

**COMMERZBANK**

The bank at your side



# Financial Statements and Management Report

# 2017

Commerzbank Aktiengesellschaft

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

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# Management report of Commerzbank Aktiengesellschaft

## Structure and organisation

Commerzbank is one of Germany's leading banks for private and corporate clients, and an internationally active universal bank with locations spanning more than 50 countries. It has one of the densest branch networks of any private-sector bank in Germany, with approximately 1,000 branches. Commerzbank serves a total of over 18 million private and small-business customers and more than 60,000 corporate clients worldwide.

As part of its strategy, Commerzbank is focusing its business activities on the two core segments "Private and Small-Business Customers" and "Corporate Clients", offering them a comprehensive portfolio of banking and capital market services. The run-off segment Asset & Capital Recovery (ACR) comprises – besides the Public Finance business – all non-strategic activities of commercial real estate and ship financing. 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 Development & Strategy, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and the central risk functions. The support functions are provided by Group Services. These include Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Center. The staff, management and support functions are combined in the Others and Consolidation division for reporting purposes.

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 Germany, the Bank has 6 material subsidiaries, 21 operational foreign branches and 32 representative offices in more than 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.

The financial year is the calendar year.

## Corporate Responsibility

Corporate responsibility is a guiding principle at Commerzbank. Ecological, social and ethical criteria play a central role in our corporate management. Through our core business we wish to influence sustainable development, provide fair and competent advice to our customers, consistently shrink our environmental footprint, be an attractive employer for our staff and show our commitment to society. The corporate responsibility website at [www.nachhaltigkeit.commerzbank.com](http://www.nachhaltigkeit.commerzbank.com) provides an overview of the Commerzbank sustainability strategy and the objectives of its sustainability programme.

## Our employees

Our employees are a major part of our corporate success. We can only achieve our business objectives with motivated and high-performing staff. Their commitment and skills make us strong competitors. Our goal is to constantly make Commerzbank a more attractive employer as a result of our HR activities. At the same time, HR plays a key part in implementing the Bank's new business model. The values of our corporate culture include a shared leadership philosophy and our code of conduct. These help our employees to find their bearings, especially in times of change. We strongly believe that observing the rules and behaving with integrity strengthens our reputation and ensures our sustainable business success. Compliance and integrity are therefore major elements of our business model.

The number of employees at Commerzbank Aktiengesellschaft was 1,361 (3.9%) lower year on year to 33,850 as at 31 December 2017.

## HR work supports the new business model

The focus on the core business, with some business activities being discontinued, and the digitalisation and automation of workflows is leading to corresponding staff reductions. In order to do this as socially responsibly as possible, Commerzbank has agreed an outline reconciliation of interests and an outline social plan with the employee representative committees in Germany. In addition, 32 partial reconciliations of interest were negotiated for the individual Group divisions. The way to the new target structure has therefore been defined.

At the same time, HR plays a key part in successfully implementing the Bank's new business model. It supported the business units in the negotiations with employee representatives and is accompanying them as they move towards the new organisational structure.

## Promoting digital competence

Engaged and capable employees make a vital contribution to Commerzbank's success. To ensure this, the Bank has refocused its strategic agenda for HR work out to 2020. The aim is to create a framework for employees and managers to play a competent and motivated role in helping to shape digital transformation at Commerzbank.

We want our employees to be aware of digitalisation and have the skills for it. We provide events across the Bank where they can extend their knowledge about digital issues. We train them in agile working methods and build up new competences. We also promote the next generation of talent. We are taking new paths to find digital talents. Our international Digital Banking Trainee programme aims to attract digital talents from various academic subjects. During the year under review we hired 24 graduates for the trainee programme. This new programme means we are playing a pioneering role in the European banking market. It is supporting us on our way towards becoming a digital technology company.

Digitalisation is also reflected in our products and HR processes. We are working to digitalise most of these. The objective is to simplify and standardise our HR processes.

## Strong culture of integrity at the Bank for sustainable success

We want to be economically successful and profitable over the long term. For that we need a good reputation and a strong brand. Compliance and integrity are therefore major elements of our business model. A strong culture of integrity helps us to get our bearings and take the right decision. Integrity has for years been part of our corporate culture and is set down in our ComValues.

We launched a Bank-wide campaign on the culture of integrity during the reporting year as a way of strengthening our corporate culture. This is intended to raise employees' awareness of integrity. And to motivate them to continue to act attentively, honestly and fairly.

Our Code of Conduct is also based on our ComValues. These set out minimum standards for behaving with integrity at the Bank and helping us to assess situations correctly. If we follow these principles, we protect the good reputation of the Bank and strengthen our brand. We are confident this gives us a clear competitive advantage.

During the year under review we revised the Code of Contact, adding practical examples. The revised principles provide us with clear, understandable help in acting properly.

## Diversity management an integral part of HR strategy

Diversity and inclusiveness are firmly integrated in our corporate culture. Diversity stands for the variety of our employees and customers. Inclusiveness describes an environment where diversity is acknowledged and everyone has the opportunity to develop in line with their abilities and interests. We are clearly committed to a mutually accepting working environment which is free of prejudice. As a signatory to the Diversity Charter in Germany we give a clear sign that we acknowledge and value the diversity and equality of our employees, customers and business partners. Both, employees and the Bank benefit from this. During the year Commerzbank held the fifth German Diversity Day, with numerous national events and workshops for staff.

## Bank promotes good work/life balance

Our employees should be able to have a good work/life balance. For this reason, we support them with flexible working time models, opportunities to work from home and childcare services. We have also been working for some years now with professional partners on the issue of care. We support staff members who care for relatives, e.g. by providing advice and arranging care places. We also offer them the opportunity to network on various topics both within and outside the Bank, such as at events or in staff groups on various topics.

## Number of women in management positions up again

In the year under review Commerzbank had 30.7% of management positions occupied by women, more than in 2016. It remains important for us to encourage female employees into management functions in future. Commerzbank has set itself the objective of having 35% of management positions held by women by the end of 2021. Positions are of course filled solely on the basis of qualification and competence.

## Bank encourages employees to live and work in a way that is healthy

Our employees are more motivated and can perform better if they live and work in a way that is healthy. As long ago as 2012 Commerzbank gave a commitment to integrating health objectives in its HR policies and in all other areas of the business. Since then we have shown dedication to the health of our employees well in excess of what is required by law. We offer employees a wide range of information and training on health issues. We also encourage our managers to be aware of healthy behaviour in daily working life.

We also supported some 160 company sports groups with around 16,000 members in more than 50 types of sport at Commerzbank during the year under review. We also ran numerous campaigns to encourage people to keep mobile. As in previous years, just under 1,900 Commerzbank employees rose to the challenge of walking at least 10,000 paces for 100 days.

Not only the physical but also the mental health of our employees is very important to us. The Employee Assistance Programme (EAP) provides our staff with skilled advice in difficult personal and professional situations.

Our holistic approach to company healthcare management creates a framework for healthy working.

## Attractive company benefits for employees

Along with remuneration, we also offer our employees many attractive company benefits. These range from private and occupational retirement saving to risk insurance and numerous other extras. These benefits are all very relevant for our employees and support our positioning as an attractive employer. We are keen to promote the mobility of our employees. Once again in 2017, staff were able to lease bikes and bank cars. Around 5,300 employees made use of this offer.

For this first time this year the Bank included an electric car in a leasing campaign. This is a further contribution to the Bank's sustainability targets and highlights electromobility. Commerzbank also regularly offers staff the opportunity to lease high-end IT devices for their private use.

## Remuneration

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

## Remuneration report

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

## Board of Managing Directors

### Remuneration system for the Board of Managing Directors

The Supervisory Board ratified the current remuneration system for the members of the Board of Managing Directors in December 2014; it has been in force since 1 January 2015. It had become necessary to introduce a new system to bring the remuneration of the Board of Managing Directors into line with new and/or amended rules under the Capital Requirements Directive IV, the German Banking Act and the Remuneration Ordinance for Institutions. The system also needed to be simplified, so as to improve its transparency and its clarity in respect of performance measurement. However, the components of the old system that had not been paid out in full by 1 January 2015 continue to be governed exclusively by the rules of that system, which is described in the 2014 Remuneration Report. At present this still applies to the long-term remuneration components (LTI components) from financial years 2013 and 2014. Over the course of financial year 2018 the Supervisory Board will amend the remuneration system to bring it into line with the revised version of the Remuneration Ordinance for Institutions of 4 August 2017.

**Core elements of the current 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 at regular two-yearly intervals. The 2015 Annual General Meeting approved the remuneration system and an upper limit for variable remuneration of 140% of fixed remuneration.

**Fixed remuneration components** The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €750 thousand for ordinary members of the Board of Managing Directors. The Chairman of the Board of Managing Directors receives 1.75 times this amount, i.e. €1,312,500. This is payable in 12 equal monthly instalments. The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions (accident insurance), as well as the tax thereon. 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 at the start of each financial year. The variable remuneration is determined by (i) EVA target achievement by the Commerzbank Group, (ii) target achievement by the department (segment and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) the achievement of individual performance targets. Goal achievement for the Group, the department and the individual performance can be between 0% and 200%; however, overall goal achievement from these three components is limited to 150%. The total goal achievement amount of the variable remuneration is arrived at by multiplying the overall goal achievement level by the target amount. The total goal achievement amount is therefore capped at a maximum of 150% of a member's target amount.

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

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

- **Company targets** The Supervisory Board sets targets for economic value added (EVA) or other measures that it may choose for the Group and the departments for which a member of the Board of Managing Directors in question is responsible and determines what level of target attainment corresponds to what percentage.

- **Individual targets** The Supervisory Board also sets specific individual quantitative and/or qualitative targets for the members of the Board of Managing Directors.

› **Target achievement** Following the end of each financial year, the Supervisory Board decides on the extent to which the targets were achieved. 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 department for which the member in question is responsible. These measurements are over a three-year period. These measurements are over a three-year period, with achievement of the company targets for the financial year in question given a 3/6 weighting, the previous year 2/6 and the year before that 1/6. A transitional arrangement applies to the first two years for newly appointed members of the Board of Managing Directors. The results of the three-year achievement of the company targets are then multiplied by a factor of between 0.7 and 1.3, which is dependent on the achievement of the individual targets of the member of the Board of Managing Directors. 0.7 corresponds to individual target achievement of 0% (minimum), 1.0 to an individual target achievement of 100% and 1.3 to individual target achievement of 200% (maximum). For intermediate values, the Supervisory Board defines the factors in increments when setting the targets. Variable remuneration for the financial year will only be applied if the Group achieves a profit before taxes and non-controlling interests according to IFRS.

The Supervisory Board may resolve to reduce or cancel the variable remuneration if necessary, for example to take account of the Bank's risk-bearing capacity or ability to ensure that it can maintain or rebuild sufficient capital or liquidity resources over the long term or to safeguard its ability to meet the capital buffer requirements of the German Banking Act. If predefined levels are not met, the Supervisory Board must cancel the variable remuneration. The Supervisory Board must also cancel the variable remuneration of a member of the Board of Managing Directors if said member has committed a serious breach of duty during the financial year in question up to the determination of 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 target achievement amount for variable remuneration and its notification to the member of the Board of Managing Directors. Half of the component is payable in cash, the other half is payable after a 12-month waiting period, also in cash but share-based. This half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the STI was awarded.

› **Long Term Incentive (LTI)** The remaining 60% of the variable remuneration takes the form of a Long Term Incentive. Entitlement to the LTI arises only after the end of a five-year retention period and subject to a retrospective performance evaluation. The retrospective performance evaluation can result in the LTI being reduced or cancelled completely. This mainly applies when facts subsequently emerge which reveal that the original calculation of target achievement was incorrect or the Bank's capital adequacy has significantly deteriorated due to circumstances related to that financial year. This would also apply if there had been a significant failure in risk management in that financial year at Group level or in a department for which the member is responsible, or if the Bank's financial position at the time of the retrospective performance evaluation or at the end of the ensuing waiting period precludes payment. The LTI element resulting from the retrospective performance evaluation is payable half in cash and half after a further 12-month waiting period, also in cash but share-based. As with the share-based part of the STI, this half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the LTI was awarded. The share-based half of the LTI therefore reflects the performance of the Commerzbank share during the five-year retention period and the subsequent waiting period.

**Remuneration for serving on the boards of affiliated companies** The remuneration accruing to an individual member of the Board of Managing Directors from serving on the boards of affiliated companies counts towards the total remuneration paid to that member of the Board of Managing Directors.

#### Pension provision

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

Each member of the Board of Managing Directors receives a credit of a pension module to their pension account every year until the end of their appointment as such. 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 retirement pension entitlement the member of the Board of Managing Directors has accrued. Since 2015, increases in the fixed annual salary only increase the pension module if resolved by the Supervisory Board.

A member of the Board of Managing Directors receives a retirement benefit in the form of a life-long pension, subject to the following conditions, provided their term of office has ended:

- an old-age pension if the member has reached their 65th birthday, or
- an early retirement pension if (i) the Board member has reached their 62nd birthday but not their 65th, or (ii) the Board member has served at least 10 years on the Board of Managing Directors and has reached their 58th birthday, or (iii) 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 they have already accrued is retained.

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

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

If the disability pension is taken before the age of 55, the monthly amount is supplemented by an additional amount.

If they retire after reaching the age of 62, members of the Board of Managing Directors can elect to receive a 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.

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



The surviving dependants' pension for a surviving spouse or partner is 66 2/3% of the pension entitlements of the member of the Board of Managing Directors. If no surviving dependant's pension is paid to a surviving spouse or partner, minors or children still in full-time education are entitled to an orphan's pension amounting to 25% each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the surviving dependant's pension of a surviving spouse or partner.

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

- they have reached their 65th birthday (retirement capital), or
- they have reached their 62nd but not their 65th birthday (early retirement capital), or
- they are permanently unable to work before their 62nd birthday.

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

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system too, since 2015 increases in the fixed annual salary only increase the annual module if resolved by the Supervisory Board. Until the member of the Board of Managing Directors leaves, the annual modules are managed in a pension account. Upon reaching their 61st birthday, an additional 2.5% of the amount in the pension account at the end of the previous year is credited to the pension account of the member of the Board of Managing Directors on an annual basis 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 the early retirement capital will correspond to the amount in the virtual custody account or the amount in the pension account when the pension benefits start to be paid out, whichever is higher. Under these rules, the amount in the pension account represents the minimum capital payment, where the amount in the virtual custody account is less. As an alternative to the lump-sum payment, the member of the Board of Managing Directors may elect to receive a life-long pension.

For the first two months after the pension benefits become due, the member of the Board of Managing Directors will receive transitional pay of one-twelfth of their fixed basic annual salary per month. The transitional pay can be reduced, especially in the event of misconduct.

If a member of the Board of Managing Directors dies before the pension benefits become due, their dependants are entitled to receive the dependants' capital, which corresponds to the amount in the virtual custody account on the value date or the sum of the amount in the pension account and any additional amount, whichever is higher. An additional amount is payable if, at the time when pension benefits became due through inability to work or at the time of death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached their 55th birthday. If the member of the Board of Managing Directors has exercised the option in favour of a pension, in the event of their death as a prospective member the surviving spouse or partner receives a surviving dependant's pension calculated based on the retirement capital using actuarial rules. If the member of the Board of Managing Directors was already receiving a pension, a surviving spouse or partner receives a surviving dependant's pension of 60% of the pension last paid to the member.

The following table shows for active members of the Board of Managing Directors the annual pension entitlements at pensionable age of 62 on 31 December 2017, the corresponding actuarial net present values on 31 December 2017, the interest-rate-adjusted changes to the settlement amounts for 2017, and comparable amounts for the previous year:

€1,000		Pension entitlements projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements As at 31.12.	Interest rate-adjusted changes in the settlement amount <sup>1</sup>
Martin Zielke	2017	237	4,172	676
	2016	194	3,116	750
Martin Blessing <sup>2</sup>	2017	–	–	–
	2016	332	4,656	–186
Frank Annuscheit	2017	224	3,827	326
	2016	202	3,139	367
Markus Beumer <sup>3</sup>	2017	–	–	–
	2016	187	2,374	–90
Dr. Marcus Chromik <sup>4</sup>	2017	43 <sup>5</sup>	616	301
	2016	23 <sup>5</sup>	311	311
Stephan Engels	2017	109 <sup>5</sup>	1,840	303
	2016	95 <sup>5</sup>	1,527	304
Michael Mandel <sup>6</sup>	2017	32 <sup>5</sup>	493	310
	2016	13 <sup>5</sup>	181	181
Dr. Bettina Orlopp <sup>7</sup>	2017	3 <sup>5</sup>	52	52
	2016	–	–	–
Michael Reuther	2017	258	4,976	379
	2016	236	4,179	434
<b>Total</b>	<b>2017</b>		<b>15,976</b>	<b>2,347</b>
	<b>2016</b>		<b>19,483</b>	<b>2,071</b>

<sup>1</sup> The negative interest-rate-adjusted changes in the previous year in the settlement amounts for Martin Blessing and Markus Beumer are due to the fact that they stepped down in financial year 2016, triggering the release of some of the provisions for invalidity and early death.

<sup>2</sup> Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.

<sup>3</sup> Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.

<sup>4</sup> Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.

<sup>5</sup> Capital sum annuitised.

<sup>6</sup> Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.

<sup>7</sup> Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

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

As at 31 December 2017, pension obligations for current members of the Commerzbank Aktiengesellschaft Board of Managing Directors in financial year 2017 totalled €16.0m (previous year: €19.5m).

**Rules for 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 usually 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 (offsetting of remuneration otherwise acquired) – beyond the end of employment until the end of the original term of office. From the moment the term of office is ended, the average target achievement of the other members of the Board of Managing Directors for the financial year in question will be used for target

achievement. The variable remuneration also remains subject to the rules of the remuneration system, including the retrospective performance evaluation.

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

If the contract of employment is not extended upon expiry of the current term of office, without there being good cause within the meaning of Art. 626 of the German Civil Code, or if the contract of employment ends as a result of a linking clause as described above, the member of the Board of Managing Directors will continue to receive his or her basic annual salary for a period of six months after the end of the original term of office. This

payment ceases as soon as the member of the Board of Managing Directors starts to receive 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<sup>1</sup> (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 member of the Board of Managing Directors will receive no variable remuneration for the last year of his/her term of office. The same applies where a member of the Board of Managing Directors resigns his/her mandate without good cause accepted by 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.

#### **Other**

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

#### **Details of remuneration of the Board of Managing Directors based on the German Corporate Governance Code**

Under 4.2.5 of the 7 February 2017 edition of the German Corporate Governance Code, the benefits granted for the year under review and the allocation made (actual payouts made) for the year under review must be reported for each member of the Board of Managing Directors. This should be broken down into fixed remuneration, company 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 use the model tables in the Code because this would undermine the clarity and comprehensibility of the Remuneration Report it is aiming for. Commerzbank also stated this in its declaration of compliance pursuant to Art. 161 of the Stock Corporation Act. Unlike the presentation in the previous year, both the benefit and allocation tables below no longer 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 are due to a transitional arrangement for newly appointed members of the Board of Managing Directors in the first and second years of their appointment.

The variable short-term remuneration is the Short Term Incentive under the current remuneration system. This is paid out half in cash after the end of the financial year and half in the form of shares after a 12-month waiting period, i.e. in the short term. Entitlement to the long-term portion, the Long Term Incentive, arises only after the end of a five-year retention period and 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 "Interest rate-adjusted changes to settlement amounts" column. Pension expense is therefore not shown again in either the allocation or the benefit tables.

<sup>1</sup> The cap is twice the basic annual salary including company benefits (in particular the use of a company car with driver, security measures and insurance premiums (accident insurance)) plus the average variable compensation notified for the three previous financial years before termination of the term of office.

The following tables show the actual allocations in 2017 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 2017 paid in cash for 2017 and for which all the parameters are fixed at the end of

the year, is shown as an allocation for 2017 even though the actual payment is not made until 2018. Equally, the STI 2016 paid out in cash in 2017 is shown as an allocation for 2016.

Allocation €1,000	Martin Zielke Chairman (since 1 May 2016)		Martin Blessing former Chairman (until 30 April 2016)		Frank Annuscheit Chief Operating Officer	
	2017	2016	2017	2016	2017	2016
Basic salary	1,313	1,125	–	438	750	750
Accessory considerations	129	118	–	101	92	124
<b>Sub-total</b>	<b>1,442</b>	<b>1,243</b>	<b>–</b>	<b>539</b>	<b>842</b>	<b>874</b>
<b>Short term variable remuneration</b>	<b>415</b>	<b>284</b>	<b>238</b>	<b>242</b>	<b>273</b>	<b>224</b>
STI 2014 in virtual shares (up to Q1/2016)	–	96	–	168	–	100
STI 2015 in virtual shares (up to Q1/2017)	128	–	238	–	115	–
STI 2016 in cash	–	188	–	74	–	124
STI 2017 in cash	287	–	–	–	158	–
<b>Long term variable remuneration</b>	<b>178</b>	<b>73</b>	<b>311</b>	<b>0</b>	<b>182</b>	<b>70</b>
LTI 2013 in cash (up to 31.12.2016) <sup>1</sup>	–	73	–	0	–	70
LTI 2014 in cash (up to 31.12.2017)	178	–	311	–	182	–
<b>Total</b>	<b>2,035</b>	<b>1,600</b>	<b>549</b>	<b>781</b>	<b>1,297</b>	<b>1,168</b>

<sup>1</sup> Martin Blessing, former Chairman of the Board of Managing Directors, has waived all entitlement to variable remuneration for 2012 and 2013.

Allocation €1,000	Markus Beumer Mittelstandsbank (until 31 October 2016)		Dr. Marcus Chromik Chief Risk Officer (since 1. January 2016)		Stephan Engels Chief Financial Officer	
	2017	2016	2017	2016	2017	2016
Basic salary	–	625	750	750	750	750
Accessory considerations	–	69	71	84	122	114
<b>Sub-total</b>	<b>–</b>	<b>694</b>	<b>821</b>	<b>834</b>	<b>872</b>	<b>864</b>
<b>Short term variable remuneration</b>	<b>107</b>	<b>164</b>	<b>186</b>	<b>118</b>	<b>285</b>	<b>215</b>
STI 2014 in virtual shares (up to Q1/2016)	–	89	–	–	–	89
STI 2015 in virtual shares (up to Q1/2017)	107	–	–	–	115	–
STI 2016 in cash	–	75	–	118	–	126
STI 2017 in cash	–	–	186	–	170	–
<b>Long term variable remuneration</b>	<b>169</b>	<b>64</b>	<b>–</b>	<b>–</b>	<b>169</b>	<b>64</b>
LTI 2013 in cash (up to 31.12.2016)	–	64	–	–	–	64
LTI 2014 in cash (up to 31.12.2017)	169	–	–	–	169	–
<b>Total</b>	<b>276</b>	<b>922</b>	<b>1,007</b>	<b>952</b>	<b>1,326</b>	<b>1,143</b>

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, Group Treasury	
	2017	2016	2017	2016	2017	2016
Basic salary	750	456	125	–	750	750
Accessory considerations	102	58	20	–	130	125
<b>Sub-total</b>	<b>852</b>	<b>514</b>	<b>145</b>	<b>–</b>	<b>880</b>	<b>875</b>
<b>Short term variable remuneration</b>	<b>170</b>	<b>76</b>	<b>30</b>	<b>–</b>	<b>251</b>	<b>195</b>
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	–	93
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	–	123	–
STI 2016 in cash	–	76	–	–	–	102
STI 2017 in cash	170	–	30	–	128	–
<b>Long term variable remuneration</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>174</b>	<b>70</b>
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	–	70
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	174	–
<b>Total</b>	<b>1,022</b>	<b>590</b>	<b>175</b>	<b>–</b>	<b>1,305</b>	<b>1,140</b>

The following table shows the benefits, comprising fixed remuneration (basic salary and company benefits) and variable remuneration in the amount of the total goal achievement 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 benefits granted, the variable remuneration granted is not shown as the target value, i.e. the value if target achievement is 100%, or a comparable figure in a medium probability scenario. Instead, the total goal achievement amounts set by the Supervisory Board are shown for each member of the Board of Managing Directors. The table takes into account the actual target achievement of the members of the Board of Managing Directors and is therefore more meaningful in respect of the variable remuneration for the past financial year than if a hypothetical target achievement of 100% were shown.

40% of the total goal achievement amount and the minimum and maximum values shown relate to short-term variable remuneration (STI). 60% of the total goal achievement amount and the minimum and maximum values shown relate to long-term variable remuneration (LTI). In each case, half of the remuneration components is share-based. The comparison figures for financial year 2016 have been adjusted to this method to allow comparability with the data for past financial year 2017.

At its meeting on 7 February 2018 the Supervisory Board set the total goal achievement amounts for the variable remuneration for financial year 2017 for the individual members of the Board of Managing Directors. The total goal achievement amount is not necessarily the same as any amount subsequently paid out. Firstly, the Supervisory Board may reduce the portion relating to the LTI at the retrospective performance evaluation if hindsight indicates that this was not originally set correctly. Secondly, half of the variable remuneration is share-based. Any changes in the Commerzbank share price compared to the conversion price therefore result in changes in the amounts paid out.

Benefits		Fixed remuneration		Variable remuneration						Benefited total remuneration <sup>2</sup>	
		Basic salary	Accessory considerations <sup>1</sup>	Short term		Long term		Total goal achievement amount	min		max <sup>3</sup>
€1,000				STI in cash	STI in virtual shares	LTI in cash	LTI in virtual shares				
Martin Zielke	2017	1,313	129	287	287	430	430	1,433	0	2,443	<b>2,875</b>
	2016 <sup>4</sup>	1,125	118	188	188	282	282	939	0	2,130	<b>2,182</b>
Martin Blessing	2017	–	–	–	–	–	–	–	–	–	–
	2016 <sup>5</sup>	438	101	74	74	111	111	369	0	816	<b>908</b>
Frank Annuscheit	2017	750	92	158	158	237	237	790	0	1,500	<b>1,632</b>
	2016	750	124	124	124	186	186	620	0	1,500	<b>1,494</b>
Markus Beumer	2017	–	–	–	–	–	–	–	–	–	–
	2016 <sup>6</sup>	625	69	75	75	113	113	375	0	1,250	<b>1,069</b>
Dr. Marcus Chromik	2017	750	71	186	186	279	279	930	0	1,500	<b>1,751</b>
	2016	750	84	118	118	177	177	590	0	1,500	<b>1,424</b>
Stephan Engels	2017	750	122	170	170	255	255	850	0	1,500	<b>1,722</b>
	2016	750	114	126	126	188	188	628	0	1,500	<b>1,492</b>
Michael Mandel	2017	750	102	170	170	255	255	850	0	1,500	<b>1,702</b>
	2016 <sup>7</sup>	456	58	76	76	114	114	380	0	729	<b>894</b>
Dr. Bettina Orlopp	2017 <sup>8</sup>	125	20	30	30	44	44	148	0	250	<b>293</b>
	2016	–	–	–	–	–	–	–	–	–	–
Michael Reuther	2017	750	130	128	128	192	192	640	0	1,500	<b>1,520</b>
	2016	750	125	102	102	153	153	510	0	1,500	<b>1,385</b>
<b>Total</b>	<b>2017</b>	<b>5,188</b>	<b>666</b>	<b>1,129</b>	<b>1,129</b>	<b>1,692</b>	<b>1,692</b>	<b>5,641</b>	<b>0</b>	<b>10,193</b>	<b>11,495</b>
	<b>2016</b>	<b>5,644</b>	<b>793</b>	<b>883</b>	<b>883</b>	<b>1,324</b>	<b>1,324</b>	<b>4,411</b>	<b>0</b>	<b>10,925</b>	<b>10,848</b>

<sup>1</sup> Non-monetary benefits granted, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund are shown under company benefits.

<sup>2</sup> Total remuneration does not include pension expense. This is shown in the section on pension provision.

<sup>3</sup> Maximum amount in the year under observation, i.e. excluding any rises in the share price for share-based remuneration.

<sup>4</sup> Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.

<sup>5</sup> Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.

<sup>6</sup> Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.

<sup>7</sup> Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.

<sup>8</sup> Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

#### **Details of remuneration of the Board of Managing Directors pursuant to German Reporting 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:

- Under DRS 17 the LTI components of the current remuneration system only have to be stated after the retrospective performance assessment has been completed and the five-year retention period has expired. They are therefore not included in the DRS 17 table, unlike the benefits table based on the rules of the German Corporate Governance Code.
- The value of the share-based STI components has to be shown in the DRS 17 table using the share price on the day the Supervisory Board set the total goal achievement amounts. Therefore the performance of the Commerzbank share from the start of the year to the day the amount was set is included in the value shown. In the benefits table based on the German Corporate Governance Code, however, these components are shown at 20% of the total goal achievement amount. This is the value before conversion into a number of virtual shares and so does not include share price performance, so the figure is generally different.
- Total remuneration under DRS 17 also includes the non-share-based LTI cash component of the remuneration system in place prior to 31 December 2014 for which all necessary conditions were met in the year under review. Total remuneration for 2017 therefore also includes the LTI-EVA cash components from financial year 2014. This is not shown in the benefits table based on the German Corporate Governance Code, as it was not granted in financial year 2017.

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

Under DRS 17, payments only have to be disclosed once they have been granted on a legally binding basis. For both the cash components and the share-based components of the LTI under the current remuneration system this only takes place once the retrospective performance evaluation has been carried out and the five-year retention period has expired. The retrospective performance evaluation for the LTI in respect of financial year 2017 will thus not be carried out by the Supervisory Board until the end of 2022. The cash components and share-based components of the LTI under the current remuneration system are therefore not included in the table.

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

In addition, the table shows the non-share-based cash components of the 2014 LTI under the remuneration system in place prior to 31 December 2014, as for these components all the conditions required under DRS 17 were only met once 31 December 2017 had passed. In line with the requirements of DRS 17, the share-based components of the 2014 LTI were disclosed in the Remuneration Report for 2014. They therefore do not have to be reported again here.

The current remuneration system does not involve actually awarding any shares; instead a cash payment is made on the basis of virtual shares, i.e. based on Commerzbank's share price performance.

