesellschaft consistently exceeded the statutory requirement of 5% employees with severe disabilities and no compensation was payable.

Treating each other with respect

For some 20 years now, Commerzbank Aktiengesellschaft has been committed to an open approach in respect of the sexual orientation and gender identity of its customers, employees and business partners. To send out a visible signal of this approach, in 2019 we displayed the Commerzbank Tower and the Bank's logo in rainbow colours during pride season and participated in numerous other initiatives.

Linking like-minded people

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

Our responsibility in corporate governance

For us, responsible corporate governance includes the promise to be "the bank by your side". We want to be a reliable partner for our stakeholders, and our actions are guided by ethical values such as integrity and fairness. As an active part of society we want to help shape the world around us. We achieve this primarily through the positive effects of our financial services on the economy and through the role of the Bank as an employer and taxpayer.

We also view the offer of high-quality financial services as an important infrastructural contribution our Bank makes to society. The Commerzbank Group and its foundations also engage in extensive voluntary work for charitable purposes, for example through numerous cooperation and sponsoring projects and the support of staff in such projects.

Integrity and compliance

Integrity is a key element of our corporate culture and requires every single person to act responsibly so that their activities on behalf of the Bank are in line with the relevant laws, voluntary commitments and internal directives. The globally binding code of conduct, which was recognised by Compliance Manager magazine in 2019, guides our employees in correct and ethical behaviour in their everyday work. The code makes it clear what Commerzbank expects from the employees in the Group: that they not only comply with laws, regulations and internal guidelines but also stay within our guiding principles.

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

Clarifying the claim

Through its cross-segment "culture of integrity" network, Commerzbank Aktiengesellschaft teaches its employees what is important in their daily working lives: to act professionally 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. We report regularly via a Bank-wide communication campaign on practical examples of correct conduct in grey areas, show where potential violations of the law may occur and indicate what the right response should be. The campaign is accompanied by posters in Germany and at the international locations. Commerz Real participates in the initiative and has developed its own management principles, which were incorporated in the objective-setting process for managers in 2019. This will improve shared goal orientation on compliance issues.

To promote conduct characterised by a high degree of integrity and reward employees who act as a role model, Commerzbank Aktiengesellschaft has instigated the Culture of Integrity Award. It is given to employees or teams who have distinguished themselves through their integrity and protection of customer and bank interests. The winners in 2019 were employees of the Brussels branch, whose commitment helped prevent losses of around €5.6m for a corporate customer who was a victim of CEO fraud. Some 20 nominations were received from various parts of the Bank worldwide, ranging from exemplary conduct when uncovering money laundering or fraud to a number of other integrity and compliance issues.

Fighting corruption

In our fight against corruption and bribery, we go further than simply focusing on statutory requirements such as the German Criminal Code, the UK Bribery Act or the US Foreign Corrupt Practices Act. We also adhere to the 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 active and passive bribery and other forms of corruption. The Bank conducts ABC training sessions to help employees implement the policy. All staff and managers complete the mandatory anti-corruption training every year. Business and functional units with heightened risk profiles and individuals in functions at Commerzbank Aktiengesellschaft that have an increased risk of bribery and corruption receive additional needs-based training. In 2019, 40 employees at the London branch attended face-to-face fraud and ABC training. Compliance bootcamps – intensive three-day training sessions for small groups – were also organised for internationally active corporate customer advisors. In addition, an anti-corruption team is available to answer employees' 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 2019 (2018: none, 2017: none).

Preventing money laundering

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

The Central Office for Financial Transaction Investigations, the Federal Financial Supervisory Authority (BaFin), the Federal Criminal Police Office and various banks including Commerzbank Aktiengesellschaft founded the Anti Financial Crime Alliance in September 2019. This alliance between the public and private sectors aims to establish a lasting strategic cooperation in the fight against money laundering and terrorist financing in Germany.

Observing sanctions

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

Preventing or reporting fraud

The Group takes comprehensive 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. Relevant business partners from whom the Bank purchases products and services are also subject to a compliance check for indications of corruption or fraud. 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). The online platform allows customers, employees and third parties to report any suspicion of financial crime, violations of regulatory rules and requirements or breaches of internal instructions and other requirements within Commerzbank – anonymously if desired.

Protecting the market and customers

Market and customer protection is no less important. In addition to legal consequences, violations can harm the Bank's reputation and lead to a loss in profitability. We therefore provide information to our customers, explain risks and fulfil recording and retention requirements in order to verifiably document the fact that our actions comply with rules. We have introduced a system for managing conflicts of interest aimed at avoiding potential conflicts of interest or resolving them appropriately. For instance, Commerzbank Aktiengesellschaft uses a conflict of interest tool in its corporate customer business. Data on relevant transactions in the corporate customer and capital markets businesses is collected worldwide in order to check the transactions for potential conflicts of interest. We counter attempts at market manipulation resolutely and work to respect the integrity of markets and the need of our customers for protection.

Managing compliance risks

As a proactive risk manager, Group Compliance is responsible for ensuring systematic compliance with laws and regulations throughout the Group. Its objective is to identify compliance risks before they materialise, and to manage them effectively if and when they do arise. 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 and their business divisions, branches and other affiliated or dependent companies in Germany and abroad that are deemed to be relevant for compliance purposes. We regularly review the prevention measures implemented as a result of the risk analysis and supplement them as needed.

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

Documenting violations

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

Further information on the compliance function and compliance risks can be found in the "Important business policy and staffing events" section of the Group Management Report and in the "Other risks" section of the Group Risk Report.

Stakeholder dialogue

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

The discourse on important questions relating to social, economic and financial policy is of great importance to us. Commerzbank pursues an active and transparent dialogue with a view to satisfying the expectations and needs of its stakeholders, 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.

Fostering opinion-forming

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

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

Highlighting customer issues

SME topics are at the heart of Commerzbank's "Unternehmerperspektiven" initiative (Business Owners' Views). Once a year it surveys 2,000 owners and managers at the first management level from companies of different sizes and industries. Representatives from business, associations, politics and science debate the results via interactive events. The focus in 2019 was on internationalisation. The study "How secure are the markets: managing risks in international business" showed how SMEs are dealing with geopolitical uncertainties. At 12 events across Germany, one in Switzerland and one in Belgium, participants had the opportunity to exchange viewpoints, gather ideas for successful internationalisation projects and forge new contacts.

Another 2019 study looked at challenges for company founders. The survey covered around 3,000 freelancers, craftspeople and tradespeople throughout Germany who have founded their companies within the last six years. The results clearly show that women are in the minority when it comes to starting one's own business, and that a large proportion of founders only start their own business with equity capital.

Bureaucracy makes life difficult for company founders, with customer acquisition and tax issues also presenting numerous challenges.

Social commitment

In terms of social commitment, the Group engages with its environment in a variety of ways. Numerous projects and initiatives developed together with partners from business and society contribute to resolving current problems. Here, Commerzbank Aktiengesellschaft focuses on education and sports. One example is the environmental internship launched with the German national parks in 1990. Every year, the internship gives up to 75 students practical experience in the areas of environmental education and PR work in German national parks. The environmental internship is organised and financed by Commerzbank, with the national parks providing technical support and assistance in return. More than 1,700 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, more than 1,900 sports clubs have benefited from the initiative. The German Football Association's DFB Junior Coaches cooperation project is also designed to support grass-roots sport. 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, organising job application training and providing work experience for school students in Commerzbank branches. Almost 20,000 young people have been trained as DFB junior coaches since the project started in 2013.

Promoting employee engagement

Commerzbank also places emphasis on corporate volunteering as part of its social commitment. Staff are encouraged and enabled to perform voluntary charity work, with the Bank granting leave and providing the necessary infrastructure. This personal commitment benefits society and improves the living conditions of disadvantaged people. The projects also have a positive effect on the colleagues participating in them and promote mutual understanding.

Our employees are able to get involved in a wide range of projects. Opportunities in Germany include the Commerzbank educational mentorship programme for disadvantaged young people, the Malteser Social Day, non-profit sports projects, the business@school initiative and various Christmas campaigns for welfare institutions. Commerzbank Aktiengesellschaft also donated a total of around €380,000 to various institutions and organisations over the past year.

In 2019, mBank was for the second time the exclusive bank partner and sponsor of the 27th edition of Poland's biggest charity event, the Great Orchestra of Christmas Charity Foundation. For each day between Christmas 2018 and the Grand Finale fundraiser in mid-January 2019 on which there were at least 100 payments made to the foundation by mBank customers, the bank donated an additional PLN 100,000. mBank donated a total of around €470,000 (PLN 2m) to the foundation through this campaign. The bank also donated more than 40 works of art from its own collection, which were auctioned off for around €400,000 (PLN 1.7m).

Foundations shape the future

Various foundations supported by the Group also make an important contribution to society. The Commerzbank Foundation, for example, 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. 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 of society. Commerzbank Aktiengesellschaft provided a total of €841,000 in funding for these foundations in 2019, covering expenses such as staff, workplaces and other operating costs.

comdirect is involved together with the Stuttgart stock exchange in the "Stiftung Rechnen" maths foundation. The foundation, which celebrated its tenth anniversary in 2019, 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. The mFoundation's donation volume came to around €673,000 (PLN 2.88m) in 2019. mBank also provides financial help to staff, retirees and their family members in health emergencies through its employee benefits fund.

About this report

Under the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz, CSR-RUG), Commerzbank is required to prepare a non-financial report pursuant to Art. 340a (1a) of the German Commercial Code (HGB). With this combined separate non-financial report for Commerzbank Aktiengesellschaft and the Group, we satisfy this requirement pursuant to Art. 340i (5) in conjunction with Art. 315b (3) HGB and Art. 340a (1a) HGB in conjunction with Art. 298 (2) to (4) and Art. 289c to 289e HGB. Under CSR-RUG, information is required as a minimum on environmental protection, treatment of employees, social responsibility, respect for human rights and the fight against corruption and bribery. Commerzbank also reports on a sixth essential aspect, the treatment of customers, as we view customer focus as a key non-financial success factor for both Commerzbank Aktiengesellschaft and the Group. To identify relevant topics, we conducted a materiality analysis for ten non-financial issues that are key to understanding the business performance and situation of both Commerzbank Aktiengesellschaft and the Group and that are significantly impacted by our business activities (see table "Content of the non-financial report"). The legally required description of the business model can be found in the "Structure and organisation" chapter of the (Group) Management Report.

In many areas – compliance, HR management and reputational risk management, for example – the guidelines of Commerzbank Aktiengesellschaft apply to the entire Group by way of the "global functional lead" role. If arrangements in the subsidiaries differ from those of the parent company, this is indicated in the report. Commerzbank Finance & Covered Bond S. A., which as at the end of 2019 had just ten remaining employees and was exclusively managing a run-off portfolio, did not have any additional information to contribute on material non-financial issues in 2019.

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

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

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

Content of the non-financial report

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

Group Management Report

› In the Group Management Report, we provide in-depth information about the Commerzbank Group's performance in the 2019 financial year and about the macroeconomic and sector-specific conditions and their impact on Commerzbank's business activities. We also describe the outlook for the anticipated performance of the Commerzbank Group in 2020 and overall conditions expected.

› Commerzbank kept operating profit for the 2019 financial year stable at €1.3bn despite the further deterioration in framework conditions. Customer business continued to develop robustly, underpinned by growth in customers and assets.

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Basis of the Commerzbank Group

Structure and organisation

Commerzbank is one of Germany's leading banks for private and corporate customers and an internationally active commercial bank. Domestically, it currently has still one of the densest branch networks of any private-sector bank in Germany, with approximately 1,000 branches, serving a total of around 16.9 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 segments Private and Small-Business Customers and Corporate Clients, offering a comprehensive portfolio of banking and capital market services. The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. 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, Group Customer Process & Data Management, 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 & Market Operations, Group Technology Foundation, Group Operations Credit, 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 30 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 private and business customers, institutional clients, partners and stakeholders. "The bank at your side" – everything we do is measured against this promise: in our advisory services, in our offerings and in the way we conduct ourselves.

In recent years we have focused on the right issues. We have aligned the bank with its customers and completely restructured it. In both market segments we have gained many new customers. We have laid important foundations in the area of digitalisation, and with Campus 2.0 we have built an agile delivery organisation. Commerzbank has achieved a lot since 2016. It is essential, however, that we respond continuously to the changing framework conditions. Our customers' wishes regarding our digital and mobile offerings and personal advisory services are evolving very rapidly. The low interest rates and subdued economic expectations are also exacerbating the situation, not just for us but for the entire sector.

Against this background, our goal is clear: we want to carry on actively and confidently shaping our future. Under the new "Commerzbank 5.0" strategy, the Bank will invest in technological innovation and its core business with the aim of accelerating digitalisation, creating growth and increasing efficiency.

Here are the key elements:

In the Private and Small-Business Customers segment, Commerzbank will focus above all on the rapid expansion of mobile banking, although the branch network will remain a key pillar of its customer offering. The Bank expects to realise additional earnings potential from the enhanced use of data, which will enable the provision of individually tailored products and services. Commerzbank is also planning to introduce a more differentiated pricing strategy. The planned integration of comdirect will allow the Bank to bundle its digital expertise.

In the Corporate Clients segment, the Bank will strengthen its market presence, particularly in the Mittelstand division, where further digitalisation and a more efficient platform should open up greater scope for sales. This is to be reinforced by the addition of sales staff in Germany, enabling the Bank to serve customers even more intensively in the future. The focus will be on better exploiting the potential of existing customer relationships and on improving capital efficiency.

The strategic programme will see the Bank invest a total of around €1.6bn in digitalisation and greater cost efficiency. This will include additional investments of €750m in digitalisation, IT infrastructure and growth. The remaining €850m will consist of restructuring costs related to the planned reduction in full-time positions (4,300 gross, 2,300 net) and the announced changes to the branch network. Commerzbank is aiming to reduce costs by around €600m by 2023 compared with the current year. Investments in the ongoing modernisation of the Group-wide IT infrastructure are geared towards reducing the Bank's IT costs to €1bn. Costs are also to be further reduced in the central divisions and segments.

The Bank aims to use the planned sale of the majority stake in mBank S.A. in Poland to generate the financial resources needed to accelerate implementation of the strategy and the related investments. The mBank sale will only take place if the offer price and transaction structure are right.

Private and Small-Business Customers: expansion of mobile banking combined with a continued strong branch presence

In the Private and Small-Business Customers segment, the Bank is systematically expanding mobile banking under a mobile first strategy. Of the 1.7 million customer contacts occurring each day, 1.2 million already happen through mobile and online channels. With use of the mobile channel expected to increase, Commerzbank wants to obtain significantly more data points in the future and thus tap further business potential. The use of algorithms will help the Bank design products and services tailored precisely to customers' individual needs. The more intensive use of algorithms and data should also boost the efficiency of new customer acquisition.

Having significantly expanded its customer base over the past few years, Commerzbank is targeting measured growth in the Private and Small-Business Customers segment. In recent years, Commerzbank increased its active customer base by a net 1.3 million customers. The Bank is now aiming to win a net total of more than 1 million new customers in Germany by the end of 2023. Following the sale of ebase with its 1 million customers and the closure of a further 1 million largely inactive customer accounts, the Bank is set to continue its growth on an active customer base of 11.3 million.

Commerzbank is also aiming to systematically tap additional earnings potential with existing customers. The Bank is introducing a new pricing strategy that gives customers more choice in the range of services and prices offered. The basic offering will be supplemented by modular offerings. In future, under a fair use policy, inactivity will also be considered in the pricing models for otherwise free basic products.

Commerzbank will retain a nationwide presence in Germany in future with around 800 branches. The Bank is responding to changing customer needs by gradually closing around 200 branches and implementing the appropriate mix of branch formats. As customers will be making even greater use of digital channels in the future, the Bank is adapting its branch network in line with the expected changes in branch utilisation. The Bank's real estate expertise will in future be bundled in 50 new regional real estate centres.

Bundling of digital expertise through planned integration of comdirect

The planned integration of comdirect into Commerzbank is also intended to strengthen business with Private and Small-Business Customers. Since it was founded in 1994, comdirect has set benchmarks in online banking with innovative products, services and advice. Commerzbank wants to make this acknowledged expertise available to all customers in future and therefore intends to directly leverage comdirect's high level of digital expertise for the entire Group. comdirect will become part of a strong, innovative multi-channel bank, while also benefiting from economies of scale and growth opportunities within the Group.

Customers of comdirect will keep the service offerings they are used to, while also benefiting from Commerzbank's branch presence. In return, Commerzbank customers will gain access to comdirect's outstanding brokerage offering, which will be continued under the same product brand.

Corporate Clients: strengthening sales and increasing efficiency

In the Corporate Clients segment, Commerzbank is systematically expanding its market position. Maintaining a balance between additional business, risk appetite and capital efficiency is a clear priority. The Bank is also focusing on increasing its sales and platform efficiency.

In corporate customer business, Commerzbank wants to make better use of the potential offered by existing customer relationships while continuing to acquire new customers. It is therefore strengthening its sales organisation, with additional sales staff in Germany. Sales activities are also to be expanded in selected European markets. Further digitalisation and the efforts to improve platform efficiency will also open up greater scope for sales. In conjunction with the increase in personnel, this will allow even more intensive customer relationship management.

Commerzbank is also expanding its proven sector approach. In future, more than 500 corporate clients in Germany and selected eurozone countries will be managed under this approach, compared with only around 100 clients today. The experience gained since the approach was launched in 2016 shows that infusing comprehensive sector expertise into customer relationship management helps make existing customer relationships more profitable.

The efficiency of the corporate customer platforms is also being improved. The Bank is aiming to consolidate platforms. In future, as many international transactions as possible are to be processed on the German IT platform. Greater platform utilisation is also anticipated as a result of new business. All in all, further growth in corporate banking business will be dependent on capital efficiency and cost discipline that allows the return on capital employed to be increased. The Bank is also supporting this growth trajectory by further strengthening its credit risk expertise.

Social responsibility to be anchored even more firmly in the business model in future

Commerzbank's economic success is and always will be founded on the social acceptance of its day-to-day business dealings. As a responsible bank, Commerzbank has long held a clear position on controversial issues such as weapons, environmentally harmful energy sources and speculative trading in basic foodstuffs. Responsible action includes careful and conscientious handling of customer data and high data security.

The Bank will adopt an even more ambitious approach to sustainability and environmental issues in future, and will work even more proactively to achieve the Paris climate targets. Commerzbank's operations are already climate-neutral. Commerzbank recently also became one of the world's first signatories to the UN Principles for Responsible Banking. This rigorous approach will also generate business opportunities. Commerzbank will also help its customers achieve enhanced sustainability in future with a greener product range. For instance, private customers are now able to take out green mortgage loans. In corporate customer business, Commerzbank will align its loan portfolio more closely with sustainability criteria.

Release of equity through planned sale of mBank

As part of its strategy, Commerzbank is planning to sell its majority stake in mBank S.A. ("mBank") in Poland in order to realise its high value. The purpose of the sale is to generate the financial resources needed to accelerate implementation of the strategy and the associated investments. The sale would lead to a significant reduction in risk-weighted assets and the release of equity capital at Commerzbank. The mBank sale will only take place if the offer price and transaction structure are right.

Full details of the "Commerzbank 5.0" 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 (CET1) is shown. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. The Common Equity Tier 1 ratio is a key indicator for the Bank in capital management.

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

Economic value added is the indicator used for determining the performance of the Group. It is defined as the difference between the Group's return on equity and the capital cost rate, multiplied by the Group's equity. The Group's return on equity is the ratio of the consolidated profit after tax and non-controlling interests to the average CET1 capital of the Group. The calculation of the capital cost rate is based on the capital market-oriented Capital Asset Pricing Model (CAPM) and is subject to an annual review.

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

Remuneration report

The remuneration report is part of the corporate 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 (HGB)

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

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

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

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

Details pursuant to Art. 315d in conjunction with Art. 289f of the German Commercial Code (HGB), "Declaration on corporate governance", can be found in the corporate governance report. They form part of the Group Management Report. The corporate governance report can be found at www.commerzbank.com/annualreport2019.

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

Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB) can be found in the section on corporate responsibility as a combined separate non-financial report and online at: www.commerzbank.com/NFR2019.

Important business policy and staffing events

At the end of September, Commerzbank presented the cornerstones of its new “Commerzbank 5.0” strategic programme. Under the new strategy, the Bank will invest in technological innovation and its core business with the aim of accelerating digitalisation, creating growth and increasing efficiency. The stake in comdirect was consequently increased to more than 90%. Further information on this can be found in “Objectives and strategy” on page 67 ff. At the beginning of the reporting year, Commerzbank and Deutsche Bank held talks to clarify whether a merger between the two banks would generate the synergies and size needed to make significant increases in returns likely. The result of the examination was that a merger is not worthwhile. The optimisation of the Bank’s capital structure was also on the agenda. We want to make banking transactions simpler, better and faster for customers through the cluster delivery organisation. There were some changes in personnel during the year within the Board of Managing Directors. The Bank also further strengthened its compliance function.

Commerzbank in merger talks with Deutsche Bank

In mid-March 2019, Commerzbank and Deutsche Bank announced that talks had officially begun on a possible merger between the two banks. On 25 April 2019, Commerzbank and Deutsche Bank decided not to continue talks on a merger of the two institutions. Following a thorough examination it became apparent that a merger would not be in the interests of either set of shareholders or of other stakeholders.

It was a useful exercise to examine this option of consolidation within Germany. For Commerzbank, however, it was clear from the outset that any merger must result in higher and more sustainable returns for Commerzbank shareholders and improved services for customers. After detailed analysis, Commerzbank concluded that a merger with Deutsche Bank would not offer sufficient added value, especially given the implementation risks, restructuring costs and capital requirements that an integration on this scale would entail.

Changes in the Board of Managing Directors of Commerzbank

At its meeting on 11 July 2019, Commerzbank’s Supervisory Board appointed Roland Boekhout to the Board of Managing Directors. He assumed responsibility for Commerzbank’s Corporate Clients segment on 1 January 2020. Roland Boekhout, who was previously a member of the Management Board Banking of ING Group succeeds Michael Reuther. As agreed and announced in December 2018, Michael Reuther left the Bank at the end of 2019.

On 5 September 2019, CFO Stephan Engels informed the Board of Managing Directors and the Supervisory Board that he was committed to fulfilling his contract, which runs until April 2020, but would decline any offer to extend it. Stephan Engels has been CFO of Commerzbank since 1 April 2012 and is responsible for Group Finance, Group Tax, Group Treasury, Group Investor Relations and mBank. At its meeting on 26 September, the Supervisory Board decided that Dr. Bettina Orlopp will succeed Mr. Engels as CFO on or before 31 March 2020, at which time she will also take over Group Tax, Group Treasury and Group Investor Relations. Michael Mandel will assume responsibility for mBank. At the same meeting, the Supervisory Board appointed Sabine Schmittroth – previously a Divisional Board member in the Private and Small-Business Customers segment – to the Board of Managing Directors as future Director of Human Resources with effect from 1 January 2020. Sabine Schmittroth, who took charge of Group Human Resources on 1 January 2020, will additionally take on responsibility for Group Compliance by no later than 31 March 2020. Group Legal will then be headed by Martin Zielke.

Campus 2.0 – a new delivery organisation

Following the successful experience with agile working in the Digital Campus, since mid-2019 digital products and services for our customers have been developed in a new cluster delivery organisation. The aim of this cluster delivery organisation is to make banking transactions simpler, better and faster for our customers. Specialists and IT staff work together in one team, applying agile working methods that will enable us to bring our products to market more efficiently and flexibly.

Commerzbank acquires comdirect share package and holds more than 90% of comdirect

On 30 October 2019, Commerzbank Aktiengesellschaft published the offer document for the voluntary public purchase offer for all outstanding shares in comdirect bank Aktiengesellschaft. Commerzbank already held around 82% of the shares in comdirect. The remaining 18% were in free float. The acceptance period for Commerzbank Aktiengesellschaft's voluntary public purchase offer for all outstanding shares in comdirect bank Aktiengesellschaft ended on 6 December 2019. By the end of the acceptance period, comdirect shareholders had tendered a total of 457,343 shares. Including the comdirect shares already held by Commerzbank, this corresponded to a stake of approximately 82.63%.

At the beginning of January 2020, Commerzbank Aktiengesellschaft announced that it would acquire a block of shares in comdirect bank Aktiengesellschaft from the institutional investor Petrus Advisers Ltd. through its subsidiary Commerzbank Inlandsbanken Holding GmbH. The transaction was concluded at the end of January and Commerzbank now holds more than 90% of comdirect's shares. Commerzbank has thus reached the required threshold for a squeeze-out under merger law. Under the planned squeeze-out, comdirect shareholders will receive a cash settlement for their shares.

Commerzbank successfully issues additional Tier 1 bond

Commerzbank Aktiengesellschaft successfully issued its first additional Tier 1 bond at the beginning of July 2019. The bond has a volume of USD 1bn and a fixed coupon of 7.0% per annum. The order book was several times oversubscribed, reflecting the extensive interest among investors. The bond is listed on the Luxembourg Stock Exchange. The issue will enable the Bank to optimise its capital structure, partially in response to the amended regulatory requirements imposed by the European Banking Authority. The subordinated bond meets the criteria set out in the Capital Requirements Regulation (CRR) for additional Tier 1 capital (AT1). The instrument has a perpetual maturity and the first call date is in April 2025. The bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%.

Further strengthening of the compliance function

The Bank continued its activities in 2019 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 qualified compliance experts to work at head office and in foreign locations. Following the creation of a dedicated compliance trainee programme in 2017, seven graduates were hired for this international programme in both 2018 and 2019. The eight trainees from the 2018 programme were hired as specialists in 2019.

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. For example, a global upgrade of the systems and models for monitoring transactions with regard to money laundering and terrorist financing was largely completed in 2019, ensuring compliance with global standards on the basis of a uniform set of rules while also taking local circumstances into account in parameterisation. In 2019, Global Markets Compliance continued the Global Surveillance Implementation Programme (GSIP) launched in 2018. The programme is aimed at expanding global surveillance of trade and communications. In addition to defining the future IT target architecture and initial implementations, a target operating model for trade and communications surveillance was also designed. A uniform due diligence business partner was also established in 2019 and the corresponding IT system rolled out. This global rollout will continue at selected locations in 2020.

Commerzbank also continued its activities to expand structures and further improve existing compliance processes in the business units. These included a number of global projects. Examples include the further development of the Group Compliance framework, which meets new regulatory requirements, and a project to incorporate and implement controls applicable across divisions and risk types.

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 Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were subsequently terminated in March 2018 and May 2018 respectively, after consultation with the respective district attorney's offices. The Bank has also received various interim reports and on 15 October 2018 received the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank has made good progress in carrying out the implementation programmes and has executed most of the measures. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitorship ended on 24 June 2019. Official confirmation from the DFS that Commerzbank is back under regular banking supervision following the monitorship is still pending.

For more information on compliance and on integrity and compliance at Commerzbank, please see page 129 ff. of the Group Risk Report and page 59 ff. of the combined separate non-financial report respectively.

Economic report

Economic conditions

Economic environment

The trade conflict between the USA and China caused a noticeable drag on the world economy in 2019. China recorded its weakest economic growth in almost 30 years. The country suffered not only from higher US tariffs and uncertainty about the further course of the trade dispute, but also from structural problems such as high corporate debt levels that weighed on the economy. The measures taken in the spring by the Chinese government to support the economy were therefore not fully effective.

The trade conflict also left its mark on the US economy. Given the uncertainty surrounding trade policy, companies were noticeably reluctant to invest. The impetus from the tax cuts in 2018 also decreased markedly. Despite this, and against the backdrop of an increasingly scarce labour supply, economic growth was still very respectable at 2.3%. However, the US Federal Reserve still cut its key interest rates by a total of 75 basis points in the second half of the year in order to head off any risks to the economy.

Economic growth in the eurozone continued to slow in the course of 2019, ending up at just 1.2% for the year as a whole. Industry in particular was hit hard by the global weakness in demand. In contrast, the service sector proved to be surprisingly robust. This is probably due mainly to the very expansive monetary policy of the European Central Bank (ECB), because the resulting domestic demand is benefiting not only the construction industry but also the service sector in particular. With the continued slowdown in growth, the decline in unemployment has also come to a halt. At 7.4%, however, the unemployment rate is now almost as low as it was before the outbreak of the financial market crisis in 2008. With labour becoming scarcer, wage growth intensified in 2019, a trend that is also slowly being reflected in slightly higher underlying inflation. The core inflation rate, i.e. the year-on-year rate of the consumer price index excluding the highly volatile prices of energy, food and luxury goods, was 1.3% in December 2019 and thus 0.3 percentage points higher than at the end of 2018.

From the ECB's perspective, however, the upward pressure on prices is still far too weak. It therefore cut the deposit rate by 0.1 percentage points to –0.5% in September and resumed its bond purchasing programme in December at a net pace of €20bn per month.

The heavily export-dependent German economy suffered particularly from weaker demand from abroad. Added to this were the problems in the automotive industry. At 0.6%, economic growth in 2019 was significantly weaker than the 2018 figure of 1.5%. The decline in unemployment came to a halt.

The interest rate cuts by the US Federal Reserve and the ECB brought relief to the financial markets. At the end of 2019, the ten-year German government bond was clearly in negative territory at –0.3%, after reaching a new all-time low of –0.7% at the end of August. Share prices also rose sharply despite the uncertainty surrounding trade policy, with the DAX gaining 25% in 2019. Although the US Federal Reserve relaxed its monetary policy to a much greater extent than the ECB, the US dollar continued to appreciate slightly against the euro.

Sector environment

2019 was another challenging year for the financial industry. Domestic demand, which continued to benefit from favourable financing conditions and rising income for employees, was once again the mainstay of economic activity in the eurozone along with the services sector. Industry remained very problematic, however. In particular, the unresolved trade dispute between the USA and China and the ongoing conflicts in the Middle East had a sustained negative impact on international trade flows, which in turn affected export financing in the banking sector. The automobile manufacturing industry, which is important for the banking sector, also continued to battle substantial problems – in addition to the trade problems, it was confronted with other challenges relating to climate protection in particular, which also affected other industrial sectors. There was also uncertainty surrounding the high punitive tariffs that the USA is threatening to impose on car imports from the EU, although a final decision by the US administration is still pending.

The trade problems were compounded in Europe by the unforeseeable consequences of Brexit and the latent risk of a general loss of confidence in the stability of Italy's state finances, which significantly dampened macroeconomic stimulus. This applies above all to Germany's export industry, which is hugely important to the country's economic performance and thus also to the banking sector. Against this backdrop, business with corporate and small-business customers in Germany is still noticeably under pressure.

In Germany, banks' retail banking business fared better than business with corporate and small-business customers. It benefited from robust domestic demand, which was supported by further growth in consumption. The labour market also remained stable, despite the threat of job losses in industry. In addition, Germany is experiencing its third real estate boom since the 1970s. Residential property prices have been rising since 2010 at rates that are well above comparable parameters such as consumer prices, rents and disposable income of private households. Lending business in the German banking sector thus expanded again, with housing loans increasing by more than 5% year on year as of September 2019. Consumer instalment loans increased by almost 2.5% over the same period.

The prospects for the banks' securities commission business were also comparatively favourable, with the capital markets performing surprisingly well given the weakness of the German industrial economy. The DAX gained around 25% over the course of 2019. Three key interest rate cuts by the US Federal Reserve boosted the US stock market, with knock-on effects for the EU and Germany. The number of private shareholders in Germany is also likely to have increased again in 2019. However, the future impetus for share prices will be limited. In addition, there are plans to introduce a financial transaction tax in Germany similar to the one already in place in France since 2012. This tax has changed the stock market in France: trading and turnover in the shares concerned have fallen noticeably, and spreads between purchase and selling prices have widened.

In Poland, the business outlook for the banking sector is currently more favourable from an economic perspective than in Germany. Macroeconomic performance is still growing significantly stronger, supported by private consumption. The Polish economy has also lost momentum in recent months, however. We therefore expect economic growth to slow noticeably in 2020. The outcome of the parliamentary elections in autumn 2019 increased the likelihood of a spending offensive and a consequent deterioration in the budgetary position. There is also a degree of uncertainty, chiefly due to the smouldering conflict with the EU over policy issues.

The ECB is not planning to stop its bond purchases until shortly before it starts raising key rates. This will improve banks' liquidity position and financing conditions, but at the same time will put further pressure on net interest margins and thus adversely impact earnings in the financial sector. The financing requirements of the European Commission's planned green deal could also lead to green quantitative easing. This is new, because to date none of the world's central banks have pursued a monetary policy strongly oriented towards climate protection goals.

Financial performance, assets, liabilities and financial position

The Commerzbank Group has applied IFRS 16 "Leases" since 1 January 2019. The application of IFRS 16 has resulted in changes to the Group's accounting and measurement methods. Explanations regarding changes or amendments to the accounting and measurement methods can be found in Notes 2 and 4 to the Group financial statements.

The Commerzbank Group's operating profit for the year came to €1,258m and was thus stable versus the previous year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €644m.

Total assets of the Commerzbank Group as at 31 December 2019 were €463.6bn, compared with €462.4bn at the end of 2018.

The increase in risk-weighted assets to €181.8bn was mainly due to the adoption of the international accounting standard IFRS 16 at the turn of the year and a growth-driven rise in risk-weighted assets from credit risks. This growth was partly offset by reductions in risk-weighted assets through the targeted winding-down of portfolios that are not part of the core business and two securitisation transactions in the first and fourth quarters of 2019. In addition, lower risk-weighted assets from market price risks and fewer risk-weighted assets from operational risks had a largely compensatory effect.

Common Equity Tier 1 capital was €24.4bn and the corresponding Common Equity Tier 1 ratio 13.4%.

Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2019:

At €5,074m, net interest income in the period under review was 6.9% above the prior-year level. Private and Small-Business Customers managed to increase its net interest income considerably year on year. Net interest income in Germany increased slightly compared with the previous year. Residential mortgage loans performed well, with new business volume rising significantly. At mBank, net interest income showed good growth, driven by an increase both in margins and in the volume of lending and deposit business. In the Corporate Clients segment, the negative impact of the low interest rate environment and intense price competition was more than offset by higher interest income, especially from lending business.

Net commission income fell slightly by 1.1% year on year to €3,056m. In the Private and Small-Business Customers segment, income in the domestic securities business rose steadily over the course of the year, due in part to the positive trend on the capital markets, and was up year on year overall. Income from payment transaction services also increased, but commission income from pension business was significantly lower than in the previous year. Net commission income at mBank was on a par with the previous year. In the Corporate Clients segment, net commission income was stable versus the previous year.

The net income from financial assets and liabilities measured at fair value through profit or loss was €244m in the reporting period, after €366m in the prior-year period. The decline is attributable in particular to remeasurement effects in the Others and Consolidation segment and positive income from restructuring measures in the Corporate Clients segment in the previous year.

Statement of comprehensive income I €m	**2019**	**2018**[1]	**Change**
Net interest income	5,074	4,748	326
Dividend income	35	36	–1
Risk result	–620	–446	–174
Net commission income	3,056	3,089	–34
Gain or loss from financial assets and liabilities measured at fair value through profit and loss and net income from hedge accounting	348	415	–66
Other profit or loss from financial instruments, income from at-equity investments and other net income	130	283	–153
Operating expenses	6,313	6,459	–146
Compulsory contributions	453	423	30
Operating profit/loss	**1,258**	**1,242**	**15**
Impairments of goodwill and other intangible assets	28	–	28
Restructuring expenses	101	–	101
Pre-tax profit or loss from continuing operations	**1,129**	**1,242**	**–113**
Taxes on income	367	268	99
Consolidated profit or loss from discontinued operations	–18	–10	–8
Consolidated profit/loss	**744**	**964**	**–221**
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	644	862	–219

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

Other net income was €93m in the reporting period, compared with €245m a year earlier. This includes €103m from the completed sale of ebase GmbH. The result for the previous year includes income from the sale of the group insurance business of the mBank subsidiary mFinanse in the Private and Small-Business Customers segment, and from 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 in the previous year.

The risk result was €–620m in the reporting period, compared with €–446m a year earlier. In the Private and Small-Business Customers segment, the risk result was 8.6% above the prior-year level. While risk provisions for lending business in Germany were lower than in the previous year, mBank posted an increase in loan loss provisions associated mainly with corporate loans. The risk result of the Corporate Clients segment increased year on year, mainly due to impairments of individual loan commitments.

Despite ongoing investment in digitalisation and growth, operating expenses were 2.3% lower year on year in the reporting period at €6,313m. While personnel expenses were 3.0% above the prior-year level at €3,543m, in part due to pay scale adjustments, administrative expenses, including depreciation on fixed assets and amortisation of other intangible assets, were reduced by 8.2% to €2,770m. This significant decrease was primarily due to lower costs for external staff on projects and lower consulting costs.

Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, have been reported separately since the first quarter of 2019 and rose by 7.1% to €453m. The increase of €30m was primarily due to higher regulatory requirements in Poland.

Impairments of intangible assets in the amount of €28m were recognised in the reporting period in the Corporate Clients segment. Earnings performance in the period under review was also impacted by restructuring expenses of €101m relating to a headcount reduction programme brought forward as part of the implementation of the "Commerzbank 5.0" strategy.

Pre-tax profit from continuing operations was €1,129m, compared with €1,242m in the previous year.

Tax expense on continuing operations for the period under review was €367m, compared with €268m in the previous year. The increase resulted in particular from provisions for tax risks and impairments of deferred tax assets in the fourth quarter of 2019.

Profit from continuing operations after tax was €762m, compared with €975m in the prior-year period.

Discontinued operations posted a loss after tax of €–18m. This includes the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale.

Net of non-controlling interests, a consolidated profit of €644m was attributable to Commerzbank shareholders and investors in additional equity components for the 2019 financial year, compared with €862m in the previous year.

As Commerzbank Aktiengesellschaft reports its results for the 2019 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 2019 financial year. We will put a proposal before the Annual General Meeting to distribute a dividend of €0.15.

Total comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €626m in 2019.

Other comprehensive income of €–118m consists of the sum of changes in the revaluation reserve (FVOCImR) (€15m), the cash flow hedge reserve (€13m) and the currency translation reserve (€106m), changes in companies accounted for using the equity method (€–4m), changes from the remeasurement of defined benefit plans not recognised in the income statement (€–180m), changes in the measurement of equity instruments (FVOCIoR) (€8m), and changes in own credit spread of liabilities FVO not recognised in the income statement (€–75m).

Operating profit per share came to €1.00 and earnings per share to €0.51. The comparable figures in the prior-year period were €0.99 and €0.69 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 December 2019 were €463.6bn and thus at the same level as at year-end 2018.

The cash on hand and cash on demand fell by €12.8bn to €41.2bn. The decrease compared with the end of 2018 was due in particular to a decline in demand deposits held with central banks.

Financial assets at amortised cost increased by €14.5bn to €293.7bn compared with the end of 2018. The increase compared with the end of 2018 was largely attributable to a rise in lending business in the Private and Small-Business Customers and Corporate Clients segments.

Financial assets in the fair value OCI category were €30.9bn, up €4.3bn from the end of 2018. This 16.1% rise was largely driven by an increase in debt securities.

At €30.2bn, financial assets mandatorily measured at fair value through profit or loss were €3.9bn lower than at the end of the previous year. The decline was largely attributable to a 16.6% decrease in loans and advances, especially to central banks.

Financial assets held for trading were €44.8bn at the reporting date, up €2.3bn on the figure at the end of 2018. Positive fair values of interest rate derivatives rose by €2.8bn and loans and advances by €0.7bn, while positive fair values of currency and equity derivatives decreased by €1.1bn overall. Debt securities were €1.5bn or 8.6% lower year on year.

Non-current assets held for sale and disposal groups were €8.0bn, compared with €13.4bn at the end of 2018. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale and from comdirect bank AG's sale of ebase GmbH to the FNZ Group.

Assets I €m	31.12.2019	31.12.2018[1]	Change in %
Financial assets – Amortised cost	293,658	279,160	5.2
Financial assets – Fair value OCI	30,942	26,659	16.1
Financial assets – Mandatorily fair value P&L	30,196	34,073	−11.4
Financial assets – Held for trading	44,840	42,501	5.5
Other assets	64,000	79,993	−20.0
Total	**463,636**	**462,386**	**0.3**

Liabilities and equity I €m	31.12.2019	31.12.2018[1]	Change in %
Financial liabilities – Amortised cost	351,909	346,668	1.5
Financial liabilities – Fair value option	19,964	21,949	−9.0
Financial liabilities – Held for trading	39,366	43,404	−9.3
Other liabilities	21,730	20,953	3.7
Equity	30,667	29,412	4.3
Total	**463,636**	**462,386**	**0.3**

[1] Prior-year figures restated (see Group financial statements, Note 4).

On the liabilities side, financial liabilities at amortised cost were up €5.2bn to €351.9bn compared with the end of 2018. While debt securities issued fell by €3.1bn, sight deposits – from both private and corporate customers – increased significantly compared with the end of 2018.

Financial liabilities under the fair value option decreased by €2.0bn compared with the end of 2018 to €20.0bn. Deposits were down by €1.9bn, mainly due to a decline in collateralised money market transactions in the form of repos.

Financial liabilities held for trading were €39.4bn, down €4.0bn on the end of 2018. This 9.3% decline was due to the negative fair values of derivative financial instruments, which were €2.5bn lower. Delivery commitments arising from short sales of securities also fell by €1.5bn.

Liabilities from disposal groups were €8.5bn, compared with €12.9bn at the end of 2018. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale and from comdirect bank AG's sale of ebase GmbH to the FNZ Group.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 31 December 2019 was €28.5bn, compared with €28.2bn at the end of 2018. Further information on the change in equity can be found on page 143 ff. of the Group financial statements.

Risk-weighted assets were €181.8bn as at 31 December 2019, €1.3bn higher than at year-end 2018. This resulted from effects that largely compensated each other: the increase in credit risk reflected, for instance, the adoption of the IFRS 16 international accounting standard at the turn of the year and the credit growth in the core segments, including mBank. Parameter effects (mainly effects from the review of internal credit risk models by the regulator) also led to higher risk-weighted assets from credit risks. This growth was partly offset by reductions in risk-weighted assets through the targeted winding-down of portfolios that are not part of the core business and two securitisation transactions in the first and fourth quarters of 2019. Lower risk-weighted assets from market price risks and lower risk-weighted assets from operational risks were additional compensating factors, the latter due to model adjustments to improve the quality of forecasts and the updating of internal and external loss data.

As at the reporting date, Common Equity Tier 1 capital was €24.4bn as compared with €23.2bn at 31 December 2018. This €1.2bn increase arose mainly in connection with the regulatory eligible profit and lower regulatory deductions. The Common Equity Tier 1 ratio was thus 13.4%. With the issue of an additional Tier 1 bond for USD 1bn at the beginning of July, Tier 1 capital (with transitional provisions) rose to €26.0bn and the corresponding Tier 1 ratio to 14.3%. The €0.8bn decline in Tier 2 capital was attributable to subordinated liabilities that were no longer fully eligible due to their residual maturities, final maturities of issues and the early repayment of instruments (termination). The total capital ratio was 16.8% as at the reporting date.

The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage exposure, was 5.3% (with transitional provisions) or 5.1% (fully loaded).

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

Funding and liquidity of the Commerzbank Group

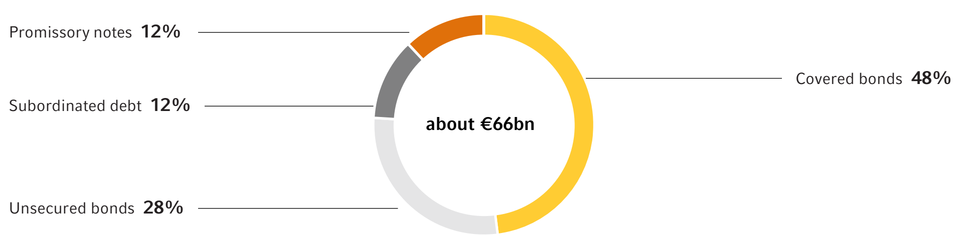
The liquidity management of the Commerzbank Group is the responsibility of Group Treasury, which is represented in all major Group locations in Germany and abroad and has reporting lines in all subsidiaries.

Liquidity management comprises both operational and strategic components. Operational liquidity management encompasses management of daily payment inflows and outflows, planning for payment flows expected in the short term and management of access to central banks. The division is also responsible for access to unsecured and secured sources of funding in the money and capital markets and the management of the liquidity reserve portfolio. Strategic liquidity management involves managing maturity profiles for liquidity-relevant assets and liabilities within specified limits and corridors. Additional information on this subject can be found in the “Liquidity risk” section of the Group 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 2019



[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 €9.0bn in long-term funding on the capital market in 2019. The average maturity of all issues made during the reporting period was around eight years.

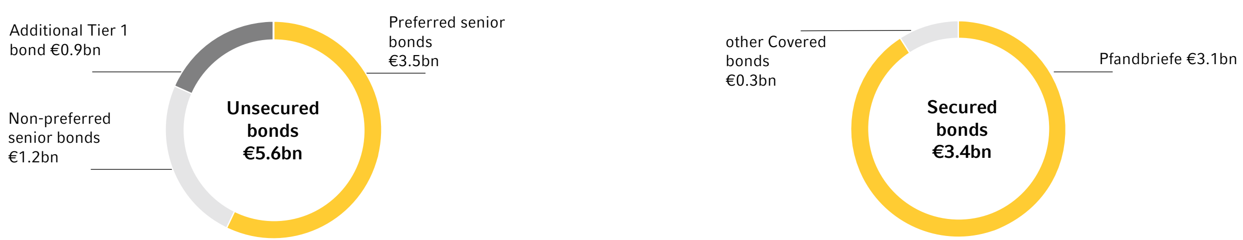
In the unsecured area, Commerzbank Aktiengesellschaft issued preferred senior benchmark bonds with a total volume of €2.75bn and maturities of five years and seven years respectively in the period under review.

Two non-preferred senior bonds with a volume of €500m each and maturities of five years and seven years respectively were also placed. €0.9bn in private placements were also issued. mBank issued a preferred senior bond with a volume of CHF125m. Commerzbank Aktiengesellschaft issued its first additional Tier 1 bond in July. The bond had a volume of USD1bn and a fixed coupon of 7.0% per annum. It has a perpetual maturity, with the first call date in April 2025. The bond terms provide for a temporary write-down in the event that the Bank’s Common Equity Tier 1 ratio drops below 5.125%. The issue will further strengthen and optimise the structure of the Bank’s regulatory capital. The subordinated bond meets the criteria set out in the Capital Requirements Regulation (CRR) for additional Tier 1 capital. The bond was mainly purchased by foreign investors, who accounted for 96% of the volume.

