COMMERZBANK
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Financial Statements and Management Report

2019

Commerzbank Aktiengesellschaft

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 customers and an internationally active commercial bank. Domestically, it currently still has one of the densest branch networks of any private-sector bank in Germany, with approximately 1,000 branches, serving a total of around 16.9 million private and small-business customers and over 70,000 corporate clients including multinational groups, financial service providers and institutional clients worldwide.

As part of its strategy, Commerzbank is focusing its business activities on the two segments Private and Small-Business Customers and Corporate Clients, offering a comprehensive portfolio of banking and capital market services. The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. Each segment is managed by a member of the Board of Managing Directors. All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Tax, Group Treasury, Group Customer Process & Data Management, Big Data & Advanced Analytics and the central risk functions. The support functions are provided by Group Services. These include Group Digital Transformation & Strategy, Group Banking & Market Operations, Group Technology Foundation, Group Operations Credit, Group Organisation & Security and Group Delivery Centre. The staff, management and support functions are combined in the Others and Consolidation division for reporting purposes.

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages a nationwide branch network through which all customer groups are served. Its major German subsidiaries are comdirect bank AG and Commerz Real AG. Outside of Germany, the Bank has 6 material subsidiaries, 20 operational foreign branches and 30 representative offices in just under 50 countries and is represented in all major financial centres, such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of the Bank's international activities is on Europe.

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 want 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. Further information can be found in the Group Annual Report in the "Combined separate non-financial report" on page 49 ff. The Commerzbank corporate responsibility portal at https://www.sustainability.commerzbank.com also provides an overview of Commerzbank's sustainability strategy and the objectives of its sustainability programme.

Our employees

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

In the course of implementing our strategy, headcount at Commerzbank Aktiengesellschaft was reduced as planned as of 31 December 2019. The number of employees on the reporting date was 32,792, as compared to 34,001 at the end of 2018.

Remuneration

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

Remuneration report

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

Board of Managing Directors

Remuneration system for the Board of Managing Directors

The Supervisory Board ratified the remuneration system for the members of the Board of Managing Directors in December 2014; it has been in force since 1 January 2015. On 7 November 2018, the Supervisory Board made the decision to amend the remuneration system to bring it into line with the revised version of the Remuneration Ordinance for Institutions of 4 August 2017. It also decided to convert some of the variable remuneration components into fixed remuneration components. The changes entered into force on 1 January 2019 and have been contractually agreed with all members of the Board of Managing Directors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

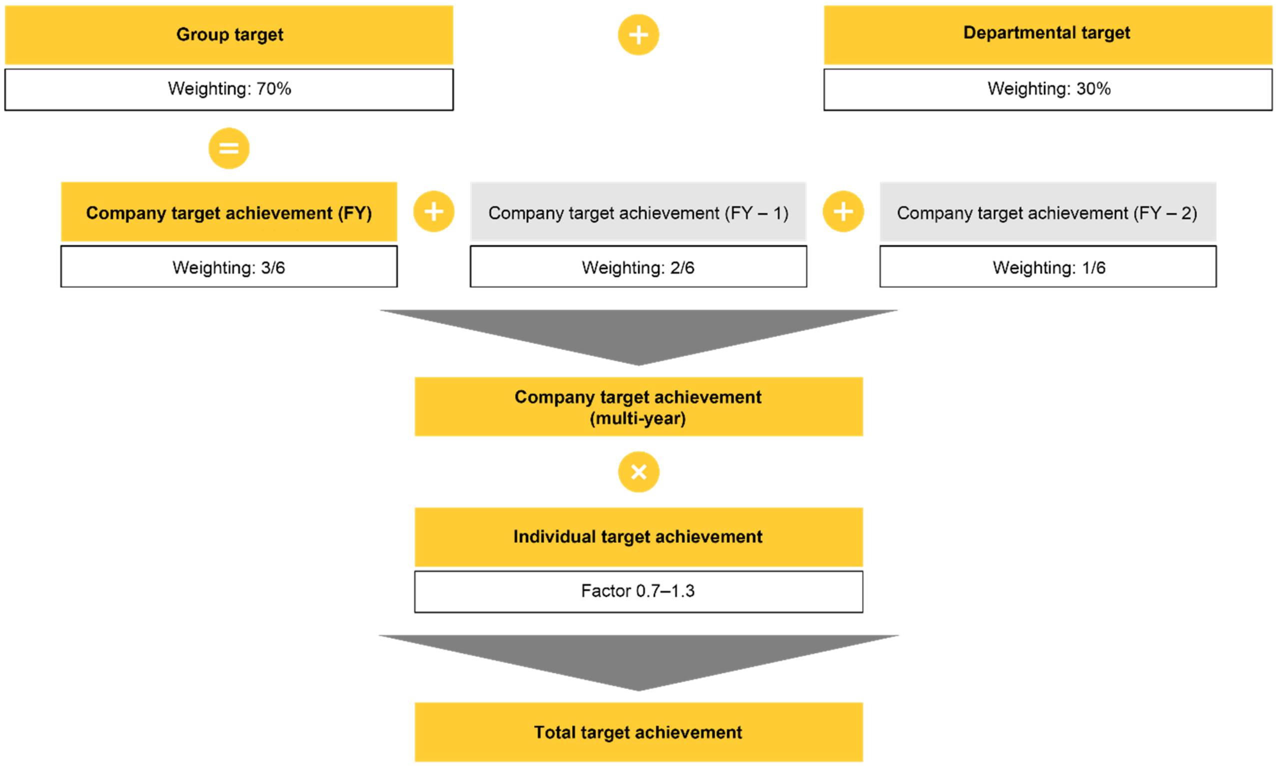
- **Individual targets** The Supervisory Board also sets individual targets for the members of the Board of Managing Directors and defines the basis for their measurement. Achievement of the individual targets is reflected in overall target achievement with a factor of 0.7 to 1.3.

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

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

The system is illustrated in the following diagram.

Remuneration of the Board of Managing Directors



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

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

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

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

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

Pension provision

Rules for members of the Board of Managing Directors appointed in or before 2011 The company pension scheme adopted in 2011 by the Supervisory Board for members of the Board of Managing Directors contains a defined contribution benefit for members of the Board of Managing Directors who were already in office at the time. In the 2019 financial year, this applied to Martin Zielke, Frank Annuscheit and Michael Reuther.

Each member of the Board of Managing Directors receives a pension module credited to their pension account every year until the end of their term in office. The pension module for a calendar year is calculated by converting the relevant annual contribution into an entitlement to a retirement, disability and surviving dependants' pension. The pension account represents the pension entitlement the Board member has accrued for an annual retirement pension. Since 2015, increases in the fixed annual salary only increase the pension module if so resolved by the Supervisory Board. With regard to the partial salary conversion from variable remuneration to fixed remuneration as at 1 January 2019, the Supervisory Board decided to allow 5.1% of the basic salary increase to qualify as pensionable. This corresponds to the development of non-pay-scale remuneration for employees of Commerzbank Aktiengesellschaft from 2011 to 2019. The annual contribution that is converted into a pension module therefore increased by 5.1% as of 1 January 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For each calendar year during the employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the pensionable fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system, too, increases in the fixed annual salary since 2015 only increase the annual module if so resolved by the Supervisory Board. With regard to the partial salary conversion from variable remuneration to fixed remuneration as at 1 January 2019, the Supervisory Board decided to allow 5.1% of the basic salary increase to qualify as pensionable for the current pension scheme as well. This corresponds to the development of non-pay-scale remuneration for employees of Commerzbank Aktiengesellschaft from 2011 to 2019. The annual contribution therefore increased by 5.1% as of 1 January 2019.

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

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

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

If a member of the Board of Managing Directors dies before the pension benefits become due, his/her dependants are entitled to receive dependants' capital, which is the amount in the virtual custody account on the value date or the amount in the pension account plus any applicable supplement, whichever is higher. A supplement is payable if, at the time pension benefits become due because of inability to work or death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached age 55. If a Board member selected the option of drawing a retirement pension, in the event of that Board member's death the surviving spouse or partner, as a prospective pension recipient, will receive a surviving dependant's pension calculated on the basis of the retirement capital applying actuarial rules. If the Board member in question was already drawing a pension, a surviving spouse or partner will receive a surviving dependant's pension of 60% of the amount of the pension last paid to the deceased Board member.

The table below shows the annual pension entitlements on 31 December 2019 at a pensionable age of 62 for active members of the Board of Managing Directors, the corresponding actuarial net present values on 31 December 2019, the interest-rate-adjusted changes to the settlement amounts for 2019, and the comparable amounts for the previous year:

€1,000		Pension entitlements projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements As at 31.12.	Interest rate-adjusted changes in the settlement amount[5]
Martin Zielke	2019	317	6,906	670
	2018	276	5,455	665
Frank Annuscheit[1]	2019	263	5,599	239
	2018	244	4,712	339
Dr. Marcus Chromik	2019	77[4]	1,295	324
	2018	62[4]	911	312
Stephan Engels	2019	127[4]	2,595	318
	2018	119[4]	2,159	309
Jörg Hessenmüller[2]	2019	17[4]	300	300
	2018	–	–	–
Michael Mandel	2019	62[4]	1,147	325
	2018	48[4]	793	309
Dr. Bettina Orlopp	2019	40[4]	697	325
	2018	23[4]	360	309
Michael Reuther[3]	2019	304	6,890	194
	2018	279	6,003	428
Total	**2019**		**25,429**	**2,695**
	2018		**20,393**	**2,671**

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

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

As at 31 December 2019, pension obligations for current members of the Commerzbank Aktiengesellschaft Board of Managing Directors in financial year 2019 totalled €25.4m (previous year: €20.4m).

Rules applying to the termination of office

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

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

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

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

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

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

Termination agreement with a member of the Board of Managing Directors

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

Other

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

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

Under section 4.2.5 of the German Corporate Governance Code in the version dated 7 February 2017, the remuneration awarded for the year under review and the allocation (actual payouts) for the year under review are to be reported for each member of the Board of Managing Directors (the declaration of compliance of Commerzbank Aktiengesellschaft for 2019 was issued on the basis of the version of the Code applicable in 2019; for this reason, the recommendations of the new German Corporate Governance Code adopted on 9 May 2019, which had not yet come into force as of 31 December 2019, will not be addressed below). This is to be broken down into fixed remuneration, fringe benefits and one-year and multi-year variable remuneration.

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

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

The following tables show the actual allocations in 2019 with the figures from the previous year for comparison for each individual member of the Board of Managing Directors. The allocation “for” the year means, for example, that the STI 2019 paid in cash for 2019 and for which all inputs are available at the end of the year is shown as an allocation for 2019 even though the actual payment is not made until 2020. Hence, the STI 2018 paid out in cash in 2019 is shown as an allocation for 2018.

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

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

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

Allocation €1,000	**Michael Mandel** Private and Small-Business Customers (since 23 May 2016)		**Dr. Bettina Orlopp** Group Compliance, Group Human Resources, Group Legal (since 1 November 2017)		**Michael Reuther** Corporate Clients	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Basic salary	990	750	990	750	990	750
Fringe benefits[1]	105	114	88	92	151	141
Sub-total	**1,095**	**864**	**1,078**	**842**	**1,141**	**891**
Short-term variable remuneration	**184**	**193**	**113**	**54**	**148**	**226**
STI 2016 in virtual shares (up to Q1/2018)	–	133	–	–	–	178
STI 2017 in virtual shares (up to Q1/2019)	98	–	17	–	73	–
STI 2018 in cash	–	60	–	54	–	48
STI 2019 in cash	86	–	96	–	75	–
Long-term variable remuneration[2]	**–**	**–**	**–**	**–**	**99**	**95**
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	95
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	99	–
Total	**1,279**	**1,057**	**1,191**	**896**	**1,388**	**1,212**

[1] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[2] Allocations from long-term variable remuneration for the performance years from 2015 onwards will only be made from 2021.

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

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

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

At its meeting on 12 February 2020, the Supervisory Board determined the total target achievement amounts applicable to variable remuneration for the individual members of the Board of Managing Directors for 2019. The total target achievement amount is not necessarily the same as the amount that may later actually be paid out. For instance, the Supervisory Board may reduce the portion relating to the LTI during the retrospective performance evaluation if hindsight indicates that this was not originally calibrated correctly. Also, half of the variable remuneration is share-based. Any changes in the Commerzbank share price compared to the conversion price therefore alter the amounts paid out.

Awarded remuneration		Fixed remuneration		Variable remuneration							Total remuneration allocated[1]
€1,000		Basic salary	Fringe benefits[2]	Short-term: STI in cash	Short-term: STI in virtual shares	Long-term: LTI in cash	Long-term: LTI in virtual shares	Total target amount	min	max[3]	
Martin Zielke	2019	1,674	170	161	161	241	241	804	0	1,674	**2,648**
	2018	1,313	213	88	88	132	132	440	0	2,443	**1,966**
Frank Annuscheit	2019[4]	165	14	15	15	23	23	77	0	165	**256**
	2018	750	134	54	54	81	81	270	0	1,500	**1,154**
Dr. Marcus Chromik	2019	990	74	102	102	152	152	508	0	990	**1,572**
	2018	750	68	54	54	81	81	270	0	1,500	**1,088**
Stephan Engels	2019	990	120	98	98	146	146	488	0	990	**1,598**
	2018	750	129	54	54	81	81	270	0	1,500	**1,149**
Jörg Hessenmüller	2019[5]	953	51	94	94	141	141	470	0	953	**1,474**
	2018	–	–	–	–	–	–	–	–	–	**–**
Michael Mandel	2019	990	105	86	86	129	129	429	0	990	**1,524**
	2018	750	114	60	60	90	90	300	0	1,500	**1,164**
Dr. Bettina Orlopp	2019	990	88	96	96	145	145	482	0	990	**1,560**
	2018	750	92	54	54	81	81	270	0	1,500	**1,112**
Michael Reuther	2019	990	151	75	75	113	113	376	0	990	**1,517**
	2018	750	141	48	48	72	72	240	0	1,500	**1,131**
Total	**2019**	**7,742**	**773**	**727**	**727**	**1,090**	**1,090**	**3,634**	**0**	**7,742**	**12,149**
	2018	**5,813**	**891**	**412**	**412**	**618**	**618**	**2,060**	**0**	**11,443**	**8,764**

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

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

The remuneration of the Board of Managing Directors is shown below in accordance with the rules of DRS 17. The amounts shown differ from those reported above based on the German Corporate Governance Code. This is because reporting under DRS 17 involves special rules. The main differences that lead to different figures are the following:

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

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

[1] The performance-related components with long-term incentive effect are only granted once the Supervisory Board has completed the retrospective performance evaluation after expiry of the retention period. This period is generally five years; in the case of Jörg Hessenmüller it is seven years owing to his appointment in 2019.
[2] The amounts disclosed as total remuneration in accordance with DRS 17 for the 2019 financial year include only those components in respect of which the members of the Board of Managing Directors already have a legally binding entitlement. As such, the amounts disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2019, as there is no such entitlement until after the retrospective performance evaluation and expiry of the retention period.
[3] Non-monetary remuneration awarded, tax due on non-monetary remuneration and employer contributions to the BVV occupational retirement fund are shown under fringe benefits.
[4] Payable in 2020 following determination of the total target achievement amount for 2019.
[5] The STI 2019 in virtual shares is payable in 2021. The amounts correspond to the value at which the variable remuneration was fixed on 12 February 2020. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares for the STI 2019 is calculated using the proportion of the total target achievement amount and the average Commerzbank share price in January 2020.
[6] The appointment of Frank Annuscheit as a member of the Board of Managing Directors ended at the close of 28 February 2019.
[7] Jörg Hessenmüller has been a member of the Board of Managing Directors since 15 January 2019.

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted loans with terms ranging from on demand up to a due date of 2043 and at interest rates ranging between 0.7% and 2.8% and, in certain cases, up to 9.5% on amounts overdrawn. The loans, mainly real estate financing, are secured at normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €5,549 thousand; in the previous year, the figure was €3,494 thousand. Repayments of €424 thousand were made in 2019. With the exception of rental guarantees, Commerzbank 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 2019

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the Annual General Meeting on 20 April 2016.

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

Members also receive an additional €30 thousand annually for sitting on either the Audit Committee or the Risk Committee. Members also receive an additional €20 thousand annually for sitting on any other committee of the Supervisory Board that meets at least once in the calendar year. The committee chairman receives double these amounts. Additional remuneration is paid for a maximum of three committee appointments, taking the figures for the three highest paid positions. Members of the Supervisory Board who only belonged to the Board or one of its committees for part of a financial year receive reduced remuneration for that year calculated pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1.5 thousand for each meeting or conference call of the Supervisory Board or one of its committees in which the member participates. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year.

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

Members of the Supervisory Board thus received total net remuneration for the 2019 financial year of €3,321.9 thousand (previous year: €3,174.0 thousand). Of this figure, the basic remuneration amounted to €1,840.0 thousand (previous year: €1,842.2 thousand) and remuneration for committee memberships to €983.9 thousand (previous year: €910.3 thousand). Attendance fees were €498.0 thousand (previous year: €421.5 thousand).

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

€1,000		Basic remuneration	Remuneration for serving on committees	Attendance fee	Total
Dr. Stefan Schmittmann (since 8 May 2018)	2019	240.0	120.0	31.5	391.5
	2018	155.3	77.7	15.0	248.0
Klaus-Peter Müller (until 8 May 2018)	2019	–	–	–	–
	2018	85.3	42.7	9.0	137.0
Uwe Tschäge	2019	160.0	60.0	28.5	248.5
	2018	160.0	60.0	22.5	242.5
Hans-Hermann Altenschmidt (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	24.9	15.0	68.3
Heike Anscheit	2019	80.0	20.0	22.5	122.5
	2018	80.0	12.9	13.5	106.4
Alexander Boursanoff (since 8 May 2018)	2019	80.0	–	18.0	98.0
	2018	51.8	–	10.5	62.3
Gunnar de Buhr	2019	80.0	50.0	28.5	158.5
	2018	80.0	50.0	24.0	154.0
Stefan Burghardt	2019	80.0	50.0	25.5	155.5
	2018	80.0	50.0	19.5	149.5
Sabine Ursula Dietrich	2019	80.0	60.0	21.0	161.0
	2018	80.0	45.9	15.0	140.9
Monika Fink (since 8 May 2018)	2019	80.0	30.0	25.5	135.5
	2018	51.8	19.4	15.0	86.2
Karl-Heinz Flöther (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	10.7	10.5	49.6
Dr. Tobias Guldimann (since 3 Mai 2017)	2019	80.0	91.3	34.5	205.8
	2018	80.0	68.9	27.0	175.9
Dr. Rainer Hillebrand (since 8 May 2018)	2019	80.0	50.0	25.5	155.5
	2018	51.8	32.3	10.5	94.6
Christian Höhn (since 8 May 2018)	2019	80.0	60.0	24.0	164.0
	2018	51.8	38.8	13.5	104.1
Stefan Jennes (1 February 2017 until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Kerstin Jerchel (since 8 May 2018)	2019	80.0	–	15.0	95.0
	2018	51.8	–	10.5	62.3
Dr. Markus Kerber	2019	80.0	70.0	25.5	175.5
	2018	80.0	70.0	25.5	175.5
Alexandra Krieger	2019	80.0	–	18.0	98.0
	2018	80.0	–	13.5	93.5
Oliver Leiberich (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Dr. Stefan Lippe (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	10.7	7.5	46.6
Beate Mensch (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	3.0	31.4
Anja Mikus	2019	80.0	70.0	27.0	177.0
	2018	80.0	62.9	25.5	168.4
Dr. Victoria Ossadnik (since 8 May 2018)	2019	80.0	21.3	25.5	126.8
	2018	51.8	12.9	10.5	75.2
Dr. Helmut Perlet (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	32.0	10.5	70.9
Mark Roach (until 8 May 2018)	2019	–	–	–	–
	2018	28.4	–	4.5	32.9
Robin J. Stalker (since 8 May 2018)	2019	80.0	60.0	30.0	170.0
	2018	51.8	38.8	18.0	108.6
Nicholas Teller	2019	80.0	81.3	31.5	192.8
	2018	80.0	80.0	25.5	185.5
Dr. Gertrude Tumpel-Gugerell	2019	80.0	70.0	25.5	175.5
	2018	80.0	55.9	25.5	161.4
Stefan Wittmann (since 8 May 2018)	2019	80.0	20.0	15.0	115.0
	2018	51.8	12.9	12.0	76.7
Total	**2019**	**1,840.0**	**983.9**	**498.0**	**3,321.9**
	2018	**1,842.2**	**910.3**	**421.5**	**3,174.0**

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

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2042 and at interest rates ranging between 1.0% and 2.3%, and on amounts overdrawn in certain cases up to 9.4%. The loans, mainly real estate financing, are secured at normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €1,468 thousand; in the previous year, the figure was €1,578 thousand. Repayments of €113 thousand were made in 2019. Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Supervisory Board in the year under review.