€1,000		Fixed components		Performance-related components				Total remuneration under DRS 17 <sup>6</sup>
		Basic salary	Accessory considerations <sup>2</sup>	with short term incentive			with short term incentive <sup>1</sup>	
				STI in cash <sup>3</sup>	STI in virtual shares <sup>4</sup>		LTI 2014 (prior year 2013) in cash <sup>5</sup>	
						Number of virtual shares in units		
Martin Zielke	2017 <sup>7</sup>	1,313	129	287	299	23,400	78	2,106
	2016	1,125	118	188	208	26,831	73	1,712
Martin Blessing	2017 <sup>8</sup>	–	–	–	–	–	136	136
	2016	438	101	74	82	10,548	0	695
Frank Annuscheit	2017	750	92	158	165	12,898	80	1,245
	2016	750	124	124	137	17,715	70	1,205
Markus Beumer	2017 <sup>9</sup>	–	–	–	–	–	74	74
	2016	625	69	75	83	10,715	64	916
Dr. Marcus Chromik	2017 <sup>10</sup>	750	71	186	194	15,184	–	1,201
	2016	750	84	118	130	16,858	–	1,082
Stephan Engels	2017	750	122	170	177	13,878	74	1,293
	2016	750	114	126	139	17,929	64	1,193
Michael Mandel	2017 <sup>11</sup>	750	102	170	177	13,878	–	1,199
	2016	456	58	76	84	10,844	–	674
Dr. Bettina Orlopp	2017 <sup>12</sup>	125	20	30	31	2,422	–	206
	2016	–	–	–	–	–	–	–
Michael Reuther	2017	750	130	128	133	10,449	76	1,217
	2016	750	125	102	113	14,572	70	1,160
<b>Total</b>	<b>2017</b>	<b>5,188</b>	<b>666</b>	<b>1,129</b>	<b>1,176</b>	<b>92,109</b>	<b>518</b>	<b>8,677</b>
	<b>2016<sup>13</sup></b>	<b>5,644</b>	<b>793</b>	<b>883</b>	<b>976</b>	<b>126,012</b>	<b>341</b>	<b>8,637</b>

<sup>1</sup> The performance-related components with long-term incentive effect are only granted once the Supervisory Board has completed the retrospective performance evaluation after the end of a five-year retention period. For financial year 2017, that will mean in 2023.

<sup>2</sup> The heading "Company benefits" includes non-monetary benefits granted in financial year 2017, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.

<sup>3</sup> Payable in 2018 following determination of the total goal achievement amount for 2017.

<sup>4</sup> Payable one year after payment of the STI in cash. The amounts shown represent the values at the time that the variable remuneration was determined in February 2018. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares is calculated using the share of the total goal achievement amount and the average Commerzbank share price during November and December 2017.

<sup>5</sup> Under DRS 17, the LTI-EVA cash components for 2014 must be stated even after the end of the four-year period 2014-2017 and the approval of the annual financial statements for 2017. The cash element of the 2014 LTI share components and the share elements of both of these LTI components were already disclosed in the Annual Report 2014 pursuant to DRS 17 and so do not need to be reported again. Martin Blessing, former Chairman of the Board of Managing Directors, has waived his entire entitlement to variable remuneration for financial years 2012 and 2013.

<sup>6</sup> The amounts to be disclosed as total remuneration in accordance with DRS 17 for financial year 2017 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 to be disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2017, as there is no such entitlement until after the retrospective performance evaluation and the five-year retention period.

<sup>7</sup> Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.

<sup>8</sup> Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.

<sup>9</sup> Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.

<sup>10</sup> Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.

<sup>11</sup> Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.

<sup>12</sup> Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

<sup>13</sup> The 2016 total amounts for the 2013 LTI and the total remuneration are lower than reported in the 2016 remuneration report. This is because the 2013 LTI for Dr. Stefan Schmittmann in the amount of €67 thousand is no longer included in the totals for 2016 as his appointment ended on 31 December 2015.



### Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted loans with terms ranging from on demand up to a due date of 2051 and at interest rates ranging between 0.9 % and 2.8 %, and on amounts overdrawn in certain cases up to 11.9 %. Loans are secured on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €3,129 thousand; in the previous year, the figure was €5,001 thousand. In 2017, members of the Board of Managing Directors repaid €153 thousand. With the exception of rental guarantees, Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Board of Managing Directors in the year under review.

## Supervisory Board

### Principles of the remuneration system and remuneration for financial year 2017

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the AGM on 20 April 2016. These provisions applied for the first time with effect from 1 January 2016. Under the new 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 remuneration for that year reduced pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1.5 thousand for each meeting or conference call of the Supervisory Board or one of its committees. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year.

Commerzbank Aktiengesellschaft reimburses any expenses incurred by members of the Supervisory Board in the performance of their duties and any VAT due on remuneration or expenses. The Chairman of the Supervisory Board is provided with appropriate staffing and material support, and in particular is reimbursed for travel costs incurred as part of the representative duties arising from his position and requisite security measures.

Members of the Supervisory Board thus received total net remuneration for financial year 2017 of €2,936.3 thousand (previous year: €2,944.5 thousand). Of this figure, the basic remuneration amounted to €1,839.8 thousand (previous year: €1,840.0 thousand) and remuneration for committee memberships to €765.0 thousand (previous year: €716.0 thousand). Attendance fees were €331.5 thousand (previous year: €338.5 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
Klaus-Peter Müller	2017	240.0	120.0	19.5	379.5
	2016	240.0	125.9	24.0	389.9
Uwe Tschäge	2017	160.0	60.0	15.0	235.0
	2016	160.0	60.0	22.5	242.5
Hans-Hermann Altenschmidt	2017	80.0	70.0	22.5	172.5
	2016	80.0	70.0	30.0	180.0
Heike Anscheit (since 1 January 2017)	2017	80.0	0.0	12.0	92.0
	2016	–	–	–	–
Gunnar de Buhr	2017	80.0	49.9	21.0	150.9
	2016	80.0	50.0	19.5	149.5
Stefan Burghardt	2017	80.0	46.8	18.0	144.8
	2016	80.0	20.0	16.5	116.5
Sabine Ursula Dietrich	2017	80.0	20.0	13.5	113.5
	2016	80.0	20.0	16.5	116.5
Karl-Heinz Flöther	2017	80.0	30.0	19.5	129.5
	2016	80.0	30.0	24.0	134.0
Dr. Tobias Guldemann (since 3 May 2017)	2017	52.7	15.8	10.5	79.0
	2016	–	–	–	–
Stefan Jennes (since 1 February 2017)	2017	73.3	0.0	12.0	85.3
	2016	–	–	–	–
Dr. Markus Kerber	2017	80.0	70.0	21.0	171.0
	2016	80.0	70.0	16.5	166.5
Alexandra Krieger	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	16.5	96.5
Oliver Leiberich	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	16.5	96.5
Dr. Stefan Lippe	2017	80.0	30.0	13.5	123.5
	2016	80.0	30.0	19.5	129.5
Beate Mensch	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	13.5	93.5
Anja Mikus	2017	80.0	50.0	22.5	152.5
	2016	80.0	24.8	16.5	121.3
Dr. Roger Müller (until 3 May 2017)	2017	27.1	0.0	3.0	30.1
	2016	80.0	0.0	15.0	95.0
Dr. Helmut Perlet	2017	80.0	90.0	21.0	191.0
	2016	80.0	90.0	24.0	194.0
Barbara Priester (until 31 December 2016)	2017	–	–	–	–
	2016	80.0	0.0	15.0	95.0
Mark Roach	2017	80.0	0.0	10.5	90.5
	2016	80.0	0.0	15.0	95.0
Margit Schoffer (until 31 January 2017)	2017	6.7	2.5	1.5	10.7
	2016	80.0	30.0	24.0	134.0
Nicholas Teller	2017	80.0	80.0	19.5	179.5
	2016	80.0	65.3	21.0	166.3
Dr. Gertrude Tumpel-Gugerell	2017	80.0	30.0	19.5	129.5
	2016	80.0	30.0	22.5	132.5
<b>Total</b>	<b>2017</b>	<b>1,839.8</b>	<b>765.0</b>	<b>331.5</b>	<b>2,936.3</b>
	<b>2016</b>	<b>1,840.0</b>	<b>716.0</b>	<b>388.5</b>	<b>2,944.5</b>

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2017. 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 2043 and at interest rates ranging between 1.0% and 5.1%, and on amounts overdrawn in certain cases up to 11.4%. Loans are secured on 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 €3,560 thousand; in the previous year, the figure was €2,713 thousand. In 2017, members of the Supervisory Board repaid €254 thousand. Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Supervisory Board in the year under review.

## Other details

#### D&O liability insurance

There is a Directors and Officers (D&O) liability insurance policy 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 the Company's shares

Art. 19 of Regulation (EU) No 596/2014 on market abuse requires disclosure and notification of transactions by managers of listed companies and persons closely associated with them. Own transactions by such persons in shares or bonds issued by Commerzbank Aktiengesellschaft or in derivatives or other financial instruments based thereon must be disclosed if they exceed an aggregate volume of €5 thousand within a calendar year. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

The transactions reported to Commerzbank Aktiengesellschaft in the past financial year 2017 are listed below. In each case these involve purchases of shares of Commerzbank Aktiengesellschaft.

Date	Disclosing party	Relation	Participant	Purchase/ Sale	Amount	Price €	Transaction volume   €
3.4.2017	Martin Zielke		Member of BMD	Purchase	2,150	8.5280	18,335.20
3.4.2017	Frank Annuscheit		Member of BMD	Purchase	2,200	8.5200	18,744.00
3.4.2017	Stephan Engels		Member of BMD	Purchase	1,900	8.5012	16,152.27
3.4.2017	Michael Reuther		Member of BMD	Purchase	2,000	8.5227	17,045.40

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

### Details pursuant to Art. 289a of the German Commercial Code (HGB) and explanatory report

#### Share capital structure

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts. 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (Aktengesetz, AktG). The share capital of the company 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.

#### Appointment and replacement of the members of the Board of Managing Directors and amendments to the Articles of Association

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects 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 replacement, 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 adequate (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

The Board of Managing Directors, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €569,253,470.00 by issuing new shares under Art. 4 (3) (Authorised Capital 2015) of the Articles of Association applicable on 31 December 2017. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular to increase the share capital for non-cash contributions.

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

For details of the authorised capital and conditional capital, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Notes 31 and 32.

The authority of the Board of Managing Directors to increase share capital from authorised and conditional capital and to issue convertible bonds or bonds with warrants, profit-sharing certificates or hybrid debt instruments allows the Bank to respond appropriately and promptly to changed capital needs.

On 30 April 2015, the Annual General Meeting authorised the Board of Managing Directors to purchase and sell Commerzbank shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act, until 29 April 2020. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

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

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

### 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 remained unchanged, the Financial Market Stabilisation Fund holds a stake of approximately 15.6% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015.

There are no further facts that need to be declared under Art. 289a of the German Commercial Code.

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

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on page 41 ff.

The objective of proper 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 business processes. Fraudulent behaviour can also result in the inaccurate reporting of information. The Bank therefore has to ensure it minimises the risks of incorrect statement, measurement or presentation of financial reporting information.

The Commerzbank ICS seeks to provide sufficient certainty that it complies with the relevant legal requirements, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate. It is important to note that despite all measures the Bank may take, the ICS methods and procedures used cannot entirely rule out errors or fraud, and as such offer sufficient certainty but never absolute certainty.

### Legal basis and guidelines

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

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

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

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standards of Auditing and Quality Control, No. 315, 2009 Edition (hereinafter referred to as ISA number 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 governance framework, which is part of the written rules of procedure, sets uniform and binding minimum standards for all units with regard to their organisational structure in respect of maintaining documentation and keeping it updated. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the Board of Managing Directors and ending with the individual 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 Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and contains the following elements:

- Plan for allocating the business responsibilities for the Board of Managing Directors
- Rules of procedure
- Organisational charts
- Business remits of the units
- Approval authorities for operating costs

Where tasks in the Bank by their nature cannot be combined, they are organised into different areas applying the principle of separation of functions. Significant checks are also carried out using the dual-control principle to minimise risks in financial reporting.

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

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

During the year, Group Audit reports to the Supervisory Board and its appointed committees about the work it has carried out and its material findings.

Group Finance (GM-F), which reports directly to the CFO, is responsible for ensuring that the financial statements are drawn up in compliance with the relevant laws and internal and external guidelines.

Within GM-F, Accounting and Controlling Policies & Guidelines is the department responsible for drawing up Group-wide accounting guidelines and communicating them over the intranet. Implementation of these accounting guidelines supports consistent and correct reporting across the Group.

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

#### **Controls to minimise risk**

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e. by means of organisation).

Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval, the separation of functions and by technical measures when issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

#### **Monitoring by Group Audit**

Group Audit (GM-A) provides auditing and advisory services for the Board of Managing Directors independently, objectively and in a risk-oriented manner so as to evaluate the compliance, security and cost-effectiveness of Commerzbank's business processes and flag up potential for optimisation. GM-A supports the Board of Managing Directors by evaluating the appropriateness and effectiveness of risk management, the internal control system and business processes in a systematic and targeted manner, providing support on key projects in an internal auditing capacity and issuing recommendations. In doing so, it contributes to the security of business processes and assets.

GM-A is directly accountable to the Board of Managing Directors and reports to that body. It performs its functions autonomously and independently. Particularly with regard to reporting and the assessment of audit results, GM-A is not subject to any directives. Based on MaRisk, its auditing activities, underpinned by the principle of risk-oriented auditing, extend to all of the Group's activities and processes, regardless of whether these take place within the Group or are outsourced. GM-A's activities complement the work of the subsidiaries' audit departments within the framework of Group risk management. The audit of the suitability and effectiveness of the ICS covers the risk management and controlling systems, reporting, IT systems and financial reporting. In performing its duties, GM-A has an unrestricted right to information.

GM-A promptly prepares a written report on each audit; recipients include the responsible members of the Board of Managing Directors. On the basis of these audit reports, GM-A oversees and documents the steps taken to remedy the deficiencies identified within the specified time. If such deficiencies are ignored, an escalation process comes into effect. In addition, GM-A prepares an annual report on the audits that it has carried out during the course of the financial year, the material deficiencies identified and the measures taken, and presents this report to the Board of Managing Directors.

### The financial reporting process

The financial reporting procedures at Commerzbank are supported by IT systems integrated into each process. Since 2015, the annual financial statements of Commerzbank AG in Germany have been produced using the new financial architecture; this consists of a new financial data warehouse that provides a consistent repository of basic information, and standard SAP software for the financial function. The parent company in Germany therefore has a single solution using consistent financial data for 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 (Commerzbank Aktiengesellschaft Germany, subsidiaries and foreign branches). 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 generally 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 stored 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 parent company financial statements are drawn up and all the necessary steps are taken to produce the Commerzbank Group financial statements. Drawing up the Group financial statements involves various individual steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

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

### Measures to further enhance the ICS as regards financial reporting

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

This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

- Statements on types of business transaction: their occurrence, completeness, accuracy, allocation to the correct period and the correct account;
- Statements on account balances at the reporting date: availability, rights and obligations, completeness, measurement and allocation;
- Statements on presentation in the financial statements and on the notes to the financial statements: occurrence, rights and obligations, completeness, reporting and comprehensibility, accuracy and measurement.

Suitable controls are implemented to minimise the risks identified, and these in turn are also assigned to the ISA 315 categories and their various aspects. For the effectiveness of the ICS, it is the way the controls are structured into appropriate steps and embedded into each process, and the way they are performed at the operating level, that is the decisive factor in minimising risk.

In respect of financial reporting, the ICS is strengthened through 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 faulty developments on the operational side are avoided.

### Other

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

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

The details pursuant to Art. 340a (1a) of the Commercial Code in conjunction with Art. 289b (3) of the Commercial Code can be found as a combined separate non-financial report in Commerzbank Group Annual Report on pages 44 ff. and at [www.sustainability.commerzbank.com/NFR2017](http://www.sustainability.commerzbank.com/NFR2017).

## Corporate governance report and declaration on corporate governance pursuant to Art. 289f of the German Commercial Code

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

In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practised at Commerzbank. This report also includes the declaration on corporate governance in accordance with Art. 289f of the German Commercial Code.

### Recommendations of the German Corporate Governance Code

The Bank declares every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explains which individual recommendations are not being implemented and the reasons why. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website ([www.commerzbank.com](http://www.commerzbank.com)). There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2017.

Commerzbank 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 regulate 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 of the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities within the Board of Managing Directors. The Supervisory Board is informed of all changes, and is thus included in the process. The rules of procedure for the Board of Managing Directors and the specific responsibilities of the various members of the Board of Managing Directors are published on Commerzbank AG's website <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 on their variable remuneration components must 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, the Supervisory Board after the end of a financial year calculates a total goal achievement amount based on predefined goals. This total goal achievement 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, in respect of most of which a five-year retention period and a waiting period of a further 12 months normally apply. 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 to be granted and thus change the amount to be paid out, which has no upper limit. Under the concept behind the remuneration system, the members of the Board of Managing Directors are intended to bear the risk of the performance of the virtual shares after the calculation of the total goal achievement amount, as a long-term element of remuneration. It would not be appropriate to cap the scope to participate in positive share price performance, especially given that no floor applies if the price should fall.

- In relation to the remuneration of the Board of Managing Directors, section 4.2.3 (2) sentence 8 of the Code recommends that there should be no subsequent changes to goals or the parameters for determining the variable remuneration components. Under the German Stock Corporation Act, the Supervisory Board should agree the possibility to restrict the variable remuneration of the Board of Managing Directors in exceptional circumstances. It is entitled under this legislation to adjust the goals and other parameters for determining variable remuneration components in exceptional circumstances, to reasonably neutralise any positive or negative repercussions on the achievability of the goals; 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 benefit level – based on the length of their term of office – and the annual and long-term expense for the company arising therefrom. Pension provision for the Board of Managing Directors is based on a contribution-based defined benefit scheme that does not specify a particular level of benefits. Instead, each member of the Board of Managing Directors has an entitlement to an annual pension module, the amount of which is determined as a fixed percentage of that individual's basic annual salary. This gives the Supervisory Board a clear picture of the annual and long-term expense for the company of creating reserves, including the impact of actuarial effects. The fact that a particular benefit level is not defined, combined with the switch



to a contribution-based scheme, is in line with what is now common 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 in the Code do not take account of the special features of the Remuneration Ordinance for Institutions and are therefore not as suitable for institutions such as Commerzbank AG. As a result, Commerzbank AG has decided not to implement this recommendation in its Remuneration Report 2017. Commerzbank AG has created its own tables which provide clear and transparent information on its Board remuneration system. Commerzbank AG has decided not to use the model tables in the Code alongside the tables created by it or required under accounting regulations, because this would undermine the clarity and easy comprehensibility of the Remuneration Report it is aiming for.
- Section 5.3.3 of the Code recommends that the Supervisory Board establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 of the German Banking Act, the nomination committee must support the Supervisory Board in identifying candidates to fill positions on bank management bodies. At Commerzbank, this task was formerly performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established practice at Commerzbank of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank Supervisory Board's Nomination Committee are employee representatives.
- Section 5.4.1 (2) sentence 2 of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the specific situation at the company, take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified fixed limit on length of service on the Supervisory Board and diversity. The Supervisory Board of Commerzbank regularly sets specific targets for its composition, taking into account the criteria listed in section 5.4.1 (2) sentence 2. However, it has not set a fixed limit on length of service on the Supervisory Board. The Supervisory Board takes the view that continued service frequently has to be decided in respect of the individual member: setting a fixed limit would result in an inappropriate restriction. Differing lengths of service among the individual members of the Supervisory Board can also offer advantages in terms of diversity.

### Suggestions of the German Corporate Governance Code

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

- In a deviation 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 their proxy instructions at the meeting itself as well.
- In section 2.3.3, it is suggested that the Annual General Meeting be broadcast in its entirety on the internet. Commerzbank broadcasts the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. This liberates shareholders to discuss matters freely with the management, without a wide-scale public broadcast.

### Board of Managing Directors

The Commerzbank Board of Managing Directors is responsible for independently managing the Bank in the Bank's best interest. In doing so, it must take into account 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 conducts Commerzbank'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's other corporate bodies and with employee representatives.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of the Group Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on Commerzbank's website [www.commerzbank.com](http://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 page 6 ff.

### Supervisory Board

The 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 conducts its business activities in accordance with legal requirements, the Articles of Association and its rules of procedure; it

cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 13 to 15 of the Group 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 12 of the Group Annual Report. Further details of how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available online at [www.commerzbank.com](http://www.commerzbank.com).

Section 5.4.1 (2) of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition and draw up a Responsibilities profile for the Board. As regards its composition it must, while taking into consideration the specific situation at the company, have due regard to the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified fixed limit on length of service on the Supervisory Board and diversity. The special rules of the German co-determination legislation needs to be borne in mind for the elected employee representatives. In accordance with section 5.4.1 (4) of the Code the recommendations made by the Supervisory Board to the AGM should take account of the objectives of the Supervisory Board and at the same time seek to complete the profile of responsibilities for the Board. The implementation status must be published in the Corporate Governance Report.

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

The composition of the Supervisory Board should be such that overall its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential given the activities of the Commerzbank Group. Emphasis must also be placed on appointing members with particular knowledge and experience of the application of accounting principles and internal control procedures. The members of the Supervisory Board must also be able to devote sufficient time to the performance of their duties. Members must be reliable and consideration should be given to their commitment, personality, professionalism, integrity and independence. The Supervisory Board has resolved a detailed responsibilities profile for its composition, which readers may consult on Commerzbank's website at <https://www.commerzbank.com>. The Supervisory Board takes account of the targets and requirements set out in its election recommendations to the AGM and in the regular assessment of the Supervisory Board and its members.

All targets set by the Supervisory Board for its composition and competence profile were implemented as at 31 December 2017.

In accordance with section 5.4.1 (4) of the Code, the Corporate Governance Report must 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 cannot be seen as 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 the shareholder, which could involve a significant and not just temporary conflict of interest. The employee representatives are left out of this assessment.

Applying the above-mentioned standard, all 10 representatives of the shareholder side can be classified as "independent", namely Klaus-Peter Müller, Sabine U. Dietrich, Karl-Heinz Flöther, Dr. Tobias Guldemann, Dr. Markus Kerber, Dr. Stefan Lippe, Anja Mikus, Dr. Helmut Perlet, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell.

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

In accordance with section 5.6 of the German Corporate Governance Code, the Supervisory Board reviewed the efficiency of its work in financial year 2017 as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act. The results of the efficiency audit were presented to the plenary session for discussion. The members of the Supervisory Board believe that it works in an efficient manner and to a high standard. 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 Supervisory Board are given in the Remuneration Report on page 17 ff.

### **Diversity**

At Commerzbank AG, attention is paid to diversity both in the composition of the Board of Managing Directors, appointments to management roles and in recommendations for the election of Supervisory Board members (sections 4.1.5, 5.1.2 and 5.4.1 of the Code).

**Diversity policy and targets for the Supervisory Board** The Supervisory Board of Commerzbank AG consists of 20 members. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in section 5.4.2 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank AG. The Supervisory Board has also set an age limit of 72 and is aiming for a broad range of ages on the Board. The Supervisory Board also wants its members to have a suitable range of educational professional backgrounds. And there should be at least one international member of the Board. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is keen to at least meet the statutory requirement of a minimum of 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 keen to at least maintain the current percentage of female representation of 30% among the employee representatives in the future.

The Supervisory Board met all of the above targets in financial year 2017. As at 31 December 2017, the Supervisory Board of Commerzbank AG contained three international members and six women, of whom three were shareholder representatives. The percentage of women on the Supervisory Board is therefore 30% at present.

**Diversity policy and targets for the Board of Managing Directors** The Nomination Committee of Commerzbank AG's Supervisory Board supports 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 stipulates the timescale for the appointment process. In the composition of the Board of Managing Directors, the Supervisory Board is aiming to enhance diversity, particularly with regard to characteristics such as age, educational and professional background and to increase the proportion of women. The Supervisory Board also seeks to ensure that a reasonable range of educational and professional backgrounds is represented on the Board of Managing Directors.

In terms of the proportion of women on the Board of Managing Directors of Commerzbank AG, which must be stipulated by law, the Supervisory Board has set a target of at least one female member by 31 December 2021. This target has already been reached:

Dr. Bettina Orlopp was appointed to the Board of Managing Directors of Commerzbank AG with effect from 1 November 2017. She is responsible on the Board for the topics she has been in charge of as Senior General Manager since May 2016: Compliance, Human Resources and Legal.

The proportion of women on Commerzbank AG's Board of Managing Directors is therefore 14.3% at present.

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

In May 2017 the full Board of Managing Directors therefore set new targets for female representation in the first and second management levels of Commerzbank AG in Germany. The target is 17.5% for the first management level and 20% for the second. The deadline set was 31 December 2021. Commerzbank AG has therefore set 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 leadership positions.

As at 31 December 2017, the first management level below the Board of Managing Directors in Commerzbank AG consisted of 35 people, of whom 30 were male and 5 female. The percentage of women in the first level of management below the Board of Managing Directors was therefore 14.3%.

The second management level below the Board of Managing Directors consisted of 381 people, of which 319 were male and 62 female. The percentage of women in the second level of management below the Board of Managing Directors was thus 16.3%.

#### Accounting

Accounting at the Commerzbank Group and Commerzbank Aktiengesellschaft gives a true and fair view of the net assets, financial position and earnings performance of the Group. 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 and adopted by the Supervisory Board. The audit is performed by the auditor elected by the Annual General Meeting.

The management report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on page 41 ff. 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 as well as in 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 upon 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 signing of profit and loss transfer agreements. Each share entitles the holder to one vote.

In 2015 the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) of the German Stock Corporation Act, gave the Annual General Meeting the opportunity to vote on the approval of the remuneration system for members of the Board of Managing Directors. The 2015 Annual General Meeting approved the principles of the variable remuneration system and the fixed basic annual salary for members of the Board of Managing Directors. The 2015 Annual General Meeting also voted on the ratio of variable to fixed annual remuneration for members of the Board of Managing Directors pursuant to Art. 25a (5) sentence 5 of the German Banking Act and approved an increase in the cap on variable annual remuneration for members of the Board of Managing Directors of Commerzbank to 140% of the respective fixed annual remuneration set from 2015 onwards.

The Bank's shareholders may submit recommendations or other statements by letter or email, 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. At the same time, shareholders may influence the course of the Annual General Meeting by means of countermotions or supplementary motions to the agenda. Shareholders may also apply for an Extraordinary General Meeting to be convened. The reports and documents required by law for the Annual General Meeting, including the Annual Report, may be downloaded from the internet, and the same applies to the agenda for the Annual General Meeting and any countermotions or supplementary motions.

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and earnings performance four times a year. Corporate news items that may affect the share price are 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 increasingly uses the possibilities offered by the internet for reporting purposes, offering a wealth of information about the Commerzbank Group at [www.commerzbank.com](http://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. The financial calendar for the current and the forthcoming year is also published in the Annual Report and on the internet. This contains the dates of all 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 to meet this obligation in the future as well.

## **Business and overall conditions**

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### **Economic environment**

In 2017, the global economy recorded the strongest growth it had seen since 2011. Emerging markets provided significant momentum. After a deep recession, Russia and Brazil returned to the growth track. The fact that the growth slowdown seen in China the year before was not sustained also helped. The Chinese economy actually grew even more strongly than in 2016, by 6.9%.

The industrialised countries also noticeably picked up speed in 2017. In the USA growth was clearly higher than in 2016 at 2.3%. The unemployment rate is now lower than it was before the deep recession of 2007–09. Against this backdrop, the Federal Reserve decided in 2017 to raise key interest rates by a further 75 basis points to 1.25%–1.50%, and also started to slowly run down its holdings of securities.

The eurozone also noticeably picked up speed in 2017. Growth was even stronger than in the USA, at 2.5%. The expansive monetary policy of the European Central Bank (ECB) is having an increasingly powerful effect on the real economy. At the same time the eurozone economy is profiting from lively global demand. Thanks to this growth, the situation on the labour market has continued to significantly improve, with the unemployment rate falling from 9.7% at the end of 2016 to 8.7% in December 2017. Despite the tighter supply of available labour, wages rose only very mod-

estly in 2017. Accordingly, there was no change in the low underlying inflation. The core inflation rate, i.e. the year-on-year rate of the consumer price index excluding highly volatile food and energy prices, continues to fluctuate around 1%. The subdued inflationary outlook led the ECB to extend its bond purchase programme until September 2018. However, since the start of the year it has only been buying €30bn per month, half as much as before. The ECB also decided to fully reinvest the principle payment of maturing securities even after the programme has ended.

The German economy grew slightly more strongly in 2017 (2.2%) than it did in 2016 (1.9%). Adjusting for the different number of working days, the increase was as much as 2.5%.

Unemployment at year-begin was a seasonally adjusted 5.4%, the lowest level since German reunification. The economy was mainly bolstered by stronger investment and higher export growth.

Financial markets were once again dominated in 2017 by the extremely loose monetary policies pursued by the leading central banks. Investors continued to be forced into riskier forms of investment such as equities, corporate bonds and the government bonds of periphery countries.

## Sector environment

After getting over a brief period of uncertainty at the start of 2017, from summer onwards strong economic optimism emerged, especially in the industrialised countries, and the cyclical improvement also reached some of the major commodity exporting countries. The firmer global economy therefore spread to more countries. Political risk, higher debt and weak productivity growth receded into the background and volatility hovered around what were in some cases record low levels.

Against this backdrop, the already high levels of valuation on global equity markets rose further in 2017. The robust global economy encouraged long-term yields to slowly rise again from their low level in the USA and Germany and risk premiums fell sharply once more on corporate bond markets. Even though the Federal Reserve – the provider of the world’s most important currency – tightened monetary policy, funds are cheap all over the world. Most market participants assume that the tighter US interest rate policy will not slow the economy too much or trigger turbulence on the stockmarkets. This confidence contributed to a strong risk appetite on the part of investors.

However, the risks to the global economy have not diminished. Deleveraging by governments, companies and private households has not yet been completed and continues to weigh on the profitability of banks throughout the eurozone. In eurozone bond markets, expansionary monetary policy has to some extent served only to paper over the tensions; and in sub-markets, the banks’ withdrawal – due to the regulatory framework – is causing anomalies in prices. The Eurosystem’s expanded asset purchase programme

is improving banks’ liquidity position and financing conditions, but at the same time it is putting pressure on net interest margins and thus having a significant adverse impact on earnings – even though loans to domestic customers are growing at a faster rate. While the banks’ efforts to reduce solvency and liquidity risks were recognised, there were persistent fears about a sustained weakening of the profitability of the banking system in the eurozone and the ability of banks to generate profitable returns on interest-rate-based business.

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

Overall, the fundamental transformation of the European banking system continued in 2017. The sector today is smaller, more clearly focused on its core functions and less profitable, but also more robust and resilient to future crises.

## Important staffing and business policy events

Commerzbank made major steps in implementing its Commerzbank 4.0 strategy in financial year 2017: reaching agreement with the employee representatives on a reconciliation of interests and an outline social plan laid the foundations for the staffing and organisational changes required. By taking over the instalment loan business we now have full responsibility for an important growth area once again. Commerzbank once more reduced complexity by completing the sale of two affiliated companies and agreeing a strategic partnership for securities settlement. The Bank also further strengthened its compliance function. There were some changes in personnel during the year, within both the Board of Managing Directors and the Supervisory Board.

### Change in the Supervisory Board of Commerzbank

As proposed by the Supervisory Board, the Annual General Meeting on 3 May 2017 appointed Dr. Tobias Guldemann to the Supervisory Board of Commerzbank Aktiengesellschaft. Dr. Guldemann succeeded Prof. Dr. Ulrich Middemann, who passed away in 2013 and had been replaced on the Supervisory Board by Dr. Roger Müller. The appointment of a successor marked the end of Dr. Roger Müller’s term of office; he returned to his role as substitute member. Heike Anscheit and Stefan Jennes have been members of the Supervisory Board since 1. January 2017 and 1. February 2017 respectively.