In the secured area, mortgage Pfandbriefe with a total volume of €3.1bn were issued, including two benchmark issues in January with a volume of €1bn each and maturities of five and fifteen years respectively, and a nine-year bond with a volume of €0.5bn issued in December. Private placements accounted for €0.5bn. In addition, mBank issued €0.3bn in Polish covered bonds.

Commerzbank was able to place its issues with a broad range of domestic and foreign investors.

Group capital market of 2019
Volume €9.0bn



At the end of 2019, the Bank had a liquidity reserve of €72.4bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

The Bank also holds an intraday liquidity reserve portfolio. At the end of the year, the total value of this portfolio was €6.3bn. At 132.72% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the LCR can be found in Note 65 to the Group financial statements. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Summary of 2019 business position

2019 was another tough year for the banking industry and thus also for Commerzbank, marked by a combination of macroeconomic uncertainties, in particular the further intensification of global trade conflicts, and the pressure on margins triggered by the ECB's September decision to further ease monetary policy. Against this background, we nevertheless succeeded in acquiring new customers in both market segments and expanding our lending and securities volume. The strategic objective of further simplifying the business was also driven ahead as planned last year: The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. In addition, since the middle of the year digital products and services have been developed in the new cluster delivery organisation. This enables us to deliver functioning products and services for our customers to our sales force faster than in the past. We also further strengthened the Bank's capital structure with the issue of an additional Tier 1 bond, partially in response to the amended regulatory requirements imposed by the European Banking Authority.

Overall, however, despite all the progress made in terms of business policy, it was obvious that we had to respond to the changed and ever tougher framework conditions. The world is turning faster and faster, and innovation cycles are getting shorter and shorter. Our customers' wishes regarding our digital and mobile offerings and personal advisory services are evolving very rapidly.

In an increasingly difficult environment, we almost or entirely met the core objectives we had set for 2019 in terms of both income and costs.

The Private and Small-business Customers segment made good progress in implementing its strategic measures in the 2019 financial year: Progress was made in digitalising services and processes and expanding and bringing together the distribution channels. In November, the new advisory model for private customers was launched in the domestic branch business. Despite the ongoing challenging conditions, the growth strategy was also successfully advanced in 2019. With more than 473,000 net new customers and growth of €35bn in the volume of loans and securities accounts, 2019 ended as a successful year. The portfolio volume in loans and securities in Germany amounted to a total of €261bn at the end of the year. The goal of increasing assets under control in Germany to over €400bn by the end of 2020 was nearly achieved in 2019, despite the sale of the comdirect subsidiary ebase and the associated outflow of assets. The Bank also made progress in 2019 in the core objective of growth, significantly surpassing the previous year's result. For example, the volume of new business in residential mortgage lending grew by around 5% versus 2018 to around €14.0bn. The segment proved to be robust in the face of adverse conditions, particularly with respect to the interest rate environment and slowing economic growth, and was able to increase total operating income in the 2019 financial year. We also succeeded in reducing operating expenses, which led to a significant improvement in the cost/income ratio. Although there was a marked rise in the risk result, it remained at a historically low level. Overall, the segment's operating profit rose in line with the forecast. The operating return on equity improved slightly year on year.

The 2019 reporting year presented several challenges for the Corporate Clients segment, including the tightening of already low interest rates, intense price competition in the German market and a macroeconomic environment fraught with uncertainties that weighed most heavily on international trade relationships. As a result, our expectations of a slight rise in income could not be met in the course of the year. Higher interest income from lending business was offset in particular by lower net income from financial assets and liabilities measured at fair value through profit or loss. As expected, the risk result increased significantly due to the impairment of individual credit exposures and – contrary to our forecast – led to a significant decline in operating profit. 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.

At Group level, income before risk result, adjusted for one-off effects such as the sale of ebase in the reporting year and the disposal of the group insurance business in the previous year, was slightly below our expectations at €8.6bn. Despite the difficult framework conditions, however, the previous year's figure was matched thanks to a further improvement in income quality.

Higher charges for regulatory expenses were offset through strict cost management. As expected, total operating expenses were lower than in the previous year at €6,766m. The net return on equity of 2.4% was markedly lower than the prior-year level of 3.4%, while the cost/income ratio including compulsory contributions rose mostly in line with expectations, increasing by 2.0 percentage points to 78.3%.

The Common Equity Tier 1 ratio rose to 13.4% at the end of 2019 from 12.9% at the end of 2018 and was thus well above the target ratio expected for the reporting year. The increase resulted mainly from regulatory eligible profit and reduced regulatory deductions.

Segment performance

The comments on the segments' results are based on the segment structure described on pages 67 and 247 ff. of the notes to the Group financial statements. The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. The result achieved by the Asset & Capital Recovery segment up to the point of dissolution is shown in the segment reporting in Note 61 to the Group financial statements.

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

Private and Small-Business Customers

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

The segment again saw growth in net new customers and assets under management in 2019. With around 11.3 million customers in Germany and roughly 5.6 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	2019	2018[1]	Change in %/%-points
Income before risk result	4,913	4,806	2.2
Risk result	–253	–233	8.6
Operating expenses	3,529	3,586	–1.6
Compulsory contributions	285	252	13.1
Operating profit/loss	**846**	**735**	**15.1**
Average capital employed	5,361	4,751	12.8
Operating return on equity (%)	15.8	15.5	0.3
Cost/income ratio in operating business (%) – excl. compulsory contributions	71.8	74.6	–2.8
Cost/income ratio in operating business (%) – incl. compulsory contributions	77.6	79.9	–2.2

[1] Figures restated due to a change in presentation plus other restatements (see Group financial statements, Notes 4 and 61).

The Private and Small-Business Customers segment proved to be robust in the face of adverse conditions, particularly with respect to the interest rate environment and slowing economic growth, and was able to increase total operating income in the 2019 financial year. It also succeeded in reducing operating expenses. Although the risk result saw an increase in loan impairments, it remained at a historically low level. Overall, the segment's operating profit rose by €111m to €846m.

Total segment income before risk result was €4,913m in the year under review, up €107m on the prior-year figure. Net interest income in Germany increased slightly compared with the previous year. Residential mortgage loans performed well, with new business volume rising significantly. At mBank, net interest income showed good growth, driven by an increase both in margins and in the volume of lending and deposit business. Net interest income for the segment rose sharply by €144m overall to €2,722m. Net commission income was almost unchanged year on year at €1,914m. Income in the domestic securities business rose steadily over the course of the year, due in part to the positive trend on the capital markets, and was up year on year overall. Income from payment transaction services also increased, but commission income from pension business was significantly lower than in the previous year. Net commission income at mBank was on a par with the previous year.

Other earnings components, which include net income from financial assets and liabilities measured at fair value through profit or loss and other net income, totalled €277m, €23m below the prior-year figure. Income of €103m from the sale of the comdirect subsidiary ebase GmbH was posted in the year under review, while a gain of €52m for mBank from the sale of the group insurance business of its subsidiary mFinanse was reported in 2018. mBank's other net income in the period under review was impacted by an allocation of €79m to provisions for legal risks in connection with mortgage loans in foreign currency.

The risk result was €–253m, up 8.6% on the prior-year level. While risk provisions for lending business in Germany were lower than in the previous year, mBank posted an increase in loan loss provisions associated mainly with corporate loans.

The reduction of €57m in operating expenses to €3,529m primarily reflected the measures taken to improve cost efficiency in Germany. At mBank, operating expenses were largely stable year on year. The strong year-on-year increase of €33m to €285m in the segment's expenses for compulsory contributions, which are reported separately, was largely attributable to mBank, where the European banking levy and the Polish bank tax increased by a total of €32m.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €846m in the reporting year, compared with €735m in the previous year.

Corporate Clients

The Corporate Clients segment comprised four reporting areas in 2019. The Mittelstand, International Corporates and Financial Institutions divisions are responsible for business with our core customers: the Mittelstand division covers Mittelstand customers and domestic large corporates with the relevant products they require. The International Corporates division looks after corporate customers headquartered abroad and large German multinational companies. The Financial Institutions division is responsible for managing relationships with banks in Germany and abroad and 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 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.

The performance of the Equity Markets & Commodities (EMC) division is reported separately in view of the sale.

Performance

€m	2019	2018[1]	Change in %/%-points
Income before risk result	3,241	3,414	−5.1
Risk result	−342	−194	76.2
Operating expenses	2,453	2,503	−2.0
Compulsory contributions	118	119	−0.9
Operating profit/loss	**328**	**597**	**−45.0**
Average capital employed	11,895	10,770	10.4
Operating return on equity (%)	2.8	5.5	−2.8
Cost/income ratio in operating business (%) – excl. compulsory contributions	75.7	73.3	2.3
Cost/income ratio in operating business (%) – incl. compulsory contributions	79.3	76.8	2.5

[1] Figures restated due to a change in presentation plus other restatements (see Group financial statements, Notes 4 and 61).

The 2019 reporting year presented several challenges for the Corporate Clients segment, including the tightening of already low interest rates, intense price competition in the German market and a macroeconomic environment fraught with uncertainties that weighed most heavily on international trade relationships. A positive earnings trend in customer business was offset by markedly lower income from the Others division, whose earnings in the previous year were boosted by a range of factors including positive effects from restructuring. Overall, the Corporate Clients segment posted an operating profit of €328m in the year under review, compared with €597m in the previous year. Higher interest income from lending business was offset in particular by lower net income from financial assets and liabilities measured at fair value through profit or loss.

The Mittelstand division benefited from the segment's strong market position, which was chiefly reflected in a higher total lending volume and solid earnings performance. The International Corporates division recorded a positive performance. Earnings growth was achieved in the lending business in particular, but also in other areas such as hedging transactions for our customers. The Financial Institutions division recorded income growth in the year under review, particularly in international trade finance. In the Others division, the positive result from restructuring measures in the previous year raised the benchmark for the earnings comparison, meaning that income in the year under review failed to match the prior-year figure. The prior-year figure also included income from non-strategic portfolios such as Commercial Real Estate, which were further wound down.

In the period under review, income before risk result was €172m lower than in the prior-year period at €3,241m. Net interest income rose by €84m to €1,861m. The increase was mainly due to a higher contribution from lending business. Net commission income was stable year on year at €1,177m. Net income from financial assets and liabilities measured at fair value through profit or loss fell sharply to €187m. This was €237m lower than the figure for the prior-year period, which included positive income from restructuring measures.

The risk result increased year on year, mainly due to impairments of individual loan commitments. The risk result was €–342m in the period under review, compared with €–194m in the previous year.

Operating expenses were €2,453m, down €50m on the prior-year figure. Investments in strategic development were successfully offset. The reduction in operating expenses was achieved ahead of schedule thanks to strict cost discipline and made a significant contribution to earnings.

The reported compulsory contributions of €118m related to regulatory expenses and were largely unchanged from the previous year.

Impairments of intangible assets in the amount of €28m were recognised in the reporting period.

Overall, the segment posted a pre-tax profit of €301m compared with €597m in the prior-year period.

Others and Consolidation

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

The Others and Consolidation segment reported an operating result of €53m for 2019, compared with €–124m in the prior-year period. The improvement was driven to a large extent by higher income in Group Treasury, which was mainly attributable to better management of interest rate and currency risk due to positive market trends, a net positive effect from the recognition and reversal of provisions, and a positive valuation of equity investments. This was offset by a number of factors including one-off income from sales of real estate in 2018 and the result from the portfolios of the dissolved Asset & Capital Recovery segment, which were transferred to the Others and Consolidation segment in 2019. Others and Consolidation recorded a pre-tax loss of €–48m for 2019. This figure included restructuring expenses of €101m relating to the implementation of the "Commerzbank 5.0" strategy.

Outlook and opportunities report

Future economic situation

The world economy is likely to see only modest growth in 2020, with positive economic factors partially neutralised by braking factors. On the plus side, loose monetary policy is driving the economy in many countries. In addition, a cautious rapprochement is emerging on the trade front following the agreement of an initial partial deal between the USA and China. The de-escalation should help reduce the uncertainty surrounding trade policy in 2020, which will be a positive step for the economy compared with 2019.

Companies are likely to remain fundamentally wary, however. The conflict between the USA as an established power and China as a rising power has little chance of being resolved, meaning that the trade conflict could escalate again after the presidential elections in November 2020, regardless of the election outcome, because the Democrats also essentially support the incumbent president's protectionist policy.

China will also remain a burden for the global economy. The country is suffering not only from higher US tariffs and uncertainty about the long-term development of the trade conflict, but also from high levels of debt, particularly among China's state-owned enterprises, which have been under pressure to cut costs for some time. In addition, the impact of coronavirus is likely to put a brake on economic growth in the first quarter, which is why China is again unlikely to be a driver of the global economy in 2020.

The upturn in the USA will continue in 2020, but US growth is also likely to be weaker than in 2019 at 1.7%, partly because the full-employment economy is increasingly reaching the limits of production.

Real gross domestic product Change from previous year	2019	2020[1]	2021[1]
USA	2.3%	1.7%	1.8%
Eurozone	1.2%	0.9%	1.1%
Germany	0.6%	0.8%	0.8%
Central and Eastern Europe	1.8%	1.9%	2.0%
Poland	4.3%	3.1%	3.7%

[1] The figures for 2020 and 2021 are all Commerzbank forecasts.

The eurozone economy is likely to outperform the German economy again in 2020 due to its lower dependence on foreign trade, with growth of 0.9%. By ratifying the Brexit agreement, the European Parliament has cleared the way for Britain's withdrawal from the European Union (EU). This brings relief momentarily, but the future relationship between the UK and the EU still has to be negotiated. The timescale for this is very tight, as the transition period expires at the end of 2020. We expect an extensive free trade agreement to be concluded, which would mean no fundamental changes at least for the trade in goods between the UK and the EU.

Weaker growth in important German export markets suggests only a minor upward trend for Germany in 2020. As leading indicators are still pointing downwards, the German economy is likely to remain largely stagnant in the first few months of the new year. Slightly positive growth rates should then return from spring onwards, culminating in growth of 0.8% for 2020.

Domestic demand remains robust, however, suggesting that Germany's economy is unlikely to slip into recession. Higher wage increases will strengthen the purchasing power of working households, and the employment rate will probably continue to rise despite job cuts in industry. Both these factors point to consumer demand remaining buoyant. At the same time, low interest rates will continue to boost investment.

The expansive monetary policy on both sides of the Atlantic will also continue to shape the picture on the financial markets in 2020. The absence of a classic economic upswing and the continued failure to meet the inflation target of just under 2% are arguments for the ECB maintaining its expansive monetary policy in 2020. It will continue to purchase bonds at a net pace of €20bn per month. The US Federal Reserve may even cut key interest rates by a further 25 basis points in spring to secure the upswing.

The low interest rate environment will therefore not change in 2020. The yield on ten-year German government bonds is likely to remain between −0.5% and −0.2% in 2020. The euro is likely to appreciate against the US dollar in 2020. This will not be due to the strength of the euro, however, but to a weakening of the dollar. On the stock markets, subdued economic growth is likely to limit price potential. We thus expect the DAX to be at 13,700 points at the end of 2020, only slightly higher than at the end of 2019.

Exchange rates	31.12.2019	31.12.2020[1]	31.12.2021[1]
Euro/US-dollar	1.12	1.10	1.14
Euro/Sterling	0.85	0.87	0.86
Euro/Zloty	4.25	4.20	4.30

[1] The figures for 2020 and 2021 are all Commerzbank forecasts.

Future situation in the banking sector

According to the latest financial stability reports published by the Deutsche Bundesbank and the ECB in November 2019, the German financial system remains vulnerable to weak economic development. Although there are still no alarming signs of declining lending standards or excessive credit growth, future risks could be underestimated and the value of loan collateral such as real estate overestimated. An unexpected economic slump and an abrupt rise in risk premiums would result in substantial losses from bad debts and could have a severe impact on the banking sector. Germany would also be exposed to significant risks in the event of a sudden rise in interest rates. This is attributable to the expansion of maturity transformation undertaken by banks in order to stabilise their income from interest business. Almost half of the new housing loans granted in 2019 have a fixed interest period of more than ten years.

The financial stability reports also indicate that the profitability of the German banking sector is still relatively low. The cost/income ratio of German banks is seen as the key weakness when assessing their earnings situation. According to data from the latest risk assessment conducted by the EBA, this is essentially a revenue problem rather than a cost problem. Further spending cuts would have to be implemented for Germany to survive in international competition, but this would seem difficult to achieve given the highly competitive nature of the banking structure and the urgent need for investment in new technologies.

In contrast to the cost situation, the earnings of German banks relative to their total assets are the lowest in the eurozone. The most important contribution to banks' operating income is generally made by interest-related business. While net interest income, the balance of interest income and interest expense, rose year on year, it is still below its long-term average. Increased revenues could only be achieved by not only raising lending rates and fees but also introducing negative interest rates for customer deposits on a broad basis. Even the ECB's decision to introduce a two-tier system for reserve remuneration that exempts part of banks' excess liquidity holdings from the negative deposit rate will do little to change the negative consequences of the low interest rate environment. The introduction of negative interest rates for a growing number of customers, especially wealthy customers, is therefore being considered.

The stabilisation of net interest income in 2019 was only achieved through volume growth and not by expanding tight margins. This will not change in the coming months. The possibilities for generating revenues from trading activities are still very limited. All in all, increasing earnings represents a major challenge given the cut-throat competition in Germany. The same applies to improving the quality of revenues, not just their volume. As a result, the profits of German banks are unlikely to increase on average in the foreseeable future.

The German banking market is in general facing a major upheaval. The next decade will see a drastic reduction in the number of institutions and even more intense competition. This is because more and more global technology groups, fintech companies, foreign banks and market infrastructure providers such as stock exchanges, clearing houses and information service providers are now offering traditional banking products.

Due to the earnings problems, cost reduction remains the main issue for German banks. The digitalisation of business processes will therefore proceed at a rapid pace, not least so that banks can compete for customers who expect easy-to-use, seamlessly integrated product solutions. Up to now, many banks have generally concentrated more on the pure digitalisation of processes rather than on actively exploiting the data generated and the potential added value that results. In the future, big data will therefore become massively more important in the financial services sector. The same applies to IT security. The protection of data networks and appropriate staff training are an ongoing process for the banking sector. The same applies to ensuring compliance with the legal and regulatory requirements.

With the current EU banking package, further key elements of the Basel 3 framework are now being implemented at European level through amendments to the Capital Requirements Regulation (CRR II) and Capital Requirements Directive (CRD V). The new rules include more risk-sensitive capital requirements, particularly with regard to market risk, and the introduction of a binding leverage ratio and a binding structural liquidity ratio. In addition, banks must in future hold a minimum amount of capital that is available to cover losses in the event of restructuring or resolution. Fulfilment of the additional Pillar 2 capital requirement has been simplified. From 2021 onwards, around 44% of this requirement can be covered by additional Tier 1 (AT1) capital and Tier 2 capital, instead of exclusively with Common Equity Tier 1 (CET1) capital as was previously the case.

However, the entry into force of the EU banking package referred to above does not mean that the reform of European banking regulation has been completed. The European Commission has already started work on CRR III and CRD VI, which will implement new approaches for calculating risk-weighted assets and thus the capital requirements for credit risk, abolish the model-based approach for operational risk, revise the procedure for calculating credit value adjustments in derivatives business and introduce a lower limit for the capital requirement (output floor) for institutions that calculate their risks using internal models. According to the EBA, this output floor will significantly increase capital requirements, especially for global systemically important institutions in the EU.

The capital buffers introduced for the first time under Basel 3 also serve the goal of strengthening banks' ability to absorb losses. Such macroprudential measures are designed to make the financial system as a whole more crisis-resistant, thus better protecting the real economy. One of these tools is the countercyclical capital buffer. It is designed to counteract excessive restrictions on lending in downturns and excessive expansion in upturns.

In response to the existing cyclical systemic risks, BaFin increased this countercyclical capital buffer from 0% to 0.25% of risk-weighted domestic exposures as of 1 July 2019. From 1 July 2020, banks must take this premium into account when calculating their institution-specific buffer rate.

While the German real estate sector is currently booming, and construction along with it, industry in particular is pessimistic about the coming months. As already outlined in the section on the sector environment, the weakness is persisting, particularly in the export-oriented manufacturing sector that is so important to Germany's economic performance. Further declines in exports will hit banks' interest and commission business. Against this backdrop, business with corporate and small-business customers in Germany is likely to come under increasing pressure.

Local retail customer business, meanwhile, continues to benefit from robust private consumption and ongoing high demand for residential mortgages. The latter is being driven by the lack of affordable housing and the related boom in new building, and in particular by the persistently low level of interest rates. The labour market situation is also still favourable at present, although there are increasing signs of a gradual slowdown. A number of large companies have announced that they intend to cut jobs in the future. At the same time, the earnings potential of retail customer business remains limited due to the strong national competition among banks and the narrow interest margins. Furthermore, 2020 will again be a year with no sign of a traditional cycle of interest rate hikes in the eurozone. There is still no prospect of a turning point in monetary policy or a perceptible steepening of the yield curve. Banks thus remain exposed on this front, and market participants' incentives to place their money in risky investments are not weakening.

Although the Brexit agreement has been ratified, the ongoing Brexit process will pose considerable risks for the European banking sector. On the one hand, if the UK government lowers regulatory standards to strengthen London as a financial centre, the competitive position of the banks in the remaining EU countries would be harmed. On the other hand, if London, Europe's financial centre, loses its unrestricted access to the European single market, this will increase fragmentation in investment banking 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.

The Polish banking sector has ultimately proved itself to be comparatively robust in assessments of financial stability. There are risks, however, from the growing volumes of unsecured consumer loans and mortgage loans in zloty.

A law was adopted in July 2019 to support private borrowers in default. The new law came into force as of January 2020 and makes it easier for such borrowers to obtain assistance with the repayment of their real estate loans denominated in Polish zloty and foreign currency than was previously the case with the support fund. The monthly support payments were also increased and extended.

There are currently numerous lawsuits pending in Poland relating to Swiss franc real estate loans with indexing clauses. At the beginning of October 2019, the European Court of Justice (ECJ) issued a judgement on the consequences under Polish law of an abusive indexing clause. The ECJ did not issue a legal decision on when an indexing clause may be declared abusive in a given case. Even after the ECJ decision in October 2019, Polish case law on loans with indexing clauses has so far been inconsistent overall. This and the number of judgements handed down since then are not sufficient for a reliable estimate of future case law. The banking sector in Poland – and thus also Commerzbank through its present majority stake in mBank – may therefore be faced with considerable costs, especially for litigation. The provisions for these risks may need to be adjusted significantly in the future.

Climate change is one of the great challenges of our time. From the perspective of macroprudential supervision, it is crucial that the financial system proves sufficiently resilient to the uncertainties and risks of climate change and that no systemic risks build up. For this reason, the EBA is thinking about anchoring climate and environmental risks more firmly in banks' risk management in the coming years.

Overall, the fundamental transformation of the European banking system will continue. The sector is now smaller, more clearly focused on its core functions and less profitable, but probably also more robust and resilient to future crises. Further steps on the road to the European banking union will follow. This includes proposals to ease capital and liquidity restrictions in multinational banking groups. The political efforts to advance the European banking union are also supported by a ruling made by the German Federal Constitutional Court at the end of July 2019, which states that the European banking union and thus the responsibility of the ECB in banking supervision is compatible with German constitutional law.

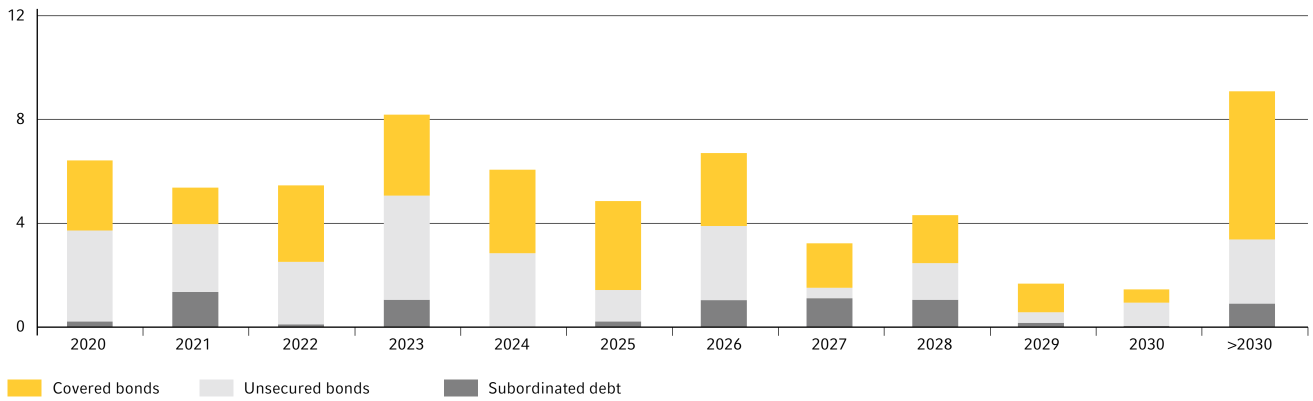
Traditionally, financial services have been provided by integrated universal banks covering the entire value chain of distribution, production and infrastructure. With the advent of digitalisation, a simplified combination of partial services from a diverse range of providers in the value chain is now also being offered in the financial services industry. By modularising offers to perfectly fit specific requirements, customers can enjoy an uninterrupted shopping experience with no annoying transitions between the different providers involved. We expect this trend to also take hold in the financial industry. The interface to the customer is of paramount importance in modularisation. Whoever is positioned at this interface will be customers' primary contact in the future.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be on 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 2019
€bn



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

Planned investments

Commerzbank plans to invest around €0.7bn in 2020. Two-thirds of the investments will go towards the ongoing digitalisation of the Group's products and processes, enabling Commerzbank to provide its services more efficiently and faster in future. The remaining third will be for regulatory measures.

Private and Small-Business Customers
The main investment targets for the branch bank in 2020 are the central initiatives relating to the "Commerzbank 5.0" strategy. In the Private and Small-Business Customers segment, Commerzbank is expanding mobile banking under a mobile first strategy. It also plans to better exploit the potential offered by the expanded customer base, with the targeted use of data and algorithms permitting the creation of customised offerings for cross- and up-selling. The segment intends to continue acquiring new customers in 2020. Commerzbank will also digitalise its products and processes and further simplify the product range. At the same time, the Bank will maintain a personal presence through its nationwide branch network and further develop its existing relationship management model.

In line with the mobile first strategy, the ability to complete transactions in products on the ONE digital platform is being increased with the aim of creating a consistent digital and personal customer experience across all relevant touchpoints. Another large portion of the investments will go towards the further expansion of the instalment credit platform and the digitalisation of the investment business. The banking app is to be enhanced with securities brokerage functions. A key element of the investments is the development of marketing and sales expertise on digital channels, with automated data and control intelligence designed to enable a targeted customer approach and continued new customer growth. A new pricing and premium strategy is intended to give customers more choice and support profitable growth.

One central component of the strategy involves "making the customer more digital". This includes the ability to solve an increasing number of service issues digitally, particularly via the app, and developing the app into a fully fledged channel boasting top usage and interaction statistics.

2020 will also see further investment devoted to making the structure of the branch business more efficient and continuing the development of the relationship management model. 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 a local presence. The Customer Centre will also be further expanded.

The implementation of a wide range of regulatory requirements is also on the agenda for the current year. The aim is to further minimise the compliance risk.

To this end, there will be a particular focus on investments relating to the implementation of the EU Price Regulation, further requirements under the Payment Services Directive (PSD2) and the digitalisation of the know-your-customer process. Other investment priorities include the restructuring of securities processes and adjustments in securities investment advisory services to meet the requirements of new suitability and sustainability regulations. In addition, tax compliance in Germany and abroad must be ensured by implementing the regulatory requirements in a timely manner and in accordance with the specifications through automated processes. The integration of comdirect is also due to begin in the fourth quarter of 2020 following the successful squeeze-out. This will be accompanied by corresponding investments.

mBank is planning investments in the 2020 financial year to strengthen its leading competitive position and continue the optimisation and automation of customer-related and internal processes. In line with mBank's business strategy, planned investments include the further development of bank transactions such as express transfers, the Payment Assistant to support the creation of standing orders, and the Personal Finance Manager with its enhanced expenditure analysis. The mobile banking application will also be expanded to include financial investment functions and a new brokerage service, for which development started in 2019. The expansion of mBank's online banking platform will continue in 2020. The navigation will be revised, money transfers both within Poland and to EU countries will be simplified, and the platform will be expanded to include tools for people with visual impairments. A project to accelerate growth in retail banking in the Czech Republic and Slovakia will also be continued in 2020. The focus will remain on projects aimed at continuously increasing process efficiency and optimising costs, such as the digitalisation of sales processes in corporate customer business. mBank will also invest in 2020 in measures to implement regulatory requirements.

Corporate Clients

The investments in the Corporate Clients segment in 2020 will again be concentrated on the programmes adopted as part of the "Commerzbank 5.0" strategy. To support growth in the segment's core areas – Mittelstand, International Corporates and Institutionals – investments will mainly be made in the expansion of the sales organisation and back office areas in Germany and other European countries. In particular, the expansion of the European IT platform will be driven forward to maintain and develop competitive products. The programme aims to expand the market position in Germany and other European countries and gain market share by aligning growth measures with the requirements of the sales organisation and customers. Investments will also be made in extending the sector approach, which has already been successfully established, to include the servicing of corporate customers eligible for the capital market.

The digitalisation projects will be continued with the aim of further increasing the degree of digitalisation and creating more customer care time by reducing administrative tasks in sales.

The active management of compliance risks will also be further developed through the expansion of compliance-related processes in customer business.

IT & Operations

Commerzbank will continue in 2020 with the ongoing optimisation of the IT structure. There will also be further significant investment in payment transactions and securities processing. In mid-2018, Commerzbank entered into a strategic partnership in payments processing with the payment processing provider equensWorldline. Elements of the planned integration of the direct banking subsidiary comdirect will be implemented as part of the partnership with HSBC Transaction Services GmbH, which is currently being set up. Through these two IT infrastructure projects, Commerzbank is continuing to streamline its operations so that it can concentrate fully on the strategic restructuring. On the IT side, the focus is on modernising the IT architecture and putting the technological base on a more professional footing. Investments to increase automation and boost IT and operational stability are also planned.

Ever stricter regulatory requirements mean Commerzbank needs to make further substantial investments in 2020 in order to comply with national and international standards.

Anticipated liquidity trends

In the fourth quarter of 2019, events on money and capital markets in the eurozone were again largely dictated by the monetary policy measures implemented by the ECB to support the economic recovery in the eurozone and by the political uncertainty created by trade conflicts and Brexit.

At the end of September 2019, the ECB decided to implement further central bank measures in response to the economic slowdown and declining inflation expectations. These measures include a reduction in the interest rate on the deposit facility by another 10 basis points to −0.50%, an initially unlimited resumption of the securities purchase programme at a monthly pace of €20bn as of 1 November 2019, adjustments to the maturity and interest rate of TLTRO III (targeted longer-term refinancing operations) and the introduction of a two-tier system for minimum reserve remuneration.

Under the two-tier system, the minimum reserve itself and other central bank deposits up to a multiple of six times the minimum reserve are exempt from the negative deposit facility rate. The ECB may change either the remuneration rate and/or the multiplier at any time. The two-tier system will at least mitigate the detrimental effects of the negative interest rate policy on banks' earnings.

Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. The short-term repo market is functioning smoothly, however, and plays an important role in serving the bond and cash markets. 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 2020. The situation in the bond markets is strongly influenced by the high surplus liquidity, ongoing trade conflicts and political uncertainties. This has led to steady demand for good-quality names. With interest rates set to remain in negative territory, additional demand will come from financial investors in search of returns.

Against this backdrop, secondary market liquidity, which has already been significantly reduced, will remain modest. We expect German government bond yields to remain very low, even in the long-term segment (yields are currently negative up to 15 years), and anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Commerzbank's liquidity management is able to respond promptly to new market circumstances. Even given the further uncertainties surrounding Brexit, we still do not expect any significant impact on our liquidity situation. 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.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business and the overall framework conditions have changed markedly in the past few years. Whereas personal customer relationship management was formerly a key element of banking, these days customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. We have responded to this in recent years through our strategic orientation: in both the Private and Small-Business Customers and Corporate Clients market segments we have gained new customers, pushed ahead with digitalisation projects and built an agile delivery organisation with Campus 2.0.

Against the backdrop of persistently low interest rates and subdued economic expectations, we launched the new "Commerzbank 5.0" strategic programme in September 2019. The measures adopted under the programme give us the opportunity to continue actively shaping our future. The main focus of "Commerzbank 5.0" is on expanding mobile banking in combination with a strong branch presence, bundling digital competencies by integrating comdirect, strengthening sales and increasing efficiency in corporate customer business. It also includes plans to invest heavily in digitalisation, IT infrastructure and growth, significantly reduce the Group's cost base by 2023 and embed social responsibility more strongly in the business model. The further development of the strategy should contribute to further growth in customers, assets and income by 2023, even in a market environment that is set to become even more difficult.

Information on the planned strategic measures in the Private and Small-Business Customers and Corporate Clients segments can be found in "Objectives and strategy" on page 67 ff.

We will further transform the Bank into a digital enterprise across all segments. This restructuring will affect strategy, technology, competence and culture. We will actively drive digitalisation in our banking business, enabling us to offer our customers speed, security and convenience when it comes to technological applications. For some time now we have been involved in start-ups, both directly and through our subsidiaries CommerzVentures and Main Incubator and the digitalisation platform #openspace. We support entrepreneurs and in so doing keep our finger on the pulse of tomorrow's innovations. #openspace is a digitalisation partner for small and medium-sized German businesses. In addition to supporting Commerzbank's customers, #openspace also helps other small and medium-sized businesses overcome the challenges of the digital world and successfully exploit the opportunities it presents. Customers are offered tailor-made solutions for all phases of the digital transformation. Main Incubator GmbH, a wholly-owned subsidiary of Commerzbank, is a research and development unit within the Bank. It addresses future technologies and their impact on financial services. Technical innovations are introduced into the Group through three channels: ventures – strategic (early-stage) investments in technology-driven start-ups; prototyping – development of own prototypes based on future technologies considered relevant; and community building – early identification of tech trends, with work currently under way on topics such as artificial intelligence, biometrics, big data, the cloud, the Internet of Things, machine learning, robotics and quantum computing.

Commerzbank works to encourage its own employees to engage in the kind of entrepreneurial thinking that distinguishes start-ups.

The Digital Campus has become the engine driving the Commerzbank transformation, where we test and develop new, agile working methods and modern forms of cooperation. With the experience gained, the Campus 2.0 project was launched on 1 July 2019. The cluster delivery organisation was introduced at head office for this purpose. Agile working teams (cells) will take the place of traditional hierarchies. The cells are multi-functional, combining both specialist and IT expertise, and work independently in numerous clusters to develop new products and processes in specific areas. This new cluster organisation has fewer interfaces, less complexity and fewer dependencies, meaning that sales staff receive functioning solutions more quickly and are able to focus entirely on customers' needs.

Sustainability and environmental issues and the achievement of the Paris climate targets are also becoming more important for Commerzbank than ever before. We will also help our customers achieve enhanced sustainability in future with a greener product range. For instance, private customers have recently been given the chance to take out green mortgage loans. In corporate customer business, Commerzbank will align its loan portfolio more closely with sustainability criteria and help our customers to enhance the sustainability of their business model as well.

Anticipated performance of the Commerzbank Group

With the adoption of the new "Commerzbank 5.0" strategic programme in autumn 2019, Commerzbank has set a course that will enable it to permanently secure its competitive position in its core market of Germany and further expand it in the long term. The Bank is laying the foundations for further business growth – in terms of customer numbers, business volumes and hence operating income – through investments in the ongoing digitalisation of the business model and the modernisation of its IT infrastructure. Commerzbank also plans to exploit efficiency potential in all business areas in order to substantially and sustainably reduce the Group's cost base. These measures are ultimately aimed at further increasing the Bank's resilience to an anticipated further deterioration in the market and banking environment, enabling it to emerge all the stronger in the long term.

Commerzbank does not expect to see any significant improvement in the very challenging conditions for the German banking sector even beyond the 2020 forecast period. This is manifested, for example, in the assumption that extremely low or negative interest rates will remain a substantial burden in the current and coming years and, combined with ongoing intense competition, will continue to exert pressure on margins.

In view of the comparatively weak economic momentum that is expected, effective management of all risks will remain very important.

The following forecast for the 2020 financial year is based on the assumption that the planned sale of the stake in the Polish subsidiary mBank will be concluded in the current year and will take effect by the end of 2020. In line with this assumption, mBank's income statement will again be shown in Commerzbank's Group financial statements for the full 12 months of the 2020 financial year. However, a separate detailed forecast of mBank's earnings components is not provided in the following comments on the anticipated performance of individual earnings components and the anticipated performance of the segments. One-off effects relating to the sale of the mBank stake are not included in this forecast either. Overall, we expect mBank to report a positive earnings performance, a disproportionately low increase in operating expenses compared with the increase in earnings and an increase in its risk result in the 2020 financial year. Commerzbank therefore expects mBank's overall contribution to the Group's operating profit to be significantly higher than in the previous year.

Despite the very challenging environment, Commerzbank is aiming to keep total operating income at least stable in the current financial year. Compensating for the adverse effects on earnings resulting from further declines in interest rates in the domestic loan portfolio and the impact of negative interest rates on liquidity deposits held with the ECB remains a key strategic focus. As in previous years, both core business areas are therefore aiming to generate positive earnings effects from new business through further growth. Commerzbank is anticipating an increase in the risk result, which also reflects the expected volume growth in the loan portfolios. With the quality of the broadly diversified loan portfolios still considered to be robust, however, the increase should be limited provided there is no unexpectedly severe deterioration in the global economic outlook. Two opposing trends are expected for total operating expenses (including compulsory contributions). The digitalisation of the service offering and business processes should lead to further efficiency gains. However, the implementation of measures under the "Commerzbank 5.0" strategy programme will result in high investment requirements, meaning that total operating expenses are set to rise above the 2019 level. Overall, Commerzbank is aiming to achieve an operating profit close to the previous year's level in 2020 – even without taking effects relating to the sale of the mBank stake into account.

Anticipated performance of individual earnings components

As the key source of income, net interest income is of prime importance. Despite the assumption that interest rates will remain negative, Commerzbank is aiming to at least match the previous year's level through the planned further expansion of its lending volume. As in previous years, both the core segments Private and Small-Business Customers and Corporate Clients are targeting loan portfolio growth at least in line with the market – which would mean further slight gains in market share for parts of the overall portfolio. The increase in lending volume is a response to the continuing pressure on margins in Germany. In both private and corporate customer business, maturing loans with higher interest rates will usually only be able to be replaced with new business at lower rates. As well as asset margins falling due to competition, it is also likely to become increasingly difficult to generate higher income in deposit business through measures taken as part of asset/liability management. Interest losses from deposit business will be offset by charging negative interest on very high credit balances held by private and corporate customers.

We expect net commission income to increase slightly this year. Following on from the very good performance in 2019, commission income in securities and asset management business with private and small-business customers should at least match the previous year's level provided there are no phases of excessive volatility on the financial markets. The same applies to capital market business with institutional and corporate customers on the primary and secondary markets. We expect significant earnings gains in payment transactions due to new product offerings that give customers added value at appropriate prices.

In terms of net income from financial assets and liabilities measured at fair value through profit or loss, Commerzbank will stick with its risk-oriented, client-focused approach in order to achieve a contribution to earnings that is as high and as stable as possible. This is difficult to plan, however, given the uncertainties surrounding the performance and volatility of the global capital markets. Similar circumstances may also be reflected in the fair value result in one period, whereas the interest component dominates in another, resulting over time in possible shifts to net interest income, and vice versa.

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.

Such non-recurring income items were non-material in 2019 and are expected to remain at a similar level in 2020.

The risk result is expected to remain at a favourable level by historical standards. The figure under the baseline scenario is expected to be more than €650m, taking into account the weaker economic environment. This assessment is based on the very low level of problem loans, continuing strict standards in new lending business, the dominant share of highly collateralised loans in retail business and risk management in corporate customer business, which has proven successful over a period of many years.

Operating expenses (including compulsory contributions) should again benefit from continued strict cost management in 2020, leading to a slight decrease overall. This should help offset regulatory costs that are expected to be at least as high as in the previous year. At the same time, it is important to start implementing the planned strategic investment measures designed to strengthen future growth and earnings potential and exploit the considerable efficiency potential as early as possible this year. Extensive investments, which will also extend into subsequent years, will target a range of areas including the continued digitalisation of the service offering, distribution channels and underlying processes, and the fundamental modernisation of the IT infrastructure. While some of the planned measures will be recognised directly through profit or loss in the current financial year, some of the expenses can be capitalised and depreciated over the useful life of the assets created. Strategic investments are likely to have an impact of up to €0.2bn on the cost base in 2020. Total operating expenses for the Group as a whole are therefore expected to be slightly higher year on year. Commerzbank also plans to create provisions for restructuring expenses in the current reporting period, mainly for unavoidable adjustments to future staffing levels and the downsizing of the branch network accompanying the shift to mobile banking distribution channels in the coming years. Depending on the progress of negotiations with employee representative bodies over the course of the year, it is possible that the majority of the charges to the income statement resulting from the "Commerzbank 5.0" strategy programme will already be incurred in the 2020 financial year. This will lay the foundation for increasing and sustainably improving profitability in the coming years through a combination of earnings growth and cost reductions.

Anticipated segment performance

With regard to the Private and Small-Business Customers (PSBC) segment, the following comments on anticipated performance are essentially limited to domestic activities; detailed forecasts are not provided for mBank due to the planned sale of Commerzbank's stake during the course of the year. However, mBank is expected to make another significant contribution to the operating profit of the PSBC segment in 2020, set to be even higher in relative terms than in the previous year. This is based on the expectation of significantly higher income at the Polish subsidiary, which will probably more than offset the increase in both the risk result and operating expenses (including compulsory contributions) of mBank.

Important strategic decisions will have to be made this year to enable development of the business model in the PSBC segment, further consolidate Commerzbank's position in the German banking market, and strengthen both profitability and efficiency through steady earnings growth and reduced operating costs in the medium term. As part of the "Commerzbank 5.0" strategy programme, significant investment funds will be made available in 2020 and beyond to allow the Bank to focus strongly on digital distribution channels in future following the progress made in establishing a multi-channel bank. The mobile first strategy aims to use the already high and accelerating level of interaction with the mobile channel, which is available around the clock, to the mutual advantage of customers and Commerzbank. Analyses of the information available as a result of the large number of contact points will increasingly allow us to offer all customer groups highly individualised solutions featuring products and services that are appropriate to each customer's situation. This should enable us to exploit further earnings potential through a higher level of activity and better penetration of the existing customer base, while keeping Commerzbank attractive for new customers with its combination of simple, transparent products and personal service. Product and service offerings and pricing will be even better aligned in future. This will give customers greater choice, enabling them to supplement basic services, some of which will remain free of charge, with specific services that are appropriately priced in relation to the benefits they provide. Even greater attention will be paid to small-business and wealth management customers, who expect and are granted access to particularly sophisticated, personally tailored premium services.

Commerzbank intends to actively counter the continuing pressure on margins in Germany also in this year by growing customer numbers and business volume faster than its competitors. With more than 200,000 net new domestic customers, the net annual increase in customer numbers is expected to be lower than on average in the period from 2016 to 2019.

New income from the forecast growth in lending and deposit volumes will therefore be generated by existing customers to a higher relative extent than in previous years. In lending business, a significant increase in new business in higher-margin consumer financing, supported by increased use of the online distribution channel, should make a higher contribution to earnings. However, real estate financing, in which growth has outstripped the market considerably in recent years, will remain a cornerstone of the PSBC growth strategy. Higher income is also expected from small-business customers. The new relationship management model is expected to boost business volumes, primarily in respect of customers' corporate business. The new model is also aimed at smaller SMEs with annual sales of up to €15m. In payment transaction services, the share of higher-value product offerings is expected to increase significantly. Coupled with greater customer activity, this should generate higher income. Securities business and asset management in particular for affluent clients and in wealth management should benefit from greater penetration of premium products that combine personal service with the use of advanced technologies. Additional new business can also be expected from customers with very high deposit balances, who are shifting their liquidity to investments to avoid credit balance fees. Depending on the amount of the credit balance, Commerzbank may instead opt to pass on the negative interest rates imposed by the ECB via individual agreements. In the longer term, securities business will also benefit from comdirect's special expertise in this area, which is set to become available to all PSBC customers over time. However, the comdirect integration, which is expected to begin in the second half of the year, is unlikely to lead to any notable short-term contribution to earnings as a result of closer cooperation. Overall, the PSBC segment expects to record a slight increase in operating income in 2020. The strategic measures planned for this year are also designed to offset most of the capital expenditure required to facilitate the expected future earnings growth through further efficiency gains. This includes the further optimisation of the branch network along with the ongoing digitalisation of products and processes, further steps towards completion of the central ONE distribution platform and measures to streamline and simplify the product range. In line with the anticipated rapid increase in the use of digital channels, with the mobile distribution channel in particular set to significantly expand its service offering in the medium term, the relative weights of the various distribution channels will shift over time. The first steps towards sustainably reducing the cost base by streamlining the branch network are expected in 2020. However, customers will still be able to rely on a largely nationwide branch presence in the future.

Positive synergy effects from the integration of comdirect from the second half of the year onwards are also likely to be minimal. The PSBC segment expects operating expenses to increase slightly overall. This includes regulatory costs, which are set to remain high for the foreseeable future. The increase in the risk result predicted for the PSBC segment as a whole is related to the lending volume, which is growing as expected. However, maintaining risk costs at such a low level, historically low in some cases, is not expected. Nevertheless, we believe that the loan portfolios should remain resilient even in a less favourable economic environment. Overall, the PSBC segment is expected to achieve a lower or at best stable operating result in 2020 even taking into account the one-off effects from the sale of ebase in 2019. Both the operating return on equity and the cost/income ratio are therefore likely to be fairly unchanged or slightly weaker.

In implementing the “Commerzbank 5.0” strategy programme, the Corporate Clients (CC) segment will also continue to focus on growth and profitability initiatives aimed at expanding business volume and acquiring new customers. The Bank’s leading position in numerous areas of business with German SMEs is to be further improved by stepping up sales activities and further strengthening the risk functions. Special attention will be paid to smaller SMEs with turnover of between €15m and €100m, which particularly appreciate the local proximity of a bank with a nationwide presence. Building on our core competences, the CC segment is also targeting selective expansion of our business with larger SME customers in the eurozone. The established sector approach will also be extended to other large German and European corporate clients, leading to improved customer penetration and profitability for the business. Realigning the loan portfolio over the long term to focus increasingly on financing investments relating to sustainability, such as projects aimed at reducing CO_2 emissions, offers considerable potential. Commerzbank has already begun building up expertise in this area. Commerzbank’s foreign trade financing solutions, payment transaction services in numerous currency areas and risk management hedging products remain the driving force behind the targeted volume growth in lending and capital market business. Achieving growth while conserving equity is becoming an increasingly important condition in this regard. The Bank is also aiming to broaden the net customer base for all customer groups. Business growth will remain necessary in the difficult interest rate environment to counter the ongoing decline in interest margins and still achieve the targeted slight increase in operating income.