Other details

D&O liability insurance

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

Purchase and sale of Bank shares

Art. 19 of Regulation (EU) No. 596/2014 on market abuse requires disclosure and notification of transactions by managers of listed companies and persons closely associated with them. Own transactions by such persons in shares or bonds issued by Commerzbank Aktiengesellschaft or in derivatives or other financial instruments based thereon must be disclosed if they exceed an aggregate volume of €5 thousand within a calendar year. The increase in the threshold value to €20 thousand came into force on 1 January 2020. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

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

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

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

Share capital structure

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

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

We are not aware of any restrictions on voting rights or the transfer of shares. Employees who hold Commerzbank shares exercise their rights of control like any other shareholders, in accordance with the law and the Articles of Association.

Shares with special rights granting powers of control

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

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

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

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

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

The Board of Managing Directors, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €626,178,817.00 by issuing new shares under Art. 4 (3) and (4) (Authorised Capital 2019/I and Authorised Capital 2019/II) of the Articles of Association applicable on 31 December 2019. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain circumstances.

Moreover, the Annual General Meeting on 22 May 2019 gave the Board of Managing Directors the authority to issue profit-sharing certificates or other hybrid debt instruments against a cash or non-cash contribution for a total nominal value of up to €5,000,000,000.00. Financial instruments can also be structured in such a way that they are recognised as additional Tier 1 capital at the time of issue. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights to financial instruments in certain circumstances.

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

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

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

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

Compensation agreements in the event of a takeover offer

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

Equity holdings that exceed 10% of the voting rights

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

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

The aim of the internal control and risk management system over financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the assets, liabilities, financial position and financial performance in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. Below, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on page 47 f.

The objective of proper and reliable financial reporting is endangered if material information in the financial reporting is erroneous. It is irrelevant whether this is due to one single matter or a combination of several. Risks to financial reporting may arise from errors in the accounting processes. Fraudulent behaviour can also result in the misstatement of information.

The Bank therefore has to ensure it minimises the risks of incorrect statement, measurement or presentation of material information in the financial reporting. The Commerzbank ICS is designed to provide reasonable assurance that the relevant legal requirements are complied with, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate.

Legal basis and guidelines

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

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

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

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

Organisation

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

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

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

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

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

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

Controls to minimise risk

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

Monitoring by Group Audit

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

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

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

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

The financial reporting process

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

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

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

Measures to further enhance the ICS over financial reporting

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

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

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

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

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

Other

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

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

The details pursuant to Art. 340a (1a) in conjunction with Art. 289b (3) of the German Commercial Code (HGB) can be found as a combined separate non-financial report on page 49 ff. of the Annual Report of the Commerzbank Group and online at https://www.commerzbank.com/NFR2019.

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

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

In accordance with section 3.10 of the German Corporate Governance Code (version dated 7 February 2017 and applicable to the 2019 financial year), we report below on corporate governance as practised at Commerzbank. The recommendations of the new German Corporate Governance Code adopted on 9 May 2019, which had not yet entered into force on 31 December 2019, have already been implemented wherever possible. This report also includes the declaration on corporate governance in accordance with Art. 289f HGB.

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 (https://www.commerzbank.com). There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2019.

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

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

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

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

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

- Section 4.2.5 sentences 5 and 6 of the Code requires some of the information on board remuneration in the remuneration report to be provided in standardised tables. However, the model tables recommended in the Code do not take account of the requirements of the Remuneration Ordinance for Institutions and are therefore not as suitable for financial institutions such as Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft has therefore deviated from this recommendation since the 2017 remuneration report and has done so again in its remuneration report for 2019. Commerzbank Aktiengesellschaft has created its own tables which provide clear and transparent information on its board remuneration system. Commerzbank Aktiengesellschaft has decided to present only the tables that it created itself and those required under accounting rules and to omit the model tables recommended by the Code because the intended clarity and comprehensibility of the remuneration report would otherwise be undermined.

- Section 5.3.3 of the Code recommends that the Supervisory Board establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 KWG, the Nomination Committee must support the Supervisory Board in identifying candidates to fill positions in 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.

Suggestions of the German Corporate Governance Code

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

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

Company values and governance practices at Commerzbank Aktiengesellschaft

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

The ComValues thus create a binding and unifying corporate culture. They lay the foundation for the entrepreneurial and individual responsibility of every employee at Commerzbank.

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

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

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

Board of Managing Directors

The Commerzbank Board of Managing Directors is responsible for independently managing the Bank in the Bank's best interest. In doing so, it must consider the interests of shareholders, customers, employees and other stakeholders, with the objective of sustainable value creation. It develops the company's strategy, discusses it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors 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 re-sponsibilities 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 https://www.commerzbank.com.

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the remuneration report on pages 5 to 17.

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 discharges its responsibilities in accordance with legal requirements, the Articles of Association and its rules of procedure; it cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and the members of its committees are presented on pages 15 to 17 of the Group Annual Report. Details of the work of the Supervisory Board, its structure and its control function can be found in the report of the Supervisory Board on pages 6 to 14 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 https://www.commerzbank.com.

Section 5.4.1 (2) of the Code recommends that the Supervisory Board should set concrete objectives and draw up a profile of skills and expertise for the board as a whole. While taking into consideration the company's specific situation, the composition of the Supervisory Board should appropriately reflect the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, an age limit for members of the Supervisory Board, a limit on the normal length of service on the board and diversity. The special requirements of the German co-determination legislation need to be taken into account for the elected employee representatives. In accordance with section 5.4.1 (4) of the Code, the appointments proposed by the Supervisory Board to the Annual General Meeting should take account of the Supervisory Board's objectives and targets while also seeking to fulfil the profile of skills and expertise for the board as a whole. Progress in implementing the targets should be published in the corporate governance report.

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

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential for the activities of the Commerzbank Group. The members of the Supervisory Board must be able to challenge and monitor the decisions made by the Board of Managing Directors. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in section 5.4.2 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The normal length of service of individual members of the Supervisory Board should not exceed a period of 15 years, whereby the provisions of the German Codetermination Act must be observed and given priority for the employee representatives. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable, and consideration should be given to their commitment, personality, professionalism, integrity and independence. The Supervisory Board has resolved a detailed 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 there in its election proposals to the Annual General Meeting and the regular assessment of the Supervisory Board as a whole and its individual members. None of the members of the Supervisory Board elected at the Annual General Meeting exceed the normal length of service. The periods of service of the individual members of the Supervisory Board can be found in their CVs, which are available on Commerzbank Aktiengesellschaft's website at https://www.commerzbank.com. All other targets set by the Supervisory Board for its composition and skills profile were also implemented as at 31 December 2019.

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

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

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

In accordance with section 5.6 of the German Corporate Governance Code, the Supervisory Board – assisted by an outside consultant – reviewed the efficiency of its work in the 2019 financial year as part of the assessment required under Art. 25d (11) nos. 3 and 4 KWG. All members of the Supervisory Board first completed a questionnaire and were then interviewed in person. The resulting analyses were presented to the plenary session for discussion. The members of the Supervisory Board believe that the board works in an efficient manner and to a high standard overall. Suggestions from members of the Supervisory Board have been and continue to be taken into account for future activities.

Under section 5.5.2 of the German Corporate Governance Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. No member of the Supervisory Board declared such a conflict of interest during the year under review. Details of the remuneration paid to the members of the Supervisory Board are given in the remuneration report on page 18 ff.

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

Diversity

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). The aim is to reduce the risk of prejudice and “groupthink”. In addition, diversity within the Board of Managing Directors and Supervisory Board contributes to a broader range of experience and a greater spectrum of knowledge, capabilities and expertise.

Diversity policy and targets for the Supervisory Board The Supervisory Board of Commerzbank Aktiengesellschaft consists of 20 members. As already mentioned in the description of the targets for the composition of the Supervisory Board, the Supervisory Board is supposed to always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in section 5.4.2 of the Code and not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The normal length of service of individual members of the Supervisory Board should not exceed a period of 15 years, whereby the provisions of the German Codetermination Act must be observed and given priority for the employee representatives. The Supervisory Board has also set a regular age limit of 72 and aims to have a broad range of ages represented on the board. The Supervisory Board also wants its members to have a suitable range of educational and professional backgrounds and for the board to have at least one international member at all times. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is committed to fulfilling the statutory minimum requirement of at least 30 % female representation. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also striving to maintain a percentage of female representation among employee representatives of at least 30% in future.

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

Diversity policy and targets for the Board of Managing Directors The Nomination Committee of Commerzbank Aktiengesellschaft’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 indicates the time requirements associated with the appointment. In making appointments to the Board of Managing Directors, the Supervisory Board aims to increase diversity, particularly with regard to age, geographic origin, education and professional background and to give appropriate consideration to women. As a rule, the members of the Board of Managing Directors should not be over 65 years of age.

In terms of the proportion of women on Commerzbank Aktiengesellschaft's Board of Managing Directors, for which the company is required by law to stipulate a target, the Supervisory Board has set a target of having at least one female member by 31 December 2021. This target was met on 1 November 2017 when Dr. Bettina Orlopp became a member of the Board of Managing Directors of Commerzbank Aktiengesellschaft. The proportion of women on Commerzbank Aktiengesellschaft's Board of Managing Directors was therefore 14.3% as at 31 December 2019. Since 1 January 2020, the Board of Managing Directors of Commerzbank Aktiengesellschaft has had a second female member, Sabine Schmittroth. Following the departure of Board member Stephan Engels on 31 March 2020, the proportion of women on the Board of Managing Directors of Commerzbank Aktiengesellschaft will therefore be 28.6%.

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

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

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

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

Accounting

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

The 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 46 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 and two quarterly reports. These interim financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS).

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides on the appropriation of distributable profit (if any) and approves the actions of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and any amendments to the Articles of Association. If necessary, it authorises the Board of Managing Directors to undertake capital-raising measures and approves the conclusion of profit and loss transfer agreements. Each share entitles the holder to one vote.

In 2015, the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) AktG, 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 KWG 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 remuneration system for members of the Board of Managing Directors, which has been adjusted to comply with the Act Implementing the Second Shareholder Rights Directive (ARUG II) and caps remuneration for those members in particular, will be presented to the 2020 Annual General Meeting for approval.

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

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

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

Business and overall conditions

Economic environment

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

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

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

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

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

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

Sector environment

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

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

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

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

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

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

Important business policy and staffing events

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

Commerzbank in merger talks with Deutsche Bank

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

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

Changes in the Board of Managing Directors of Commerzbank

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

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

Campus 2.0 – a new delivery organisation

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

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

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

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

Commerzbank successfully issues additional Tier 1 bond

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

Further strengthening of the compliance function

The Bank continued its activities in 2019 to further strengthen the compliance function. As before, this pertains not only to structural changes. We also diligently pushed ahead with building up internal staff, staff training and the successful recruitment of additional qualified compliance experts to work at head office and in foreign locations. Following the creation of a dedicated compliance trainee programme in 2017, seven graduates were hired for this international programme in both 2018 and 2019. The eight trainees from the 2018 programme were hired as specialists in 2019.

The compliance function implemented various measures relating to global financial crime, global markets compliance and anti-bribery and corruption in order to improve the management of compliance risks. Steps were also taken to further strengthen compliance governance in Germany and abroad. Amongst other things, the strengthening of the global compliance system landscape in line with the latest market standards was rigorously driven forward. For example, a global upgrade of the systems and models for monitoring transactions with regard to money laundering and terrorist financing was largely completed in 2019, ensuring compliance with global standards on the basis of a standardised set of rules while also taking local circumstances into account in parameterisation. In 2019, Global Markets Compliance continued the Global Surveillance Implementation Programme (GSIP) launched in 2018. The programme is aimed at expanding global surveillance of trade and communications. In addition to defining the future IT target architecture and initial implementations, a target operating model for trade and communications surveillance was also designed. A uniform due diligence business partner was also established in 2019 and the corresponding IT system rolled out. This global rollout will continue at selected locations in 2020.

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

In 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Bank has already dealt with the majority of the findings relating to the settlements. The Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were subsequently terminated in March 2018 and May 2018 respectively, after consultation with the respective district attorney's offices.

The Bank has also received various interim reports and on 15 October 2018 received the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank continues to make good progress in carrying out the implementation programmes and has dealt with most of the measures. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitorship ended on 24 June 2019. Official confirmation from the DFS that Commerzbank is back under regular banking supervision following the monitorship is still pending.

For more information on compliance and on integrity and compliance at Commerzbank, please see page 74 ff. of the risk report and page 59 ff. of the combined separate non-financial report respectively.

Financial performance, assets, liabilities and financial position

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

Income statement

Commerzbank Aktiengesellschaft made a net profit of €188m in 2019, following a net profit of €262m in the previous year. The changes in the individual earnings components are set out below.

Net interest income as the balance of interest income and interest expense amounted to €3,588m and was thus stable compared with the previous year. Business with private and small-business customers achieved a slight increase in net interest income year on year. Residential mortgage loans performed well, with new business volume rising significantly. In corporate customer business, the negative impact of the low interest rate environment and intense price competition was more than offset by higher interest income, especially from lending business.

At €2,462m, net commission income was 1.4% lower than in the previous year. In business with private and small-business customers, income in the domestic securities business rose steadily over the course of the year, due in part to the positive trend on the capital markets, and was up year on year overall. Income from payment transaction services also increased, but commission income from brokerage and underwriting business was significantly lower than in the previous year. In the corporate customer business, net commission income was stable versus the previous year.

Net trading income came to €109m in the reporting year (previous year: €217m). The decline resulted from a significantly lower mark-to-market result year on year, which was only partly offset by significantly higher net income from trading reserves.

The balance of other operating income and expenses for the reporting period was €693m, compared with €–679m the previous year. The clearly positive result was mainly due to higher income from plan assets and lower allocations to provisions for legal proceedings and recourse claims.

There were no costs from assuming subsidiaries' losses under profit and loss transfer agreements to report in the year under review. In contrast, income from profit pooling and from partial or full profit transfer agreements amounted to €215m, compared with €502m in the previous year, which included income from the sale of shares in a subsidiary within the Group and from the sale of real estate. This resulted in net income from profit and loss transfer agreements of €215m for 2019, after €493m the previous year.

General administrative expenses fell 6.1% to €5,237m in the reporting year. Personnel expenses decreased by 1.6% to €2,907m, mainly due to lower expenses for pension obligations. At €2,330, other operating expenses were down significantly by 11.2% on the previous year. While IT expenses were up, consultancy costs were down year on year. Depreciation, amortisation and write-downs of intangible and fixed assets decreased slightly by 1.5% to €528m in the year under review. The decrease was due to lower amortisation of purchased software and lower depreciation on office furniture and equipment.

The result for 2018 included income from write-ups on loans and certain securities and from the release of provisions in lending business in the amount of €203m. In contrast, write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business totalling €1,101m were reported for 2019.

As a result of the income statement items described above, Commerzbank Aktiengesellschaft posted a profit on ordinary activities of €501m in 2019, compared with €318m in the previous year.

An extraordinary result of €–160m was recorded in the period under review. The year-on-year increase of €114m in the extraordinary expenses included in this figure was due in particular to restructuring expenses relating to a headcount reduction programme brought forward as part of the implementation of the "Commerzbank 5.0" strategy.

Tax expenses amounted to €154m for the reporting year, compared with €10m in the previous year, due to higher taxes on income.

Commerzbank Aktiengesellschaft therefore made a net profit of €188m in 2019 after €262m in the previous year. Subject to the approval of the decision-making bodies, the corresponding distributable profit will be used to pay a dividend of €0.15 per share.

Balance sheet

Total assets of Commerzbank Aktiengesellschaft declined 1.5% or €5.7bn year on year to €377.5bn.

Within assets, the cash reserve fell by €14.3bn to €34.6bn. The decrease compared with the end of 2018 was due to significantly reduced demand deposits held with central banks. Claims on banks dropped compared with the previous year, by €11.6bn to €37.3bn. While secured money market transactions declined by €6.0bn, credit claims and other receivables fell by a total of €5.6bn.

Claims on customers grew by €19.1bn to €225.1bn. This was attributable in particular to a marked rise in lending business by €5.2bn, in retail property and mortgage loans by €5.2bn and in municipal lending by €3.1bn. Bonds and other fixed-income securities rose by €1.5bn to €33.5bn. The increase was due to larger holdings of bonds and notes in the liquidity portfolio, which was partly offset by a lower investment portfolio. Trading assets recorded a volume of €26.1bn, compared with €32.2bn in the previous year. The decrease of €6.1bn was caused mainly by lower holdings of shares and other non-fixed-income securities. Holdings in affiliated companies rose by €0.7bn from €5.5bn at the end of 2018 to €6.3bn.

On the liabilities side, liabilities to banks decreased by 7.9% to €69.0bn, due in particular to the decline in repos and cash collateral. Liabilities to customers were €218.8bn, €8.6bn higher than the level at the end of the previous year. Sight deposits were up by €8.1bn and repos and cash collateral by €7.0bn, whereas term deposits and registered Pfandbriefe fell by a total of €4.0bn and liabilities from money market transactions by €2.4bn. Securitised liabilities were €34.1bn, €3.5bn lower than the previous year. While issues of debt securities increased slightly by €0.7bn, other securitised liabilities declined by €4.2bn. Trading liabilities fell by €4.0bn year on year to €16.7bn. The decline was due to lower negative fair values for derivative transactions and reduced liabilities. Subordinated liabilities totalled €7.5bn, and were thus €1.0bn lower year on year.