#### **Dr. Bettina Orlopp appointed as a member of the Board of Managing Directors**

With effect from 1 November 2017, Dr. Bettina Orlopp was officially appointed as a member of the Board of Managing Directors of Commerzbank. As planned, Dr. Orlopp is responsible for the new Board portfolio Compliance, Human Resources and Legal.

#### **Progress made with the implementation of the personnel reductions required under the Commerzbank 4.0 strategy**

On 13 July Commerzbank agreed an outline reconciliation of interests and an outline social plan with the employee representative committees in Germany. The binding agreements form the basis for ensuring that the personnel reductions announced by the Bank in autumn 2016 as part of the Commerzbank 4.0 strategy are handled as socially responsibly as possible.

#### **Commerzbank takes over instalment loan portfolio**

In mid-August 2017, Commerzbank reached an agreement with BNP Paribas Personal Finance S.A. on splitting out the banking business division of their Munich-based joint venture Commerz Finanz GmbH, which contains the instalment loans distributed by Commerzbank. The split put an end to the joint venture. Under a partial transfer of operations, around 300,000 customer agreements covering a portfolio of instalment loans totalling roughly €3.5bn were transferred from Commerz Finanz GmbH to Commerzbank. The transaction was coordinated with the regulatory authorities and completed on 18 August 2017. The Federal Cartel Office had already given its approval for the transaction. Instalment loans are an important growth area for Commerzbank. The Bank wants to bring the business back in-house and plans to digitalise and expand its operations. With this in mind, Commerzbank launched its own digital instalment loan in the first half of 2017.

#### **Commerzbank completes sale of two affiliated companies**

On 13 July 2017, we finalised the announced sale of the interest in the precious metal processor Argor-Heraeus SA, Mendrisio, Switzerland. On 26 July 2017, we finalised the announced sale of the interest in the credit card service provider Concardis GmbH, Eschborn, Germany.

The respective impacts on profit and loss were shown in the income statement in the third quarter of 2017.

#### **Commerzbank and HSBC Transaction Services GmbH agree strategic partnership**

At the start of December 2017 Commerzbank Aktiengesellschaft and HSBC Transaction Services GmbH reached agreement on a strategic partnership in securities settlement. As part of this partnership, Commerzbank's operational business processes for securities settlement will be outsourced. This will see the creation of a joint venture in which Commerzbank will hold a 20% minority interest. Initially the partnership will run for 10 years.

The operational start of the new company is scheduled for the beginning of 2020. By then the two sides will have laid the technical foundations for the data migration. The capital expenditure Commerzbank has to make for this and the medium-term savings that can be expected are fully reflected in the planning for Commerzbank 4.0. An intensive test phase will start in 2018 to ensure that the outsourced securities settlement activities get off to a smooth start. It has been agreed that the further contractual details will remain confidential.

#### **Commerzbank strengthens compliance function**

The Bank once again took steps in 2017 to further strengthen the compliance function. This covers not just structural changes but also increasing headcount, staff training and the successful recruitment of additional compliance experts with external experience to work at head office and in foreign locations. This trend will be further consolidated by means of a short- and medium-term HR strategy. 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. In addition, the Board of Managing Directors and management increased their communication on compliance risks ("tone from the top") with a "culture of integrity" campaign in 2017. The Bank emphasised a consistent compliance structure in the sense of "three lines of defence" which is actively lived out within the entire Bank. As part of this model, compliance coordination units were implemented in the front office (the first line of defence). The Bank set up various cross-divisional compliance committees to promote interaction on specialist issues between the first line of defence units and Group Compliance (the second line of defence). These serve to consider and discuss high-level compliance matters (e.g. regulatory changes) or specific business issues (e.g. assessing customer groups as part of onboarding, cases/patterns of fraud occurring). The Global Compliance Board is the highest committee and is chaired by the member of the Board of Managing Directors responsible for Compliance, Human Resources and Legal. Within Group Compliance, the highest body is the Compliance Management Committee, which is chaired by the Chief Compliance Officer of the Bank.

According to the requirements of the Financial Services and Markets Act 2000 (FSMA) Commerzbank London has 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). Following this, the efficiency of the resulting implementation plan will be evaluated and the Skilled Person will report to the FCA on a semi-annual basis.

In terms of the findings relating to the settlements with various US authorities the Bank has dealt with the majority of the findings. The Bank has also received various interim reports 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 already made good progress in carrying out the implementation programmes and has dealt with most of the measures.

## Earnings performance, assets and financial position

Commerzbank changed its accounting and measurement methods at the end of 2017: net interest income is shown adjusted for net interest income on trading portfolios and the interest components in connection with provisions. Net interest income on trading portfolios is now reported in net trading income and the interest components in connection with provisions under other net income. A description of the changes can be found on page 81 ff. of the financial statements.

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

### Income statement

Commerzbank Aktiengesellschaft made a net profit of €176m in 2017, following a net profit of €1,494m in the previous year.

The changes in the individual earnings components are set out below.

Net interest income, the balance of interest income and interest expense, fell €1.5bn year on year to €3,140bn. The majority of this relates to the changes in accounting and valuation methods mentioned above. In business with private and small-business customers net interest income rose year on year, despite another sharp fall in the contribution to earnings from the domestic deposit business. The main income driver was interest income from the growing loan portfolio as a result of the very good new business performance and the takeover of the instalment loan portfolio from the Commerz Finance GmbH joint venture.

In the corporate customer business, the positive capital market business was not able to make up for the burdens of the interest rate environment and lower income from documentary business associated with the reduction of the bank portfolio in Financial Institutions and lower customer activity.

At €2,610m, net commission income was 5.9% higher than in the previous year. The rise is due to expenses for internal Group service activities, which have been reported under operating expenses from the reporting year. Primary commission-paying business fell year on year. In the Private and Small-Business Customers segment, significantly higher commission income from the securities business in Germany contrasted with a steep fall in commissions from loan distribution, as Commerzbank began offering consumer loans through its own platform in the first half of 2017 and ceased distributing instalment loans through the Commerz Finance GmbH joint venture. In the Corporate Clients segment, the significant year-on-year fall in net commission income was the result of a lower amount of commercial business.

Net trading income came to €879m in the reporting year (previous year: €–203m).

The balance of other operating income and expenses in the year under review was €–1,167m, caused by both compensation of a writedown at a foreign subsidiary and higher interest expenses for retirement benefit obligations.

The cost of assuming subsidiaries’ losses under profit and loss transfer agreements was €25m in the reporting year. This was offset by €227m of income from profit and loss transfer agreements, so the net income from profit and loss transfer agreements in financial year 2017 was €202m.

Operating expenses rose 2.5% to €5,635m in the reporting year. Personnel expenses (mainly wages and salaries) fell 5.1% to €3,009m. At €2,626m, other operating expenses were 13.0% higher than in the previous year. The rise is particularly due to expenses for internal Group service activities, which were included in the figure for the previous year but from now on are reported under operating expenses. In addition, IT expenses were up, as were contributions for the European banking levy, while premises costs were down year on year. Depreciation, amortisation and write-downs of intangible and fixed assets increased by 19% to €489m in the year under review. This rise was due to higher amortisation of intangible assets.

The net profit for the previous year included expenses from write-downs on receivables and certain securities and from additions to provisions in lending business amounting to €–3,228m; in contrast, the year under review contains income from write-ups and releases on receivables and certain securities and reductions of provisions in lending business amounting to €1,535m.

As a result of the income statement items described above, Commerzbank Aktiengesellschaft posted an operating profit of €1,273m in 2017, compared with a loss of €-1,835m in the previous year.

An extraordinary expense of €-786m was recorded in the period under review. The previous year saw an accretion gain from the migration of Hypothekbank Frankfurt AG, while 2017 was impacted by the restructuring expenses associated with the Commerzbank 4.0 strategy.

Tax expenses amounted to €311m for the reporting year, compared with €368m in the previous year. Taxes on earnings and income declined.

Commerzbank Aktiengesellschaft therefore made a net profit of €176m in 2017, after €1,494m in the previous year. Half of the net profit for the year under review, i.e. €88m, was allocated to Other retained earnings, leaving a net profit of €88m. Subject to the approval of the decision-making bodies, the net profit will be used to further strengthen retained earnings.

## Balance sheet

Total assets of Commerzbank Aktiengesellschaft fell 6.1% or €24.0bn year on year to €367.6bn.

Within assets, the cash reserve rose sharply by €19.0bn to €49.6bn. This increase compared with the end of 2016 was due in particular to larger deposits with central banks. Claims on banks fell compared with the previous year, by €12.9bn to €42.6bn. This was the result of a significant drop in secured money market transactions in the form of reverse repos. This compared with claims on customers, which rose by €7.4bn compared with the previous year's level to €197.2bn. There was a sharp €7.0bn rise in retail property and mortgage loans, whereas the workout divisions Commercial Real Estate and Ship Financing saw declines. Bonds and other fixed-income securities fell by €12.9bn to €31.4bn. The decrease was due to smaller holdings of bonds and notes in the liquidity portfolio. Trading assets recorded a volume of €30.8bn, compared with €54.5bn in the previous year. The fall was mainly caused by the fair value of financial derivatives. Holdings in affiliated companies declined by €2.2bn from €8.0bn at the end of 2016 to €5.8bn.

On the liabilities side, liabilities to banks – especially in connection with the reduction in sight deposits and a decline in repos and cash collaterals – fell sharply by 9.9% to €67.1bn. Liabilities to customers were lower than the previous year at €206.8bn. Sight deposits were in line with last year at €131.8bn, while term deposits and registered Pfandbriefe fell.

Securitised liabilities were €32.8bn, €3.2bn lower than the previous year. This fall was mainly caused by a reduction in bonds. Trading liabilities recorded a volume of €18.6bn, compared with €28.8bn in the previous year. The €10.2bn decline was the result of lower negative fair values for derivative transactions. Subordinated liabilities totalled €9.1bn, €1.0bn lower year on year. At €0.1bn, profit-participation certificates were unchanged year on year. Equity capital was 0.8% higher compared with the end of the previous year at €22.5bn.

Off-balance-sheet liabilities rose slightly overall year on year, with contingent liabilities slightly up year on year at €34.3bn and irrevocable lending commitments down €0.5bn to €75.1bn.

## Equity

Commerzbank Aktiengesellschaft's reported equity as at 31 December 2017 was €0.2bn higher compared with year-end 2016, at €22.5bn. Both the capital reserve and subscribed capital were unchanged on the year, at €17.2bn and €1.7bn respectively. Retained earnings were up €0.8bn on the end-2016 level, standing at €3.5bn.

Since 2007, the Bank has made use of the waiver rule of Art. 2 a of the German Banking Act (KWG), which means it only reports risk-weighted assets and capital ratios for the financial institution group to the supervisory authority.

Risk-weighted assets ("phase-in") were €171.4bn as at 31 December 2017, €19.2bn below the year-end 2016 level. The decrease was attributable to a reduction in risk-weighted assets from credit risk, market risk and operational risk. Risk-weighted assets from credit risk mainly fell as a result of active portfolio management, including reductions in the workout portfolio, a securitisation transaction and relief effects from currency movements. Regulatory Tier 1 capital fell by around €0.5bn to €26.0bn compared with year-end 2016, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio rose to 15.2% due to the decline in risk-weighted assets.



Common Equity Tier 1 capital was €25.6bn and the corresponding Common Equity Tier 1 ratio 14.9%. The total capital ratio was 18.3% as at the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of full implementation of the Basel III regulations) was 14.1% at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which compares Tier 1 capital with leverage exposure, was 5.5% (phase-in) or 5.1% (fully phased-in).

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

## Summary of 2017 business position

The implementation of the Commerzbank 4.0 strategy was driven forward as planned in financial year 2017 and the growth course maintained.

From the Group perspective, the decline in operating income year on year was in line with our expectations and mainly related to lower one-off income items; with the cost base stable, the cost/income ratio rose slightly as expected. Adjusting for one-off income, the objective of improved quality of income and earnings in the past financial year was achieved. As the restructuring expense was recognised in full (we had originally thought it was likely to be spread over two years, and hence lower in 2017), consolidated net profit for the Group did not quite reach the level of the previous year, as had been forecast, but remained positive.

In the Private and Small-Business Customers segment we exceeded the targets set for Germany for financial year 2017 in terms of customer numbers and assets under control (total credit, deposit and custody account volumes), in some cases significantly. Income was further affected by the tougher domestic competitive environment. A further rise in the interest margin and growth in net commission income at Polish subsidiary mBank was unable to make up for this. In the Corporate Clients segment, margin pressure during the year under review, along with subdued new lending business and a deliberately accelerated reduction in credit portfolios that are not part of the core business, resulted in a decline in net interest income and total segment income on a scale that had not been anticipated. The Asset & Capital Recovery seg-

ment once again carried out its strategic reduction task faster than expected. As anticipated, this resulted in a decline in segment income; measurement effects make up a significant portion here.

Commerzbank Aktiengesellschaft's overall net profit for the reporting year was €176m, after €1,494m in the previous year. Profitability was therefore in line with what we had predicted for 2017.

## Outlook and opportunities report

### Future economic situation

The development of the global economy in 2018 will be determined by geopolitical risks as well as the economic development of emerging markets. The spotlight remains on China, where growth will probably slow somewhat. Firstly, the important construction sector will expand less rapidly as real estate prices are hardly rising any more; secondly, heavily indebted companies (mainly state owned ones) will boost their investments at a lower rate. The upturn in countries whose exports are dominated by raw materials, by contrast, will continue to gain in strength.

In the USA there is every chance that the expansion which has been under way for more than eight years will continue in 2018. Private consumption will again rise sharply, driven by rising employment and accelerating wage growth. The same applies to corporate investment, which is being buoyed by promising sales prospects. In addition, the stronger crude price will again provide impetus to capital expenditure in oil and gas production. US exports will probably rise as fast in 2018 as they did in 2017. To date, the fears of a trade war which emerged during the US presidential election campaign have not been realised. Further support is likely to come from the tax cuts which have been approved, benefiting both companies and employees.

The US economy is set to grow by 2.7% in 2018, again faster than productive potential. The already low unemployment rate will decline further. This will confirm the Federal Reserve in its expectation that core inflation (excluding food and energy) is heading up towards 2% again. We therefore assume that they will raise benchmark interest rates in 2018, by a total of 100 basis points.

Real gross domestic product Change from previous year	2017	2018 <sup>1</sup>	2019 <sup>1</sup>
USA	2.3 %	2.7 %	2.3 %
Eurozone	2.5 %	2.5 %	2.3 %
Germany	2.2 %	2.5 %	1.8 %
Central and Eastern Europe	3.8 %	3.4 %	3.0 %
Poland	4.6 %	3.8 %	3.2 %

<sup>1</sup> The figures for 2018 and 2019 are all Commerzbank forecasts.

A very powerful recovery is underway in the eurozone, which only a change of direction by the ECB would put at risk. There is no sign of this on the horizon. The ECB halved its bond purchases at the start of the year, and will only buy €30bn of securities per month until September, gradually ceasing altogether after that. But that does not mean the end of loose monetary policy. The ECB deposit rate is likely to remain at -0.4% for a considerable time. Low interest rates are making the still high debt levels of many companies and households more sustainable.

The solid economic growth will drive unemployment down further, but this will probably have little impact on the weak trend in wages. Underlying inflation will also remain weak.

The UK's vote in favour of leaving the EU will have no further impact on the eurozone economy. For one thing, it will probably be several years before the UK actually leaves the internal market. We also anticipate that it will ultimately conclude an agreement with the EU that minimises the economic disruption.

The German economy looks set to grow as fast in 2018 as it did last year, once adjusted for the different number of working days. On an unadjusted basis, the rise will be 2.5%, driven by vigorous investment activity. Consumption should post sound growth once

again. Slightly higher wage increases and a continued strong rise in employment are still giving a powerful boost to employees' household income. Domestic demand is not the only source of support, though. The German economy will continue to benefit from lively global demand. It is worthy of note, however, that unit labour costs at German companies have been rising faster than in the rest of the currency union for several years now. And in the property market, low interest rates are driving up prices, especially in the major cities.

The US interest rate reversal and the continuation of the ECB's highly expansive monetary policy will once again shape the financial markets in 2018. The end to ECB bond purchases will not have any major upward impact on the yield of 10-year German government bonds. The bull run on equity markets is not yet over, although volatility is likely to rise. The current year is set to be a good one for equity investors once again. The healthy economy is causing company profits to rise. The persistently loose monetary policy is also supportive of equity valuations. The euro/dollar exchange rate looks set to weaken in 2018, as the Fed will probably hike its benchmark rates more than the markets currently expect.

Exchange rates	31.12.2017	31.12.2018 <sup>1</sup>	31.12.2019 <sup>1</sup>
Euro/US-dollar	1.20	1.18	1.26
Euro/Sterling	0.88	0.88	0.92
Euro/Zloty	4.18	4.30	4.40

<sup>1</sup> The figures for 2018 and 2019 are all Commerzbank forecasts.

## Future situation in the banking sector

Given the tailwind for the German and European economy and a eurozone recovery that is increasingly self-sustaining, the risks for the economic environment in which the banking sector operates are currently more balanced than before. Some of the dangers previously noted remain. They include the risk of increasing protectionist tendencies, a surprise stumble in Chinese growth or political risks in Europe and the world. The vote in Sicily, for example, increased the risk of parties critical of Europe potentially winning the forthcoming parliament elections in Italy, and the country's structural weaknesses remain a risk factor for the currency union. Any escalation in the North Korean conflict or the tussle between Saudi Arabia and Iran could sharpen the perception of geopolitical risks. The bursting of the debt bubble, cascade effects, a massive loss of confidence and political decisions could result in a significant setback to economic growth in China.

Over-reactions on the financial markets and misallocations in the real economy caused by the lengthy period of expansive monetary policy would have a direct impact on the banking sector through interest rate and commission business. High valuations for equities and bonds, real estate markets and private equity have created plenty of scope for disappointment, and complacency and optimism have in some cases got out of hand. Investors who normally buy safe assets might panic at market turbulence, and procyclical investors have become much more significant. The planned end to low interest rates for some central banks already risks causing financial market turmoil, especially as modest expectations about the speed and extent of monetary tightening could be disappointed. The Bundesbank recently pointed out that re-measurement risk, interest rate risk and default risk all occur at the same time and can exacerbate each other.

A largely disorderly UK departure from the EU without any transitional period or free trade agreement, which cannot be ruled out despite the recent progress in the negotiations on the terms of departure, would be equivalent to an economic shock and cause harm to the German banking sector, even though there would be marginally positive value creation effects as market-related financial services are switched to Germany. The current level of integration between the UK and the EU, especially Germany, is very high, due to specialisation in the internal market and international value chains. Banks' foreign business with major German export clients would be noticeably hit, especially, through trading, in cars, engineering, electricals, chemicals, pharmaceuticals, food and textiles.

Wholesale deliveries are significant at the macro and micro-economic level for both Germany and the UK. Research by the Ifo Institute shows that at least 550,000 jobs in Germany depend on exports to the UK, hence business with retail bank customers would be directly affected. In addition, the UK's departure from the EU internal market and the customs union may affect trade with other EU countries. Banks have to hope that their credit customers identify the risks Brexit will have for their own business models, and mitigate these. In the short term there would be major general downside risk for the macro-economic environment from market jitters and political uncertainty, with a negative impact on the customers of the banking sector. The perception of serious institutional consequences from the departure of one of the three large member states (in terms of the balance of power, a potential change of direction on free trade and the effect on the EU budget) could add to this. If the UK government lowers regulatory standards in the banking sector after Brexit to support London as a financial centre, the competitive position of the banks in the remaining EU countries would be harmed.

There is also ongoing uncertainty on the markets regarding the capital adequacy, interest rate risks, non-performing loans, cyber risks and especially profitability of European banks. The recent finalisation of the Basel 3 regulations raises the question of consistent implementation; this, together with the issues where the supervisors were unable to reach any consensus, could cause investor uncertainty. The focus remains on individual business models for sustainable profit generation and stress resistance in the low interest rate environment. One of the main challenges still facing banks is to adapt their business models – in view of ongoing overcapacity in some countries coupled with new technology-driven competitors – to the changed conditions, reduce costs and increase profitability. This means pushing ahead with the systematic modernisation of banking operations and making sufficient capacity available for digitalisation.

All in all, the eurozone banking sector is still in the middle of a long-term structural transformation triggered by the crisis of the last few years. The stronger capital base is offset by reductions in implicit government guarantees, stricter rules on resolution and greater creditor loss participation. A further reduction in leverage exposure levels and improved asset quality in an increasingly digitalised and automated industry are still essential if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

Economically, the sector will receive a boost in 2018 for its business with retail and corporate customers from the macro-economic environment. The more robust global economy is based on an upturn which is broader in terms of countries and contributors. International trade in goods is benefiting from the broadly rooted uptrend, as is, finally, capital expenditure; private companies in particular appear to be putting aside their unwillingness to invest. The good performance seen in employment and incomes continues to support consumption growth and savings. The best environment for banks would be a steady economic upturn and a rise in yields that is slow and only gradual. But, large repayments by customers and the increased use of internal and alternative external sources of funding, along with tough competition, will limit income growth.

The outlook for the banking environment in Poland remains gloomy for the medium term as a result of economic policy and the dispute with the EU over the effect of European law. We still expect the banking sector to come under pressure from the newly introduced bank levy and other potential measures to increase the government's influence. The close trade relations with the UK would also cause harm in the event of a disorderly Brexit.

The Polish economy continues to grow strongly, though. After a healthy rise of around 4.6% in economic output last year, 2018 is likely to see a strong gain of about 3.8%. Private consumption will again play a major role, accentuated by fiscal policy measures such as support programmes for families and pensioners. The country also benefits from strong demand from Germany. In addition, as the funding period draws to an end, an increasing amount of EU funding can be expected to be drawn down. Hence, investment should again make a perceptible contribution to growth in 2018. The positive trend in wages and unemployment should generally boost credit volumes, and the solid position of private households and the corporate sector will be reflected favourably in banks' risk costs.

## Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business have changed markedly in the past few years. The pressure on profitability has increased significantly in respect of both earnings and costs. Rising competition means old structures have to be reviewed and new paths taken. Whereas in the past, personal customer relationship management was a key element of banking, these days our customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products.

We are rising to these challenges with the strategic initiatives we have launched and in some cases already successfully implemented. But we face additional challenges from increasingly stringent regulatory requirements. With this in mind, the constant review of internal processes, structures and technical platforms to make ourselves leaner, more efficient and more customer-oriented is not a one-off project but an ongoing process that will occupy us over the coming years and should enable us to largely counteract the significantly tougher requirements.

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

By 2020 the Private and Small-Business Customers segment will become a digital multi-channel bank in Germany. The key elements of this are digital and analogue service offerings, new sales platforms and a differentiated branch concept. Our network of around 1,000 branches retains its vital central role, but we want to achieve faster growth by combining digital platform strategies with modern branch formats. The "ONE" sales application is a standardised technical platform for online and branch sales. Broad-based market coverage is assured through flagship branches focusing on advisory services and city branches that combine efficient customer service with a reduced infrastructure and lower operating costs. With the aim of gaining two million net new customers by 2020, the Bank is offering attractive products such as digital instalment loans and digital asset management and working with partners such as Tchibo, Amazon and Lufthansa. Small-business customers are handled in a separate business unit within the Private and Small-Business Customers segment. We combine strong expertise in private customer business with the credit experience of Mittelstandsbank. New digital offerings coupled with a nationwide local presence will enable us to significantly increase our share of the business customer and smaller Mittelstand customer markets from 5% to 8%. The holistic advisory services take both business and private considerations into account.

The Corporate Clients segment combines the Bank's traditional strengths in corporate banking – a national presence coupled with support for customers entering international markets, a unique relationship management model and a leading range of trade and export financing services – with the capital market know-how of our investment bank. We are thus creating the optimal framework for developing solutions tailored to the specific needs of larger companies. We will also leverage our expertise in Germany's key industries at a European level in order to better harness it for international growth. Our aim is to be the leading provider of hedging products for corporate clients and the number one debt house. We strive to ensure a uniformly high quality of advice worldwide. Corporate customer advisors in Germany not only coordinate the involvement of product specialists, they also work with the Bank's global client service teams. The multilingual relationship managers and specialists on the European desks in their global markets are in constant contact with corporate customer advisors in the domestic market.

We will transform the Bank into a digital technology company across all segments. This restructuring affects strategy, technology, competence and culture. We will actively drive forward digitalisation in the banking business and be a technology leader. We want to be number one in all technologies that provide our customers with speed, security and convenience. For some time we have been involved in start-ups, both directly and through our subsidiaries CommerzVentures, main incubator and the digitalisation platform #openspace. We support entrepreneurs with good ideas, so we have a finger on the pulse of tomorrow's innovations. The Digital Leadership programme will support our managers in their multiplier role for digital change.

The digital campus will become the engine driving the Commerzbank transformation, testing and developing new, agile working methods and new forms of cooperation. This will bring us to results more quickly and allow us to deal with changes more flexibly. We already have some success stories to show along the way, with digital proofs relating to customer interfaces, new technologies and the digital world of work.

Commerzbank anticipates a capital market funding requirement of less than €10bn over the coming years. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments such as senior unsecured and Tier 2, Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. As such, Pfandbriefe are a key element of Commerzbank's funding mix.

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 the capital market from the forthcoming Brexit negotiations.

## **Anticipated performance of Commerzbank Aktiengesellschaft**

We expect no material change to the challenging overall conditions in the current business year. In addition to low or negative interest rates, the stiffer competitive situation, reflected in lower margins on new lending and weaker profitability in deposits, will weigh on income. In our view, any acceleration of the improvements in income and earnings we are aiming for in the medium terms, which would require a normalisation of the yield curve and rising rates at the short end of the curve in particular, is unlikely in 2018. The priority in the current year, therefore, will be to improve the quality of customer-related income and earnings.

As the Bank is managed via its segments, the information in the following sections of the outlook and opportunities report is geared towards the performance of the Commerzbank Group as a whole. We expect to see the following developments in 2018 in this regard:

### **Anticipated performance of individual earnings components**

As in the previous year, efficient asset liability management is one of the challenges for increasing interest income in an interest rate environment which is likely to remain difficult. The focus will be on managing the ratio of loans to deposits by strictly controlling deposits and growing the business in the Private and Small-Business Customers and Corporate Clients segments. To counter the tighter margin situation, which is being driven by competition, Commerzbank will emphasise high-margin financing such as consumer loans (now operating on a proprietary platform since mid-2017), without neglecting strict risk metrics. We still see promising potential for growth in the private and small-customer business in Germany and at mBank in Central and Eastern Europe. In business with corporate customers, by contrast, who in the current very favourable economic environment have considerable capacity to finance themselves, only a slight expansion of business is again likely to be possible. At Group level Commerzbank is aiming for a slight increase in net interest income overall.

The slight increase targeted in net commission income in both Private and Small-Business Customers and Corporate Clients is mainly related to growth in the securities and capital markets business.

For private customers, higher volume-based income from mandate business combined with a further expected increase in volumes held in custody accounts should compensate for the loss of income from distributing consumer loans and lead to higher commission income overall.

For institutional and corporate customers, more frequent periods of volatility on the financial markets, triggering increased activities of market participants in primary and secondary markets, is likely to help commission business.

The uncertainties as to the performance and volatility of the global capital markets make it difficult to forecast gains or losses from financial assets and liabilities measured at fair value through profit and loss. Commerzbank continues to apply its risk-oriented, customer-centric approach to ensure as stable a contribution as possible from this business. This income item now includes re-measurement effects on assets reclassified under IFRS 9 on 1 January 2018, such as the ship financing portfolio. Commerzbank is targeting a substantial reduction in the ship portfolio, which is measured at fair value, by the end of 2018, without any material effect on earnings.

We estimate that the other income items, including realised gains or losses on financial instruments and other net income, will in total be significantly below last year's high level in 2018. Financial year 2017 benefited from one-off income and measurement effects of the order of just under €500m, including gains on disposal of a shareholding and a real estate transaction.

Despite our expectation that the interest rate environment will again weigh on income, we anticipate slight growth in income on an adjusted basis in the current year. The core income items, net interest income and net commission income, should deliver the lion's share of this. Including the one-off income recognised last year and unlikely to be repeated in 2018, or at least not on the same scale, income overall will be slightly below last year's figure.

In a scenario of rising interest rates, especially at the short end of the yield curve, we would regard a significantly larger rise in income as realistic.

The introduction of IFRS 9 affects the forecast of the risk result, which is comparable but not identical to the old loan loss provision item. The risk result now includes, for example, gains or losses on disposal of financial instruments mainly recognised at cost, a sub-component that cannot be reliably forecast but is also not expected to be material in size. Commerzbank expects a risk result of less than €600m for financial year 2018. Unlike in previous years, the Asset & Capital Recovery segment will in our view no longer require any significant risk costs. Apart from the fact that from 1 January 2018 measurement changes on the ship financing portfolio are reported in the gain or loss on financial assets measured at fair value, the now advanced reduction of the ACR portfolio also plays a role in this.

One major reason for the expected significant rise in the risk result related to the Private and Small-Business Customers and Corporate Clients segments also has to do with the introduction of IFRS 9: since the start of this year, expected credit losses on a one-year view must be booked at the time of initial recognition for new lending business, regardless of whether any impairment expense is actually incurred. The strategic decision to operate the high-margin consumer finance business, with comparatively higher expected risk costs, on Commerzbank's own platform will therefore push up the expected risk result. The expected growth in credit risk costs in the core business areas does not, overall, reflect any deterioration in the very good quality of our loan portfolio. The expectation of above-average portfolio quality is also reflected in our forecast that in the current year only a relatively small share of the risk result is likely to relate to value losses caused by a significant deterioration of credit quality, known as phase 2 impairments under IFRS 9. From 1 January 2018 expected lifetime losses in the risk result must be taken through profit and loss when credit exposures suffer a material rating deterioration.

Commerzbank expects the operating expense in 2018 to be below last year's level thanks to continuous efficiency improvements; our cost base should be capped at €7.0bn. Investments to increase future profitability, such as the digitalisation campaign in all divisions of the Group, are planned to be on the same scale as in 2017. We also anticipate no let up in regulatory costs, such as banking levies, which again rose significantly in 2017, for the foreseeable future. The first favourable cost impact will be felt in the course of 2018, although the positive effects from the planned efficiency enhancement measures such as the headcount adjustment are not scheduled to become increasingly visible until the years that follow. By providing in full for the restructuring expense last year we have laid the foundations for sustainably reducing the cost base to €6.5bn in financial year 2020.

#### **Anticipated segment performance**

In the Private and Small-Business Customers segment, higher customer numbers and business volumes remain the key driver of income. We regard the steady conversion to a multi-channel bank with innovative branch and sales concepts and increasing digitalisation of products and processes as a competitive advantage allowing us to gain further market share and improve profitability. The lending business will remain a focus for growth, although the unhelpful interest rate and competitive environment is such that the planned volume growth will probably not be fully felt in growth in income.