Passing on negative interest rates should offset the losses in deposit business. The strategic investments planned to consolidate the growth strategy will lead to an increase in the cost base in the 2020 financial year that is unlikely to be fully offset by further measures to improve efficiency. These measures include the ongoing digital transformation of advisory and distribution processes and the digitalisation of the product range, which will generate increased cost savings over time. There is also significant efficiency potential to be leveraged in IT through the planned consolidation of the European IT platforms and the simplification of the infrastructure. The CC segment is expecting total operating expenses (including compulsory contributions) to be slightly higher overall. The significantly higher risk result predicted for the current financial year reflects the higher degree of uncertainty and risk with regard to economic performance. The basic assumption is a scenario with no significant weakening of economic conditions either domestically or globally. The portfolio quality is still considered to be robust overall due to the broad diversification in the loan portfolios. Even in the event of a deterioration in individual industrial sectors, the increase in risk costs should remain limited and not exceed the extent of the increase in the previous year. With operating expenses and risk costs rising, and income set to increase only slightly, the CC segment is expecting operating profit to remain stable at best year on year in 2020. The cost/income ratio and the operating return on equity are therefore not expected to exceed the previous year’s level.

General statement on the outlook for the Group

For the 2020 financial year, Commerzbank has set itself the goal of implementing key strategic initiatives, even if these initially have a net negative impact on the earnings position. The external environment, which is still considered to be very challenging, is also likely to have a dampening effect on business and earnings performance this year. Changes with regard to the unfavourable interest rate and competitive environment are considered to be just as unlikely as an end to the pressure on margins, particularly in lending business. Commerzbank nevertheless expects income to be at least stable overall in the current financial year. A slight increase in total operating expenses (including compulsory contributions) is planned due to the significant impact of investment expenses. We also expect a slight increase in the risk result. Depending on earnings performance, this will result in an operating profit close to the previous year’s level, with a corresponding impact on the cost/income ratio.

The items that do not contribute to operating profit primarily relate to provisions for restructuring measures. These could have a substantial impact on income, although the exact amount will depend on the progress of negotiations with the employee representative bodies. If the negotiations can be successfully concluded, full recognition of restructuring expenses, estimated at a total of around €850m over the two-year period from 2019 to 2020, should not be ruled out. A provision of €101m was already set up in the reporting year. Profit from discontinued operations, which again includes profit contributions from the former Equity Markets & Commodities division, is expected to make a small positive contribution.

We expect to post a profit in 2020 even without the effects related to the sale of mBank. However, depending on the amount of restructuring expenses booked, consolidated profit may be significantly lower than in the previous year. Consequently, the return on equity and economic value added would both also be lower than in the previous year.

Commerzbank's Common Equity Tier 1 ratio is largely based on the capital requirements resulting from the Supervisory Review and Evaluation Process (SREP) carried out by the ECB as the responsible supervisory authority, plus a buffer deemed appropriate by Commerzbank's management to cover potential stress situations. Commerzbank expects the capital buffer for other systemically important institutions (D-SIB) defined by the German bank supervisor BaFin, which is currently 1.5% and forms part of the SREP requirement, to be reduced in the foreseeable future. If the sale of the stake in mBank is completed as planned by the end of 2020, Commerzbank believes that the D-SIB capital buffer could be reduced by half a percentage point to 1.0% with effect from the 2021 financial year. Commerzbank is targeting an unchanged Common Equity Tier 1 ratio of at least 12.75% for the end of 2020, which is significantly above the regulatory requirement imposed by the ECB.

We plan to use the 2020 profit mainly to further strengthen the capital base through earnings retention. Given what is considered a sufficiently comfortable capital position at Commerzbank, we expect to be able to propose a dividend for 2020 with a payout ratio comparable to that of the dividend for 2019.

In recent years, Commerzbank has strengthened its resilience through a range of measures such as significantly increasing its capital base. Nonetheless, there are numerous risk factors that could affect the 2020 profit forecast to a considerable, though not reliably quantifiable extent should events take an unfavourable turn. These include the geopolitical situation, which continues to be marked by great uncertainty, and increased global economic risks – especially against the background of the as yet unforeseeable economic impact of the coronavirus. There is still a latent threat of trade conflicts between the economic blocs of Europe, North America and Asia, while the consequences of the UK's withdrawal from the EU will depend on the course of further negotiations. Sharply rising volatilities and strong corrections on the capital markets cannot be ruled out. Valuation levels remain very high by historical standards on both the international equity and bond markets following the large price gains seen in 2019. Central banks remain an important factor influencing financial stability and the outlook for the banking sector. Their future scope, even with unconventional monetary policy measures, for influencing inflation rates and expectations to the desired extent and without harmful side effects, appears to be becoming increasingly exhausted. The economic outlook is now somewhat gloomier. If it were to darken significantly, however, Germany's internationally connected economy could be particularly hard hit, resulting in risk costs in lending business that are 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. For further information on other risks, see the Group Risk Report, page 127 ff.

Group Risk Report

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

Group Risk Report

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

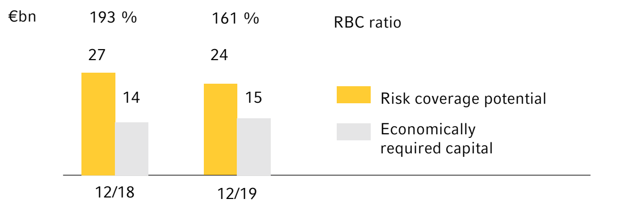
Contents

Executive summary 2019

Risk-bearing capacity ratio stood at 161% as at 31 December 2019

- The risk-bearing capacity ratio remains well above the minimum requirement.
- The decline in risk coverage potential compared with December 2018 is mainly due to methodological adjustments made on the basis of the ECB's new ICAAP guidelines.

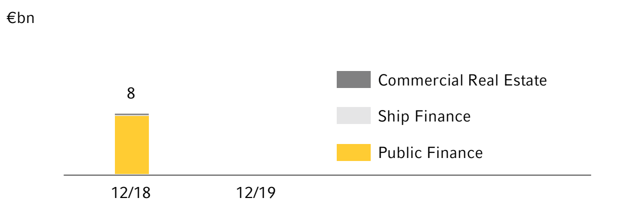
Risk-bearing capacity



Dissolution of the Asset & Capital Recovery segment

- The ACR segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years.
- The remaining portfolios were transferred to Others and Consolidation and to the Private and Small-Business Customers segment.

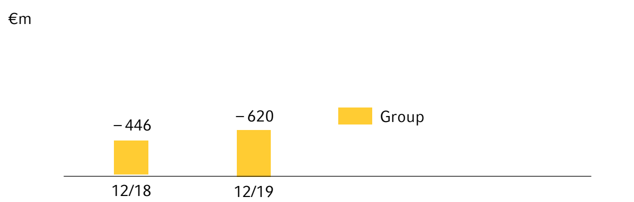
EaD



Risk result for the Group amounted to €–620m

- The risk result relating to the Group's lending business in 2019 amounted to €–620m.
- From the present perspective, the risk result for the year 2020 as a whole will therefore not be less than €650m.

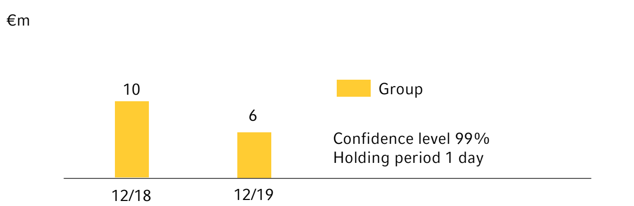
Risk result



Market risk in the trading book decreased in 2019

- The Value-at-Risk decreased from €10m to €6m over the year.
- VaR in the trading book is at a historical low.

VaR



Operational risks decreased year-on-year

- In 2019 risk-weighted assets from operational risks decreased from €21.4bn to €18.7bn, due also to the model adjustment approved by the supervisory authority in calculating risk-weighted assets for operational risks.
- The total charge for OpRisk events increased from €30m to €127m 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.

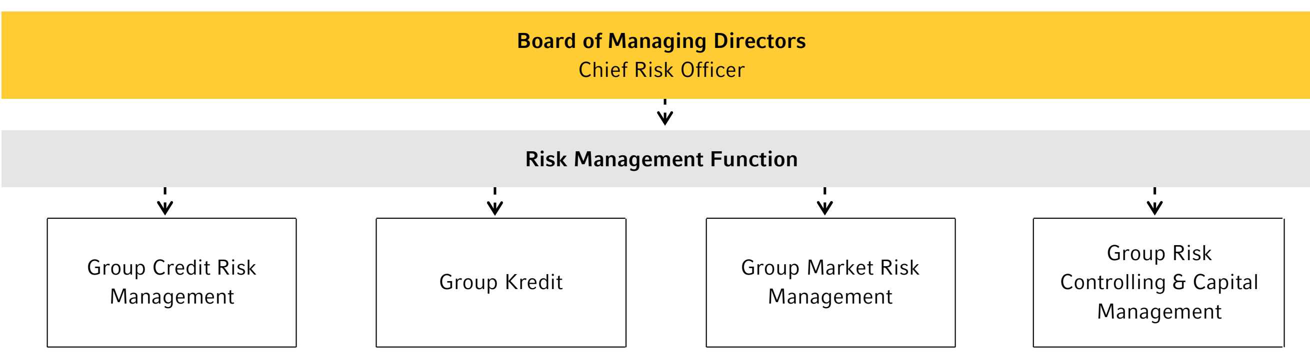
Risk management organisation

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 Group Credit Risk Management, Group Credit, Group Market Risk Management and Group Risk Controlling & Capital Management. All divisions have a direct reporting line to the CRO.

On 1 January 2020, Commerzbank established the new Group division "Group Cyber Risk & Information Security", which is also part of the risk management organisation and has 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. Here the CRO also has a right of veto on certain topics (e.g. liquidity risk issues).

The tasks and competencies of the respective committees are described below:

The **Group Credit Committee** is the decision-making committee for operative credit risk management, comprising two representatives each from the back office and front office. The Group Credit Committee operates on the basis of the credit risk strategy. It takes decisions in line with the competencies delegated to it by the full Board of Managing Directors.

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

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

The **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 5 Supervisory Board members. The Risk Committee's tasks include monitoring the risk management system and dealing with all risks, particularly with regard to market, credit and operational risk as well as reputational risk. The Risk Committee determines the type, scope, format and frequency of the information that must be presented to the Board of Managing Directors about strategy and risk.

The **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.

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

Risk strategy and risk management

The overall risk strategy, in line with the business strategy, governs the strategic risk focus of the Commerzbank Group. It sets the risk appetite as the maximum risk that the Bank is prepared and able to accept while following its business objectives without exposing itself to existential threats over and above the risks inherent in the business. The guiding idea is to ensure that the Group holds sufficient liquidity and capital. Based on these requirements, suitable limits are defined for the risk resources of capital and liquidity available to the Group. The overarching limits of the overall risk strategy are consistent with the indicator thresholds of the recovery plan.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, in view of its business model, these inherent existential threats include the default of Germany, Poland (until the sale of mBank), one or more of the other major EU countries (France, Italy, Spain or the UK, although Brexit is not deemed to be a default) or the default of the USA. Italy is an idiosyncratic special case due to the major legacy exposures to the Italian government, while in the other countries existential threats would arise from the impact of a government default on banks and companies and the repercussions for the other EU countries. Moreover, inherent threats include a deep recession lasting several years with serious repercussions for the German economy, a bank run and the collapse of global clearing houses or the foreign exchange markets, possibly triggered by a cyber attack. In general, cyber risk includes certain scenarios as the business environment becomes more digitised which under certain circumstance can cause damage and could therefore be significant for Commerzbank.

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

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

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

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

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

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

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

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

Risk ratios

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

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

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

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

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

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

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

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

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

Risk-bearing capacity and stress testing

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

At the beginning of 2019 the risk-bearing capacity concept was adapted to the new requirements of the ICAAP and ILAAP guidelines published by the ECB on 9 November 2018. In particular, this involved changing the economic approach from a gone concern approach to a going concern approach.

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

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the table on page 104) business risk and property value change risk. Business risk is the risk of a potential loss resulting from deviations in actual income and expense from the respective budgeted figures. Business risk is used to substantiate a higher-level management buffer that ensures the responsiveness of capital management. Physical asset risk is the risk of an unexpected fall in the value of owned property which is either already recognised as an asset in the Group's balance sheet or which can be recognised during the next 12 months under contractually assured obligations with option character (especially real estate). The risk inventory 2019 reclassified the risk of unlisted investments from a previously independent significant risk type to a significant sub-risk type below market risk and this risk is therefore now included in market risk. Reserve risk fell below the materiality threshold and has now been classified as a non-significant risk sub-type. 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.

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 2019, the RBC ratio was consistently above 100% and stood at 161% on 31 December 2019. The decline in risk coverage potential compared with December 2018 is mainly due to methodological adjustments made on the basis of the ECB's new ICAAP guidelines (including the exclusion of subordinated capital components). The RBC ratio remains well above the minimum requirement.

Risk-bearing capacity Group €bn	31.12.2019[1] New method	31.12.2018[1] Old method
Economic risk coverage potential	**24**	**27**
Economically required capital[2]	**15**	**14**
thereof for default risk	10	10
thereof for market risk[3]	4	3
thereof for operational risk	1	2
thereof diversification effects	−2	−2
RBC ratio (%)[4]	**161**	**193**

[1] Confidence level as from 31 March 2019: 99.90%; as at 31 December 2018: 99.91%.
[2] Including physical asset risk, risk of unlisted investments and risk buffer for reserve risk and (from 2019) the quantification of potential fluctuations in value of goodwill and intangibles.
[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 underlying scenarios take into account the interdependence of the development of the real economy and the financial economy. They are updated quarterly and approved by the ALCO. The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities (e.g. export-based sectors in Germany) and business strategies of relevance to Commerzbank. Stress tests in the economic perspective cover a time horizon of 12 months. The scenario simulation is run quarterly at Group level using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the income statement is also subjected to a stress test based on the macroeconomic scenarios. Based on this, changes in the risk coverage potential are simulated. Whereas the RBC ratio is embedded into Commerzbank's limit system, guidelines for risk-bearing capacity are set as an early warning system in the stressed environment. The ongoing monitoring of the limits and guidelines is a key part of internal reporting. Defined escalations are triggered if the limits are breached.

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account. In addition to the regular stress tests, reverse stress tests are implemented annually at Group level. Unlike regular stress testing, the result of the simulation – a sustained threat to the Bank – is determined in advance. The aim of the analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events. On this basis, for instance, action fields in risk management including the regular stress tests can be identified and taken into account in the ongoing development efforts.

In 2019, the risk-weighted assets resulting from Commerzbank's business activities increased from €180bn to €182bn.

In the Asset & Capital Recovery (ACR) segment, the Bank had bundled the activities of the Commercial Real Estate and Ship Finance areas and complex financings from the Public Finance area for the purpose of completely winding down the portfolios in these areas over time. The ACR segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment.

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

	31.12.2019				31.12.2018			
Risk-weighted assets €bn	**Default risk**	**Market risk**	**Operational risk**	**Total**	**Default risk**	**Market risk**	**Operational risk**	**Total**
Private and Small-Business Customers	41	1	5	47	36	1	5	41
Corporate Clients	82	5	8	96	79	6	11	97
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	29	5	5	39	23	3	4	30
Group	**152**	**11**	**19**	**182**	**147**	**12**	**21**	**180**

Regulatory environment

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

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

The phasing in of capital buffers is a significant feature of the Basel 3 revision, which has now been completed. The capital conservation buffer, the buffer for other systemically relevant institutions and the countercyclical capital buffer, which the Federal Financial Supervisory Authority (BaFin) has again set at 0% for German exposures for 2019, have applied since 1 January 2016. The buffer for other systemically relevant institutions was again set by BaFin for Commerzbank at 1% for 2019.

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

The CRR II was published together with the Capital Requirements Directive (CRD V) as part of the Risk Reduction Package in the Official Journal of the European Union on 7 June 2019. As a European directive, CRD V requires transposition into national law within 18 months. The legislation implements, among other things, the Basel Committee's requirements on leverage ratio, net stable funding ratio, regulations on trading book and large exposures, and the treatment of investment funds. While some regulations are already directly effective, large parts of the regulation will only become binding in 2020 or later. In addition, numerous specifications have yet to be made by the EBA.

The ECB, in its capacity as the supervisory authority for the eurozone banks directly supervised by it, has conducted the annual Supervisory Review and Evaluation Process (SREP) and specified individual minimum capital requirements for each bank.

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

For market and counterparty risk, final decisions have been received, for retail, mortgage lending and SME, Commerzbank has received new draft decisions following the completion of the review process at the ECB's Audit Committee and has commented on them in due time, final decisions are outstanding. For large corporates and banks we expect final decisions in 2020.

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

The legal basis for setting MREL and TLAC was revised at European level and published on 7 June 2019 as part of the Risk Reduction Package in the form of the Single Resolution Mechanism Regulation (SRMR II), the Bank Recovery and Resolution Directive II (BRRD II) and the CRR II. The BRRD II as a European directive requires implementation into national law within 18 months. The amendments include, among other things, adjustments to the calculation logic and, for certain banks, a statutory subordination requirement for parts of MREL. Most of the new regulations will come into force in December 2020.

The Group-wide recovery plan was updated in 2019 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery.

Commerzbank operates in markets subject to national and supranational regulation. In addition, it is subject to the overarching requirements imposed by accounting standards. Changes in regulatory requirements and accounting standards have significantly grown in frequency and materiality in recent years. They may have lasting implications for the financial industry in general and Commerzbank's business model in particular. Commerzbank 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, and the revision of the framework for operational risk and credit risk, including the associated floor rules and disclosure requirements ("Basel 4)". At European level, Commerzbank is monitoring among other things the implementation of Basel 4 as well as European Commission initiatives to introduce a European deposit insurance scheme and establish a capital markets union.

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

Default risk

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

Strategy and organisation

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

Credit risk management is a joint task of the front office and the risk function, based on a standardised Group-wide credit risk culture. Impeccable moral and ethical conduct in compliance with the law and regulations is a key element of a culture of integrity and core to the credit risk culture. Default risks are assessed against uniform standards, regardless of segment limits. In line with the three lines of defence principle, the front office is the first line of defence and must take risk aspects into account when taking business decisions. The risk function (back office and Risk Controlling) is the second line of defence, its fundamental task being to manage, limit and monitor risks. The third line of defence is Internal Audit. It is tasked with independently auditing the Bank's processes and safeguards, and as such also assesses the activities of the first and second lines of defence.

The Group Credit Committee is the highest decision-making committee for operative credit risk management, comprising two representatives each from the back office and front office. It takes decisions in line with the competencies delegated to it by the full Board of Managing Directors and is responsible for managing all credit risks. In so doing, the Group Credit Committee operates on the basis of the valid credit risk strategy. Reporting to the Group Credit Committee are sub-credit committees, which operate on the basis of their respective rules of procedure and within the competencies approved by the full Board of Managing Directors. They comprise at least two representatives from the segments and two representatives from Group Risk Management. The sub-credit committees are responsible for managing all credit risks in the sub-portfolios within their respective remit and are entitled, in turn, to sub-delegate certain credit decisions within their prescribed competencies.

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

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

Risk management

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

The ratios and measures required for the operational process of risk management are based on the overarching Group objectives. The principle of maintaining a low-risk profile in all business decisions is closely combined here with the risk function's aim of providing the front office with appropriate support. 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 5 default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults. The probability of default ranges assigned to the ratings are the same for all portfolios. This ensures internal comparability consistent with the master scale method. For guidance and indicative purposes, the Commerzbank master scale also shows external ratings as well as credit quality steps in accordance with Article 136 CRR. However, a direct reconciliation is not possible, because external ratings of different portfolios show fluctuating default rates from year to year.

The credit approval authorities of both individual staff and the committees (full Board of Managing Directors, Credit Committee, sub-credit committees) are graduated by a range of factors including size of exposure and rating class.

Commerzbank master scale

Commerzbank AG rating	PD and EL mid-point %	PD and EL range %	S&P scale		Credit quality steps in accordance with Article 136 CRR[1]	
1.0	0	0	AAA	AAA	I	Investment Grade
1.2	0.01	0 – 0.02				
1.4	0.02	0.02 – 0.03	AA+	AA		
1.6	0.04	0.03 – 0.05	AA, AA–		II	
1.8	0.07	0.05 – 0.08	A+, A	A		
2.0	0.11	0.08 – 0.13	A–			
2.2	0.17	0.13 – 0.21	BBB+	BBB	III	
2.4	0.26	0.21 – 0.31	BBB			
2.6	0.39	0.31 – 0.47				
2.8	0.57	0.47 – 0.68	BBB–			
3.0	0.81	0.68 – 0.96	BB+	BB	IV	Sub-investment grade
3.2	1.14	0.96 – 1.34	BB			
3.4	1.56	1.34 – 1.81				
3.6	2.10	1.81 – 2.40	BB–			
3.8	2.74	2.40 – 3.10				
4.0	3.50	3.10 – 3.90	B+	B	V	Non-investment grade
4.2	4.35	3.90 – 4.86	B			
4.4	5.42	4.86 – 6.04				
4.6	6.74	6.04 – 7.52				
4.8	8.39	7.52 – 9.35	B–			
5.0	10.43	9.35 – 11.64				
5.2	12.98	11.64 – 14.48	CCC+	CCC	VI	
5.4	16.15	14.48 – 18.01	CCC, CCC–			
5.6	20.09	18.01 – 22.41	CC, C	CC, C		
5.8	47.34	22.41 – 99.99				
6.1		> 90 days past due				
6.2		Imminent insolvency				
6.3	100	Restructuring with recapitalisation	D			Default
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 €104.5bn to €114.1bn for positions in the Group's performing portfolio and from €0.9bn to €1.0bn for positions in the default portfolio.

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

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

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 €5.5bn (31 December 2018: €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 outside the front office.

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

The measurement and processing of collateral is governed by generally applicable standards and collateral-specific instructions (guidelines, process descriptions, IT instructions). 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 focuses its business on two customer segments, Private and Small-Business Customers (PSBC) and Corporate Clients (CC). In the Asset & Capital Recovery (ACR) segment, the Bank had bundled the activities of the Commercial Real Estate and Ship Finance areas and complex financings from the Public Finance area for the purpose of completely winding down the portfolios in these areas over time. The ACR segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment.

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

	31.12.2019				31.12.2018			
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m
Private and Small-Business Customers	178	425	24	2,207	165	420	25	2,476
Corporate Clients	184	473	26	4,607	187	467	25	5,458
Asset & Capital Recovery					8	46	57	643
Others and Consolidation[1]	83	120	14	3,003	72	35	5	1,790
Group	**445**	**1,017**	**23**	**9,817**	**432**	**968**	**22**	**10,366**

[1] Mainly liquidity portfolios of Treasury, and since 1 July 2019 the remaining portfolios of the dissolved ACR segment. The positions as at 31 December 2018 have not been retroactively adjusted.

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.

	31.12.2019					31.12.2018				
Rating breakdown EaD | %	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**	**1.0-1.8**	**2.0-2.8**	**3.0-3.8**	**4.0-4.8**	**5.0-5.8**
Private and Small-Business Customers	31	51	14	3	1	32	51	14	3	1
Corporate Clients	20	60	16	3	2	20	59	16	3	1
Asset & Capital Recovery						27	56	8	9	1
Others and Consolidation	51	46	3	1	0	45	53	1	0	0
Group	**30**	**54**	**13**	**2**	**1**	**29**	**55**	**13**	**2**	**1**

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

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

	31.12.2019			31.12.2018		
Group portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	235	526	22	227	477	21
Western Europe	90	191	21	84	162	19
Central and Eastern Europe	49	207	42	41	197	48
North America	34	32	9	32	54	17
Asia	27	32	12	37	44	12
Other	10	29	29	10	34	33
Group	**445**	**1,017**	**23**	**432**	**968**	**22**

Around half of the Bank's exposure relates to Germany, another third to other countries in Europe, 8% to North America and 6% 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.

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of the fourth quarter of 2019, exposure to Russia was €2.9bn (31 December 2018: €2.6bn), exposure to Turkey was €1.7bn (31 December 2018: €1.7bn) and exposure to China was €3.9bn (31 December 2018: €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 the fourth quarter of 2019, Commerzbank's Italian sovereign exposure was €9.3bn (31 December 2018: €8.4bn), while its Spanish sovereign exposure was €2.5bn (31 December 2018: €1.3bn).

Risk result

The risk result relating to the Group's lending business in 2019 amounted to €–620m.

The following table shows the breakdown of the risk result by stage according to IFRS 9. In Note (32) of the Group financial statements (credit risks and credit losses) details regarding the stages can be found; in Note (11) (risk result) the definition of the risk result can be found.

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

From the present perspective, the risk result for the year 2020 as a whole will therefore not be less than €650m.

	2019				2018[1]			
Risk result | €m	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**
Private and Small-Business Customers	–21	–9	–223	–253	9	–63	–180	–233
Corporate Clients	20	38	–401	–342	–26	–46	–121	–194
Asset & Capital Recovery	0	2	–25	–24	9	0	–18	–8
Others and Consolidation	–6	57	–52	0	–5	–6	0	–11
Group	**–6**	**88**	**–701**	**–620**	**–13**	**–115**	**–318**	**–446**

[1] Retroactively adjusted (see Note 4 to the Group financial statements).
[2] Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

Default portfolio

The default portfolio declined by €104m year-on-year and amounted to €3,735m as at 31 December 2019.

The following breakdown of the default portfolio shows the claims in the default portfolio in the amortised cost and fair value OCI (other comprehensive income) categories. The loans are assigned almost exclusively to the amortised cost category, of which by far the greatest share of €3.5bn (31 December 2018: €3.6bn) relates to the loans and receivables class and €187m (31 December 2018: €171m) to off-balance sheet transactions. As at 31 December 2019 there were no defaulted securities assigned to the securitised debt instruments class (31 December 2018: €67m fair value OCI category). The collateral shown shall be liable to the full extent for loans in the amortised cost category, with €940m (31 December 2018: €876m) relating to loans and receivables and €37m (31 December 2018: €37m) to off-balance sheet transactions.

The default portfolio of loans in the fair value OCI category amounts to €1m (31 December 2018: –).

	31.12.2019			31.12.2018		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	3,735	0	3,735	3,769	71	3,839
LLP[1]	1,745	0	1,745	1,606	3	1,609
Coverage ratio excluding collateral (%)[2]	47	–	47	43	4	42
Collateral	968	0	968	913	0	913
Coverage ratio including collateral (%)[2]	73	–	73	67	4	66
NPE ratio (%)[3]			0.9			1.0

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

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

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

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

	31.12.2019				31.12.2018			
Group rating classification | €m	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**	**6.1**	**6.2/6.3**	**6.4/6.5**	**Total**
Default portfolio	522	1,312	1,901	3,735	454	1,280	2,106	3,839
LLP	252	476	1,016	1,745	169	395	1,045	1,609
Collateral	214	353	401	968	173	314	426	913
Coverage ratio including collateral (%)	89	63	75	73	75	55	70	66

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 2019. The changes may also be due to short-term overdrafts:

	31.12.2019					31.12.2018				
EaD €m	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**	**> 0 ≤ 30 days**	**> 30 ≤ 60 days**	**> 60 ≤ 90 days**	**> 90 days**	**Total**
Private and Small-Business Customers	1,040	169	51	2	1,262	787	107	57	1	952
Corporate Clients	3,946	182	0	0	4,128	1,948	50	40	0	2,039
Asset & Capital Recovery	0	0	0	0	0	10	0	0	0	10
Group[1]	**4,986**	**351**	**51**	**2**	**5,390**	**2,746**	**157**	**97**	**1**	**3,000**

[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 in the Private and Small-Business Customers segment. Private Customers includes Commerzbank's branch business in Germany for private customers as well as Wealth Management. Small-Business Customers comprises business customers and small corporate customers.

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €87bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €23bn. 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 in the last 12 months was largely due to residential mortgage loans.

Compared with the previous year, the risk density of the portfolio decreased by 1 basis point to 24 basis points.

	31.12.2019			31.12.2018		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Private Customers	104	159	15	99	177	18
Business Customers	31	73	23	29	67	23
comdirect bank	3	7	23	4	6	17
Commerz Real	1	2	43	1	2	29
mBank	39	183	47	33	167	50
PSBC	**178**	**425**	**24**	**165**	**420**	**25**

In 2019, the risk result in the Private and Small-Business Customers segment was €–253m (31 December 2018: €–233m) and therefore remained at a low level.

The default portfolio in the segment stood at €1,795m as at 31 December 2019 (31 December 2018: €1,751m).

	31.12.2019			31.12.2018		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,795	0	1,795	1,751	0	1,751
LLP	895	0	895	850	0	850
Coverage ratio excluding collateral (%)	50	–	50	49	–	49
Collateral	575	0	575	531	0	531
Coverage ratio including collateral (%)	82	–	82	79	–	79

Corporate Clients segment

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

	31.12.2019			31.12.2018		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Mittelstand	79	257	33	74	198	27
International Corporates	68	112	16	68	149	22
Financial Institutions	20	54	27	23	69	30
Other	17	49	29	22	50	23
CC	**184**	**473**	**26**	**187**	**467**	**25**

The EaD of the Corporate Clients segment decreased from €187bn to €184bn compared with 31 December of the previous year. Risk density increased from 25 basis points to 26 basis points.

For details of developments in the Financial Institutions portfolio, please see page 116 f.

Influenced by large individual cases in the international corporates credit business, the risk result in the Corporate Clients segment in the 2019 financial year (€– 342m) was, as expected, up on the low figure for the previous year (fiscal year 2018: €– 194m), in which the segment benefited from large reversals.

The default portfolio in the segment stood at €1,707m as at 31 December 2019 (31 December 2018: €1,736m).

	31.12.2019			31.12.2018		
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,707	0	1,707	1,669	67	1,736
LLP	755	0	755	636	3	639
Coverage ratio excluding collateral (%)	44	–	44	38	4	37
Collateral	306	0	306	251	0	251
Coverage ratio including collateral (%)	62	–	62	53	4	51

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.

	31.12.2019			31.12.2018		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy supply/Waste management	21	82	40	18	62	34
Technology/Electrical industry	15	31	21	13	31	24
Consumption	15	49	34	14	54	37
Wholesale	14	47	35	13	48	37
Transport/Tourism	12	37	31	11	30	26
Basic materials/Metals	11	46	41	11	42	40
Services/Media	10	28	27	10	30	29
Automotive	10	38	39	10	27	28
Chemicals/Plastics	9	46	49	9	41	43
Mechanical engineering	9	26	29	9	24	28
Construction	6	16	28	6	16	28
Pharmaceutical/Healthcare	5	9	20	4	10	24
Other	7	14	21	5	7	13
Total	**142**	**470**	**33**	**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 affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (e.g. trade wars, Brexit) 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.

	31.12.2019			31.12.2018		
FI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	6	4	7	5	6	12
Western Europe	15	11	8	15	12	8
Central and Eastern Europe	3	15	55	3	17	56
North America	2	0	2	2	1	4
Asia	9	19	22	12	24	21
Other	5	19	38	6	23	40
Total	**40**	**70**	**18**	**43**	**83**	**19**

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 and Asia.

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from political events (e.g. Brexit) and are responding with flexible portfolio management that is tailored to the individual situation.

	31.12.2019			31.12.2018		
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	38	21	18	25	14
Western Europe	12	23	20	12	23	19
Central and Eastern Europe	2	19	100	1	8	65
North America	9	12	13	9	24	28
Asia	2	2	13	2	2	13
Other	1	2	23	1	2	31
Total	**43**	**96**	**22**	**42**	**84**	**20**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €5.4bn, primarily for capital management purposes (31 December 2018: €5.9bn). In the period under review, the CoCo Finance III-3 transaction was placed with a volume of €1.5bn, mainly on the basis of receivables from European companies and SMEs.

As at the reporting date 31 December 2019, risk exposures with a value of €5.0bn (31 December 2018: €5.5bn) were retained. By far the largest portion of these positions is accounted for by €4.8bn (31 December 2018: €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]
Corporates	2025–2036	4.8	< 0.1	0.2	5.4
Total 31.12.2019		**4.8**	**< 0.1**	**0.2**	**5.4**
Total 31.12.2018		5.3	< 0.1	0.1	5.9

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

Conduit exposure and other asset-backed exposures
The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. In view of regulatory changes and the relocation of the Silver Tower conduit to Luxembourg, since the beginning of 2019 financing has been carried out through the direct purchase of funding notes that are taken onto the Bank's balance sheet. The volume and risk values for the securitisation of receivables in the Corporate Clients segment declined from €3.9bn to €3.5bn in 2019.

Liquidity risks from securitisations are modelled conservatively in the internal liquidity risk model. In the modelling, 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. Also, 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 asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. Over the course of 2019 the volume increased to €4.2bn (December 2018: €4.0bn) and risk values[1] to €4.2bn (December 2018: €3.8bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €4.9bn (December 2018: €3.8bn). 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 have a robust structure and a moderate risk profile. At the end of 2019, this portfolio contained only AAA-rated CLO positions. Remaining structured credit positions with a volume of €0.7bn were already in the portfolio prior to 2014 (December 2018: €1.3bn), while risk values stood at €0.3bn (December 2018: €0.4bn).

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:

	31.12.2019			31.12.2018		
Forbearance portfolio by segment	**Forborne exposure**	**LLP**	**LLP coverage ratio**	**Forborne exposure**	**LLP**	**LLP coverage ratio**
	€m	€m	%	€m	€m	%
Private and Small-Business Customers	1,007	198	20	1,062	178	17
Corporate Clients	1,556	178	11	1,507	177	12
Others and Consolidation	176	78	45	902	296	33
Group	**2,739**	**454**	**17**	**3,471**	**651**	**19**

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

The forbearance portfolio by region is as follows:

	31.12.2019			31.12.2018		
Forbearance portfolio by region	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %	**Forborne exposure** €m	**LLP** €m	**LLP coverage ratio** %
Germany	1,587	189	12	1,927	381	20
Western Europe	218	6	3	720	73	10
Central and Eastern Europe	873	257	29	744	183	25
North America	6	0	2	12	3	23
Asia	6	2	26	5	1	22
Other	48	1	1	62	9	15
Group	**2,739**	**454**	**17**	**3,471**	**651**	**19**

In addition to the loan loss provisions of €454m (31 December 2018: €651m), the risks of the forbearance portfolio are covered by collateral totalling €816m (31 December 2018: €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.

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.

For the entire book, VaR in 2019 increased by €54m to €89m. The increase in VaR is due to the sharp rise in volatility on the interest rate markets in conjunction with an extended Treasury interest rate position in the banking book, which has led to extreme scenarios in the VaR calculation.

VaR contribution | €m	**31.12.2019**	**31.12.2018**
Overall book	**89**	**34**
thereof trading book	6	10

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 declined from €10m to €6m over the course of 2019. VaR in the trading book is at a historical low. This was mainly due to the sale of the equities business, which was already partially completed in 2019, as well as a risk reduction in investment banking business due to changes in positions in the Corporate Customers segment and Treasury.

VaR of portfolios in the trading book | €m	2019	2018
Minimum	4	6
Mean	7	9
Maximum	11	12
VaR at end of reporting period	**6**	**10**

The market risk profile is diversified across all asset classes.

VaR contribution by risk type in the trading book | €m	31.12.2019	31.12.2018
Credit spreads	1	1
Interest rates	1	2
Equities	1	3
FX	2	2
Commodities	1	1
Total	**6**	**10**

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 first three months of 2019. Stressed VaR fell from €35m at end-2018 to €26m at end-2019. This was mainly due to the sale of the equities business, which was already partially completed in 2019, as well as a risk reduction in investment banking business due to changes in positions in the Corporate Customers segment and Treasury.

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	31.12.2019	31.12.2018
Credit spreads	5	5
Interest rates	5	12
Equities	5	10
FX	5	4
Commodities	5	4
Total	**26**	**35**

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 in the Commerzbank Group declined by €5m to €14m in 2019. The decline was mainly attributable to changes in positions in the Corporate Clients segment.

The reliability of the internal model (historical simulation) is monitored in various ways, including backtesting, on a daily basis. The VaR calculated is set against actually occurring profits and losses. The VaR used in backtesting is based on the complete historical simulation and therefore represents all 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 2019, 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 assuming normal market conditions, it is supplemented by stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. 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 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 €49m as at the end of 2019 (31 December 2018: €41m).

Most credit spread sensitivities were 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. In the scenario −200 basis points, the yield curve is floored at 0 (negative sections of the yield curve are left unchanged).

As a result of the scenario + 200 basis points, a potential loss of €2,635m as at 31 December 2019 (31 December 2018: €1,651m potential loss) and in the scenario − 200 basis points a potential profit of €614m (31 December 2018: €230m potential profit) was determined. 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 2019, the interest rate sensitivity of the entire banking book (without pension funds) was €9.4m (31 December 2018: €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

Market liquidity risk is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market. Market liquidity risk is taken into account in Commerzbank's risk-bearing capacity concept by scaling the value at risk to one year, i.e. the implicitly recognised liquidation period. Additional valuation adjustments for market liquidity risk are also reflected in the calculation of the risk coverage capital.

Liquidity risk

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

Strategy and organisation

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

The central Asset Liability Committee (ALCO) is responsible for limiting, analysing and monitoring liquidity risk and for strategic liquidity positioning. ALCO is supported by various subcommittees in this.

Risk management

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. The stress scenario within the Bank that underlies the model and is relevant for management purposes allows for the impact of both a bank-specific stress event and a broader market crisis. Binding regulatory requirements are an integral component of the management mechanism.

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

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

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

This also applies to payment obligations in foreign currencies. The Bank also mitigates concentration by continuously using its access to broadly diversified sources of funding, in particular diverse customer deposits and capital market instruments. Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

In the event of a 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, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets. As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – deterministic and modelled cash flows in existing business on the one hand and the inclusion of prolongations on the other.

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of 2019, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €11.7bn and €11.2bn respectively (year-end 2018: €11.0bn and €11.7bn respectively).

Net liquidity in the stress scenario | €bn		**31.12.2019**	**31.12.2018**
Idiosyncratic scenario	1 month	18.4	16.6
	3 months	20.1	19.2
Market-wide scenario	1 month	20.7	21.6
	3 months	20.2	22.7
Combined scenario	1 month	11.7	11.0
	3 months	11.2	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 €72.4bn in the form of highly liquid assets (year-end 2018: €77.3bn). 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 €6.3bn as at the reporting date (31 December 2018: €10.0bn).

Liquidity reserves from highly liquid assets | €bn	**31.12.2019**	**31.12.2018**
Highly liquid assets	72.4	77.3
of which level 1	59.6	61.9
of which level 2A	11.5	14.1
of which level 2B	1.3	1.3

Liquidity ratios

Throughout 2019, 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. Since 1 January 2018, banks have had to maintain a ratio of at least 100%.

In 2019, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2019, the average month-end value of the LCR over the last 12 months was 132.72% (as at the end of 2018: 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 65 (Liquidity coverage ratio) of the Group Financial Statements.

Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes legal risks; 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. However, losses from compliance risks and cyber risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of capital required to cover operational risks in the medium to long term. Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The further development of the ICS structure is an essential aspect of the proactive reduction or prevention of operational risks. Accordingly, the governance of the ICS was adapted in the course of the Campus 2.0 realignment in order to reflect the new structure. In addition, flexibility was introduced to enable the control loop to be implemented efficiently in the future.

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 backtesting on an event-driven basis. Lessons learned activities are carried out after all material loss events. External OpRisk events at competitors are also systematically evaluated.

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis came to €18.7bn at the end of the fourth quarter of 2019 (31 December 2018: €21.4bn, 99.90% quantile). Here, in addition to the updated loss history, Commerzbank benefited from a model adjustment approved by the supervisor in calculating risk assets for operational risks. The decline also reflects progress in strategy implementation toward an even more efficient business model, with a clear focus on the core segments PSBC and CC, as well as risk reduction in investment banking business, and the associated improvement in the operational risk profile. Economically required capital was €1.5bn (since the first quarter of 2019: 99.90% quantile; 31 December 2018: €1.8bn, 99.91% quantile).

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

	31.12.2019		31.12.2018	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	5.2	0.4	5.1	0.4
Corporate Clients	8.3	0.7	11.4	1.0
Asset & Capital Recovery			1.3	0.1
Others and Consolidation	5.3	0.4	3.6	0.3
Group	**18.7**	**1.5**	**21.4**	**1.8**

The total charge for OpRisk events at the end of the fourth quarter of 2019 was approximately €127m (full-year 2018: €30m). The events mainly related to losses in the "Products and business practices" category. This includes the provision of mBank for legal risks related to CHF loan agreements, which is a key driver of the increase compared to the previous year.

OpRisk events[1] | €m	31.12.2019	31.12.2018
Internal fraud	6	4
External fraud	12	7
Damage and IT failure	2	5
Products and business practices	103	−17
Process related	6	30
HR related	−1	0
Group	**127**	**30**

[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.

The implementation plan of the Basel Committee provides for the introduction of the standardised approach for calculating operational risk (OpRisk) regulatory capital requirements from 1 January 2022. This approach is based on the multiplication of two components. The first component is derived from the business indicator, which is the sum of an interest, service and a financial component and a coefficient determined by the size of the business indicator. The second component in the standardised approach is the risk-sensitive internal loss multiplier, which reflects the Bank's internal operational losses.

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 and from 1 January 2020 cyber risk are outside the responsibility of the CRO.

Legal risk

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

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

Organisation

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

Risk management

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

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

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

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

Current developments

Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance or payment transactions, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by 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. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. The cases are no longer active with the exception of one case in which the investigating authority transferred the matter to the national competition tribunal. The possibility of financial consequences arising from some of these matters cannot be ruled out.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. Appropriate provision has been made for the tax risks.

The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. The Cologne public prosecutor's office is investigating on suspicion that the Bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and solidarity surcharge on dividends. Commerzbank has no knowledge of any results of the investigation.

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

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Within the framework of Commerzbank AG's ongoing tax on-site inspection, the tax auditors commented for the first time on the treatment of these transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and/or formed additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the fiscal courts, cannot be completely ruled out.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, the financial impact could be in the upper double-digit million range, plus interest on arrears, in these cases.

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss Francs (CHF). 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. A total of 1,731 plaintiffs have joined the class action. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. In addition to the class action, 2,902 other individual proceedings are pending as at 31 December 2019. The subsidiary is defending itself against each of the claims. It has won the majority of the individual lawsuits.

Even after the decision of the European Court of Justice in October 2019, the rulings of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgments handed down since then are not sufficient for a reliable estimate of future rulings.

In deviation from the previous methodology and as a result of the observed increase in the total number of individual lawsuits and the change in the judgments handed down by the courts in such cases, the Group/subsidiary decided as of the fourth quarter of 2019 to take into account possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37.

The provision relates both to the portfolio existing as at 31 December 2019 with a carrying amount of €3.2bn and to the portfolio already repaid. The portfolio that has already been repaid amounted to 6.3bn Polish zloty when it was issued. In the year under review, the provision was increased by a total of €79m, bringing the provision for individual actions as of 31 December 2019 to a high double-digit million euro amount.

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

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

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

Compliance risk

Compliance risk falls within the definition of operational risk according to the CRR. Commerzbank acknowledges and understands the existence of inherent compliance risk in its global business, which can be abused overall and in particular by financial crime. Compliance risk includes, in particular, the risks associated with money laundering, terrorist financing, sanctions/embargoes, markets compliance as well as fraud and corruption and preventing the facilitation of tax evasion.

The Board of Managing Directors of Commerzbank actively promotes a compliance culture and has set down and communicated corresponding values in the code of conduct.

Organisation

Group Compliance is led by the Divisional Board member for Group Compliance, who reports directly to the Board of Managing Directors. Pursuant to sections 87 (5) of the German Securities Trading Act (WpHG), MaComp (minimum requirements of the compliance function) BT 1.1, the Divisional Board member for Group Compliance is both the Group's Compliance Officer and, under Art. 25h (7) of the German Banking Act (KWG), sections 7 and 9 of the German Anti-Money Laundering Act (GwG), the Anti-Money Laundering officer; this person is supervised as such by the Federal Financial Supervisory Authority (BaFin).

Group Compliance is responsible for:

A. the four types of compliance risk:
(1) anti money laundering/fighting terrorist financing,
(2) sanctions and embargoes,
(3) fraud, anti-bribery and corruption,
(4) markets compliance
as well as

B. further responsibilities:
- coordination of the requirements under MaRisk section 4.4.2 ("MaRisk compliance function"),
- setting down and monitoring the methodical standards of the QI/FATCA/CRS compliance programme (Qualified Intermediary (QI) regime, Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)),
- compliance with the Bank's Anti-Tax Evasion Facilitation (TEF) obligations in accordance with the "UK Corporate Criminal Offences (UK CCO) of failure to prevent the facilitation of tax evasion" (together with Group Tax) and
- independent implementation of internal special investigations with compliance relevance

Risk management

To prevent compliance risks, Commerzbank has implemented security systems and controls for its transactions, customers, products and processes. These procedures for ensuring compliance with material legal provisions and requirements are referred to in their entirety as a compliance management system. Commerzbank's compliance management system is based on international market standards and the regulatory requirements in the various countries which are relevant for Commerzbank's business activities. Commerzbank is constantly developing its compliance management system in order to meet its responsibilities and address the growing complexity and increasing regulatory requirements. Under the three lines of defence principle, protecting against undesirable compliance risks is an activity that is not restricted to the compliance function (Group Compliance). Instead, the organisational control and monitoring elements are aligned in three sequential levels. The units in the first line of defence (1st LoD) assume the main responsibility for identifying and managing risks and for complying with their own business rules; they are also responsible for setting up process-oriented control mechanisms. Group Compliance, the second line of defence (2nd LoD), oversees the appropriateness and effectiveness of the procedures and controls in the first line of defence, and assesses and communicates any deficiencies found. Internal Audit, the third line of defence (3rd LoD), uses regular and independent audits to check that compliance in both the 1st LoD and 2nd LoD is appropriate and effective.

Compliance risks are managed in a control circuit with interacting elements. Commerzbank constantly monitors relevant regulatory requirements as well as the definition and/or adjustment of corresponding internal standards meant to ensure compliance with the requirements. Where necessitated by changes in requirements and standards, internal training measures are defined and/or adapted and the Bank's units are advised how to implement these effectively. Implementation encompasses setting up and carrying out suitable processes and controls in daily work, assuring their quality and testing their effectiveness. Monitoring of the compliance risks is based on key figures and is part of regular internal reporting. Where necessary, matters are escalated according to their urgency and severity. 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 further enhance risk management (e.g. introducing additional controls) as necessary and tracks implementation closely.