Off-balance-sheet liabilities rose overall year on year, with contingent liabilities up 8.5% year on year at €40.8bn and irrevocable lending commitments rising by €2.8bn to €76.2bn.

Equity

Commerzbank Aktiengesellschaft’s reported equity as at 31 December 2019 was €22.2bn, slightly less than at year-end 2018. Both the capital reserve and retained earnings were unchanged on the prior year, at €17.2bn and €3.6bn respectively. Subscribed capital was €1.3bn, down €0.4bn year on year. The decline was due to the reclassification of a silent participation to subordinated liabilities.

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

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

As at the reporting date, Common Equity Tier 1 capital was €24.4bn as compared with €23.2bn at 31 December 2018. This €1.2bn increase arose mainly in connection with the regulatory eligible profit and lower regulatory deductions. The Common Equity Tier 1 ratio was thus 13.4%. With the issue of an additional Tier 1 bond for USD 1bn at the beginning of July, Tier 1 capital (with transitional provisions) rose to €26.0bn and the corresponding Tier 1 ratio to 14.3%. The €0.8bn decline in Tier 2 capital was attributable to subordinated liabilities that are no longer fully eligible due to their residual maturities, final maturities of issues and the early repayment of instruments (termination). The total capital ratio was 16.8% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage exposure, was 5.3% (with transitional provisions) or 5.1% (fully loaded).

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

Summary of 2019 business position

2019 was another tough year for the banking industry and thus also for Commerzbank. The year was marked by a combination of macroeconomic uncertainties, in particular the further intensification of global trade conflicts, and the pressure on margins triggered by the ECB's September decision to further ease monetary policy. Against this background, we nevertheless succeeded in acquiring new customers in both market segments and expanding our lending and securities volume.

As the Bank is managed via its segments, the information that follows is largely geared towards the performance of the Group. More information on corporate management and on the key figures and data used to manage the Group can be found on page 69 f. of the Group Annual Report 2019. From the Group perspective, the core objectives we had set for 2019 were nearly or fully met in terms of both income and costs.

The Private and Small-business Customers segment made good progress in implementing its strategic measures in the 2019 financial year: Progress was made in digitalising services and processes and expanding and bringing together the distribution channels. In November, the new advisory model for private customers was launched in the domestic branch business. Despite the ongoing challenging conditions, the growth strategy was also successfully advanced in 2019. With more than 473,000 net new customers and growth of €35bn in the volume of loans and custody accounts, 2019 ended as a successful year. The portfolio volume in loans and securities in Germany amounted to a total of €261bn at the end of the year. The goal of increasing assets under control in Germany to over €400bn by the end of 2020 was nearly achieved in 2019, despite the sale of the comdirect subsidiary ebase and the associated outflow of assets. The Bank also made progress in 2019 in the core objective of growth, significantly surpassing the previous year's result.

The 2019 reporting year presented several challenges for the Corporate Clients segment, including the tightening of already low interest rates, intense price competition in the German market and a macroeconomic environment fraught with uncertainties that weighed most heavily on international trade relationships.

As a result, our expectations of a slight rise in income could not be met in the course of the year. Higher interest income from lending business was offset in particular by lower net income from financial assets and liabilities measured at fair value through profit or loss. As expected, the risk result increased significantly due to the impairment of individual credit exposures and – contrary to our forecast – led to a significant decline in operating profit.

Commerzbank Aktiengesellschaft's overall net profit for the reporting year was €188m, after €262m in the previous year.

Outlook and opportunities report

Future economic situation

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

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

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

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

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

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

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

Weaker growth in important German export markets suggests only a minor upward trend for Germany in 2020. As leading indicators are still pointing downwards, the German economy is likely to remain largely stagnant in the first few months of the new year. Slightly positive growth rates should then return from spring onwards, culminating in growth of 0.8% for 2020. Domestic demand remains robust, however, suggesting that Germany's economy is unlikely to slip into recession. Higher wage increases will strengthen the purchasing power of working households, and the employment rate will probably continue to rise despite job cuts in industry. Both these factors point to consumer demand remaining buoyant. At the same time, low interest rates will continue to boost investment.

The expansive monetary policy on both sides of the Atlantic will also continue to shape the picture on the financial markets in 2020. The absence of a classic economic upswing and the continued failure to meet the inflation target of just under 2% are arguments for the ECB maintaining its expansive monetary policy in 2020. It will continue to purchase bonds at a net pace of €20bn per month. The US Federal Reserve may even cut key interest rates by a further 25 basis points in spring to secure the upswing. The low interest rate environment will therefore not change in 2020. The yield on ten-year German government bonds is likely to remain between –0.5% and –0.2% in 2020. The euro is likely to appreciate against the US dollar in 2020. This will not be due to the strength of the euro, however, but to a weakening of the dollar. On the stock markets, subdued economic growth is likely to limit price potential. We thus expect the DAX to be at 13,700 points at the end of 2020, only slightly higher than at the end of 2019.

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

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

Future situation in the banking sector

According to the latest financial stability reports published by the Deutsche Bundesbank and the ECB in November 2019, the German financial system remains vulnerable to weak economic development. Although there are still no alarming signs of declining lending standards or excessive credit growth, future risks could be underestimated and the value of loan collateral such as real estate overestimated. An unexpected economic slump and an abrupt rise in risk premiums would result in substantial losses from bad debts and could have a severe impact on the banking sector.

Germany would also be exposed to significant risks in the event of a sudden rise in interest rates. This is attributable to the expansion of maturity transformation undertaken by banks in order to stabilise their income from interest business. Almost half of the new housing loans granted in 2019 have a fixed interest period of more than ten years.

The financial stability reports also indicate that the profitability of the German banking sector is still relatively low. The cost/income ratio of German banks is seen as the key weakness when assessing their earnings situation.

According to data from the latest risk assessment conducted by the EBA, this is essentially a revenue problem rather than a cost problem. Further spending cuts would have to be implemented for Germany to survive in international competition, but this would seem difficult to achieve given the highly competitive nature of the banking structure and the urgent need for investment in new technologies.

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

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

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

Due to the earnings problems, cost reduction remains the main issue for German banks. The digitalisation of business processes will therefore proceed at a rapid pace, not least so that banks can compete for customers who expect easy-to-use, seamlessly integrated product solutions.

Up to now, many banks have generally concentrated more on the pure digitalisation of processes rather than on actively exploiting the data generated and the potential added value that results. In the future, big data will therefore become massively more important in the financial services sector. The same applies to IT security. The protection of data networks and appropriate staff training are an ongoing process for the banking sector. The same applies to ensuring compliance with the legal and regulatory requirements.

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

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

The capital buffers introduced for the first time under Basel 3 also serve the goal of strengthening banks' ability to absorb losses. Such macroprudential measures are designed to make the financial system as a whole more crisis-resistant, thus better protecting the real economy. One of these tools is the countercyclical capital buffer. It is designed to counteract excessive restrictions on lending in downturns and excessive expansion in upturns. In response to the existing cyclical systemic risks, BaFin increased this countercyclical capital buffer from 0% to 0.25% of risk-weighted domestic exposures as of 1 July 2019. From 1 July 2020, banks must take this premium into account when calculating their institution-specific buffer rate.

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

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

Although the Brexit agreement has been ratified, the ongoing Brexit process will pose considerable risks for the European banking sector. On the one hand, if the UK government lowers regulatory standards to strengthen London as a financial centre, the competitive position of the banks in the remaining EU countries would be harmed. On the other hand, if London, Europe's financial centre, loses its unrestricted access to the European single market, this will increase fragmentation in investment banking and profitability will suffer as a result. In the worst-case scenario, according to the Deutsche Bundesbank, bottlenecks, frictions and an absence of licenses might mean some activities have to be shut down entirely.

The Polish banking sector has ultimately proved itself to be comparatively robust in assessments of financial stability. There are risks, however, from the growing volumes of unsecured consumer loans and mortgage loans in zloty. A law was adopted in July 2019 to support private borrowers in default. The new law came into force as of January 2020 and makes it easier for such borrowers to obtain assistance with the repayment of their real estate loans denominated in Polish zloty and foreign currency than was previously the case with the support fund. The monthly support payments were also increased and extended.

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

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

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

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

Managing opportunities at Commerzbank

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

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

In the Private and Small-Business Customers segment, Commerzbank will focus above all on the rapid expansion of mobile banking, although the branch network will remain a key pillar of its customer offering. With around 800 branches in future, Commerzbank will continue to offer a broad geographical presence. The Bank expects to realise additional earnings potential from the enhanced use of data, which will enable the provision of individually tailored products and services. Commerzbank is also planning to introduce a more differentiated pricing strategy. The planned integration of comdirect will allow the Bank to bundle its digital expertise.

In the Corporate Clients segment, the Bank will strengthen its market presence, particularly in the Mittelstand division, where further digitalisation and a more efficient platform should open up greater scope for sales. This is to be reinforced by the addition of more than 150 new sales staff in Germany alone, enabling the Bank to service customers even more intensively in the future. The focus will be on better exploiting the potential of existing customer relationships and on improving capital efficiency.

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

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

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

Commerzbank anticipates that its capital market funding requirement over the coming years will be of the order of €10bn. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments (preferred and non-preferred senior bonds and Tier 2 subordinated debt), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. As such, Pfandbriefe are a key element of Commerzbank's funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements. Commerzbank does not anticipate any negative effects on the placing of long-term funding instruments in connection with Brexit.

Anticipated performance of Commerzbank Aktiengesellschaft

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

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

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. The forecast for the 2020 financial year is based on the assumption that the planned sale of the stake in the Polish subsidiary mBank will be concluded in the current year and will take effect by the end of 2020. In line with this assumption, mBank's income statement will again be shown in Commerzbank's Group financial statements for the full 12 months of the 2020 financial year. However, a separate detailed forecast of mBank's earnings components is not provided in the following comments on the anticipated performance of individual earnings components and the anticipated performance of the segments. One-off effects relating to the sale of the mBank stake are not included in the forecast either. Overall, we expect to see the following developments in 2020:

Anticipated performance of individual earnings components

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

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

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

Experience has shown that the other income items, including realised profit or losses on financial instruments and other net income, are often affected by one-off income and measurement effects, which are hard to forecast. Such non-recurring income items were non-material in 2019 and are expected to remain at a similar level in 2020.

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

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

Depending on the progress of negotiations with employee representative bodies over the course of the year, it is possible that the majority of the charges to the income statement resulting from the "Commerzbank 5.0" strategy programme will already be incurred in the 2020 financial year. This will lay the foundation for increasing and sustainably improving profitability in the coming years through a combination of earnings growth and cost reductions.

Anticipated segment performance

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

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

Commerzbank intends to actively counter the continuing pressure on margins in Germany also in this year by growing customer numbers and business volume faster than its competitors. With more than 200,000 net new domestic customers, the net annual increase in customer numbers is expected to be lower than on avarage in the period from 2016 to 2019. New income from the forecast growth in lending and deposit volumes will therefore be generated by existing customers to a higher relative extent than in previous years. In lending business, a significant increase in new business in higher-margin consumer financing, supported by increased use of the online distribution channel, should make a higher contribution to earnings. However, real estate financing, in which growth has outstripped the market considerably in recent years, will remain a cornerstone of the PSBC growth strategy. Higher income is also expected from small-business customers. The new relationship management model is expected to boost business volumes, primarily in respect of customers' corporate business. The new model is also aimed at smaller SMEs with annual sales of up to €15m. In payment transaction services, the share of higher-value product offerings is expected to increase significantly. Coupled with greater customer activity, this should generate higher income. Securities business and asset management in particular for affluent clients and in wealth management should benefit from greater penetration of premium products that combine personal service with the use of advanced technologies. Additional new business can also be expected from customers with very high deposit balances, who are shifting their liquidity to investments to avoid credit balance fees. Depending on the amount of the credit balance, Commerzbank may instead opt to pass on the negative interest rates imposed by the ECB via individual agreements. In the longer term, securities business will also benefit from comdirect's special expertise in this area, which is set to become available to all PSBC customers over time. However, the comdirect integration, which is expected to begin in the second half of the year, is unlikely to lead to any notable short-term contribution to earnings as a result of closer cooperation. Overall, the PSBC segment expects to record a slight increase in operating income in 2020. The strategic measures planned for this year are also designed to offset most of the capital expenditure required to facilitate the expected future earnings growth through further efficiency gains. This includes the further optimisation of the branch network along with the ongoing digitalisation of products and processes, further steps towards completion of the central ONE distribution platform and measures to streamline and simplify the product range. In line with the anticipated rapid increase in the use of digital channels, with the mobile distribution channel in particular set to significantly expand its service offering in the medium term, the relative weights of the various distribution channels will shift over time. The first steps towards sustainably reducing the cost base by streamlining the branch network are expected in 2020. However, customers will still be able to rely on a largely nationwide branch presence in the future. Positive synergy effects from the integration of comdirect from the second half of the year onwards are also likely to be minimal. The PSBC segment expects operating expenses to increase slightly overall. This includes regulatory costs, which are set to remain high for the foreseeable future. The increase in the risk result predicted for the PSBC segment as a whole is related to the lending volume, which is growing as expected. However, maintaining risk costs at such a low level, historically low in some cases, is not expected. Nevertheless, we believe that the loan portfolios should remain resilient even in a less favourable economic environment. Overall, the PSBC segment is expected to achieve a lower or at best stable operating result in 2020 even taking into account the one-off effects from the sale of ebase in 2019. Both the operating return on equity and the cost/income ratio are therefore likely to be fairly unchanged or slightly weaker.

In implementing the "Commerzbank 5.0" strategy programme, the Corporate Clients (CC) segment will also continue to focus on growth and profitability initiatives aimed at expanding business volume and acquiring new customers. The Bank's leading position in numerous areas of business with German SMEs is to be further improved by stepping up sales activities and further strengthening the risk functions. Special attention will be paid to smaller SMEs with turnover of between €15m and €100m, which particularly appreciate the local proximity of a bank with a nationwide presence. Building on our core competences, the CC segment is also targeting selective expansion of our business with larger SME customers in the eurozone. The established sector approach will also be extended to other large German and European corporate clients, leading to improved customer penetration and profitability for the business. Realigning the loan portfolio over the long term to focus increasingly on financing investments relating to sustainability, such as projects aimed at reducing CO_2 emissions, offers considerable potential. Commerzbank has already begun building up expertise in this area. Commerzbank's foreign trade financing solutions, payment transaction services in numerous currency areas and risk management hedging products remain the driving force behind the targeted volume growth in lending and capital market business. Achieving growth while conserving equity is becoming an increasingly important condition in this regard. The Bank is also aiming to broaden the net customer base for all customer groups. Business growth will remain necessary in the difficult interest rate environment to counter the ongoing decline in interest margins and still achieve the targeted slight increase in operating income. Passing on negative interest rates should offset the losses in deposit business. The strategic investments planned to consolidate the growth strategy will lead to an increase in the cost base in the 2020 financial year that is unlikely to be fully offset by further measures to improve efficiency. These measures include the ongoing digital transformation of advisory and distribution processes and the digitalisation of the product range, which will generate increased cost savings over time. There is also significant efficiency potential to be leveraged in IT through the planned consolidation of the European IT platforms and the simplification of the infrastructure. The CC segment is expecting total operating expenses (including compulsory contributions) to be slightly higher overall. The significantly higher risk result predicted for the current financial year reflects the higher degree of uncertainty and risk with regard to economic performance. The basic assumption is a scenario with no significant weakening of economic conditions either domestically or globally. The portfolio quality is still considered to be robust overall due to the broad diversification in the loan portfolios. Even in the event of a deterioration in individual industrial sectors, the increase in risk costs should remain limited and not exceed the extent of the increase in the previous year. With operating expenses and risk costs rising, and income set to increase only slightly, the CC segment is expecting operating profit to remain stable at best year on year in 2020. The cost/income ratio and the operating return on equity are therefore not expected to exceed the previous year's level.

General statement on the outlook for the Group

For the 2020 financial year, Commerzbank has set itself the goal of implementing key strategic initiatives, even if these initially have a net negative impact on the earnings position. The external environment, which is still considered to be very challenging, is also likely to have a dampening effect on business and earnings performance this year. Changes with regard to the unfavourable interest rate and competitive environment are considered to be just as unlikely as an end to the pressure on margins, particularly in lending business. Commerzbank nevertheless expects income to be at least stable overall in the current financial year. A slight increase in total operating expenses (including compulsory contributions) is planned due to the significant impact of investment expenses. We also expect a slight increase in the risk result. Depending on earnings performance, this will result in an operating profit close to the previous year's level, with a corresponding impact on the cost/income ratio. The items that do not contribute to operating profit primarily relate to provisions for restructuring measures. These could have a substantial impact on income, although the exact amount will depend on the progress of negotiations with the employee representative bodies.

If the negotiations can be successfully concluded, full recognition of restructuring expenses, estimated at a total of around €850m over the two-year period from 2019 to 2020, should not be ruled out. A provision of €101m was already set up in the reporting year. Profit from discontinued operations, which again includes profit contributions from the former Equity Markets & Commodities division, is expected to make a small positive contribution. Even without the effects related to the sale of the mBank stake, we expect to be able to report a profit for the 2020 financial year. However, depending on the amount of restructuring expenses booked, consolidated profit may be significantly lower than in the previous year. Consequently, the return on equity and economic value added would both also be lower than in the previous year.

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

Based on our current estimates, we anticipate that the net profit in Commerzbank Aktiengesellschaft's parent company financial statements in 2020 will be on par with 2019. We are also aiming for a dividend payout ratio for the 2020 financial year comparable to that for 2019.

In recent years, Commerzbank has strengthened its resilience through a range of measures such as significantly increasing its capital base. Nonetheless, there are numerous risk factors that could affect the 2020 profit forecast to a considerable though not reliably quantifiable, extent should events take an unfavourable turn. These include the geopolitical situation, which continues to be marked by great uncertainty, and increased global economic risks – especially against the background of the as yet unforeseeable economic impact of the coronavirus.

There is still a latent threat of trade conflicts between the economic blocs of Europe, North America and Asia, while the consequences of the UK's withdrawal from the EU will depend on the course of further negotiations. Sharply rising volatilities and strong corrections on the capital markets cannot be ruled out. Valuation levels remain very high by historical standards on both the international equity and bond markets following the large price gains seen in 2019. Central banks remain an important factor influencing financial stability and the outlook for the banking sector. Their future scope, even with unconventional monetary policy measures, for influencing inflation rates and expectations to the desired extent and without harmful side effects, appears to be becoming increasingly exhausted. The economic outlook is now somewhat gloomier. If it were to darken significantly, however, Germany's internationally connected economy could be particularly hard hit, resulting in risk costs in lending business that are much higher than expected. Other risk factors include unfavourable trends in the regulatory or legal environment, which could delay the impact of the intended cost improvements, and a further tightening of the competitive situation in Germany. If margins were to fall further to levels that are unattractive from a risk/return perspective, this could considerably constrain Commerzbank's profitability. For further information on other risks, see the risk report, page 71 ff.