We will particularly push ahead with the high-margin consumer loan business in 2018, but we are also planning volume growth above the market average again in real estate financing. Increased penetration of the existing customer base offers further scope to boost income. The focus is on a product range which is tending to narrow, but the increasing digitalisation of the offering improves customer benefits and simultaneously makes it possible to gain in efficiency. The segment also anticipates cost efficiency from process optimisation, e.g. by extending the central ONE sales platform. Our Polish subsidiary mBank, which operates one of the most innovative direct banking platforms in Europe, will further build on its good market position in both corporate and private customer business, especially in its home market. A further rise in income is therefore expected. Operating expenses should grow in line with income, despite another expected heavy burden from regulatory costs. In our view, the forecast significant increase in the risk result for the whole Private and Small-Business Customers segment is mainly related to the introduction of IFRS 9 and does not reflect any material change in the high quality of the loan book. All in all we expect a significant increase in income in the Private and Small-Business Customers segment in 2018 on an adjusted basis, i.e. excluding the €200m or so of one-off income recognised in the year under review. Taken with slightly lower operating expenses, there should be a significant improvement in operating profit and operating return on equity. There is likely to be a slight drop in the cost/income ratio.

Under the Commerzbank 4.0 strategy, the Corporate Clients segment will focus in 2018 on further strengthening and improving its leading market position in many areas. As well as accessing new customer groups, including abroad, the broadening of the existing customer base and associated market share gains should boost profitability. Areas of business where Commerzbank has particular competitive strengths, such as trade financing, have the potential for further growth in income. The transformation to the agreed target organisational structure will also be driven forward, including the spin-off of Equity Markets & Commodities. It remains our firm intention to bring these business activities to the market in the short to medium term. Segment activities in the current year will focus on the ongoing transformation of advisory and sales processes and the continuing digitalisation and modernisation of the product range, which will allow increasing efficiency gains over time. The income side will continue to be held back by tighter margins as a result of stiffer competition in new lending and knock-on effects from activities discontinued in 2017 which are no longer part of the core business. By rigorously implementing the planned growth initiatives the Corporate Clients segment is aiming to increase income overall above the level seen last year.

Operating profit should also rise somewhat. This forecast is based on the assumption that the expected significant rise in the risk result primarily related to the introduction of IFRS 9 can be largely compensated by the targeted slight decline in operating expenses. With the operating return on equity forecast to change little, we assume a slight improvement in the cost/income ratio.

The Asset & Capital Recovery segment will continue the reduction strategy it has been successfully implementing over recent years in 2018. We are confident that the ship financing portfolio can be reduced to a level which is scarcely material from the risk perspective by the end of 2018. Further focused portfolio sales are possible in commercial real estate, and on an opportunistic basis in public finance, provided they meet the objective of protecting value. Income will fall significantly accordingly. Following the reclassification of the ship financing portfolio to an "other" business model after the introduction of IFRS 9, measurement changes are no longer reflected in the risk result but in gain or loss from financial assets and liabilities measured at fair value through profit and loss. Only the commercial real estate portfolio is largely still classified under the "hold" business model, in other words a deterioration in credit quality results in risk provisioning charges being reported in the risk result. On our forecast, the gain or loss on fair value measurement in 2018 will hit profitability materially less than loan loss provisions did in 2017, which were required almost solely for ship financing. This assumption is based on the view that there will be signs of recovery in some segments of the global shipping market during the current year, but whether these can be sustained is highly uncertain. Even in a stress scenario with charter rates falling further, however, the forecast of relatively lower risk costs should remain valid thanks to the strong reduction in the size of the portfolio. The risk result is likely to be materially lower. Overall for Asset & Capital Recovery, excluding measurement effects (which regularly make up a substantial amount of total income but cannot be reliably forecast), we anticipate another significant reduction in the operating loss.

#### **General statement on the outlook for the Group**

In financial year 2018 Commerzbank will focus on continuing to implement the Commerzbank 4.0 strategy. On our forecast, slightly lower income with slightly lower operating expenses and a significant fall in the risk result will give an operating profit almost on the level of the previous year and a slightly worse cost/income ratio. Excluding the effect from one-off income last year, operating income this year will rise slightly, resulting in a slight improvement in the cost/income ratio; on this adjusted basis there is a significant improvement in operating profit.

As no more significant restructuring expenses are likely to be needed, we expect a strong rise in the consolidated surplus in the current year. As a result we see the return on equity and economic value added on a substantially higher level. We expect the Common Equity Tier 1 ratio (after full application of Basel 3) to fall to around 13.3% as at 1 January 2018 due to initial application of IFRS 9 and be at least 13% at the end of the year. Temporary fluctuations in the ratio during the year due to market movements cannot be ruled out.

Based on our current estimates, we anticipate a slightly higher net profit in Commerzbank Aktiengesellschaft's parent company financial statements in 2018 than in the year under review. We are aiming to distribute a dividend for financial year 2018.

Despite the clearly strengthened resilience to external influences in recent years, there are numerous risk factors that could affect the forecast profit for 2018 to a considerable but not reliably quantifiable extent should events take an unfavourable turn. These include the geopolitical situation, which is marked by great uncertainty and significant regional tensions. Widely diverging trends in interest rates between the USA, where a normalisation of monetary policy is now well under way, and Europe for example, where an end to unconventional central bank measures is only starting to emerge, could result in large price corrections on the capital markets. Excessive volatility on the financial markets could also be triggered by sharp swings in the currency markets and the very high level of valuations on international bond and stock markets.

This could significantly harm the currently very positive economic outlook in many economies, especially Germany, which is closely integrated into the world economy. Other risk factors include unfavourable trends in the regulatory or legal environment, which could delay the impact of the intended cost improvements, or bring about a further tightening of the competitive situation in Germany, which could limit potential income by making the margins on new business unattractive from a risk/return perspective.



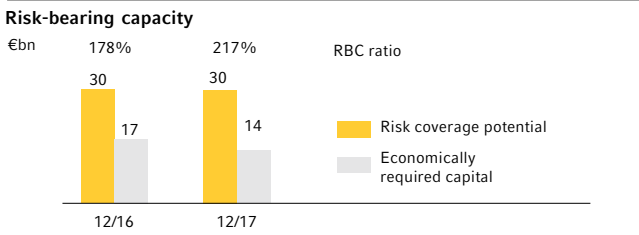
## Risk report

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

### Executive summary 2017

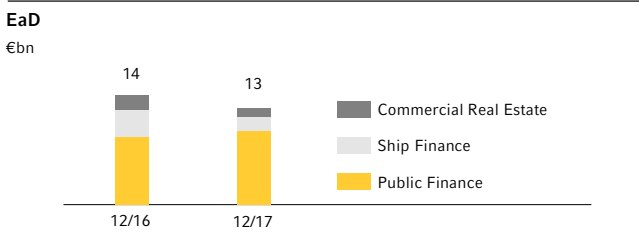
#### Solid capitalisation and high risk-bearing capacity ratio

- The risk coverage potential remained stable with €30bn. The risk-bearing capacity ratio was on a high level at 217%.
- The decrease in the economically required capital is mainly driven by market risk.



#### Exposure reduction in the Asset & Capital Recovery segment

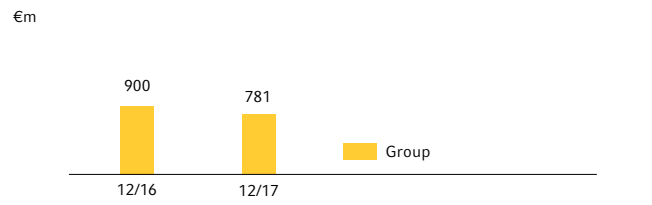
- ACR exposure in the performing loan book totalled €13bn and was reduced as planned by €1.5bn in the course of 2017.
- Ship Finance exposure in ACR was reduced from €4.8bn to €2.6bn.



#### Loan loss provisions for the Group lower at €781m

- Loan loss provisions in ACR were significantly reduced, particularly in Ship Finance.
- The Private and Small-Business Customers as well as the Corporate Clients segments benefit from stable environment and high quality of the loan book. However, the Corporate Clients segment was impacted by the default of an individual exposure.

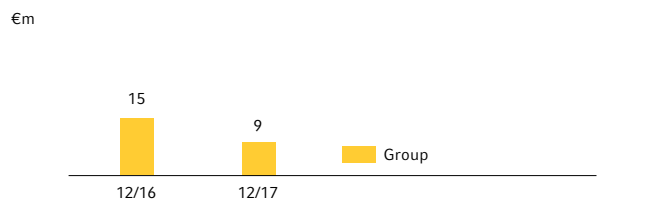
#### Loan loss provisions



#### Market risk in the trading book fell in the course of 2017

- The Value-at-Risk fell from €15m to €9m over the year.
- This is mainly due to position changes.

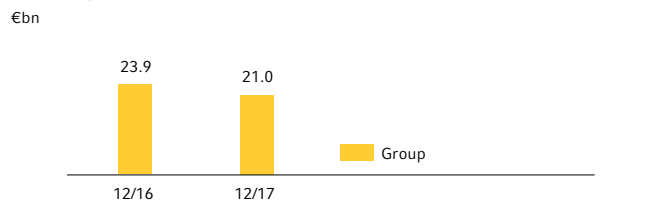
#### VaR



#### Operational risks decreased year-on-year

- Risk-weighted assets from operational risks fell to €21.0bn.
- The decrease is mainly due to the update of external loss data.

#### Risk-weighted assets from operational risks



## Risk-oriented overall bank management

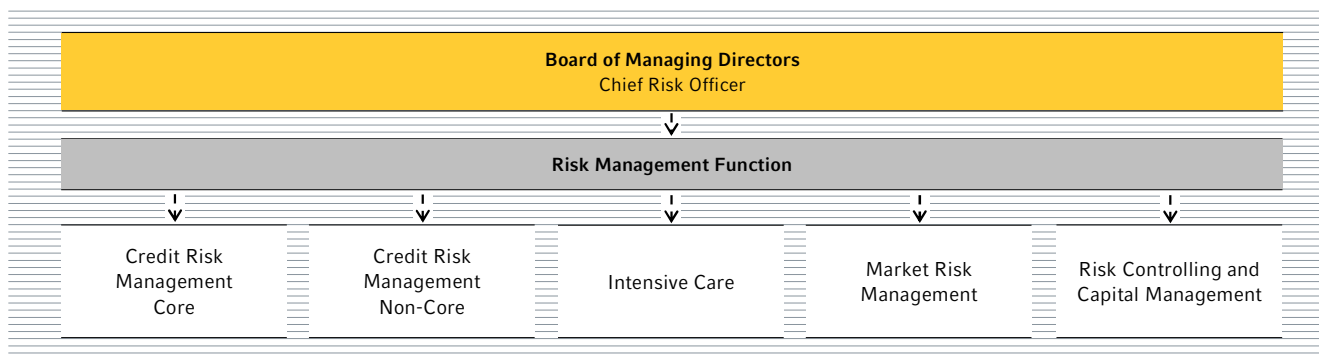
Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management, we normally distinguish between quantifiable and non-quantifiable types of risk. Quantifiable risks are those to which a value can normally be attached in financial statements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

### Risk management organisation

Risk Management in Commerzbank is an overarching bank mission and follows the principle of the “three lines of defence”. Each unit (segments and functions) forms the first line of defence within its framework of operative responsibility. For credit, market and liquidity risk the responsibility for the second line of defence lies with the Chief Risk Officer (CRO). The CRO is responsible for

implementing the Group’s risk policy guidelines laid down by the full Board of Managing Directors, controlling of operational risks and he regularly reports to the Board of Managing Directors and the Supervisory Board’s Risk Committee on the risk situation within the Group. For other risks (e.g. IT risks or legal risks) the responsibility for the second line of defence is located outside the risk function depending on the kind of risk. The third line of defence is internal audit.

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



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. In addition, the CRO is a member of the Asset Liability Committee.

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

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

The **Group Market Risk Committee** monitors market risk throughout the 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 interest surplus, in accordance with the regulatory framework. The central Asset Liability Committee monitors in particular the Group's risk-bearing capacity and, as such, plays an important part in the Internal Capital Adequacy Assessment Process (ICAAP).

The ALCO resolves the recovery plan (resolutions of the central ALCO are presented to the full Board of Managing Directors for confirmation). In case of violation of a recovery plan indicator, the ALCO plays a central role regarding the escalation, the estimation of the situation and the introduction of measures.

Moreover, risk issues are dealt with in the Supervisory Board's Risk Committee and in the Risk & Analytics Executive Committee:

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

The **Risk & Analytics Executive Committee** is the discussion and decision-making committee within the risk function and Big Data & Advanced Analytics. It is responsible in particular for the organisation and strategic development of risk management and for creating and maintaining a uniform risk culture. It also ensures that the Group risk strategy and the resolutions of the full Board of Managing Directors are implemented in the risk function.

### **Risk strategy and risk management**

The overall risk strategy, together with the business strategy, defines the strategic risk management guidelines for the development of Commerzbank's investment portfolio. Furthermore, the risk appetite is set 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 for the risk resources capital and liquidity reserve available to the Group are defined. The overarching limits of the overall risk strategy are consistent with the indicator thresholds of the recovery plan.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, in view of its business model, these inherent existential threats include the default of Germany, Poland, one or more of the other major EU countries (France, Italy, Spain or the UK, although Brexit is not deemed to be a default) or the default of the USA. Others include a deep recession lasting several years with serious repercussions for the German economy, a bank run and the collapse of global clearing houses or the foreign exchange markets, possibly triggered by a cyber attack. In general, cyber risk is an inherent, existential threat for Commerzbank in the context of increasing digitalisation in the business environment. When pursuing its business targets, the Bank accepts these existential threats. It may be necessary to adjust the business model and hence the business and risk strategies in the medium and long term if the full Board of Managing Directors' assessment of these threats to Commerzbank changes substantially. To the extent that it is able to do so, Commerzbank makes early preparations in anticipation of forthcoming changes in regulatory requirements and accounting standards. Such changes and their (retrospective) interpretation may have lasting implications for – and even threaten the survival of – Commerzbank's business model. Commerzbank takes these "regulatory risks" into account 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 detailed further 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 risk inventory process – which is to be carried out annually or on an ad hoc basis as required – Commerzbank ensures that all risks of relevance to the Group are identified and their materiality is 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 the extent to which the risk coverage potential of the Group should be utilised. On that basis, individual types of quantifiable risk contributing to the capital demand 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 adequately taken into account. Stress tests are regularly used to ensure transparency regarding risk concentrations. 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.

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 demands appropriate and courageous conduct in compliance with rules, and any failure to comply with rules is penalised.

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

#### **Risk ratios**

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

**Economically required capital** is the amount, corresponding to a high confidence level (currently 99.91% at Commerzbank), that will cover unexpected losses arising from risk positions.

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

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

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

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

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

**Credit value at risk (CVaR)** is the economic capital requirement for credit risk with a confidence level of 99.91%. The term results from the application of the value at risk concept to credit risk measurement. Credit VaR is an estimate of the amount by which losses from credit risks could potentially exceed the expected loss within a single year, i.e. unexpected loss. The idea behind this approach is that expected loss simply represents the long-term average of lending losses, but this may vary (positively or negatively) from actual credit losses for the current business year.

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

#### Risk-bearing capacity and stress testing

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

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

When determining the economically required capital, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they must be covered by the available economic capital to absorb unexpected losses (economic risk coverage potential). The quantification of the economic risk coverage potential is based on a differentiated view of the accounting values of assets and liabilities and involves economic valuations of certain balance sheet items.

The capital requirement for the risks taken is quantified using the internal economic capital model. When assessing the economic capital required, allowance is made for all the types of risk at the Commerzbank Group that are classified as material and quantifiable in the annual risk inventory. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks’ capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-bearing capacity concept is

internally consistent. The quantifiable risks in the economic capital model can be divided into default risk, market risk, operational risk and (although not shown separately in the table below) business risk, property value change risk, investment portfolio risk, deposit model risk and reserve risk. Business risk is the risk of a loss resulting from discrepancies between actual income and expense and the respective budgeted figures. Business risk is considered as a deductible amount in risk coverage potential. Investment portfolio risk indicates the risk of an unexpected fall in the value of unlisted investments. Property value change risk is the risk of an unexpected fall in the value of owned property which is either already booked as an asset in the Group’s balance sheet or which can be capitalised during the next 12 months by contractually assured obligations with option character (especially real estate). Deposit model risk is the risk arising from the deposit model used by Commerzbank and from modelling unscheduled repayment rights in commercial credit business. Reserve risk is the risk of additional charges being incurred on the portfolio of loans already in default through the creation of additional loan loss provisions. Allowance is made for this risk when considering risk-bearing capacity by means of a risk buffer. The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital.

The risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In 2017, the RBC ratio was consistently above 100% and stood at 217% on 31 December 2017. The increase in the RBC ratio compared with December 2016 is mainly attributable to the decline in market risk due to lower market volatilities and to the active portfolio management of credit risks. The RBC ratio remains at a high level.

Risk-bearing capacity Group   €bn	31.12.2017	31.12.2016
<b>Economic risk coverage potential<sup>1</sup></b>	<b>30</b>	<b>30</b>
<b>Economically required capital<sup>2</sup></b>	<b>14</b>	<b>17</b>
thereof for default risk	10	11
thereof for market risk <sup>3</sup>	3	5
thereof for operational risk	2	2
thereof diversification effects	-2	-2
<b>RBC ratio<sup>4</sup></b>	<b>217%</b>	<b>178%</b>

<sup>1</sup> Including deductible amounts for business risk.

<sup>2</sup> Including property value change risk, risk of unlisted investments and reserve risk.

<sup>3</sup> From 2017, including deposit model risk.

<sup>4</sup> RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

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. Commerzbank expects the European Central Bank (ECB) to publish revised ICAAP and ILAAP guidelines in 2018 and is checking whether this might require adjustments.

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The scenarios on which they are based take into account the interdependence in development between the real and financial economies and extend over a time horizon of at least two years. They are updated quarterly and approved by the ALCO. The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities (e.g. export-based sectors in Germany) and business strategies of relevance to Commerzbank. The scenario simulation is run monthly at Group level using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the profit and loss calculation 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 limit is breached.

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 2017, the risk-weighted assets resulting from Commerzbank's business activities decreased from €191bn to €171bn.

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

Risk-weighted assets at 31.12.2017   €bn	Default risk	Market risk	Operational risk	Total
Private and Small-Business Customers	33	1	5	39
Corporate Clients	73	5	9	88
Others and Consolidation	19	3	4	27
Asset & Capital Recovery	13	3	2	18
Commercial Real Estate	2	0	2	3
Ship Finance	3	0	1	4
Public Finance	8	3	0	11
<b>Group</b>	<b>137</b>	<b>13</b>	<b>21</b>	<b>171</b>

#### Regulatory environment

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

In addition, under Basel 3, the leverage ratio has been introduced as a new and non-risk-sensitive debt ratio. There has been a requirement to report the leverage ratio to the supervisory authority since the Capital Requirements Regulation (CRR) entered into force, however, the determination of minimum requirements on an EU-level is still outstanding. Commerzbank has set its own leverage ratio targets and applies them in its capital management process.

The phasing in of capital buffers is a significant feature of the Basel 3 revision. The capital conservation buffer, the buffer for other systemically relevant institutions and the anti-cyclical capital buffer, which the Federal Financial Supervisory Authority (BaFin) has again set at 0% for German exposure in the fourth quarter of 2017, have applied since 1 January 2016. The buffer for other systemically relevant institutions was set by BaFin for Commerzbank at 0.5% for 2017.

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

In the reporting year, the ECB concluded its thematic review of implementation at selected banks of the principles for risk data aggregation and internal risk reporting published by the Basel Committee on Banking Supervision (BCBS) in early 2013. Based on the positive results of this review, Commerzbank is continuing to expand the scope of application of the principles, taking particular account of the increasing importance of data quality management at banks.

The ECB, in its capacity as the supervisory authority for the eurozone banks directly subject to it, has conducted the Supervisory Review and Evaluation Process (SREP) and specified individual minimum capital requirements for each bank for 2018.

The EU Bank Recovery and Resolution Directive has been in force since mid-2014. It was transposed into German law in the form of the Bank Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG). Based on this law, the Financial Market Stabilisation Authority (FMSA), as the national resolution agency, took over responsibility for the drafting of resolution plans and the resolution of German banks with effect from 1 January 2015. Responsibility for the drafting of resolution plans and the resolution of at-risk banks supervised by the ECB was transferred to the Single Resolution Board (SRB) in Brussels with effect from 1 January 2016. At the same time, eurozone banks started to fund the Single Resolution Fund.

The Group-wide recovery plan was updated in 2017 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery. As the European and German regulations and requirements are finalised, the Bank will further develop its recovery plan accordingly.

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

## Default risk

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

### Strategy and organisation

The credit risk strategy is the sub-risk strategy for default risks and is derived from the overall risk strategy. It is embedded in the ICAAP process of the Commerzbank Group and forms a link between the Bank's overall risk management across all risk types and the operationalisation of default risk management. The overriding aim is to ensure the adequate structural risk 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 is the second line of defence (back office and Risk Controlling), 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 safety precautions, 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 on a portfolio and an individual 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 lending process.

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

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

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

#### **Risk management**

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

The ratios and measures required for the operational process of risk management are based on the overarching Group objectives. The principle of maintaining a low-risk profile in all business decisions is closely combined here with the risk function’s aim of providing the front office with appropriate support. The Bank’s particular preference is for credit growth in granular 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 with which the risk resources provided 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 adequacy of the Bank's capital and liquidity resources 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 in 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.

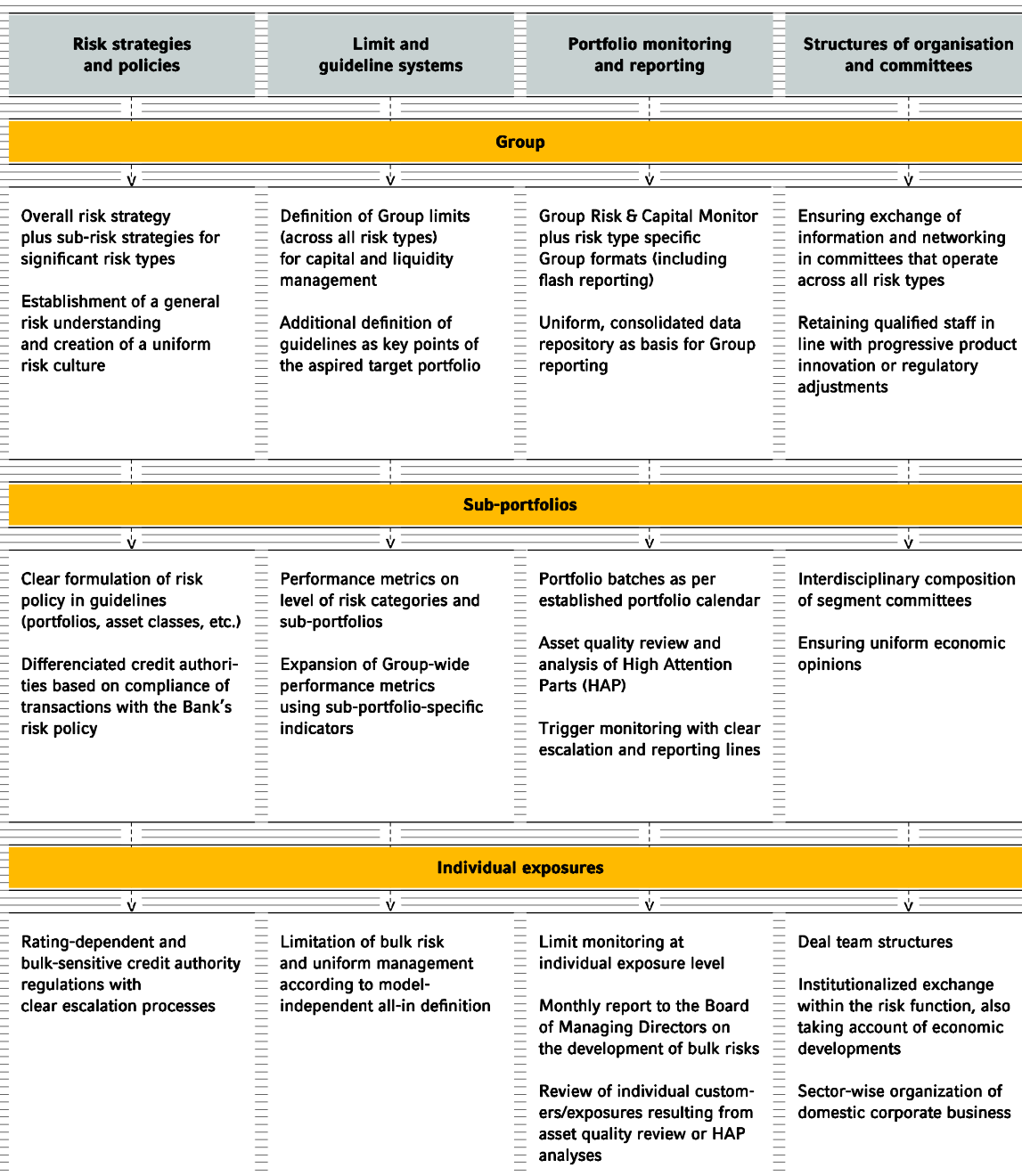
A uniform definition based on "all-in" is used to manage bulk risk. The all-in concept comprises all customer credit lines approved by the Bank in their full amount – irrespective of the loan utilisation to date.

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



**Rating classification**

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and five default classes (6.1 to 6.5). The Commerzbank master scale allocates a non-overlapping range of probabilities of default that are stable over time to each rating class. The rating methods are validated and recalibrated annually so that they reflect the latest projection based on all actual observed defaults. The default ranges assigned to the ratings are the same for all portfolios. This ensures internal comparability consistent with the master scale method. For the purpose of guidance,

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, Group Credit Committee, credit sub-committees) are graduated by a range of factors, including size of exposure and rating class.

Commerzbank master scale

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

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

### Risk mitigation

As at 31 December 2017, the collateral taken into account in Group risk management totalled €99.0bn for positions in the performing book and €1.6bn for positions in the default portfolio. The collateral mainly relates to mortgages on owner-occupied and buy-to-let residential property and on commercial properties and various forms of guarantees. The ship finance portfolio is mostly backed by ship mortgages.

## Commerzbank Group

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

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

Credit risk parameters as at 31.12.2017	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	154	397	26	2,444
Corporate Clients	180	421	23	5,417
Others and Consolidation <sup>1</sup>	75	31	4	1,784
Asset & Capital Recovery	13	330	255	716
<b>Group</b>	<b>423</b>	<b>1,180</b>	<b>28</b>	<b>10,362</b>

<sup>1</sup> Mainly liquidity portfolios of Group Treasury.

When broken down on the basis of PD ratings, 83% of the Group’s portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

Rating breakdown as at 31.12.2017 EaD   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private and Small-Business Customers	31	51	14	3	1
Corporate Clients	20	59	16	3	2
Others and Consolidation	66	31	3	0	0
Asset & Capital Recovery	4	68	5	6	17
<b>Group</b>	<b>32</b>	<b>51</b>	<b>13</b>	<b>2</b>	<b>2</b>

The Group’s country risk calculation records both transfer risks and region-specific event risks defined by political and economic events which impact on the individual economic entities of a country. Country risks are managed on the basis of defined credit risk and transfer risk limits at country level. Country exposures which are significant for Commerzbank due to their size, and exposures in countries in which Commerzbank holds significant investments in comparison to the gross domestic product of those countries, are handled by the Strategic Risk Committee on a separate basis.

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

Group portfolio by region as at 31.12.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	221	442	20
Western Europe	99	128	13
Central and Eastern Europe	41	180	44
North America	29	71	24
Asia	21	39	19
Other	12	318	258
<b>Group</b>	<b>423</b>	<b>1,180</b>	<b>28</b>

Around half of the Bank’s exposure relates to Germany, another third to other countries in Europe and 7% to North America. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries. A main driver of the expected loss in the region “Other” is ship financing.

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of 2017, exposure to Russia was €2.3bn, exposure to Turkey was €2.3bn and exposure to China was €5.8bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the fourth quarter of 2017, Commerzbank's Italian sovereign exposure was €9.2bn, while its Spanish sovereign exposure was €0.8bn.

**Loan loss provisions** Loan loss provisions relating to the Group's lending business in 2017 amounted to €781m, representing a year-on-year fall of €119m.

For 2018 as a whole, we expect a risk result under the IFRS 9 regime of less than €600m. In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

Loan loss provisions   €m	2017	2016
Private and Small-Business Customers	154	119
Corporate Clients	295	185
Others and Consolidation	-4	-3
Asset & Capital Recovery	336	599
<b>Group</b>	<b>781</b>	<b>900</b>

**Default portfolio** The default portfolio decreased by €1.3bn in 2017. This was driven by the successful implementation of the wind-down strategy in ACR as well as restructuring in the remaining segments.

The following table shows claims in the default portfolio in the LaR category.

Default portfolio Group   €m	31.12.2017	31.12.2016
Default portfolio	5,569	6,914
SLLP <sup>1</sup>	2,770	3,243
GLLP <sup>2</sup>	544	673
Collaterals	1,578	2,256
Coverage ratio (%) <sup>3</sup>	78	80
NPL ratio (%) <sup>4</sup>	1.3	1.6

<sup>1</sup> Specific loan loss provision.

<sup>2</sup> General loan loss provision (for incurred but not yet reported defaults in the performing portfolio).

<sup>3</sup> Coverage ratio: total of SLLP and collateral as a proportion of the default portfolio.

<sup>4</sup> NPL ratio: default portfolio (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

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

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

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

Rating classification as at 31.12.2017   €m	6.1	6.2/6.3	6.4/6.5	Group
Default portfolio	631	2,327	2,611	5,569
SLLP	166	1,071	1,533	2,770
Collaterals	279	704	594	1,578
Coverage ratio (%)	71	76	81	78

**Overdrafts in the performing loan book** In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at end of December 2017.

EaD €m	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Private and Small-Business Customers	643	136	55	2	836
Corporate Clients	1,923	12	10	0	1,945
Asset & Capital Recovery	24	9	0	0	33
<b>Group<sup>1</sup></b>	<b>2,590</b>	<b>157</b>	<b>65</b>	<b>2</b>	<b>2,920</b>

<sup>1</sup> Including Others and Consolidation.

#### Private and Small-Business Customers segment

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €75bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €19bn. 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 €14bn). The portfolio's expansion from €140bn to €154bn in 2017 was largely due to residential mortgage loans.

Risk density rose by 5 basis points compared with year-end 2016 to 26 basis points, with the increase due almost entirely to the takeover of the instalment loan business of Commerz Finanz GmbH.

Credit risk parameters as at 31.12.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	92	176	19
Business Customers	26	60	23
comdirect bank	4	10	23
Commerz Real	1	4	74
mBank	32	148	46
<b>Private and Small-Business Customers</b>	<b>154</b>	<b>397</b>	<b>26</b>

In 2017, loan loss provisions in the Private and Small-Business Customers segment increased by €35m compared with the year-earlier period, but remained at a low level of €154m.