Current developments

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 Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were subsequently terminated in March 2018 and May 2018 respectively, after consultation with the respective public prosecutor's offices. The Bank has also received various interim reports and on 15 October 2018 received the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank has made good progress in carrying out the implementation programmes and has executed most of the measures. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitoring process ended on 24 June 2019. Official confirmation from DFS that Commerzbank is back under regular banking supervision following the monitoring process is still pending.

In line with the requirements of the UK Financial Services and Markets Act 2000 (FSMA), in 2017 Commerzbank London mandated a consulting company as a "skilled person". The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Commerzbank London subsequently put in place a comprehensive 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 and completed the remediation project carried out at Commerzbank London. The outstanding topics were transferred to small projects and to the line function for further processing.

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. In accordance with this consent order, Commerzbank has engaged an outside consultant approved by the CFTC (Compliance Consultant) 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. The Compliance Consultant started work in April 2019 and will probably submit their initial report by May 2020.

At the request of the Hong Kong Monetary Authority (HKMA), Commerzbank Hong Kong engaged an outside consultant to review the branch's local control and governance structures. The outside consultant concluded their audit during the summer and provided a report on the audit findings; processing of the issues addressed in the report is under way. The Branch project to implement a regulatory inventory as an overview of existing and relevant local regulatory requirements is still ongoing.

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 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). On 1 January 2020, Commerzbank established the new Group division "Group Cyber Risk & Information Security" to manage cyber and information security risks.

Cyber risk generally has consequences for operational risk and the Bank's other material risk types. These can be broken down into direct and indirect consequences. 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 5.0" 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 >€300m) 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.

There are currently a number of regulatory initiatives that have a strong impact on the management of model risks:

- The aim of the regulatory framework known as "Basel 4" in particular is to limit the benefits of using internal models. The new regulations pertain to all types of risk (credit, market, counterparty and operational risk) and also limit the reliability of certain models in calculating risk-weighted assets.
- Several regulations (guidelines/RTS) of the EBA impact nearly all aspects of the IRB approach and aim to reduce potential unjustified RWA variability from the use of internal models and to increase the quality of the models used. A new default definition has also been prescribed for credit risks.
- The ECB's Targeted Review of Internal Models (TRIM) project also aims to harmonise RWA-relevant models for credit, market and counterparty risk within the scope of the SSM. In particular, the scope for interpretation permitted by the regulations or arising due to differences in national interpretations is to be significantly reduced in future. In doing so, the ECB takes particular account of the new regulatory requirements mentioned above. Under TRIM, the models for credit, market and counterparty risk were subjected to a series of on-site reviews. Deviations from regulatory requirements or their interpretation lead to findings which, depending on their severity and materiality, may also result in capital add-ons. For credit risk, the implementation of TRIM requirements at Commerzbank is covered by the "Future of the IRB" initiative.
- The ECB's ICAAP and ILAAP guidelines also contain requirements for the management of model risk.

Disclaimer

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

Group Financial Statements

› Our Group Accounts are drawn up in accordance with International Financial Reporting Standards (IFRS) and their interpretation by the IFRS Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the 2019 financial year.

Financial Statements of the Commerzbank Group as at 31 December 2019

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.12.2019	1.1.–31.12.2018[1]	Change in %
Interest income accounted for using the effective interest method	(9)	7,560	7,318	3.3
Interest income accounted for not using the effective interest method	(9)	1,216	1,351	– 10.0
Interest income	(9)	8,776	8,670	1.2
Interest expenses	(9)	3,702	3,922	– 5.6
Net interest income	(9)	5,074	4,748	6.9
Dividend income	(10)	35	36	– 1.3
Risk result	(11)	– 620	– 446	38.9
Commission income	(12)	3,706	3,751	– 1.2
Commission expenses	(12)	650	662	– 1.7
Net commission income	(12)	3,056	3,089	– 1.1
Net income from financial assets and liabilities measured at fair value through profit or loss	(13)	244	366	– 33.4
Net income from hedge accounting	(14)	105	48	.
Other sundry realised profit or loss from financial instruments		32	40	– 20.7
Gain or loss on disposal of financial assets – Amortised cost		– 5	– 14	– 65.5
Other net income from financial instruments	(15)	27	26	4.0
Current net income from companies accounted for using the equity method	(16)	10	12	– 12.9
Other net income	(17)	93	245	– 62.2
Operating expenses	(18)	6,313	6,459	– 2.3
Compulsory contributions	(19)	453	423	7.1
Impairments on goodwill and other intangible assets	(20)	28	–	.
Restructuring expenses	(21)	101	–	.
Pre-tax profit or loss from continuing operations		**1,129**	**1,242**	**– 9.1**
Taxes on income	(22)	367	268	37.1
Consolidated profit or loss from continuing operations		**762**	**975**	**– 21.8**
Consolidated profit or loss from discontinued operations		– 18	– 10	78.4
Consolidated profit or loss		**744**	**964**	**– 22.9**
Consolidated profit or loss attributable to non-controlling interests		100	102	– 2.1
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components[2]		644	862	– 25.3

[1] Prior-year figures restated due to a change in presentation plus restatements (see Note 4).
[2] Name of item adjusted.

€		1.1.–31.12.2019	1.1.–31.12.2018	Change in %
Earnings per share	(24)	0.51	0.69	– 25.3

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.–31.12.2019	1.1.–31.12.2018[1]	Change in %
Consolidated profit or loss	744	964	–22.9
Change from remeasurement of defined benefit plans not recognised in income statement	–180	–287	–37.1
Change from remeasurement of equity instruments (FVOCIoR)	–	–	
Reclassified to retained earnings	–0	1	
Change in value not recognised in income statement	8	–4	
Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement	–75	96	.
Items not recyclable through profit or loss	**–248**	**–194**	**27.8**
Change in revaluation reserve (FVOCImR)			
Reclassified to income statement	–33	–6	
Change in value not recognised in income statement	48	–87	
Change in cash flow hedge reserve			
Reclassified to income statement	4	19	–80.6
Change in value not recognised in income statement	9	28	–67.7
Change in currency translation reserve			
Reclassified to income statement	–2	–6	–66.6
Change in value not recognised in income statement	108	–96	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	–4	0	.
Items recyclable through profit or loss	**130**	**–148**	**.**
Other comprehensive income	–118	–342	–65.4
Total comprehensive income	**625**	**622**	**0.5**
Comprehensive income attributable to non-controlling interests	111	79	41.7
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components[2]	514	544	–5.5

[1] Prior-year figures restated due to a change in presentation plus restatements (see Note 4).
[2] Name of item adjusted.

Other comprehensive income | €m	**1.1.–31.12.2019**		
	Before taxes	**Taxes**	**After taxes**
Change in own credit spread (OCS) of liabilities FVO	– 75	– 0	– 75
Change from remeasurement of equity instruments (FVOCIoR)	8	– 0	8
Change from remeasurement of defined benefit plans	– 137	– 43	– 180
Change in revaluation of debt securities (FVOCImR)	25	– 9	15
Change in cash flow hedge reserve	16	– 4	13
Change in currency translation reserve	106	– 0	106
Change from non-current assets held for sale and disposal groups	–	–	–
Change in companies accounted for using the equity method	– 4	–	– 4
Other comprehensive income	**– 61**	**– 57**	**– 118**

Other comprehensive income | €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 of debt securities (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**

Balance sheet

Assets | €m	Notes	31.12.2019	31.12.2018[1]	Change in %
Cash on hand and cash on demand		41,164	53,914	–23.6
Financial assets – Amortised cost	(25)	293,658	279,160	5.2
of which pledged as collateral		1,814	3,637	
Financial assets – Fair value OCI	(27)	30,942	26,659	16.1
of which pledged as collateral		1,355	2,377	
Financial assets – Mandatorily fair value P&L	(29)	30,196	34,073	–11.4
of which pledged as collateral		0	–	
Financial assets – Held for trading	(30)	44,840	42,501	5.5
of which pledged as collateral		842	1,246	
Value adjustment on portfolio fair value hedges		959	199	.
Positive fair values of derivative hedging instruments	(43)	1,992	1,457	36.7
Holdings in companies accounted for using the equity method	(44)	177	173	2.3
Intangible assets	(45, 46)	3,053	3,246	–5.9
Fixed assets	(47)	3,487	1,547	.
Investment properties	(48)	13	13	–
Non-current assets held for sale and disposal groups	(49, 50)	7,955	13,433	–40.8
Current tax assets	(52)	439	783	–44.0
Deferred tax assets	(52)	3,011	3,111	–3.2
Other assets	(54)	1,752	2,119	–17.3
Total		**463,636**	**462,386**	**0.3**

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

Liabilities and equity | €m	Notes	31.12.2019	31.12.2018[1]	Change in %
Financial liabilities – Amortised cost	(26)	351,909	346,668	1.5
Financial liabilities – Fair value option	(28)	19,964	21,949	–9.0
Financial liabilities – Held for trading	(31)	39,366	43,404	–9.3
Value adjustment on portfolio fair value hedges		1,212	532	.
Negative fair values of derivative hedging instruments	(43)	4,402	1,462	.
Provisions	(58, 59)	2,704	3,158	–14.4
Current tax liabilities	(53)	439	472	–7.0
Deferred tax liabilities	(53)	27	20	33.1
Liabilities of disposal groups	(49, 51)	8,528	12,914	–34.0
Other liabilities	(55)	4,418	2,394	84.5
Equity	(62)	30,667	29,412	4.3
Subscribed capital		1,252	1,252	.
Capital reserve		17,192	17,192	.
Retained earnings		10,211	10,059	1.5
Other reserves (with recycling)		–169	–287	–41.2
Equity attributable to Commerzbank shareholders[2]		28,487	28,216	1.0
Additional equity components		885	–	
Non-controlling interests		1,296	1,197	8.3
Total		**463,636**	**462,386**	**0.3**

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

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves: Revaluation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Equity attributable to Commerzbank shareholders[1,3]	Additional equity components[2]	Non-controlling interests	Equity[1]
Equity as at 31.12.2017 (after restatements)	1,252	17,192	11,225	–571	–54	–192	28,853	–	1,162	**30,015**
Change from first time application of IFRS 9	–	–	–1,821	657	–2	–	–1,166	–	–24	–1,190
Equity as at 1.1.2018	**1,252**	**17,192**	**9,404**	**86**	**–55**	**–192**	**27,686**	**–**	**1,138**	**28,825**
Total comprehensive income	–	–	669	–94	41	–72	544	–	79	622
Consolidated profit or loss			862				862	–	102	964
Change in own credit spread (OCS) of liabilities FVO			96				96	–	–	96
Change in measurement of defined benefit plans			–286				–286	–	–0	–287
Change from remeasurement of equity instruments (FVOCIoR)			–3	–			–3	–	–0	–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**	**10,059**	**–9**	**–15**	**–264**	**28,216**	**–**	**1,197**	**29,412**

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

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

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Equity attributable to Commerzbank shareholders[1,2]	Additional equity components[1]	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve				
Equity as at 1.1.2019	**1,252**	**17,192**	**10,059**	**−9**	**−15**	**−264**	**28,216**	**–**	**1,197**	**29,412**
Total comprehensive income	–	–	396	19	10	90	514	–	111	625
Consolidated profit or loss	–	–	644				644		100	744
Change in own credit spread (OCS) of liabilities FVO			−75				−75		–	−75
Change from remeasuremen of defined benefit plans			−179				−179		−1	−180
Change in measurement of equity instruments (FVOCIoR)			6	–			6		1	8
Change in revaluation of debt securities (FVOCImR)				19			19		−4	15
Change in cash flow hedge reserve					10		10	–	3	13
Change in currency translation reserve						94	94		12	106
Change from non-current assets held for sale and disposal groups				–			–		–	–
Change in companies accounted for using the equity method						−4	−4		–	−4
Dividend paid on shares			−250				−250		−6	−257
Changes in ownership interests			2				2		−2	0
Other changes			5				5	885	−4	886
Equity as at 31.12.2019	**1,252**	**17,192**	**10,211**	**10**	**−5**	**−174**	**28,487**	**885**	**1,296**	**30,667**

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

AT1 bond

In the third quarter of 2019, Commerzbank AG issued its first Additional Tier 1 bond (AT1 bond) under the Capital Requirements Regulation (CRR). The bond has a volume of USD 1bn and a fixed coupon of 7.0 % per annum. The instrument has a perpetual maturity and the first call date is in April 2025. Furthermore, the bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) should drop below 5.125 %. We have classified this subordinated AT1 bond as equity in accordance with IFRS and presented it separately in the item "Additional equity components" less issuing costs of USD9m.

Other changes

As at 31 December 2019, 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 €0.15 per share out of Commerzbank Aktiengesellschaft's net profit for the 2019 financial year will be put before the AGM. With 1,252,357,634 issued shares, there results a distribution of €188m. A dividend of €0.20 per share was paid in the previous year.

As at 31 December 2019, 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 2019, the portion of active hedging relationships in the cash flow hedge reserve was €–9m (previous year: €–12m), and the portion of inactive hedging relationships was €4m (previous year: €–2m).

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

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

The changes in ownership interests of €2m (previous year: €–3m) resulted from the purchase of additional shares in companies that had already been consolidated.

Cash flow statement

€m	Notes	2019	2018[1]
Consolidated profit or loss		**744**	**964**
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		3,558	1,496
Change in other non-cash positions		–2,626	–5,873
Net gain or loss on the sale of fixed assets	(17)	8	100
Other adjustments		–5,316	–4,375
Sub-total		**–3,632**	**–7,688**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Financial assets – Amortised cost	(25)	–14,399	–14,796
Financial assets – Mandatorily fair value P&L	(29)	3,706	–1,650
Financial assets – Fair value OCI	(27)	–4,284	–1,453
Financial assets – Held for trading	(30)	–3,071	12,855
Other assets from operating activities		6,378	–13,613
Financial liabilities – Amortised cost	(26)	6,457	11,641
Financial liabilities – Fair value option	(28)	–1,896	1,534
Financial liabilities – Held for trading	(31)	204	–1,981
Net cash from contributions into plan assets	(58)	80	65
Other liabilities from operating activities		–5,997	10,619
Interest received	(9)	8,741	7,532
Dividends received	(10)	35	36
Interest paid	(9)	–3,106	–3,193
Income tax paid	(22)	–3	–310
Net cash from operating activities		**–10,787**	**–402**
Proceeds from the sale of:			
Holdings in companies accounted for using the equity method	(44)	30	28
Fixed assets and intangible assets	(47)	55	–55
Payments for the acquisition of:			
Holdings in companies accounted for using the equity method	(44)	–31	–5
Fixed assets and intangible assets	(47)	–699	–534
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired		–7	–
Cash flow from disposals less cash reserves disposed of		–192	9
Net cash from investing activities		**–844**	**–558**
Dividend paid on shares previous year		–250	0
Raising/repayment of subordinated liabilities		–572	–967
Repayment of lease liabilities		–354	–
Net cash from financing activities		**–1,177**	**–967**
Cash and cash equivalents at the end of the previous period		**53,914**	**55,733**
Net cash from operating activities		–10,787	–402
Net cash from investing activities		–844	–558
Net cash from financing activities		–1,177	–967
Effects from exchange rate changes		58	107
Cash and cash equivalents at the end of the period		**41,164**	**53,914**

[1] Prior-year figures adjusted due to change in presentation (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	31.12.2019	31.12.2018	Change in %
Cash on hand	9,530	9,763	–2.4
Balances with central banks	30,689	43,597	–29.6
Deposits daily due on demand with banks	944	554	70.4
Total	**41,164**	**53,914**	**–23.6**

As at 31 December 2019, cash and cash equivalents included €0m (previous year: €0m) from companies consolidated for the first time. As at 31 December 2019, €483m 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 advances and also securities and other assets. Increases and decreases in deposits, bonds and notes issued and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in net cash from operating activities.

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

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

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

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

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

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

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

The following table shows the changes in net debt.

€m	2019	2018[1]
Net debt as per 1.1.	**9,136**	**10,046**
Changes in net cash from financing activities	–1,177	–967
Change in the group of consolidated companies	–	–
Exchange rate changes	90	130
Change in other non-cash positions	757	–73
Net debt as per 31.12.	**8,805**	**9,136**

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

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. Commerzbank is one of Germany's leading banks for private and corporate clients and an internationally active commercial bank. Our Group financial statements as at 31 December 2019 were pre□ared in accordance with Art. 315 e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied.

All standards and interpretations that are mandatory within the EU in the 2019 financial year have been applied. We have not applied standards and interpretations that are not required until the 2020 financial year or later.

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

The Group Management Report, including the separate Group Risk Report pursuant to Art. 315 of the German Commercial Code, appears on pages 65 to 134 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 zero, and zero items are denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

(1) Initially applicable, revised and new standards

Standards to be applied for the first time

The IASB published a new standard on the accounting treatment of leases, IFRS 16 Leases, in January 2016, which was transposed into EU law in the fourth quarter of 2017. The standard must be applied in the EU for financial years beginning on or after 1 January 2019. It replaces IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27.

The application of IFRS 16 resulted in an increase of €2,307m in total assets as of 1 January 2019. In the 2019 financial year, instead of the previously recognised administrative expenses, the income statement will show depreciation on the recognised rights of use and interest-related expenses from the unwinding of the discount on lease liabilities.

Note 2 of this annual report contains the reconciliation table as at 1 January 2019 in accordance with IFRS 16.

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. There were no impacts on the Group financial statements.

Revised standards

Neither the revised standards IFRS 3, IFRS 11, IAS 12 and IAS 23, which were implemented as part of the Annual Improvement Project 2015–2017, nor revised standard IAS 19 had any material impacts on the Group financial statements. The revised standards must be applied for all financial years beginning on or after 1 January 2019.

The revised standard IFRS 3 deals with more precise specifications for determining whether the acquisition of a business or the acquisition of a group of assets is involved. The revisions to IAS 1 and IAS 8 are changes that sharpen the definition of materiality for the inclusion of information in the financial statements and harmonise it within the Conceptional Framework and the different standards. These changes have no material effects on the Group financial statements. The revised standards must be applied for financial years beginning on or after 1 January 2020.

The amendment to IAS 28 (Long-term Interests in Associates and Joint Ventures) published on 11 February 2019 did not result in any changes to the Group financial statements.

The Amendments to References to the Conceptual Framework in IFRS Standards were endorsed in November 2019 (Official Journal of the European Union, Regulation EU/2019/2075). This Commission Regulation adopts the Amendments to References to the Conceptual Framework in IFRS Standards. The amendments have impacts on the standards IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS 2, IFRS 3, IFRS 6, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32 must be applied for all financial years beginning on or after 1 January 2020.

New standards

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

IBOR-Reform

As part of the Interbank Offered Rates Reform (IBOR Reform), the IBOR reference rates and the EONIA will be replaced by the Euro Short Term Rate (€STR). Replacement will begin no later than on or after 1 January 2021. To this end, Commerzbank has implemented an IBOR reform programme with the aim of ensuring the preparation and implementation of an action plan for a smooth transition to alternative reference interest rates.

Due to the IBOR reform, the IFRS 9, IAS 39 and IFRS 7 standards have been revised. The revisions are mandatory in the EU for financial years beginning on or after 1 January 2020.

Accounting and measurement policies

(2) Changes in accounting and measurement policies

With the exception of the application of IFRS 16, the adjustments to position designations due to the issue of the AT1 bond and the changes described in Note 4, we have applied the same accounting and measurement policies in these Group financial statements as in our Group financial statements as at 31 December 2018 (see page 159 ff. of the Annual Report 2018).

First-time application of IFRS 16

The effects of the application of IFRS 16 and the new accounting policies applied as of 1 January 2019 are presented below.

First-time application is in accordance with the transitional provisions of IFRS 16 using the modified retrospective method. The figures for the comparison period were not adjusted. There were no effects to be recognised in equity.

With the application of IFRS 16, the Commerzbank Group recognised lease liabilities as of 1 January 2019 for leases previously classified as operating leases under IAS 17. These liabilities were measured at the net present value of the outstanding lease payments discounted at the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 1.22 % per annum.

For the lessee, the previous classification according to operating and finance leases no longer applies. The requirements for the lessor remain essentially unchanged, however. For the first-time application, we made use of the simplification rule to include any provisions for onerous contracts in the right of use. For leases previously classified as operating leases, the status as at the changeover date was used as the basis.

There was no retrospective calculation or consideration of initial direct costs. The exercise of extension or termination options was assessed on the basis of the current facts and not based on the retrospective probability of exercise at the inception of the contract. We also chose to use the optional simplification rule to exclude leases for low-value leased assets from recognition in the balance sheet. At the time of initial application, we did not assess whether a contract existing prior to 1 January 2019 should be classified in whole or in part as a lease in accordance with IFRS 16. The estimates made in accordance with the previous regulations of IAS 17 and IFRIC 4 were adopted. The right of use per lease was recognised according to the lease liability adjusted for prepaid or accrued payments.

In future, a right-of-use asset and a corresponding lease liability will be recognised for all leases. We recognise the right of use under fixed assets and depreciate it on a straight-line basis over the term of the lease. Maturity and call options are recognised as soon as their exercise is deemed sufficiently certain. The lease liability is recognised at the net present value of the future lease payments to be made. Subsequent measurement is performed using the effective interest method. We make use of the option to exclude low-value leases from accounting and recognise them directly as expenses.

The following table shows the reconciliation to the lease liability as of 1 January 2019, based on the lease obligations under operating leases as at 31 December 2018:

€m	
Off-balance sheet lease liabilities as at 31.12.2018	**2,657**
Of which not IFRS 16 relevant	130
Application relief for leases of low-value assets	55
Other	0
Gross lease liabilities as at 1.1.2019	2,472
Discounting	154
Total lease liabilities as at 1.1.2019	**2,317**

As at 31 December 2019, the recognised rights of use amounted to €2,034m and mainly consisted of lease agreements for land and buildings.

(3) Significant principles and uncertainties in estimates

Significant principles

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

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

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

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

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

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group financial statements we have generally used financial statements prepared as at 31 December 2019. As regards companies accounted for using the equity method, in some cases we use the most recent audited financial statements under national GAAP if the company's financial statements for the current financial year are not yet available at the date the Group financial statements are being prepared.

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

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

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

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

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

Monetary and non-monetary assets and liabilities in the financial statements of consolidated subsidiaries and companies accounted for using the equity method that report in foreign currency are translated at the exchange rate prevailing on the reporting date, while income and expenses are normally translated at the exchange rate on the transaction date. For simplification purposes, a price can be used for translation which represents an
an assets and pension payments of €274m
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 pensions, and average life expectancy. Changes in the underlying assumptions from year to year and divergences from the actual annual effects are reported as remeasurements without effect on income in retained earnings (see Note 58 on the impact of changes in parameters).

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

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

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

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

- the impairment of loans and securities and the recognition of provisions for off-balance-sheet lending exposures, in particular the analysis of the borrower's financial situation and the determination of the expected cash flows including the recognition, level and timing of the realisation of collateral (see Note 32);
- impairment testing of other financial assets such as holdings in companies accounted for using the equity method and financial instruments held for sale, in particular the choice of criteria used to determine whether an asset is impaired (see Note 50);
- The impairment test for goodwill, which must be carried out at least once a year, uses the value-in-use method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 36 and 45;
- impairment testing of deferred tax assets, in particular determining the methodology used for tax planning and to assess the probability that the expected future tax results will actually occur (see Notes 52 and 53), as well as accounting for tax risk positions; the assessment of the availability of tax assets is primarily based on the potential future taxable income based on our multi-year planning;
- the recognition of provisions for uncertain liabilities (see Note 58);
- the assessment of legal risks (see Note 60).

(4) Changes

In the first quarter of 2019, we changed the presentation of compulsory contributions, which comprise contributions to deposit insurance, bank levies and the Polish bank tax. These compulsory contributions are only partially controllable and in future will therefore be presented apart from operating expenses as a separate item in the income statement. We amended the comparative figures and disclosures in the income statement and the related notes for 2018. The restatements had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

In the case of one company included in the Grou financial statements as a subsidiary, a retrospective adjustment of €3m was made to the compulsory contributions. As a result of this adjustment, consolidated profit decreased by the same amount. Other liabilities increased by €10m due to tax effects. These adjustments had no effect on the statement of comprehensive income and earnings per share.

In the third quarter of 2019, an error was corrected in the valuation adjustments for risks from AC loans and advances associated with the systematic consideration of overly long maturities for receivables from letters of credit, which resulted in a reduction in the valuation allowances. In conjunction with this, a correction was also made in deferred income tax assets and other provisions for off-balance-sheet items. The valuation allowances were also adjusted for the 2018 financial year (see Note 32). This had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

In the cash flow statement and in net debt, cash flows from financing activities (subordinated liabilities) for the 2018 fiscal year amounting to €1,295m, which were still shown in the operating cash flow in the previous year, have been reclassified to the cash flow from financing activities. These adjustments had no effect on consolidated net income, the statement of comprehensive income or earnings per share.

Due to a correction of an error, the disclosure on underlying transactions in hedge accounting was adjusted in Note 43 (Hedging relationships). The asset item of the carrying amounts of the underlying transactions from portfolio fair value hedges as of 31 December 2018 amounting to €21bn had not been taken into account and has now been included. 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.

€m	Originally reported 1.1.–31.12.2018	Adjustments according to IAS 8	Restated 1.1.–31.12.2018
Interest income	8,670	–	8,670
Interest expenses	3,922	–	3,922
Net interest income	4,748	–	4,748
Dividend income	36	–	36
Risk result	–446	–	–446
Commission income	3,751	–	3,751
Commission expenses	662	–	662
Net commission income	3,089	–	3,089
Net income from financial assets and liabilities measured at fair value through profit or loss	366	–	366
Net income from hedge accounting	48	–	48
Other net income from financial instruments	26	–	26
Current net income from companies accounted for using the equity method	12	–	12
Other net income	245	–	245
Operating expenses	6,879	–420	6,459
Compulsory contributions	–	423	423
Restructuring expenses	–	–	–
Pre-tax profit or loss from continuing operations	**1,245**	**–3**	**1,242**
Taxes on income	268	–	268
Pre-tax profit or loss from continuing operations	**978**	**–3**	**975**
Consolidated profit or loss from discontinued operations	–10	–	–10
Consolidated profit or loss	**968**	**–3**	**964**
Consolidated profit or loss attributable to non-controlling interests	103	–1	102
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components[1]	865	–2	862

[1] Name of item adjusted.

Assets €m	Originally reported 31.12.2018	Adjustments	Restated 31.12.2018
Financial assets – Amortised cost	279,137	23	279,160
Loans and advances	247,387	23	247,410
Deferred tax assets	3,116	–5	3,111
Total	**462,369**	**17**	**462,386**

Liabilities €m	Originally reported 31.12.2018	Adjustments	Restated 31.12.2018
Provisions	3,153	5	3,158
Other provisions	2,069	5	2,074
Other liabilities	2,384	10	2,394
Equity	29,411	2	29,412
Retained earnings	10,054	5	10,059
Equity attributable to Commerzbank shareholders1	28,211	5	28,216
Non-controlling interests	1,200	–3	1,197
Total	**462,369**	**17**	**462,386**

[1] Name of item adjusted.

Principles of consolidation

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

(5) Subsidiaries and business combinations

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

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

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

(6) Associated companies and joint ventures

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

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

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

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

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

(7) Structured entities

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

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

(8) Consolidated companies

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

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

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

Sale of ebase GmbH

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

Acquisition of LeaseLink Sp. z.o.o.

In the first quarter of 2019, mLeasing, a leasing company from the mBank subgroup, acquired a 100 % interest in LeaseLink Sp. z.o.o. LeaseLink is a company from the fintech sector specialised in leasing payment services. The purchase price is equivalent to roughly €6m, resulting in goodwill of €6m.

The following table shows the assets and liabilities recognised in the balance sheet that were consolidated at provisional values as at 31 December 2019.

€m	2019
Financial assets – Amortised cost	17
Intangible assets	1
Fixed assets	0
Other assets	1
Total identified assets	**19**
Financial liabilities – Amortised cost	17
Total identified liabilities	**17**
Fair value of net assets	**0**
Purchase price/consideration	**6**
Goodwill	**6**

Other changes

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

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

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

In the first quarter of the 2018 financial year, 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 17).

Notes to the income statement

(9) Net interest income

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

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

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

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

€m	2019	2018	Change in %
Interest income accounted for using the effective interest method	**7,560**	**7,318**	**3.3**
Interest income – Amortised cost	7,106	6,891	3.1
Interest income from lending and money market transactions	6,315	6,056	4.3
Interest income from the securities portfolio	792	835	– 5.2
Interest income – Fair value OCI	325	312	4.0
Interest income from lending and money market transactions	24	26	– 6.7
Interest income from the securities portfolio	301	286	5.0
Prepayment penalty fees	129	115	12.1
Interest income accounted for not using the effective interest method	**1,216**	**1,351**	**– 10.0**
Interest income – Mandatorily fair value P&L	758	801	– 5.3
Interest income from lending and money market transactions	708	760	– 6.9
Interest income from the securities portfolio	51	41	24.1
Positive interest from financial instruments held as liabilities	458	551	– 16.7
Interest expenses	**3,702**	**3,922**	**– 5.6**
Interest expenses – Amortised cost	2,491	2,667	– 6.6
Deposits	1,574	1,638	– 3.9
Debt securities issued	917	1,029	– 10.9
Interest expenses – Fair value option	719	625	15.1
Deposits	694	605	14.8
Debt securities issued	25	20	24.4
Negative interest from financial instruments held as assets	452	609	– 25.9
Interest expenses on lease liabilities	**25**	n/a	
Other interest expenses	15	20	– 25.2
Total	**5,074**	**4,748**	**6.9**

(10) Dividend income

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

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

€m	2019	2018	Change in %
Dividends from equity instruments – Fair value OCI	3	1	.
Dividends from equity instruments – Mandatorily fair value P&L	13	19	– 33.2
Current net income from non-consolidated subsidiaries	19	15	26.2
Total	**35**	**36**	**– 1.3**

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category. In 2019, dividends of €3m (previous year: €1m) were received from these stocks and recognised in the income statement in dividend income.

(11) Risk result

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

€m	2019	2018	Change in %
Financial assets – Amortised cost	– 560	– 477	17.3
Financial assets – Fair value OCI	21	2	.
Financial guarantees	0	1	– 85.3
Lending commitments and indemnity agreements	– 81	29	.
Total	**– 620**	**– 446**	**38.9**

For information on the organisation of risk management and on the relevant key figures, as well as additional analyses and explanatory material on the expected credit loss, please refer to the Group Management Report contained in this Annual Report (see page 100 ff.).

(12) Net commission income

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

€m	2019	2018	Change in %
Commission income	**3,706**	**3,751**	**–1.2**
Securities transactions	1,056	1,155	–8.5
Asset management	366	314	16.6
Payment transactions and foreign business	1,417	1,384	2.4
Guarantees	224	206	8.6
Net income from syndicated business	211	240	–11.8
Intermediary business	154	200	–23.1
Fiduciary transactions	22	22	0.2
Other income	255	231	10.6
Commission expenses	**650**	**662**	**–1.7**
Securities transactions	192	257	–25.6
Asset management	34	30	13.1
Payment transactions and foreign business	155	156	–0.7
Guarantees	23	21	8.9
Net income from syndicated business	0	0	0.5
Intermediary business	178	147	20.9
Fiduciary transactions	12	13	–0.5
Other expenses	56	37	51.4
Net commission income	**3,056**	**3,089**	**–1.1**
Securities transactions	865	897	–3.6
Asset management	333	284	17.0
Payment transactions and foreign business	1,262	1,228	2.8
Guarantees	201	185	8.6
Net income from syndicated business	211	240	–11.8
Intermediary business	–25	52	.
Fiduciary transactions	10	10	1.0
Other income	199	193	2.7
Total	**3,056**	**3,089**	**–1.1**

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

2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation[1]	Group
Securities transactions	1,047	45	0	−36	1,056
Asset management	362	5	–	–	366
Payment transactions and foreign business	651	779	0	−13	1,417
Guarantees	28	201	0	−5	224
Net income from syndicated business	2	210	0	0	211
Intermediary business	151	68	0	−65	154
Fiduciary transactions	16	7	–	–	22
Other income	220	58	0	−23	255
Total	**2,476**	**1,372**	**0**	**−142**	**3,706**

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

2018 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation[1]	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**

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

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

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

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

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

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

€m	2019	2018	Change in %
Profit or loss from financial instruments – Held for trading	163	131	23.8
Profit or loss from financial instruments – Fair value option	– 89	31	.
Profit or loss from financial instruments – Mandatorily fair value P&L	171	204	– 16.5
Total	**244**	**366**	**– 33.4**

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(14) Net income from hedge accounting

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

€m	2019	2018	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	– 12	518	.
Micro fair value hedges	– 205	291	.
Portfolio fair value hedges	192	227	– 15.4
Changes in fair value attributable to hedged items	117	– 470	.
Micro fair value hedges	283	– 249	.
Portfolio fair value hedges	– 166	– 221	– 24.9
Cash flow hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	– 0	1	.
Total	**105**	**48**	**.**
of which: hedge ineffectiveness from micro fair value hedges	78	41	90.1
of which: hedge ineffectiveness from portfolio fair value hedges	26	6	.

(15) Other net income from financial instruments

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

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

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

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

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

€m	2019	2018	Change in %
Other sundry realised profit or loss from financial instruments	32	40	–20.7
Realised profit or loss from financial assets – Fair value OCI (with recycling)	33	6	.
Realised profit or loss from financial liabilities – Amortised cost	16	0	.
Gain or loss on non-substantial modifications – Amortised cost	–2	–4	–40.6
Gain or loss on non-substantial modifications – Fair value OCI (with recycling)	–	–	.
Changes in uncertainties in estimates – Amortised cost	–15	38	.
Changes in uncertainties in estimates – Fair value OCI (with recycling)	–	–	.
Gain or loss on disposal of financial assets (AC portfolios)	–5	–14	–65.5
Gain on disposal of financial assets (AC portfolios)	42	7	.
Losses on disposal of financial assets (AC portfolios)	47	21	.
Total	**27**	**26**	**4.0**

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

The net gain or loss from the sale of financial instruments (AC portfolios) mainly resulted from the sale of promissory note loans as part of permitted portfolio measures and repayments of 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 risk under the original conditions. Amortised cost before modification amounted to €194m.

€m	2019	2018	Change in %
Modified assets during the period, which are provisioned at their LECL post modification			
Gross carrying amount pre-modification	194	52	.
Corresponding ECL	8	6	33.3
Gross carrying amount post-modification	215	52	.
Corresponding ECL	8	6	33.3
Net result from modification	21	1	.
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	132	39	.
Corresponding ECL	8	1	.

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

Current net income from companies accounted for using the equity method was €10m (previous year: €12m).

Including the net gain on disposals and remeasurement of companies accounted for using the equity method, which was reported in other net income and amounted to €3m (previous year: €35m), the total net income from companies accounted for using the equity method was €13m (previous year: €47m). In the previous year there was a non-recurring effect from the sale of Capital Investment Trust Corporation, Taipei, Taiwan, which was reported in other net income.

(17) Other net income

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

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

€m	2019	2018	Change in %
Other material items of income	**583**	**631**	**−7.6**
Reversals of provisions	155	142	9.4
Operating lease income	170	174	−2.5
Income from building and architects' services	0	0	−76.5
Hire-purchase income and sublease income	13	10	28.2
Income from investment properties	1	1	1.0
Income from non-current assets held for sale	–	–	.
Income from disposal of fixed assets	11	111	−90.0
Income from FX rate differences	24	42	−43.8
Other items in other income	209	151	38.9
Other material items of expense	**515**	**453**	**13.7**
Allocations to provisions	109	94	16.5
Operating lease expenses	144	130	11.0
Expenses arising from building and architects' services	11	0	.
Hire-purchase expenses and sublease expenses	4	4	5.0
Expenses from investment properties	0	0	38.0
Expenses from non-current assets held for sale	–	–	.
Expenses from disposal of fixed assets	3	10	−71.3
Expenses from FX rate differences	32	41	−21.4
Other items in other expenses	211	173	21.8
Other tax (netted)	22	32	−31.7
Realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures (netted)	3	35	−91.8
Other net income	**93**	**245**	**−62.2**

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The remaining other income position includes realisation gains of €103m from the sale of ebase GmbH (European Bank for Financial Services GmbH).

(18) Operating expenses

Operating expenses in the Group of €6,313m (previous year: €6,459m) including personnel expenses, administrative expenses, depreciation and amortisation. The breakdown of operating expenses was as follows:

Personnel expenses | €m	**2019**	**2018**	**Change in %**
Wages and salaries	3,315	3,188	4.0
Expenses for pensions and similar employee benefits	228	253	–9.7
Total	**3,543**	**3,441**	**3.0**

Wages and salaries contain €452m (previous year: €446m) for social security contributions. They also include the employer's contributions to the statutory pension scheme in the amount of €220m (previous year: €216m).

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

Administrative expenses | €m	**2019**	**2018**[1]	**Change in %**
Occupancy expenses	233	581	–59.9
IT expenses	530	556	–4.6
Workplace and information expenses	234	248	–5.7
Advisory, audit and other expenses required to comply with company law	245	386	–36.5
Travel, representation and advertising expenses	244	275	–11.3
Personnel-related administrative expenses	121	146	–16.9
Other administrative expenses	161	164	–1.7
Total	**1,768**	**2,356**	**–24.9**

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

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

The fees and expenses for the group auditors amounted to €15,146 thousand excluding VAT for the 2019 financial year.

Auditors' fees | €1,000	**2019**	**2018**	**Change in %**
Audit services	13,378	14,324	–6.6
Audit-related services	1,682	278	.
Tax services	–	–	.
Other services	86	555	–84.5
Total	**15,146**	**15,157**	**–0.1**

In accordance with IDW AcP HFA 36, the fees for audit services include the audits of the financial statements of Commerzbank Aktiengesellschaft and its subsidiaries, the audits of the Group financial statements and the reviews of the quarterly financial reports. The audit-related services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and attest services. It also includes reviews of reporting obligations pursuant to Art. 89 of the German Securities Trading Act (WpHG), the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 298b HGB and the issue of comfort letter. The fees for other services are mainly fees for project-related advisory services.

Depreciation and amortisation | €m	2019	2018	Change in %
Office furniture and equipment	116	123	−5.5
Land and buildings	6	11	−41.3
Intangible assets	525	529	−0.8
Right of use assets	354	n/a	
Total	**1,002**	**663**	**51.2**

Besides the scheduled depreciation, the items also include impairments and write-ups of impairments. The amortisation of intangible assets included €1m of impairment charges (previous year: €3m). On land, buildings and other fixed assets there were write-ups of €5m (previous year: write-ups of €3m). Depreciation on rights of use mainly relates to land and buildings.

(19) Compulsory contributions

Compulsory contributions | €m	2019	2018[1]	Change in %
Deposit Protection Fund	142	147	−3.0
Polish bank tax	106	97	9.1
European bank levy	205	179	14.2
Total	**453**	**423**	**7.1**

[1] Prior-year figures adjusted due to a change in presentation plus restatements (see Note 4).

(20) Impairments on goodwill and other intangible assets

€m	2019	2018	Change in %
Customer base	28	–	.
Total	**28**	**–**	**.**

As part of the annual impairment test of the segments (CGUs), we fully wrote down the previously reported customer base of the Corporate Customers segment which resulted from the merger of Commerzbank with Dresdner Bank as of 31 December 2019 in excess of the scheduled amortisation, as we no longer expect it to be recoverable as a result of economic developments (see also Note 46).

(21) Restructuring expenses

€m	2019	2018	Change in %
Expenses for restructuring measures in progress	101	–	.
Total	**101**	**–**	**.**

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

(22) Taxes on income

€m	2019	2018	Change in %
Current taxes on income	323	205	57.3
Tax expense/income for the current year	322	285	12.8
Tax expense/income for previous years	1	– 80	.
Deferred taxes on income	44	63	– 30.2
Tax expense/income due to temporary differences and tax loss carryforwards	71	150	– 52.7
Tax rate differences	– 50	– 101	– 50.5
Tax expense due to impairment of previously recognized deferred taxes calculated hitherto	77	14	.
Tax income from previously unrecognised tax loss carryforwards and temporary differences	– 54	–	.
Total	**367**	**268**	**36.7**

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

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

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0 % applied in Germany, plus the solidarity surcharge of 5.5 % and an average rate of 15,7 % for trade tax. This yields a German income tax rate of 31.5 % (previous year: 31.5 %).

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

As at 31 December 2019 the Group tax rate was 32.5 % (previous year: 21.5 %). The increased tax rate results, among other things, from the provision for tax risks.

€m	2019	2018[1]	Change in %
Pre-tax profit or loss under IFRS	**1,129**	**1,242**	**– 9.1**
Group's income tax rate (%)	31.5	31.5	–
Calculated income tax expense in financial year	**356**	**392**	**– 9.3**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	– 33	– 99	– 66.7
Effect from the remeasurement of deferred taxes	23	14	64.3
Effects of non-deductible operating expenses and tax-exempt income	15	73	– 79.5
Unrecognised deferred tax assets	– 30	– 58	– 48.3
Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated	– 3	– 7	– 57.1
Effects of additions and deductions for trade tax	8	8	–
Withholding taxes not creditable	24	16	50.0
Current taxes relating to other periods	– 2	– 101	– 98.0
Other effects	9	30	– 69.0
Taxes on income	**367**	**268**	**36.9**

[1] Prior-year figures adjusted due to a change in presentation plus restatements (see Note 4).

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

Taxes on income not recognised in the income statement | €m	2019	2018	Change in %
Current taxes on income	–	–	.
Deferred taxes on income	743	809	–8.2
Measurement differences arising from cash flow hedges	–3	1	.
Revaluation reserve	–3	7	.
Loss carryforwards	140	149	–6.4
Remeasurement of defined benefit plans	610	653	–6.5
Other	–1	–1	–20.0
Total	**743**	**809**	**–8.2**

(23) Net income by measurement category

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

€m	2019	2018	Change in %
Net income from continuing operations			
Financial assets and liabilities – Held for trading	267	180	48.7
Financial assets – Fair value option	–	–	.
Financial liabilities – Fair value option	–548	–208	.
Financial assets – Mandatorily fair value P&L	684	628	8.9
Financial assets – Amortised cost	6,396	6,348	0.8
Financial liabilities – Amortised cost	–2,274	–2,503	–9.2
Financial assets – Fair value OCI	361	318	13.6
Net income from discontinued operations	**126**	**240**	**–47.4**
Change in value not recognised in income statement			
Financial assets – Fair value OCI – debt securities	48	–87	.
Financial assets – Fair value OCI – equity instruments	8	–3	.
Financial liabilities – Fair value option (Own credit spread)	–75	96	.

(24) Earnings per share

	2019	2018[1]	Change in %
Operating profit (€m)	1,258	1,242	1.3
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	644	862	−25.3
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	–
Operating profit per share (€)	1.00	0.99	1.3
Earnings per share (€)	0.51	0.69	−25.3

[1] Prior-year figures adjusted due to a change in presentation plus restatements (see Note 4).

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

Notes to the balance sheet

Financial assets and liabilities in accordance with IFRS 9

General classification and measurement

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

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

a) Recognition and derecognition of financial instruments

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

The derecognition rules of IFRS 9 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control. If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the 8xtent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

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

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

b) Classification of financial instruments and their measurement

The Commerzbank Group classifies financial assets and financial liabilities in accordance with the applicable IFRS 9 categories:

Financial assets

- Amortised cost (AC)
- Fair value OCI (FVOCI)
- Fair value option (FVO)
- Mandatorily fair value P&L (mFVPL)
- Held for trading (HFT)

Financial liabilities

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

The Group subdivides the IFRS 9 categories into the following classes:

Financial assets

- Loans and advances
- Debt securities
- Equity instruments
- Derivatives that do not qualify for hedge accounting (stand-alone derivatives)
- Derivatives that qualify for hedge accounting
- Financial guarantees

Financial liabilities

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

and irrevocable lending commitments

c) Net gains or losses

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

d) Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This may include, for example, bank guarantees. If 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.

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

In the case of financial liabilities, such a separation for accounting purposes is only required if the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IFRS 9.
- The primary financial liability is not measured at fair value through profit or loss.

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

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

(25) Financial assets – Amortised cost

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

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

€m	31.12.2019	31.12.2018[1]	Change in %
Loans and advances	260,354	247,410	5.2
Central banks	876	93	.
Banks	24,418	31,798	– 23.2
Corporate clients	97,419	92,090	5.8
Private customers	109,700	100,902	8.7
Other financial corporations	13,007	11,369	14.4
General governments	14,934	11,159	33.8
Debt securities	33,304	31,750	4.9
Banks	2,432	2,563	– 5.1
Corporate clients	5,363	3,506	53.0
Other financial corporations	4,706	5,529	– 14.9
General governments	20,803	20,152	3.2
Total	**293,658**	**279,160**	**5.2**

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

The business model for a portfolio of promissory note loans issued by British public-sector bodies, which had a carrying amount of €2.8bn, was changed as of 1 January 2019. As part of the planned closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office since 1 January 2019 (see also Note 61). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and the remuneration of management are therefore not based on fair value. The objective of the portfolio is to generate contractually agreed cash flows. The contractually agreed cash flows are solely payments of interest and principal for the purposes of IFRS 9.

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

The effective interest rate calculated at the time of reclassification was 2.8 %. In 2019, the interest income for the reclassified portfolio was €63m and the interest expenses were zero.

The fair value of the portfolio at 31 December 2019 was €3,1m. If the portfolio had remained in the mFVPL measurement category, the fair value change since the start of the year and the offsetting change in value of the derivatives held to hedge the portfolio would have been recognised in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss. This would have resulted in net income of €–106m, due mainly to credit spread effects. Since reclassification, the cash flows of the underlying transactions of the portfolio have been assigned to the portfolio fair value hedge accounting of Commerzbank.