Risk Report

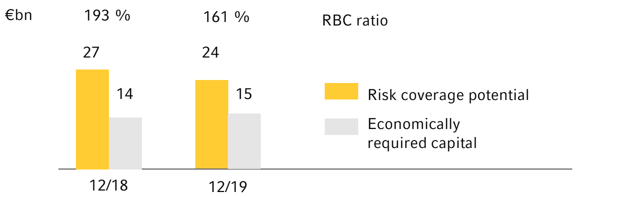
Risk reporting takes place according to the internal risk management of Commerzbank at the Group and segment level. The basis for this is formed by the financial figures according to IFRS as well as the key risk parameters according to the regulatory requirements.

Executive Summary 2019

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

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

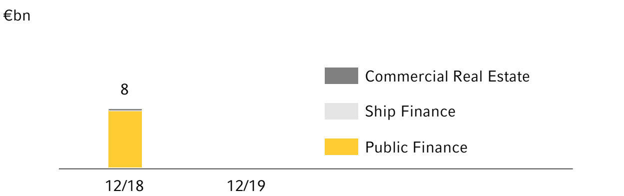
Risk-bearing capacity



Dissolution of the Asset & Capital Recovery segment

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

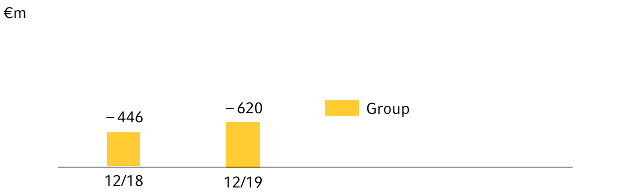
EaD



Risk result for the Group amounted to €–620m

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

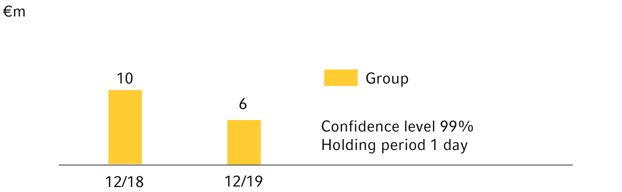
Risk result



Market risk in the trading book decreased in 2019

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

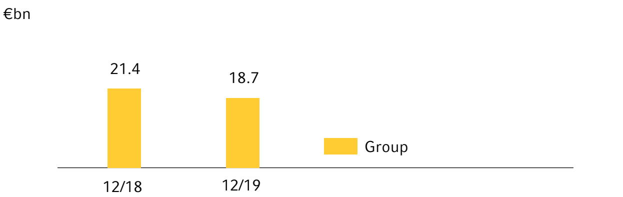
VaR



Operational risks decreased year-on-year

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

Risk-weighted assets from operational risks



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

Risk-oriented overall bank management

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

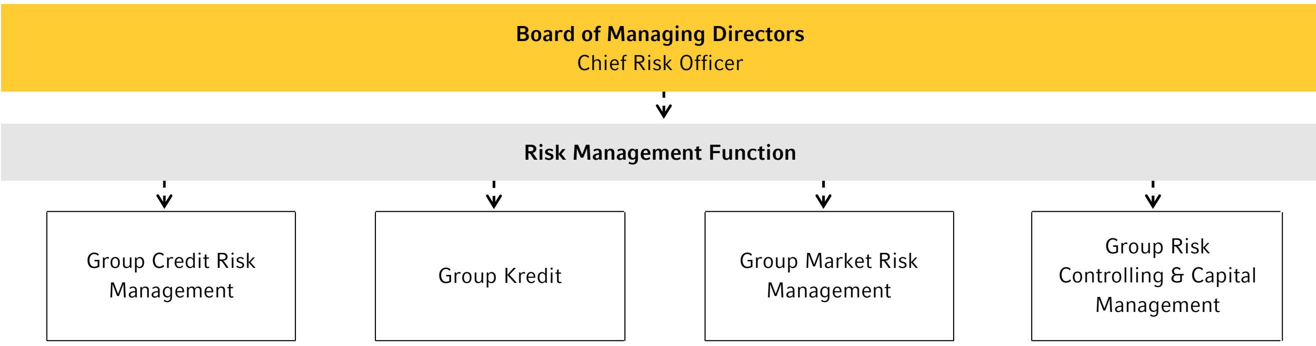
Risk management organisation

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

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

On 1 January 2020, Commerzbank established the new Group division "Group Cyber Risk & Information Security", which is also part of the risk management organisation and has a direct reporting line to the CRO.

It is Group Compliance's responsibility to establish appropriate governance, procedures and systems to avoid the Bank being unintentionally endangered as a consequence of compliance risks. This includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance, and fraud and corruption. Group Compliance is led by the Chief Compliance Officer, who reports directly to the member of the Board of Managing Directors with responsibility for Group Compliance.



The full Board of Managing Directors has exclusive responsibility for fundamental strategic decisions. The Board of Managing Directors has delegated operative risk management to committees. Under the relevant rules of procedure, these are the Group Credit Committee, the Group Market Risk Committee, the Group OpRisk Committee and the Group Strategic Risk Committee, which decides on risk issues of an overarching nature. The CRO chairs all these committees and has the right of veto. The CRO is also a member of the central Asset Liability Committee. Here the CRO also has a right of veto on certain topics (e.g. liquidity risk issues).

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

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

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

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

The **Group Strategic Risk Committee** acts as the discussion and decision-making committee for all types of risk, and its main objective is to monitor and manage risks at portfolio level. This covers risk measurement, risk transparency and risk management.

The central **Asset Liability Committee** (ALCO) is the Commerzbank Group committee responsible for the Group-wide and integrated management of financial resources, namely capital, liquidity and balance sheet structure as well as net interest income, in accordance with the regulatory framework. The ALCO monitors in particular the Group's risk-bearing capacity and as such plays an important part in the Internal Capital Adequacy Assessment Process (ICAAP). The ALCO resolves the recovery plan. Resolutions of the central ALCO are presented to the full Board of Managing Directors for confirmation. In case of violation of a recovery plan indicator, the ALCO plays a central role regarding the escalation, the estimation of the situation and the introduction of measures.

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

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

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

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

Risk strategy and risk management

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

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

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

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

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

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

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

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

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

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

Risk ratios

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

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

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

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

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

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

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

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

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

Risk-bearing capacity and stress testing

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

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

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

The capital requirement for the risks taken is quantified using the internal economic capital model. All risk types of the Commerzbank Group classified as significant and quantifiable within the annual risk inventory are taken into account when determining the economically required capital. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks’ capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. The quantifiable significant risks in the economic capital model are divided into default risk, market risk, operational risk and (not separately disclosed in the table on page 51) business risk and property value change risk. Business risk is the risk of a potential loss resulting from deviations in actual income and expense from the respective budgeted figures. Business risk is used to substantiate a higher-level management buffer that ensures the responsiveness of capital management. Physical asset risk is the risk of an unexpected fall in the value of owned property which is either already recognised as an asset in the Group’s balance sheet or which can be recognised during the next 12 months under contractually assured obligations with option character (especially real estate).

The risk inventory 2019 reclassified the risk of unlisted investments from a previously independent significant risk type to a significant sub-risk type below market risk and this risk is therefore now included in market risk. Reserve risk fell below the materiality threshold and has now been classified as a non-significant risk subtype. Allowance is made for this risk by means of a risk buffer when considering risk-bearing capacity. The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital.

Risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In 2019, the RBC ratio was consistently above 100% and stood at 161% on 31 December 2019. The decline in risk coverage potential compared with December 2018 is mainly due to methodological adjustments made on the basis of the ECB’s new ICAAP guidelines (including the exclusion of subordinated capital components). The RBC ratio remains well above the minimum requirement.

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

[1] Confidence level as from 31 March 2019: 99.90%; as at 31 December 2018: 99.91%.
[2] Including physical asset risk, risk of unlisted investments and risk buffer for reserve risk and (from 2019) the quantification of potential fluctuations in value of goodwill and intangibles.
[3] Including deposit model risk.
[4] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The underlying scenarios take into account the interdependence of the development of the real economy and the financial economy. They are updated quarterly and approved by the ALCO. The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities (e.g. export-based sectors in Germany) and business strategies of relevance to Commerzbank. Stress tests in the economic perspective cover a time horizon of 12 months. The scenario simulation is run quarterly at Group level using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the income statement is also subjected to a stress test based on the macroeconomic scenarios. Based on this, changes in the risk coverage potential are simulated. Whereas the RBC ratio is embedded into Commerzbank's limit system, guidelines for risk-bearing capacity are set as an early warning system in the stressed environment. The ongoing monitoring of the limits and guidelines is a key part of internal reporting. Defined escalations are triggered if the limits are breached.

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

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

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

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

	31.12.2019				31.12.2018			
Risk-weighted assets €bn	**Default risk**	**Market risk**	**Operational risk**	**Total**	**Default risk**	**Market risk**	**Operational risk**	**Total**
Private and Small-Business Customers	41	1	5	47	36	1	5	41
Corporate Clients	82	5	8	96	79	6	11	97
Asset & Capital Recovery					9	2	1	12
Commercial Real Estate					1	0	1	2
Ship Finance					0	0	0	1
Public Finance					8	2	0	9
Others and Consolidation	29	5	5	39	23	3	4	30
Group	**152**	**11**	**19**	**182**	**147**	**12**	**21**	**180**

Regulatory environment

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

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

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

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

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

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

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

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

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

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

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

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

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

Default risk

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

Strategy and organisation

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

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

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

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

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

Risk management

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

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

Quantitative credit risk strategy guidelines limit risks with regard to poorer credit ratings and exposures with high loss-at-default contributions (concentration management) and for selected sub-portfolios with a high risk weight or regulatory importance, and, as applicable, for individual products with a high portfolio share. Detailed arrangements for operationalising the guidelines for selected sub-portfolios are set out in separate portfolio policies. In addition, qualitative management guidelines in the form of credit policies define the target business of the Bank. At the level of individual transactions, they regulate the transaction type for which the available risk resources are to be used. These credit policies are firmly embedded in the credit process: transactions which do not meet the requirements are escalated through a fixed competence regulation.

Group-wide guiding principles are based on risk-oriented analyses of trends (e.g. of the development of weaker credit ratings over time) combined with an assessment of external framework conditions and internal rules. Risk-oriented analyses on key dates (e.g. rating profile of individual asset classes) are used in particular to derive portfolio guiding principles. Trend analyses of product-specific risk drivers are key factors for determining product guiding principles (e.g. loan-to-value of mortgage lending). In contrast, credit and portfolio policies are primarily produced through a multi-level coordination process involving the product and portfolio managers from the front and back offices, combined with an assessment of internal and external information sources.

To monitor compliance with credit risk strategic rules, continuous monitoring and reporting has also been set up at whole Group level and at segment or sub-portfolio level. Asset quality reviews by the risk function make an important contribution here to quality assurance and early risk detection. The key aspects of monitoring vary according to the subject matter and target audience, and ad-hoc reporting processes are in place. In addition, crisis events may pose a risk to the Bank's capital and liquidity adequacy and thereby to its risk-bearing capacity. In a crisis, the Risk Mitigation Task Force will manage decisions flexibly in a coordinated, Group-wide process. As part of the process, emergency action plans ensure that risk-mitigation measures are implemented quickly and efficiently.

The avoidance of risk concentrations is a core strategy of risk management. Risk concentrations are actively managed in order to identify at an early stage and contain the increased potential for loss from the synchronous movement of risk positions. In addition to exposure-related credit risk concentrations (bulk risks), default risk also includes country and sector concentrations. Segment-specific features are taken into account here.

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

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

Management of economic capital commitment

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

Overview of management instruments and levels

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

Rating classification

The Commerzbank rating method comprises 25 rating classes for customers not in default (1.0 to 5.8) and 5 default classes (6.1 to 6.5). The Commerzbank master scale allocates precisely one rating class, stable over time, to each probability of default. The rating methods are validated annually and recalibrated where necessary so that they reflect the latest assessment based on all actual observed defaults. The probability of default ranges assigned to the ratings are the same for all portfolios. This ensures internal comparability consistent with the master scale method. For guidance and indicative purposes, the Commerzbank master scale also shows external ratings as well as credit quality steps in accordance with Article 136 CRR. However, a direct reconciliation is not possible, because external ratings of different portfolios show fluctuating default rates from year to year.

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

Commerzbank master scale

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

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

Risk mitigation
The collateral taken into account in risk management changed in the period under review from €104.5bn to €114.1bn for positions in the Group's performing portfolio and from €0.9bn to €1.0bn for positions in the default portfolio.

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

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

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

As at the reporting date, no loan loss provisions were created for transactions with a total volume of €5.5bn (31 December 2018: €5.3bn), as these are entirely collateralised.

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

The quality of the collateralisation is rigorously checked in line with regulatory requirements and monitored on an ongoing basis. This includes in particular checks on legal enforceability and regular measurement of the collateral, carried out at appropriate intervals depending on the type of collateral, at least annually or on an event-driven basis. Positive correlations between the debtor's creditworthiness and the value of the collateral or guarantee are defined in the credit and collateral processing process. Collateral processing for Corporate Clients is performed outside the front office.

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

The measurement and processing of collateral is governed by generally applicable standards and collateral-specific instructions (guidelines, process descriptions, IT instructions). Legally verified standard agreements and models are used wherever possible. The standards established to hedge or mitigate credit risk include:

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

Commerzbank Group

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

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

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

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

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

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

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

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

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

Around half of the Bank's exposure relates to Germany, another third to other countries in Europe, 8% to North America and 6% to Asia. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries.

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of the fourth quarter of 2019, exposure to Russia was €2.9bn (31 December 2018: €2.6bn), exposure to Turkey was €1.7bn (31 December 2018: €1.7bn) and exposure to China was €3.9bn (31 December 2018: €6.4bn).

The sovereign exposures of Italy and Spain are also still closely monitored as a result of the sovereign debt crisis. As at the end of the fourth quarter of 2019, Commerzbank's Italian sovereign exposure was €9.3bn (31 December 2018: €8.4bn), while its Spanish sovereign exposure was €2.5bn (31 December 2018: €1.3bn).

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

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

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

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

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

[1] Retroactively adjusted.
[2] Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

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

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

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

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

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

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

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

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

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

Overdrafts in the performing loan book In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at the end of December 2019. The changes may also be due to short-term overdrafts:

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

[1] Including Others and Consolidation.

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €87bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €23bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the last 12 months was largely due to residential mortgage loans.

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

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

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

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

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

Corporate Clients segment

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

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

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

For details of developments in the Financial Institutions portfolio, please see page 62.

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

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

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

Further portfolio analyses

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

Corporates portfolio by sector

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

	31.12.2019			31.12.2018		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy supply/Waste management	21	82	40	18	62	34
Technology/Electrical industry	15	31	21	13	31	24
Consumption	15	49	34	14	54	37
Wholesale	14	47	35	13	48	37
Transport/Tourism	12	37	31	11	30	26
Basic materials/Metals	11	46	41	11	42	40
Services/Media	10	28	27	10	30	29
Automotive	10	38	39	10	27	28
Chemicals/Plastics	9	46	49	9	41	43
Mechanical engineering	9	26	29	9	24	28
Construction	6	16	28	6	16	28
Pharmaceutical/Healthcare	5	9	20	4	10	24
Other	7	14	21	5	7	13
Total	**142**	**470**	**33**	**133**	**421**	**32**

Financial Institutions portfolio

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

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

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

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

Non-Bank Financial Institutions portfolio

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

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

	31.12.2019			31.12.2018		
NBFI portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	18	38	21	18	25	14
Western Europe	12	23	20	12	23	19
Central and Eastern Europe	2	19	100	1	8	65
North America	9	12	13	9	24	28
Asia	2	2	13	2	2	13
Other	1	2	23	1	2	31
Total	**43**	**96**	**22**	**42**	**84**	**20**

Originator positions

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

As at the reporting date 31 December 2019, risk exposures with a value of €5.0bn (31 December 2018: €5.5bn) were retained. By far the largest portion of these positions is accounted for by €4.8bn (31 December 2018: €5.3bn) of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]			
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1]**
Corporates	2025–2036	4.8	< 0.1	0.2	5.4
Total 31.12.2019		**4.8**	**< 0.1**	**0.2**	**5.4**
Total 31.12.2018		5.3	< 0.1	0.1	5.9

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

Conduit exposure and other asset-backed exposures

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

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

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. Over the course of 2019 the volume increased to €4.2bn (December 2018: €4.0bn) and risk values[1] to €4.2bn (December 2018: €3.8bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €4.9bn (December 2018: €3.8bn). In general, we have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At the end of 2019, this portfolio contained only AAA-rated CLO positions. Remaining structured credit positions with a volume of €0.7bn were already in the portfolio prior to 2014 (December 2018: €1.3bn), while risk values stood at €0.3bn (December 2018: €0.4bn).

Forbearance portfolio

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

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

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

The forbearance portfolio by region is as follows:

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

In addition to the loan loss provisions of €454m (31 December 2018: €651m), the risks of the forbearance portfolio are covered by collateral totalling €816m (31 December 2018: €1,095m).

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

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are generally reflected in the revaluation reserve or in hidden liabilities/reserves.

Strategy and organisation

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

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

Various market risk committees have been established within the Bank. In these, segment representatives, along with representtatives from the risk function and finance area, discuss current risk positioning issues and decide on appropriate action. Chaired by the risk function, the Group Market Risk Committee, which meets monthly, deals with the Commerzbank Group's market risk position. Discussions centre on the monthly market risk report, which is also presented to the Board of Managing Directors for their consideration. The report summarises the latest developments on financial markets, the Bank's positioning and related risk ratios. The Segment Market Risk Committee focuses on the Corporate Clients segment and the Group Treasury division.

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

Risk management

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

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

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

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

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

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

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

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

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

Trading book

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

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

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

The market risk profile is diversified across all asset classes.

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

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same in the first three months of 2019. Stressed VaR fell from €35m at end-2018 to €26m at end-2019. This was mainly due to the sale of the equities business, which was already partially completed in 2019, as well as a risk reduction in investment banking business due to changes in positions in the Corporate Customers segment and Treasury.

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

Stressed VaR contribution by risk type in the trading book | €m	31.12.2019	31.12.2018
Credit spreads	5	5
Interest rates	5	12
Equities	5	10
FX	5	4
Commodities	5	4
Total	**26**	**35**

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge in the Commerzbank Group declined by €5m to €14m in 2019. The decline was mainly attributable to changes in positions in the Corporate Clients segment.

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

If the actual loss exceeds the VaR, it is described as a negative backtesting outlier. Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In 2019, we saw no negative clean P&L outliers and no negative dirty P&L outliers.

The results confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

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

Banking book

The key drivers of market risk in the banking book are the Group Treasury portfolios, with their credit spread, interest rate and basis risks, and the positions held by the subsidiary Commerzbank Finance & Covered Bond S.A.

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €49m as at the end of 2019 (31 December 2018: €41m).

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

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

As a result of the scenario + 200 basis points, a potential loss of €2,635m as at 31 December 2019 (31 December 2018: €1,651m potential loss) and in the scenario − 200 basis points a potential profit of €614m (31 December 2018: €230m potential profit) was determined. Commerzbank does not, therefore, need to be classified as a bank with elevated interest rate risk, as the decline in net present value represents less than 20% of its regulatory capital.