The default portfolio in the segment rose by €127m to €1,864m compared with 31 December 2016.

Default portfolio Private and Small-Business Customers   €m	31.12.2017	31.12.2016
Default portfolio	1,864	1,737
SLLP	951	834
GLLP	162	155
Collaterals	564	675
Coverage ratio (%)	81	87
NPL ratio (%)	1.2	1.2

#### Corporate Clients segment

This segment comprises the Group's activities with mid-size corporate clients, the public sector, institutional customers and multinational corporates. The segment is also responsible for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The regional focus of our activities is on Germany and Western Europe. The

Group's customer-oriented capital markets activities are also bundled in this segment.

Credit risk parameters as at 31.12.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	75	166	22
International Corporates	60	99	17
Financial Institutions	21	64	31
Equity Markets & Commodities	4	2	5
Other	20	90	44
<b>Corporate Clients</b>	<b>180</b>	<b>421</b>	<b>23</b>

The EaD of the Corporate Clients segment decreased from €195bn to €180bn compared with 31 December of the previous year. The decrease was mainly attributable to the Mittelstand division and the Financial Institutions portfolio. Risk density fell from 28 basis points to 23 basis points.

For details of developments in the Financial Institutions portfolio, please see page 57.

Loan loss provisions in the Corporate Clients segment increased to €295m in 2017 due to a larger individual case, up by €110m on the prior-year figure.

The default portfolio in the segment decreased considerably compared with 31 December 2016, by €771m.

Default portfolio Corporate Clients   €m	31.12.2017	31.12.2016
Default portfolio	2,592	3,363
SLLP	1,243	1,563
GLLP	251	323
Collaterals	543	780
Coverage ratio (%)	69	70
NPL ratio (%)	1.4	1.7

#### Asset & Capital Recovery segment

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

In 2016 portfolios in the value of about €8bn from commercial real estate financing and ship financing have been transferred to the Corporate Clients segment. These portfolios were reduced to €2.5bn by the end of 2017.

EaD for the segment in the performing loan book totalled €13bn as at 31 December 2017, which means a decrease of €1.5bn compared with the end of the previous year.

Credit risk parameters as at 31.12.2017	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	1	20	185
Ship Finance	2	255	1,364
Public Finance	10	55	55
<b>Asset &amp; Capital Recovery</b>	<b>13</b>	<b>330</b>	<b>255</b>

**Commercial Real Estate** The portfolio further decreased due to redemptions and repayments. Compared with 31 December 2016, risk density increased from 174 basis points to 185 basis points. The default portfolio decreased by €0.2bn to €0.4bn.

**Ship Finance** Compared with 31 December 2016, exposure to ship finance in the performing loan book was reduced by €1.6bn in total, in line with our reduction strategy. Also the default portfolio decreased by €0.5bn to €0.7bn compared to 31 December 2016.

Overall our portfolio is mainly made up of the following three standard types of ship: container ships (€1.0bn), tankers (€0.5bn) and bulkers (€0.4bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

We expect charter rates on the shipping markets in 2018 to be similar to last year's levels. Although excess supply of tonnage should continue to reduce, a significant overhang will remain. The positive trend, which started in 2017, will receive support from the global economic and trade growth forecast by the International Monetary Fund (IMF).

Significant reticence in new orders for container ships has been in evidence since 2016. Given the existing order book and relatively low scrapping volume, however, 2018 will not see any further significant recovery in charter rates. The current level of charter rates, although clearly above operating costs, will not allow full servicing of debt. The postponement of ship deliveries, which has been in evidence for a number of years now, should continue to take a little pressure off the rising fleet offer in 2018. Combined with an expected upturn in global trade, this should mean that 2018 charter rates will remain at 2017 levels.

Charter rates for bulkers achieved fairly good growth in 2017. The main drivers were China's high iron ore and coal imports and global growth in exports of grain and soya beans. Greater discipline over new orders has also been in evidence since 2016, alongside a declining order book. Taking into consideration the IMF's positive forecast for global gross national product in 2018, we expect charter rates to be on a par with last year.

The market for oil and product tankers remained difficult in 2017, with charter rates continuing to fall. The high level of oil prices up until 2014 had triggered a string of new ship orders, most of which are due to be delivered by 2018. Falling crude oil prices since autumn 2014 initially led to very healthy activity rates, with oil tankers commanding more than adequate charter rates as many countries used the lower prices to stock up on their strategic oil reserves. But the fleet had become larger and when this effect waned, charter rates collapsed. We anticipate a slight recovery in 2018, with oil demand continuing to rise moderately and fewer new ships being delivered.

We anticipate the overall shipping market will recover over the longer term, but that this recovery will vary depending on the ship segment, and within the segment on the size of the ship. Long-term forecasts indicate that charter rates are expected to recover, depending on the ship segment and the ship type, by between +10% and more than +50% over the next several years on the respective level as at the end of 2017. It is important to note that this recovery is based on a starting level of charter rates at the end of 2017 that is still very low in many ship segments.

The Bank will continue to reduce problem and non-performing loan exposures as part of its ongoing effort to run down the portfolio.

**Public Finance** The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€4.4bn EaD), a private finance initiative (PFI) portfolio (€4.2bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.3bn EaD).

The increase in expected loss in North America is due to the recovery of a written-down engagement in the Public Finance hedging business.

For details of developments in the Non-Bank Financial Institutions portfolio, please see page 57.

The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in the UK and the USA.

Loan loss provisions   €m	2017	2016
Commercial Real Estate	5	42
Ship Finance	332	559
Public Finance	-2	-1
<b>Asset &amp; Capital Recovery</b>	<b>336</b>	<b>599</b>

Loan loss provisions in the ACR segment were down significantly in 2017, falling by €263m to €336m. Loan loss provisions were almost completely attributable to the shipping portfolio.

Default portfolio ACR   €m	31.12.2017			31.12.2016		
	ACR	CRE	SF	ACR	CRE	SF
Default portfolio	1,113	384	729	1,805	562	1,243
SLLP	571	142	429	838	210	628
GLLP	130	10	119	192	20	172
Collaterals	471	188	283	800	334	466
Coverage ratio (%)	94	86	98	91	97	88
NPL ratio (%)	7.9	26.1	28.0	11.2	22.7	26.2

## Further portfolio analyses

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

## Corporates portfolio by sector

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

Corporates portfolio by sector as at 31.12.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	18	38	21
Consumption	15	41	27
Technology/Electrical industry	12	30	26
Wholesale	12	43	37
Transport/Tourism	11	23	21
Automotive	10	20	20
Basic materials/Metals	9	26	28
Services/Media	9	23	25
Chemicals/Plastics	9	36	40
Mechanical engineering	9	22	25
Construction	5	14	27
Pharmaceutical/Healthcare	4	13	28
Other	5	14	27
<b>Total</b>	<b>128</b>	<b>342</b>	<b>27</b>



### Financial Institutions portfolio

Our network of correspondent banks, which we streamlined in 2016, continued to focus on trade finance activities on behalf of our corporate customers and on capital market activities. In derivatives, we are entering into trades with selected counterparties under the new European Market Infrastructure Regulation (EMIR) standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, we continue to pursue our

strategy of holding as few exposures as possible which might absorb losses in the event of a bail-in of an affected institution.

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

FI portfolio by region	31.12.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	5	11	6	6	11
Western Europe	13	9	7	17	21	12
Central and Eastern Europe	4	16	42	5	21	43
North America	2	1	9	2	3	15
Asia	11	27	25	10	27	27
Other	5	19	40	6	36	58
<b>Total</b>	<b>38</b>	<b>77</b>	<b>20</b>	<b>46</b>	<b>114</b>	<b>25</b>

### Non-Bank Financial Institutions portfolio

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

We carry out new business with NBFIs, partly in light of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attrac-

tive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

The increase in expected loss in North America is due to the recovery of a written-down engagement in the Public Finance hedging business.

NBFI portfolio by region	31.12.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	25	15	17	26	15
Western Europe	12	20	16	12	24	20
Central and Eastern Europe	1	5	56	1	4	65
North America	7	41	58	8	10	14
Asia	1	1	10	1	1	11
Other	1	1	16	1	1	14
<b>Total</b>	<b>40</b>	<b>94</b>	<b>24</b>	<b>39</b>	<b>67</b>	<b>17</b>

### Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €7.6bn, primarily for capital management purposes.

As at the reporting date 31 December 2017, risk exposures with a value of €7.1bn were retained. By far the largest portion of these positions is accounted for by €7.0bn of senior tranches, which were nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume <sup>1</sup>			Total volume <sup>1</sup> 31.12.2017	Total volume <sup>1</sup> 31.12.2016
		Senior	Mezzanine	First loss piece		
Corporates	2025 - 2036	7.0	0.1	<0.1	7.6	6.1
<b>Total</b>		<b>7.0</b>	<b>0.1</b>	<b>&lt;0.1</b>	<b>7.6</b>	<b>6.1</b>

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

### Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). In the fourth quarter of 2017, the volume and risk values<sup>1</sup> in the Silver Tower conduit remained stable. As at 31 December 2017, the volume had fallen by €0.1bn year-on-year to €4.0bn.

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

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. The volume fell to €4.5bn during 2017 (December 2016: €5.3bn), while risk values fell to €4.4bn (December 2016: €5.2bn).

### 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 from whether the debtor is in the performing or the non-performing portfolio.

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

Forbearance portfolio by segment as at 31.12.2017	Forborne exposure €m	Loan loss allowance <sup>1</sup> €m	LLP coverage ratio %
Private and Small- Business Customers	1,268	180	14
Corporate Clients	1,899	247	13
Asset & Capital Recovery	2,157	406	19
<b>Group</b>	<b>5,324</b>	<b>834</b>	<b>16</b>

<sup>1</sup> SLLP and GLLP.

<sup>1</sup> 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:

<b>Forbearance portfolio by region as at 31.12.2017</b>	<b>Forborne exposure</b>	<b>Loan loss allowance</b>	<b>LLP coverage ratio</b>
	€m	€m	%
Germany	3,236	473	15
Western Europe	1,088	177	16
Central and Eastern Europe	705	157	22
North America	21	1	3
Asia	30	4	14
Other	243	22	9
<b>Group</b>	<b>5,324</b>	<b>834</b>	<b>16</b>

In addition to the loan loss provisions of €834m, the risks of the forbearance portfolio are covered by collateral totalling €1,304m.

## 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 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 for the Group and the independent measurement and evaluation of these. The results and estimates serve as the basis for risk/return-oriented management.

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

Within the Bank, various market risk committees have been established. 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 subsequent risk ratios. The Segment Market Risk Committee, which focuses on the Corporate Clients segment and the Group Treasury division, meets once a week. This committee also manages market risks arising from non-core activities (Asset & Capital Recovery).

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

### Risk management

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

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

The quantitative and qualitative factors limiting market price risk are determined by the market risk committees by reference to the Group's management of economic capital. The utilisation of these limits, together with the relevant net income figures, is reported daily to the Board of Managing Directors and the responsible heads of the Group divisions. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates potential financial losses in collaboration with the finance function, and draws up proposals for further action, which are discussed with the market units. Voting on the proposed measures or 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 with specific limits or are indirectly avoided, for example, using stress test limits. In

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

Any limits that are breached are handled in a separate escalation procedure. After a limit breach has been identified, the front office and risk units design adequate countermeasures. If the limit breach cannot be remedied within a few days, 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. For regulatory purposes, additional stand-alone management of the trading book is carried out (in accordance with regulatory requirements, including currency and commodity risks in the banking book). 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 days' history.

In 2017, the VaR for the overall book had fallen by €31m to €54m due to lower market volatility and position changes in the Corporate Clients segment and Group Treasury division.

VaR contribution   €m	31.12.2017	31.12.2016
<b>Overall book</b>	<b>54</b>	<b>85</b>
thereof trading book	9	15

### 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 fell from €15m to €9m over the year. A key reason was position changes in the Corporate Clients segment and Group Treasury division and further risk reductions in the Asset & Capital Recovery segment.

VaR of portfolios in the trading book   €m	2017	2016
Minimum	9	14
Mean	15	30
Maximum	25	46
<b>VaR at end of reporting period</b>	<b>9</b>	<b>15</b>

The market risk profile is diversified across all asset classes. The majority of the VaR is distributed to the asset classes interest rate, foreign exchange and equity price risks. To a lesser extent, VaR is also affected by credit spread, commodity and inflation risks.

VaR contribution by risk type in the trading book   €m	31.12.2017	31.12.2016
Credit spreads	1	5
Interest rates	3	3
Equities	2	2
FX	3	4
Commodities	1	1
<b>Total</b>	<b>9</b>	<b>15</b>

The change in VaR in 2017 shows a decrease in credit spread and foreign exchange risks. This is mainly due to position changes in the Corporate Clients segment.

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same in the course of the year. Stressed VaR fell from €48m at end-2016 to €31m at end-2017, due to position changes in the Corporate Clients segment and Group Treasury division.

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 reliability of the internal model (historic simulation) is monitored in various ways, including by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The VaR used in backtesting is based on the complete historic 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 2017, we saw one negative clean P&L outlier and no negative dirty P&L outliers. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses on the assumption of normal market conditions, it is supplemented by the calculation of stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Scenarios for changes in inflation are also taken into account. 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. Against this background, an application for a model change to enhance the accuracy of risk measurement was submitted to the supervisory authority at the end of 2016. One of the main reasons for this was a change in the level of interest rates and volatilities in the market. The supervisory authority conducted its review in 2017 and its final approval is currently pending.

### Banking book

The key drivers of market risk in the banking book are the Group Treasury portfolios, with their credit spread, interest rate and basis risks, and the area of Asset & Capital Recovery (ACR) – Public Finance, along with the positions held by the subsidiary Commerzbank Finance & Covered Bond S.A.

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) fell from €50m to €43m in the course of the year.

Most credit spread sensitivities related to securities positions classified as loans and receivables (LaR). 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 Banking Directive, the Federal Financial Supervisory Authority has prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/- 200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter.

The outcome of the +200 basis points scenario would be a potential loss of €1,670m, while the -200 basis points scenario would result in a potential profit of €9m as at 31 December 2017. Commerzbank does not therefore need to be classified as a bank with higher interest rate risk as the negative changes in present value account for less than 20% of regulatory capital.

As at 31 December 2017, the interest rate sensitivity of the entire banking book amounted to €2.6m per basis point of reduction in the interest rate.

Pension fund risk is also part of market risk in the banking book. Our pension fund portfolio comprises a well-diversified investment section and the section of 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. Main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics. Equity, volatility and foreign exchange risk also need to be taken into consideration. Diversification effects between individual risks reduce the overall risk. The extremely long maturities of these liabilities represent the greatest challenge, particularly for hedging credit spread risk. This is because there is insufficient liquidity in the market for corresponding hedging products.

#### Market liquidity risk

In measuring economic capital adequacy, Commerzbank also takes account of market liquidity risk. This is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market.

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

At the end of 2017, Commerzbank earmarked €0.1bn in economic capital to cover market liquidity risk in the trading and banking book. Asset-backed securities and structured products in particular had a higher market liquidity risk.

### Liquidity risk

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

#### Strategy and organisation

The Board of Managing Directors adopts the business strategy and the Bank's risk tolerance, which is associated with it. Liquidity risk tolerance is then operationalised by defining the liquidity reserve period and the limit framework. In order to ensure an appropriate

liquidity risk management process, the Board of Managing Directors delegates certain competences and responsibilities in connection with the Group-wide liquidity risk strategy to the Risk and Treasury functions.

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

#### Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries.

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

Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

This is also applicable for payment obligations in foreign currencies. In addition, the Bank also mitigates a concentration by continuously using broadly diversified sources of funding, particularly diverse customer deposits and capital market instruments.

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

In the event of a liquidity crisis, the emergency plan provides for various measures for different types of crisis that 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, whereas 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 historic 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 stricter requirements of the Minimum Requirements for Risk Management (MaRisk), the revised version of which has been in place since end-2017. 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 a market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, extensions of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

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

The table below shows the liquidity gap profile after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at end-2017, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €16.9bn and €17.1bn respectively.

Net liquidity in the stress scenario   €bn		31.12.2017
Idiosyncratic scenario	1 month	23.5
	3 months	24.3
Market-wide scenario	1 month	26.3
	3 months	26.5
Combined scenario	1 month	16.9
	3 months	17.1

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

As at the reporting date, the Bank had a liquidity reserve of €83.3bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by 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 €9.7bn as at the reporting date.

Liquidity reserves from highly liquid assets   €bn	31.12.2017
Highly liquid assets	83.3
of which level 1	77.8
of which level 2A	4.8
of which level 2B	0.7

#### Liquidity ratios

Throughout 2017, 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 and with the external German Liquidity Regulation. At the end of the year, the liquidity ratio under the German Liquidity Regulation stood at 1.55.

In agreement with the Deutsche Bundesbank, BaFin has revised the German Liquidity Regulation. One consequence of this is that as of 1 January 2018 the Bank is no longer required to comply with the German Liquidity Regulation's liquidity ratio, which has now been replaced by the liquidity coverage ratio (LCR) under the CRR.

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, following an introductory period, the Bank has had to comply with a minimum ratio of 100%.

In 2017, Commerzbank significantly exceeded the minimum ratio of 80% stipulated for that year on every reporting date. At year end, the average LCR of the last 12 reporting periods of the Commerzbank Group was 144.61%. The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met.

## Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes legal risks; it does not cover strategic or reputational risks. Given its raised economic significance, compliance risk is managed as a separate risk type. In line with the CRR, however, losses from compliance risks are still incorporated into the model for determining the regulatory and economic capital required for operational risks.

#### Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of capital required to cover operational risks in the medium to long term. Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The reinforcement of the ICS structure is an essential aspect of the pro-active reduction or prevention of operational risks.

Chaired by the CRO, the Group OpRisk Committee meets four times a year and deals with the management of operational risks within the Commerzbank Group. It also acts as the escalation and decision-making committee for key OpRisk topics that span all areas. The Management Boards and/or the Segment Committees with responsibility for operational risk deal with the management of operational risk in the relevant units. They analyse OpRisk issues that affect them, such as loss events, and define subsequent measures or recommend action.

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



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

### Risk management

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

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS back-testing on an event-driven basis. Where loss events involve  $\geq$  €1m, lessons learned activities are carried out. 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 amounted to €21.0bn at the end of the fourth quarter of 2017 (31 December 2016: €23.9bn), while economically required capital was €1.7bn (31 December 2016: €2.0bn).

On 7 December 2017, the Basel Committee on Banking Supervision finalised the Basel 3 reform package. It provides for a new standardised approach for calculating operational risk capital requirements. Implementation into national law is scheduled to be completed by 2022.

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

€bn	31.12.2017		31.12.2016	
	RWA	ErC	RWA	ErC
Private and Small-Business Customers	5.1	0.4	7.0	0.6
Corporate Clients	9.5	0.8	11.7	1.0
Others and Consolidation	4.4	0.4	3.3	0.3
Asset & Capital Recovery	2.1	0.2	1.9	0.2
<b>Group</b>	<b>21.0</b>	<b>1.7</b>	<b>23.9</b>	<b>2.0</b>

The total charge for OpRisk events at the end of 2017 was around €38m (full-year 2016: €36m). The events were dominated by losses in the categories "Process related" and "External fraud".

OpRisk events <sup>1</sup>   €m	31.12.2017	31.12.2016
Internal fraud	4	1
External fraud	7	26
Damages and IT failure	0	1
Products and business practices	2	-21
Process related	24	29
HR related	1	0
<b>Group</b>	<b>38</b>	<b>36</b>

<sup>1</sup> Losses incurred and provisions, less OpRisk-based income and repayments.

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

## Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. The following risk types except model risk are outside the responsibility of the CRO.

### Legal risk

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

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

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

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

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

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

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

**Current developments** Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance, 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, 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, where Commerzbank and its subsidiaries are or have been active, have been investigating irregularities regarding foreign exchange rate fixings and the foreign exchange business in general in the last couple of years. 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 and brought one case. Commerzbank is cooperating fully with these bodies and is also looking into the relevant matters on the basis of its own comprehensive investigations. The possibility of financial consequences arising from some of these matters cannot be ruled out; however, it is not yet possible to make more precise statements in that regard.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank is cooperating fully with the authorities. It had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 with regard to Commerzbank's equity transactions and is still ongoing regarding the equity transactions of the former Dresdner Bank.

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes.

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions for potentially refundable own capital gains taxes.

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

For the other cum-cum-relevant transactions, Commerzbank has concluded that no inappropriate legal structuring is present under Article 42 AO.

It cannot be completely excluded that as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, this conclusion could alter.

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 sufficiently accurately determined. As there are considerable uncertainties as to how such proceedings will develop, the possibility cannot be excluded that some of the provisions recognised for them may prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is also true in the case of legal proceedings for which the Group did not consider it necessary to recognise provisions. The eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cash flow in a specified reporting

period; in the worst case it cannot be fully ruled out that the liabilities that might result from them may also have a significant impact on Commerzbank's earnings performance, assets and financial position.

### Compliance risk

The success of Commerzbank is critically dependent on the trust of its customers, shareholders, business partners and employees, as well as on the regulatory and supervisory authorities and the public, with respect to its competitiveness and integrity (reputation). This trust is based not only on implementing and complying with the applicable laws, rules, regulations and good market practice that Commerzbank is required to observe in its Group-wide activities, but also on recognising and complying with the cultural and legal frameworks of the countries in which Commerzbank does business. The Board of Managing Directors of Commerzbank actively promotes a strong culture of compliance and has set down and communicated corresponding values in the code of conduct.

The risk that may arise from the failure to adhere to key legal regulations and requirements is referred to as compliance risk. It includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance as well as fraud and corruption.

To prevent compliance risks, Commerzbank has implemented security systems and controls for its transactions, customers, products and processes. These procedures for ensuring compliance with material legal provisions and requirements are referred to in their entirety as a compliance management system. Commerzbank's compliance management system is based on international market standards and the regulatory requirements in the various countries which are relevant for Commerzbank's business activities. Commerzbank is constantly developing its compliance management system in order to meet its responsibilities and cope with the growing complexity and increasing regulatory requirements, thereby enabling it to secure its long-term business success.

Under this "three lines of defence" principle, protecting against undesirable compliance risks is an activity that is not restricted to the compliance function (Group Compliance). Instead, the organisational control and monitoring elements are aligned in three sequential levels. The units in the first line of defence (1LoD) assume main responsibility for identifying and managing risks and for complying with their own business rules; they also ensure that process-oriented control mechanisms are set up. Group Compliance, the second line of defence (2LoD), oversees the appropriateness and effectiveness of the procedures and controls in the first line of defence, and assesses and communicates any deficiencies found. Internal Audit, the third line of defence (3LoD), uses regular and independent audits to check that compliance in both the 1LoD and 2LoD is appropriate and effective.

Compliance risks are managed in a control circuit with interacting elements. Commerzbank continually monitors relevant regulatory requirements and defines and/or adapts corresponding internal standards to ensure that the requirements are met. Where necessitated by changes in requirements and standards, internal training measures are defined and/or adapted and the Bank's units are advised how to implement these effectively. Implementation encompasses setting up and carrying out suitable processes and controls in daily work, assuring their quality and testing their functionality. Compliance risks are monitored with appropriate ratios, and regular internal monitoring reports are produced. Where necessary, matters are escalated according to their urgency and severity. A systematic threat analysis (compliance risk assessment) is a core element of risk management. It assesses the inherent risk arising from doing business with different customer groups and products and compares this with an assessment of the corresponding control environment. It produces a residual risk, the risk content of which is assessed. The Bank defines measures to enhance risk management (e.g. introducing additional controls) as necessary and tracks implementation closely.

In March 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions and undertook to implement additional measures to improve compliance-relevant processes. The settlement also included a three-year period of good conduct. Based on the settlements, the Bank has engaged an independent monitor, selected by the New York State Department of Financial Services (DFS) at its sole discretion. The monitor's mandate is to conduct a comprehensive review of Commerzbank's compliance standards, as measured against the requirements of the Office of Foreign Assets Control (OFAC), the Bank Secrecy Act (BSA) and anti-money laundering laws, where these pertain to or affect the activities of its New York branch. The Bank is cooperating fully with the monitor. This includes, inter alia, granting it immediate access to relevant bank data, documents and employees and supporting its work to the best of its abilities. In light of the experiences of other banks, it cannot be totally ruled out that Commerzbank will be subject to further measures during the period of good conduct and from the activities of the monitor.

According to the requirements of the Financial Services and Markets Act 2000 (FSMA), Commerzbank London mandated a consulting company as a "skilled person" in June 2016. 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). The Bank has drafted an action plan, and the consulting company sends the FCA a half-yearly report on the plan's implementation. It cannot be ruled out that additional expenses might arise, e.g. for staff or other resources.

#### **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 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 for stakeholder groups. The department maintains close links with the relevant market 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 prepared for the Supervisory Board's Risk Committee and the quarterly report on major and high reputational risks prepared for the CFO and the responsible segment boards.

#### 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 protection targets 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 protection targets 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 externals attacking the systems or data of the Bank (cyber crime and advanced persistent threat (APT)<sup>1</sup> scenarios), the theft of corporate data or the default of service providers and vendors.

Given the major importance of IT security to Commerzbank, it is continually further developed and improved 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.

See also the following description of cyber risk.

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

### Cyber risk

Cyber risk is regarded as extremely important, given the increasing digitalisation of the Bank and its environment. For this reason, cyber risk was classified as a material risk type during Commerzbank's 2017 risk inventory.

Cyber risk comprises risks with direct relevance to security and risks that lead to relevance to security (in each case, within cyber space). The part of cyber space of relevance to Commerzbank is all networked 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 IT 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 IT 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 IT 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).

### 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, structural changes are supported accordingly and our employees can fulfil their duties and responsibilities.

**Motivation risk:** Motivation risk arises when demotivating factors are not eliminated and the staff does not sufficiently take notice of motivating factors (for example, management, 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.

**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. Since mid-2016 we have been gradually introducing strategic personnel planning into the Bank's business units, based on the pilot projects completed by the end of 2015.

Overall, the Bank will continue to monitor human resources risk. There is a risk of the human resources risk situation deteriorating due to the impending structural changes under the Commerzbank 4.0 strategy. Change and organisational measures have already been initiated to counter human resources risk.

### Business strategy risk

Business strategy risk is the medium- to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example as a result of changes in market conditions or the inadequate implementation of the Group strategy.

Group strategy is developed further in a process that takes into account both external and internal factors. On the basis of these factors, the full Board of Managing Directors sets out a sustainable business strategy describing the major business activities and steps required to meet the targets. To ensure proper implementation of the Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and the segments.

Responsibility for strategic corporate management lies with the full Board of Managing Directors. Specific business policy decisions (acquisition and sale of equity holdings representing > 1% of Commerzbank AG's regulatory equity capital) also require the authorisation of the Supervisory Board's Risk Committee. All major investments are subject to careful review by the full Board of Managing Directors.

#### **Model risk**

Model risk is the risk of incorrect management decisions based upon an inaccurate depiction of reality by the models used. With regard to the causes of model risk we distinguish between model risk from exceeding model boundaries and model risk from model errors (manual errors in model development/implementation). Corresponding to the focus of the Group risk strategy to ensure that the Bank has adequate capital and liquidity, the models for assessing risk-bearing capacity (capital requirements according to Pillars 1 and 2 of the Basel framework) and liquidity resources are central for risk management.

The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of model reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management requirements relating to model validation and model changes are established.

**Disclaimer** Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, models

cannot cover all the influencing factors that have an impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.



## Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2017

€m		2017	2016
Interest income from			
a) Lending and money market transactions	5,723		7,376
less negative interest from money market transactions	-601		-348
	5,122		7,028
b) Fixed-income securities and debt register claims	719		922
	5,840		7,951
Interest expenses			
Interest expenses from banking business	-3,181		-3,591
less positive interest from banking business	481		286
	-2,700		-3,305
		<b>3,140</b>	<b>4,646</b>
Current income from			
a) Equities and other non-fixed-income securities	1		3
b) Equity holdings	14		61
c) Holdings in affiliated companies	87		56
		<b>102</b>	<b>120</b>
Income from profit-pooling and from partial or full profit-transfer agreements		<b>227</b>	<b>265</b>
Commission income	2,984		3,067
Commission expenses	-374		-603
		<b>2,610</b>	<b>2,464</b>
Net trading income/expense		<b>879</b>	<b>-203</b>
of which release as defined by Art. 340 g (2) of HGB	-98		-
Other operating income		<b>387</b>	<b>451</b>
General administrative expenses			
a) Personnel expense			
aa) Wages and salaries	-2,409		-2,591
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits	-600		-581
of which for pensions	-223		-193
	-3,009		-3,172
b) Other administrative expenses	-2,626		-2,324
		<b>-5,635</b>	<b>-5,496</b>
Depreciation, amortisation and write-downs of intangible and fixed assets		<b>-489</b>	<b>-411</b>
Other operating expenses		<b>-1,554</b>	<b>-367</b>
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business		-	-3,228
Income from write-ups on loans and certain securities and from the release of provisions in lending business		<b>1,535</b>	-
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets		-	-
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets		<b>95</b>	<b>525</b>
Expenses from the transfer of losses		<b>-25</b>	<b>-601</b>
<b>Profit or loss on ordinary activities</b>		<b>1,273</b>	<b>-1,835</b>
Extraordinary income	37		3,867
Extraordinary expenses	-823		-170
<b>Profit or loss on extraordinary activities</b>		<b>-786</b>	<b>3,697</b>
Taxes on income	-225		-334
Other taxes	-86		-34
		<b>-311</b>	<b>-368</b>
<b>Net profit</b>		<b>176</b>	<b>1,494</b>
Transfer to other retained earnings		-88	-747
<b>Distributable profit</b>		<b>88</b>	<b>747</b>

## Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2017

Assets   €m		31.12.2017	31.12.2016
<b>Cash reserve</b>			
a) Cash on hand	4,113		1,169
b) Balances with central banks	45,462		29,452
of which with Deutsche Bundesbank	23,230		16,212
		<b>49,575</b>	<b>30,621</b>
<b>Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks</b>			
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers	511		341
		<b>511</b>	<b>341</b>
<b>Claims on banks</b>			
a) Payable on demand	10,269		7,612
b) Other claims	32,296		47,888
of which public-sector loans	58		172
		<b>42,565</b>	<b>55,500</b>
<b>Claims on customers</b>		<b>197,210</b>	<b>189,833</b>
of which secured by mortgages on real estate	50,360		46,750
secured by mortgages on ships	839		2,481
public-sector loans	11,775		12,271
<b>Bonds and other fixed-income securities</b>			
a) Money market instruments			
aa) Issued by public-sector borrowers	4		-
of which rediscountable at Deutsche Bundesbank	-		-
ab) Issued by other borrowers	17		-
of which rediscountable at Deutsche Bundesbank	-		-
	20		-
b) Bonds and notes			
ba) Issued by public-sector borrowers	15,725		25,267
of which rediscountable at Deutsche Bundesbank	11,208		19,512
bb) Issued by other borrowers	14,974		18,335
of which rediscountable at Deutsche Bundesbank	9,856		13,668
	30,699		43,602
c) Own bonds	690		744
Nominal amount €685m			
		<b>31,410</b>	<b>44,346</b>

Assets   €m	31.12.2017	31.12.2016
<b>Equities and other non-fixed-income securities</b>	109	244
<b>Trading assets</b>	30,820	54,455
<b>Equity holdings</b>	80	452
of which investments in banks	16	305
investments in financial services companies	5	5
<b>Holdings in affiliated companies</b>	5,763	7,964
of which investments in banks	2703	2,844
investments in financial services companies	267	297
<b>Fiduciary assets</b>	2,104	857
of which loans at third-party risk	403	422
<b>Intangible assets</b>		
a) Proprietary intellectual property rights and similar rights and assets	1,099	866
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets	274	291
	1,373	1,157
<b>Fixed assets</b>	520	534
<b>Other assets</b>	3,790	3,333
<b>Accrued and deferred items</b>		
a) From issuing and lending business	180	210
b) Other	274	281
	454	491
<b>Excess of plan assets over liabilities</b>	1,300	1,422
<b>Total assets</b>	367,584	391,550

## Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2017

Liabilities and shareholders' equity   €m	31.12.2017	31.12.2016
<b>Liabilities to banks</b>		
a) Payable on demand	12,776	19,489
b) With agreed term or notice period	54,319	55,014
of which issued registered mortgage Pfandbriefe	197	322
issued registered public Pfandbriefe	628	801
issued registered ship Pfandbriefe	10	39
	<b>67,095</b>	<b>74,503</b>
<b>Liabilities to customers</b>		
a) Savings deposits		
aa) With agreed notice period of three months	7,496	7,161
ab) With agreed notice period of more than three months	16	20
	7,512	7,181
b) Other liabilities		-
ba) Payable on demand	133,853	133,056
bb) With agreed term or notice period	65,474	70,886
	199,327	203,942
of which issued registered mortgage Pfandbriefe	3,152	3,685
issued registered public Pfandbriefe	6,573	7,347
issued registered ship Pfandbriefe	448	1,067
	<b>206,839</b>	<b>211,123</b>
<b>Securitised liabilities</b>		
a) Bonds and notes issued	28,646	30,655
aa) Mortgage Pfandbriefe	12,248	10,958
ab) Public Pfandbriefe	2,753	3,109
ac) Ship Pfandbriefe	10	10
ad) Other bonds	13,634	16,578
b) Other securitised liabilities	4,193	5,373
ba) Money market instruments	4,191	5,329
bb) Own acceptances and promissory notes outstanding	2	44
	<b>32,839</b>	<b>36,028</b>
<b>Trading liabilities</b>	<b>18,649</b>	<b>28,837</b>
<b>Fiduciary liabilities</b>	<b>2,104</b>	<b>857</b>
of which loans at third-party risk	403	422
<b>Other liabilities</b>	<b>4,306</b>	<b>4,190</b>
<b>Accrued and deferred items</b>		
a) From issuing and lending business	15	16
b) Other	439	499
	<b>454</b>	<b>515</b>

Liabilities and shareholders' equity   €m	31.12.2017	31.12.2016
<b>Provisions</b>		
a) Provisions for pensions and similar commitments	45	49
b) Provisions for taxes	608	529
c) Other provisions	2,849	2,424
	<b>3,502</b>	<b>3,002</b>
<b>Subordinated liabilities</b>	<b>9,126</b>	<b>10,099</b>
<b>Profit-sharing certificates outstanding</b>	<b>105</b>	<b>105</b>
of which maturing in less than two years	25	25
<b>Fund for general banking risks</b>	<b>98</b>	<b>-</b>
of which allocation pursuant to Art. 340e (4) HGB	98	-
<b>Equity</b>		
a) Subscribed capital		
aa) Share capital	1,252	1,252
Treasury shares	-	-
(conditional capital €569m)	1,252	1,252
ab) Silent participations	448	448
	1,700	1,700
b) Capital reserve	17,192	17,192
c) Retained earnings <sup>1</sup>	3,487	2,652
d) Distributable profit	88	747
	<b>22,467</b>	<b>22,291</b>
<b>Liabilities and shareholders' equity</b>	<b>367,584</b>	<b>391,550</b>
<b>1. Contingent liabilities</b>		
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	2
b) Liabilities from guarantees and indemnity agreements	34,273	33,442
	<b>34,274</b>	<b>33,444</b>
<b>2. Other commitments</b>		
a) Irrevocable lending commitments	<b>75,096</b>	<b>75,554</b>

<sup>1</sup> Other retained earnings only.

# Notes

## General information

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### (1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2017 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktien-gesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including "Of which" sub-headings under the relevant items. In order to

### (2) Accounting and measurement policies

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

Loan loss provisions are calculated for all significant on-balance-sheet claims, all significant off-balance-sheet transactions at individual transaction level and all insignificant loans on a portfolio basis using internal parameters and models. Provision is also made for country risks in these calculations. The level of the provision for each individual default risk is based on the difference between the carrying amount of the claim and the net present value of the expected future cash inflows on the claim, calculated using the discounted cash flow method and allowing for any collateral held. It is calculated using the discounted cash flow method and allowing for any collateral held in connection with these claims. The increase in net present value due to the decreased discounting effect over time is shown under interest income in the income statement. General loan loss provisions are estimated using models.

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

make the financial statements clearer, we have expanded the details of mortgages on ships and of ship Pfandbriefe.

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

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

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

fixed assets are treated in accordance with the modified lower-of-cost-or-market principle.

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

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

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

side and portfolio hedges are accounted for using the net hedge presentation method, with the gross hedge presentation method used for one selected portfolio. Internal transactions are accounted for using the arm's length principle.

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

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

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

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

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

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

Standardised and digital options are generally priced using the Black-Scholes model. Binomial approaches and Monte Carlo simulations are used for more complex options. Monte Carlo simulations are also used for other structured derivatives.

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

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

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

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

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

Pension provisions are calculated annually by independent actuaries using the projected unit credit method. The calculation parameters can be found in the note on provisions. Plan assets to cover pension obligations are measured at fair value and netted against the provisions created for this purpose in accordance with Art. 246 (2) sentence 2 HGB. In the case of obligations for age-related short-time working, the plan assets are netted against the payment arrears in accordance with IDW (Institute of Public Auditors in Germany) pronouncement RS HFA3. If an asset surplus arises from offsetting plan assets against the provisions for pensions and obligations for age-related short-time working, this is shown on the balance sheet under excess of plan assets over liabilities. The contribution required for provisions for pensions under Art. 67 (1) EGHGB will be provided no later than 31 December 2024.

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

Interest-rate-based financial instruments held outside the trading book are tested annually in their entirety for an excess liability using a net-present-value-based approach. As in previous years, this valuation did not give rise to any need to establish a provision for impending losses.

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

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

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

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31,5 % (previous year: 31,5 %). This is made up of the German corporate income tax rate of 15,0 %, plus the solidarity surcharge of 5,5 % and an average rate of 15,7 % for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range between 12 % and 46 %.



### (3) Currency translation

We translate assets and liabilities and income and expenses denominated in foreign currencies and pending spot market transactions at the spot mid-rate on the balance sheet date. This also applies to the translation of the principal amounts in cross-currency swaps outside the trading book. By way of exception, gains and losses in foreign currency are translated into Euro

immediately on realisation, so that their level is then fixed. Exchange rate fluctuations are reported in the currency translation result. Currency-related forward transactions in the trading book are measured at fair value. Due to the special cover in the same currency, profits and losses from currency translation are recognised through profit or loss.

### (4) Changes in accounting policies

Since the 2017 financial year, we have reported interest components in connection with provisions in other operating expenses, instead of in net interest income as previously. These items are explained in the provisions (see Note 27).

Interest income and interest expenses from trading portfolios as well as dividends from securities in the trading portfolio and from equity swaps in the amount of €363m are included in net trading income/expense, instead of in net interest income.

These accounting changes result in financial reporting that more accurately reflects the underlying balance sheet items and is therefore more appropriate.

The expenses from services charged by our Group companies totalling €364m are reported in other operating expenses, instead of in commission expenses.

### (5) Commerz Finanz GmbH

Commerzbank Aktiengesellschaft reached an agreement with BNP Paribas Personal Finance S.A. on splitting out the business division of their Munich-based joint venture, Commerz Finanz GmbH, which includes the instalment loans distributed by Commerzbank. The transfer was made based on carrying amounts in accordance

with the conversion right. The primary changes that occurred when the transfer took place in August 2017 were an increase in claims on customers by €3.3bn and a decrease in claims on banks by €3.2bn. The resulting value accretion of €37m is reported in extraordinary income.

### (6) Report on events after the reporting period

On 9 February 2018, the Bank sold its shareholding in Capital Investment Trust Corporation, Taipei, Taiwan.

There have been no other events of particular significance since the end of 2017.

## Notes to the income statement

### (7) Breakdown of revenues by geographic markets

€m	2017	2016
Europe including Germany	9,713	11,220
America	233	216
Asia	247	153
<b>Total</b>	<b>10,193</b>	<b>11,589</b>

The total amount includes the items interest income, current income from equities and other non-fixed-income securities, equity holdings, holdings in affiliated companies, commission income

and other operating income. There was net income in the trading portfolio, which was also recognised, whereas in the previous year we reported net expense.

### (8) Auditors' fee

The fee for annual audit services covers the annual audit of Commerzbank Aktiengesellschaft. The other confirmation services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and confirmation services. It also includes reviews of reporting obligations pursuant to

Art. 36 of the German Securities Trading Act (WpHG). The fees for other services are mainly fees for project-related advisory services. We report the auditors' fee in the Group Financial Statements in accordance with Art. 285 (17) HGB.

### (9) Other operating income and expenses

Other operating income of €387m (previous year: €451m) includes primarily income from the reversal of provisions totalling €179m (previous year: €232m). Income from currency translation of €4m (previous year: –) is also included in the current reporting year. Other operating expenses of €1,554m (previous year: €367m) includes expenses from the recapitalisation of Commerzbank Finance & Covered Bond S.A. Luxembourg in the

amount of €1bn, expenses from the discounting effect on provisions totalling €500m (previous year: €131m shown in net interest income), income from plan assets of €166m and allocations to provisions for litigation and recourse risks totalling €80m (previous year: €65m). The Bank did not incur any material currency translation expense as at 31 December 2017, whereas in the previous year we reported €14m.

### (10) Non-periodic income and expenses

Non-periodic income includes €112m (previous year: €152m) from the reversal of various provisions that we had recognised in previous years. Non-periodic income in the previous year included sale proceeds from the disposal of fixed assets of €18m and retroactive credits from the use of buildings of €4m. €113m (previous year: €72m) was set aside in provisions in the reporting year for

potential risks associated with tax audits. In the reporting year, provisions for potential risks in connection with tax withholding circumstances from prior years were recognised in the amount of €84m (previous year: €40m). In addition, €46m was set aside in provisions in the previous year for a disputed foreign withholding tax claim.

## (11) Extraordinary income

In the 2017 financial year, we reported extraordinary income of €37m in connection with the dissolution of the Commerz Finanz GmbH joint venture. The wind-up of Hypothekenbank Frankfurt resulted in extraordinary income of €3,867m in the prior year.

Extraordinary expense includes allocations to provisions for restructuring of €777m (previous year: €124m) and the required allocation to pension provisions pursuant to Art. 67 (1) sentence 1 EGHGB of €46m (previous year: €46m).

## (12) Administrative and agency services

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

- custody account administration
- agency services for insurance and home loan savings plans
- asset management
- management of fiduciary assets
- securities commission business
- processing of payment transactions
- agency services for mortgage loans

## Notes to the balance sheet

### (13) Maturity structure of claims and liabilities

€m	31.12.2017	31.12.2016
<b>Other claims on banks</b>	<b>32,296</b>	<b>47,888</b>
with a residual term of		
less than three months	15,716	25,788
over three months up to one year	10,809	11,087
over one year up to five years	5,232	10,198
over five years	538	815
<b>Claims on customers</b>	<b>197,210</b>	<b>189,833</b>
with an indefinite term	17,589	17,191
with a residual term of		
less than three months	25,154	28,126
over three months up to one year	23,699	19,987
over one year up to five years	56,571	56,598
over five years	74,198	67,931

€m	31.12.2017	31.12.2016
<b>Liabilities to banks with an agreed term or notice period</b>	<b>54,319</b>	<b>55,014</b>
with a residual term of		
less than three months	14,750	17,305
over three months up to one year	6,803	7,428
over one year up to five years	19,416	19,018
over five years	13,350	11,263
<b>Savings deposits with an agreed notice period of more than three months</b>	<b>16</b>	<b>20</b>
with a residual term of		
over three months up to one year	16	20
<b>with an agreed term or notice period</b>	<b>65,474</b>	<b>70,886</b>
with a residual term of		
less than three months	25,414	24,474
over three months up to one year	15,328	24,659
over one year up to five years	12,632	8,654
over five years	12,101	13,099
<b>Other securitised liabilities</b>	<b>4,193</b>	<b>5,373</b>
with a residual term of		
less than three months	367	2,022
over three months up to one year	3,825	3,348
over one year up to five years	1	3

Of the €28,646m in bonds and notes issued within securitised liabilities (previous year: €30,655m), €4,740m is due in 2018.

**(14) Cover assets for bonds issued by the Bank**

€m	31.12.2017	31.12.2016
Claims on banks	289	1,082
Claims on customers	28,522	27,904
Bonds and other fixed-income securities	4,970	4,951
<b>Total</b>	<b>33,781</b>	<b>33,937</b>

**(15) Securities**

As at 31 December 2017 the breakdown of marketable securities was as follows:

€m	Listed on a stock exchange		Not listed	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Bonds and other fixed-income securities	28,251	41,903	3,159	2,443
Equities and other non-fixed-income securities	0	0	92	207
Equity holdings	2	2	0	0
Holdings in affiliated companies	2,377	2,377	–	–

Of the bonds and other fixed-income securities amounting to €31,410m (previous year: €44,346m), €3,423m are due in 2018.

For bonds and other fixed-income securities in the amount of €557m (previous year: €777m) the Bank did not apply write-downs in accordance with the modified lower-of-cost-or-market principle pursuant to Art. 253 (3) sentence 5 HGB, as the impairments are only temporary. In the reporting year, there were no

other write-downs that the Bank did not apply, whereas in the prior year we did not record a write-down of €146m because we did not intend to sell these securities (holdings in affiliated companies) and a permanent impairment had not taken place.

We did not generate any income in the reporting year from the disposal of bonds in the liquidity portfolio (previous year: €286m).

**(16) Trading securities**

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

In 2017, Commerzbank Aktiengesellschaft allocated an amount of €98m (previous year: –) from net trading income to the fund for general banking risks.

€m	31.12.2017	31.12.2016
<b>Trading assets</b>	<b>30,820</b>	<b>54,455</b>
Derivative financial instruments	12,555	25,083
Claims	2,501	2,777
Bonds and other fixed-income securities	4,469	5,978
Equities and other non-fixed-income securities	11,324	20,677
Risk charge value at risk	–30	–60

€m	31.12.2017	31.12.2016
<b>Trading liabilities</b>	<b>18,649</b>	<b>28,837</b>
Derivative financial instruments	10,731	23,078
Liabilities	7,918	5,759

## (17) Hedge relationships

To balance contrary changes in value, micro and portfolio hedge relationships are created to hedge the resultant risks, with both the gross and net hedge presentation methods being used.

In the gross hedge presentation method, the effective and ineffective portions of the contrary changes in the underlying and hedging transactions are recognised in income. This method is used for securities in the liquidity reserve, where the general risk of a change in interest rates is hedged. Interest-rate-induced changes in the value of the securities are almost entirely compensated by the change in the value of the associated hedges. The prospective and retrospective effectiveness of the hedge relationships is demonstrated using regression analysis. The average term to maturity of these hedge relationships is three years (previous year: three years).

Moreover, portfolio hedge relationships have been created for liabilities to customers. These hedges are completely offset by being combined into a hedge relationship with assets with embedded equity risks. The effectiveness of the portfolio hedge relationships for equity risks is measured using the dollar offset method. These hedge relationships are payable on demand.

In the net hedge presentation method, contrary changes in the underlying and hedging transactions are not recognised in income. For a small number of selected portfolios in the liquidity reserve,

hedge relationships are accounted for on the basis of the net hedge presentation method. In this method, interest rate-related changes in the value of the securities are hedged in full, while non-interest-rate-related changes are reported in income. The effectiveness of the interest rate hedges is measured on the basis of a portfolio-based value-at-risk approach. The average term to maturity of these hedge relationships is five years (previous year: four years). One portfolio in which effectiveness was demonstrated by analysing interest rate sensitivity no longer contains any underlying transactions. In the previous year, the portfolio had an average residual maturity of half a year.

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

The changes in value of the underlying transactions which are offset by contrary changes in the hedging transactions within effective hedge relationships correspond to the level of the hedged risk. The table below shows the assets and liabilities included in hedge relationships:

€m	Book values		Nominal values		Level of hedged risk	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Securities of liquidity reserve	11,780	21,597	11,508	21,007	-229	-630
Issues of non-trading portfolio	63,703	71,983	64,122	73,718	-4,263	-5,913
Liabilities to customers	101	6,128	101	6,128	877	575

**(18) Relationships with affiliated companies and equity holdings**

€m	Affiliated companies		Equity holdings	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Claims on banks <sup>1</sup>	6,595	9,802	0	3,158
Claims on customers	10,068	10,287	155	491
Bonds and other fixed-income securities	1,133	217	0	–
Trading assets excluding derivative financial instruments	460	782	30	46
Liabilities to banks	18,360	15,924	7	7
Liabilities to customers	1,664	2,710	259	515
Securitised liabilities	394	781	–	–
Trading liabilities excluding derivative financial instruments	–	–	0	3
Subordinated liabilities	947	1,073	–	–

<sup>1</sup> The decrease in receivables from equity holdings results from the dissolution of the Commerz Finanz GmbH joint venture (see Note 5 Commerz Finanz GmbH).

**(19) Fiduciary transactions**

€m	31.12.2017	31.12.2016
Claims on banks	7	7
Claims on customers	396	415
Other fiduciary assets	1,701	435
<b>Fiduciary assets</b>	<b>2,104</b>	<b>857</b>
of which loans at third-party risk	403	422
Liabilities to banks	8	9
Liabilities to customers	395	413
Other fiduciary liabilities	1,701	435
<b>Fiduciary liabilities</b>	<b>2,104</b>	<b>857</b>
of which loans at third-party risk	403	422

**(20) Changes in book value of fixed assets**

€m	Intangible assets	Fixed assets	Securities held as fixed assets	Equity holdings	Holdings in affiliated companies
<b>Residual book values as at 1.1.2017</b>	<b>1,157</b>	<b>534</b>	<b>18,335</b>	<b>452</b>	<b>7,964</b>
<b>Cost of acquisition/production as at 1.1.2017</b>	<b>2,424</b>	<b>1,824</b>	<b>18,395</b>	<b>493</b>	<b>9,668</b>
Additions	610	94	3,743	2	308
Disposals	66	147	4,393	1	2,374
Transfers	2	-3	-	-373	-
Exchange rate changes	-3	-12	-823	-	41
<b>Cost of acquisition/production as at 31.12.2017</b>	<b>2,967</b>	<b>1,756</b>	<b>16,922</b>	<b>120</b>	<b>7,562</b>
<b>Cumulative write-downs as at 1.1.2017</b>	<b>1,267</b>	<b>1,290</b>	<b>60</b>	<b>41</b>	<b>1,704</b>
Write-downs in 2017	394	95	14	0	148
Additions	-	-	-	-	-
Disposals	64	138	9	0	25
Transfers	0	0	-	-	-
Exchange rate changes	-3	-11	-4	-	27
<b>Cumulative write-downs as at 31.12.2017</b>	<b>1,594</b>	<b>1,237</b>	<b>62</b>	<b>40</b>	<b>1,799</b>
of which write-ups	1	-	0	0	1
<b>Residual book values as at 31.12.2017</b>	<b>1,373</b>	<b>520</b>	<b>16,860</b>	<b>80</b>	<b>5,763</b>

Of the land and buildings with an overall book value of €168m (previous year: €179m) €158m (previous year: €168m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment included in fixed assets amounted to €352m (previous year: €355m). As at 31 December 2017, development costs for intangible

assets developed in-house were capitalised in the amount of €1,099m (previous year: €866m). Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets.

**(21) Other assets**

Other assets amounted to €3,790m (previous year: €3,333m). They include primarily claims from collateral to be provided in advance for forward transactions in the amount of €1,168m (previous year: €685m), claims on tax authorities of €840m (previous year: €692m), deferred interest on non-trading derivatives

of €308m (previous year: €340m), amounts owed under profit transfer agreements of €227m (previous year: €265m), initial/variation margins receivable of €153m (previous year: €154m) and precious metals in the non-trading portfolio of €23m (previous year: €357m).



**(22) Subordinated assets**

€m	31.12.2017	31.12.2016
Claims on banks	42,565	55,500
of which subordinated	231	623
Claims on customers	197,210	189,833
of which subordinated	283	681
Bonds and other fixed-income securities	31,410	44,346
a) Money market instruments	20	–
of which subordinated	–	–
b) Bonds and notes issued by other borrowers	30,699	43,602
of which subordinated	–	7
c) Own bonds	690	744
of which subordinated	6	6
Equities and other non-fixed-income securities	109	244
of which subordinated	–	–
Trading assets	30,820	54,455
of which subordinated	72	96
<b>Total subordinated assets</b>	<b>592</b>	<b>1,413</b>

**(23) Repurchase agreements**

As at 31 December 2017, the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €4,322m (previous year: €3,937m).

**(24) The Bank's foreign currency position**

As at 31 December 2017, the Bank had €101,688m (previous year: €112,099m) in foreign currency assets and €54,536m (previous year: €75,771m) in foreign currency liabilities.

**(25) Collateral pledged for own liabilities**

€m	31.12.2017	31.12.2016
Liabilities to banks	44,831	41,576
Liabilities to customers	5,670	4,434
Securitised liabilities	500	500
Other commitments	4,331	6,054
<b>Total</b>	<b>55,331</b>	<b>52,564</b>

Bonds issued by the Bank to the value of €600m (previous year: €955m) are backed by collateral which, although legally sold, remains under the beneficial ownership of Commerzbank Aktiengesellschaft.

## (26) Other liabilities

Other liabilities of €4,306m (previous year: €4,190m) include primarily liabilities attributable to film funds totalling €1,004m (previous year: €1,184m), liabilities due to collateral to be provided in advance for forward transactions of €902m (previous year:

€667m), deferred interest on non-trading derivatives of €266m (previous year: €260m), tax liabilities to tax authorities of €208m (previous year: €163m) and liabilities from profit and loss transfer agreements of €24m (previous year: €601m).

## (27) Provisions

### a) Provisions for pensions and similar commitments

Pension provisions are calculated on the basis of actuarial principles using an average discount rate, set by the Deutsche Bundesbank, over ten years, applying the projected unit credit method on the basis of the Heubeck 2005 G mortality tables. The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2017. In accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations are discounted with the average annual interest rate over ten years of 3.68 % (previous year: 4.01 %) instead of over seven years at 2.80 % (previous year: 3.24 %). The resulting difference as at 31 December 2017 was €820m (previous year: €663m) thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50 % per annum (previous year: 2.50 % per annum) and we have set an interest rate of 1.60 % per annum (previous year: 1.60 % per annum) for pension

increases. An increase of 2.00 % per annum (previous year: 2.00 % per annum) is assumed for the income threshold for assessing contributions. At year-end, the shortfall due to unrecognised pension obligations within the meaning of Art. 28 (2) EGHGB amounted to €6m (previous year: €12m).

In accordance with the option under Art. 67 (1) sentence 1 EGHGB, Commerzbank Aktiengesellschaft is increasing the provisions for the difference that has arisen due to the change in pension valuations following the German Accounting Law Modernisation Act (BilMoG) from 1 January 2010 on a pro rata basis, resulting in a deficit of €129m (previous year: €175m).

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2017, the following values were recorded for these items before offsetting:

€m	31.12.2017	31.12.2016
Fair value of the plan assets	6,657	6,411
Amount to be paid	5,616	5,336

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the imputed interest expense for provisions for pensions which are safeguarded by plan assets amounted to €474m (previous year: €110m). Prior to offsetting, income from plan assets amounted to €166m (previous year: €657m).

The historic cost of the plan assets amounted to €5,662m (previous year: €5,553m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

### b) Other provisions

Other provisions largely consist of provisions for personnel and for litigation and recourse risks. The personnel-related provisions

include provisions for restructuring, age-related short-time working and early retirement. For the planned adjustment of personnel capacities, we recognised restructuring provisions during the reporting year in the amount of €808m (previous year: €387m). The plan assets to cover obligations for age-related short-time working of €116m (previous year: €149m) were offset against the settlement amount of €31m created for this purpose (previous year: €25m). Prior to offsetting, the imputed interest expense for provisions for age-related short-time working covered by plan assets amounted to €2m (previous year: €2m). Prior to offsetting, there was no income from cover assets in the current reporting year (previous year: €1m). The historic cost of the plan assets for age-related short-time working amounted to €113m (previous year: €143m).

## (28) Subordinated liabilities

Subordinated liabilities, which amount to €9,126m (previous year: €10,099m), may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay the liabilities or right to claim interest until this condition has been met.

The obligations arising from the bonds and notes are subordinated obligations of the issuer which rank pari passu with all the issuer's

other subordinated liabilities. The bearer may not put bonds and notes. The terms and conditions for subordinated liabilities apply. Conversion into equity or another form of debt is not stipulated in the contractual agreements.

In the financial year, interest paid on subordinated liabilities amounted to €592m (previous year: €598m). The following borrowings exceeded 10% of the subordinated liabilities as at 31 December 2017:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CB83CE3	EUR	1,174	6.38	22.3.2019
DE000CB83CF0	EUR	1,326	7.75	16.3.2021
DE000CZ40LD5	EUR	1,031	4.00	23.3.2026

## (29) Profit-sharing certificates

Under the conditions of the profit-sharing certificates, the servicing of interest and repayment claims arising from the profit-sharing rights is linked to the Bank's net profit (not dividend payments). In the event of insolvency, claims arising from profit-

sharing certificates are subordinate to all other non-subordinated creditors, but rank above shareholders. The table below shows the outstanding profit-sharing certificates at the end of the 2017 financial year:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Maturing on 31.12.
Profit-sharing certificate WKN A0D4TQ9	EUR	50	4.70	2020
Profit-sharing certificate WKN A0HGNA3	EUR	30	4.70	2020
Registered profit-sharing certificate WKN 901008000A <sup>1</sup>	EUR	10	5.38	2017
Registered profit-sharing certificate WKN 901008000B <sup>1</sup>	EUR	10	5.38	2017
Registered profit-sharing certificate WKN 901008100 <sup>1</sup>	EUR	5	5.37	2017
<b>Total</b>		<b>105</b>		

<sup>1</sup> To be repaid on 2 July 2018.

**(30) Equity**

€	31.12.2017	31.12.2016
<b>Equity</b>	<b>22,467,453,605.61</b>	<b>22,291,209,085.61</b>
a) Subscribed capital	1,700,742,634.00	1,700,742,634.00
Share capital	1,252,357,634.00	1,252,357,634.00
Silent participations	448,385,000.00	448,385,000.00
b) Capital reserve	17,191,685,851.77	17,191,685,851.77
c) Retained earnings	3,486,902,859.84	2,651,533,912.85
d) Distributable profit	88,122,260.00	747,246,686.99

**a) Subscribed capital**

As at 31 December 2017, the share capital of Commerzbank Aktiengesellschaft amounted to €1,252,357,634.00 and was divided into 1,252,357,634 no-par-value shares, each with an accounting par value of €1.00.

On the reporting date, the silent participations of HT1 Funding GmbH of €415,885,000.00 Euro and a number of other silent participations totalling €32,500,000.00 remained in place.

**b) Capital reserve**

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares are also

recognised here. The capital reserve as at 31 December 2017 remained unchanged compared with the previous year at €17,191,685,851.77.

**c) Retained earnings**

€	
<b>As at 31.12.2016</b>	<b>2,651,533,912.85</b>
Allocation to retained earnings	835,368,946.99
of which addition from distributable profit of prior year	747,246,686.99
<b>As at 31.12.2017</b>	<b>3,486,902,859.84</b>

The retained earnings of Commerzbank Aktiengesellschaft consist of other retained earnings. At the Annual General Meeting to be held on 8 May 2018, shareholders will vote on a proposal that the net profit for 2017 be allocated to retained earnings.

**(31) Authorised capital**

Date of AGM resolution €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the articles of association
2015	569,253,470	569,253,470	29.4.2020	§ 4 Abs. 3
<b>As at 31.12.2016</b>	<b>569,253,470</b>	<b>569,253,470</b>		
<b>As at 31.12.2017</b>	<b>569,253,470</b>	<b>569,253,470</b>		

The conditions for capital increases from authorised capital as at 31 December 2017 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 24 May 2016.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 29 April 2020 through the issuance of new shares with no par value in exchange for cash or contributions in

kind, in either one or several tranches, but not exceeding a maximum amount of €569,253,470.00 (Authorised Capital 2015 in accordance with Art. 4 (3) of the Articles of Association). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the of the Supervisory Board, in the following cases:

- 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 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; majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective, or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2015, while

excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5, and Art. 186 (3) sentence 4 Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2015, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 20% of the share capital of the Company existing at the time when the General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account which are issued or sold subject to exclusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the shareholders during the term of the authorisation under another authorisation. Moreover, if shares are issued to members of the Board of Managing Directors, members of the management or employees of the Company or its group companies within the meaning of Art. 18 (1) Stock Corporation Act in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right, the pro rata amount of the share capital attributable to such shares must not, in aggregate, exceed 5% of the share capital of the Company existing at the time when the General Meeting adopts the resolution. When determining this limit, shares shall also be taken into account which are issued or sold during the term of this authorisation under another authorisation with the exclusion of subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its group companies within the meaning of Art. 18 (1) Stock Corporation Act.

The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

€	Remaining authorised capital 31.12.2016	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2017
<b>Total</b>	<b>569,253,470</b>	–	–	–	<b>569,253,470</b>

### (32) Conditional capital

€	Conditional capital 31.12.2016	Added in financial year	Used in financial year	Expired in financial year	Conditional capital 31.12.2017	of which:	
						Used conditional capital	Still available
<b>Total</b>	<b>569,253,470</b>	–	–	–	<b>569,253,470</b>	–	<b>569,253,470</b>

As resolved at the Annual General Meeting of 30 April 2015, the Company's share capital shall be conditionally increased by up to €569,253,470.00 divided into up to 569,253,470 bearer shares with no par value (Conditional Capital 2015 in accordance with Art. 4 (4) of the Articles of Association). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit participation rights, convertible hybrid bonds, or warrants attached to bonds or profit-sharing certificates, with warrants issued or guaranteed until 29 April 2020 by the Company (or by companies in which the Company directly or indirectly holds a majority interest [Group companies as defined in Art. 18 (1) Stock Corporation Act]) on the basis of the authorisation resolved at the Annual General Meeting dated 30 April 2015 (Authorisation 2015), exercise their conversion/option rights or fulfil their related conversion or option obligations, or the Company utilizes its right to provide alternative

performance, and other forms of settlement are not chosen. The new shares are issued at the option or conversion price, as the case may be, to be determined in accordance with the Authorisation 2015. The new shares will be entitled to dividend payments from the start of the fiscal year in which they are issued through the exercise of either conversion or option rights, or through the fulfilment of the related conversion or option obligations; as far as legally permissible, the Board of Managing Directors may, with the approval of the Supervisory Board, determine the dividend right in respect of new shares in derogation of Art. 60 (2) Stock Corporation Act, even for a fiscal year already ended.