(26) Financial liabilities – Amortised cost

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

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

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

€m	31.12.2019	31.12.2018	Change in %
Deposits	309,489	301,144	2.8
Central banks	4,006	2,955	35.6
Banks	40,434	45,076	– 10.3
Corporate clients	84,602	80,618	4.9
Private customers	139,350	125,899	10.7
Other financial corporations	29,395	30,993	– 5.2
General governments	11,701	15,603	– 25.0
Debt securities issued	42,421	45,524	– 6.8
Money market instruments	1,580	5,648	– 72.0
Pfandbriefe	18,670	18,869	– 1.1
Other debt securities issued	22,171	21,006	5.5
Total	**351,909**	**346,668**	**1.5**

(27) Financial assets – Fair value OCI

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

The changes in fair value are recognised in the revaluation reserve (OCI) without effect on income, except for impairments, which are recognised in the income statement. The recognition of loan loss provisions is explained in Note 32 “Credit risks and credit losses”. When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net 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 in the fair value OCI category also include equity instruments for which we have chosen the option of fair value measurement without recycling with no effect on income, provided that these meet the definition of equity in accordance with IAS 32 and are not held for trading purposes. Such a classification is set voluntarily and irrevocably per financial instrument. Gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

€m	31.12.2019	31.12.2018	Change in %
Loans and advances (with recycling)	779	1,300	– 40.1
Banks	151	148	2.2
Corporate clients	229	539	– 57.5
Other financial corporations	86	38	.
General governments	312	574	– 45.7
Debt securities (with recycling)	30,115	25,328	18.9
Banks	12,411	10,448	18.8
Corporate clients	564	749	– 24.7
Other financial corporations	5,933	5,001	18.7
General governments	11,206	9,131	22.7
Equity instruments (without recycling)	49	31	57.6
Corporate clients	47	30	58.6
Other financial corporations	2	1	33.0
Total	**30,942**	**26,659**	**16.1**

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category. As at 31 December 2019, the fair value of these stocks amounted to €49m (previous year: €31m). Dividends of €3m (previous year: €1m) were received from these shares and recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in realised profit and loss totalling €0m (previous year: €–1m), which was recognised in retained earnings without effect on income.

(28) Financial liabilities – Fair value option

Under IFRS 9 rules, in the case of an accounting mismatch, the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation may also be conditions for applying the fair value option to liabilities. If the fair value option is used for financial liabilities or for hybrid contracts, the changes in fair value resulting from fluctuations in own credit risk are not recognised in the income statement, but in other comprehensive income (without recycling) with no effect on income.

€m	31.12.2019	31.12.2018	Change in %
Deposits	19,202	21,083	– 8.9
Central banks	2,075	2,734	– 24.1
Banks	4,224	8,498	– 50.3
Corporate clients	791	1,015	– 22.1
Private customers	151	157	– 3.9
Other financial corporations	11,730	8,511	37.8
General governments	231	167	38.4
Debt securities issued	761	866	– 12.1
Other debt securities issued	761	866	– 12.1
Total	**19,964**	**21,949**	**– 9.0**

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	31.12.2019	31.12.2018	Change in %
Deposits	1,413	1,269	11.4
Debt securities issued	761	866	– 12.1
Total	**2,174**	**2,135**	**1.8**

For liabilities to which the fair value option was applied, the change in fair value in the 2019 financial year for credit risk reasons was €74m (previous year: €–91m). The cumulative change was €13m (previous year: €–61m). The repayment amount of financial liabilities measured at fair value was €2,083m (previous year: €2,224m).

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	31.12.2019	31.12.2018	Change in %
Deposits	17,789	19,814	– 10.2
Debt securities issued	–	–	.
Total	**17,789**	**19,814**	**– 10.2**

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

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

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

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

€m	31.12.2019	31.12.2018	Change in %
Loans and advances	26,181	31,386	– 16.6
Central banks	4,152	8,266	– 49.8
Banks	10,254	10,785	– 4.9
Corporate clients	1,409	2,053	– 31.4
Private customers	182	262	– 30.6
Other financial corporations	10,167	6,082	67.2
General governments	17	3,938	– 99.6
Debt securities	3,642	2,350	55.0
Banks	66	73	– 8.7
Corporate clients	14	116	– 87.9
Other financial corporations	1,326	1,407	– 5.8
General governments	2,236	754	.
Equity instruments	373	337	10.8
Banks	9	9	– 0.4
Corporate clients	291	283	2.5
Other financial corporations	73	44	66.6
Total	**30,196**	**34,073**	**– 11.4**

Financial assets and liabilities – Held for trading

(30) Financial assets – Held for trading

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

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit or loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expenses and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss.

€m	31.12.2019	31.12.2018	Change in %
Loans and advances	1,683	1,028	63.7
Banks	506	628	– 19.4
Corporate clients	408	254	60.7
Private clients	–	–	.
Other financial corporations	769	3	.
General governments	–	143	.
Debt securities	1,481	1,621	– 8.6
Banks	326	523	– 37.6
Corporate clients	174	61	.
Other financial corporations	409	390	5.1
General governments	572	648	– 11.7
Equity instruments	1,413	1,021	38.4
Banks	3	10	– 71.9
Corporate clients	1,409	1,011	39.4
Other financial corporations	1	–	.
Positive fair values of derivative financial instruments	39,328	38,067	3.3
Interest-rate-related derivative transactions	30,124	27,302	10.3
Currency-related derivative transactions	6,975	7,442	– 6.3
Equity derivatives	879	1,518	– 42.1
Credit derivatives	303	511	– 40.7
Other derivative transactions	1,047	1,294	– 19.1
Other trading positions	935	764	22.5
Total	**44,840**	**42,501**	**5.5**

(31) Financial liabilities – Held for trading

This item comprises derivative financial instruments (derivatives that do not qualify for hedge accounting), own issues in the trading book and delivery commitments arising from short sales of securities.

€m	31.12.2019	31.12.2018	Change in %
Certificates and other issued bonds	28	49	– 43.4
Delivery commitments arising from short sales of securities	1,574	3,091	– 49.1
Negative fair values of derivative financial instruments	37,764	40,264	– 6.2
Interest-rate-related derivative transactions	29,398	29,464	– 0.2
Currency-related derivative transactions	7,240	8,512	– 14.9
Equity derivatives	422	743	– 43.1
Credit derivatives	344	923	– 62.7
Other derivative transactions	360	622	– 42.0
Total	**39,366**	**43,404**	**– 9.3**

(32) Credit risks and credit losses

Principles and measurements

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not measured at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of loans and advances as well as debt securities measured at amortised cost;
- financial assets in the form of loans and advances as well as debt securities measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes all transactions with limited default risk as at the reporting date for which Commerzbank utilises the option provided for in IFRS 9 to refrain from making an assessment about a significant increase in the default risk. A limited default risk exists for all financial instruments with an 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 110). 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). In 2016, the EBA published new guidelines on the application of the default definition under Article 178 of Regulation (EU) No. 575/2013. Binding application must take place by 1 January 2021 at the latest. At Commerzbank, this was already implemented in the fourth quarter of 2019. In principle, the adjustment has no effect on the Bank's expected loss, so there was no significant impact on the impairment calculation or the consolidated result. This approach is consistent because the ECL calculation also uses statistical risk parameters derived from the Basel IRB approach, which are modified to meet the requirements of IFRS 9. The following events, among others, can be indicative of a customer default:

- Over 90 days past due;
- Unlikely-to-pay;
- Financial rescue/distressed restructuring with concessions;
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

The LECL is likewise used as the value of the required impairment for stage-3 financial instruments in default. When determining the LECL, the Group distinguishes in principle between significant and insignificant cases. The amount of the LECL for insignificant transactions (volumes up to €5m) is determined based on statistical risk parameters. The LECL for significant transactions (volumes greater than €5m) is the expected value of the losses derived from individual expert assessments of future cash flows based on several potential scenarios and their probability of occurrence. The scenarios and probabilities are based on assessments by recovery and resolution specialists. For each scenario – without regard to whether it is a continuation or sale scenario – the timing and amount of the expected future cash flows are estimated.

Both the customer-specific and the macroeconomic situation are taken into account (for example currency restrictions, currency value fluctuations, commodity price developments), as well as the sector environment, with a view to the future. The estimate is also based on external information. Sources include indices (e.g. World Corruption Index), forecasts (e.g. by the IMF), information from global associations of financial service providers (e.g. the Institute of International Finance) and publications from rating agencies and auditing firms.

If a default criterion no longer applies, the financial instrument recovers and is no longer allocated to stage 3. After recovery, a new assessment is made based on the updated rating information to see if the default risk has increased significantly since initial recognition in the balance sheet, and the instrument is allocated to stage 1 or stage 2 accordingly.

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition ("purchased or originated credit-impaired" or "POCI" financial instruments) are handled outside the 3-stage impairment model and are therefore not allocated to any of the three stages. The initial recognition is based on fair value without recording an impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognised in subsequent periods equals the cumulative change in the LECL since the initial recognition in the balance sheet. The LECL remains the basis for the measurement, even if the value of the financial instrument has risen.

Receivables are written off in the balance sheet as soon as they become uncollectible. Uncollectibility may arise in the settlement process for various objective reasons, such as the demise of the borrower without realisable assets in the estate or completion of insolvency proceedings without further prospect of payments. Moreover, loans are generally regarded as (partially) uncollectible at the latest by 720 days after their due date and are (partially) written down to the recoverable amount within the framework of existing loan loss provisions. Such a (partial) write-down has no direct impact on ongoing debt collection measures.

Calculation of expected credit loss

Commerzbank calculates the ECL as the probability-weighted, unbiased and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within 12 months following the end of the reporting period.

The ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

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

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

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

All risk parameters used from the Bank's internal models have been adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

In the case of loan products that consist of a utilised loan amount and an open credit line and for which in customary commercial practice the credit risk is not limited to the contractual notice period (in Commerzbank this relates primarily to revolving products without a contractually agreed repayment structure, such as overdrafts and credit card facilities), the LECL must be determined using a behavioural maturity, which typically exceeds the maximum contractual period. In order to ensure that the LECL for these products is determined in an empirically sound manner in compliance with IFRS 9 requirements, Commerzbank calculates the LECL directly for these products based on realised historical losses.

As a rule, the Group estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank's macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If necessary, 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 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 additional effects, a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top level adjustments 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 necessary, 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 106 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 1.1.2019	Net-allocations/ reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassifi-cation	As at 31.12.2019
Valuation allowances for risks of financial assets	2,206	538	702	–	151	2,193
Financial assets – Amortised cost	2,190	560	714	–	150	2,185
Loans and advances	2,083	586	689	–	149	2,130
Debt securities	107	– 27	26	–	1	56
Financial assets – Fair value OCI	16	– 21	– 12	–	1	8
Loans and advances	7	– 6	–	–	0	1
Debt securities	9	– 16	– 12	–	1	6
Provisions for financial guarantees	9	– 0	–	–	0	9
Provisions for lending commitments	136	25	–	–	0	161
Provisions for indemnity agreements	124	56	–	–	1	182
Total	**2,476**	**620**	**702**	**–**	**152**	**2,546**

€m	As at 1.1.2018[1]	Net-allocations/ reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassifi-cation	As at 31.12.2018[1]
Valuation allowances for risks of financial assets	2,203	475	466	–	– 6	2,206
Financial assets – Amortised cost	2,187	477	467	–	– 7	2,190
Loans and advances	2,096	462	467	–	– 9	2,083
Debt securities	90	15	0	–	2	107
Financial assets – Fair value OCI	16	– 2	– 1	–	1	16
Loans and advances	7	– 0	–	–	0	7
Debt securities	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	161	– 38	0	–	1	124
Total	**2,501**	**446**	**466**	**–**	**– 5**	**2,476**

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

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 1.1.2019	**243**	**317**	**1,469**	**61**	**2,090**
New business	112	33	96	27	268
Changes in positions from stage transfers					
from stage 1	−89	357	99	–	367
from stage 2	112	−376	215	–	−49
from stage 3	12	12	−44	–	−21
Disposals	95	73	244	32	443
Changes of parameters and models	−58	21	377	77	417
Utilisation	–	–	465	182	647
Exchange rate changes/reclassifications	3	2	18	125	149
Value adjustments as at 31.12.2019	**239**	**295**	**1,521**	**76**	**2,130**
Provisions for financial guarantees	2	2	3	3	9
Provisions for lending commitments	81	56	14	10	161
Provisions for indemnity agreements	1	77	89	15	182
Provisions as at 31.12.2019	**84**	**135**	**106**	**28**	**352**

Value adjustment for risks from debt securities €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2019	**30**	**83**	**2**	**1**	**116**
New business	9	0	−0	−1	8
Changes in positions from stage transfers					
from stage 1	−0	4	–	–	4
from stage 2	1	−51	26	–	−24
from stage 3	–	1	–	–	1
Disposals	4	2	–	1	7
Changes of parameters and models	−1	−8	−26	–	−35
Utilisation	–	–	2	–	2
Exchange rate changes/reclassifications	0	1	0	1	2
Value adjustments as at 31.12.2019	**34**	**28**	**0**	**0**	**62**

Value adjustment for risks from loans, advances and provisions €m[1]	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2018	**239**	**227**	**1,637**	**–**	**2,104**
New business	123	19	54	14	210
Changes in positions 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	**243**	**317**	**1,469**	**61**	**2,090**
Provisions for financial guarantees	2	1	2	4	9
Provisions for lending commitments	70	48	13	5	136
Provisions for indemnity agreements	1	72	37	15	124
Provisions as at 31.12.2018	**73**	**121**	**51**	**24**	**270**

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

Value adjustment for risks from debt securities €m	Stage 1	Stage 2	Stage 3	POCI	Total
Value adjustments as at 1.1.2018	**26**	**71**	**2**	**–**	**99**
New business	2	0	–	–	2
Changes in positions 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 derecognised from the balance sheet during the reporting period. The line "Changes in parameters and models" contains changes in positions attributable to changes in risk provisioning parameters. This includes changes in utilisation (e.g. as a result of repayments) as well as changes in collateral securities and changes in probability of default that did not lead to a change in stage. What is more, adjustment effects from regular parameter reviews and from changed macroeconomic expectations 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.

€156m 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 60).

Claims totalling €163m were (partially) written down in the reporting period. Collection activities continue to be performed regarding these claims.

The gross carrying amounts of the financial assets for which value adjustments have been made changed as follows in the period under review:

Loans and advances | €m	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As at 1.1.2019	**237,967**	**9,572**	**2,628**	**625**	**250,793**
Changes in positions from stage transfers					
from stage 1	–7,454	6,844	610		–
from stage 2	2,821	–3,087	266		–
from stage 3	9	35	–44		–
Other changes in positions	16,685	–3,515	–661	–40	12,469
As at 31.12.2019	**250,029**	**9,848**	**2,799**	**585**	**263,262**

Debt securities | €m	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
As at 1.1.2019	**55,974**	**1,158**	**12**	**42**	**57,185**
Changes in positions from stage transfers					
from stage 1	–139	139	–		–
from stage 2	240	–240	–		–
from stage 3	–	–	–		–
Other changes in positions	6,462	–128	–12	–32	6,290
As at 31.12.2019	**62,537**	**928**	**0**	**10**	**63,475**

The carrying amounts of the financial assets for which value adjustments have been made are allocated to the rating classes as follows:

31.12.2019	Loans and advances				Debt securities			
Rating grades €m	12m ECL	Lifetime ECL	POCI	Total	12m ECL	Lifetime ECL	POCI	Total
1.0 – 1.8	80,543	0	11	80,554	37,481	0	0	37,481
2.0 – 2.8	124,941	300	52	125,293	24,616	0	9	24,625
3.0 – 3.8	36,649	4,536	29	41,215	385	690	0	1,075
4.0 – 4.8	6,290	2,545	19	8,853	4	218	0	222
5.0 – 5.8	1,606	2,564	126	4,297	50	19	0	70
6.1 – 6.5	0	2,702	348	3,050	0	0	1	1
Total	**250,029**	**12,648**	**585**	**263,262**	**62,537**	**928**	**10**	**63,475**

31.12.2019	Financial guarantees, lending commitments, indemnity agreements			
Rating grades | €m	12m ECL	Lifetime ECL	POCI	Total
1.0 – 1.8	33,739	3,901	2	37,642
2.0 – 2.8	92,637	21,607	8	114,252
3.0 – 3.8	15,664	6,806	8	22,478
4.0 – 4.8	1,709	1,791	10	3,510
5.0 – 5.8	789	1,026	1	1,816
6.1 – 6.5	4	224	91	319
Total	**144,543**	**35,355**	**120**	**180,018**

31.12.2018	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**

31.12.2018	Financial guarantees, lending commitments, indemnity agreements			
Rating grades | €m	12m ECL	ECL Lifetime	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**

(33) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and whose ability to service debt is influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities against a customer in the event of the default or insolvency of that customer. The gross carrying amounts of credit risks relating to loans and advances, lending commitments, financial guarantees and other indemnity agreements were as follows:

	Loans and advances	
€m	31.12.2019	31.12.2018[1]
Banks and customers in Germany	**169,413**	**164,698**
Banks	5,136	7,666
Corporate clients	55,571	54,336
Manufacturing	18,995	18,115
Construction	683	792
Trade	9,021	8,778
Services and others	26,872	26,651
Private customers	96,578	89,599
Other financial corporations	2,775	2,588
General governments	9,352	10,509
Banks and customers outside Germany	**121,713**	**118,508**
Banks	35,254	44,078
Corporate clients	45,284	41,962
Private customers	13,985	12,223
Other financial corporations	21,276	14,937
General governments	5,914	5,309
Sub-total	**291,125**	**283,207**
Less valuation allowances on loans and advances amortised cost	–2,130	–2,083
Total	**288,996**	**281,123**

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

	Irrevocable lending commitments, financial guarantees and other indemnity agreements	
€m	31.12.2019	31.12.2018[1]
Banks and customers in Germany	51,752	49,686
Banks and customers outside Germany	70,252	67,352
Sub-total	**122,004**	**117,038**
Less valuation allowances	–300	–217
Total	**121,704**	**116,821**

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

The carrying amounts of credit risk concentrations in loans and advances, lending commitments, financial guarantees and other indemnity agreements shown in the tables above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(34) Maximum credit risk

The maximum credit risk exposure – excluding collateral and other credit enhancements – is equal to the carrying amounts of the relevant assets in each class, or the nominal values of irrevocable lending commitments and financial guarantees. The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

€m	31.12.2019	31.12.2018[1]	Change in %
Financial assets – Amortised cost	293,658	279,160	5.2
Loans and advances	260,354	247,410	5.2
Debt securities	33,304	31,750	4.9
Financial assets – Fair value OCI	30,893	26,627	16.0
Loans and advances	779	1,300	– 40.1
Debt securities	30,115	25,328	18.9
Financial assets – Mandatorily fair value P&L	29,823	33,736	– 11.6
Loans and advances	26,181	31,386	– 16.6
Debt securities	3,642	2,350	55.0
Financial assets – Held for trading	43,427	41,480	4.7
Loans and advances	1,683	1,028	63.7
Debt securities	1,481	1,621	– 8.6
Derivates	39,328	38,067	3.3
Other trading positions	935	764	22.5
Positive fair values of derivative hedging instruments	1,992	1,457	36.7
Irrevocable lending commitments	80,980	78,471	3.2
Financial guarantees	2,163	2,369	– 8.7

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

The maximum credit risk exposures listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the section on default risks in the Group Management Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(35) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swaps (CDS) and/or by credit-linked notes (CLNs). This enables three important goals to be achieved:

- risk diversification (reduction of credit risks in the portfolio, especially concentration risks);
- easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements);
- funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds).

As at the end of the 2019 financial year, Commerzbank Aktiengesellschaft had launched five securitisation programmes as the buyer of protection.

The legal maturity date is 5–10 years. Overall, a total volume of €5.5bn of loans to customers had been hedged by end-December 2019 (previous year: €5.1bn). This reduced the Bank's risk-weighted assets by €1.0bn (previous year: €1.5bn).

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 III–1 Limited	Commerzbank Aktiengesellschaft	2017	9	Corporate Clients	690	– 1
CoCo Finance III–2	Commerzbank Aktiengesellschaft	2019	10	Corporate Clients	1,771	510
CoCo Finance III–3	Commerzbank Aktiengesellschaft	2019	5	Corporate Clients	1,785	415
CoSMO Finance III–1 Limited	Commerzbank Aktiengesellschaft	2015	10	Corporate Clients	272	– 27
CoSMO Finance III–2 Limited	Commerzbank Aktiengesellschaft	2016	10	Corporate Clients	1,004	86
Total					**5,521**	**982**

(36) IFRS 13 fair value hierarchies and disclosure requirements

Fair value hierarchy

Under IFRS 13, financial instruments are assigned to the three levels of the fair value hierarchy as follows:

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques which rely on observable market parameters.
- Level 3: Financial instruments where valuation techniques are used that incorporate at least one material input for which there is insufficient observable market data and where at least this input has a more than insignificant impact on the fair value.

With respect to the methods of model-based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities.

The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. These valuations are subject to a higher degree to judgements by management. Market data or third-party inputs are relied on to the greatest possible extent, and company-specific inputs to a limited degree.

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price.

The fair values that can be realised at a later date may fundamentally deviate from the estimated fair values.

All fair values are subject to the Commerzbank Group's internal controls and procedures, which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the 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 of, reasons for and information about reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured at fair value

According to IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing parties in an arm's length transaction. The fair value therefore represents an exit price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit spread. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVAs), the funding costs or income of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVAs is approximated by the Commerzbank funding curve.

IFRS 9 requires that all financial instruments be measured at fair value upon initial recognition. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IFRS 9 fair value category and by class.

Financial assets | €bn	**31.12.2019**				**31.12.2018**[1]			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets – Fair value OCI								
Loans and advances	–	0.8	0.0	0.8	–	1.3	–	1.3
Debt securities	20.4	9.7	0.0	30.1	15.4	9.7	0.2	25.3
Equity instruments	0.0	–	–	0.0	0.0	–	–	0.0
Financial assets – Mandatorily fair value P&L								
Loans and advances	–	23.7	2.4	26.2	–	26.6	4.8	31.4
Debt securities	0.9	1.6	1.1	3.6	0.6	0.7	1.0	2.4
Equity instruments	0.0	–	0.4	0.4	0.0	–	0.3	0.3
Financial assets – Held for trading								
Loans and advances	0.8	0.8	0.0	1.7	0.2	0.9	–	1.0
Debt securities	0.8	0.6	0.0	1.5	0.9	0.7	0.0	1.6
Equity instruments	1.4	0.0	0.0	1.4	1.0	–	–	1.0
Derivatives	–	37.7	1.6	39.3	–	34.7	3.4	38.1
Others	0.9	–	–	0.9	0.8	–	–	0.8
Positive fair values of derivative financial instruments								
Hedge accounting	–	2.0	–	2.0	–	1.5	–	1.5
Non-current assets held for sale and disposal groups								
Loans and advances	–	0.1	–	0.1	–	0.2	–	0.2
Debt securities	1.1	0.1	0.0	1.2	2.3	0.1	0.0	2.4
Equity instruments	3.6	0.1	0.0	3.6	7.8	–	–	7.8
Derivatives	–	2.6	0.2	2.9	–	2.2	0.1	2.3
Total	**30.1**	**79.8**	**5.8**	**115.8**	**29.1**	**78.4**	**10.0**	**117.5**

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

Financial liabilities | €bn	**31.12.2019**				**31.12.2018**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities – Fair value option								
Deposits	–	19.2	–	19.2	–	21.1	–	21.1
Debt securities issued	0.8	–	–	0.8	0.9	–	–	0.9
Financial liabilities – Held for trading					–	–	–	
Derivatives	–	36.7	1.0	37.8	–	37.0	3.3	40.3
Certificates and other issued bonds	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	1.2	0.3	–	1.6	2.7	0.4	0.0	3.1
Negative fair values of derivative hedging instruments								
Hedge accounting	–	4.4	–	4.4	–	1.5	–	1.5
Liabilities of disposal groups								
Deposits	–	2.2	–	2.2	–	3.3	–	3.3
Debt securities issued	–	–	–	–	–	–	–	–
Derivatives	–	2.0	0.3	2.3	–	3.4	0.3	3.7
Certificates and other issued bonds	3.2	–	–	3.2	4.5	–	–	4.5
Delivery commitments arising from short sales of securities	0.4	0.0	–	0.4	0.5	0.0	–	0.5
Total	**5.7**	**64.9**	**1.4**	**72.0**	**8.6**	**66.5**	**3.7**	**78.8**

A reclassification to a different level occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. This may be caused, for example, by market changes that impact the input factors used to value the financial instrument.

Commerzbank reclassifies items as at the end of the reporting period.

A number of reclassifications from level 1 to level 2 were carried out in financial year 2019, as there were no listed market prices available. These related to €0.5bn in debt securities in the FVOCI category and €0.4bn debt securities in the HFT category, €0.4bn debt securities in the mFVPL category, €0.2bn delivery commitments arising from short sales of securities in the HFT category and €0.1bn delivery commitments arising from short sales of securities liabilities included in disposal groups.

Furthermore €2.6bn of debt securities in the FVOCI category, €0.5bn debt securities in the HFT category, €0.3bn debt securities in the mFVPL category, and €0.6bn delivery commitments arising from short sales of securities in the HFT category were reclassified, as observable market prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

A number of reclassifications from level 1 to level 2 were carried out in the 2018 financial year, as there were no listed market prices available. These related to €1.2bn of debt securities in the HFT category, €0.3bn of debt securities in the mFVPL category, €0.5bn of debt securities in the FVOCI category and €0.1bn of delivery commitments arising from short sales of securities in the HFT category. Furthermore, €0.8bn of debt securities in the FVOCI category, €0.1bn of debt securities in the mFVPL category, €0.1bn of debt securities in the HFT category and €0.1bn of delivery commitments arising from short sales of securities in the HFT category were reclassified from level 2 to level 1, as observable market parameters were again available. We did not make any other significant reclassifications between level 1 and level 2.

The changes in financial instruments in the level 3 category were as follows:

Financial assets €m	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2019	**215**	**6,208**	**3,415**	**125**	**9,962**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	– 8	– 261	1,007	61	799
of which unrealised gains or losses	– 8	– 261	1,007	73	812
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	25	877	100	44	1,046
Sales	– 101	– 1,146	– 0	– 20	– 1,268
Issues	–	–	–	–	–
Redemptions	–	–	– 2,790	– 17	– 2,807
Reclassifications to level 3	142	1,089	41	84	1,356
Reclassifications from level 3	– 244	– 74	– 148	– 40	– 507
IFRS 9 reclassification	–	– 2,762	–	–	– 2,762
Reclassifications from/ to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 31.12.2019	**29**	**3,931**	**1,625**	**237**	**5,822**

Financial assets €m	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2018	**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**

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.

As at 1 January 2019 €2.8bn of a loans and advances portfolio in the mFVPL category was reclassified to the IFRS 9 AC category both in level 3 (see Note 25). €0.2bn of debt securities in the IFRS 9 FVOCI category and €0.1bn of debt securities in the IFRS 9 HFT category were reclassified in 2019 from level 3 back to level 2 because market parameters were again observable. In contrast, €0.4bn of debt securities of the mFVPL category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 3 because no market parameters were observable. €0.4bn of loans and advances in the mFVPL category and €0.1bn of debt securities in the IFRS 9 FVOCI category were reclassified from level 2 to level 3, because no market parameters were observable. There were no other significant reclassifications.

€0.1bn of debt securities in the IFRS 9 mFVPL category were reclassified from level 3 back to level 2 in 2018 because market parameters were again observable. In contrast, €0.3bn of loans and advances in the mFVPL category and €0.3bn of debt securities 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**	**Liabilities of disposal groups**	**Total**
Fair value as at 1.1.2019	**–**	**3,330**	**334**	**3,665**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	442	–41	401
of which unrealised gains or losses	–	442	101	543
Purchases	–	282	16	298
Sales	–	–101	–	–101
Issues	–	–	–	–
Redemptions	–	–2,873	–18	–2,890
Reclassifications to level 3	–	–16	70	54
Reclassifications from level 3	–	–14	–27	–41
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 31.12.2019	**–**	**1,050**	**336**	**1,385**

Financial liabilities €m	**Financial liabilities – Fair value option**	**Financial liabilities – Held for trading**	**Liabilities of disposal groups**	**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**

Unrealised gains or losses on financial liabilities held for trading are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

There were no significant reclassifications of financial liabilities into or out of level 3 in the 2019 financial year.

In the 2018 financial year, €0.1bn of derivatives with negative fair values were reclassified from level 3 to level 2, as market parameters were again observable. There were no other significant 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		31.12.2019			31.12.2019	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**2,502**	**–**		–	–
Repos	Discounted cash flow model	1,586	–	Repo-curve (bps)	240	265
Ship financing	Discounted cash flow model	64	–	Credit spread (bps)	150	4,150
Other loans	Discounted cash flow model	852	–	Credit spread (bps)	70	700
Debt securities		**1,148**	**16**		–	–
Interest-rate-related transactions	Spread based model	1,148	16	Credit spread (bps)	100	500
of which ABS	Spread based model	802	–	Credit spread (bps)	100	500
Equity instruments		**355**	**–**		–	–
Equity-related transactions	Discounted cash flow model	355	–	Price (%)	90 %	110 %
Derivatives		**1,817**	**1,369**			
Equity-related transactions	Discounted cash flow model	289	368	IRR (%)	5 %	20 %
	Option pricing model	–	–	Investment fund volatility	1 %	4 %
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	1,528	836	Credit spread (bps)	100	550
		–	–	Recovery rate (%)	20 %	40 %
Interest-rate-related transactions	Option pricing model	–	165	IR-FX correlation (%)	– 30 %	52 %
Other transactions		–	–		–	–
Total		**5,822**	**1,385**			

€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
Claims	Price based	2,823	–	Credit spread (bps)	70	700
Debt securities		**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 based, 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	31.12.2019		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	**20**	**– 20**	
Repos	14	– 14	Repo curve
Ship financing	0	– 0	Credit spread
Other loans	6	– 6	Credit spread
Debt securities	**25**	**– 25**	
Interest-rate-related transactions	25	– 25	Price
of which ABS	21	– 21	IRR, recovery rate, credit spread
Equity instruments	**4**	**– 4**	
Equity-related transactions	4	– 4	Price
Derivatives	**18**	**– 18**	
Equity-related transactions	12	– 13	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	4	– 4	Credit spread, recovery rate, price
Interest-rate-related transactions	1	– 1	Price, IR-FX correlation
Others	–	–	

€m	31.12.2018		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	**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
Others	–	–	

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 1.1.2018	**–**	**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**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	– 34	– 34
Balance as at 31.12.2019	**–**	**24**	**24**

b) Financial instruments measured at amortised cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal operating costs or holding costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2. Market prices are not available for loans, as there are no organised markets for trading these financial instruments. In the case of loans, the Bank therefore applies a discounted cash flow model.

The cash flows are discounted using a risk-free interest rate plus premiums for risk costs, refinancing costs, operating expenses and equity costs. The risk-free interest rate is determined based on swap rates (swap curves) that match the corresponding maturities and currencies. These can usually be derived from external data.

In addition, the Bank applies a premium in the form of a calibration constant that includes a profit margin. The profit margin is reflected in the model valuation of loans such that fair value as at the initial recognition date corresponds to the disbursement amount.

Data on the credit risk costs of major banks and corporate customers are available in the form of credit spreads, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3

.

In the case of securities accounted for in the amortised cost category of IFRS 9, fair value is determined based on available market prices (level 1), assuming an active market exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for the valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of bonds and notes issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value. If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models rely to a high degree on observable input parameters.

31.12.2019 €m	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**337.3**	**336.0**	**1.3**	**12.2**	**83.1**	**242.0**
Cash on hand and cash on demand	41.2	41.2	–	–	41.2	–
Financial assets – Amortised cost	295.9	293.7	2.3	12.2	41.7	242.0
Loans and advances	265.1	260.4	4.7	–	25.0	240.1
Debt securities	30.8	33.3	– 2.5	12.2	16.8	1.9
Value adjustment on portfolio fair value hedges	–	1.0	– 1.0	–	–	–
Non-current assets held for sale and disposal groups	0.2	0.2	–	–	0.2	–
Loans and advances	0.2	0.2	–	–	0.2	–
Debt securities	–	–	–	–	–	–
Liabilities	**354.4**	**353.4**	**1.1**	**29.9**	**321.4**	**3.1**
Financial liabilities – Amortised cost	354.2	351.9	2.3	29.9	321.1	3.1
Deposits	309.3	309.5	– 0.1	–	309.3	–
Debt securities issued	44.8	42.4	2.4	29.9	11.8	3.1
Value adjustment on portfolio fair value hedges	–	1.2	– 1.2	–	–	–
Liabilities of disposal groups	0.3	0.3	–	–	0.3	–
Deposits	0.3	0.3	–	–	0.3	–
Debt securities issued	–	–	–	–	–	–

31.12.2018 €m	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**332.0**	**333.9**	**– 2.0**	**10.8**	**102.4**	**218.8**
Cash on hand and cash on demand	53.9	53.9	–	–	53.9	–
Financial assets – Amortised cost	277.4	279.2	– 1.8	10.8	48.0	218.6
Loans and advances[1]	248.9	247.4	1.5	–	32.1	216.8
Debt securities[2]	28.5	31.8	– 3.3	10.8	15.9	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**	**24.3**	**321.1**	**3.1**
Financial liabilities – Amortised cost[1]	347.7	346.7	1.1	24.3	320.3	3.1
Deposits	300.9	301.1	– 0.3	–	300.9	–
Debt securities issued[2]	46.8	45.5	1.3	24.3	19.4	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	–
Debt securities issued	–	–	–	–	–	–

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

The methodology for classification within the level hierarchy was amended for debt securities and bonds and notes issued in the amortised cost category. This resulted in a reclassification from level 2 to level 1.

(37) Information on netting of financial instruments

Below we present the reconciliation of gross amounts before netting to net amounts after netting, as well as the amounts for existing netting rights that do not meet the accounting criteria for netting – separately for all financial assets and liabilities carried on the balance sheet that

- are already netted in accordance with IAS 32.42 (financial instruments I), and are
- subject to an enforceable, bilateral master netting agreement or a similar agreement but are not netted in the balance sheet (financial instruments II).

For the netting agreements, we conclude master agreements with our counterparties, e.g. 1992 ISDA Master Agreement (Multicurrency – Cross Border) and German Master Agreement for Financial Futures. By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from genuine repurchase agreements (reverse repos and repos) with central and bilateral counterparties, provided they have the same term. OTC derivatives with customers and cleared own portfolios are likewise netted.

Assets | €m	**31.12.2019**		**31.12.2018**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	49,270	145,892	49,781	93,485
Book values not eligible for netting	14,695	2,918	7,997	5,018
a) Gross amount of financial instruments I and II	34,575	142,973	41,784	88,467
b) Amount netted in the balance sheet for financial instruments I[1]	24,900	101,709	24,565	51,657
c) Net amount of financial instruments I and II = a) – b)	9,675	41,264	17,219	36,810
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32,42[2]	1,724	25,570	4,345	24,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) [3]				
Non-cash collateral[4]	5,529	45	9,709	58
Cash collateral	98	8,653	2	7,790
e) Net amount of financial instruments I and II = c) – d)	2,324	6,996	3,163	4,033
f) Fair value of financial collateral of central counterparties relating to financial instruments I	154	0	1,258	147
g) Net amount of financial instruments I and II = e) – f)	2,169	6,996	1,904	3,886

[1] Of which for positive fair values €5,118m (previous year: €2,708m) 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	**31.12.2019**		**31.12.2018**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	43,512	144,775	43,793	95,193
Book values not eligible for netting	9,948	1,951	2,505	4,324
a) Gross amount of financial instruments I and II	33,564	142,824	41,288	90,869
b) Amount netted in the balance sheet for financial instruments I[1]	24,900	100,260	24,565	49,754
c) Net amount of financial instruments I and II = a) – b)	8,664	42,564	16,723	41,115
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32,42[2]	1,724	25,570	4,345	24,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	–	277	10,780	730
Cash collateral	3,712	11,427	1,445	12,161
e) Net amount of financial instruments I and II = c) – d)	3,229	5,291	153	3,296
f) Fair value of financial collateral of central counterparties relating to financial instruments I	3,007	2	114	568
g) Net amount of financial instruments I and II = e) – f)	221	5,289	38	2,728

[1] Of which for negative fair values €6,569m (previous year: €4,611m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

(38) Maturities of assets and liabilities (including financial obligations)

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments without contractual maturities, cash on hand and cash on demand, assets and liabilities held for sale and current taxes on income are classified as short-term items. By contrast, holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term items. When classifying other assets and other liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 58.

€m	31.12.2019		31.12.2018[1]	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Cash on hand and cash on demand	41,164	–	53,914	–
Financial assets – Amortised cost	88,318	205,340	92,405	186,755
Financial assets – Fair value OCI	4,058	26,885	5,329	21,330
Financial assets – Mandatorily fair value P&L	26,149	4,047	26,938	7,134
Financial assets – Fair value option	–	–	–	–
Financial assets – Held for trading	40,725	4,115	40,745	1,756
Holdings in companies accounted for using the equity method	–	177	–	173
Intangible assets	–	3,053	–	3,246
Fixed assets	–	3,487	–	1,547
Investment properties	–	13	–	13
Non-current assets held for sale and disposal groups	7,955	–	13,433	–
Current tax assets	439	–	783	–
Deferred tax assets	–	3,011	–	3,111
Other assets	2,685	26	2,292	26
Total	**211,491**	**250,154**	**235,837**	**225,091**
Financial liabilities – Amortised cost	275,621	76,289	269,366	77,302
Financial liabilities – Fair value option	17,861	2,103	19,762	2,187
Financial liabilities – Held for trading	38,475	892	40,887	2,517
Provisions	1,990	713	2,074	1,084
Current tax liabilities	439	–	472	–
Deferred tax liabilities	–	27	–	20
Liabilities of disposal groups	8,528	–	12,914	–
Other liabilities	5,256	374	2,547	379
Total	**348,170**	**80,397**	**348,023**	**83,489**

[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.

31.12.2019	**Residual terms**			
€m	**up to 3 months**	**3 months up to 1 year**	**1 year up to 5 years**	**over 5 years**
Financial liabilities – Amortised cost	257,681	19,832	40,259	41,904
Financial liabilities – Fair value option	17,404	491	367	1,617
Financial liabilities – Held for trading	1,588	11	1	2
Derivatives – Held for trading	37,764	–	–	–
Negative fair values of derivative hedging instruments	3	7	97	4,295
Financial guarantees	2,163	–	–	–
Irrevocable lending commitments	80,980	–	–	–
Leasing liabilities	88	349	959	888
Total	**397,672**	**20,691**	**41,683**	**48,706**

31.12.2018[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	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 values of derivative hedging instruments	4	9	132	1,317
Financial guarantees	2,369	–	–	–
Irrevocable lending commitments	78,471	–	–	–
Leasing liabilities[2]	–	–	–	–
Total	**386,756**	**29,552**	**43,426**	**45,278**

[1] Prior-year figures adjusted due to restatements (see Note 4).
[2] The residual terms for the lease liabilities were not calculated due to their minor significance.

(39) Transferred financial assets and collateral pledged for own liabilities

Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the Group balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities that apply to non-transferred financial assets thus also apply to financial assets that have been transferred but not derecognised.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio and are measured and categorised according to the rules of IFRS 9. Borrowed securities do not appear in the balance sheet, nor are they valued. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a lending transaction is referred to as "cash collateral out" and collateral received as "cash collateral in". In addition, cash collateral is deposited or received in connection with derivative transactions.

The following assets were pledged as collateral for liabilities:

€m	31.12.2019	31.12.2018	Change in %
Own assets	40,223	48,345	– 16.8
Loans and advances	30,367	33,331	– 8.9
of which: cash securities from OTC transactions	12,401	13,605	– 8.8
Debt securities	8,279	9,769	– 15.3
Equity instruments	1,577	5,245	– 69.9
Other securities	–	–	.
Repledged securities	47,915	53,524	– 10.5
Securities lending transactions	3,440	6,412	– 46.4
Securities repo-business	41,869	41,734	0.3
Certificate business	95	99	– 4.0
Variation margin	2,511	5,278	– 52.4
Total	**88,139**	**101,868**	**– 13.5**

No restrictions apply to the equity instruments totalling €1,515m or the debt securities in the amount of €7,198m.

The assets pledged by the Commerzbank Group are attributable to the following own liabilities:

€m	31.12.2019	31.12.2018	Change in %
Derivatives/Financial liabilities – Held for trading	15,269	19,183	– 20.4
Deposits	35,817	39,016	– 8.2
Debt securities issued	–	–	.
Return commitments for securities from lending transactions	9,087	13,327	– 31.8
Total	**60,174**	**71,526**	**– 15.9**

(40) Collateral received

The fair value of collateral received for which the Bank has a right to sell on or pledge even where the provider does not default, mainly consisting of repo transactions and securities lending transactions, was as follows:

€m	2019	2018	Change in %
Total received securities	64,303	71,903	– 10.6
of which sold or repledged	49,637	57,045	– 13.0

(41) Financial assets which have been transferred but not derecognised (own holdings)

The financial assets which have been transferred but not derecognised in the Bank's own holdings consist of reverse repo transactions and securities lending transactions and were as follows:

31.12.2019 €m	Held for trading	Mandatorily fair value P&L	Fair value OCI	Amortised cost
Carrying amount of securities transferred	842	0	1,238	1,754
Carrying amount of associated liabilities	818	–	1,236	1,479
Fair value of securities transferred	842	0	1,238	1,971
Fair value of associated liabilities	818	–	1,236	1,479
Net position	**24**	**0**	**2**	**276**

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**

Derivatives and hedging relationships

(42) Derivatives

A derivative is a financial instrument with a value determined by an "underlying asset". The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any initial net investment or an initial investment that is smaller than would be required for other types of instrument expected to have a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values, however, are the expenses which would be incurred by the Bank or the counterparties to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk present from derivative transactions on the reporting date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question if the counterparty should become insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business partners to secure the net claim or liability remaining after netting (receiving or furnishing of collateral). As a rule, this collateral management reduces credit risk by means of prompt – usually daily or weekly – measurement and adjustment of the customer exposure.

The total effect of netting amounted to €106,828m as at 31 December 2019 (previous year: €54,365m). On the assets side, €101,710m of this was attributable to positive fair values (previous year: €51,657m), and €5,118m to claims for variation margins (previous year: €2,708m). Netting on the liabilities side involved negative fair values of €100,259m (previous year: €49,754m) and liabilities for variation margins payable of €6,569m (previous year: €4,611m).

As at the reporting date, the outstanding volume of the Commerzbank Group's transactions as a protection buyer and seller amounted to €13,266m (previous year: €13,279m) and €8,764m (previous year: €10,623m). We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios.

(43) Hedging relationships

IFRS 9 contains changes for hedge accounting. These new rules aim to improve the harmonisation between the accounting treatment of hedging relationships and (economic) risk management. However, with the issue of IFRS 9 the IASB has not yet completed the revision of this regulatory area. The IASB is developing the accounting model for macro hedges in a separate project. IFRS 9 therefore offers the option to continue to apply the previous provisions of IAS 39 on hedge accounting. Commerzbank 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 types of hedge accounting are used:

- Fair value hedge accounting:
  IAS 39 prescribes the use of hedge accounting to avoid a distorted impact on earnings for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. The Group's issuing and lending business and the securities holdings for liquidity management are particularly subject to interest rate risk when fixed-income securities are involved. Interest rate swaps are primarily used to hedge these risks. Use is also made of swaptions, inflation swaps, forwards and, to a limited extent, of other structured derivatives.
  The derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in the balance sheet. Offsetting changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk is accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs.
  For interest rate risks fair value hedge accounting can either be a micro fair value hedge or a portfolio fair value hedge.
  - In micro fair value hedge accounting an underlying transaction is linked with one or more hedging transactions in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.
  - In a portfolio fair value hedge, interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are hedged, but, rather, a quantity of underlying transactions in a portfolio grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item.
- Cash flow hedge accounting:
  The use of cash flow hedge accounting also serves to avoid a distorted impact on profit or loss for derivatives which serve to hedge the risk of a change in future cash flows. Interest rate swaps are primarily used to hedge these cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. Besides the documentation, IAS 39 also requires evidence of an effective hedge for the entire period of the hedging relationship in order to apply hedge accounting rules. Effectiveness in this context means the relationship between the change in fair value or cash flow of the hedged item and the offsetting change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists. Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). Secondly, when a hedge exists, it must be demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of 0.8 to 1.25.

Commerzbank uses the statistical method of regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

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 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 ough the hedging relationship is fully hedged economically. The most significant risk in this context is the basis risk, in particular the tenor basis risk.

Commerzbank holds a portfolio of inflation-linked bonds issued by utility companies under the UK private finance initiative (PFI), for which risk management focuses on changes in fair value resulting from fluctuations in GBP interest rates and implicit inflation expectations of the UK Retail Price Index (UK RPI). Risk management is based on the use of a portfolio of simple fixed-for-float GBP interest rate swaps and simple zero coupon inflation swaps, settled in each case generally through the London Clearing House. The primary sensitivity of zero coupon inflation swaps relates to fluctuations in UK RPI swap rates, and they are used to hedge changes in the value of the inflation-linked bonds resulting from fluctuations in inflation expectations. Each inflation swap has only one cash flow at maturity. As inflation expectations move up or down, the expected cash flows at maturity will rise or fall to offset changes in the value of the inflation-linked bonds. The interest rate swaps are used to hedge the sensitivity of the inflation-linked bonds to interest rate risk, with payment dates generally matching those of the inflation-linked bonds during the term.