As at 31 December 2019, the interest rate sensitivity of the entire banking book (without pension funds) was €9.4m (31 December 2018: €6.3m) per basis point of interest rate reduction.

Pension fund risk is also part of market risk in the banking book. Our pension fund portfolio comprises a well-diversified investment section and a section comprising insurance-related liabilities. The duration of the liabilities is extremely long (cash outflows modelled over almost 90 years), and the main portion of the overall portfolio's present value risk is in maturities of 15 years and over. The main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics.

Equity, volatility and foreign exchange risk also need to be taken into consideration. Diversification effects between individual risks reduce the overall risk. The extremely long maturities of these liabilities represent the greatest challenge, particularly for hedging credit spread risk. This is because there is insufficient liquidity in the market for corresponding hedging products.

Market liquidity risk

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

Liquidity risk

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

Strategy and organisation

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

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

Risk management

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

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

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

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

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

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

Liquidity risk model

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

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

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

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the Minimum Requirements for Risk Management (MaRisk). Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the full Board of Managing Directors.

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates an external market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, prolongations of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets. As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – deterministic and modelled cash flows in existing business on the one hand and the inclusion of prolongations on the other.

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

Net liquidity in the stress scenario | €bn		31.12.2019	31.12.2018
Idiosyncratic scenario	1 month	18.4	16.6
	3 months	20.1	19.2
Market-wide scenario	1 month	20.7	21.6
	3 months	20.2	22.7
Combined scenario	1 month	11.7	11.0
	3 months	11.2	11.7

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €72.4bn in the form of highly liquid assets (year-end 2018: €77.3bn). A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €6.3bn as at the reporting date (31 December 2018: €10.0bn).

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

Liquidity ratios

Throughout 2019, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk.

The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Since 1 January 2018, banks have had to maintain a ratio of at least 100%.

In 2019, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. As at the end of 2019, the average month-end value of the LCR over the last 12 months was 132.72% (as at the end of 2018: 135.66%).

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

Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes legal risks; it does not cover strategic or reputational risks. In view of their increased economic significance, compliance risk and cyber risk are managed as separate risk types. However, losses from compliance risks and cyber risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

Strategy and organisation

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

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

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

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

Risk management

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

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

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

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

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

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

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

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

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

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

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

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

Other risks

To meet the requirements of the Basel framework, MaRisk requires an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. The following risk types except model risk and from 1 January 2020 cyber risk are outside the responsibility of the CRO.

Legal risk

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

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

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

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

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

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

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

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

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

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

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

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

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

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss Francs (CHF). In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants are appealing against this judgement. A total of 1,731 plaintiffs have joined the class action. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. In addition to the class action, 2,902 other individual proceedings are pending as at 31 December 2019. The subsidiary is defending itself against each of the claims. It has won the majority of the individual lawsuits.

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

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

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

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

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

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

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

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

Group Compliance is responsible for:

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

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

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

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

Current developments In 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Bank has already dealt with the majority of the findings relating to the settlements.

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

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

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). On 8 November 2018, Commerzbank reached agreement with the CFTC in a consent order waiving an investigation into breach of the U.S. swap dealer rules in the U.S. Commodity Exchange Act and the regulations of the CFTC. In accordance with this consent order, Commerzbank has engaged an outside consultant approved by the CFTC (Compliance Consultant) for a period of two years. The CFTC may extend this period by a further year at its discretion, based on its assessment of Commerzbank's remedial efforts. The Compliance Consultant started work in April 2019 and will probably submit their initial report by May 2020.

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

Reputational risk

Reputational risk is the risk that stakeholders may lose confidence in Commerzbank or that its reputation may be damaged as a result of negative events in its business activities. Commerzbank's stakeholder groups include in particular the public and the media, non-governmental organisations and its customers. In the present-day competitive environment, a company's reputation is becoming more and more important. The main factor determining this is how companies handle sustainability considerations (environmental, ethical or social risks) in the market segments' customer business (intrinsic reputational risks). Companies are judged not only on the basis of people's personal experiences of them, but also on reports reaching the public, especially through the media. Reputational risk therefore goes hand in hand with communication risk.

Strategy and organisation All employees and managers have a fundamental duty to protect and reinforce Commerzbank's good reputation as a significant element of its enterprise value. The segments and significant subsidiaries bear direct responsibility for reputational risk resulting from their particular business activity. The Reputational Risk Management department is part of the central Group Communications division of the Commerzbank Group and focuses on intrinsic reputational risk that may directly lead to reputational damage among stakeholder groups. The department maintains close links with the relevant front office units. Management of intrinsic reputational risk is the responsibility of the Chairman of the Board of Managing Directors. It is a component of Commerzbank's overall risk strategy. Reputational Risk Management's tasks include identifying, evaluating and addressing intrinsic reputational risk in systematic processes at an early stage and suggesting or implementing appropriate measures (early warning function).

Risk management Managing intrinsic reputational risk means identifying and reacting to potential environmental, social and ethical risks at an early stage, thereby reducing any potential communication risk or even preventing it completely. Intrinsic reputational risk is managed by means of a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental, social and ethical risks on a qualitative five-point scale. This assessment can contain conditions and in some cases a negative verdict, which could lead to a rejection.

The sensitive areas regularly and comprehensively analysed in Reputational Risk Management include armaments exports and transactions, products and customer relationships relating to power generation and commodities extraction. Commerzbank's attitude towards these areas is laid down in positions and guidelines that are binding for all employees. Commerzbank's Reputational Risk Management department regularly observes and analyses new environmental, ethical and social issues and informs the relevant parts of the Bank about these. The reputational risks identified and addressed by the department are incorporated into the quarterly report on non-quantifiable risks and the quarterly report on major and high reputational risks (sustainability risks) prepared for the full Board of Managing Directors and the Risk Committee of the Supervisory Board.

IT risk

IT risk is a form of operational risk. In our internal definition, we define IT risk as risks to the security of information processed in our systems in terms of meeting the four IT security objectives set out below:

Confidentiality: Information is confidential if it is not accessible to, or capable of being reconstructed by, unauthorised persons, business processes or IT systems.

Integrity: Information possesses integrity if it has not been modified or destroyed by any unauthorised means. An information-processing system (IT system) possesses integrity if it can perform its intended functions without hindrance and free of unauthorised manipulations, whether deliberate or accidental.

Traceability: Actions and technologies applied to information are traceable if they themselves and their source can be traced back without any ambiguity.

Availability: Information is available if it is always capable of being used to a predefined extent by authorised persons, business processes and IT systems when it is required.

Commerzbank attaches great importance to the protection and security of its own information, of that entrusted to it by customers, and of the business processes and systems used to process it. They form a permanent core element in our IT strategy. The processing of information is based increasingly on information technologies. As such, our IT security requirements are at the heart of information security management. IT security requirements are based on the IT security objectives referred to above and are set down in policies and procedural instructions.

IT risks are identified, evaluated and regularly reviewed as part of IT governance processes. IT risk is covered in the quarterly IT risk report. Information security is also established as a principal objective for our Internal Control System.

Relevant IT risks are also evaluated as part of operational risk management through risk scenarios and considered in the Bank's RWA calculation. This includes the risk of a breakdown of critical IT, the risk of external attack on the systems or data of the Bank (cyber crime and advanced persistent threat (APT)1 scenarios), the theft of corporate data or the default of service providers and vendors. See also the description of cyber risk.

Given the major importance of IT security to Commerzbank, it is further developed and improved on an ongoing basis by means of strategic projects. We have taken into account the significance of the "human" factor in IT security and cyber security by introducing additional training and awareness-raising measures.

Cyber risk

Cyber risk comprises risks with direct relevance to security and risks that lead to relevance to security (in each case, within cyber space). The part of cyber space of relevance to Commerzbank is all connected IT environments within the Bank and those outside the Bank that lead to customers, business partners and service providers. Cyber risk is therefore concerned with the digital representation of the Bank's assets (data, information) within cyber space.

Unlike information security risk, whose scope is limited to the Bank and third-party companies with a business connection, the scope of cyber risk extends to unknown persons, to take full account of the requirement to protect their legitimate expectations when using cyber space.

The strategic guidelines from the overall risk strategy and the information security strategy apply without limitation to cyber risk.

In order to prevent cyber risk organisationally, Commerzbank has – in addition to the established governance processes of information security, the related risk reports on key risk indicators and management via the Internal Control System (ICS) – set up a cyber security programme focusing on specific aspects of cyber security. The results of the cyber security programme feed both the ICS and the Bank's risk reporting.

Cyber risk is managed by Group Organisation & Security, which reports to the Group Chief Information Security Officer (CISO). On 1 January 2020, Commerzbank established the new Group division "Group Cyber Risk & Information Security" to manage cyber and information security risks.

Cyber risk generally has consequences for operational risk and the Bank's other material risk types. These can be broken down into direct and indirect consequences. All consequences are documented in the cyber sub-risk strategy and updated on an ongoing basis.

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

Human resources risk

Human resources risk falls within the definition of operational risk referred to in the Capital Requirements Regulation (CRR). The internal, management-oriented interpretation of this definition at Commerzbank includes the following elements in human resources risk:

Adjustment risk: Adjustment risk results when organisational and operational circumstances change (for example, restructuring, changes in management culture, qualification needs), these changes impact employees' scope of responsibilities and therefore require a greater willingness to change on the part of the staff. We offer selected internal and external training, continuing education and change programmes to ensure that the qualification levels of our employees keep pace with the current requirements, guidance is provided for structural changes and our employees can fulfil their duties and responsibilities.

Motivation risk: Motivation risk arises when demotivating factors are not eliminated and employees do not adequately perceive motivating factors such as management or remuneration. The effects (such as withheld performance by employees) can have a direct impact on the working environment and the organisation's productivity. Employee surveys enable us to respond as quickly as possible to potential changes in our employees' level of corporate loyalty and to initiate adequate measures.

Departure risk: Departure risk takes into account the consequences of undesired employee departures (for example, if an employee resigns voluntarily), particularly when high performers are involved. We take great care to ensure that the absence or departure of employees does not result in long-term disruptions to our operations. We also monitor staff turnover on a regular basis from both a quantitative and a qualitative perspective.

Supply risk: Supply risk reflects the consequences of insufficient staffing (for example, inadequate development of young staff) and the resulting consequences (operating bottlenecks, increased workload, lower productivity and illness). Appropriate quantitative and qualitative staffing aims to ensure that internal operating requirements, business activities and Commerzbank's strategy can be implemented.

Employees are a key resource for Commerzbank. Human resources risk is systematically managed by Group Human Resources with the aim of identifying, assessing and managing risks, for instance by applying selected personnel tools. The Board of Managing Directors is regularly informed about human resources risk.

In addition, systematic and strategic personnel planning helps to put the management of medium- and long-term human resources risks on a more professional footing. This has been introduced gradually into the Bank's strategically relevant business areas since 2015.

Overall, the Bank will continue to monitor human resources risk. There is a risk that the human resources risk situation may deteriorate due to the impending structural changes under the "Commerzbank 5.0" strategy. Change and organisational measures have already been initiated to counter human resources risk.

Business strategy risk

Business strategy risk is the medium- to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example as a result of changes in the market or competitive environment, capital market requirements, regulatory/political factors or the inadequate implementation of the Group strategy (primary risk drivers).

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

Responsibility for strategic corporate management lies with the full Board of Managing Directors. Specific business policy decisions (acquisition and sale of equity holdings >€300m) also require the authorisation of the Supervisory Board's Risk Committee. All major investments are subject to careful review by the full Board of Managing Directors.

Model risk

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

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

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

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

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

Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2019

€m				2019	2018
Interest income from					
a) Lending and money market transactions	6,294				6,278
less negative interest from money market transactions	−456				−597
		5,838			5,682
b) Fixed-income securities and debt register claims		593			635
			6,431		6,317
Interest expenses					–
Interest expenses from banking business		−3,312			−3,296
less positive interest from banking business		470			551
			−2,843		−2,745
				3,588	**3,572**
Current income from					
a) Equities and other non-fixed-income securities			0		0
b) Equity holdings			5		11
c) Holdings in affiliated companies			158		77
				164	**88**
Income from profit-pooling and from partial or full profit-transfer agreements				**215**	**502**
Commission income			2,795		2,814
Commission expenses			−332		−316
				2,462	**2,497**
Net trading income/expense				**109**	**217**
of which: allocations as defined by Art. 340 g (2) HGB	−12				−24
Other operating income				**857**	**321**
General administrative expenses					
a) Personnel expense					
aa) Wages and salaries		−2,436			−2,321
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits		−470			−634
of which: for pensions	−90				−261
			−2,907		−2,955
b) Other administrative expenses			−2,330		−2,624
				−5,237	**−5,579**
Depreciation, amortisation and write-downs of intangible and fixed assets				**−528**	**−536**
Other operating expenses				**−165**	**−1,000**
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business				**−1,101**	**–**
Income from write-ups on loans and certain securities and from the release of provisions in lending business				**–**	**203**
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				**136**	**42**
Expenses from the transfer of losses				**−0**	**−9**
Profit or loss on ordinary activities				**501**	**318**
Extraordinary income			–		–
Extraordinary expenses			−160		−46
Profit or loss on extraordinary activities				**−160**	**−46**
Taxes on income			−134		11
Other taxes			−20		−21
				−154	**−10**
Net profit				**188**	**262**
Transfer to other retained earnings				–	–
Distributable profit				**188**	**262**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2019

Assets | €m				**31.12.2019**	**31.12.2018**
Cash reserve					
a) Cash on hand			9,230		9,358
b) Balances with central banks			25,416		39,634
of which: with Deutsche Bundesbank		14,168			18,695
				34,646	**48,992**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers			1,993		490
				1,993	**490**
Claims on banks					
a) Payable on demand			4,540		6,181
b) Other claims			32,759		42,721
of which: public-sector loans		738			685
				37,299	**48,902**
Claims on customers				**225,110**	**206,017**
of which: secured by mortgages on real estate		60,377			55,183
of which: secured by mortgages on ships		27			161
of which: public-sector loans		14,035			10,972
Bonds and other fixed-income securities					
a) Money market instruments					
aa) Issued by public-sector borrowers		50			–
of which: rediscountable at Deutsche Bundesbank	50				–
ab) Issued by other borrowers		–			735
of which: rediscountable at Deutsche Bundesbank	–		–		–
			50		735
b) Bonds and notes					
ba) Issued by public-sector borrowers		14,254			14,140
of which: rediscountable at Deutsche Bundesbank	11,293				9,678
bb) Issued by other borrowers		19,192			17,120
of which: rediscountable at Deutsche Bundesbank	12,152				11,196
			33,446		31,261
c) Own bonds			6		6
Nominal amount €5m					
				33,503	**32,002**

Assets | €m			31.12.2019	31.12.2018
Equities and other non-fixed-income securities			**46**	**62**
Trading assets			**26,112**	**32,216**
Equity holdings			**79**	**77**
of which: investments in banks	14			14
of which: investments in financial services companies	5			5
Holdings in affiliated companies			**6,275**	**5,536**
of which: investments in banks	2,756			2,756
of which: investments in financial services companies	2,538			267
Fiduciary assets			**1,208**	**1,845**
of which loans at third-party risk	384			384
Intangible assets				
a) Proprietary intellectual property rights and similar rights and assets		1,031		1,152
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets		154		222
			1,184	**1,374**
Fixed assets			**456**	**472**
Other assets			**5,655**	**4,180**
Accrued and deferred items				
a) From issuing and lending business		192		173
b) Other		2,396		276
			2,587	**449**
Excess of plan assets over liabilities			**1,353**	**562**
Total assets			**377,507**	**383,176**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2019

Liabilities and shareholders' equity | €m			31.12.2019	31.12.2018
Liabilities to banks				
a) Payable on demand		16,898		18,419
b) With agreed term or notice period		52,060		56,417
of which: issued registered mortgage Pfandbriefe	216			270
of which: issued registered public Pfandbriefe	563			720
of which: issued registered ship Pfandbriefe	–			–
			68,958	**74,836**
Liabilities to customers				
a) Savings deposits				
aa) With agreed notice period of three months	8,445			7,951
ab) With agreed notice period of more than three months	11			13
		8,456		7,964
b) Other liabilities				–
ba) Payable on demand	160,059			146,684
bb) With agreed term or notice period	50,313			55,545
		210,372		202,229
of which: issued registered mortgage Pfandbriefe	2,687			3,187
of which: issued registered public Pfandbriefe	5,600			6,030
of which: issued registered ship Pfandbriefe	342			414
			218,828	**210,193**
Securitised liabilities				
a) Bonds and notes issued		32,595		31,928
aa) Mortgage Pfandbriefe	14,989			14,950
ab) Public Pfandbriefe	561			1,422
ac) Ship Pfandbriefe	–			–
ad) Other bonds	17,045			15,557
b) Other securitised liabilities		1,459		5,666
ba) Money market instruments	1,459			5,662
bb) Own acceptances and promissory notes outstanding	0			3
			34,054	**37,594**
Trading liabilities			**16,687**	**20,706**
Fiduciary liabilities			**1,208**	**1,845**
of which: loans at third-party risk	384			384
Other liabilities			**4,518**	**3,662**
Accrued and deferred items				
a) From issuing and lending business		10		9
b) Other		176		425
			186	**434**

Liabilities and shareholders' equity | €m				31.12.2019	31.12.2018
Provisions					
a) Provisions for pensions and similar commitments			34		45
b) Provisions for taxes			406		392
c) Other provisions			1,808		2,034
				2,248	**2,470**
Subordinated liabilities				**7,467**	**8,526**
Profit-sharing certificates outstanding				**80**	**80**
of which: maturing in less than two years		80			–
Additional Tier 1 instruments				**920**	**–**
Fund for general banking risks				**134**	**122**
of which: special item pursuant Art. 340e (4) HGB		134			122
Equity					
a) Subscribed capital					
aa) Share capital	1,252				1,252
Treasury shares	–				–
(conditional capital €0m)		1,252			1,252
ab) Silent participations		–			427
			1,252		1,679
b) Capital reserve			17,192		17,192
c) Retained earnings[1]			3,587		3,575
d) Distributable profit			188		262
				22,219	**22,708**
Liabilities and shareholders' equity				**377,507**	**383,176**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers			1		1
b) Liabilities from guarantees and indemnity agreements			40,794		37,615
				40,795	**37,616**
2. Other commitments					
a) Irrevocable lending commitments				76,234	73,466

[1] Other retained earnings only.

Notes

General information

(1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2019 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including "Of which" sub-headings under the relevant items. In order to make the financial statements clearer, we have expanded the details of mortgages on ships and of ship Pfandbriefe.

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

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

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

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

(2) Accounting and measurement policies

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

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

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

Write-downs and valuation allowances are shown net of write-ups in the income statement. Securities in the liquidity reserve are reported according to type either under write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business or under income from write-ups on loans and certain securities and from reversals of provisions in lending business.

Securities held as fixed assets are reported under write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31.5 % (previous year: 31.5 %). This is made up of the German corporate income tax rate of 15.0 %, plus the solidarity surcharge of 5.5 % and an average rate of 15.7 % for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range between 0 % and 32.0 %.