The Board of Managing Directors is authorised to determine the further details concerning the implementation of the conditional capital increase.

### (33) Non-distributable amounts

€m	31.12.2017	31.12.2016
In-house developed intangible assets <sup>1</sup>	1,099	866
Difference arising from the capitalisation of plan assets at fair value <sup>1</sup>	1,004	864
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations <sup>2</sup>	820	663
<b>Non-distributable amount</b>	<b>2,923</b>	<b>2,393</b>

<sup>1</sup> Details pursuant to Art. 268 (8) of the German Commercial Code (HGB).

<sup>2</sup> Details pursuant to Art. 253 (6) of the German Commercial Code (HGB).

### (34) Significant shareholder voting rights

As at 31 December 2017, Commerzbank Aktiengesellschaft had received the following notifications of voting rights:

Company required to report	Registered office	Total % <sup>1</sup>	Report date
Bundesrepublik Deutschland	Berlin	15.60	4.6.2013
BlackRock Inc.	Wilmington, Delaware, USA	5.09	4.1.2018
Cerberus Capital Management, L.P.	New York, USA	5.01	25.7.2017

<sup>1</sup> Voting rights held directly and indirectly.

### (35) Treasury shares

The AGM on 30 April 2015 authorised Commerzbank Aktiengesellschaft to purchase and sell its treasury shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 German Stock Corporation Act. This authorisation is valid until 29 April 2020. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. Together with the Company's treasury shares purchased for other reasons and held by Commerzbank Aktiengesellschaft or attributable to it pursuant to Articles 71a ff. of the German Stock Corporation Act, the shares purchased on the basis of this authorisation may at no time exceed 10% of the share capital of Commerzbank Aktiengesellschaft. The lowest price at which own shares are purchased may not be more than 10% lower than the average share price (closing auction prices of the Commerzbank share in the Xetra trading system or a

comparable successor system to Xetra on the Frankfurt Stock Exchange) on the three trading days preceding the purchase. Treasury shares may not be purchased at prices more than 10% higher than this level (excluding ancillary costs).

No treasury shares were acquired during the financial year and Commerzbank Aktiengesellschaft held no treasury shares as at the reporting date. Customers pledged 3,024,763 treasury shares as collateral (previous year: 4,550,953 shares).

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Federal Republic of Germany – Finanzagentur GmbH (Deutsche Finanzagentur), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital, except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party) or no. 7 of the German Stock Corporation Act.

## Other notes

### (36) Off-balance-sheet transactions

#### a) Contingent liabilities

€m	31.12.2017	31.12.2016
Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	2
Liabilities from guarantees and indemnity agreements <sup>1</sup>	34,273	33,442
Other guarantees	26,833	25,780
Letters of credit	5,061	4,989
Credit guarantees	2,379	2,673
<b>Total</b>	<b>34,274</b>	<b>33,444</b>

<sup>1</sup> See also Other financial commitments Note 36 d).

Contingent liabilities from guarantees and indemnity agreements are mainly related to retail banking with customers which generates commission income. Commerzbank Aktiengesellschaft runs the risk that a claim will be made under its contractual obligations due to the deteriorating credit quality of the borrower. Credit risks

are reflected in the balance sheet by creating provisions. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters. These parameters are in line with EU Regulation 575/2013, which implements the supervisory regulations of the Basel 3 regulatory framework at European level.

#### b) Other commitments

€m	31.12.2017	31.12.2016
<b>Irrevocable lending commitments</b>	<b>75,096</b>	<b>75,554</b>
Loans to customers	72,626	72,917
Loans to banks	1,201	1,235
Acceptance credits and letters of credit	1,269	1,402

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are reported outside the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to

procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase, or the securitised paper can no longer be sold on the market as planned.

#### c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet because beneficial ownership remains with the lender due to the structure of the transactions. Securities lent out therefore continue to be recognised in the balance sheet. If we lend securities which we have previously borrowed, this does not give rise to a liability provided this lending transaction is secured with cash collaterals or high-quality collateral in the form of securities. The risk arising from these transactions is

the hedging risk. It can be defined as the difference between the fair value of the underlying securities and the value of the collateral that we have provided to others or which has been provided to us. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. As at the reporting date, the fair value of securities lent amounted to €5,591m (previous year: €11,279m), while the fair value of securities borrowed amounted to €23,173m (previous year: €32,690m). As part of these securities transactions, collateral for securities lent amounted to €5,506m (previous year: €12,198m) and that for securities borrowed to €18,982m (previous year: €27,033m).



#### d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2017, existing commitments from rental, tenancy and leasing agreements amounted to €2,794m for the following years (previous year: €2,309m); €112m of this amount relates to affiliated companies (previous year: €229m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €32m on the reporting date (previous year: €38m).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

Other financial commitments include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the European banking levy.

Securities with a book value of €7,830m (previous year: €8,871m) were furnished as collateral for obligations on forward exchanges and clearing houses.

The Bank recognised precautionary provisions of €12m as at the end of 2017 for potential obligations from tax risks in connection with cum-cum transactions and potentially refundable own investment income tax. With respect to securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. In this respect a lawsuit has been filed in one case. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, this cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, including interest on arrears.

Commerzbank Aktiengesellschaft has given an undertaking to the Polish Financial Supervision Authority that it will provide its affiliated companies mBank S.A., Warsaw and mBank Hipoteczny S.A., Warsaw with sufficient liquidity and capital to ensure that they are in a position to meet their financial obligations at all times.

In respect of the subsidiaries listed below and included in the Group financial statements, Commerzbank Aktiengesellschaft is obliged to ensure that, except in the case of political risks, they are able to meet their contractual liabilities ("letter of comfort").

Name	Registered office
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

**(37) Forward transactions**

As at 31 December 2017, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values	Fair value	
		positive	negative
<b>Foreign-currency-based forward transactions</b>			
OTC products	602,768	9,839	9,485
Foreign exchange spot and forward contracts	338,918	937	1,228
Interest rate and currency swaps	232,808	8,006	7,610
Currency call options	13,291	896	–
Currency put options	16,773	–	647
Other foreign exchange contracts	978	–	–
Exchange-traded products	352	–	–
Currency futures	278	–	–
Currency options	74	–	–
<b>Total</b>	<b>603,120</b>	<b>9,839</b>	<b>9,485</b>
of which trading securities	597,827	9,691	9,133
<b>Interest-based forward transactions</b>			
OTC products	3,086,999	87,309	85,522
Forward rate agreements	330,400	40	42
Interest rate swaps	2,482,405	84,108	82,218
Interest rate call options	30,185	3,160	–
Interest rate put options	30,846	–	3,233
Other interest rate contracts	213,163	1	29
Exchange-traded products	144,092	1	1
Interest rate futures	123,589	1	1
Interest rate options	20,503	–	–
<b>Total</b>	<b>3,231,091</b>	<b>87,310</b>	<b>85,523</b>
of which trading securities	3,210,977	85,454	83,710
<b>Other forward transactions</b>			
OTC products	108,958	2,699	3,612
Structured equity/index products	51,789	322	37
Equity call options	6,276	1,287	–
Equity put options	6,895	–	1,874
Credit derivatives	37,897	720	1,102
Precious metal contracts	5,849	370	599
Other transactions	252	–	–
Exchange-traded products	79,049	1,426	1,810
Equity futures	11,265	19	36
Equity options	60,503	1,326	1,753
Other futures	4,437	1	1
Other options	2,844	80	20
<b>Total</b>	<b>188,007</b>	<b>4,125</b>	<b>5,422</b>
of which trading securities	174,185	3,608	5,025
<b>Total pending forward transactions</b>			
OTC products	3,798,725	99,847	98,619
Exchange-traded products	223,493	1,427	1,811
<b>Total</b>		<b>101,274</b>	<b>100,430</b>
<b>Net position</b>			
		<b>15,075</b>	<b>13,293</b>
of which trading securities		12,555	10,731

The total effect of netting amounted to €95,850m as at 31 December 2017 (previous year: €108,151m). On the assets side, this included positive fair values of €86,199m (previous year: €96,163m), claims on banks of €7,108m (previous year: €9,725m) and other assets of €2,544m (previous year: €2,264m). On the liabilities side, €87,137m of negative fair values (previous year: €101,067m),

€4,932m of liabilities to banks (previous year: €4,141m) and €3,781m of other liabilities (previous year: €2,943m) were netted.

In accordance with Art. 249 (1) HGB, a provision for impending losses for derivative financial instruments in the non-trading portfolio was created in the amount of €687m (previous year: €661m).

### (38) Employees

The figures for the average annual number of employees at Commerzbank Aktiengesellschaft include both full-time and part-time personnel, but not apprentices.

	2017			2016		
	Total	male	female	Total	male	female
<b>Employees (number)</b>	<b>33,306</b>	<b>16,573</b>	<b>16,733</b>	<b>34,778</b>	<b>17,386</b>	<b>17,392</b>
in Germany	30,332	14,741	15,591	31,527	15,354	16,173
outside Germany	2,974	1,832	1,142	3,251	2,032	1,219

### (39) Remuneration and loans to board members

A detailed description of the remuneration system as well as individual remuneration details for the members of the Board of Managing Directors and the members of the Supervisory Board are provided in the remuneration report (pp. 6 ff.).

Security for the loans to members of the Board of Managing Directors and the Supervisory Board is provided on normal market terms, if necessary through land charges or rights of lien. Claims on members of the Board of Managing Directors as at 31 December 2017 amounted to €3,129 thousand (previous year: €5,001 thousand) and those on members of the Supervisory Board to €3,560

thousand (previous year: €2,713 thousand). In the reporting year, members of the Board of Managing Directors repaid €153 thousand and members of the Supervisory Board repaid €254 thousand.

Excluding the interest-rate-adjusted change in the net present value of pension entitlements included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board in accordance with Art. 285 no. 9 HGB was as follows:

€1,000	31.12.2017	31.12.2016
Board of Managing directors <sup>1</sup>	8,677	8,637
Supervisory Board	2,936	2,945
<b>Total</b>	<b>11,613</b>	<b>11,582</b>

<sup>1</sup> Prior year restated; see Remuneration Report, page 16.

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

The net present value of pension entitlements for active members of the Board of Managing Directors as at 31 December 2017 was €15,976 thousand (previous year: €19,483 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €10,043 thousand (previ-

ous year: €8,847 thousand). The pension liabilities for these persons amounted to €83,617 thousand (previous year: €78,350 thousand). Payments to former board members of merged companies and their surviving dependants were €11,633 thousand (previous year: €12,404 thousand). There were also outstanding pension obligations for former members of the Board of Managing Directors, which amounted to €137,381 thousand (previous year: €138,723 thousand). Commerzbank Aktiengesellschaft has recognised provisions for all of the above pension obligations.

#### (40) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 German Stock Corporation Act (Aktiengesetz). It forms part of the corporate

governance declaration and has been published on the internet ([www.commerzbank.de](http://www.commerzbank.de)).

#### (41) Investment funds

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The data for the fair value therefore correspond to the carrying amount. In some cases, restrictions may apply to daily redemptions. There were distributions on disclosable units in index funds

of €1m in the reporting year (previous year: –) and from disclosable units in balanced funds of €1m (previous year: –). The table below shows the value of domestic and foreign investment funds in which Commerzbank Aktiengesellschaft had holdings of more than 10% as at 31 December 2017 by category.

€m	31.12.2017	31.12.2016
Index funds	246	540
Balanced funds	128	589
Bonds and other fixed-income funds	191	437
Equities and equity funds	24	27
<b>Total</b>	<b>589</b>	<b>1,593</b>

## (42) Mortgage Pfandbriefe

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

€m	31.12.2017			31.12.2016		
	Nominal value	Net present value	Risk-adjusted net present value <sup>1</sup>	Nominal value	Net present value	Risk-adjusted net present value <sup>1</sup>
<b>Cover calculation mortgage Pfandbriefe</b>						
Liabilities to be covered	15,423.3	16,412.6	15,687.5	14,775.8	16,181.5	13,593.9
of which Pfandbriefe outstanding	15,423.3	16,412.6	15,687.5	14,775.8	16,181.5	13,593.9
of which derivatives	–	–	–	–	–	–
Cover assets	21,835.2	23,915.3	22,745.9	18,752.6	21,074.5	16,247.8
of which cover loans	21,125.7	23,145.8	21,990.0	18,232.6	20,551.1	15,729.8
of which cover assets Art. 19 (1) No. 1, 2, 3 PfandBG	709.5	769.5	755.9	520.0	523.4	518.0
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			7,058.4			2,653.9
Loss from currency stress test			–			–
<b>Cover surplus</b>	<b>6,411.9</b>	<b>7,502.7</b>	<b>7,058.4</b>	<b>3,976.7</b>	<b>4,893.0</b>	<b>2,653.9</b>

<sup>1</sup> Risk-adjusted net present value including currency stress test.

€m	31.12.2017	31.12.2016
<b>Mortgage Pfandbriefe outstanding with a residual term of</b>		
up to 6 months	1,067.1	404.3
over 6 months up to 12 months	104.3	730.6
over 12 months up to 18 months	973.9	1,066.0
over 18 months up to 2 years	2,501.4	76.0
over 2 years up to 3 years	1,287.9	3,435.8
over 3 years up to 4 years	793.7	1,237.4
over 4 years up to 5 years	1,357.0	721.7
over 5 years up to 10 years	7,056.0	6,702.0
over 10 years	282.0	402.0
<b>Total</b>	<b>15,423.3</b>	<b>14,775.8</b>
<b>Cover assets mortgage Pfandbriefe with a residual fixed interest period of</b>		
up to 6 months	830.5	690.8
over 6 months up to 12 months	902.0	712.6
over 12 months up to 18 months	1,036.2	739.8
over 18 months up to 2 years	759.7	716.6
over 2 years up to 3 years	1,968.2	1,536.4
over 3 years up to 4 years	1,884.0	1,922.8
over 4 years up to 5 years	2,262.4	1,660.6
over 5 years up to 10 years	11,295.4	10,049.5
over 10 years	896.8	723.4
<b>Total</b>	<b>21,835.2</b>	<b>18,752.6</b>

Other cover assets   €m	31.12.2017	31.12.2016
<b>Equalisation claims as defined by Art. 19 (1) no. 1 Pfandbriefgesetz</b>		
Germany	–	–
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Loans as defined by Art. 19 (1) no. 2 Pfandbriefgesetz</b>		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Loans as defined by Art. 19 (1) no. 3 Pfandbriefgesetz</b>		
Germany	545.0	520.0
Belgium	164.5	–
<b>Total</b>	<b>709.5</b>	<b>520.0</b>
<b>Total</b>	<b>709.5</b>	<b>520.0</b>

Size categories   €m	31.12.2017	31.12.2016
up to €0.3m	17,157.4	15,207.6
over €0.3m up to €1m	3,125.5	2,291.1
over €1m up to €10m	706.2	610.7
over €10m	136.7	123.1
<b>Gesamt</b>	<b>21,125.7</b>	<b>18,232.6</b>

Mortgage Pfandbriefe by country and type of use €m	31.12.2017		31.12.2016	
	Commercial	Residential	Commercial	Residential
<b>Germany</b>				
Flats	–	5,306.0	–	4,355.1
Single family house	–	12,925.1	–	11,278.5
Multi-dwellings	–	2,659.9	–	2,321.7
Office buildings	49.1	–	51.5	–
Retail buildings	141.7	–	193.0	–
Industrial buildings	0.3	–	0.9	–
Other commercially used real estate	43.6	–	31.7	–
Unfinished new buildings not yet generating income	–	0.0	–	0.1
Building sites	–	0.0	0.0	0.0
<b>Total</b>	<b>234.6</b>	<b>20,891.1</b>	<b>277.1</b>	<b>17,955.5</b>

<b>Foreign currency   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Net present value	-	-
<b>Interest structure   %</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Share of fixed-income cover assets	99.7	97.2
Share of fixed-income Pfandbriefe	99.2	98.3
<b>Limit breaches   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Total amount of loans that exceed the limits defined by Art. 13 (1) PfandBG	-	-
Total amount of loans that exceed the limits defined by Art. 19 (1) PfandBG	-	-
<b>Other structural data</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Average age of the loans weighted by value, in years (seasoning)	5.0	5.3
Average weighted loan-to-value ratio in %	52.6	52.4
<b>Payments in arrear Germany   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Total payments overdue by at least 90 days	-	-
Total amount of interest in arrears	-	-
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	-	-

**Foreclosure sales**

There were no foreclosure sales in 2017. No foreclosures are currently pending.

**Acquisition of properties**

No properties were acquired as a loss prevention measure in 2017.

**(43) Public Pfandbriefe**

€m	31.12.2017			31.12.2016		
	Nominal value	Net present value	Risk-adjusted net present value <sup>1</sup>	Nominal value	Net present value	Risk-adjusted net present value <sup>1</sup>
<b>Cover calculation public Pfandbriefe</b>						
Liabilities to be covered	9,816.9	12,400.4	13,235.1	11,080.4	14,217.4	14,056.5
of which Pfandbriefe outstanding	9,816.9	12,400.4	13,235.1	11,080.4	14,217.4	14,056.5
of which derivatives	–	–	–	–	–	–
Cover assets	10,993.7	13,640.1	14,357.2	12,799.2	15,842.1	15,487.3
of which cover loans	180.9	184.2	183.6	723.6	754.3	746.1
of which cover assets Art. 20 (1) PfandBG	10,903.8	13,524.0	14,232.8	12,451.7	15,480.1	15,125.3
of which cover assets Art. 20 (2) PfandBG	89.9	116.1	124.4	347.5	362.0	362.0
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			1,288.7			1,624.7
Loss from currency stress test			–166.6			–193.9
<b>Cover surplus</b>	<b>1,176.8</b>	<b>1,239.7</b>	<b>1,122.1</b>	<b>1,718.7</b>	<b>1,624.7</b>	<b>1,430.8</b>

€m	31.12.2017	31.12.2016
<b>Public Pfandbriefe outstanding with a residual term of</b>		
up to 6 months	623.4	486.8
over 6 months up to 12 months	402.2	720.7
over 12 months up to 18 months	957.6	640.2
over 18 months up to 2 years	1,003.9	422.2
over 2 years up to 3 years	859.7	1,998.3
over 3 years up to 4 years	296.0	1,005.7
over 4 years up to 5 years	370.5	336.8
over 5 years up to 10 years	2,394.8	2,582.3
over 10 years	2,908.8	2,887.6
<b>Total</b>	<b>9,816.9</b>	<b>11,080.4</b>
<b>Cover assets public Pfandbriefe with a residual fixed interest period of</b>		
up to 6 months	867.2	817.9
over 6 months up to 12 months	812.7	1,076.4
over 12 months up to 18 months	175.6	819.9
over 18 months up to 2 years	472.9	707.7
over 2 years up to 3 years	839.1	652.9
over 3 years up to 4 years	307.9	983.8
over 4 years up to 5 years	613.3	362.2
over 5 years up to 10 years	2,275.3	2,473.6
over 10 years	4,629.9	4,904.7
<b>Total</b>	<b>10,993.7</b>	<b>12,799.2</b>



<b>Other cover assets   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Equalisation claims as defined by Art. 20 (2) no. 1 Pfandbriefgesetz</b>		
Germany	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Equalisation claims as defined by Art. 20 (2) no. 2 Pfandbriefgesetz</b>		
Germany	89.9	247.5
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	-	-
Netherlands	-	100.0
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	-	-
<b>Total</b>	<b>89.9</b>	<b>347.5</b>
<b>Total</b>	<b>89.9</b>	<b>347.5</b>
<b>Size categories   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
up to €10m	133.5	119.0
over €10m up to €100m	1,865.2	2,256.5
over €100m	8,905.1	10,076.2
<b>Total</b>	<b>10,903.8</b>	<b>12,451.7</b>
<b>Foreign currency   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Net present value in Canadian dollars	-	40.3
Net present value in Swiss francs	852.7	664.1
Net present value in British pounds	514.1	566.5
Net present value in US dollars	453.6	384.4
<b>Interest structure   %</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Share of fixed-income cover assets	75.9	68.1
Share of fixed-income Pfandbriefe	84.1	84.1
<b>Limit breaches   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Total amount of loans that exceed the limits defined by Art. 20 (2) PfandBG	-	-
<b>Payments in arrear   €m</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Total payments overdue by at least 90 days	-	-
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	-	-

Registered office of borrowers or guarantors   €m	31.12.2017	31.12.2016
<b>Total</b>	<b>10,903.8</b>	<b>12,451.7</b>
<b>of which borrowers have a registered office in</b>		
<b>Countries</b>	<b>1,810.8</b>	<b>1,708.3</b>
Germany	204.5	306.8
Great Britain/North Ireland/Channel Islands/Isle of Man	261.6	347.5
Iceland	91.7	97.4
Italy	44.2	43.0
Canada	14.3	16.3
Austria	632.9	622.3
Portugal	475.0	275.0
Czech Republic	86.5	–
<b>Regional authorities</b>	<b>6,059.6</b>	<b>5,820.7</b>
Germany	4,227.4	4,087.0
France including Monaco	47.2	52.9
Italy	495.1	520.1
Japan	42.0	42.0
Canada	59.5	67.7
Austria	60.0	–
Switzerland	897.3	754.3
Spain	231.1	296.7
<b>Local authorities</b>	<b>1,217.6</b>	<b>1,355.8</b>
Belgium	30.0	–
Germany	80.7	83.1
Estonia	5.5	6.9
Finland	84.6	89.6
France including Monaco	23.3	26.2
Great Britain/North Ireland/Channel Islands/Isle of Man	7.3	7.6
Iceland	22.2	26.9
Italy	477.4	478.3
Canada	–	38.8
Switzerland	98.1	126.6
USA	388.3	471.9
<b>Other borrowers with a registered office in</b>	<b>730.2</b>	<b>1,837.8</b>
Germany	274.9	458.3
France including Monaco	367.4	380.8
Austria	–	812.0
Switzerland	50.0	100.0
Supranational organisations <sup>1</sup>	2.0	5.9
USA	35.9	80.9
<b>Total</b>	<b>9,818.2</b>	<b>10,722.5</b>
<b>of which guarantors have a registered office in</b>		
<b>Countries</b>	<b>206.5</b>	<b>749.1</b>
Germany	206.5	749.1
of which receivables from export credit agencies	180.9	723.6
<b>Regional authorities</b>	<b>145.3</b>	<b>124.0</b>
Germany	–	–
Belgium	145.3	124.0
<b>Local authorities</b>	<b>–</b>	<b>–</b>
Germany	–	–
<b>Other borrowers</b>	<b>733.8</b>	<b>856.0</b>
Germany	733.8	856.0
<b>Total</b>	<b>1,085.6</b>	<b>1,729.1</b>
<b>Other cover assets as defined by Art. 20 (2) Pfandbriefgesetz</b>	<b>89.9</b>	<b>347.5</b>
<b>Total</b>	<b>10,993.7</b>	<b>12,799.2</b>

<sup>1</sup> Cover assets issued by European institutions.

#### (44) Shipping Pfandbriefe

Commerzbank surrendered its licence to operate shipping Pfandbrief business with effect from 31 May 2017. As of 1 June 2017 the Federal Financial Supervisory Authority granted an exception to the cap set for further cover assets under the Pfandbrief Act Art. 26 (1) no. 4. Shipping Pfandbriefs issued are fully secured by

additional assets that satisfy the requirements for covering public-sector Pfandbriefs and (to the extent that they exceed the cap on other cover assets under the Pfandbrief Act) also the credit rating criteria set by the Federal Financial Supervisory Authority.

€m	31.12.2017			31.12.2016		
	Nominal value	Net present value	Risk-adjusted net present value	Nominal value	Net present value	Risk-adjusted net present value
<b>Cover calculation ship Pfandbriefe</b>						
Liabilities to be covered	460.9	536.2	555.9	1,135.4	1,290.9	1,281.2
of which Pfandbriefe outstanding	460.9	536.2	555.9	1,095.3	1,243.5	1,233.4
of which derivatives <sup>1</sup>	–	–	–	40.2	47.4	47.8
Cover assets	573.7	587.8	599.2	1,687.8	1,767.5	1,767.2
of which cover loans	–	–	–	1,407.8	1,475.7	1,478.9
of which cover assets as defined by Art. 26 (1) no. 2, 3, 4 PfandBG	573.7	587.8	599.2	280.0	291.8	288.3
of which derivatives <sup>1</sup>	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			43.3			486.0
Loss from currency stress test			–			–168.8
<b>Cover surplus</b>	<b>112.8</b>	<b>51.6</b>	<b>43.3</b>	<b>552.3</b>	<b>476.6</b>	<b>317.2</b>

<sup>1</sup> Exclusively to cover currency risks.

€m	31.12.2017	31.12.2016
<b>Ship Pfandbriefe outstanding with a residual term of</b>		
up to 6 months	18.0	260.0
over 6 months up to 12 months	–	140.0
over 12 months up to 18 months	45.0	18.0
over 18 months up to 2 years	35.0	30.0
over 2 years up to 3 years	137.0	121.2
over 3 years up to 4 years	71.5	187.5
over 4 years up to 5 years	70.2	153.5
over 5 years up to 10 years	79.0	179.9
over 10 years	5.3	5.2
<b>Total</b>	<b>460.9</b>	<b>1,095.3</b>
<b>Cover assets ship Pfandbriefe with a residual fixed interest period of</b>		
up to 6 months	–	1,482.8
over 6 months up to 12 months	300.7	165.0
over 12 months up to 18 months	–	40.0
over 18 months up to 2 years	50.0	–
over 2 years up to 3 years	50.0	–
over 4 years up to 5 years	173.0	–
<b>Total</b>	<b>573.7</b>	<b>1,687.8</b>

Other cover assets   €m	31.12.2017	31.12.2016
<b>Germany</b>		
Equalisation claims as defined by Art. 26 (1) no. 2 Pfandbriefgesetz	–	–
Loans as defined by Art. 26 (1) no. 3 Pfandbriefgesetz	75.0	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 Pfandbriefgesetz <sup>1</sup>	498.7	115.0
<b>Portugal</b>		
Equalisation claims as defined by Art. 26 (1) no. 2 Pfandbriefgesetz	–	–
Loans as defined by Art. 26 (1) no. 3 Pfandbriefgesetz	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 Pfandbriefgesetz	–	165.0
<b>Total</b>	<b>573.7</b>	<b>280.0</b>

<sup>1</sup> Commerzbank surrendered its licence to operate shipping Pfandbrief business with effect from 31 May 2017. In this context the Federal Financial Supervisory Authority granted an exception to the cap set for further cover assets under the Pfandbrief Act by Art. 26 (1) no. 4 PfandBG as of 1 June 2017.

Size categories   €m	31.12.2017	31.12.2016
Up to €0.5m	–	1.0
over €0.5m up to €5m	–	355.0
More than €5m	–	1,051.8
<b>Total</b>	<b>–</b>	<b>1,407.8</b>

Country in which the mortgaged vessel or vessel under construction is registered   €m	31.12.2017	31.12.2016
<b>Ocean going vessels</b>	<b>–</b>	<b>1,407.8</b>
Antigua and Barbuda	–	5.4
Bahamas	–	61.2
Germany	–	737.0
Gibraltar	–	0.7
Greece	–	76.7
Great Britain	–	11.7
Hong Kong	–	31.2
Isle of Man	–	47.4
Liberia	–	95.3
Malta	–	114.5
Marshall Islands	–	109.1
Netherlands	–	17.8
Norway	–	7.6
Panama	–	23.2
Singapore	–	13.0
Turkey	–	5.6
Cyprus	–	50.4
<b>Inland waterway vessels</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>–</b>	<b>1,407.8</b>

Foreign currency   €m	31.12.2017	31.12.2016
Net present value in Swiss francs	–	9.4
Net present value in Japanese yen	–	38.7
Net present value in US dollars	–	826.9
<b>Total</b>	<b>–</b>	<b>875.0</b>

Interest structure   %	31.12.2017	31.12.2016
Share of fixed-income cover assets	86.9	0.3
Share of fixed-income Pfandbriefe	97.2	89.0

Limit breaches   €m	31.12.2017	31.12.2016
Total amount of loans that exceed the limits defined by Art. 26 (1) PfandBG <sup>1</sup>	–	–

<sup>1</sup> Commerzbank surrendered its licence to operate shipping Pfandbrief business with effect from 31 May 2017. In this context the Federal Financial Supervisory Authority granted an exception to the cap set for further cover assets under the Pfandbrief Act by Art. 26 (1) no.4 PfandBG as of 1 June 2017.

#### Foreclosure sales

There were no foreclosure sales in 2017. No foreclosures are currently pending.

#### Acquisition of ships or of ships under construction

As in the previous year, Commerzbank Aktiengesellschaft did not acquire any ships as a loss prevention measure.

#### Payments in arrears

The nominal value of the loan receivables used to cover for ship Pfandbriefe was €0.0m; consequently no arrears of principal and interest existed.

In the previous year the nominal value of the loan receivables used to cover for ship Pfandbriefe was €1,407.8m. This did not include arrears of principal and interest, as principal payments

cease to be included in the cover calculation and interest was not treated as a cover asset after the due date.

Payments in arrears in excess of the cover amount stood at €17.1m in the previous year. Receivables where the arrears represented at least 5% of the receivable concerned amounted to €63.4m in total in the previous year.

**(45) Holdings in affiliated and other companies**

We provide the following information pursuant to Art. 271 no. 1, Art. 285 no. 11 and 11 a HGB. Footnotes and comments on the tables below appear at the end of this note.