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	31.12.2019			31.12.2018		
	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value	Nominal value
Micro fair value hedge accounting	1,187	4,027	87,051	1,030	1,413	77,055
Interest rate swaps	1,025	1,501	78,118	965	1,051	73,349
Others	162	2,525	8,933	65	362	3,706
Portfolio fair value hedge accounting	748	358	71,082	387	33	82,436
Interest rate swaps	76	247	57,254	124	1	19,376
Others	671	111	13,828	263	32	63,060
Cash flow hedge accounting	56	17	3,503	40	16	2,597
Interest rate swaps	56	17	3,503	40	16	2,597
Others	–	–	–	–	–	–
Total	**1,992**	**4,402**	**161,637**	**1,457**	**1,462**	**162,088**

Nominal values of hedge instruments | €bn	**2019**	**2018**	**Change in %**
Cash flow hedge accounting derivatives	4	3	35
Up to 3 months	0	0	– 70
Interest rate swaps	0	0	– 70
Others	–	–	.
3 months up to 1 year	1	0	.
Interest rate swaps	1	0	.
Others	–	–	.
1 year up to 5 years	3	2	8
Interest rate swaps	3	2	25
Others	–	0	.
Over 5 years	0	–	.
Interest rate swaps	0	0	– 53
Others	–	0	.
Micro fair value hedge accounting derivatives	87	77	13
Up to 3 months	1	2	– 52
Interest rate swaps	1	2	– 58
Others	0	–	.
3 months up to 1 year	3	6	– 42
Interest rate swaps	3	5	– 36
Others	0	0	35
1 year up to 5 years	28	26	9
Interest rate swaps	28	26	8
Others	0	0	.
Over 5 years	54	44	25
Interest rate swaps	50	41	23
Others	4	3	41
Portfolio fair value hedge accounting derivatives	71	82	– 14
Up to 3 months	–	5	.
3 months up to 1 year	13	23	– 45
1 year up to 5 years	26	28	– 5
Over 5 years	32	27	19

Disclosures on underlying transactions in hedge accounting to hedge interest rate risks

Carrying amount attributable to hedged items €m	2019			2018[1]		
	Micro fair value hedge	Portfolio fair value hedge	Value changes as basis for recognising hedge ineffectiveness for the period	Micro fair value hedge	Portfolio fair value hedge	Value changes as basis for recognising hedge ineffectiveness for the period
Assets – book value attributable to hedged items	44,455	25,735	2,334	39,243	20,505	242
Financial assets – Amortised cost	29,278	25,735	2,186	26,042	20,505	179
Loans and advances	6,217	25,735	1,149	6,290	20,505	157
Debt securities	23,061	–	1,037	19,752	–	22
Financial assets – Fair value OCI	15,177	–	149	13,201	–	62
Loans and advances	394	–	4	654	–	– 0
Debt securities	14,784	–	144	12,546	–	62
Liabilities – carrying amount attributable to hedged items at amortised cost	42,821	46,219	2,230	39,004	59,930	643
Deposits and other financial liabilities	14,164	46,219	1,025	14,856	59,930	303
Debt securities issued	28,657	–	1,206	24,148	–	340

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

Cumulative carrying amount adjustments | €m	2019		2018	
	Micro fair value hedge	Portfolio fair value hedge	Micro fair value hedge	Portfolio fair value hedge
Assets – Cumulative carrying amount adjustments	6,318	959	5,394	199
Active hedge accounting	6,228	959	5,248	199
Financial assets – Amortised cost	6,079	n/a	5,118	n/a
Loans and advances	1,228	n/a	1,088	n/a
Debt securities	4,852	n/a	4,030	n/a
Financial assets – Fair value OCI	149	n/a	130	n/a
Loans and advances	12	n/a	10	n/a
Debt securities	137	n/a	120	n/a
Inactive hedge accounting	89	n/a	146	n/a
Financial assets – Amortised cost	89	n/a	143	n/a
Loans and advances	37	n/a	58	n/a
Debt securities	52	n/a	86	n/a
Financial assets – Fair value OCI	1	n/a	3	n/a
Loans and advances	0	n/a	–	n/a
Debt securities	1	n/a	3	n/a
Liabilities – Cumulative carrying amount adjustments	– 2,449	– 1,212	– 1,772	– 532
Active hedge accounting	– 2,309	– 1,212	– 1,589	– 532
Deposits and other financial liabilities	– 1,642	n/a	– 1,507	n/a
Debt securities issued	– 667	n/a	– 83	n/a
Inactive hedge accounting	– 140	n/a	– 182	n/a
Deposits and other financial liabilities	– 114	n/a	– 150	n/a
Debt securities issued	– 26	n/a	– 32	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

(44) Holdings in companies accounted for using the equity method

	Associated companies		Joint ventures	
€m	2019	2018	2019	2018
Equity carrying amount as at 1.1.	**173**	**180**	**1**	**1**
Acquisition cost as at 1.1.	128	133	17	17
Exchange rate changes	1	2	–	–
Additions	–	8	–	–
Disposals	–	–16	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	– 21	1	–	–
Acquisition cost as at 31.12.	109	128	17	17
Write-ups	18	23	–	–
Cumulative write-downs as at 1.1.	27	26	–	–
Exchange rate changes	–	–	–	–
Additions	–	0	–	–
Disposals	–	–	–	–
Reclassifications to non-current assets held for sale and disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	– 3	1	–	–
Cumulative write-downs as at 31.12.	24	27	–	–
Cumulative changes from remeasurement using the equity method	74	48	– 17	– 17
Equity carrying amount as at 31.12.	**177**	**173**	**1**	**1**
of which: holdings in banks	84	82	–	–

The investments in companies accounted for using the equity method are non-strategic holdings of the Commerzbank Group, which are active mainly in the financial services sector and in leasing and real estate business. The disclosures in this Note are therefore made on an aggregated basis, for the associated companies and for the joint ventures. A list of all companies accounted for using the equity method is given in Note 74.

In 2019, €9m (previous year: €15m) 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

(45) Goodwill

a) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the cash generating units (CGUs) at the time of acquisition. Commerzbank has defined the segments as CGUs in accordance with IFRS 8. Further details on the segments are provided in Note 61. In accordance with IAS 36, these assets are tested for impairment at the level of the CGUs at least at every reporting date and if a trigger event occurs. In 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 and Consolidation are distributed to the segments based on a precise key. Due to the planned sale of mBank S.A., the resulting effects were taken into account in the form of the expected net realisable value (fair value less cost of disposal).

Any non-controlling interests are included in the calculation of the carrying amount and the recoverable amount of the CGU and thus in the excess cover presented below.

b) Assumptions of the impairment test for goodwill and other intangible assets

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, to determine the recoverable amount. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units. 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 detailed planning years. Beginning with this reporting year, a fifth planning year was inserted. 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 1.5 % 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 plans are based on forecasts by Economic Research for key assumptions. Planning is based both on management's past experience and an assessment of risks and opportunities in line with the forecasts, particularly with regard to interest income.

In addition, effects of the revised framework of the Basel Committee concerning the existing Basel III regulations – often referred to as "Basel IV" due to the far-reaching changes – were examined in the multi-year planning from 2022 onwards. The reform package for the standardised calculation of risk-weighted assets and capital floors is to enter into force uniformly on 1 January 2022. Regarding the "output floor", however, a transitional period with gradual phasing in through to 2027 is planned.

At Group level, no significant effect is expected from the introduction of Basel IV, so that no separate consideration was required in determining the value of use of the private and small business customers segment.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the Business Segment Private and Small-Business Customers:

Segment	Main assumptions	Management approach
Private and Small Business Customers	Through Commerzbank 5.0, the Bank is building on Commerzbank 4.0 and continuing the systematic development of the Private and Small-Business Customers segment: • "Mobile First" strategy: systematic expansion of mobile banking • Leveraging of the potential offered by the successful enlargement of the customer base through the targeted use of data and algorithms (customer intelligence), permitting the creation of customised offerings for cross- and up-selling • Efficient and targeted acquisition of new customers through the use of data and new technologies • Greater choice for customers through new pricing and premium strategy • Systematic digitalisation of products and processes and further simplification of the product range Increased ability to complete transactions in products on the ONE digital platform with the aim of creating a consistent digital and personal customer experience across all relevant touchpoints • Gradual restructuring of the branch network towards a target of around 800 branches • Further development of the advisory model in line with ongoing digitalisation • Further development and expansion of the Customer Centre to become a sales channel • Personal means special: expansion of premium offerings and business with wealthy and small-business customers • Fulfilment of all regulatory requirements • Expansion and strengthening of Commerz Real's market position, primarily through its lead role as a sustainable digital asset manager and integrated investment service provider • Sale of the majority stake in mBank S.A • Integration of comdirect bank AG to leverage synergies and strengthen the multi-channel banking approach, thereby offering a holistic and innovative banking experience for both comdirect and Commerzbank customers (provisions for the planned restructuring have not been formed so far, that any cost synergies within the scope of the impairment test were not to be taken into account)	• 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 or the Bank's expectations
- Uncertainties about the regulatory environment, particularly the implementation of new rules at the European level
- Greater intensity of competition than assumed
- Worse than expected results from planned strategic measures from Commerzbank 5.0, e.g. deviation of the expected net realisable value from the actual net realisable value of mBank S.A.

Risk-adjusted interest rates were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

c) Change in goodwill

The impairment test carried out as planned at the end of 2019 did not result in any write-downs being required. The Private and Small-Business Customers segment has high excess cover.

	Private and Small Business Customers		Corporate Clients		Asset & Capital Recovery[1]		Group	
€m	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount as at 1.1.	**1,507**	**1,507**	**–**	**–**	**–**	**–**	**1,507**	**1,507**
Cost of acquisition/production as at 1.1.	1,543	1,543	592	592	725	725	2,860	2,860
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	15	–	–	–	–	–	15	–
Disposals	–	–	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cost of acquisition/production as at 31.12.	1,558	1,543	592	592	725	725	2,875	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.	**1,522**	**1,507**	**–**	**–**	**–**	**–**	**1,522**	**1,507**

[1] The Asset & Capital Recovery segment was discontinued as of 1 July 2019.

Sensitivities

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	
		2019	2018
Baseline scenario[1]		36.1 %	78.8 %
Sensitivity analysis[1]	Risk- adjusted interest rate – 5 bps (advantageous)	40.4 %	85.5 %
	Risk- adjusted interest rate + 25 bps (disadvantageous)	32.0 %	72.6 %
Sensitivity analysis[1]	Growth rate + 25 bps (advantageous)	38.3 %	84.0 %
	Growth rate – 25 bps (disadvantageous)	33.9 %	74.0 %

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

Changes in underlying premises and key planning assumptions used to calculate the recoverable amount of the Private and Corporate Clients CGU, where the recoverable amount and carrying amount are the same:

	Private- and Small- Business Customers	
	2019	2018
Risk-adjusted interest rate (after taxes) from/to	8,6 % / 11,6 %	7,6 % / 10,8 %
Growth rate from/to	1,5 % / negative[1]	1,6 % / negative[1]
Risk result/risk-weighted assets based on the end of the planning phase from/to	58 BP / 184 BP	72 BP / 188 BP

[1] Impossible to quantify, as the recoverable amount is above carrying amount even with a long-term growth rate of 0 %.

(46) Other intangible assets

Other intangible assets primarily comprise purchased and self-programmed software and customer relationships. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are amortised over their prospective useful lives.

	Expected useful life years
Software	up to 10
Customer relationships	up to 15

	Customer relationships		In-house developed software		Purchased software and other intangible assets	
€m	2019	2018	2019	2018	2019	2018
Carrying amount as at 1.1.	**159**	**200**	**1,163**	**1,121**	**417**	**466**
Cost of acquisition/production as at 1.1.	983	983	2,472	2,160	1,714	1,689
Exchange rate changes	0	– 0	0	– 0	8	– 11
Additions	–	–	223	376	136	159
Disposals	–	–	10	5	74	69
Reclassifications to non-current assets held for sale and disposal groups	–	–	– 0	– 4	– 8	– 22
Other reclassifications/changes in the group of consolidated companies	–	–	1	– 55	16	– 31
Cost of acquisition/production cost as at 31.12.	983	983	2,685	2,472	1,791	1,714
Write-ups	–	–	–	–	–	0
Cumulative write-downs as at 1.1.	824	783	1,309	1,038	1,297	1,223
Exchange rate changes	0	– 0	0	– 0	6	– 6
Additions	69	41	338	316	151	177
of which: unscheduled	28	–	1	2	5	1
Disposals	–	–	10	5	58	53
Reclassifications to non-current assets held for sale and disposal groups	–	–	– 0	– 2	– 7	– 19
Other reclassifications/changes in the group of consolidated companies	–	–	0	– 39	8	– 23
Cumulative write-downs as at 31.12.	892	824	1,638	1,309	1 398	1,297
Carrying amount as at 31.12.	**91**	**159**	**1,047**	**1,163**	**393**	**417**

As part of the annual impairment test of the segments (CGUs), we fully wrote down the previously reported customer base of the Corporate Customers segment which resulted from the merger of Commerzbank with Dresdner Bank as of 31 December 2019 in excess of the scheduled amortisation, as we no longer expect it to be recoverable as a result of economic developments.

Tangible assets

(47) Fixed assets

The land and buildings, office furniture and equipment, and right of use assets are recognised at cost less scheduled depreciation and any unscheduled write-downs. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset. Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than depreciated cost.

In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration.

All fixed assets are depreciated or written off largely over the following periods, using the straight-line method:

	Expected useful life years
Buildings	25–50
Office furniture and equipment	3–25
Leased equipment – at cost	1–25
Right of use assets	1–15

In line with the materiality principle, purchases of low-value fixed assets are recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

	Land and buildings		Office furniture and equipment		Leased equipment		Right of use assets	
€m	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount as at 1.1.	**322**	**422**	**458**	**490**	**766**	**688**	**2,289**	**n/a**
Cost of acquisition/production as at 1.1.	677	899	2,021	2,014	1,249	1.102	2,213	n/a
Exchange rate changes	0	– 3	14	– 8	24	38	9	n/a
Additions	12	3	102	113	50	161	196	n/a
Disposals	5	82	212	94	61	53	19	n/a
Reclassifications to non-current assets held for sale and disposal groups	2	– 140	–	–	–	–		n/a
Other reclassifications/changes in the group of consolidated companies	– 0	– 0	3	– 5	–	–	– 8	n/a
Cost of acquisition/production as at 31.12.	687	677	1,928	2,021	1.263	1.249	2.391	n/a
Write-ups	6	3	–	–	–	–	–	n/a
Cumulative write-downs as at 1.1.	355	477	1,562	1.524	483	414	–	n/a
Exchange rate changes	0	– 1	12	– 6	8	17	1	n/a
Additions	13	14	117	124	103	78	354	n/a
of which: unscheduled	1	0	1	1	14	–	–	n/a
Disposals	1	70	190	77	32	26	– 0	n/a
Reclassifications to non-current assets held for sale and disposal groups	–	– 62	– 2	–	–	–		n/a
Other reclassifications/changes in the group of consolidated companies	0	0	2	– 3	–	–	2	n/a
Cumulative write-downs as at 31.12.	367	358	1,503	1,562	562	483	357	n/a
Carrying amount as at 31.12.	**326**	**322**	**425**	**458**	**701**	**766**	**2,034**	**n/a**

The total value of fixed assets in the Commerzbank Group was €3,487m (previous year: €1,547€) of which, as in the previous year, none was pledged as collateral. Beyond this there were no restrictions with regard to rights of disposal.

(48) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral (rescue purchases) and properties owned by the Commerzbank Group that are let under operating leases in this category. These are primarily commercial properties.

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. In subsequent measurements, investment properties are measured at fair value. Fair value is generally determined on the basis of valuations conducted by external and internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually valued based on capitalised income; individual residential buildings are generally valued using the cost or sales comparison approach. The valuation of the properties using the capitalised income approach is based on standard rental values for the locality, with discounts for management, acquisition costs and vacancy rates, and on remaining useful lives and land values. In some cases, contractually agreed rents are also used. The property yield, which is a further input in the valuation process, takes account of the market interest rate level and the specific property and location risk attaching to the property. The main parameters observable on the market are local rent levels and property yields.

Current income and expenses are recognised in other net income. Remeasurement changes arising from changes in fair value are also shown under other net income in the income statement for the period.

The properties held as investments in the amount of €13m (previous year: €13m) were classified at fair value hierarchy level 3 and developed as follows:

€m	2019	2018
Carrying amount as at 1.1.	**13**	**16**
Cost of acquisition/production as at 1.1.	194	195
Exchange rate changes	–	–
Additions	–	–
Disposals	–	0
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	194
Cumulative changes from remeasurement at fair value	– 182	– 182
Carrying amount as at 31.12.	**13**	**13**

In the year under review, as in the previous year, no investment properties were acquired in rescue purchases. The additions contain no subsequent acquisition costs.

There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

We use the country-specific rental indices for commercial and office properties published by the Association of German Pfandbrief Banks (vdp) over a period of at least 18 years for the sensitivity analysis of investment properties. We use the medium fluctuation range calculated on this basis to determine the potential changes in value of our properties.

Non-current assets and liabilities held for sale

(49) Discontinued business division

At the end of 2018, Commerzbank Aktiengesellschaft, Frankfurt and Société Générale Group, Paris, France concluded a purchase agreement for the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients. This transaction is a milestone in the implementation of the "Commerzbank 4.0" strategy launched in 2016.

The transaction will be executed in several stages. Major parts of the discontinued operation had already been transferred by 31 December 2019. Due to the scope of the transactions and the employees to be transferred as well as the complexity of the individual transfer processes, however, it was not possible to complete all the transfers in 2019. The transfer process was started according to plan in the first quarter of 2019 and continued in the second quarter of 2019 with the complete transfer of the asset management business. Major parts of the development and issuing of structured financial products business were also already transferred in the second, in the third and in the fourth quarter of 2019, with the opportunities and risks arising from the associated assets and liabilities initially being transferred "synthetically" to Société Générale Group through the conclusion of corresponding derivative transactions. The legal transfer of the relevant assets and liabilities, which also requires their derecognition from the balance sheet, will only take place at later stages in the transaction and is expected to be completed in 2021.

As at 31 December 2019, the assets and liabilities of the discontinued operation amounted to €8.0bn (previous year: €13.0bn) and €8.5bn (previous year: €12.4bn) respectively. The assets and liabilities are mostly measured at fair value.

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. These are not comparable with the other business activities of the Corporate Clients segment and of the Bank as a whole and have therefore been isolated for 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.

The income is mainly attributable to net remeasurement gains or losses and realised profit or loss from the portfolios to be transferred and thus to the original net income from financial assets and liabilities measured at fair value through profit or loss. The expenses relate to the corresponding operating expenses.

Detailed information on the discontinued business division is provided below.

€m	1.1.–31.12.2019	1.1.–31.12.2018	Change in %
Income	187	231	– 19.1
Expenses	203	246	– 17.4
Pre-tax net income	– 17	– 15	7.4
Taxes on income on current profit or loss	2	– 5	
Consolidated profit or loss from discontinued operations	**– 18**	**– 10**	**78.4**
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	– 18	– 10	78.4

The profit attributable to Commerzbank shareholders from continuing operations amounted to €662m (previous year: €873m).

€	1.1.–31.12.2019	1.1.–31.12.2018	Change in %
Earnings per share for discontinued operations	– 0.01	– 0.01	78.4

€m	2019	2018	Change in %
Net cash from operating activities	– 18	– 10	78.4
Net cash from investing activities	–	–	
Net cash from financing activities	–	–	

(50) Non-current assets held for sale and disposal groups

Non-current assets and disposal groups that can be sold in their present condition and whose sale is highly probable are classified as "held for sale". These assets must be measured at fair value less costs to sell, insofar as this is lower than carrying amount. However, for interest-bearing and non-interest-bearing financial instruments and investment properties the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with IFRS 9 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

The current net income from non-current assets held for sale and disposal groups is normally recognised under the same item in the income statement as for other assets without the classification of being held for sale. Gains and losses on the disposal of disposal groups are divided up and recognised in the relevant line of the income statement.

Income and expenses from discontinued operations are reported in a separate item in the income statement (see Note 49).

€m	31.12.2019	31.12.2018	Change in %
Financial assets – Amortised cost	187	665	– 71.8
Loans and advances	187	642	– 70.8
Debt securities	–	23	.
Financial assets – Mandatorily fair value P&L	76	325	– 76.7
Loans and advances	76	241	– 68.7
Debt securities	–	83	
Equity instruments	0	0	
Financial assets – Held for trading	7,742	12,444	– 37.8
Loans and advances	–	–	.
Debt securities	1,248	2,294	– 45.6
Equity instruments	3,631	7,847	– 53.7
Derivates	2,863	2,304	24.3
Intangible assets	6	13	– 50.4
Fixed assets	–	23	.
Other assets	– 57	– 38	50.1
Total	**7,955**	**13,433**	**– 40.8**

Assets of disposal groups mainly relate to the discontinuation of the EMC business division (see Note 49) and the sale of ebase GmbH. The sale of ebase GmbH has now been completed (see Note 8).

(51) Liabilities from disposal groups

€m	31.12.2019	31.12.2018	Change in %
Financial liabilities – Amortised cost	258	815	– 68.4
Deposits	258	815	– 68.4
Debt securities issued	–	–	.
Financial liabilities – Fair value option	2,205	3,267	– 32.5
Deposits	2,205	3,267	– 32.5
Debt securities issued	–	–	.
Financial liabilities – Held for trading	6,027	8,726	– 30.9
Certificates and other issued bonds	3,249	4,543	– 28.5
Delivery commitments arising from short sales of securities	435	470	– 7.5
Derivatives	2,344	3,713	– 36.9
Other liability items	38	105	– 64.0
Total	**8,528**	**12,914**	**– 34.0**

Liabilities from disposal groups relate to the discontinuation of the EMC business division (see Note 49) and the sale of ebase GmbH. The sale of ebase GmbH has now been completed (see Note 8).

Tax assets and tax liabilities

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority given the current tax rates and tax regulations applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against recognising them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2019 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-relieving temporary differences, on as yet unused tax losses and on unused tax credits are only recognised to the extent that it is probable that taxable profits will be generated by the same taxable entity and in relation to the same tax authority in the foreseeable future. To assess impairment, detailed 5-year tax profit projections are made on the basis of the multi-year planning approved by the Board of Managing Directors. Furthermore, recognition is justified if it is likely that a sufficient taxable profit will be available even beyond the 5-year time frame.

Deferred tax assets and liabilities are recognised and carried forward either in the income statement under taxes on 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 €268m (previous year: €185m).

The current and deferred tax assets as well as the current and deferred tax liabilities are set out in the balance sheet and detailed in the notes.

(52) Tax assets

€m	31.12.2019	31.12.2018[1]	Change in %
Current tax assets	**439**	**783**	**– 44.0**
In Germany	350	677	– 48.3
Outside Germany	89	106	– 16.1
Deferred tax assets	**3,011**	**3,111**	**– 3.2**
Tax assets recognised in income statement	2,748	2,731	0.6
Tax assets not recognised in income statement	263	380	– 30.7
Total	**3,450**	**3,894**	**– 11.4**

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

Deferred tax assets represent the potential income tax relief arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax 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 2019 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

The accounting for the current tax assets took into account the uncertainty arising from potential tax disputes.

Tax loss carryforwards | €m	31.12.2019	31.12.2018	Change in %
Corporation tax/federal tax	**8,338**	**7,933**	**5.1**
Can be carried forward for an unlimited period	5,149	4,669	10.3
Can be carried forward for a limited period[1]	3,189	3,264	– 2.3
of which: expires in the subsequent reporting period	7	7	.
Trade tax/local tax	**4,411**	**3,999**	**10.3**
Can be carried forward for an unlimited period	964	566	70.3
Can be carried forward for a limited period[1]	3,447	3,433	0.4
of which expires in the subsequent reporting period	7	7	.

[1] Expires 20 years after the date on which the tax liability arose.

In addition, no deferred tax assets were recognised for deductible temporary differences that can be carried forward indefinitely in the amount of €46m (previous year: €0m).

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	31.12.2019	31.12.2018[1]	Change in %
Fair values of derivative hedging instruments	675	527	28.1
Financial assets and liabilities – Held for trading	2,155	2,023	6.5
Other financial assets	497	498	– 0.2
Provisions (excluding pension obligations)	52	40	30.0
Other financial liabilities	229	173	32.4
Pension obligation	1,146	1,158	– 1.0
Other balance sheet items	2,680	747	.
Tax loss carryforwards	1,141	1,181	– 3.4
Deferred tax assets gross	**8,575**	**6,347**	**35.1**
Offsetting with deferred tax liabilities	– 5,564	– 3,236	71.9
Total	**3,011**	**3,111**	**– 3.2**

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

(53) Tax liabilities

€m	31.12.2019	31.12.2018	Change in %
Current tax liabilities	**439**	**472**	**– 7,0**
Tax liabilities to tax authorities from income tax	39	67	– 40,7
Provisions for income tax	400	406	– 1,5
Deferred tax liabilities	**27**	**20**	**35,0**
Tax liabilities recognised in income statement	27	20	35,0
Tax liabilities not recognised in income statement	–	–	.
Total	**466**	**492**	**– 5,3**

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the Group companies in accordance with the local tax regulations.

They were recognised in connection with the following items:

€m	31.12.2019	31.12.2018	Change in %
Financial assets and liabilities – Held for trading	2,241	163	.
Fair values of derivative hedging instruments	576	493	16.8
Other financial assets	550	823	– 33.2
Other financial liabilities	17	294	– 94.2
Other balance sheet items	2,207	1,483	48.8
Deferred tax assets gross	**5,591**	**3,256**	**71.7**
Offsetting with deferred tax liabilities	– 5,564	– 3,236	71.9
Total	**27**	**20**	**35.0**

Other assets and other liabilities

This line item presents any assets and liabilities which individually are immaterial and which cannot be assigned to other line items.

(54) Other assets

€m	31.12.2019	31.12.2018	Change in %
Precious metals	26	26	– 0.5
Accrued and deferred items	229	220	4.0
Defined benefit assets recognised	96	377	– 74.5
Other assets	1,401	1,496	– 6.4
Total	**1,752**	**2,119**	**– 17.3**

(55) Other liabilities

€m	31.12.2019	31.12.2018[1]	Change in %
Liabilities attributable to film funds	316	313	1.0
Liabilities attributable to non-controlling interests	57	66	– 12.9
Accrued and deferred items	292	312	– 6.5
Leasing liabilities	2,094	0	
Other liabilities	1,658	1,703	– 2.6
Total	**4,418**	**2,394**	**84.5**

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

(56) Other commitments

Payment commitments to Group-external entities and non-consolidated entities on shares not fully paid up were, as in the previous year, immaterial in the current financial year.

In accordance with Art. 5 (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks, Berlin, for any losses incurred as a result of support provided for banks in which Commerzbank holds a majority interest.

Securities with a carrying amount of €9,902m (previous year: €9,129m) were furnished as collateral for obligations to futures exchanges and clearing houses.

Leasing

(57) Leasing

With the application of IFRS 16, the Commerzbank Group recognised lease liabilities as of 1 January 2019 for leases previously classified as operating leases under IAS 17. These liabilities were measured at the net present value of the outstanding lease payments discounted at the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 1.22 % per annum.

For the lessee, the previous classification according to operating and finance leases no longer applies. The requirements for the lessor remain essentially unchanged, however.

For the first-time application, we made use of the simplification rule to include any provisions for onerous contracts in the right of use. For leases previously classified as operating leases, the status as at the changeover date was used as the basis. There was no retrospective calculation and consideration of initial direct costs. The exercise of extension or termination options continued to be assessed on the basis of the current facts and not based on the retrospective probability of exercise at the start of the contract. We also chose to use the optional simplification rule to exclude leases for low-value leased assets from recognition in the balance sheet. At the time of initial application, we did not assess whether a contract existing prior to 1 January 2019 should be classified in whole or in part as a lease in accordance with IFRS 16. The estimates made in accordance with the previous regulations IAS 17 and IFRIC 4 were adopted. The right of use per lease was recognised according to the lease liability adjusted for prepaid or accrued payments.

The Group as lessee – rights of use

With the application of IFRS 16, a right-of-use asset and a corresponding lease liability are now recognised for leases. We recognise the right of use under fixed assets (see Note 47) and depreciate it on a straight-line basis over the term of the lease. The depreciation of the right of use is shown in the operating expenses (see Note 18). Extension, termination and purchase options are recognised as soon as their exercise is deemed sufficiently certain. Around half of the leases include such options, mainly extension options. The Commerzbank Group does not expect any significant cash outflows in the future which have not been taken into account in measuring the lease liability.

The lease liability is recognised at the net present value of the future lease payments to be made under other liabilities (see Note 55). Interest expense includes the unwinding of the discount of the lease liabilities. Subsequent measurement is performed using the effective interest method. We make use of the option to exclude low-value leases from accounting and recognise them directly as expenses.

In 2019, expenses for short-term leases were €0m. Expenses for low-value leases were €2m. Variable lease payments of €0m were not included in lease liabilities, and income of €13m from sub-lease agreements was recorded in the period under review. Total lease payments amounted to €350m.

The Group as lessor

We classify a lease as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, we classify leases where the lessee bears all the substantial risks and rewards as finance leases. Risks and rewards are allocated on the basis of the present value of the cash flow associated with the leases.

If the present value equals at least the amount invested into the leased asset, the lease is classified as a finance lease.

Operating leases

Commerzbank acts as a lessor in operating lease arrangements. The assets where the Group acts as lessor include, in particular, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment). No contingent rents have been agreed in the leases.

The following minimum lease payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Maturity | €m	31.12.2019	31.12.2018
up to 1 year	131	128
in 1 year up to 5 years	366	442
in more than 5 years	63	98
Total	**560**	**669**

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	31.12.2019	31.12.2018
Outstanding lease payments	7,290	5,189
+ guaranteed residual values	113	104
= minimum lease payments	7,403	5,293
+ non-guaranteed residual values	–	4
= gross investments	7,403	5,297
of which from sale and leaseback transactions	–	555
– unrealised financial income	360	262
= net investments	7,043	5,036
– net present value of non-guaranteed residual values	–	4
= net present value of minimum lease payments	7,043	5,032
of which from sale and leaseback transactions	–	495

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease and reviewed at the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease between the reporting date and the end of the contract.

The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

Residual terms as at 31.12.	Gross investments	
€m	2019	2018
up to 1 year	2,302	1,528
1 year up to 5 years	4,665	3,353
more than 5 years	436	416
Total	**7,403**	**5,297**

Financial income on the net investment in the lease of €172m has been recognised in interest income. No income from variable lease payments was recognised in the reporting period. Receivables from leasing contracts are included in risk management within the Group-wide risk management system.

Residual terms as at 31.12.	Net present value of minimum lease payments	
€m	2019	2018
up to 1 year	2,166	1,436
1 year up to 5 years	4,477	3,216
more than 5 years	400	381
Total	**7,043**	**5,032**

Provisions and employee benefits

A provision must be shown if on the reporting date, as the result of an event in the past, a current legal or constructive obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly, we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognised as a provision represents the best estimate of the expense required to meet the current obligation as at the reporting date. Risks and uncertainties (including with regard to the actual level of the costs at the date of any utilisation of the provision and potential increases in costs for long-term provisions) are taken into account in the estimate. Provisions are recognised at their net present value if they are long-term.

Allocations to the different types of provisions are made via various items in the income statement. Provisions for lending business are charged to loan loss provisions and provisions for restructuring are charged to restructuring expenses. Other provisions are generally charged to operating expenses and released through other net income.

Companies within the Commerzbank Group are involved both in Germany and other countries in court and arbitration cases (legal proceedings) and in out-of-court and supervisory proceedings (recourse claims) as defendants and claimants or in other ways. Moreover, legal cases in which Commerzbank and its subsidiaries are not directly involved could have an impact on the Group because of their fundamental importance for the banking sector. The Group recognises appropriate provisions for legal proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. Provisions of recourse claims relate, for example, to reimbursements of processing fees for consumer loans which have been ruled as invalid and possible claims from customer misselling. In the case of provisions for legal proceedings, the procedure differs depending on whether a company within the Group is the claimant (active proceedings) or defendant (passive proceedings). In active proceedings, provisions are recognised for the legal and court fees and ancillary costs, which may vary based on the specific practices in each country. In passive proceedings provisions are also recognised for the value in dispute on each reporting date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognised, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings. Legal risks for which no provisions have been recognised are reported as contingent liabilities (see Note 60).

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments and main locations involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement can contain further direct restructuring expenses which are not included in the restructuring provision.

Provisions for pensions and similar commitments are recognised for occupational pension schemes. These comprise pension commitments under both defined benefit and defined contribution pension plans. Defined benefit plans exist for obligations from pension entitlements and current benefits based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is mainly pre-defined and dependent on factors such as age, salary level and length of service. Provisions are established for these plans. The contributions paid for defined contribution pension plans are recognised directly under personnel expenses.

(58) Provisions

€m	2019	2018[1]	Change in %
Provisions for pensions and similar commitments	713	1,084	– 34.2
Other provisions	1,990	2,074	– 4.0
Total	**2,704**	**3,158**	**– 14.4**

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

Provisions for pensions and similar commitments

The provisions for pensions and similar commitments comprise provisions for pension entitlements of active and former employees and pension entitlements of pensioners in the amount of €621m (previous year: €1,000m),as well as provisions for early retirement of €70m (previous year: €70m).

The interest and operating expenses for pensions and other employee benefits consist of the following components:

€m	2019	2018	Change in %
Expenses for defined benefit plans	78	92	– 15.7
Expenses for defined contribution plans	87	92	– 5.3
Other pension benefits (early retirement and part-time scheme for older staff)	39	53	– 25.5
Other pension-related expenses	28	21	33.6
Expenses for pensions and similar employee benefits	**232**	**258**	**– 9.9**

In the first quarter of 2019, binding agreements were concluded with an insurance company for a UK pension plan to cover a major portion of the claims from defined benefit pension obligations by concluding insurance contracts, whereby the legal obligation remains with Commerzbank ("buy-in"). This transaction involved assets equivalent to €1,123m being transferred to the insurance company. As a result, around 83 % of our defined benefit pension obligations in the UK will in future be covered by insurance contracts. The transaction resulted in an overall reduction equivalent to €260m in the existing pension plan surplus cover recognised in the statement of comprehensive income under other net income.

a) Defined benefit plans

Pension obligations, pension-related obligations (age-related short-time working schemes, early retirement), obligations for long-service awards and pension expense for defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established. Apart from biometric assumptions (the updated Heubeck-mortality tables 2018 G in Germany and country-specific biometric tables in other countries), the actuaries rely in particular on a current discount rate based on the yield on high-quality, long-term corporate bonds, as well as expected future rates of pension increases. The application of the updated Heubeck mortality tables led to a one-off measurement effect in the previous year due to changes in demographic assumptions, which caused the pension obligation to increase. This resulted in a negative measurement effect of €84m in the previous year, which was recognised in other comprehensive income.

The expected adjustment to pensions was reduced to 1.4 % in 2019 (previous year: 1.6 %). The reduction in the expected adjustment to pensions resulted in a one-off effect of €183m before taxes, which was recognised directly in equity.

The future change in salaries does not have a material influence on the amount of the pension obligation due to the structure of the respective pension plans both in Germany and abroad. As a result, in line with the materiality principle, the parameter and its sensitivities are not disclosed.

For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity and adjusted by a spread premium for high-quality corporate bonds.

The parameters outside Germany are determined on the basis of weighted averages taking account of the respective relevant pension plans.

%	31.12.2019	31.12.2018
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	1.1	1.9
Expected adjustment to pensions	1.4	1.6
for determining the pension expenses in the financial year		
Discount rate	1.9	1.9
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	2.1	2.8
Expected adjustment to pensions	2.7	2.9
for determining the pension expenses in the financial year		
Discount rate	2.8	2.5
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 12 % of the Group's total pension liabilities. The EPC also acts as the steering committee for the plan assets of the foreign pension plans. Different national regulations also apply in each of the foreign countries. However, these plans also generally use an LDI approach. The biggest plan sponsors outside Germany are the Group units in London (around 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 expenses for defined benefit plans, which is reported under personnel expenses and in net interest income, consists of the service cost and the net interest cost or income. Service cost comprises current service cost, which represents the entitlements earned by members during the financial year as well as the past service cost or income. Net interest expense/income (net interest cost) is calculated as the difference in interest rate between the present value of the obligation and the fair value of the plan assets. When calculating the pension obligation with respect to the net liability and plan assets under defined benefit plans, the discount rate is applied.

The difference between the remeasurement of the pension obligation on the reporting date as compared with the value projected at the beginning of the year is the actuarial gain or loss. Actuarial gains and losses are, like the return on plan assets (with the exception of amounts contained in net interest expense/income), recognised directly in retained earnings within equity and are reported in the statement of comprehensive income.

The net defined benefit liability changed as follows:

	Pension obligation		Plan assets		Net liability	
€m	2019	2018	2019	2018	2019	2018
As at 1.1. current year	**9,227**	**9,421**	**– 8,604**	**– 8,982**	**623**	**439**
Service cost	74	80	2	–	76	80
Past service cost	–	11	–	–	–	11
Curtailments/settlements	–	–	–	–	–	–
Interest expense/income	185	183	– 179	– 179	6	4
Remeasurement	1,089	– 2	– 957	418	132	416
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	–	– 957	418	– 957	418
Experience adjustments	– 6	– 8	–	–	– 6	– 8
Adjustments in financial assumptions	1,149	– 78	–	–	1,149	– 78
Adjustments in demographic assumptions	– 54	83	–	–	– 54	83
Pension payments	– 376	– 356	103	91	– 272	– 264
Settlement payments	– 6	– 44	–	44	– 6	–
Change in the group of consolidated companies	2	1	– 2	–0	0	1
Exchange rate changes	54	– 5	– 73	9	– 18	3
Employer contributions	–	–	– 23	– 26	– 23	– 26
Employee contributions	1	2	– 1	– 2	0	0
Reclassifications/other changes	8	– 63	0	22	8	– 41
As at 31.12. current year	**10,259**	**9,227**	**– 9,734**	**– 8,604**	**525**	**623**
of which provision for pension					621	1,000
of which recognition of defined benefit assets					– 96	– 377

Employer contributions of €16m to plan assets and pension payments of €274m are expected for defined benefit pension plans in the 2019 financial year. The asset ceiling had no effects within Commerzbank, and the net liability may therefore be equated with the funded status.

The geographical breakdown, including the EMC division, of the pension obligations was as follows:

€m	31.12.2019	31.12.2018
Germany	9,030	8,078
United Kingdom	1,057	1,006
America	91	86
Others	95	87
Total	**10,273**	**9,257**

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 2019 would have the following effects on the obligation:

€m	31.12.2019	31.12.2018
Interest rate sensitivity		
Discount rate +50bps	– 859	– 765
Discount rate –50bps	988	882
Pension adjustment sensitivity		
Adjustment to pensions +50bps	569	520
Adjustment to pensions –50bps	– 517	– 475
Mortality rate (life expectancy) change sensitivity		
Reduction in mortality by 10 %[1]	393	340

[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:

%	2019		2018	
	Active market	Inactive market	Active market	Inactive market
Fixed-income securities/bond funds	32.9	25.1	51.0	24.2
Shares/equity funds	7.5	2.4	6.4	2.0
Other investment fund units	0.3	0.3	0.0	0.4
Liquid assets	2.5	0.0	1.0	–
Asset-backed securities	4.0	1.0	5.3	1.3
Derivatives	12.4	1.0	8.8	0.5
Others	0.2	10.1	0.1	– 1.0

As at 31 December 2019, 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: 18.1 years). The anticipated maturities of undiscounted pension obligations are as follows:

€m	2020	2021	2022	2023	2024	2025–2029
Expected pension payments	311	307	315	320	334	1,715

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 €75m (previous year: €78m) in payments to the BVV. Contributions in 2020 are expected to be around the same amount.

Other provisions

a) Provisions for off-balance-sheet lending exposures and financial guarantees

For information on the principles we observe when establishing provisions for off-balance-sheet lending exposures and financial guarantees, please refer to the explanations in Notes 32 to 35 on credit risks and credit losses.

b) Other provisions

Other provisions changed as follows in the financial year:

€m	As at 1.1.2019	Allocations	Utilisation	Reversals	Unwinding of discount	Reclassifications/ change in the group of consolidated companies/ other	As at 31.12.2019
Personnel provisions	514	316	241	56	0	3	536
Restructuring measures	564	102	177	37	2	– 53	401
Legal proceedings and recourse claims	233	110	44	37	0	1	261
Others	485	194	207	55	0	11	428
Total	**1,796**	**722**	**669**	**186**	**3**	**– 40**	**1,627**

The personnel provisions are predominantly short-term in nature, but also include provisions for long service awards, which are by their nature long-term and are utilised successively in following reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan (CIP) which are utilised after the expiry of the three-year deferral period. The provisions listed under Other mostly have a residual term of under one year.

The restructuring provisions are largely attributable to the areas of Human Resources and Organisation. The allocations in 2019 are largely connected with the age-related short-time working schemes that are part of a sprinter programme under the "Commerzbank 5.0" strategy.

Legal disputes

In case of legal proceedings for which provisions need to be recognised, and which are contained in "Other provisions" under legal proceedings and recourse claims, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at the reporting date. We have not set out the provision amounts and sensitivities individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. The majority of these claims have now been settled. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded

between banks and entrepreneurs. To date, only a few corporate customers have submitted claims for the recovery of fees paid in the past. Commerzbank does not currently anticipate any further significant recovery claims in the future.

- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- A subsidiary of Commerzbank was involved in a South American bank which in the meantime has gone into liquidation. A number of investors and creditors of 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.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management had sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. A settlement was reached with the claimants in September 2019, bringing the case to a close.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs. 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. A total of 1,731 plaintiffs have joined the class action. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. In addition to the class action, 2,902 other individual proceedings are pending as of 31 December 2019. The subsidiary is defending itself against each of the claims. The Bank has won the majority of the individual lawsuits in final decisions.
- Even after the decision of the European Court of Justice in October 2019, the case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgments handed down since then are not sufficient for a reliable estimate of future case law.
- In deviation from the previous methodology and as a result of the observed increase in the total number of individual lawsuits and the change in the judgments handed down by the courts in such cases, the Group/subsidiary decided as of the fourth quarter of 2019 to take into account possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37.
- The provision relates both to the portfolio existing as at 31 December 2019 with a carrying amount of €3.2bn and to the portfolio already repaid. The portfolio already repaid amounted to PLN6.3bn at the time of disbursement. In the year under review, the provision was increased by a total of €79m, bringing the provision as of 31 December 2019 for individual lawsuits to a high double-digit million euro amount.
- The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.
- 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. At the end of January 2019, the Bank reached an agreement with the insolvency administrator to settle the legal dispute. The complaint was withdrawn upon payment of the settlement amount.

- A Commerzbank subsidiary together with another bank was sued for damages in May 2018 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- A subsidiary of Commerzbank was sued by a customer for compensation due to alleged unlawful selling of collateral. The subsidiary has defended itself against the claim.

(59) Share-based remuneration plans

Significant share-based remuneration plans

a) Commerzbank Incentive Plan (CIP)

The Commerzbank Incentive Plan (CIP), which was first launched in 2011, sets out the detailed rules for variable remuneration and applies to the entire Commerzbank Group. The CIP is an equity-settled plan with a settlement option in cash for the employer, which falls within the scope of IFRS 2. In some locations different or supplementary CIP rules apply reflecting local legal or employment law requirements.

Under the CIP, employees designated as risk takers can receive parts of their individual variable remuneration as a cash component and a stock component, linked to the performance of the Commerzbank share. The variable remuneration consists of a short-term incentive (STI) and, in the case of risk takers whose variable remuneration exceeds the risk taker limit, a long-term incentive (LTI).

A risk taker is an employee whose role has a material impact on Commerzbank's overall risk profile. The criteria 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 the STI share component of the financial year (n) will in future generally be paid out in April of the financial year after next (n+2).

In the LTI, variable remuneration set for the financial years up to and including 2018 may be acquired at the earliest after the expiry of the three-year deferral period, provided there are no other grounds under performance appraisal II to block the allocation. Starting from the 2019 financial year, risk takers I can acquire it at the earliest after five years and risk takers II at the earliest after three years. Performance appraisal II is held after the end of the deferral period and consists of a review of the underlying performance appraisal I and fulfilment of individual and Group-specific qualitative targets during the deferral period. In the LTI, if a claim arises, the shares or the optional cash settlement are also subject to a retention period, as in the STI. Until now the LTI has been paid out in October of the fourth year after the underlying financial year. The payment of variable remuneration which was set from the 2019 financial year onwards will be made after completion of the performance appraisal II for risk takers I, for LTI Cash in November of the sixth year (n+6), and for LTI Equity in October of the seventh year (n+7). For risk takers II, LTI cash will be paid in November of the fourth year (n+4) and LTI equity in October of the fifth year (n+5).

In the event of a cash settlement of the share component the cash amount is calculated on the basis of the simple arithmetic average of Xetra closing prices of the Commerzbank share on all trading days during the reference period. The reference period for entitlement to variable remuneration set until the 2018 financial year is the month of September preceding the due date of the respective share-based remuneration components. The reference period for entitlement from the 2019 financial year onwards is the last full calendar month preceding the end of the retention period of the respective share-based remuneration components.

If Commerzbank has paid dividends or carried out capital actions during the term of the CIP, then, for equity components with variable remuneration set until the 2018 financial year, an additional cash amount equal to the dividend per share, or a cash settlement for the capital action, will be paid out when the STI and LTI components mature. From the 2019 financial year onwards, no entitlement to compensation for dividends or subscription rights paid or granted to shareholders arises in the deferral period, unlike the retention period.

The various remuneration components are estimated in the underlying financial year on the basis of budget forecasts, and provisions are recognised proportionally over the lifetime of the plans. Moreover, regular reviews, revaluations based on movements in the share price and/or adjustments of the amounts are carried out throughout the lifetime of the CIP.

b) Share-based payment plans of mBank S.A.

In 2012 a share-based programme was launched in which members of the Management Board could participate up until 2017. Until 2013 this programme comprised both a short-term component (cash payment) and a long-term component which entitled the participants to make regular subscriptions to mBank shares over a period of three years. The programme was modified in 2014 and now consists of cash payments and the subscription of mBank shares in both components over three years. A given quantity of these shares were issued each year and made available to those entitled for purchase at a pre-determined price. In addition, a significant number of risk takers were added to this programme in 2015. In all of these programmes, participation is linked to a minimum return on equity by the mBank sub-group. The long-term component of the programme from 2012 (modified in 2014) is also linked to the participants' performance assessment.

In 2018, the programme was technically adapted and the long-term component for board members was extended from three to five years (pro rata).

Both plans, which entitle the participants to subscribe to mBank shares (2012, modified in 2014 and with the technical adjustment made in 2018), are classified as share-based payments settled in the form of equity instruments.

c) Remuneration of the Board of Managing Directors

Please refer to the separate Remuneration Report in the Group Management Report for a detailed account of the remuneration of members of the Board of Managing Directors.

Accounting and valuation of share-based payment and bonus plans

The staff compensation plans are accounted for under the rules of IFRS 2 – Share-based Payment and IAS 19 – Employee Benefits. A distinction is made between share-based remuneration payments settled in the form of equity instruments and those settled in cash. For both types of remuneration, however, the granting of share-based remuneration has to be recognised at fair value in the Group financial statements.

Accounting

- Equity-settled share-based remuneration transactions:
  The fair value of share-based remuneration payments settled in the form of equity instruments is recognised as personnel expenses and reflected within equity in retained earnings. The fair value is determined on the date on which the rights are granted. If rights cannot be exercised because the conditions for exercise are not met due to market conditions, no change is made to the amounts already recognised in equity. However, if rights cannot be exercised because other conditions for exercise are not met (service and non-market conditions), the amounts already recognised in equity are adjusted through profit or loss.
- Cash-settled share-based remuneration transactions:
  The portion of the fair value of share-based remuneration payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expenses while at the same time being recorded as a provision. The fair value is recalculated on each reporting date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. The provisions fluctuate on each subsequent reporting date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. This affects the portion of the share-based variable remuneration that was determined using an average price for the Commerzbank share. The price itself is determined as the average Xetra closing price of the months of January and February plus December of the previous year.

Measurement

The provision for the Commerzbank Incentive Plan is determined by multiplying the number of shares earned by participants by the closing price of the Commerzbank share on 31 December of the reporting year. The 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 to six years, depending on the remuneration plan.

Due to services already rendered by employees (including the Managing Board), expenses for non-share-based compensation of €181m were incurred in fiscal year 2019 (previous year: €135m), expenses relating to share-based payments.