(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. The Bank reports exchange rate fluctuations from the trading portfolios in net trading income/net trading expense. Currency-related forward transactions in the trading book are measured at fair value. Due to the special cover in the same currency, profits and losses from currency translation are recognised through profit or loss.

(4) Changes in accounting policies

We have applied the same accounting policies to the 2019 financial year as to the previous financial year.

(5) Report on events after the reporting period

In January 2020 Commerzbank Aktiengesellschaft acquired an equity stake in comdirect bank Aktiengesellschaft (“comdirect“) from institutional investor Petrus Advisers Ltd. through its subsidiary Commerzbank Inlandsbanken Holding GmbH. It was agreed that the purchase price would not be disclosed.

Once the transaction has been completed, Commerzbank will hold more than 90 % of the shares of comdirect. This means that Commerzbank has reached the required investment threshold for the merger of comdirect into Commerzbank by means of a squeeze-out under merger law. In the course of the contemplated squeeze-out, comdirect shareholders will receive a cash compensation for their shares.

Notes to the income statement

(6) Breakdown of revenues by geographic markets

€m	2019	2018
Germany	8,629	8,111
Europe without Germany	1,088	1,068
America	352	281
Asia	286	297
Total	**10,355**	**9,757**

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

(7) Auditors' fee

The fee for audit services covers the annual audit of Commerzbank Aktiengesellschaft. The audit related services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and attest services. It also includes reviews of reporting obligations pursuant to Art. 89 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the audit of the non-financial report in accordance with Art. 340a HGB in connection with Art. 298b HGB and the issue of comfort letters. 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 no. 17 HGB.

(8) Other operating income and expenses

Other operating income of €857m (previous year: €321m) is primarily comprised of net income from the offsetting of expenses and income from discounting and from plan assets offset against pension obligations of €529m (previous year: expenses from plan assets of €–177m), income from reversals of provisions of €129m (previous year: €108m) and interest refunds from back taxes of €52m (previous year: €62m). In the year under review, €0m (previous year: €1m) of income from currency translation is also included. Other operating expenses of €165m (previous year: €1,000m) are primarily comprised of €39m from allocations to provisions (previous year: €45m). As at 31 December 2019, €1m (previous year: €1m) of expenses from currency translation are also included. In the previous year, other operating expenses included expenses from the unwinding of discounts on provisions in the amount of €629m.

(9) Non-periodic income and expenses

Non-periodic income includes €74m (previous year: €67m) from the reversal of various provisions. In addition, non-periodic tax expenses of €8m (previous year: income of €79m) are shown in the financial year. This income results primarily from the ongoing tax on-site inspection. This includes the provision for tax risks in Germany of €84m. In contrast, tax income of €76m resulted from tax refunds relating to previous years.

Non-periodic expenses included in the previous year a non-recurring provision expense of €49m based on the update of the Heubeck mortality tables.

(10) Extraordinary income

The Bank did not realise any extraordinary income in the financial year, as in the previous year. Extraordinary expenses include an allocation to provisions for restructuring in the amount of €114m (previous year: €0m). Extraordinary expenses also include the necessary allocation to pension provisions in accordance with Art. 67 (1) sentence 1 of the Introductory Act to the German Commercial Code of €46m (previous year: €46m).

(11) Administrative and agency services

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

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

The income from these services is included in commission income.

Notes to the balance sheet

(12) Maturity structure of claims and liabilities

€m	31.12.2019	31.12.2018
Other claims on banks	**32,759**	**42,721**
with a residual term of		
less than three months	18,703	24,733
over three months up to one year	5,767	10,200
over one year up to five years	5,668	6,788
over five years	2,621	1,000
Claims on customers	**225,110**	**206,017**
with an indefinite term	19,703	17,933
with a residual term of		
less than three months	28,154	25,131
over three months up to one year	20,979	21,203
over one year up to five years	68,842	61,470
over five years	87,433	80,281

€m	31.12.2019	31.12.2018
Liabilities to banks with an agreed term or notice period	**52,060**	**56,417**
with a residual term of		
less than three months	10,078	14,509
over three months up to one year	7,627	7,959
over one year up to five years	16,776	18,094
over five years	17,578	15,855
Savings deposits with an agreed notice period of more than three months	**11**	**13**
with a residual term of		
over three months up to one year	11	13
Other liabilities to customers with an agreed term or notice period	**50,313**	**55,545**
with a residual term of		
less than three months	22,079	20,611
over three months up to one year	9,688	14,097
over one year up to five years	8,345	9,732
over five years	10,201	11,105
Other securitised liabilities	**1,459**	**5,666**
with a residual term of		
less than three months	638	1,446
over three months up to one year	820	4,219
over one year up to five years	–	–

Of the €32,595m in bonds and notes issued within securitised liabilities (previous year: €31,928m), €1,239m is due in 2020.

(13) Cover assets for bonds issued by the Bank

€m	31.12.2019	31.12.2018
Claims on banks	111	605
Claims on customers	37,309	31,784
Bonds and other fixed-income securities	3,739	3,951
Total	**41,160**	**36,340**

(14) Securities

As at 31 December 2019 the breakdown of marketable securities was as follows:

	Listed on a stock exchange		Not listed	
€m	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Bonds and other fixed-income securities	30,529	28,368	2,974	3,634
Equities and other non-fixed-income securities	0	0	41	56
Equity holdings	1	1	–	–
Holdings in affiliated companies	2,380	2,377	112	52

Of the bonds and other fixed-income securities amounting to €33,503m (previous year: €32,002m), €3,002m is due in 2020.

For bonds and other fixed-income marketable securities held as fixed assets in the amount of €361m (previous year: €725m), 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. The Bank did also not recognise any further write-downs as at 31 December 2019.

(15) 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 2019, Commerzbank Aktiengesellschaft allocated an amount of €12m (previous year: €24m) from net trading income to the fund for general banking risks.

€m	31.12.2019	31.12.2018
Trading assets	**26,112**	**32,216**
Derivative financial instruments	15,285	14,967
Claims	1,718	2,632
Bonds and other fixed-income securities	2,670	3,450
Equities and other non-fixed-income securities	6,456	11,199
Risk charge value at risk	−18	−31

€m	31.12.2019	31.12.2018
Trading liabilities	**16,687**	**20,706**
Derivative financial instruments	11,830	12,936
Liabilities	4,858	7,770

Reclassification of financial instruments in the trading portfolio

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

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

(16) 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. In the net hedge presentation method, contrary changes in the underlying and hedging transactions are not recognised in income.

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

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

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

Furthermore, fixed asset securities and derivatives for hedging against interest rate and inflation risks have been designated as to a portfolio hedge relationship that is accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. The average term to maturity of these hedge relationships is 24 years. Under the net hedge presentation method, the effectiveness of hedge relationships for own issues in the non-trading portfolio is measured using a simplified test based on a portfolio-based sensitivity analysis or a qualitative comparison of the characteristics of the hedged transaction and the hedging instrument. The average term to maturity of these hedge relationships is six years (previous year: five years).

In addition, in the financial year under review interest rate and inflation risks from derivatives with corresponding offsetting hedging derivatives were for the first time designated as to micro hedge relationships that are likewise accounted for using the net hedge presentation method. The effectiveness is determined on the basis of the dollar-offset method. From these hedge relationships, positive and negative changes in the amount of €611m were netted in 2019. The average term to maturity of the derivatives was 27 years.

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

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

	Book values		Nominal values		Level of hedged risk	
€m	31.12.2019	31.12.2018	31.12.2019	31.12.2018	2019	2018
Securities of liquidity reserve	15,111	13,155	14,638	12,978	186	178
Securities and receivables of the non-trading portfolio	4,003	–	2,643	–	1,001	–
Other assets	935	–	–	–	– 213	–
Issues of non-trading portfolio	56,650	61,883	57,707	62,249	4,729	3,385

(17) Relationships with affiliated companies and equity holdings

	Affiliated companies		Equity holdings	
€m	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Claims on banks	5,424	7,153	0	0
Claims on customers	14,096	10,342	224	211
Bonds and other fixed-income securities	1,546	1,474	–	–
Trading assets excluding derivative financial instruments	7	97	6	36
Liabilities to banks	24,727	21,966	0	2
Liabilities to customers	7,470	3,163	205	235
Securitised liabilities	–	224	–	–
Trading liabilities excluding derivative financial instruments	–	–	2	3
Subordinated liabilities	1,015	224	–	–

(18) Fiduciary transactions

€m	31.12.2019	31.12.2018
Claims on banks	7	7
Claims on customers	377	377
Other fiduciary assets	825	1,461
Fiduciary assets	**1,208**	**1,845**
of which: loans at third-party risk	384	384
Liabilities to banks	7	8
Liabilities to customers	377	377
Other fiduciary liabilities	825	1,461
Fiduciary liabilities	**1,208**	**1,845**
of which: loans at third-party risk	384	384

(19) Changes in book value of fixed assets

€m	Intangible assets	Fixed assets	Securities/ promissory note loans held as fixed assets	Equity holdings	Holdings in affiliated companies
Residual book values as at 1.1.2019	**1,374**	**472**	**16,514**	**77**	**5,536**
Cost of acquisition/production as at 1.1.2019	**3,382**	**1,757**	**16,575**	**108**	**7,329**
Additions	265	75	9,582	3	927
Disposals	47	114	9,245	4	224
Transfers	– 0	– 1	–	–	–
Exchange rate changes	4	6	313	–	37
Cost of acquisition/production as at 31.12.2019	**3,603**	**1,723**	**17,224**	**107**	**8,070**
Cumulative write-downs as at 1.1.2019	**2,008**	**1,285**	**61**	**31**	**1,793**
Write-downs in 2019	448	84	0	0	10
Additions	–	–	–	–	–
Disposals	40	104	1	2	13
Transfers	– 0	1	–	–	–
Exchange rate changes	3	6	2	–	35
Cumulative write-downs as at 31.12.2019	**2,419**	**1,272**	**63**	**29**	**1,825**
Write-ups	**–**	**5**	**0**	**0**	**30**
Residual book values as at 31.12.2019	**1,184**	**456**	**17,161**	**79**	**6,275**

Of the land and buildings with an overall book value of €159m (previous year: €155m), €150m (previous year: €145m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment included in fixed assets amounted to €297m (previous year: €317m). As at 31 December 2019, development costs for intangible assets developed in-house were capitalised in the amount of €1,031m (previous year: €1,152m). Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets. As a result, the Bank did not incur any costs in this respect.

(20) Other assets

Other assets amounted to €5,655m (previous year: €4,180m). They were mainly comprised of claims from collateral to be provided in advance for forward transactions amounting to €1,059m (previous year: €1,064m), claims on tax authorities of €533m (previous year: €881m), initial/variation margins receivable of €258m (previous year: €269m), amounts due under profit and loss transfer agreements of €215m (previous year: €503m), interest accruals on non-trading derivatives of €199m (previous year: €326m) and precious metals in the non-trading portfolio of €26m (previous year: €26m). In addition, since this financial year other assets have included emissions allowances of €935m. These were reported in the trading portfolio in the previous year.

(21) Subordinated assets

€m	31.12.2019	31.12.2018
Claims on banks	37,299	48,902
of which: subordinated	248	239
Claims on customers	225,110	206,017
of which: subordinated	304	307
Bonds and other fixed-income securities	33,503	32,002
a) Money market instruments	50	735
of which: subordinated	–	–
b) Bonds and notes issued by other borrowers	33,446	31,261
of which: subordinated	–	–
c) Own bonds	6	6
of which: subordinated	6	6
Equities and other non-fixed-income securities	46	62
of which: subordinated	–	–
Trading assets	26,112	32,216
of which: subordinated	46	67
Total subordinated assets	**604**	**620**

(22) Repurchase agreements

As at 31 December 2019, the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €3,815m (previous year: €6,776m).

(23) The Bank's foreign currency position

As at 31 December 2019, the Bank had €89,520m (previous year: €99,821m) in foreign currency assets and €49,077m (previous year: €56,245m) in foreign currency liabilities.

(24) Collateral pledged for own liabilities

€m	31.12.2019	31.12.2018
Liabilities to banks	45,927	50,491
Liabilities to customers	13,145	8,816
Securitised liabilities	–	–
Other commitments	2,868	5,578
Total	**61,940**	**64,885**

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

(25) Other liabilities

Other liabilities of €4,518m (previous year: €3,662m) were mainly comprised of liabilities from collateral to be provided in advance for forward transactions amounting to €1,077m (previous year: €39m), interest accruals on non-trading derivatives of €377m (previous year: €268m), liabilities attributable to film funds of €316m (previous year: €313m), derivatives from CO2 certificates in the amount of €254m (in the previous year these were reported under trading liabilities), liabilities to tax authorities of €223m (previous year: €199m) and liabilities from profit and loss transfer agreements of €0m (previous year: €9m).

(26) Provisions

a) Provisions for pensions and similar commitments

Pension provisions are calculated on the basis of actuarial principles using an average discount rate, set by the Deutsche Bundesbank, over ten years, applying the projected unit credit method on the basis of the Heubeck 2018 G mortality tables. Due to the update of the Heubeck mortality tables, the Bank recorded a non-recurring provision expense of €49m in the previous year.

In addition, the integration of the IT subsidiary Commerz Systems GmbH and the corresponding transfer of employees resulted in a non-recurring provision expense of €20m in the previous year

The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2019. In accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations are discounted using the average annual interest rate over ten years of 2.71 % (previous year: 3.21 %), instead of over seven years at 1.97 % (previous year: 2.32 %). The resulting difference as at 31 December 2019 was €819m (previous year: €934m), thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50% per annum (previous year: 2.50 % per annum), and we have set an interest rate of 1.40 % per annum (previous year: 1.60 % 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 €7m (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 €37m (previous year: €83m).

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 2019, the following values were recorded for these items before offsetting:

€m	31.12.2019	31.12.2018
Fair value of the plan assets	7,700	6,492
Settlement amount	6,440	6,103

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the interest expense from unwinding the discount on provisions for pensions covered by plan assets amounted to €664m (previous year: €618m). Prior to offsetting, income from plan assets amounted to €1,202m (previous year: expenses of €–177m).

The historical cost of the plan assets amounted to €6,261m (previous year: €5,998m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

b) Other provisions

Other provisions largely consist of provisions for personnel, for the lending business and for litigation and recourse risks. The personnel-related provisions include provisions for restructuring, age-related short-time working and early retirement. We recognised restructuring provisions for the early retirement part-time program in the context of the new strategy “Commerzbank 5.0“ amounting to €114m during the reporting year (previous year: –).

The plan assets to cover obligations for age-related short-time working of €117m (previous year: €117m) were offset against the settlement amount of €95m (previous year: €72m). Prior to offsetting, the interest expense from unwinding the discount on provisions for age-related short-time working covered by plan assets amounted to €3m (previous year: €4m). Prior to offsetting, there were expenses of €0m from cover assets in the current reporting year (previous year: €1m). The historical cost of the plan assets for age-related short-time working amounted to €114m (previous year: €114m).

(27) Subordinated liabilities

Subordinated liabilities, which amount to €7,467m (previous year: €8,526m), may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay early the liabilities or right to claim interest until this condition has been met.

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

Interest paid on subordinated liabilities amounted to €446m in the financial year (previous year: €526m). The following borrowings exceeded 10 % of the subordinated liabilities as at 31 December 2019:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CB83CF0	EUR	1,327	7.75	16.3.2021
DE000CZ40LD5	EUR	1,031	4.00	23.3.2026
US20259BAA98	USD	694	8.13	19.9.2023
DE000CZ40LW5	EUR	668	4.00	30.3.2027

(28) 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 2019 financial year:

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

(29) Additional Tier 1 instruments

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

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

As at 31 December 2019, the bond had a carrying amount of €920m. The decline in the carrying amount is attributable to exchange rate effects. The interest expense attributable to the bond was €30m in the financial year.

(30) Equity

€	31.12.2019		31.12.2018	
Equity		**22,218,931,263.91**		**22,708,434,145.61**
a) Subscribed capital		1,252,357,634.00		1,679,242,634.00
Share capital	1,252,357,634.00		1,252,357,634.00	
Silent participations	–		426,885,000.00	
b) Capital reserve		17,191,685,851.77		17,191,685,851.77
c) Retained earnings		3,587,034,133.04		3,575,025,119.84
d) Distributable profit		187,853,645.10		262,480,540.00

a) Subscribed capital

As at 31 December 2019, the share capital of Commerzbank Aktiengesellschaft of €1,252,357,634 was divided into 1,252,357,634 no-par-value bearer shares (accounting value per share €1.00).

On the reporting date there were no silent participations. The silent participation of HT1 Funding GmbH of €415,885,000 and other silent participations of €11,000,000 were reclassified as subordinated liabilities as at 31 December 2019, as these will expire or be repaid in the coming financial year. No silent participations were repaid in the current financial year.

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares are also recognised here. The capital reserve as at 31 December 2019 remained unchanged compared with the previous year at €17,191,685,852.

c) Retained earnings

€	
As at 31.12.2018	**3,575,025,119.84**
Allocation to retained earnings	12,009,013.20
of which: addition from distributable profit of prior year	12,009,013.20
As at 31.12.2019	**3,587,034,133.04**

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

At the Annual General Meeting to be held on 7 May 2020, shareholders will vote on a proposal that the distributable profit for 2019 be used to distribute a dividend totalling €0.15 per share.

(31) Authorised capital

Date of AGM resolution | €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the Article of Association
2019	626,178,817	626,178,817	21.5.2024	Art. 4 Abs. (3) and (4)
As at 31.12.2018	**569,253,470**	**569,253,470**		
As at 31.12.2019	**626,178,817**	**626,178,817**		

The conditions for capital increases from authorised capital as at 31 December 2019 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 26 July 2019.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash, in either one or several tranches, but not exceeding a maximum amount of €500,943,054.00 (Authorised Capital 2019/I). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- in order to issue shares to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Stock Corporation Act) up to a proportional amount of the share capital of €15,000,000.00.

If shares are issued against cash to employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights, the proportional amount of the share capital attributable to them may not exceed a total of 3 % of the share capital of the Company existing at the time of the resolution of the Annual General Meeting. This 3 % limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation subject to the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 21 May 2024 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €1,235,763.00 (Authorised Capital 2019/II). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 of the German Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) of the German Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 of the German Stock Corporation Act on the basis of this authorisation may not exceed a total of 10 % of the share capital of the Company, either at the time the authorisation becomes effective or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10 % of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2019/II, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3)

sentence 4 Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service bonds with warrants or convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2019/II, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 of the German Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 10 % of the share capital of the Company existing at the time when the Annual General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account – subject to any renewed authorisation to exclude subscription rights that may be adopted as a resolution by a subsequent Annual General Meeting – which are issued subject to exclusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the shareholders during the term of the authorisation under another authorisation. If shares are issued to members of the Board of Managing Directors, members of the management or employees of Commerzbank Aktiengesellschaft and its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights against contributions in kind consisting of claims for variable remuneration components, bonuses or similar claims against the Company or its Group companies, the Board of Managing Directors may only make use of the authorisation up to a maximum total amount of 3 % of the share capital existing at the time of the resolution by the Annual General Meeting. This 3 % limit shall take into account the proportional share capital issued against cash or contributions in kind or sold during the term of this authorisation under another authorisation subject to the exclusion of shareholders' subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its Group companies within the meaning of Art. 18 (1) of the German Stock Corporation Act. The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

The resolution of the Annual General Meeting of 30 April 2015 (Conditional Capital 2015) has been revoked.