**a) Affiliated companies**

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	-2,321	592
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	53	3
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	100.0	EUR	-80	-45
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	2
AGUSTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	25	-1
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	24	1
ALISSETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	24	0
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	25	-1
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	3,825	- a)
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	269,317	- a)
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	25	-1
BDH Development Sp. z o.o.	Lódz, Poland	100.0	PLN	92,674	-2,117
Bridge Re Limited	Hamilton, Bermuda	100.0	USD	620	-61
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	6,137	- a)
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	49,601	8,136
CERI International Sp. z o.o.	Lódz, Poland	100.0	PLN	15,944	39,934
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	- a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	82.3	EUR	429,941	69,886
Commerz (East Asia) Limited	Hongkong, Hongkong	100.0	EUR	4,457	123
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0	USD	26,725	-281
Commerz Bankenholding Nova GmbH	Frankfurt/Main, Germany	100.0	EUR	982,707	- a)
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	94	- a)
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,178	- a)
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	100.0	EUR	7,731	4,637
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	15,464	-858
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	197,611	7,565
Commerz Pearl Limited	London, United Kingdom	100.0	GBP	20	0
Commerz Real AG	Eschborn, Germany	100.0	EUR	408,394	- a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	- a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,677	- a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	- a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	5,385	- a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	- a)
Commerz Securities Hong Kong Limited	Hongkong, Hongkong	100.0	EUR	10,995	120
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	100.0	EUR	435	- 1) a)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	15,979	- a)
Commerz Systems GmbH	Eschborn, Germany	100.0	EUR	6,464	- a)
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	11,327,339	826,100
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0	USD	1,892	-50
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main, Germany	100.0	EUR	183,000	- a)

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo, Brazil	100.0	BRL	249,067	-10,450
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	1,030,739	58,810
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	771	-19
Commerzbank Finance BV	Amsterdam, Netherlands	100.0	EUR	1,294	-167
Commerzbank Finance Limited	London, United Kingdom	100.0	GBP	255,319	77,208
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0	GBP	15,764	125
Commerzbank Holdings France	Paris, France	100.0	EUR	75,583	-4,585
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	- a)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	2,577,604	- a)
Commerzbank Leasing 4 S.e.n.c.	Luxembourg, Luxembourg	100.0	GBP	28	-20
Commerzbank Leasing 5 S.e.n.c.	Luxembourg, Luxembourg	100.0	GBP	93	-17
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	99	-5
Commerzbank Leasing December (1) Limited	London, United Kingdom	100.0	GBP	334	-17
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0	GBP	681	-105
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0	GBP	1,028	169
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	1,377	21
Commerzbank Leasing March (3) Limited	London, United Kingdom	100.0	GBP	342	16
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0	GBP	261	57
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	338	3
Commerzbank Zrt.	Budapest, Hungary	100.0	HUF	26,261,000	-434,000
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	- a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.4	EUR	25,106	-858
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	28,055	-1,902
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	- a)
ComTS Kredit GmbH	Duisburg, Germany	100.0	EUR	1,050	- a)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	- a)
ComTS Mitte GmbH	Erfurt, Germany	100.0	EUR	2,714	- a)
ComTS Nord GmbH	Magdeburg, Germany	100.0	EUR	1,492	- a)
ComTS Ost GmbH	Halle (Saale), Germany	100.0	EUR	1,550	- a)
ComTS West GmbH	Hamm, Germany	100.0	EUR	1,256	- a)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Frankfurt Neue Mainzer Straße KG	Düsseldorf, Germany	94.9	EUR	19,910	6,965
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	100.0	EUR	-420	-330
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,790	42
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0	JPY	18,566	-38
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	742,872	105
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	32,109	- a)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	- a)
Entertainment Asset Holdings C.V.	Amsterdam, Netherlands	58.2	EUR	-151	-26
Entertainment Asset Holdings GP B.V.	Amsterdam, Netherlands	100.0	EUR	0	0
Eschborn Capital LLC	Wilmington, Delaware, USA	100.0	USD	7,315	4
European Bank for Financial Services GmbH (ebase)	Aschheim, Germany	100.0	EUR	26,800	- a)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	26	- a)
Film Library Holdings LLC	Wilmington, Delaware, USA	51.0	USD	67,713	4,062
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	31	8,616
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	98.0	PLN	0	0
Garbary Sp. z o.o.	Poznan, Poland	100.0	PLN	45,504	-2,177

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
Greene Elm Trading II LLC	Wilmington, Delaware, USA	100.0	USD	14,966	378
Greene Elm Trading V LLC	Wilmington, Delaware, USA	100.0	USD	9,652	148
Greene Elm Trading VI LLC	Wilmington, Delaware, USA	100.0	USD	11,758	167
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	15,383	0
Gresham Leasing March (2) Limited	London, United Kingdom	100.0	GBP	2,511	-27
Kira Vermögensverwaltungsgesellschaft mbH	München, Germany	100.0	EUR	74,830	- a)
Kommanditgesellschaft MS „CPO ALICANTE“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	18,552	371
Kommanditgesellschaft MS „CPO ANCONA“ Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	21,026	5,645
Kommanditgesellschaft MS „CPO BILBAO“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	17,163	1,871
Kommanditgesellschaft MS „CPO MARSEILLE“ Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	16,971	4,211
Kommanditgesellschaft MS „CPO PALERMO“ Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	39,478	2,503
Kommanditgesellschaft MS „CPO TOULON“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	17,847	2,359
Kommanditgesellschaft MS „CPO VALENCIA“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	19,040	1,770
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	115,291	- a)
mBank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	880,277	23,422
mBank S.A.	Warsaw, Poland	69.4	PLN	11,804,464	1,219,339
mCentrum Operacji Sp. z o.o.	Aleksandrów Łódzki, Poland	100.0	PLN	33,882	561
MERKUR Grundstücks GmbH	Frankfurt/Main, Germany	100.0	EUR	9,233	- a)
mFaktoring S.A.	Warsaw, Poland	100.0	PLN	61,053	11,342
mFinance France S.A.	Paris, France	100.0	EUR	335	195
mFinanse S.A.	Łódz, Poland	100.0	PLN	154,709	135,431
mLeasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	276,041	56,360
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	35,394	-3,271
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	11,176	- a)
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	85.0	EUR	5,541	3,977
OnVista Aktiengesellschaft	Frankfurt/Main, Germany	100.0	EUR	35,020	-1,939
onvista media GmbH	Frankfurt/Main, Germany	100.0	EUR	912	0
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	9,362	72
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	- a)
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	100.0	PLN	510	31
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	- a)
Twins Financing LLC	Dover, Delaware, USA	60.0	USD	1,965	795
Wilmots Leasing AB	Stockholm, Sweden	100.0	SEK	431	-343
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	-20,081	-5,436



**b) Associated companies**

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	227,652	4,100
ARINGO GmbH & Co. Geschlossene Investment KG	Düsseldorf, Germany	34.3	EUR	10	-136
Capital Investment Trust Corporation	Taipeh, Taiwan	24.0	TWD	3,163,802	426,383
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0	EUR	87,169	14,052
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	72,710	10,594
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8	EUR	23,682	1,982
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	EUR	15,469	4,496
mLocum S.A.	Lódz, Poland	29.0	PLN	122,394	14,561
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	25.0	EUR	5,706	-1,209

**c) Jointly controlled entities**

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
Delphi I LLC	Wilmington, Delaware, USA	33.3	EUR	-513,489	-19,074
FV Holding S.A.	Brussels, Belgium	60.0	EUR	1,309	-86

**d) Special purpose entities**

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000
LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	100.0	EUR	-5,930

## e) Equity holdings in permanently-linked companies

Name	Registered Office	Share of capital held %
Alma Atlas Investments Limited	Lathom/Near Ormskirk, Lancashire, United Kingdom	12.0
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	10.7
BGG Bayerische Garantiegesellschaft mbH für mittelständische Beteiligungen	Munich, Germany	5.3
Bilendo GmbH	Munich, Germany	12.9
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3
Bürgschaftsbank Brandenburg GmbH	Potsdam, Germany	10.8
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.6
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg, Germany	17.8
ByeBuy Global Operations GmbH	Berlin, Germany	9.3
Candis GmbH	Berlin, Germany	5.5
Decentralized Mobile Applications Limited	Tel Aviv, Israel	6.8
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	6.0
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	8.1
e-bot7 GmbH	Munich, Germany	5.4
GetSafe GmbH	Heidelberg, Germany	13.0
Gini GmbH	Munich, Germany	13.4
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9
iwoca Limited	London, United Kingdom	5.5
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern GmbH	Munich, Germany	9.7
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart, Germany	6.5
LiquidityMatch LLC	Wilmington, Delaware, USA	14.3
Mambu GmbH	Berlin, Germany	9.3
Marqeta, Inc.	City of Dover, USA	5.4
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	9.8
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hannover, Germany	12.4
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2
Neptune Networks Limited	London, United Kingdom	5.3
Niedersächsische Bürgschaftsbank (NBB) GmbH	Hannover, Germany	5.6
Omnyway, Inc.	Wilmington, Delaware, USA	10.4
paydirekt GmbH	Frankfurt/Main, Germany	11.1
Perspecteev S.A.S.	Paris, France	9.2
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	11.1
realbest GmbH	Berlin, Germany	10.7
Retresco GmbH	Berlin, Germany	7.6
Saarländische Kapitalbeteiligungsgesellschaft mbH	Saarbrücken, Germany	8.4
TransFICC Limited	London, United Kingdom	17.6
TRXPAY AG	Frankfurt/Main, Germany	8.0
True Sale International GmbH	Frankfurt/Main, Germany	23.1
Userlane GmbH	Munich, Germany	7.6

**f) Investments in large corporations where the investment exceeds 5% of the voting rights**

<b>Name</b>	<b>Registered Office</b>	<b>Share of capital held</b> %	<b>Voting rights</b> %
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main, Germany	13.9	13.9
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen, Germany	7.1	7.1
SCHUFA Holding AG	Wiesbaden, Germany	18.6	18.6

**Footnotes**

1) Renamed: from Service-Center Inkasso GmbH Düsseldorf to Commerz Service-Center Intensive GmbH

**Comments and Explanations**

a) Control or profit transfer agreement.

\* Financial figures as of last year's annual report.

No disclosures pursuant to Art. 285 no. 11 a of the German Commercial Code (HGB) are provided due to their minor significance as defined in Art. 286 (3) no. 1 HGB.

**Foreign exchange rates for €1 as at 31.12.2017**

Brazil	BRL	3.9729
United Kingdom	GBP	0.8872
Japan	JPY	135.0100
Poland	PLN	4.1770
Russia	RUB	69.3920
Sweden	SEK	9.8438
Taiwan	TWD	35.5397
Hungary	HUF	310.3300
USA	USD	1.1993

**(46) Seats on supervisory boards and similar bodies****Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft**

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB).

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats in similar national and international bodies

**Martin Zielke**

b) CommerzVentures GmbH<sup>1</sup>

**Frank Annuscheit**

a) BVV Versicherungsverein des  
Bankgewerbes a.G.  
Deputy Chairman

comdirect bank Aktiengesellschaft<sup>1</sup>  
Deputy Chairman

b) BVV Versorgungskasse  
des Bankgewerbes e.V.  
Deputy Chairman

Commerz Services Holding GmbH<sup>1</sup>  
Chairman

**Dr. Marcus Chromik**

b) mBank S.A.<sup>1</sup>

**Stephan Engels**

b) CommerzVentures GmbH<sup>1</sup>  
Deputy Chairman

EIS Einlagensicherungsbank GmbH  
Chairman

mBank S.A.<sup>1</sup>  
Deputy Chairman

**Michael Mandel**

a) comdirect bank Aktiengesellschaft<sup>1</sup>  
Chairman

Commerz Real AG<sup>1</sup>  
Deputy Chairman

SCHUFA Holding AG  
(until 19.06.2017)

b) Commerz Real Investment-  
gesellschaft mbH<sup>1</sup>  
Deputy Chairman

CommerzVentures GmbH<sup>1</sup>  
(since 20.09.2017)

mBank S.A.<sup>1</sup>

**Dr. Bettina Orlopp**

(since 1.11.2017)

a) Commerz Real AG<sup>1</sup>

**Michael Reuther**

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungs-  
gesellschaft mit beschränkter Haftung

<sup>1</sup> 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

### Klaus-Peter Müller

- a) Fresenius Management SE  
Fresenius SE & Co. KGaA
- b) Parker Hannifin Corporation,  
Cleveland

### Uwe Tschäge

--

### Hans-Hermann Altenschmidt

--

### Heike Anscheit

(since 1.1.2017)

--

### Gunnar de Buhr

- a) BVV Pensionsfonds des  
Bankgewerbes AG  
  
BVV Versicherungsverein  
des Bankgewerbes a.G.
- b) BVV Versorgungskasse  
des Bankgewerbes e.V.

### Stefan Burghardt

--

### Sabine U. Dietrich

--

### Karl-Heinz Flöther

- a) Deutsche Börse AG,  
Frankfurt/Main

### Dr. Tobias Guldimm

(since 3.5.2017)

- b) Edmond de Rothschild Holding S.A.,  
Chambésy (Switzerland)

Edmond de Rothschild (Suisse) S.A.,  
Genf (Switzerland)

Edmond de Rothschild (Monaco) S.A.,  
Monaco (Principality of Monaco)

Fedafin AG, Widnau (Switzerland)  
Chairman

### Stefan Jennes

(since 1.2.2017)

--

### Dr. Markus Kerber

- a) KfW-Bankengruppe  
(until 30.3.2017)

- b) Computershare Limited, Melbourne

### Alexandra Krieger

- a) AbbVie Komplementär GmbH  
Evonik Resource Efficiency GmbH

### Oliver Leiberich

--

### Dr. Stefan Lippe

- b) Acqupart Holding AG, Zug  
Deputy Chairman  
AXA S.A., Paris  
Celsius Pro AG, Zurich  
Chairman  
YES.com AG, Lachen  
Chairman

### Beate Mensch

- a) Münchener Rückversicherungs-  
Gesellschaft Aktiengesellschaft,  
Munich

### Anja Mikus

--

### Dr. Roger Müller

(until 3.5.2017)

--

### Dr. Helmut Perlet

- a) Allianz SE  
Chairman  
(until 6.5.2017)  
  
GEA GROUP AG  
Chairman

### Mark Roach

--

### Margit Schoffer

(until 31.1.2017)

--

### Nicholas Teller

--

### Dr. Gertrude Tumpel-Gugerell

- b) Finanzmarkteteiligung Aktien-  
gesellschaft des Bundes, Vienna  
(until 7.3.2017)  
  
Österreichische Bundesbahnen  
Holding AG, Vienna  
(until 9.2.2018)  
  
OMV Aktiengesellschaft, Vienna  
  
Vienna Insurance Group AG, Vienna

## Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a (4) no. 1 of the German Commercial Code (HGB).

As at reporting date: 31.12.2017

### **Dorthe Freifrau von Beaulieu-Marconnay**

Commerz Systems GmbH<sup>1</sup>

### **Ulrich Coenen**

Commerz Direktservice GmbH<sup>1</sup>

### **Volker Ergler**

Stadtwerke Viernheim GmbH

### **Gerold Fahr**

Stadtwerke Ratingen GmbH

Chairman

### **Martin Fishedick**

Borgers SE & Co. KGaA

### **Jörg van Geffen**

Häfen und Güterverkehr Köln AG

### **Sven Gohlke**

Bombardier Transportation GmbH

### **Dr. Gerd Gouverneur**

Commerz Systems GmbH<sup>1</sup>

Deputy Chairman

### **Andrea Habermann**

Delta Direkt Lebensversicherung  
Aktiengesellschaft München

### **Marcus König**

Städtische Werke Nürnberg  
Gesellschaft mit beschränkter Haftung

VAG Verkehrs-Aktiengesellschaft

### **Dr. Annette Messemer**

K+S Aktiengesellschaft

### **Stephan Müller**

Commerz Systems GmbH<sup>1</sup>  
Chairman

### **Stefan Nodewald**

SCHWÄLBCHEN MOLKEREI Jakob Berz  
Aktiengesellschaft

### **Christian Rhino**

Commerz Direktservice GmbH<sup>1</sup>

### **Roman Schmidt**

Commerz Real AG<sup>1</sup>

### **Sabine Schmittroth**

comdirect bank Aktiengesellschaft<sup>1</sup>

Commerz Direktservice GmbH<sup>1</sup>  
Chairman

Commerz Real AG<sup>1</sup>

### **Dr. Jochen Sutor**

Commerz Real AG<sup>1</sup>

### **Benedikt Winzen**

Wohnstätte Krefeld, Wohnungs-  
Aktiengesellschaft

### **Reiner Wohlmann**

Commerz Systems GmbH<sup>1</sup>

<sup>1</sup> Group mandate.

## (47) Boards of Commerzbank Aktiengesellschaft

### Supervisory Board

**Klaus-Peter Müller**

Chairman

**Uwe Tschäge<sup>1</sup>**

Deputy Chairman

Employee of Commerzbank  
Aktiengesellschaft

**Hans-Hermann Altensmidt<sup>1</sup>**

Employee of Commerzbank  
Aktiengesellschaft

**Heike Anscheit<sup>1</sup>**

(since 1.1.2017)

Employee of Commerzbank  
Aktiengesellschaft

**Gunnar de Buhr<sup>1</sup>**

Employee of Commerzbank  
Aktiengesellschaft

**Stefan Burghardt<sup>1</sup>**

Branch Manager  
Mittelstand Bremen  
Commerzbank Aktiengesellschaft

**Sabine U. Dietrich**

Former member of the  
Management Board of  
BP Europe SE

**Karl-Heinz Flöther**

Independent management consultant

**Dr. Tobias Guldemann**

(since 3.5.2017)

Independent consultant in the  
financial sector

**Stefan Jennes<sup>1</sup>**

(since 1.2.2017)

Employee of Commerzbank  
Aktiengesellschaft

**Dr. Markus Kerber**

Former Chief Executive Director of the  
Federal Association of German Industry  
(Bundesverband der Deutschen Industrie)

**Alexandra Krieger<sup>1</sup>**

Head Business Administration/Corporate  
Strategy Industrial Union Mining,  
Chemical and Energy

**Oliver Leiberich<sup>1</sup>**

Employee of Commerzbank  
Aktiengesellschaft

**Dr. Stefan Lippe**

Former CEO  
of Swiss Re AG

**Beate Mensch<sup>1</sup>**

Trade Union Secretary  
ver.di Region of the Federal State Hessen  
(Vereinte Dienstleistungsgewerkschaft ver.di)  
Organisational Development

**Anja Mikus**

CEO/CIO of the foundation “Fund for the  
Financing of Nuclear Waste” German Fed-  
eral Ministry of Economics and Energy

**Dr. Roger Müller**

(until 3.5.2017)

General Counsel  
Deutsche Börse AG

**Dr. Helmut Perlet**

Chairman of the  
Supervisory Board of  
GEA GROUP AG

**Mark Roach<sup>1</sup>**

Trade Union Secretary  
ver.di National Administration

**Margit Schoffer<sup>1</sup>**

(until 31.1.2017)

Employee of Commerzbank  
Aktiengesellschaft

**Nicholas Teller**

Chairman of the Advisory Board  
E.R. Capital Holding GmbH & Cie. KG

**Dr. Gertrude Tumpel-Gugerell**

Former member of the Executive Board of  
the European Central Bank

<sup>1</sup> Elected by the Bank's employees.

### Board of Managing Directors

**Martin Zielke**

Chairman

**Frank Annuscheit**

**Dr. Marcus Chromik**

**Stephan Engels**

**Michael Mandel**

**Dr. Bettina Orlopp**

(since 1.11.2017)

**Michael Reuther**

# Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair

review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt/Main, 2 March 2018  
The Board of Managing Directors



Martin Zielke



Frank Annuscheit



Marcus Chromik



Stephan Engels



Michael Mandel



Bettina Orlopp



Michael Reuther



# Independent Auditor's Report<sup>1</sup>

To COMMERZBANK Aktiengesellschaft, Frankfurt/Main

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## **Report on the audit of the annual financial statements and of the management report**

### **Audit Opinions**

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2017, and the income statement for the financial year from 1 January to 31 December 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Commerzbank Aktiengesellschaft for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of its financial performance for the financial year from 1 January to 31 December 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of those parts of the management report listed in the "Other Information" section of our auditor's report.

Pursuant to Article 322 paragraph 3 sentence 1 HGB [German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### **Basis for the Audit Opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with § 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 annual 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 Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 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 audit opinions on the annual financial statements and on the management report.

### **Key Audit Matters in the Audit of the Annual Financial Statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Measurement of ship financing loans**
2. **Valuation of securities and derivatives at fair value**
3. **Acquisition of installment loan business of Commerz Finanz GmbH**
4. **Audit of provisions required in the context of the „Commerzbank 4.0“ strategy**
5. **Tax refund claims resulting from trades settled on or near the dividend date**

<sup>1</sup> Translation of the independent auditors' report issued in German language on the consolidated financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft. The German language statements are decisive.

Our presentation of these key audit matters has been structured in each case as follows:

- a) Matter and issue
- b) Audit approach and findings
- c) Reference to further information

Hereinafter we present the key audit matters:

### 1. Measurement of ship financing loans

a) COMMERZBANK Aktiengesellschaft is engaged in the ship financing business. During the reporting period, this business area made a significant contribution to the specific loan loss provisions, with the result that the ship financing business had a significant impact on the Company's annual financial statements and, in particular, its financial performance. From the accounting point of view, the measurement of these loans regularly requires the use of estimates, particularly of future charter rates. In connection with the liquidation of non-performing loans, cash flows from the realization of collateral also need to be estimated. Since these valuation parameters have a significant influence on whether or to what extent specific loan loss provisions are required and these specific loan loss provisions are insofar subject to considerable uncertainties, this matter was of particular significance for our audit.

b) As part of our audit of the annual financial statements, we first assessed the appropriateness and effectiveness of the Company's relevant internal control system for the measurement of ship financing loans. We also included the corresponding business organization, IT systems and valuation models in our assessment. In addition, we assessed the measurement of ship financing loans, including the appropriateness of estimated values, by, among other things, examining the correct application of the valuation models and by evaluating the appropriateness of the future charter rates, proceeds from the realization of collateral and other input factors used. For this purpose, we also examined the evaluations and explanations provided by the Company, taking into account our own analyses and data from external analysts. We have involved our specialists for ship valuation and our specialists for the areas of IT audit and financial mathematics in the assessment of the measurement of the ship financing loans. The valuation parameters used by the executive directors of COMMERZBANK Aktiengesellschaft to measure the ship financing portfolio are within the ranges we consider to be acceptable.

c) COMMERZBANK Aktiengesellschaft's disclosures on the recognition and measurement of loan loss provisions, which also apply to the measurement of ship financing loans, are provided in note 2 to the financial statements.

### 2. Valuation of securities and derivatives at fair value

a) COMMERZBANK Aktiengesellschaft conducts trading in securities and derivatives which it allocates in its annual financial statements to the trading book, the liquidity reserve and the non-current assets. For the purposes of their accounting and disclosure in the notes to the financial statements, the Company determines the fair value for these financial instruments. These instruments are valued in COMMERZBANK Aktiengesellschaft's trading division and are then verified independently of the trading division. The fair value is determined on the basis of the price for a financial instrument established on an active market. If no market prices are available, the valuation is based on quoted prices for similar instruments on active markets. If no quoted prices for identical or similar financial instruments are available, valuation models which use observable market data to the greatest extent possible as inputs are used to determine the fair value. If there is insufficient recent observable market data available to establish fair value, parameters which are not observable on the market are also used in the valuation models. These input parameters may include data derived in the form of approximations using, inter alia, historical data. In addition, for OTC derivatives the Company also calculates valuation adjustments for counterparty risk and funding cost. Financial instruments which are valued based on models are therefore subject to increased valuation uncertainties and wider reasonable ranges. This applies in particular to complex financial instruments and the use of unobservable parameters. Due to the potential impacts of these valuation uncertainties on the annual financial statement, the valuation of financial instruments based on models, including valuation adjustments for counterparty risk and funding cost, was of particular significance for our audit.

b) As part of our audit, we analyzed in particular the securities and derivatives valued using models, with the focus on instruments which were subject to increased valuation uncertainties. We then assessed the appropriateness and effectiveness of the Company's relevant controls of the internal control system relating to the valuation of these securities and derivatives, in particular the independent price verification and model validation. With the assistance of our internal specialists for financial mathematics, we carried out an assessment of the appropriateness of the valuation models used and the parameters used for selected classes of securities and derivatives. In addition, we carried out a separate, independent valuation of selected portfolios of OTC derivatives as at the balance sheet date. We then examined the methods used to calculate valuation adjustments for counterparty risk and funding cost for OTC derivatives to ascertain the extent to which these are suitable for determining an appropriate fair value. In our view, the fair values of securities and derivatives based on the valuation methods and assumptions used by the executive directors are within the ranges we consider to be acceptable.

c) Further information on the valuation of securities and derivatives at fair value is contained in notes 2, 4, 15, 16, 17 and 37 to the financial statements.

### 3. Acquisition of installment loan portfolio of Commerz Finanz GmbH

a) In financial year 2017, the joint venture Commerz Finanz GmbH, Munich, operated together with BNP Paribas Personal Finance S.A., Paris/France, for the purpose of jointly marketing consumer loans, was terminated. In this connection, the division comprising the installment loan business marketed via COMMERZBANK Aktiengesellschaft was transferred to COMMERZBANK Aktiengesellschaft. This transaction necessitated large-scale migrations in the data processing systems of COMMERZBANK Aktiengesellschaft. In addition, it resulted in complex accounting issues relating to the presentation in the significance. Against this background, in our view this matter was of particular significance for our audit.

b) As part of our audit, we firstly inspected the respective contractual agreements relating to the acquisition of the installment loan portfolio. In addition, we performed a variety of audit procedures with respect to the installment loan business acquired relating to the legal compliance of the accounting, the implications under tax law and the IT migration. Among other things, we evaluated the transfer of the assets and liabilities acquired and assessed their accounting treatment. We also assessed whether the data migration was carried out completely. In doing so, we involved the specialist

experts from our national office for accounting and further specialists from the areas of tax law, corporate law and IT audits. We were able to satisfy ourselves that the transaction was presented appropriately in the annual financial statements and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated.

c) The Company's explanatory notes pertaining to this transaction are contained in notes 5 and 11 to the financial statements.

### 4. Audit of provisions required in the context of the „Commerzbank 4.0“ strategy

a) COMMERZBANK Aktiengesellschaft unveiled its new “Commerzbank 4.0” strategic program in financial year 2016. Under the new strategy, the Company will focus on its core business and has modified its objectives and planning accordingly. In financial year 2017, the Company reached agreement with the employee representative committees on a reconciliation of interests and a social plan. The binding agreements form the basis for the Company's staff reductions announced in autumn 2016 as part of the “Commerzbank 4.0” strategy. In connection with the agreement with the employee representative committees, the

Company recorded a restructuring provision to be recognized in profit or loss in 2017. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions is to a large extent based on estimates and assumptions made by the executive directors.

b) In accordance with § 249 Abs. 1 Satz 1 HGB, provisions must be recognized for uncertain liabilities. There must be an external obligation for this which was caused legally or economically during the financial year, and there must be a serious assumption that the provisions will be utilized. In our audit, we assessed whether the individual recognition criteria were met and whether the measurement of the restructuring provision was appropriate. For this purpose, we obtained and evaluated relevant evidence from the executive directors of the Company. We were able to satisfy ourselves that the matter as well as the estimates and assumptions made by the executive directors in connection with the recognition and measurement of a restructuring provision were sufficiently documented and substantiated. The measurement is within the ranges we consider to be acceptable.

c) The Company's disclosures pertaining to the provisions are contained in notes 2, 11 and 27 to the financial statements.

### 5. Tax refund claims resulting from trades settled on or near the dividend date

a) In assessment periods not yet subject to limitation for assessment, COMMERZBANK Aktiengesellschaft received dividends from trades settled and claimed tax credits and tax refunds (together: tax claims) for the dividend withholding tax levied thereon. There is the risk that the tax claims resulting from such transactions do not accrue to the Company at least partially, because it may not be considered as the legal or economic owner. COMMERZBANK Aktiengesellschaft reflected this risk for potentially affected “cum-ex” and “cum-cum” transactions as of 31 December 2017 by means of a provision respectively an explanation within the other financial commitments as disclosed in the notes to the financial statements. Given that the non-recognition of tax claims could have a material impact on COMMERZBANK Aktiengesellschaft's tax items reported in the balance sheet, the statement of profit and loss and the notes to the financial statements, in our view these matters were of particular significance for our audit.

b) Based on the (separate) tax certificates issued by COMMERZBANK Aktiengesellschaft and an analysis of the data from the trading and settlement systems used, we examined the amount of tax claims relating to trades delivered around the dividend date. Furthermore, we investigated whether the Company's purchases of shares prior or around the dividend date and the subsequent sales of those shares were conducted with identical

market participants. We also included the derivative transactions for the purpose of hedging market price risks, in order to establish whether the share purchases and the hedging transactions were conducted with the same counterparty. Within our analysis, we addressed the risk relating to a possible improper structure of these transactions.

For "cum-cum" transactions, in relation to which the German Federal Ministry of Finance issued a circular dated 17 July 2017 setting out the principles applying to their tax treatment according to the tax authorities' view of the legal position, we also investigated, based on COMMERZBANK Aktiengesellschaft's trading data, whether and to what extent the respective counterparties were able to claim tax refunds by structuring the transactions in particular ways.

For "cum-ex" transactions, we examined the extent to which short sales were executed although the respective shares were available in stock.

Based on the information available to us, current court rulings and the statements made by the tax authorities, we were able to satisfy ourselves that the estimates made by the executive directors with respect to the accounting treatment of a possible non-recognition of asserted tax refund claims were sufficiently documented in detail and substantiated.

c) The Company's disclosures pertaining to the possible non-recognition of asserted tax refund claims are contained in notes 2 and 36 to the financial statements.

#### Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the management report:

- the statement on corporate governance pursuant to § 289f HGB included in section "Corporate governance report and details pursuant to Art. 289f of the German Commercial Code" of the management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

The other information comprises further the remaining parts of the publication "Financial Statements and Management report 2017" – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and

consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

#### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit 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 Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other legal and regulatory requirements

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### **Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as auditor by the annual general meeting on 3 May 2017. We were engaged by the supervisory board on 11 July 2017. We have been the auditor of the COMMERZBANK Aktiengesellschaft, Frankfurt am Main, without interruption since the financial year 1952.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## German Public Auditor responsible for the engagement

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The German Public Auditor responsible for the engagement is Helge Olsson.

Frankfur/ Main, 5 March 2018

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Clemens Koch  
Wirtschaftsprüfer  
(German Public Auditor)

Helge Olsson  
Wirtschaftsprüferin  
(German Public Auditor)

## Significant Group companies

### Germany

comdirect bank AG, Quickborn

Commerz Real AG, Eschborn

### 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, Ostrava (office), Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

### Representative Offices and Financial Institutions Desks

Abidjan, Addis Ababa, Almaty, Ashgabat, Baghdad, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Bucharest, Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow, 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

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### Disclaimer

#### Reservation regarding forward-looking statements

This Financial Statements and Management Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which 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.

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The German version of this Financial Statements and Management Report is the authoritative version and only the German version of the Management Report and the Financial Statements were audited by the auditors.

References made to persons in the masculine for reasons of readability apply equally in the feminine.

#### 2018/2019 Financial calendar

8 May 2018	Annual General Meeting
15 May 2018	Interim Report as at 31 March 2018
7 August 2018	Interim Report as at 30 June 2018
8 November 2018	Interim Report as at 30 September 2018
End-March 2019	Annual Report 2018

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The Group annual report  
(in accordance with the International  
Financial Reporting Standards)  
appears in German and English.