Expense for share-based payments was as follows:

€m	2019	2018
Cash-settled plans (Commerzbank Incentive Plan)	11	4
Equity-settled plans	2	3
Total	**14**	**7**

The provisions for share-based payment plans and the reserves in equity for share-based payment settled with equity instruments were as follows:

€m	2019	2018
Provisions Commerzbank-Incentive-Plan	54	68
Equity reserves	6	6

Commerzbank Incentive Plan.
The number of shares changed as follows in the current financial year:

Number of awards units	Commerzbank Incentive Plan
Balance as at 1.1.2018	**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**
Granted during the year[1]	642,495
Forfeited during the year	–
Exercised during the year	1,888,439
Expired during the year	–
Balance as at 31.12.2019	**1,984,778**

[1] The allocation rate for the financial year is €6.51.

(60) Contingent liabilities and lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance. These are normally guarantees issued at a customer's request, which give us a right of recourse to the customer in the event that the guarantee is called upon. All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. credit lines that have been granted to customers), to buy securities or provide guarantees or acceptances. In contrast, loan commitments allocated to the trading portfolio are recognised under Financial assets – Held for trading or Financial liabilities – Held for trading.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for off-balance-sheet lending.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

Legal risks where the occurrence of a loss cannot be ruled out but for which no provisions have been recognised because a claim is highly improbable, are also reported under contingent liabilities. We take a wide variety of factors into account in determining the probability of a loss, including the type of claims and judgements on similar issues.

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be provided in different forms, as shown in the following examples:

- guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Existing collateral may serve to cover the total liabilities of customers from loans and guarantees. Also, third parties may have sub-participations in irrevocable lending commitments and acceptances.

The contingent liabilities also include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the banking levy.

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their credit facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. The Group Management Report contains further information on credit risk and liquidity risk and how they are monitored and managed. Loan loss provisions for off balance-sheet commitments have been deducted from the respective items in these tables.

€m	31.12.2019	31.12.2018[1]	Change in %
Contingent liabilities	**40,832**	**38,433**	**6.2**
Banks	6,101	6,269	– 2.7
Corporate clients	31,503	28,681	9.8
Private customers	197	256	– 23.3
Other financial corporations	2,954	3,145	– 6.1
General governments	78	84	– 7.2
Lending commitments	**80,871**	**78,387**	**3.2**
Banks	1,563	1,337	16.9
Corporate clients	62,189	58,239	6.8
Private customers	10,167	9,969	2.0
Other financial corporations	6,425	8,657	– 25.8
General governments	527	185	.
Total	**121,704**	**116,821**	**4.2**

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

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2019 contingent liabilities for legal risks amounted to €511m (previous year: €1,038m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed by the court of first instance. The claimant has lodged an appeal. A further eight claims for damages were also filed against this subsidiary, seven of which were dismissed. The claimants withdrew the eight claim.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The lawsuits brought by bondholders, pensioners and the company's insolvency administrator were each dismissed in the first instance in favour of the Bank. Requests to review the rulings by the court of first instance are currently pending before the relevant courts of appeal and have not yet been decided.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. The plaintiff was liquidated in January 2019. As a result, in February 2019 the court dismissed the claims for intangible damages and suspended the rest of the proceedings. In February 2019, a group company of the Hungarian borrower filed a petition for the continuation of the proceedings on the basis of an (allegedly) assigned right of 75 % of the claim. The petition was dismissed in September 2019. The company has appealed. In addition to the claim described above, a group company of the Hungarian borrower sued the Bank for damages in November 2017. The court of first instance dismissed this action in full in March 2019. The claimant appealed against the judgement in April 2019. The appeal was dismissed in September 2019. The judgement is final.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.

- In a lawsuit filed in May 2019, a Commerzbank customer sought a ruling that the Bank must compensate the claimant for material damages caused by alleged false advice in connection with derivatives in the form of swap contracts. Commerzbank considers the lawsuit to be unfounded and has defended itself against the claim.

The contingent liabilities for tax risks relate to the following material issues:

- In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Commerzbank is exposed here to compensation claims from third parties relating to cum-cum securities lending transactions for which credit entitlements have been denied. Based on the analyses performed, Commerzbank considers it rather low that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.
- The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. Appropriate provisions have been made for tax risks.
  The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. The Cologne public prosecutor's office is investigating on suspicion that the bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and solidarity surcharge on dividends. Commerzbank has no knowledge of the results of any such investigation.´
  The Bank is cooperating fully with authorities conducting investigations into cum-ex transactions. It is currently not possible to predict whether this will result in a burden, whether it will occur, or the amount of any resulting burden.

(61) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The following segment information is based on IFRS 8 Operating Segments, which applies the management approach. The segment information is prepared on the basis of internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and determining the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. The Asset & Capital Recovery segment, which was discontinued on 1 July 2019, is shown separately with its half-year result. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. Owing to changes in customer relationship management associated with the Commerzbank 4.0 strategy, retroactive customer transfers between the Corporate Clients and the Private and Small-Business Customers segments occurred in the third quarter of 2018. The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 49). From the first quarter of 2019 onwards, the compulsory contributions for the European bank levy, bank tax and deposit insurance will no longer be shown under operating expenses but as a separate item. A portfolio of securitisations and corporate bonds was transferred out of the Corporate Clients segment and into the Others and Consolidation segment in the first quarter of 2019. The prior-year figures have been restated accordingly.

In addition, in the first quarter of 2019, as part of the wind-down strategy of the Asset & Capital Recovery segment, transfers of these receivables from local authorities and public-sector or quasi-public-sector institutions in North America and the UK were made to the Others and Consolidation segment. No adjustment was made to the prior-year values due to the specific features of a wind-down portfolio. The remaining assets of the Asset & Capital Recovery segment, which was discontinued as of 1 July 2019, were transferred to the Private and Small-Business Customers segment, and in particular to the Others and Consolidation segment. As part of its digitisation strategy, Commerzbank has reorganised product development and operations in the supply organisation as of 1 July 2019 by linking the business and IT sides in agile teams. This does not result in any changes to the previous segment reporting.

As at 31 December 2019, the carrying amount of the receivables transferred from the Asset & Capital Recovery segment to the Others and Consolidation segment in the first quarter of 2019 was €4.6bn. The main earnings drivers were as follows: €58m net interest income, €17m risk result, €–59m net income from financial assets and liabilities at fair value through profit or loss, €7m other net income from financial instruments, €1m other net income, €7m income before risk result, €24m income after risk result, €6m operating expenses and €18m pre-tax loss.

For the Asset & Capital Recovery segment, which was dissolved as of 1 July 2019, a carrying amount of €0.5bn was shown in the balance sheet for the Private and Small-Business Customers segment and €11.6bn for the Others and Consolidation segment as of 31 December 2019. The main earnings drivers for the second half of the year were: for the Private and Small-Business Customers segment, €–2m net interest income, €3m net income from financial assets and liabilities at fair value through profit or loss, €6m other net income, €7m income before risk result, €7m income after risk result, €1m operating expenses and €6m pre-tax profit. For the Others and Consolidation segment, €–10m net interest income, €–31m risk result, €15m net income from financial assets and liabilities at fair value through profit or loss, €5m net income from hedge accounting, €6m other net income, €16m income before risk result, €–15m income after risk result, €8m operating expenses and €–24m pre-tax profit.

Further information on the segments is provided in the Group Management Report section of this Annual Report. The operating segments' capital requirement for risk-weighted assets based on the fully phased-in application of Basel 3 regulations has been 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 was applied to the Asset & Capital Recovery segment until its discontinuation.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income, dividend income, risk result, net commission income, net income from financial assets and liabilities measured at fair value through profit or loss, net income from hedge accounting, other net gain or loss from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses and compulsory contributions. The operating profit does not include any impairments of goodwill or other intangible assets or restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit and loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting, the transferring segment is treated as if the transaction had taken place outside the

Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It is calculated from the ratio of the sum of operating expenses and compulsory contributions to income before the risk result. We also report a cost/income ratio in operating business that excludes compulsory contributions, to take account of the fact that this item cannot be influenced in terms of either amount or periodicity.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. For the Corporate Clients segment, the average capital employed in the segment is calculated without the discontinued business division. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The calculations 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 CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses (excluding compulsory contributions) as well as amortisation, depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses and compulsory contributions are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at full cost or at market prices.

2019 €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Capital Recovery[2]**	**Others and Consolidation**	**Group**
Net interest income	2,722	1,861	– 23	514	5,074
Dividend income	10	11	–	15	35
Risk result	– 253	– 342	– 24	– 0	– 620
Net commission income	1,914	1,177	0	– 35	3,056
Net income from financial assets and liabilities measured at fair value through profit or loss	213	187	111	– 267	244
Net income from hedge accounting	3	16	10	76	105
Other profit or loss from financial instruments	24	– 2	– 19	23	27
Current net income from companies accounted for using the equity method	3	8	– 0	– 0	10
Other net income	25	– 16	– 0	84	93
Income before risk result	*4,913*	*3,241*	*79*	*410*	*8,643*
Income after risk result	*4,660*	*2,899*	*55*	*410*	*8,024*
Operating expenses	3,529	2,453	15	316	6,313
Compulsory contributions	285	118	9	41	453
Operating profit or loss	**846**	**328**	**31**	**53**	**1,258**
Impairments on goodwill and other intangible assets	–	28	–	–	28
Restructuring expenses	–	–	–	101	101
Pre-tax profit or loss from continuing operations	**846**	**301**	**31**	**– 48**	**1,129**
Assets	**150,316**	**178,844**	**–**	**134,476**	**463,636**
of which: discontinued assets	–	7,955	–	–	7,955
Liabilities	**186,537**	**173,118**	**–**	**103,981**	**463,636**
of which: discontinued liabilities	–	8,528	–	–	8,528
Carrying amount of companies accounted for using the equity method	**28**	**149**	**–**	**1**	**177**
Average capital employed[1]	**5,361**	**11,895**	**1,620**	**5,064**	**23,940**
Operating return on equity (%)	**15.8**	**2.8**	**1.9**	**–**	**5.3**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**71.8**	**75.7**	**19.3**	**–**	**73.0**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**77.6**	**79.3**	**30.7**	**–**	**78.3**

[1] Average CET1 capital. Reconciliation carried out in Others and Consolidation.
[2] The Asset & Capital Recovery segment was discontinued as of 1 July 2019.
The result achieved in the first half of the year will continue to be reported until the end of 2019.

2018[1] €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	2,579	1,777	61	332	4,748
Dividend income	10	14	0	12	36
Risk result	– 233	– 194	– 8	– 10	– 446
Net commission income	1,928	1,191	1	– 30	3,089
Net income from financial assets and liabilities measured at fair value through profit or loss	160	424	35	– 253	366
Net income from hedge accounting	– 1	4	1	45	48
Other profit or loss from financial instruments	48	– 22	– 7	6	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	*4,806*	*3,414*	*114*	*236*	*8,570*
Income after risk result	*4,573*	*3,220*	*106*	*226*	*8,124*
Operating expenses	3,586	2,503	62	308	6,459
Compulsory contributions	252	119	10	42	423
Operating profit or loss	**735**	**597**	**34**	**– 124**	**1,242**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**735**	**597**	**34**	**– 124**	**1,242**
Assets	**138,435**	**175,289**	**18,904**	**129,758**	**462,386**
of which: discontinued assets	–	12,996	–	–	12,996
Liabilities	**170,028**	**179,291**	**16,877**	**96,190**	**462,386**
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[2]	**4,751**	**10,770**	**2,174**	**5,191**	**22,886**
Operating return on equity (%)	**15.5**	**5.5**	**1.6**	**–**	**5.4**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**74.6**	**73.3**	**54.3**	**–**	**75.4**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**79.9**	**76.8**	**63.2**	**–**	**80.3**

[1] Prior-year figures restated due to a change in presentation plus other restatements (see Note 4).
[2] Average CET1 capital. Reconciliation carried out in Others and Consolidation.

€m	2019		
	Others	**Consolidation**	**Others and Consolidation**
Net interest income	496	18	514
Dividend income	13	2	15
Risk result	– 0	–	– 0
Net commission income	– 31	– 4	– 35
Net income from financial assets and liabilities measured at fair value through profit or loss	– 306	39	– 267
Net income from hedge accounting	76	–	76
Other net income from financial instruments	27	– 4	23
Current net income from companies accounted for using the equity method	–	– 0	– 0
Other net income	96	– 12	84
Income before risk result	*372*	*39*	*410*
Income after risk result	*371*	*39*	*410*
Operating expenses	331	– 15	316
Compulsory contributions	41	0	41
Operating profit or loss	**– 1**	**53**	**53**
Impairments on goodwill and other intangible assets	–	–	–
Restructuring expenses	101	–	101
Pre-tax profit or loss from continuing operations	**– 102**	**53**	**– 48**
Assets	**134,299**	**178**	**134,476**
Liabilities	**103,758**	**223**	**103,981**

€m	2018[1]		
	Others	**Consolidation**	**Others and Consolidation**
Net interest income	300	**31**	332
Dividend income	8	4	12
Risk result	– 10	–	– 10
Net commission income	– 26	– 4	– 30
Net income from financial assets and liabilities measured at fair value through profit or loss	– 267	15	– 253
Net income from hedge accounting	45	–	45
Other profit or loss from financial instruments	2	4	6
Current net income from companies accounted for using the equity method	–	–	–
Other net income	142	– 17	125
Income before risk result	*203*	*33*	*236*
Income after risk result	*193*	*33*	*226*
Operating expenses	328	– 20	308
Compulsory contributions	42	0	42
Operating profit or loss	**– 177**	**53**	**– 124**
Impairments on goodwill and other intangible assets	**–**	**–**	**–**
Restructuring expenses	–	–	–
Pre-tax profit or loss from continuing operations	**– 177**	**53**	**– 124**
Assets	**129,277**	**482**	**129,758**
Liabilities	**95,882**	**309**	**96,190**

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

Under "Consolidation" we report consolidation and reconciliation items from the results of the segments and "Others" affecting the Group financial statements. This relates primarily to the following items:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;
- Effects from the consolidation of intragroup-transactions between segments;
- Effects from the consolidation of expenses and income;
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

The breakdown within segment reporting by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

2019 €m	**Germany**	**Europe without Germany**	**America**	**Asia**	**Others**	**Total**
Income before risk result	6,258	2,008	142	235	0	8,643
Credit-risk-weighted assets (with transitional provisions)	94,928	47,172	5,674	4,129	–	151,903

2018 €m	**Germany**	**Europe without Germany**	**America**	**Asia**	**Others**	**Total**
Income before risk result	5,918	2,309	97	247	–	8,570
Credit-risk-weighted assets (with transitional provisions)	88,247	47,235	4,959	6,269	–	146,710

Of the income before loan loss provisions in Europe (not including Germany), around 18 % was from our units in the United Kingdom (previous year: 26 %), 59 % from our units in Poland (previous year: 50 %) and 10 % from our units in Luxembourg (previous year: 13 %). Credit-risk-weighted assets (with transitional provisions)are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor for management reporting.

Other notes

Reported equity and regulatory capital

(62) Equity structure in accordance with IFRS

Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00. The subscribed capital stood at €1,252m as at 31 December 2019, as no treasury shares were held. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up.

Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and profit-sharing certificates with conversion or option rights. Conditional capital developed as follows:

						thereof:	
€m	Conditional capital 1.1.2019	Additions	Expirations/ utilisations	Authorisation expired	Conditional capital 31.12.2019	Used conditional capital	Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	569	–	–	569	–	–	–
Total	**569**	**–**	**–**	**569**	**–**	**–**	**–**

The authorisation of the Board of Managing Directors adopted by resolution of the Annual General Meeting on 30 April 2015 to issue convertible bonds or bonds with warrants, profit-sharing certificates and other hybrid debt instruments (the profit-sharing certificates and hybrid debt instruments with or without conversion or option rights or obligations) was revoked by resolution of the Annual General Meeting on 22 May 2019.

Authorised capital

Date of AGM resolution	Original amount €m	Used in previous years for capital increases €m	Used in 2019 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
30.4.2015	569	–	–	569	–	29.4.2020
22.5.2019	626	–	–	–	626	21.5.2024
Total	**1,195**	**–**	**–**	**569**	**626**	

The conditions for capital increases from authorised capital as at 31 December 2019 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 26 July 2019.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash, in either one or several tranches, but not exceeding a maximum amount of €500,943,054.00 (Authorised Capital 2019/I). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- to exclude fractional amounts from subscription rights;
- to offer shares to employees of Commerzbank Aktiengesellschaft and companies in which Commerzbank Aktiengesellschaft directly and indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act) up to a proportional amount of the share capital of €15,000,000.00.

If shares are issued against cash to employees of the Company or of its Group companies within the meaning of Art. 18 (1) Stock Corporation Act subject to the exclusion of shareholders' subscription rights, the proportional amount of the share capital attributable to them may not exceed a total of 3 % of the share capital of the Company existing at the time of the resolution of the Annual General Meeting. This 3 % limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation with the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €125,235,763.00 (Authorised Capital 2019/II). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued subject to the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 of the German Stock Corporation Act on the basis of this authorisation may not exceed a total of 10 % of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10 % of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2019/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3)

sentence 4 of the German Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2019/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 10 % of the share capital of the company existing at the time when the General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account – subject to any renewed authorisation to exclude subscription rights that may be adopted as a resolution by a subsequent Annual General Meeting – which are issued subject to exclusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the shareholders during the term of the authorisation under another authorisation. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights against contributions in kind by contributing claims for variable remuneration components, bonuses or similar claims against the company or its Group companies, the Board of Managing Directors may only make use of the authorisation up to a maximum total amount of 3 % of the share capital existing at the time of the resolution by the Annual General Meeting. This 3 % limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation with the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The resolution of the Annual General Meeting of 30 April 2015 (Conditional Capital 2015) has been revoked.

The Supervisory Board is authorised to amend the wording of Art. 4 of the Articles of Association in accordance with the utilisation of Authorised capital 2019 or to amend it after the expiry of the authorisation period.

(63) Regulatory capital requirements

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

To avoid having all these requirements take effect on a single date, certain parts of the new rules which took effect in 2014 are subject to defined phase-in rules (with transitional provisions). The phasing in of the rules for capital deductions ended at the beginning of the 2018 financial year. The CRR Regulation published in 2013 now only contains transitional provisions for the Additional Tier 1 capital and Tier 2 capital, which will gradually reduce the recognition of non-CRR-compliant capital issues until 2022.

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

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

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

The financial crisis made the importance of adequate CET1 capital levels for banks become an issue of increasing public concern. At Commerzbank, Tier 1 capital has always been a key management target. The Bank's specifications for the capital ratios far exceed the minimum statutory requirements. The Bank's risk-bearing capacity and market expectations play an important role in determining the internal capital ratio targets. For this reason, Commerzbank has stipulated minimum ratios for regulatory capital.

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

Measures relating to the Bank's capital are approved by the full Board of Managing Directors, subject to the authorisation granted by the AGM. During the past year, Commerzbank met the minimum statutory capital requirements as well as the requirements of the ECB and EBA at all times. In the pro forma calculation of the fully loaded implementation of the CRR requirements, the above mentioned transitional regulations are completely disregarded.

The overview below of the composition of the Commerzbank Group's capital shows the figures on both a "with transitional provisions" (currently used) and a "fully loaded", which only differ in the Additional Tier 1 capital and in Tier 2 capital.

Position €m	31.12.2019 with transitional provisions	31.12.2018 with transitional provisions	31.12.2019 fully loaded[4]	31.12.2018 fully loaded[4]
Equity as shown in balance sheet	**30,667**	**29,411**	**30,667**	**29,411**
of which additional equity components[1]	885	–	885	–
Equity as shown in balance sheet without additional equity components	29,782	29,411	29,782	29,411
Fair value gains and losses arising from the insitution's own credit risk related to derivative liabilities	– 79	– 159	– 79	– 159
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	13	– 61	13	– 61
Correction to non-controlling interests (minorities)	– 557	– 440	– 557	– 440
Goodwill	– 1,522	– 1,507	– 1,522	– 1,507
Intangible assets	– 1,174	– 1,328	– 1,174	– 1,328
Surplus in plan assets	– 73	– 307	– 73	– 307
Deferred tax assets from loss carryforwards	– 533	– 784	– 533	– 784
Shortfall due to expected loss	– 270	– 205	– 270	– 205
Prudential valuation	– 185	– 459	– 185	– 459
First loss positions from securitisations	– 171	– 199	– 171	– 199
Deferred tax assets from temporary differences which exceed the 10 % threshold	– 382	– 453	– 382	– 453
Unrecognised gains	– 218	– 250	– 218	– 250
Others and rounding	– 265	– 53	– 265	– 53
Common Equity Tier 1[2]	**24,366**	**23,206**	**24,366**	**23,206**
Additional Equity Tier 1[3]	**1,649**	**904**	**977**	**–**
Tier 1 capital	**26,015**	**24,110**	**25,343**	**23,206**
Tier 2 capital	**4,583**	**5,389**	**4,491**	**5,564**
Equity	**30,598**	**29,499**	**29,834**	**28,770**
Risk-weighted assets	181,765	180,498	181,765	180,498
of which credit risk	151,903	146,710	151,903	146,710
of which market risk[3]	11,134	12,395	11,134	12,395
of which operational risk	18,728	21,393	18,728	21,393
Common Equity Tier 1 ratio (%)	13.4 %	12.9 %	13.4 %	12.9 %
Equity Tier 1 ratio (%)	14.3 %	13.4 %	13.9 %	12.9 %
Total capital ratio (%)	16.8 %	16.3 %	16.4 %	15.9 %

[1] AT 1 issue which is equity as shown in balance sheet and which is taken into account as Additional Equity Tier 1 according to CRR.
[2] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[3] Includes credit valuation adjustment risk.
[4] According to Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. As at the reporting date, Common Equity Tier 1 was €24.4bn as compared with €23.2bn at 31 December 2018. This €1.2bn increase arose mainly in connection with the regulatory eligible profit and lower regulatory deductions. The Common Equity Tier 1 ratio was thus 13.4 %. With the issue of an additional Tier 1 bond for USD 1bn at the beginning of July, Tier 1 capital (fully loaded) rose to €25.3bn and the corresponding Tier 1 ratio to 13.9 %. The €1.1bn decline in Tier 2 capital is attributable to subordinated liabilities that are no longer fully eligible due to their residual maturities, final maturities of issues and the early repayment of instruments (termination). The total capital ratio was 16.4 % as at the reporting date.

Due to compensating effects, risk-weighted assets were only slightly higher than in the previous year. The reductions in RWA from operational and market risks largely compensated for the increases in credit risk RWA. The latter resulted, among other things, from the introduction of IFRS 16, credit growth in the core segments and parameter effects (mainly effects from the review of internal credit risk models by the supervisory authorities), mitigated by two securitisation transactions and the targeted reduction of non-core portfolios.

(64) Leverage ratio

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance-sheet positions is calculated is laid down by regulators. The leverage ratio at the end of the 2019 financial year 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.

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

The future development of the leverage ratio exposure and the leverage ratio is also forecast in the Bank's internal multi-year planning process. They are also reviewed regularly between the annual review dates in the forecasting for the current year. Group Finance also analyses the impact of anticipated changes in regulatory requirements on the leverage ratio. The development of the leverage ratio is also analysed under adverse macroeconomic scenarios as part of the recovery planning process.

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

Summary reconciliation of accounting assets and leverage ratio exposures	**Applicable amounts**
€m	**31.12.2019**
Total assets as per published Group financial statements	463,636
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	– 141
(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	– 29,523
Adjustment for securities financing transactions (SFTs)	1,737
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	52,805
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	–
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	–
Other adjustments	
with transitional provisions	6,556
fully loaded	6,556
Leverage ratio total exposure measure	
With transitional provisions	**495,070**
Fully loaded	**495,070**

Leverage ratio common disclosure	**CRR leverage ratio exposures**
€m	**31.12.2019**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	403,889
(Asset amounts deducted in determining Tier 1 capital)	
with transitional provisions	– 4,126
fully loaded	– 4,126
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
with transitional provisions	399,762
fully loaded	399,762
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5,847
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	25,524
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)	– 16,198
(Exempted CCP leg of client-cleared trade exposures)	– 2,524
Adjusted effective notional amount of written credit derivatives	8,523
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	– 6,513
Total derivative exposures	**14,659**

Leverage ratio common disclosure (continuation)	**CRR leverage ratio exposures**
€m	**31.12.2019**
Securities financing transaction (SFTs) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	51,006
(Netted amounts of cash payables and cash receivables of gross SFT assets)	– 24,900
Counterparty credit risk exposure for SFT assets	1,737
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)	27,844
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	177,824
(Adjustments for conversion to credit equivalent amounts)	– 125,019
Other off-balance sheet exposures	52,805
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
Capital and total exposure measure	
Tier 1 capital	
with transitional provisions	26,016
fully loaded	25,343
Leverage ratio total exposure measure	
with transitional provisions	495,070
fully loaded	495,070
Leverage ratio	
with transitional provisions (%)	**5.3**
fully loaded (%)	**5.1**
Choice on transitional (phase-in) arrangements and amount of derecognised fiduciary items	
Choice on transitional (phase-in) arrangements for the definition of the capital measure	
with transitional provisions	–
fully loaded	–
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No. 575/2013	–

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
€m	31.12.2019
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	403,889
Trading book exposures	26,451
Banking book exposures, of which:	377,438
Covered bonds	6,847
Exposures treated as sovereigns	75,059
Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	11,067
Institutions	21,056
Secured by mortgages of immovable properties	71,063
Retail exposures	53,526
Corporate	88,695
Exposures in default	1,796
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	48,328

The leverage ratio based on the CRR transitional provisions was 5.3 % as at 31 December 2019 (as at 30 September 2019: 4.9 %). The leverage ratio fully loaded stood at 5.1 %, compared with 4.7 % as at 30 September 2019.

Both the leverage ratio fully loaded and the leverage ratio with transitional provisions increased due to lower leverage ratio exposure. As at the reporting date, the leverage ratio exposure was €495.1bn; as at 30 September 2019 it was €531.6bn.

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

(65) Liquidity coverage ratio

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

The ratio itself is defined as the relationship between high quality liquid assets (HQLA) and net liquidity outflows (NLOs) within a 30-day period. 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 last four quarters is shown below. The averages of the 12 previous month-end values are calculated for each quarter. The resulting values are shown in the table below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group.

		Total unweighted value (average)			
€m[1]		31.3.2019	30.6.2019	30.9.2019	31.12.2019
	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:	117,593	121,225	124,862	128,364
3	Stable deposits	80,985	83,057	85,126	87,611
4	Less stable deposits	36,608	38,167	39,736	40,753
5	Unsecured wholesale funding	104,951	105,354	106,800	107,793
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	35,106	34,886	35,377	36,132
7	Non-operational deposits (all counterparties)	68,258	69,060	70,120	70,487
8	Unsecured debt	1,587	1,408	1,303	1,174
9	Secured wholesale funding				
10	Additional requirements	0	0	0	0
11	Outflows related to derivative exposures and other collateral requirements	84,900	84,785	85,033	85,115
12	Outflows related to loss of funding on debt products	8,642	8,161	7,716	7,158
13	Credit and liquidity facilities	272	325	421	416
14	Other contractual funding obligations	75,985	76,299	76,896	77,541
15	Other contingent funding obligations	4,080	4,412	4,233	4,036
16	**Total cash outflows**	**109,418**	**108,364**	**106,847**	**105,908**
Cash-Inflows					
17	Secured lending (eg reverse repos)	65,868	65,431	66,572	66,964
18	Inflows from fully performing exposures	25,954	25,239	25,056	25,231
19	Other cash inflows	5,740	6,545	6,860	6,724
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**	**97,561**	**97,216**	**98,488**	**98,919**
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**	**91,424**	**90,868**	**91,939**	**92,227**
21	**Liquidity buffer**				
22	**Total net cash outflows**				
23	**Liquidity coverage ratio (%)**				

[1] Based on a necessary recalculation in Q3 2019, the values published before for March 2019 and June 2019 deviate slightly from those published afterwards.

		Total weighted value (average)			
€m[1]		31.3.2019	30.6.2019	30.9.2019	31.12.2019
	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)	85,519	86,066	86,557	85,942
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	8,006	8,279	8,564	8,800
3	Stable deposits	4,049	4,153	4,256	4,381
4	Less stable deposits	3,956	4,125	4,307	4,419
5	Unsecured wholesale funding	52,661	52,756	53,070	53,114
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,745	8,688	8,809	8,995
7	Non-operational deposits (all counterparties)	42,329	42,660	42,958	42,945
8	Unsecured debt	1,587	1,408	1,303	1,174
9	Secured wholesale funding	5,614	5,808	5,807	5,936
10	Additional requirements	23,123	22,612	22,221	21,527
11	Outflows related to derivative exposures and other collateral requirements	7,885	7,442	7,038	6,538
12	Outflows related to loss of funding on debt products	272	325	421	416
13	Credit and liquidity facilities	14,966	14,845	14,763	14,572
14	Other contractual funding obligations	3,026	3,384	3,272	3,054
15	Other contingent funding obligations	680	1,063	2,196	3,286
16	**Total cash outflows**	**93,110**	**93,901**	**95,130**	**95,716**
Cash-inflows					
17	Secured lending (eg reverse repos)	5,551	6,208	6,635	6,528
18	Inflows from fully performing exposures	18,699	18,070	17,775	17,845
19	Other cash inflows	5,528	6,323	6,599	6,489
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**	**29,778**	**30,600**	**31,009**	**30,863**
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**	**29,778**	**30,600**	**31,009**	**30,863**
21	**Liquidity buffer**	**85,519**	**86,066**	**86,557**	**85,942**
22	**Total net cash outflows**	**63,332**	**63,301**	**64,121**	**64,853**
23	**Liquidity coverage ratio (%)**	**135.02 %**	**136.02 %**	**135.20 %**	**132.72 %**

[1] Based on a necessary recalculation in Q3 2019, the values published before for March 2019 and June 2019 deviate slightly from those published afterwards.

The average quarterly LCR values have been consistently high. As at each of the reporting dates, Commerzbank considerably surpassed the required minimum ratio of 100 %. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below:

Highly liquid assets in accordance with EU/2015/61 (average of the last 12 month-end values) €m[1]	**Q1/2019**	**Q2/2019**	**Q3/2019**	**Q4/2019**
Total:	85,519	86,066	86,557	85,942
thereof: Level 1	76,658	76,846	77,440	76,271
thereof: Level 2A	7,805	7,938	7,746	8,269
thereof: Level 2B	1,056	1,283	1,372	1,402

[1] On the basis of a necessary recalculation in Q3 2019, the values published before for March 2019 and June 2019 deviate slightly from those published afterwards.

In December 2019, Commerzbank also reports the LCR in US dollars and Polish zloty, as these are deemed to be significant foreign currencies under the CRR. In addition, the Bank ensures that foreign-exchange risk is monitored as well as limited and managed using an internal model.

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

(66) Average number of staff employed by the Bank during the financial year

These figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group.

	2019			**2018**		
	Total	**male**	**female**	**Total**	**male**	**female**
Group	47,568	22,244	25,324	47,977	22,532	25,445
In Germany	34,173	16,185	17,988	35,550	16,874	18,676
Outside Germany	13,395	6,059	7,336	12,427	5,658	6,769

(67) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. 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 €410m (previous year: €284m) as at 31 December 2019 included primarily loans and advances. Liabilities in the amount of €195m (previous year: €231m) comprised mostly deposits. The income of €27m (previous year: €28m) comprised primarily interest income as well as net gain or loss from trading and remeasurement. The expenses in the amount of €71m (previous year: €1m) were mostly operating expenses. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €85m (previous year: €2m) and received guarantees and collateral totalling €0m (previous year: €81m).

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 €16m (previous year: €5m) as at 31 December 2019 included primarily loans and advances as well as financial assets from equity instruments in the mFVPL category. Liabilities in the amount of €34m (previous year: €31m) comprised mostly deposits. The income of €15m (previous year: €41m) resulted primarily from commission income and interest income. There were no material expenses in the year under review (previous year: €82m). In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €39m (previous year: €41m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 December 2019 in the amount of €27m (previous year: €30m) included primarily securities in the HFT category. Liabilities in the amount of €209m (previous year: €208m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions. The income of €1m (previous year: €1m) resulted primarily from interest income. The expenses of €9m (previous year: €14m) resulted primarily from interest expenses. As in the previous year, no guarantees and collateral were granted in the ordinary banking activities.

Transactions with entities controlled by the German federal government

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 2019 in the amount of €20,535m (previous year: €25,065m) comprised primarily deposits with Deutsche Bundesbank totalling €17,770m (previous year: €20,891m). Of the liabilities related to entities controlled by the German federal government in the amount of €12,260m (previous year: €12,718m), €12,247m were deposits (previous year: €12,624m). As at 31 December 2019, the Bank had granted guarantees and collateral totalling €260m (previous year: €70m) to entities controlled by the German federal government. In the year under review, there were no significant income (previous year: €49m) or expenses (previous year: €114m).

Transactions with persons in key positions

The assets relating to persons in key positions as at 31 December 2019 in the amount of €7m (previous year: €5m) comprised loans and advances. 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 €21m (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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Claims (€1,000)[1]	5,549	3,494	1,468	1,578
Last due date[2]	2043	2051	2042	2042
Range of interest rates used (%)[3]	0,68–2,8	0,68–2,8	1,04–2,28	1,04–4,65

[1] Members of the Board of Managing Directors repaid €424 thousand (previous year: €308 thousand), and members of the Supervisory Board repaid €113 thousand (previous year: €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: 9.5 %) was charged for overdrafts of the Board of Managing Directors and up to 9.4 % (previous year 9.5 %) 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 GAS 17 classifications (see the Remuneration Report). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2). The short-term employee benefits include, for example, standard non-monetary benefits.

€ 1,000	2019	2018
Short-term employee benefits	9,242	7,116
Post-employment benefits (service costs)	3,808	3,402
Other long term benefits[1]	1,090	618
Termination benefits	–	2,888
Share-based remuneration[2]	1,595	342
Total remuneration in accordance with IAS 24.17	**15,735**	**14,366**
less		
Post-employment benefits	3,808	3,402
Termination benefits	–	2,888
Other differences between IFRS and Art. 314 (1) No. 6 letter a sentence 1 HGB[3]	1,894	617
Total remuneration in accordance with Art.§ 314 Abs. 1 Nr. 6 a) S. 1 HGB	**10,033**	**7,459**

[1] Termination benefits in the 2018 financial year relate to Frank Annuscheit, please refer to the section entitled "Termination agreement with Management Board member" in the 2018 remuneration report.
[2] The remuneration system also gives rise to pro-rata recognition of share-based remuneration in respect of future financial years, as set out in the Remuneration Report.
[3] Under the current remuneration system, grant does not take place until the entitlements have arisen, which in 2019 in particular led to a significant reduction in total remuneration under Art. 314 (1) No. 6 (a) sentence 1 of the German Commercial Code, as the latter does not contain the long-term remuneration components.

The net present value of the pension entitlements of the members of the Board of Managing Directors who were active in the financial year was €32,917 thousand as at 31 December 2019 (previous year: €25,224 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 €3,711 thousand as at 31 December 2019 (previous year: €3,733 thousand). Provisions of €14,200 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2019 (previous year: €12,800 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 €7,390 thousand (previous year: €8,993 thousand). The pension obligations for these persons amounted to €111,680 thousand (previous year: €105,232 thousand).

Supervisory Board

Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration of €3,322 thousand for the 2019 financial year (previous year: €3,174 thousand), categorised as short-term employee benefits in accordance with IAS 24.17.

Other details

(68) Date of release for publication

The Board of Managing Directors approved these Group financial statements on 28 February 2020 for submission to the Supervisory Board. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2019 results were released by the Board of Managing Directors on 10 February 2020 for publication.

(69) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act and made it permanently available to shareholders on the internet (www.commerzbank.com). An annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act has also been issued for comdirect bank AG and made permanently available on the internet (www.comdirect.com).

(70) Country-specific reporting

The following information pursuant to Art. 26a of the German Banking Act relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group was 0.16 % as at 31 December 2019. For the statement of business purpose please refer to our ownership interests (Note 74) in the online version of the Annual Report "Commerzbank > Investor Relations" (www.commerzbank.com). Turnover is reported on the basis of the company's separate financial statements in accordance with International Financial Reporting Standards (IFRS) and include income before risk result. The pre-tax profit or loss and taxes on income are also taken from each company's separate financial statements under IFRS. The average number of employees includes both full-time personnel and part-time personnel converted into full-time equivalents.

31.12.2019	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Number of employees
Germany	6,967	1,136	304	30,586
China including Hong Kong and Shanghai	72	– 6	– 1	291
France	43	17	2	90
United Kingdom	488	105	9	934
Luxembourg	188	128	– 28	196
Netherlands	21	– 63	– 15	36
Poland	1,259	441	127	7,454
Russia	31	13	3	144
Singapore	76	– 26	– 2	404
USA	149	44	– 15	348
Others	177	5	6	1,004

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derives from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

31.12.2018	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Number of Employees
Germany	7,380	1,533	137	31,218
China including Hong Kong 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	–	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).

(71) Information on unconsolidated structured entities

The unconsolidated structured entities of the Commerzbank Group comprise the transaction types (clusters) set out below.

- Asset-backed securities (ABSs)
  Asset-backed securities are collateralised securities designed to convert particular assets, usually loans, into interest-bearing tradeable securities through securitisation. The underlying assets may include, for example, consumer loans (auto loans, credit card assets), mortgage loans and high-grade corporate loans. The companies are financed through the issue of various tranches of asset-backed securities. Investors in these securities are subject to the default risk of the underlying asset. Commerzbank only invests in investment grade ABS tranches.
- CFS fund business
  This 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 fund units of individual mutual funds and ETFs to ensure a liquid market. The fund business of Commerz Funds Solutions S.A. was merged with that of Lyxor International Asset Management in November 2019 on the basis of the purchase agreement concluded in November 2018 between Société Générale and Commerzbank. On the reporting date, Commerzbank still held fund units of individual mutual funds and ETFs for the purpose of market making.
- Own securitisations and securitisation platform
  Commerzbank's own securitisations are true-sale and synthetic securitisations used for the purpose of steering the liquidity, capital and risk-weighted assets of the Bank. The companies that acquire the assets are financed through the issue of various tranches of securities that are placed on the capital market. Furthermore, Commerzbank also sponsors a securitisation platform (Silver Tower). With this conduit programme, Commerzbank structures, arranges and securitises the receivables of third parties who are customers of the Corporate Clients segment. The securitisation companies refinance themselves through the issue of asset-backed securities (commercial paper) and liquidity lines. For regulatory reasons, the refinancing of the conduit programme via commercial paper expired in 2019 and was replaced by credit lines or registered bonds of the newly founded Silver Tower S.A. in Luxembourg. 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 property companies
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous special-purpose company is established in which the Commerz Real Group is a majority or minority stake-

holder. As a financial services company, the CommerzReal Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group. The core business of the Commerz Real Group does, however, include administration related to the structured entities.

- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former segment Asset & Capital Recovery (ACR), which was responsible for managing down assets related to the proprietary trading and investment activities that were discontinued in 2009. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate and bank bonds and exotic credit derivatives. The companies are largely financed through the issue of various types of asset-backed securities and bonds. The investors in these securities are therefore subject to the default risk of the underlying or the issuer.
- Other
  These are structured entities that are not included in the above categories. This category mainly includes capital market transactions by Asset Finance (AF) and structured transactions in connection with credit derivatives transactions. AF carries out transactions for customers with limited access to the capital markets and brings them together with alternative providers of capital. The focus in Structured Asset Finance is on structuring and distributing financing and investment solutions for corporate customers and financial institutions. Structured Asset Finance concentrates on the financing of tangible assets and other assets using leasing or structured financing. This also includes the involvement of alternative providers of capital from outside the banking sector. These activities are supplemented with the structuring of investment solutions, and the underwriting and placement of suitable financings for that purpose.

The carrying amounts of the assets and liabilities and income and expenses of the Commerzbank Group relating to unconsolidated structured entities are set out in the tables below: The size of the unconsolidated structured entities and the Commerzbank Group's maximum exposure to loss are also shown.

The maximum exposure to loss for the Commerzbank Group with regard to unconsolidated structured entities results from recognised assets and from lending commitments and guarantees provided to unconsolidated structured entities that had not yet been utilised as at the reporting dates. The maximum risk of loss on assets with regard to unconsolidated structured entities is equivalent to the current carrying values of these items after the risk result. For loan commitments and guarantees we treat the nominal value of the commitment as the maximum risk of loss.

The maximum risk of loss is shown gross, i.e. without regard to collateral or hedging activities serving the purpose of risk mitigation.

€m	ABS	Own securitisations and securitisation platform	CFS fund business	Hedge funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2019	**13,017**	**1,745**	**78**	**12**	**359**	**1,094**	**462**
Financial assets – Amortised cost	7,988	1,745	–	12	358	3	400
Financial assets – Fair value OCI	4,868	–	–	–	–	22	49
Financial assets – Mandatorily fair value P&L	104	–	–	–	0	829	0
Financial assets – Held for trading	57	–	78	–	–	240	12
Other assets	–	–	–	–	–	–	–
Liabilities as at 31.12.2019	**–**	**1,034**	**14**	**0**	**28**	**0**	**26**
Financial liabilities – Amortised cost	–	1,034	–	0	28	–	1
Financial liabilities – Fair value option	–	–	–	–	–	–	–
Other liabilities	–	–	14	–	–	0	25
Income and expenses from 1.1.–31.12.2019							
Net interest income after risk result	223	– 53	– 5	–	18	36	9
Net commission income	–	4	0	–	3	0	0
Net income from financial assets and liabilities at fair value through profit or loss and other net income from financial instruments	– 2	9	– 3	2	– 0	55	– 3
Other net income	0	–	–	–	– 2	12	–
Maximum exposure to loss as at 31.12.2019							
Assets	13,017	1,745	78	12	359	1,094	462
Lending commitments	–	558	–	–	–	–	130
Guarantees	–	16	–	–	0	–	–
Extent[1]	**63,894**	**4,679**	**11,737**	**12**	**2,754**	**1,094**	**195,696**

[1] The size of the structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

€m	ABS	Own securitisa-tions 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 – Fair value OCI	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 – Held for trading	–	–	–	–	–	–	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 net income 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.

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 2019, the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €–34m (previous year: €–16m). The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €1,214m (previous year: €2,871m).

(72) Information on significant non-controlling interests

Significant non-controlling interests in the Private and Small-Business Customers segment were as shown below. They include the subsidiary mBank S.A. and the comdirect bank subgroup.

	mBank S.A., Warsaw, Poland		comdirect bank subgroup, Quickborn,Germany	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Attributable to non-controlling interests				
Capital (%)	31	31	18	18
Voting rights (%)	31	31	18	18
Consolidated profit or loss (€m)	59	67	29	9
Equity (€m)	1,041	960	137	113
Dividend paid on shares (in €m)	–	16	6	6
Assets (€m)[1]	10,756	9,793	5,390	4,773
Liabilities (€m)[1]	9,623	8,749	5,138	4,660
Profit or loss (€m)[1]	82	75	32	9
Other comprehensive income (€m)[1]	9	– 19	1	0
Total comprehensive income (€m)[1]	91	57	32	9
Cash flows (€m)[1]	– 90	101	409	– 24

[1] Before elimination of intragroup-transactions.

(73) Letters of comfort

In respect of the subsidiaries listed below and included in the Group financial statements, we undertake to ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

Name	Registered office
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

(74) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) and IFRS 12.10 and IFRS 12.21 on the Group financial statements. The data on the equity and net profit or loss of the companies is taken from their financial statements under national accounting regulations.

Footnotes, information on business purpose and further comments on the tables below appear at the end of this note.