€	Remaining authorised capital 31.12.2018	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2019
Total	**569,253,470**	**626,178,817**	**–**	**569,253,470**	**626,178,817**

(32) Conditional capital

€	Conditional capital 31.12.2018	Added in financial year	Used in financial year	Expired in financial year	Conditional capital 31.12.2019	of which: Used conditional capital	of which: still available
Total	**569,253,470**	**–**	**–**	**569,253,470**	**–**	**–**	**–**

The authorisation of the Board of Managing Directors adopted by resolution of the Annual General Meeting on 30 April 2015 to issue convertible bonds or bonds with warrants, profit-sharing certificates and other hybrid debt instruments (the profit-sharing certificates and hybrid debt instruments with or without conversion or option rights or obligations) was revoked by resolution of the Annual General Meeting on 22 May 2019.

(33) Non-distributable amounts

€m	31.12.2019	31.12.2018
In-house developed intangible assets[1]	1,031	1,152
Difference arising from the recognition of plan assets at fair value[1]	1,456	511
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations[2]	819	934
Non-distributable amount	**3,306**	**2,597**

[1] Details pursuant to Art. 268 (8) of the German Commercial Code (HGB).
[2] Details pursuant to Art. 253 (6) of the German Commercial Code (HGB).

(34) Significant shareholder voting rights

As at 31 December 2019, Commerzbank Aktiengesellschaft had received the following notifications of voting rights:

Company required to report	Registered office	Total %[1]	Report date
Federal Republic of Germany	Berlin	15.60	4.6.2013
Cerberus Capital Management, L.P.	New York, USA	5.01	26.7.2017
BlackRock Inc.	Wilmington, Delaware, USA	4.99	30.5.2018
Ministry of Finance on behalf of the state of Norway	Oslo, Norway	3.09	1.10.2019

[1] 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 of the 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 Art. 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 2,723,043 shares as collateral (previous year: 2,625,660 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	31.12.2019	31.12.2018
Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	1
Liabilities from guarantees and indemnity agreements[1]	40,794	37,615
Other guarantees	33,557	30,434
Letters of credit	3,876	4,244
Credit guarantees	3,362	2,938
Total	**40,795**	**37,616**

[1] See note 35 d) Other financial commitments.

Contingent liabilities from guarantees and indemnity agreements are mainly related to retail banking with customers which generates commission income. Commerzbank Aktiengesellschaft runs the risk that a claim will be made under its contractual obligations due to the deteriorating credit quality of the borrower. Credit risks are reflected in the balance sheet by creating provisions. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters. These parameters are in line with EU Regulation 575/2013, which implements the supervisory regulations of the Basel 3 regulatory framework at European level.

b) Other commitments

€m	31.12.2019	31.12.2018
Irrevocable lending commitments	**76,234**	**73,466**
Loans to customers	72,923	70,660
Loans to banks	1,461	1,281
Acceptance credits and letters of credit	1,850	1,525

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

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

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

c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet because beneficial ownership remains with the lender due to the structure of the transactions. Securities lent out therefore continue to be recognised in the balance sheet. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. As at the reporting date, the fair value of securities lent amounted to €5,215m (previous year: €7,260m), while the fair value of securities borrowed amounted to €12,423m (previous year: €16,975m).

As part of these securities transactions, collateral for securities lent amounted to €5,027m (previous year: €7,105m) and that for securities borrowed to €9,100m (previous year: €13,342m).

d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and the lease asset is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2019, existing commitments from rental, tenancy and leasing agreements amounted to €1,925m (previous year: €2,362m); €103m of this amount relates to affiliated companies (previous year: €96m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €0m on the reporting date (previous year: €0m).

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

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

Securities with a book value of €9,836m (previous year: €9,083m) were furnished as collateral for obligations on futures exchanges and clearing houses.

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Commerzbank is exposed here to compensation claims from third parties relating to cum-cum securities lending transactions for which credit entitlements have been denied. Based on the analyses performed, Commerzbank considers it rather low that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears.

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

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

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

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

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 2019, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values	Fair value	
		positive	negative
Foreign-currency-based forward transactions			
OTC products	573,700	6,950	7,226
Foreign exchange spot and forward contracts	320,311	626	588
Interest rate and currency swaps	235,568	6,013	6,328
Currency call options	5,895	293	–
Currency put options	10,335	–	293
Other foreign exchange contracts	1,591	18	17
Exchange-traded products	2,233	–	–
Currency futures	2,222	–	–
Currency options	11	–	–
Total	**575,933**	**6,950**	**7,226**
of which: trading securities	1,040,069	6,797	6,840
Interest-based forward transactions			
OTC products	6,474,997	135,923	133,624
Forward rate agreements	2,315,748	389	390
Interest rate swaps	3,904,425	132,902	129,950
Interest rate call options	26,340	2,629	–
Interest rate put options	25,699	–	3,140
Other interest rate contracts	202,785	3	144
Exchange-traded products	260,921	3	1
Interest rate futures	160,518	2	1
Interest rate options	100,403	1	–
Total	**6,735,918**	**135,926**	**133,625**
of which: trading securities	11,395,550	129,407	128,170
Other forward transactions			
OTC products	101,724	4,589	3,079
Structured equity/index products	64,506	399	24
Equity call options	4,050	2,856	–
Equity put options	4,577	–	2,361
Credit derivatives	22,030	305	345
Precious metal contracts	6,535	1,033	349
Other transactions	26	– 4	–
Exchange-traded products	24,347	466	382
Equity futures	4,924	23	27
Equity options	12,957	443	357
Other futures	5,514	6	1
Other options	952	– 6	– 3
Total	**126,071**	**5,055**	**3,461**
of which: trading securities	221,729	3,779	2,835
Total pending forward transactions			
OTC products	7,150,421	147,462	143,929
Exchange-traded products	287,501	469	383
Total	**7,437,922**	**147,931**	**144,312**
Net position		**23,232**	**18,297**
of which: trading securities		15,285	11,830

The total effect of netting on the assets and on the liabilities side amounted to €136,251m as at 31 December 2019 (previous year: €87,074m). On the assets side, this included positive fair values of €124,699m (previous year: €76,678m), claims on banks of €6,433m (previous year: €7,688m) and other assets of €5,119m (previous year: €2,707m). On the liabilities side, negative fair values of €126,015m (previous year: €78,838m), liabilities to banks of €3,729m (previous year: €3,669m) and other liabilities of €6,507m (previous year: €4,567m) 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 €210m (previous year: €241m).

(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.

	2019			2018		
	Total	male	female	Total	male	female
Employees (number)	**32,343**	**16,287**	**16,056**	**32,584**	**16,279**	**16,305**
in Germany	28,938	14,572	14,366	29,528	14,351	15,177
outside Germany	3,405	1,715	1,690	3,056	1,928	1,128

(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. 5 ff.).

The interest rate and collateralisation of loans to members of the Board of Managing Directors and the Supervisory Board are at normal market terms. If necessary, the loans are secured through land charges or rights of lien. The Bank did not grant any advances to members of the Board of Managing Directors and the Supervisory Board during the year under review. In addition, the companies of the Commerzbank Group did not have any material contingent liabilities in connection with these persons.

Claims on members of the Board of Managing Directors as at 31 December 2019 amounted to €5,549 thousand (previous year: €3,494 thousand) and those on members of the Supervisory Board to €1,468 thousand (previous year: €1,578 thousand). In the reporting year, members of the Board of Managing Directors repaid €424 thousand, and members of the Supervisory Board repaid €113 thousand.

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

€1,000	**31.12.2019**	**31.12.2018**
Board of Managing directors	10,033	7,459
Supervisory Board	3,322	3,174
Total	**13,355**	**10,633**

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 2019 was €25,429 thousand (previous year: €20,393 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €7,390 thousand (previous year: €8,993 thousand). The pension liabilities for these persons amounted to €91,419 thousand (previous year: €89,805 thousand). Payments to former board members of merged companies and their surviving dependants were €11,618 thousand (previous year: €11,537 thousand). There were also outstanding pension obligations to these persons, which amounted to €134,096 thousand (previous year: €136,084 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 of the German Stock Corporation Act. It forms part of the corporate governance declaration and has been published on the internet (www.commerzbank.com).

(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 of €2m on disclosable units in index funds in the reporting year (previous year: €2m) and from disclosable units in balanced funds of €1m (previous year: €2m). 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 2019 by category:

€m	31.12.2019	31.12.2018
Index funds	259	329
Balanced funds	130	128
Bonds and other fixed-income funds	–	45
Equity funds	–	–
Total	**389**	**502**

(42) Mortgage Pfandbriefe

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

Art. 28 (1) no. 1, 2, 3 PfandBG | €m	31.12.2019			31.12.2018		
Cover calculation mortgage Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	17,780.4	18,959.5	20,019.5	18,239.5	19,113.1	18,276.9
of which: Pfandbriefe outstanding	17,780.4	18,959.5	20,019.5	18,239.5	19,113.1	18,276.9
of which: derivatives	–	–	–	–	–	–
Cover assets	29,044.3	31,951.8	33,663.3	26,335.7	28,660.5	27,234.8
of which: cover loans	28,448.8	31,292.4	32,979.1	25,211.3	27,365.3	25,995.0
of which: cover assets Art. 19 (1) no. 1, 2, 3 PfandBG	595.5	659.4	684.2	1,124.4	1,295.2	1,239.8
of which: derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			13,643.8			8,957.9
Loss from currency stress test			–			–
Cover surplus	**11,263.9**	**12,992.2**	**13,643.8**	**8,096.2**	**9,547.4**	**8,957.9**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2019	31.12.2018
Mortgage Pfandbriefe outstanding with a residual term of		
up to 6 months	46.1	976.4
over 6 months up to 12 months	1,262.1	2,499.7
over 12 months up to 18 months	746.7	40.3
over 18 months up to 2 years	57.0	1,272.5
over 2 years up to 3 years	1,862.0	803.7
over 3 years up to 4 years	2,808.0	1,857.0
over 4 years up to 5 years	2,244.5	2,763.0
over 5 years up to 10 years	7,343.0	7,806.0
over 10 years	1,411.0	221.0
Total	**17,780.4**	**18,239.5**
Cover assets mortgage Pfandbriefe with a residual fixed interest period of		
up to 6 months	1,028.2	951.4
over 6 months up to 12 months	1,163.6	770.7
over 12 months up to 18 months	1,088.3	1,107.3
over 18 months up to 2 years	999.7	1,159.3
over 2 years up to 3 years	2,701.8	2,066.1
over 3 years up to 4 years	3,295.1	2,590.9
over 4 years up to 5 years	3,653.3	3,026.0
over 5 years up to 10 years	13,497.1	12,856.1
over 10 years	1,617.2	1,807.7
Total	**29,044.3**	**26,335.7**

Art. 28 (1) no. 4, 5, 6 PfandBG: Other cover assets | €m	31.12.2019	31.12.2018
Equalisation claims as defined by Art. 19 (1) no. 1 PfandBG		
Germany	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 2 PfandBG		
Germany	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 3 PfandBG		
Germany	425.0	505.0
Italy	–	448.9
Austria	84.0	84.0
Czech Republic	86.5	86.5
Total	**595.5**	**1,124.4**
Total	**595.5**	**1,124.4**

Art. 28 (2) no. 1 a PfandBG: Size categories | €m	31.12.2019	31.12.2018
up to €0.3m	21,985.8	19,698.8
over €0.3m up to €1m	4,886.4	4,081.7
over €1m up to €10m	972.3	942.0
over €10m	604.3	488.8
Total	**28,448.8**	**25,211.3**

Art. 28 (2) no. 1 b and c PfandBG: Mortgage Pfandbriefe by property and type of use | €m	31.12.2019		31.12.2018	
Germany	**Commercial**	**Residential**	**Commercial**	**Residential**
Flats	–	7,536.2	–	6,448.0
Single family houses	–	16,928.1	–	15,130.3
Multi-dwellings	–	3,261.3	–	2,974.4
Office buildings	422.6	–	379.4	–
Retail buildings	199.9	–	220.3	–
Industrial buildings	0.2	–	0.2	–
Other commercially used real estate	99.9	–	58.6	–
Unfinished new buildings not yet generating income	–	0.6	–	0.0
Building sites	–	–	–	0.0
Total	**722.6**	**27,726.2**	**658.5**	**24,552.8**

Art. 28 (1) no. 10 PfandBG: Foreign currency | €m	31.12.2019	31.12.2018
Net present value	–	–

Art. 28 (1) no. 9 PfandBG: Interest structure | %	31.12.2019	31.12.2018
Share of fixed-income cover assets	99.0	98.1
Share of fixed-income Pfandbriefe	99.4	99.5

Art. 28 (1) no. 8 PfandBG: Limit breaches | €m	31.12.2019	31.12.2018
Total amount of loans that exceed the limits defined by Art. 13 (1) PfandBG	–	–
Total amount of loans that exceed the limits defined by Art. 19 (1) PfandBG	–	–

Art. 28 (1) no. 11 PfandBG: Other structural data	31.12.2019	31.12.2018
Average age of the loans weighted by value, in years (seasoning)	4.7	4.7
Average weighted loan-to-value ratio in %	52.6	52.8

Art. 28 (2) no. 2 PfandBG: Payments in arrears Germany | €m	31.12.2019	31.12.2018
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 2019. No foreclosures are currently pending.

Acquisition of properties

No properties were acquired as a loss prevention measure in 2019.

(43) Public Pfandbriefe

Art. 28 (1) no. 1 and 3 PfandBG | €m	31.12.2019			31.12.2018		
Cover calculation public Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	6,615.5	8,990.6	8,316.9	8,042.5	10,281.7	11,024.8
of which: Pfandbriefe outstanding	6,615.5	8,990.6	8,316.9	8,042.5	10,281.7	11,024.8
of which: derivatives	–	–	–	–	–	–
Cover assets	11,712.4	16,247.5	14,119.3	9,531.0	11,772.6	12,364.0
of which: cover loans	1,901.5	2,007.8	1,965.1	1,306.8	1,338.4	1,353.5
of which: cover assets Art. 20 (1) PfandBG	11,626.0	16,137.1	14,014.9	9,442.7	11,660.5	12,244.6
of which: cover assets Art. 20 (2) PfandBG	86.4	110.4	104.4	88.3	112.1	119.4
of which: derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			6,237.9			1,538.6
Loss from currency stress test			– 435.5			– 199.4
Cover surplus	**5,097.0**	**7,256.9**	**5,802.4**	**1,488.5**	**1,490.9**	**1,339.2**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2019	31.12.2018
Public Pfandbriefe outstanding with a residual term of		
up to 6 months	542.2	835.0
over 6 months up to 12 months	461.0	606.7
over 12 months up to 18 months	110.5	539.7
over 18 months up to 2 years	230.3	461.0
over 2 years up to 3 years	420.5	339.4
over 3 years up to 4 years	316.0	420.5
over 4 years up to 5 years	717.5	314.8
over 5 years up to 10 years	1,751.2	2,110.3
over 10 years	2,066.3	2,415.2
Total	**6,615.5**	**8,042.5**
Cover assets public Pfandbriefe with a residual fixed interest period of		
up to 6 months	504.0	257.2
over 6 months up to 12 months	579.3	484.9
over 12 months up to 18 months	408.1	419.6
over 18 months up to 2 years	183.9	503.3
over 2 years up to 3 years	839.0	464.0
over 3 years up to 4 years	582.3	768.0
over 4 years up to 5 years	819.1	475.2
over 5 years up to 10 years	3,233.6	2,705.1
over 10 years	4,562.9	3,453.7
Total	**11,712.4**	**9,531.0**

Art. 28 (1) no. 4 and 5 PfandBG: Other cover assets | €m	31.12.2019	31.12.2018
Equalisation claims as defined by Art. 20 (2) no. 1 PfandBG		
Germany	–	–
Total	**–**	**–**
Equalisation claims as defined by Art. 20 (2) no. 2 PfandBG		
Germany	86.4	88.3
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**86.4**	**88.3**
Total	**86.4**	**88.3**

Art. 28 (3) no.1 PfandBG: Size categories | €m	31.12.2019	31.12.2018
up to €10m	264.9	120.6
over €10m up to €100m	2,866.9	1,551.3
over €100m	8,494.3	7,770.8
Total	**11,626.0**	**9,442.7**

Art. 28 (1) no. 10 PfandBG: Foreign currency | €m	31.12.2019	31.12.2018
Net present value in Swiss francs	593.4	581.1
Net present value in British pounds	3,337.6	729.0
Net present value in US dollars	706.8	731.3

Art. 28 (1) no. 9 PfandBG: Interest structure | %	31.12.2019	31.12.2018
Share of fixed-income cover assets	70.5	69.9
Share of fixed-income Pfandbriefe	90.7	89.2

Art. 28 (1) no. 8 PfandBG: Limit breaches | €m	31.12.2019	31.12.2018
Total amount of loans that exceed the limits defined by Art. 20 (2) PfandBG	–	–

Art. 28 (3) no. 3 PfandBG: Payments in arrears | €m	31.12.2019	31.12.2018
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5 % of the receivable concerned	–	–

Art. 28 (3) no. 2 PfandBG: Registered office of borrowers or guarantors | €m	31.12.2019	31.12.2018
Total	**11,626.0**	**9,442.7**
of which borrowers have a registered office in		
Countries	**1,009.4**	**1,039.6**
Great Britain/North Ireland/Channel Islands/Isle of Man	104.7	186.8
Iceland	94.7	93.7
Italy	44.7	44.0
Canada	15.4	15.0
Austria	425.0	425.0
Portugal	100.0	275.0
Spain	225.0	–
Regional authorities	**4,856.4**	**4,859.9**
Germany	3,309.3	3,569.4
France including Monaco	35.6	41.4
Italy	487.8	222.7
Japan	42.0	42.0
Canada	37.4	62.3
Switzerland	699.1	676.9
Spain	245.1	245.1
Local authorities	**2,661.1**	**897.4**
Germany	10.4	10.4
Estonia	2.8	4.1
Finland	74.8	79.7
France including Monaco	17.5	20.4
Great Britain/North Ireland/Channel Islands/Isle of Man	1,652.8	7.2
Iceland	–	24.0
Italy	475.5	296.5
Switzerland	103.4	101.2
USA	323.9	353.9
Other borrowers with a registered office in	**616.1**	**593.8**
Germany	195.0	195.0
France including Monaco	382.6	361.1
USA	38.5	37.6
Total	**9,143.1**	**7,390.6**
of which guarantors have a registered office in		
Countries	**1,901.5**	**1,332.4**
Germany	1,798.4	1,265.5
of which: receivables from export credit agencies	1,798.4	1,239.9
Finland	43.8	66.9
of which: receivables from export credit agencies	43.8	66.9
Austria	2.3	–
of which: receivables from export credit agencies	2.3	–
Sweden	32.3	–
of which: receivables from export credit agencies	32.3	–
Switzerland	24.8	–
of which: receivables from export credit agencies	24.8	–
Regional authorities	**77.8**	**109.9**
Belgium	77.8	109.9
Local authorities	**–**	**–**
Germany	–	–
Other borrowers	**503.6**	**609.8**
Germany	503.6	609.8
Total	**2,482.9**	**2,052.1**
Other cover assets as defined by Art. 20 (2) PfandBG	**86.4**	**88.3**
Total	**11,712.4**	**9,531.0**

(44) Ship Pfandbriefe

Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. The Federal Financial Supervisory Authority has granted an exemption from the limitation stipulated in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017. The ship Pfandbriefe issued are fully collateralised by other cover assets that meet the requirements for covering public Pfandbriefe and – insofar as they exceed the limitation stipulated in the Pfandbrief Act for additional cover assets – the additional creditworthiness criteria set out by the Federal Financial Supervisory Authority.