1. Affiliated companies

a) Affiliated companies included to the Group financial statements

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Asekum Sp. z o.o.	Warsaw, Poland	SOUNT	100.0		PLN	10,592.0	4,896.0	
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	122,133.0	–	a) b)
BDH Development Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	89,141.0	– 882.0	
Bridge Re Limited	Hamilton, Bermuda	SOFDL	100.0		USD	620.0	– 58.0	
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	70,629.0	– 29.0	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0		EUR	16,735.0	5,654.0	
CERI International Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	58,702.0	21,426.0	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	26.0	–	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	KREDI	82.3		EUR	542,661.0	44,530.0	
comdirect Versicherungsmakler AG	Quickborn, Germany	SOUNT	100.0		EUR	33,094.0	6,340.0	2)
Commerz (East Asia) Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	4,346.0	– 75.0	
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 Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	90.0		EUR	15,167.0	752.0	
Commerz Markets LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	213,895.0	12,356.0	
Commerz Real AG	Wiesbaden, Germany	SOFDL	100.0		EUR	408,394.0	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	151.0	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	BETGE	100.0		EUR	21,968.0	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	BETGE	100.0		EUR	5,000.0	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	5,382.0	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	26.0	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	11,031.0	76.0	
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	SOUNT	100.0		EUR	419.0	–	a) b)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	15,979.0	–	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 (Eurasija) AO	Moscow, Russia	KREDI	100.0		RUB	10,063,954.0	1,597,033.0	
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo, Brazil	KREDI	100.0		BRL	232,663.0	– 18,325.0	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	KREDI	100.0		EUR	1,130,465.0	64,463.0	
Commerzbank Finance 3 S.à r.l.	Luxembourg, Luxembourg	SOUNT	100.0		EUR	732.0	– 23.0	
Commerzbank Finance BV	Amsterdam-Zuidoost, Netherlands	SOFDL	100.0		EUR	1,051.0	– 37.0	
Commerzbank Finance Limited	London, United Kingdom	SOFDL	100.0		GBP	374,341.0	29,458.0	
Commerzbank Holdings (UK) Limited	London, United Kingdom	SOFDL	100.0		GBP	16,043.0	637.0	
Commerzbank Holdings France	Paris, France	SOFDL	100.0		EUR	38,925.0	–	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	462,597.0	–	a) b)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	1,534,051.0	–	a) b)
Commerzbank Leasing 6 S.à r.l.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	93.0	5.0	
Commerzbank Leasing December (1) Limited	London, United Kingdom	SOFDL	100.0		GBP	314.0	2.0	
Commerzbank Leasing December (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	266.0	125.0	
Commerzbank Leasing Holdings Limited	London, United Kingdom	SOFDL	100.0		GBP	1,244.0	8.0	
Commerzbank Leasing Limited	London, United Kingdom	SOFDL	100.0		GBP	26.0	535.0	
Commerzbank Leasing March (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	14.0	44.0	
Commerzbank Leasing September (5) Limited	London, United Kingdom	SOFDL	100.0		GBP	27.0	36.0	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	351.0	6.0	
Commerzbank Zrt.	Budapest, Hungary	KREDI	100.0		HUF	28,730,901.0	725,978.0	
CommerzFactoring GmbH	Mainz, Germany	SOFDL	50.1		EUR	1,099.0	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	99.5		EUR	45,990.0	1,887.0	b)
CommerzVentures GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	51,313.0	118.0	b)
ComTS Finance GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550.0	–	a) b)
ComTS Logistics GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,550.0	–	a) b)
ComTS Mitte GmbH	Erfurt, Germany	SOUNT	100.0		EUR	2,714.0	–	a) b)
ComTS Nord GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,492.0	–	a) b)
ComTS Ost GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550.0	–	a) b)
ComTS Rhein-Ruhr GmbH	Duisburg, Germany	SOUNT	100.0		EUR	1,050.0	–	a) b)
ComTS West GmbH	Hamm, Germany	SOUNT	100.0		EUR	1,256.0	–	a) b)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG	Düsseldorf, Germany	SOUNT	0.1	0.3	EUR	– 1,354.0	1,130.0	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	SOUNT	6.0	7.0	EUR	– 833.0	149.0	c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	SOUNT	100.0		EUR	– 3,094.0	1,306.0	c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	SOUNT	100.0		EUR	– 962.0	338.0	

Name	Registered office	Business purpose	Share of capital held	Voting rights (where different)	Currency	Equity*	Net profit or loss*	
			%	%		1,000	1,000	
Dresdner Capital LLC I	Wilmington, Delaware, USA	SOFDL	100.0		USD	1,868.0	41.0	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	SOFDL	100.0		JPY	17,934.0	– 2,772.0	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	18,692.0	2,899.0	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	SOFDL	100.0		EUR	32,109.0	–	a) b)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	25.0	–	a) b)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	26.0	–	a) b)
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	439.0	– 2.0	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	SOFDL	99.0	–	PLN	220,405.0	– 6,923.0	
Garbary Sp. z o.o.	Poznan, Poland	SOUNT	100.0		PLN	6,625.0	18,453.0	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	15,382.0	– 1.0	
Gresham Leasing March (2) Limited	London, United Kingdom	SOFDL	100.0		GBP	– 406.0	406.0	
KENSTONE GmbH	Eschborn, Germany	SOUNT	100.0		EUR	442.0	–	a)
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	22,469.0	3,926.0	b)
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2		EUR	37,879.0	4,818.0	b)
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	21,466.0	3,353.0	b)
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2		EUR	31,625.0	3,670.0	b)
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	73.9		EUR	48,153.0	4,834.0	b)
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	35,981.0	3,938.0	b)
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	22,133.0	3,691.0	b)
Leaselink Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	7,449.0	– 471.0	
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	10,544.0	1,048.0	a) b)
mBank Hipoteczny S.A.	Warsaw, Poland	KREDI	100.0		PLN	1,044,710.0	41,237.0	
mBank S.A.	Warsaw, Poland	KREDI	69.3		PLN	13,786,963.0	1,388,080.0	
mFaktoring S.A.	Warsaw, Poland	SOFDL	100.0		PLN	84,475.0	16,609.0	
mFinance France S.A.	Paris, France	SOFDL	100.0		EUR	239.0	– 232.0	
mFinanse S.A.	Lódz, Poland	SOUNT	100.0		PLN	154,710.0	295,110.0	
mLeasing Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	373,145.0	42,842.0	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	75.0		EUR	8,870.0	358.0	c)
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	SOFDL	100.0		EUR	32,124.0	53,745.0	b)
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	11,176.0	–	a)

Name	Registered office	Business purpose	Share of capital held	Voting rights (where different)	Currency	Equity*	Net profit or loss*	
			%	%		1,000	1,000	
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	SOUNT	85.0	93.0	EUR	8,933.0	6,508.0	c)
onvista media GmbH	Cologne, Germany	SOUNT	100.0		EUR	1,829.0	– 122.0	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	SOFDL	100.0		EUR	934.0	– 19.0	
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	– 17,380.0	– 52,289.0	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	22,778.0	–	a) b)
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	SOFDL	100.0		EUR	– 32,007.0	– 4,726.0	

b) Affiliated companies not included in the Group financial statement due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %	
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
10. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
11. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
12. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
13. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG i.L.	Düsseldorf, Germany	81.4		
2. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Balingen KG	Düsseldorf, Germany	75.8	75.9	
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Heilbronn KG	Düsseldorf, Germany	78.1	78.3	
3. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
4. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
5. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
6. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
7. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
8. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
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		
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABORONUM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	–	85.0	
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	100.0		
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACILIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACONITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Actium Leasobjekt Gesellschaft mbH	Wiesbaden, Germany	100.0		a)
ACTOSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG	Düsseldorf, Germany	100.0		
ADELIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADENARA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
ADMEO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADRUGA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADURAMA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AFORTUNA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGARBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGASILA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGUSTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AHOIH Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AJOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AKERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALACRITAS Verwaltungs- und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBELLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBOLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALDINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALDULA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALEMONA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALFUTURA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALICANTE NOVA Shipping Limited	Monrovia, Liberia	100.0		
ALISETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALIVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALLATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	94.0		
ALLORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
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		
ALWIGA Netzbeteiligungen GmbH	Düsseldorf, Germany	100.0		a)
AMALIA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMATA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMOJA Netzbesitz GmbH	Düsseldorf, Germany	100.0		
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
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	82.6	100.0	
ANET Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Antellux S.à r.l.	Luxembourg, Luxembourg	100.0		
APTEMUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARAUNA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AREBA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARIBELLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
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)
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVANTLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Avantlux S.à r.l.	Luxembourg, Luxembourg	100.0		
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Avestlux S.à r.l.	Luxembourg, Luxembourg	100.0		
AVIO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AVOLO Flugzeugleasinggesellschaft mbH	Karlsruhe, Germany	100.0		
AWINTO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
BENE Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		c)
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Grünwald, Germany	100.0	19.0	1)
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0		
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0		
BONITAS Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG	Düsseldorf, Germany	100.0		c)
Bot4Business Sp. z o.o.	Warsaw, Poland			c)
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main, Germany	100.0		
Centrum Bezpieczenstwa Cyfrowego S.A.	Warsaw, Poland			c)
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	100.0		a)
CG Japan GmbH	Wiesbaden, Germany	100.0		
CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH	Wiesbaden, Germany	100.0		
CGI Victoria Square Limited	London, United Kingdom	100.0		
CGI Victoria Square Nominees Limited	London, United Kingdom	100.0		
CIMONUSA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten, Germany	100.0		a)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0		
Commerz Building and Management GmbH	Essen, Germany	100.0		a)
Commerz Equipment Leasing Limited	London, United Kingdom	100.0		
Commerz GOA Realty Associates LLC	New York, USA	100.0		c)
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0		
Commerz Nederland N.V.	Amsterdam, Netherlands	100.0		
Commerz Nominees Limited	London, United Kingdom	100.0		
Commerz Real Asia Pacific Limited	Hong Kong, Hong Kong	100.0		
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		a)
Commerz Real Baumanagement GmbH	Düsseldorf, Germany	100.0		a)
Commerz Real Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
Commerz Real Digitale Vertriebs- und Service GmbH	Wiesbaden, Germany	100.0		a)
Commerz Real Finanzierungsleasing GmbH i.L.	Düsseldorf, Germany	100.0		a)
Commerz Real France & South EURL	Paris, France	100.0		
Commerz Real Fund Management S.à r.l.	Luxembourg, Luxembourg	100.0		
Commerz Real Institutional European Hotel Fund SCA SICAV-RAIF	Luxembourg, Luxembourg	100.0		
Commerz Real Institutional Infrastructure Multi-Asset Fund II SCA SICAV-RAIF	Luxembourg, Luxembourg	100.0		
Commerz Real Institutional Renewable Energies Fund II SCA SICAV-RAIF	Luxembourg, Luxembourg	100.0		
Commerz Real Institutional Warsaw Invest S.à r.l.	Luxembourg, Luxembourg	100.0		
Commerz Real North Ltd.	London, United Kingdom	100.0		
Commerz Real Southern Europe GmbH i.L.	Wiesbaden, Germany	100.0		3)
Commerz Real West BV	Amsterdam, Netherlands	100.0		
Commerz Real Western Europe GmbH i.L.	Wiesbaden, Germany	100.0		
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	100.0		
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0		
Commerzbank Auslandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0		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		
CommerzKommunalbau GmbH i.L.	Düsseldorf, Germany	100.0		
CommerzLeasing Anlagen-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
CommerzLeasing GmbH	Düsseldorf, Germany	100.0		
CommerzStiftungsTreuhand GmbH	Frankfurt/Main, Germany	100.0		
CommerzTrust GmbH	Frankfurt/Main, Germany	100.0		
CommerzVentures Beteiligungsverwaltungs GmbH	Frankfurt/Main, Germany	100.0		
CommerzVentures II Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.2		
COMUNITHY Immobilien GmbH i.L.	Düsseldorf, Germany	51.0		4)
Copernicus Germany GmbH	Frankfurt/Main, Germany	100.0		a)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
CR KaiserKarree Holding	Luxembourg, Luxembourg	100.0		
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden, Germany	100.0		
CRI Wohnen GmbH	Wiesbaden, Germany	100.0		[5]
CSK Sp. z o.o. in liquidation	Lódz, Poland	100.0		[6]
CyberRescue Sp. z o.o.	Warsaw, Poland			[c]
DAUNUS Vermietungsgesellschaft mbH	Grünwald, Germany			[a] [c]
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0		
Digital Teammates S.A.	Warsaw, Poland			[c]
Dr. Gubelt Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt 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		
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG	Grünwald, Germany	100.0	92.0	[c]
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
DRELOBA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
DRESANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
Dresdner Kleinwort Derivative Investments Limited	London, United Kingdom	100.0		
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0		
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0		
DRETERUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		[c]
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0		
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		[a]
EuREAM GmbH	Wiesbaden, Germany	100.0		
EVIDENTIA Immobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Fernwärmenetz Leipzig GmbH	Leipzig, Germany	100.0		
FLOR Vermietungsgesellschaft mbH	Grünwald, Germany			[a] [c]
FORNAX Kraftwerk-Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
Galbraith Investments Limited	London, United Kingdom	100.0		
General Leasing (No.16) Limited	London, United Kingdom	100.0		
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3		
GIE Dresdner Kleinwort France	Paris, France	100.0		
GRABINO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRADARA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
GRAFINO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRAFINO Vermietungsgesellschaft mbH & Co. Objekt Sendlinger Alm KG	Grünwald, Germany	100.0		[c]
GRALANA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
GRALIDA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karee KG	Grünwald, Germany	100.0		
GRALIDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRAMINA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
GRAMOLDISCUS Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		[c]

Name	Registered office	Share of capital held %	Voting rights (where different) %	
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.	Grünwald, Germany	100.0		c)
GRASSANO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRAVIATION Flugzeug-Vermietungsgesellschaft mbH i.L.	Grünwald, Germany	100.0		c)
GRECORA Aviation GmbH	Grünwald, Germany	100.0		c)
GRECORA Aviation GmbH & Co. geschlossene Investment KG	Grünwald, Germany	100.0		
Greene Elm Trading IX LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading VIII LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading X LLC	Wilmington, Delaware, USA	100.0		
GRENADO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRENDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRESELA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
Gresham Leasing March (1) Limited	London, United Kingdom	100.0		
Gresham Leasing March (3) Limited	London, United Kingdom	100.0		
GRETANA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRILISA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRINA Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		
GRONDOLA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover EXPOPark KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover Hauptbetrieb KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG	Grünwald, Germany	100.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Grünwald, Germany	100.0		c)
GROTEGA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRUMENTO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRUMOSA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
GRUNATA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
HAJOBANTA GmbH	Düsseldorf, Germany	100.0		
HAJOBURGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOGA-US Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOLENA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOLINDA Beteiligungsgesellschaft GmbH	Düsseldorf, Germany	100.0		
HAJOLUCA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOMINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJORALDIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOSINTA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOSOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
HAJOTARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0		
HDW Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Herradura Ltd	London, United Kingdom	100.0		
HIMUS Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Histel Beteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prague, Czech Republic	100.0		
IMMOFIDUCIA Sp. z o.o.	Warsaw, Poland	100.0		
IWP International West Pictures GmbH & Co. Erste Produktions KG i.L.	Cologne, Germany	95.1		
IWP International West Pictures Verwaltungs GmbH	Cologne, Germany	100.0		
Japanturm Betriebsgesellschaft mbH i.L.	Wiesbaden, Germany	100.0		
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Erfurt, Germany	100.0		c)
Lixa Office Building Kasprzaka 2 Warsaw Spòlka z ograniczona odpowiedzialnoscia	Warsaw, Poland	100.0		
LOUISENA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Berlin, Germany	100.0		c)
MARBARDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MARBINO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MARBREVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf, Germany	100.0		c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf, Germany	100.0		c)
MARIUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MARLINTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MAROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
Marseille Shipping Limited	Monrovia, Liberia	100.0		
Marylebone Commercial Finance (2)	London, United Kingdom	100.0		
Max Lease S.à r.l.	Luxembourg, Luxembourg	100.0		
mBOX Sp. z o.o.	Warsaw, Poland	100.0		
mElements S.A.	Warsaw, Poland	100.0		
mInvestment Banking S.A.	Warsaw, Poland	100.0		7)
MOLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLANCONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLANDA Vermietungsgesellschaft mbH	Munich, Germany	100.0		c)
MOLANGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLANKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLANZIO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARELLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLAREZZO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG i.L.	Düsseldorf, Germany	100.0		c)
MOLARIS Geschäftsführungs GmbH	Düsseldorf, Germany	100.0		c)
MOLARIS Grundstücksverwaltung GmbH	Düsseldorf, Germany	100.0		c)
MOLARIS Immobilienverwaltung GmbH	Düsseldorf, Germany	100.0		c)
MOLARIS Managementgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARIS Objektverwaltung GmbH	Düsseldorf, Germany	100.0		c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLARISA Vermögensverwaltung mbH	Düsseldorf, Germany	100.0		c)
MOLARISSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG	Düsseldorf, Germany	1.0	87.0	c)
MOLARONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLAROSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLASSA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLATHINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBAKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBAMBA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBERNO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
MOLBOLLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBRIENZA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLBURGA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLCAMPO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLCENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLCOCO Vermietungsgesellschaft mbH	Dusseldorf, Germany	100.0		c)
MOLCORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLDARA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Lünen KG	Düsseldorf, Germany	100.0		c)
MOLDICMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLDOMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLDORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLEMPA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLENDRA Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		c)
MOLETUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLFENNA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLFINO Vermietungsgesellschaft mbH i.L.	Berlin, Germany	100.0		c)
MOLFOKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLFRIEDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLFUNDA Vermietungsgesellschaft mbH	Berlin, Germany	100.0		c)
MOLGABA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLGEDI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLGEKA Vermietungsgesellschaft mbH	Meerbusch, Germany	100.0		c)
MOLGERBA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLGERO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLHABIS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLIGELA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLIGO Vermietungsgesellschaft mbH	Rostock, Germany	100.0		c)
MOLISTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLITA Vermietungsgesellschaft mbH	Hannover, Germany	100.0		c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG	Düsseldorf, Germany	100.0		c)
MOLKIRA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLKRIMA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLMARTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLMELFI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLMIRA Vermietungsgesellschft mbH	Düsseldorf, Germany	100.0		c)
MOLNERA Vermietungsgesellschaft mbH	Berlin, Germany	100.0		c)
MOLOTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPETTO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPIKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLPURA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRANO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRAWIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLRESTIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLRISTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRITA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLRONDA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLROSSI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSCHORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSIWA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSOLA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
MOLSTEFFA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSTINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTANDO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTARA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTERAMO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTIVOLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLTUNIS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLUGA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLVANI Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLVERA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLVINA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLVINCA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLVORRA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLWALLA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG	Düsseldorf, Germany	1.0	87.0	c)
MOLWANKUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLWORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG	Düsseldorf, Germany	1.0	87.0	c)
MONATA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
MONEA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MORANO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MS "PUCCINI" Verwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
mServices Sp. z o.o.	Lódz, Poland	100.0		
NACOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFARI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFIRINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASIRO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUCULA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAULUMO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURANTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURATA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUSOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTARO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTESSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTLUS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG i.L.	Hamburg, Germany	93.6	93.7	
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGA Schiffsbeteiligung GmbH	Hamburg, Germany	100.0		
NAVIGATO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVILO Vermietungsgesellschaft mbH	Hamburg, Germany	100.0		
NAVINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIRENA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIROSSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITONI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITOSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITURA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	100.0		c)
NEPTANA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTILA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTORA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUNO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NERVUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NESTOR Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NEUGELB STUDIOS GmbH	Berlin, Germany	100.0		a)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
NOLICA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG	Düsseldorf, Germany	–	85.0	c)
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	100.0		
NOTITIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NOVITAS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Number X Real Estate GmbH i.L.	Eschborn, Germany	100.0		
NURUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
Octopus Investment Sp. z o.o.	Warsaw, Poland	100.0		
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Haar KG	Düsseldorf, Germany	100.0		c)
openspace GmbH	Berlin, Germany	100.0		
OPTIO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
OPTIONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
OSKAR Medienbeteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
PALERMO Shipping Limited	Monrovia, Liberia	100.0		
PAREO Kraftwerk-Beteiligungsgesellschaft mbH	Leipzig, Germany	100.0		
PATELLA Vermietungsgesellschaft mbH	Berlin, Germany	100.0		
PATULA Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.0		
Pisces Nominees Limited	London, United Kingdom	100.0		
Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
PRUNA Betreiber GmbH	Grünwald, Germany	51.0		
quatron Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RALTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAMONIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RANA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAPIDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAVENNA Kraków Sp. z o.o.	Warsaw, Poland	100.0		
RAYMO Vierte Portfolio GmbH	Frankfurt/Main, Germany	100.0		
RECURSA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RIVALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Rood Nominees Limited	London, United Kingdom	100.0		
ROSARIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt ISF Sindlingen KG	Düsseldorf, Germany	–	85.0	
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte TANK & RAST KG	Düsseldorf, Germany	–	85.0	
ROSINTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SENATORSKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SILVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Smart Living Immobiliengesellschaft mbH	Düsseldorf, Germany	100.0		
Smart Living Verwatlungsgesellschaft mbH i.Gr.	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
SOLTRX Transaction Services GmbH	Düsseldorf, Germany	100.0		a)
TALORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TAMOLDINA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
TASKABANA erste Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany	100.0		
TIGNARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG	Düsseldorf, Germany	100.0		
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Kleve KG	Düsseldorf, Germany	100.0		
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 Verwaltungs GmbH	Wiesbaden, Germany	100.0		
Unitop Sp. z o.o.	Lódz, Poland	100.0		
Urban Invest Holding GmbH i.L.	Eschborn, Germany	100.0		
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0		
Watling Leasing March (1)	London, United Kingdom	100.0		
WebTek Software Private Limited	Bangalore, India	100.0		
Windpark Duben Süd Verwaltungs GmbH	Grünwald, Germany	100.0		
Windpark Fläming 1 Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Karche 2 Verwaltungs GmbH	Grünwald, Germany	100.0		
Windpark Klosterkumbd Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Ottweiler-Bexbach Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Parchim Fünf Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		10)
Windpark Rayerschied Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Schenkendöbern Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Schöneseiffen Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Sien Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Spechenwald Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Wustermark Eins Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windsor Asset Management GP Ltd.	Toronto, Ontario, Canada	100.0		
Windsor Canada Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		

2. Associated companies

a) Associated companies in the Group financial statements accounted for using the equity method

Name	Registered office	Share of 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	12,040	
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0		EUR	87,169	2,093	
CR Hotel Target Pty Ltd	Sydney NSW, Australien	50.0		AUD	21,522	– 1,195	
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0		USD	64,164	9,605	
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 minorsignificance

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	–	
EVA Société par Actions Simplifiée	Paris, France	50.0	–	
Film & Entertainment VIP MEDIENFONDS 3 GmbH & Co. KG i.L.	Grünwald, Germany	44.7	–	
FRAST Beteiligungsgesellschaft mbH	Grünwald, Germany	50.0	–	
FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG	Grünwald, Germany	100.0	25.0	c)
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v. d. Höhe, Germany	24.8	28.8	
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8	20.9	
Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG	Düsseldorf, Germany	3.5	25.0	
Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Plauen-Park KG	Düsseldorf, Germany	21.4	–	
MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L.	Düsseldorf, Germany	5.0	50.0	
MS "Meta" Stefan Patjens GmbH & Co. KG i. L.	Drochtersen, Germany	30.6	–	
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen i.L.	Düsseldorf, Germany	–	50.0	8)
NOSSIA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Pöcking, Germany	2.5	25.0	
Pinova GmbH & Co. Erste Beteiligungs KG	Munich, Germany	40.0	–	
Projekt CH Lodz Sp. z o.o.	Warsaw, Poland	97.0	–	
ROSCAs UG (haftungsbeschränkt)	Frankfurt/Main, Germany	25.0	–	
ShareYourSpace GmbH	Düsseldorf, Germany	25.1	–	9)
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	553,563	– 553,999
FV Holding S.A.	Brussels, Belgium	60.0	–	EUR	1,188	– 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	
NULUX NUKEM LUXEMBURG GmbH	Luxembourg, Luxembourg	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	42.0
Bosphorus Capital DAC	Dublin, Ireland	FK	–	–	EUR	75.0
Bosphorus Investments DAC	Dublin, Ireland	FK	–	–	EUR	13.0
Justine Capital SRL	Milan, Italy	FK	–	–	EUR	– 4,351.0
Plymouth Capital Limited	St. Helier, Jersey	FK	–	–	GBP	–

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
MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG i.L.	Grünwald, Germany	SuK

5. Investment funds

a) Investment funds included in the Group financial 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	144,351
CDBS-Cofonds II	Frankfurt/Main, Germany	PUK	100.0	EUR	96,678
CDBS-Cofonds III	Frankfurt/Main, Germany	PUK	100.0	EUR	133,728
CDBS-Cofonds IV	Frankfurt/Main, Germany	PUK	100.0	EUR	134,116
CDBS-Cofonds V	Frankfurt/Main, Germany	PUK	100.0	EUR	112,016
Olympic Investment Fund II	Grevenmacher, Luxembourg	FK	97.8	EUR	2,468,933
Premium Management Immobilien-Anlagen	Frankfurt/Main, Germany	PUK	98.4	EUR	40,809
VFM Mutual Fund AG & Co. KG	Gamprin-Bendern, Liechtenstein	FK	61.0	CHF	239,172

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 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 %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	
SCHUFA Holding AG	Wiesbaden, Germany	18.6	

Footnotes	
1)	Renamed: from BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG to BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.
2)	Renamed: from OnVista Aktiengesellschaft to comdirect Versicherungsmakler AG
3)	Renamed: from Commerz Real Southern Europre GmbH to Commerz Real Southern Europe GmbH i.L.
4)	Renamed: from COMUNITY Immobilien GmbH to COMUNITY Immobilien GmbH i.L.
5)	Renamed: from T-Rex Baugesellschaft mbH to CRI Wohnen GmbH
6)	Renamed: from CSK Sp. z o.o. to CSK Sp. z o.o. in liquidation
7)	Renamed: from mCorporate Finance S.A. to mInvenstment Banking S.A.
8)	Renamed: from NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen to NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen i.L.
9)	Renamed: from ADORA Vermietungsgesellschaft mbH to ShareYourSpace GmbH
10)	Renamed: from Windpark Streu & Saale Verwaltungsgesellschaft mbH to Winpark Parchim Fünf Verwaltungsgesellschaft 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	Capital-investment and fund-management 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 December2019		
Australia	AUD	1.5995
Brazil	BRL	4.5157
United Kingdom	GBP	0.8508
Poland	PLN	4.2568
Russia	RUB	69.9563
Switzerland	CHF	1.0854
Hungary	HUF	330.5300
USA	USD	1.1234

Report on events after the reporting period

In January 2020 Commerzbank Aktiengesellschaft acquired an equity stake in comdirect bank Aktiengesellschaft ("comdirect") from institutional investor Petrus Advisers Ltd. through its subsidiary Commerzbank Inlandsbanken Holding GmbH. It was agreed, that the purchase price would not be disclosed.

Once the transaction has been completed, Commerzbank will hold more than 90 % of the shares of comdirect. This means that Commerzbank has reached the required investment threshold for the merger of comdirect into Commerzbank by means of a squeeze-out under merger law. In the course of the contemplated squeeze-out, comdirect shareholders will receive a cash compensation for their shares.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. Stefan Schmittmann
Chairman

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
Banking professional
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstandsbank Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former Member of the Management
Board of BP Europa SE

Monika Fink[1]
Banking professional
Commerzbank Aktiengesellschaft

Dr. Tobias Guldimann
Independent consultant in the financial
sector

Dr. Rainer Hillebrand
Former Deputy Chairman of the
Management Board of Otto Group

Christian Höhn[1]
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
Divisional Head Co-determination
ver.di Trade Union National
Administration

Dr. Markus Kerber
State Secretary in the Federal Ministry of
the Interior, Building and Community

Alexandra Krieger[1]
Head Business Administration/
Corporate Strategy
Industrial Union Mining, Chemical, Energy

Anja Mikus
CEO/CIO of the "Fund for the Financing of
Nuclear Waste Disposal",
public endowment

Dr. Victoria Ossadnik
Chief Executive Officer
E.ON Energie Germany GmbH

Robin J. Stalker
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 Trade Union National
Administration

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Frank Annuscheit
(until 28.2.2019)

Roland Boekhout
(from 1.1.2020)

Dr. Marcus Chromik

Stephan Engels
(until 31.3.2020)

Jörg Hessenmüller
(from 15.1.2019)

Michael Mandel

Dr. Bettina Orlopp

Michael Reuther
(until 31.12.2019)

Sabine Schmittroth
(from 1.1.2020)

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt/Main, 28 February 2020
The Board of Managing Directors

Martin Zielke
Roland Boekhout
Marcus Chromik

Stephan Engels
Jörg Hessenmüller
Michael Mandel

Bettina Orlopp
Sabine Schmittroth

"Translation from the German language of Independent Auditor's Report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, and its subsidiaries (the Group), which comprise the statement of comprehensive income for the financial year from 1 January to 31 December 2019, and the balance sheet as at 31 December 2019, statement of changes in equity and cash flow statement for the financial year from 1 January to 31 December 2019, 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 2019. In accordance with the German legal requirements, we have not audited the content of the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report or the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section or the declaration on corporate governance pursuant to Sec. 315d HGB ["Handelsgesetzbuch": German Commercial Code] in conjunction with Sec. 289f HGB.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report or the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section or the declaration on corporate governance pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to

31 December 2019. 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. Goodwill impairment

Reasons why the matter was determined to be a key audit matter

The consolidated financial statements of Commerzbank AG report goodwill for the cash-generating unit Private and Small-Business Customers.

The cornerstones of the "Commerzbank 5.0" strategy published in September 2019 imply significant changes in the cash-generating unit Private and Small-Business Customers. These cornerstones were elaborated in the multi-year plan adopted by the Board of Managing Directors in November 2019. The impairment test is performed on the basis of the multi-year plan.

The valuation parameters used and expectations of future business development are subject to judgement and have a significant influence on the value of goodwill. Given the judgement involved, goodwill impairment was a key audit matter.

Auditor's response

During our audit procedures, we walked through the process for preparing the multi-year plan in the Group and for the cash-generating unit Private and Small-Business Customers and assessed its compliance with internal requirements. Furthermore, we analysed the significant assumptions and value drivers with a special focus on the planned strategic activities and with regard to significant changes in the planning assumptions compared with the previous year. We assessed the consistency and verifiability of the significant assumptions used in the multi-year plan and also compared them with external market expectations.

In analysing the expected future cash flows of the cash-generating unit Private and Small-Business Customers, we compared the business plan with the previous financial year's plan and with the actual results achieved and analysed deviations. Furthermore, we examined the extent to which the assumptions on the economic development in the detailed planning period and for the perpetual annuity are within a range of externally available forecasts. We examined the valuation parameters used for the estimate of the recoverable amount, such as estimated growth rates, cost of capital rates and tax rates, in comparison to externally available parameters.

To audit the impairment of goodwill, we consulted internal specialists who have particular expertise in the area of business valuation.

Our procedures did not lead to any reservations relating to the impairment of goodwill.

Reference to related disclosures

Information on goodwill is provided in Note 45 of the notes to the consolidated financial statements.

2. Measurement of deferred tax assets

Reasons why the matter was determined to be a key audit matter

The measurement of deferred tax assets is subject to judgement and requires the consideration of objective factors and, in particular, estimates regarding the future tax income situation and the usability of tax losses.

The IFRS forecasts from the Group's multi-year plan form the basis for the assessment of deferred tax assets. Estimates and assumptions regarding the future business development of the Group including the strategic activities from "Commerzbank 5.0" are factored into this plan.

The parameters used in the multi-year plan are subject to judgement and have a significant influence on the measurement of deferred tax assets. In this context, the valuation of deferred tax assets was a key audit matter.

Auditor's response

Based on the Group's multi-year plan, we identified the tax groups that have significant levels of deferred tax assets before impairment losses and netting with deferred tax liabilities. For these group entities, we compared the significant assumptions of the business plan with the previous financial year's plan and with the actual results achieved in the financial year and analysed deviations. We also assessed the consistency and verifiability of the significant assumptions used in the multi-year plan and also compared them with external market expectations. Furthermore, we examined whether the assumptions on the economic development over the planning period are within a range of externally available forecasts. We consulted internal specialists who have particular expertise in the area of business valuation for this purpose.

We assessed the reconciliation of the IFRS forecasts to the tax forecasts in terms of the compatibility of the method used to determine deferred taxes with IAS 12 and the arithmetical accuracy of the calculation of deferred tax assets. We consulted internal specialists who have particular expertise in the area of tax for this purpose.

Our procedures did not lead to any reservations relating to the measurement of deferred tax assets.

Reference to related disclosures

Information on the measurement of deferred tax assets is provided in Notes 22 and 52 of the notes to the consolidated financial statements.

3. Valuation of the corporate customers – automotive credit portfolio

Reasons why the matter was determined to be a key audit matter

Valuation of the credit portfolios and the resulting estimate of any necessary specific loan loss provisions constitutes a significant area of management judgement. The identification of impaired loans and estimation of the recoverable net proceeds involve uncertainty and are based on various assumptions subject to judgement. Minimal changes in the assumptions can lead to great variation in values.

The corporate customers – automotive credit portfolio represents a considerable portion of the entire lending volume of Commerzbank. Market conditions are persistently adverse in some areas of the automotive industry. In this context, the valuation of the corporate customers – automotive credit portfolio was a key audit matter.

Auditor's response

We assessed the design and operating effectiveness of the internal control system with regard to the key accounting-related lending processes. In doing so, we focused on the processes for calculating impairments, including the inputs used.

We also performed substantive procedures, assessing specific loan loss provisions in terms of their necessity and adequacy based on a sample of loan exposures. We selected our sample using a risk-based approach, notably using criteria such as the management of loans on watch lists for potential and acute default risks, rating class, the level of exposure and specific loan loss provisions recognised.

For the defaulted exposures in the sample, we assessed the significant assumptions used to determine the expected credit loss during the impairment process with regard to the relevant requirements of IFRS 9. This included analysing the estimates of the expected future cash flows from customers, including the cash flows from the realisation of collateral, and estimates of the recoverability of defaults on payments.

Our audit procedures did not lead to any reservations relating to the valuation of the corporate customers – automotive credit portfolio.

Reference to related disclosures

The Institution's disclosures on the valuation of the credit portfolio (including the corporate customers – automotive credit portfolio) are included in Note 32 of the notes to the financial statements and in the "Default risk" section of the management report accompanying the consolidated financial statements.

Other information

The Supervisory Board is responsible for its annual report. In all other respects, the executive directors are responsible for the other information. The other information comprises the combined separate non-financial report included in the "Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB)" section of the group management report, the corporate governance report included in the "Details pursuant to Art. 315d of the German Commercial Code (HGB)" section and the declaration on corporate governance pursuant to Sec. 315d HGB in conjunction with Sec. 289f HGB. In addition, the other information comprises other parts of the annual report of which we received a version before issuing this auditor's report, in particular the "U2–U4" section consisting of "Key figures", "Significant subsidiaries and Commerzbank worldwide" and "Financial calendar, contact addresses" as well as the "To our Shareholders" section consisting of "Letter from the Chairman of the Board of Managing Directors", "The Board of Managing Directors", "Committees and the Supervisory Board" and "Our share". It also comprises the "Further Information" section consisting of "Seats on other boards", "Information on the encumbrance of assets", "Quarterly results by segment" and "Five-year overview" as well as the "Responsibility statement by the Board of Managing Directors" section.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 22 May 2019. We were engaged by the Supervisory Board on 12 June 2019. 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, 2 March 2020
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.

Mandates on supervisory boards and other regulatory bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Martin Zielke

b) CommerzVentures GmbH[1]
(until 31 December 2019)

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)

Roland Boekhout
(since 1 January 2020)

b) CommerzVentures GmbH[1]
(since 1 January 2020)

Dr. Marcus Chromik

b) mBank S.A.[1]

Stephan Engels
(until 31 March 2020)

b) CommerzVentures GmbH[1]
Deputy Chairman
(until 31 December 2019)

EIS Einlagensicherungsbank GmbH
Chairman
(until 31 December 2019)

mBank S.A.[1]
Deputy Chairman
(until 31 December 2019)

Jörg Hessenmüller
(since 15 January 2019)

b) Commerz Services Holding GmbH[1]
Chairman
(until 30 April 2019)

Commerz Services Holding GmbH[1]
Chairman
(since 1 February 2019)

CommerzVentures GmbH[1]
Chairman

EUREX Deutschland AöR
(from 23 January 2020)

Frankfurter Wertpapierbörse AöR
(from 23 January 2020)

Main Incubator GmbH[1]
Chairman

mBank S.A.[1]

openspace GmbH[1]
Deputy Chairman
(until 30 April 2019)

Michael Mandel

a) comdirect bank Aktiengesellschaft[1]

Commerz Real AG[1]
Deputy Chairman

b) Commerz Real Investment-gesellschaft mbH[1]
Deputy Chairman

CommerzVentures GmbH[1]

mBank S.A.[1]

Dr. Bettina Orlopp

a) Commerz Real AG[1]

b) CommerzVentures GmbH[1]
Deputy Chairman
(since 1 January 2020)

EIS Einlagensicherungsbank GmbH
Chairman
(since 1 January 2020)

Michael Reuther
(until 31 December 2019)

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungs-gesellschaft mit beschränkter Haftung

Sabine Schmittroth
(since 1 January 2020)

a) comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]

Commerz Real AG[1]

b) Commerz Real Investmentgesellschaft mbH[1]

[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

a) Commerz Real AG, Wiesbaden[1]
Chairman

b) Commerz Real Investmentgesellschaft mbH, Wiesbaden[1]
Chairman

HETA ASSET RESOLUTION AG, Klagenfurt (Austria)
Deputy Chairman

Uwe Tschäge

– –

Heike Anscheit

– –

Alexander Boursanoff

– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin

BVV Versicherungsverein des Bankgewerbes a.G., Berlin

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin

Stefan Burghardt

– –

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen (since 24 May 2019)

Monika Fink

– –

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

b) Vorwerk & Co. KG Wuppertal

Otto Group (Otto GmbH & Co. KG), Hamburg (since 1 June 2019)

Christian Höhn

– –

Kerstin Jerchel

a) Allianz Deutschland AG, Munich

Dr. Markus Kerber

– –

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Resource Efficiency GmbH, Essen
Deputy Chairman

Anja Mikus

– –

Dr. Victoria Ossadnik

a) Linde AG, Munich (until 8 August 2019)

Linde Intermediate Holding AG, Munich (until 8 August 2019)

Innogy SE, Essen (since 5 October 2019)

b) Linde plc, Guildford (UK)

Robin J. Stalker

a) Schaeffler AG, Herzogenaurach
Schmitz Cargobull AG, Horstmar
Deputy Chairman

Nicholas Teller

– –

Dr. Gertrude Tumpel-Gugerell

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)

AT & S AG, Leoben (Austria), (since 4 July 2019)

Stefan Wittmann

– –

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a (4) no. 1 of the German Commercial Code (HGB)
as at reporting date: 31 December 2019

Ulrich Coenen
Commerz Direktservice GmbH[1]
Chairman

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

Nürnberg Messe GmbH

VAG Verkehrs-Aktiengesellschaft

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

Andreas Schimmele
Commerz Direktservice GmbH[1]

Roman Schmidt
Commerz Real AG[1]

Carsten Schmitt
Commerz Real AG[1]

Sabine Schmittroth
(until 31 December 2019)
comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]

Commerz Real AG[1]

Benedikt Winzen
Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

[1] Group mandate.

Translation from the German language of Independent Auditor's Limited Assurance Report

To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the non-financial report of Commerzbank AG according to §§ 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 section "Structure and organisation" in the Management Report and in the Group Management Report being incorporated by reference, for the reporting period from 1 January 2019 to 31 December 2019 (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 2019 and February 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of relevant documentation regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Commerzbank AG and of Commerzbank Group for the topics that have been identified as material,

- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validation of 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 on company level and on group level,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Commerzbank AG for the period from 1 January 2019 to 31 December 2019 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.

Eschborn/Frankfurt, Main, 2 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner	Nicole Richter
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Information on the encumbrance of assets

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

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

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 covered bonds not externally issued.

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

The table below contains information on encumbered and unencumbered assets of the Commerzbank Group according to CRR. The group of consolidated companies under CRR is not significantly different from the consolidated assets in accordance with the liquidity requirements under Part Six of EU Regulation 575/2013. For the calculation of the figures published here, the median of the past four quarters in 2019 was used.

	Encumbered assets				Unencumbered assets			
31.12.2019	**Carrying amount**		**Fair value**		**Carrying amount**		**Fair value**	
€m		**of which: notionally elligible EHQLA and HQLA**		**of which: notionally elligible EHQLA and HQLA**		**of which: EHQLA and HQLA**		**of which: EHQLA and HQLA**
Assets	**82,320**	**10,370**			**421,405**	**85,313**		
Equity instruments	3,375	2,254			3,501	2,323		
Debt securities	16,010	8,116	16,057	8,039	53,699	26,762	52,660	26,479
of which: covered bonds	498	442	498	442	7,287	6,552	7,280	6,538
of which: asset-backed securities	131	1	131	1	9,745	62	9,615	62
of which: issued by general governments	8,766	5,417	8,812	5,320	26,067	16,107	25,114	15,726
of which: issued by financial corporations	4,942	1,886	4,942	1,903	26,393	10,209	26,225	10,279
of which: issued by non-financial corporations	2,302	813	2,302	816	1,239	446	1,320	475
Other assets	62,934	0			364,205	56,228		
of which: loans and advances other than loans on demand	62,335	0			247,741	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:

31.12.2019 €m	Fair value of encumbered collateral received or own debt securities issued	of which: notionally elligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available for encumbrance	of which: EHQLA and HQLA
Collateral received	**67,712**	**39,015**	**13,208**	**7,564**
Loans on demand	0	0	45	45
Equity instruments	175	112	664	438
Debt securities	67,537	38,902	12,500	7,082
of which: covered bonds	1,342	1,190	424	386
of which: asset-backed securities	907	6	110	1
of which: issued by general governments	59,140	35,708	9,504	5,872
of which: issued by financial corporations	7,241	2,786	2,339	974
of which: issued by non-financial corporations	1,156	408	657	236
Own debt securities issued other than own covered bonds or ABSs	**0**	**0**	**1,253**	**0**
Retained covered bonds issued			**357**	**0**
Total assets, collateral received and own debt securities issued	**150,032**	**49,385**		

The liabilities associated or secured with encumbered assets were as follows at the reporting date:

31.12.2019 €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	**103,579**	**137,237**

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

On the basis of median values, an increase in the balance sheet did not result in an increase in the encumbered assets compared to the previous year.

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

Quarterly results by segment

1st quarter 2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	665	467	–15	115	1,232
Dividend income	1	1	–	0	1
Risk result	–52	–28	–1	2	–78
Net commission income	468	307	0	–8	768
Net income from financial assets and liabilities at fair value through profit or loss	57	75	51	–98	85
Net income from hedge accounting	1	6	–3	46	50
Other realised profit or loss from financial instruments	7	0	–27	–0	–20
Current net income from companies accounted for using the equity method	3	2	–0	–	5
Other net income	–1	3	5	30	37
Income before risk result	*1,201*	*860*	*11*	*85*	*2,157*
Income after risk result	*1,150*	*831*	*10*	*87*	*2,079*
Operating expenses	870	619	9	70	1,567
Compulsory contributions	125	93	9	38	265
Operating profit or loss	**154**	**120**	**–7**	**–20**	**246**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**154**	**120**	**–7**	**–20**	**246**

2nd quarter 2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	692	453	–8	139	1 275
Dividend income	4	3	–	3	10
Risk result	–48	–127	–23	21	–178
Net commission income	461	286	–0	–8	739
Net income from financial assets and liabilities at fair value through profit or loss	48	22	60	–101	28
Net income from hedge accounting	1	6	13	26	46
Other realised profit or loss from financial instruments	5	2	8	15	31
Current net income from companies accounted for using the equity method	0	2	–0	–	2
Other net income	14	1	–5	–11	–2
Income before risk result	*1,224*	*775*	*68*	*63*	*2,130*
Income after risk result	*1,176*	*648*	*45*	*83*	*1,953*
Operating expenses	873	619	7	81	1,579
Compulsory contributions	53	8	0	1	63
Operating profit or loss	**250**	**21**	**38**	**2**	**311**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**250**	**21**	**38**	**2**	**311**

3rd quarter 2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	686	460	0	114	1,260
Dividend income	0	4	–	0	5
Risk result	–87	–31	0	4	–114
Net commission income	485	286	–	–8	763
Net income from financial assets and liabilities at fair value through profit or loss	51	18	–0	–54	15
Net income from hedge accounting	1	9	–	27	36
Other realised profit or loss from financial instruments	11	–2	0	–29	–20
Current net income from companies accounted for using the equity method	0	2	–	–0	2
Other net income	93	4	–	25	122
Income before risk result	*1,328*	*781*	*–0*	*74*	*2,183*
Income after risk result	*1,241*	*750*	*–0*	*78*	*2,069*
Operating expenses	873	596	–	89	1,559
Compulsory contributions	51	8	–	1	60
Operating profit or loss	**317**	**146**	**–0**	**–12**	**450**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**317**	**146**	**–0**	**–12**	**450**

4th quarter 2019 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	679	481	–0	146	1,307
Dividend income	5	4	–	11	19
Risk result	–67	–156	0	–27	–250
Net commission income	500	297	–	–11	786
Net income from financial assets and liabilities at fair value through profit or loss	57	72	–0	–13	116
Net income from hedge accounting	1	–5	0	–23	–27
Other realised profit or loss from financial instruments	1	–2	–0	37	36
Current net income from companies accounted for using the equity method	–0	2	–	–0	2
Other net income	–81	–24	–	41	–65
Income before risk result	*1,160*	*825*	*–0*	*188*	*2,173*
Income after risk result	*1,093*	*669*	*–0*	*161*	*1,924*
Operating expenses	913	619	–0	77	1,608
Compulsory contributions	55	9	–	1	65
Operating profit or loss	**126**	**42**	**0**	**83**	**250**
Impairments on goodwill and other intangible assets	–	28	–	–	28
Restructuring expenses	–	–	–	101	101
Pre-tax profit or loss from continuing operations	**126**	**14**	**0**	**–18**	**122**

Five-year overview

Income statement | €m	**2019**	**2018**[1]	**2017**	**2016**	**2015**
Net interest income	5,074	4,748	4,295	4,165	4,272
Dividend income	35	36	106	164	316
Risk result	–620	–446	n/a	n/a	n/a
Loan loss provisions	n/a	n/a	–781	–900	–696
Other realised profit or loss and net remeasurement gain or loss	n/a	n/a	–76	40	–248
Net comission income	3,056	3,089	3,192	3,212	3,424
Net income from financial assets and liabilities at fair value through profit or loss	244	366	598	1,019	1,509
Net income from hedge accounting	105	48	–85	–37	–60
Other net income loss from financial instruments	27	26	244	393	440
Current net income from companies accounted for using the equity method	10	12	23	150	82
Other net income	93	245	466	293	28
Operating expenses	6,313	6,459	6,834	7,100	7,157
Compulsory contributions	453	423			
Operating profit	1,258	1,242	1,149	1,399	1,909
Impairments on goodwill and other intangible assets	28	–	–	627	–
Restructuring expenses	101	–	808	128	114
Pre-tax profit or loss from continuing operations	1,129	1,242	341	643	1,796
Taxes on income	367	268	215	261	619
Consolidated profit or loss from continuing operations	762	975	126	382	1 177
Consolidated profit or loss from discontinued operations	–18	–10	96	n/a	n/a
Consolidated profit or loss	744	964	222	382	1,177
Consolidated profit or loss attributable to non-controlling interests	100	102	94	103	115
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	**644**	**862**	**128**	**279**	**1,062**

Balance sheet | €bn	**2019**	**2018**	**2017**	**2016**	**2015**
Total assets	463,6	462,4	452,5	480,4	532,6
Equity as shown in balance sheet	30,7	29,4	30,0	29,6	30,4

Capital ratios | %	**2019**	**2018**	**2017**	**2016**	**2015**
Tier 1 capital ratio	14,3	13,4	15,2	13,9	13,8
Total capital ratio	16,8	16,3	18,3	16,9	16,5

Ratings[2]	**2019**	**2018**	**2017**	**2016**	**2015**
Moody's Investors Service, New York	A1/ A1/ P–1	A1/ A1/ P–1	A2/Baa1/P–1	A2/ Baa1/P–1	Baa1/P–2
S&P Global, New York	A/ A-/ A–2	A/ A-/ A–2	A-/ A-/ A–2	BBB+/BBB+/ A2	BBB+/A–2
Fitch Ratings, New York/London	A-/ BBB+/ F1	A-/ BBB+/ F2	A-/BBB+/F2	A-/BBB+/ F2	BBB/F2
Scope Ratings, Berlin	–/ A/ S–1	–/ A/ S–1	–/ A/ S–1	–	–

[1] Prior-year figures restated.
[2] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com). 2014–2015 rating for long- and short term liabilities.

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Timo Volz (p. 6)

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Disclaimer

Reservation regarding forward-looking statements

This Annual Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there 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.

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

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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), Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

Commerzbank worldwide

Operative foreign branches	20
Representative offices	30
Significant Group companies abroad	6
Domestic branches in private customer business	~1,000
Foreign branches	445
Worldwide staff	48,512
International staff	13,928
Domestic staff	34,584

2020 Financial calendar	
7 May 2020	Annual General Meeting
13 May 2020	Interim Report as at 31 March 2020
5 August 2020	Interim Report as at 30 June 2020
5 November 2020	Interim Report as at 30 September 2020

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