Art. 28 (1) no. 1 and 3 PfandBG | €m	31.12.2019			31.12.2018		
Cover calculation ship Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[1]**
Liabilities to be covered	337.5	373.1	373.1	417.5	471.3	458.5
of which: Pfandbriefe outstanding	337.5	373.1	373.1	417.5	471.3	458.5
of which: derivatives	–	–	–	–	–	–
Cover assets	403.0	420.7	420.7	473.0	501.0	486.1
of which: cover loans	–	–	–	–	–	–
of which: cover assets as defined by Art. 26 (1) no. 2, 3, 4 PfandBG	403.0	420.7	420.7	473.0	501.0	486.1
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			47.6			–
Loss from currency stress test			–			–
Cover surplus	**65.5**	**47.6**	**47.6**	**55.5**	**29.7**	**27.6**

[1] Risk-adjusted net present value including currency stress test.

Art. 28 (1) no. 2 PfandBG | €m	31.12.2019	31.12.2018
Ship Pfandbriefe outstanding with a residual term of		
up to 6 months	25.0	45.0
over 6 months up to 12 months	102.0	35.0
over 12 months up to 18 months	41.5	25.0
over 18 months up to 2 years	50.0	102.0
over 2 years up to 3 years	60.0	71.5
over 3 years up to 4 years	10.0	60.0
over 4 years up to 5 years	5.0	10.0
over 5 years up to 10 years	44.0	69.0
over 10 years	–	–
Total	**337.5**	**417.5**
Cover assets ship Pfandbriefe with a residual fixed interest period of		
up to 6 months	140.0	–
over 6 months up to 12 months	–	50.0
over 12 months up to 18 months	70.0	140.0
over 18 months up to 2 years	–	–
over 2 years up to 3 years	173.0	70.0
over 3 years up to 4 years	–	173.0
over 4 years up to 5 years	–	–
over 5 years up to 10 years	–	–
over 10 years	20.0	40.0
Total	**403.0**	**473.0**

Art. 28 (1) no. 4, 5 and 6 PfandBG: Other cover assets | €m	31.12.2019	31.12.2018
Germany		
Equalisation claims as defined by Art. 26 (1) no. 2 PfandBG	–	–
Loans as defined by Art. 26 (1) no. 3 PfandBG	–	–
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 PfandBG[1]	383.0	433.0
Claims from derivatives to cover currency risks as defined by Art. 26 (1) no. 5 sentence 2 PfandBG	–	–
Portugal		
Equalisation claims as defined by Art. 26 (1) no. 2 PfandBG	–	–
Loans as defined by Art. 26 (1) no. 3 PfandBG	–	40.0
of which: covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 PfandBG[1]	20.0	–
Total	**403.0**	**473.0**

[1] Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. In this context, the Federal Financial Supervisory Authority has granted an exemption from the limitation set out in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017.

Art. 28 (4) no. 1 a PfandBG: Size categories | €m	31.12.2019	31.12.2018[1]
up to €0.5m	–	–
over €0.5m up to €5m	–	–
over €5m	–	–
Total	**–**	**–**

[1] Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. In this context, the Federal Financial Supervisory Authority has granted an exemption from the limitation set out in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017.

Art. 28 (4) no. 1 b PfandBG: Country in which the mortgaged vessel or vessel under construction is registered | €m	31.12.2019	31.12.2018
Ocean going vessels	**–**	**–**
Inland waterway vessels	**–**	**–**
Total	**–**	**–**

[1] Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. In this context, the Federal Financial Supervisory Authority has granted an exemption from the limitation set out in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017.

Art. 28 (1) no. 10 PfandBG: Foreign currency | €m	31.12.2019	31.12.2018
Net present value in Swiss francs	–	–
Net present value in Japanese yen	–	–
Net present value in US dollars	–	–
Total	**–**	**–**

Art. 28 (1) no. 9 PfandBG: Interest structure | %	31.12.2019	31.12.2018
Share of fixed-income cover assets	81.4	84.1
Share of fixed-income Pfandbriefe	100.0	97.6

Art. 28 (1) no. 8 PfandBG: Limit breaches | €m	31.12.2019	31.12.2018
Total amount of loans that exceed the limits defined by Art. 26 (1) PfandBG[1]	–	–

[1] Commerzbank Aktiengesellschaft returned the licence to operate the ship Pfandbriefe business with effect as of 31 May 2017. In this context, the Federal Financial Supervisory Authority has granted an exemption from the limitation set out in Art. 26 (1) no. 4 of the German Pfandbrief Act for additional cover assets as of 1 June 2017.

Foreclosure sales

There were no foreclosure sales in 2019. 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 €0m; as a consequence, there were also no payments in arrears.

In the previous year the nominal value of the loan receivables used to cover for ship Pfandbriefe was also €0m, as a consequence, there were also no payments in arrears in the previous year.

(45) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 271 no. 1 and Art. 285 no. 11 and 11a HGB. Footnotes and comments on the tables below appear at the end of this note.

a) Equity holdings

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	234,632	12,040	
Asekum Sp. z o.o.	Warsaw, Poland	100.0	PLN	10,592	4,896	
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	122,133	–	a)
BDH Development Sp. z o.o.	Lódz, Poland	100.0	PLN	89,141	– 882	
Bridge Re Limited	Hamilton, Bermuda	100.0	USD	620	– 58	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	2,137	–	a)
CBG Commerz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	16,735	5,654	
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	11,083	5,652	
CERI International Sp. z o.o.	Lódz, Poland	100.0	PLN	58,702	21,426	
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	0	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	82.3	EUR	542,661	44,530	
comdirect Versicherungsmakler AG	Quickborn, Germany	100.0	EUR	33,094	6,340	1)
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0	EUR	4,346	– 75	
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	164	–	a)
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,205	–	a)
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	15,167	752	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	213,895	12,356	
Commerz Real AG	Wiesbaden, Germany	100.0	EUR	408,394	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,968	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	5,382	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	100.0	EUR	11,031	76	
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	100.0	EUR	419	–	a)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	15,979	–	a)
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0	EUR	87,169	2,093	
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	10,063,954	1,597,033	
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo, Brazil	100.0	BRL	232,663	– 18,325	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	1,130,465	64,463	
Commerzbank Finance 3 S.à r.l.	Luxembourg, Luxembourg	100.0	EUR	732	– 23	
Commerzbank Finance BV	Amsterdam-Zuidoost, Netherlands	100.0	EUR	1,051	– 37	
Commerzbank Finance Limited	London, United Kingdom	100.0	GBP	374,341	29,458	
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0	GBP	16,043	637	
Commerzbank Holdings France	Paris, France	100.0	EUR	38,925	0	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	–	a)

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	1,534,051	–	a)
Commerzbank Leasing 6 S.à r.l.	Luxembourg, Luxembourg	100.0	GBP	93	5	
Commerzbank Leasing December (1) Limited	London, United Kingdom	100.0	GBP	314	2	
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0	GBP	266	125	
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0	GBP	1,244	8	
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	26	535	
Commerzbank Leasing March (3) Limited	London, United Kingdom	100.0	GBP	14	44	
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0	GBP	27	36	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	351	6	
Commerzbank Zrt.	Budapest, Hungary	100.0	HUF	28,730,901	725,978	
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.5	EUR	45,990	1,887	
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	51,313	118	
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	a)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	–	a)
ComTS Mitte GmbH	Erfurt, Germany	100.0	EUR	2,714	–	a)
ComTS Nord GmbH	Magdeburg, Germany	100.0	EUR	1,492	–	a)
ComTS Ost GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	a)
ComTS Rhein-Ruhr GmbH	Duisburg, Germany	100.0	EUR	1,050	–	a)
ComTS West GmbH	Hamm, Germany	100.0	EUR	1,256	–	a)
CR Hotel Target Pty Ltd	Sydney, NSW, Australia	50.0	AUD	21,522	– 1,195	
Delphi I LLC	Wilmington, Delaware, USA	33.3	EUR	553,563	– 553,999	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	100.0	EUR	– 3,094	1,306	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	100.0	EUR	– 962	338	
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,868	41	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0	JPY	17,934	– 2,772	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	18,692	2,899	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	32,109	–	a)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	–	a)
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	64,164	9,605	
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	26	–	a)
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	439	– 2	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	99.0	PLN	220,405	– 6,923	
FV Holding S.A.	Brussels, Belgium	60.0	EUR	1,188	– 35	
Garbary Sp. z o.o.	Poznan, Poland	100.0	PLN	6,625	18,453	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	15,382	– 1	
Gresham Leasing March (2) Limited	London, United Kingdom	100.0	GBP	– 406	406	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	EUR	29,249	7,707	
KENSTONE GmbH	Eschborn, Germany	100.0	EUR	442	–	a)
Kira Vermögensverwaltungsgesellschaft mbH	Munich, Germany	100.0	EUR	74,830	–	a)
Kommanditgesellschaft MS CPO “ALICANTE“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	22,469	3,926	
Kommanditgesellschaft MS “CPO ANCONA“ Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	37,879	4,818	
Kommanditgesellschaft MS “CPO BILBAO“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	21,466	3,353	

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Kommanditgesellschaft MS “CPO MARSEILLE“ Offen Reederei GmbH & Co.	Hamburg, Germany	77.2	EUR	31,625	3,670	
Kommanditgesellschaft MS “CPO PALERMO“ Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	48,153	4,834	
Kommanditgesellschaft MS “CPO TOULON“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	35,981	3,938	
Kommanditgesellschaft MS “CPO VALENCIA“ Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	22,133	3,691	
Leaselink Sp. z o.o.	Warsaw, Poland	100.0	PLN	7,449	– 471	
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	37,067	–	a)
Main Incubator GmbH	Frankfurt/Main, Germany	100.0	EUR	10,544	1,048	a)
mBank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	1,044,710	41,237	
mBank S.A.	Warsaw, Poland	69.3	PLN	13,786,963	1,388,080	
mFaktoring S.A.	Warsaw, Poland	100.0	PLN	84,475	16,609	
mFinance France S.A.	Paris, France	100.0	EUR	239	– 232	
mFinanse S.A.	Lódz, Poland	100.0	PLN	154,710	295,110	
mLeasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	373,145	42,842	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	75.0	EUR	8,870	358	
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	32,124	53,745	
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	8,933	6,508	
onvista media GmbH	Cologne, Germany	100.0	EUR	1,829	– 122	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	934	– 19	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	–	a)
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	100.0	PLN	– 17,380	– 52,289	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	–	a)
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	– 32,007	– 4,726	

b) 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
AUTHADA GmbH	Darmstadt, Germany	11.8
B B Baustoff Beteiligungs Verwaltungs GmbH	Rüdersdorf/Berlin, Germany	6.0
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	10.7
BGG Bayerische Garantiegesellschaft mit beschränkter Haftung für mittelständische Beteiligungen	Munich, Germany	5.3
Bilendo GmbH	Munich, Germany	12.9
Bought By Many Ltd.	London , United Kingdom	5.8
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3
BÜRGSCHAFTSBANK BRANDENBURG GmbH	Potsdam, Germany	10.8
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.0
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg, Germany	17.8
Candis GmbH	Berlin, Germany	5.5
Decentralized Mobile Applications Limited	Tel Aviv-Yafo, Israel	7.7
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2
e-bot7 GmbH	Münsing, Germany	10.8
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4
Fnality International Limited	London , United Kingdom	6.7
Fraugster Services GmbH	Berlin, Germany	7.8
GetSafe GmbH	Heidelberg, Germany	16.4
Gini GmbH	Munich, Germany	13.4
Grover Group GmbH	Berlin, Germany	7.1
HSBC Operational Services GmbH	Düsseldorf, Germany	9.9
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern Gesellschaft mit beschränkter Haftung	Munich, Germany	9.7
LiquidityMatch LLC	Wilmington, Delaware, USA	13.6
Mambu GmbH	Berlin, Germany	8.6
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	11.1
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung	Hanover, Germany	12,4
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2
Mosaic Smart Data Limited	London , United Kingdom	9.4
Neptune Networks Limited	London , United Kingdom	5.3

Name	Registered Office	Share of capital held %
Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung	Hanover, Germany	5.6
Omnyway, Inc.	Wilmington, Delaware, USA	7.7
Open as App GmbH	Munich, Germany	10.1
Openlegacy Technologies Ltd.	Petah Tikva, Israel	5.2
paydirekt GmbH	Frankfurt/Main, Germany	11.1
Perspecteev S.A.S.	Paris, France	5.2
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	11.1
realbest GmbH	Berlin, Germany	10.2
Saarländische Kapitalbeteiligungsgesellschaft mit beschränkter Haftung	Saarbrücken, Germany	8.5
TransFICC Limited	London , United Kingdom	17.1
True Sale International GmbH	Frankfurt/Main, Germany	25.0
Userlane GmbH	Munich, Germany	7.6
Zenhomes GmbH	Berlin, Germany	7.7

c) Equity holdings in large corporations where the investment exceeds 5 % of the voting rights

Name	Registered Office	Share of capital held %	Voting Rights %
Deutsche Börse Commodities GmbH	Frankfurt/Main, Germany	16.2	14.5
EURO Kartensysteme GmbH	Frankfurt/Main, Germany	15.4	–
SCHUFA Holding AG	Wiesbaden, Germany	18.6	–

Footnotes	
1)	Renamed: from OnVista Aktiengesellschaft to comdirect Versicherungsmakler AG.

Comments and explanations	
a)	Control and/or profit transfer agreement.
*	Financial figures as of last year's annual report.

Foreign exchange rates for €1 as at 31.12.2019		
Australia	AUD	1.5995
Brazil	BRL	4.5157
United Kingdom	GBP	0.8508
Poland	PLN	4.2568
Russia	RUB	69.9563
Switzerland	CHF	1.0854
Hungary	HUF	330.5300
USA	USD	1.1234

(46) Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. Stefan Schmittmann
Chairman

Uwe Tschäge[1]
Deputy Chairman
Banking professional
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
Banking professional
Commerzbank Aktiengesellschaft

Alexander Boursanoff[1]
Banking professional
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Banking professional
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstandbank Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former Member of the Management
Board of BP Europa SE

Monika Fink[1]
Banking professional
Commerzbank Aktiengesellschaft

Dr. Tobias Guldimann
Independent consultant in the financial
sector

Dr. Rainer Hillebrand
Former Deputy Chairman of the
Management Board of Otto Group

Christian Höhn[1]
Banking professional
Commerzbank Aktiengesellschaft

Kerstin Jerchel[1]
Divisional Head Co-determination
ver.di National Administration

Dr. Markus Kerber
State Secretary in the Federal Ministry of
the Interior, Building and Community

Alexandra Krieger[1]
Divisional Head Controlling
Industrial Union Mining, Chemical and
Energy (IG BCE)

Anja Mikus
CEO/CIO of the "KENFO-Fund for the
Financing of Nuclear Waste Disposal"
foundation under public law

Dr. Victoria Ossadnik
Chief Executive Officer
E.ON Energie Deutschland GmbH &
E.ON Energie Holding GmbH

Robin J. Stalker
Former Member of the Management
Board of adidas AG

Nicholas Teller
Chairman of the Advisory Board of
E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell
Former Member of the Executive Board
of the European Central Bank

Stefan Wittmann[1]
Trade Union Secretary
ver.di National Administration

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Frank Annuscheit
(until 28.2.2019)

Roland Boekhout
(since 1.1.2020)

Dr. Marcus Chromik

Stephan Engels
(until 31.3.2019)

Jörg Hessenmüller
(since 15.1.2019)

Michael Mandel

Dr. Bettina Orlopp

Michael Reuther
(until 31.12.2019)

Sabine Schmittroth
(since 1.1.2020)

(47) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany).

b) Seats in similar national and international bodies.

Martin Zielke

b) CommerzVentures GmbH[1]
(until 31.12.2019)

Frank Annuscheit
(until 28.2.2019)

a) BVV Versicherungsverein des Bankgewerbes a.G.
Deputy Chairman

comdirect bank Aktiengesellschaft[1]
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e.V.
Deputy Chairman

Commerz Services Holding GmbH[1]
Chairman
(until 31.1.2019)

Roland Boekhout
(since 1.1.2020)

b) CommerzVentures GmbH[1]
(since 1.1.2020)

Dr. Marcus Chromik

b) mBank S.A.[1]

Stephan Engels
(until 31.3.2020)

b) CommerzVentures GmbH[1]
Deputy Chairman
(until 31.12.2019)

EIS Einlagensicherungsbank GmbH
Chairman
(until 31.12.2019)

mBank S.A.[1]
Deputy Chairman
(until 31.12.2019)

Jörg Hessenmüller
(since 15.1.2019)

b) Commerz Business Consulting GmbH[1]
Chairman
(until 30.4.2019)

Commerz Services Holding GmbH[1]
Chairman
(since 1.2.2019)

CommerzVentures GmbH[1]
Chairman

EUREX Deutschland AöR
(since 23.1.2020)

Frankfurter Wertpapierbörse AöR
(since 23.1.2020)

Main Incubator GmbH[1]
Chairman

mBank S.A.[1]

openspace GmbH[1]
Deputy Chairman
(until 30.4.2019)

Michael Mandel

a) comdirect bank Aktiengesellschaft[1]

Commerz Real AG[1]
Deputy Chairman

b) Commerz Real Investment-gesellschaft mbH[1]
Deputy Chairman

CommerzVentures GmbH[1]

mBank S.A.[1]

Dr. Bettina Orlopp

a) Commerz Real AG[1]

b) CommerzVentures GmbH[1]
Deputy Chair
(since 1.1.2020)

EIS Einlagensicherungsbank GmbH
Chair
(since 1.1.2020)

Michael Reuther
(until 31.12.2019)

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung

Sabine Schmittroth
(since 1.1.2020)

a) comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]

Commerz Real AG[1]

b) Commerz Real Investmentgesellschaft mbH[1]

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany).

b) Seats in similar national and international bodies.

Dr. Stefan Schmittmann

a) Commerz Real AG, Wiesbaden[1]
Chairman

b) Commerz Real Investment-gesellschaft mbH, Wiesbaden[1]
Chairman

b) HETA Asset Resolution AG, Klagenfurt (Austria)
Deputy Chairman

Uwe Tschäge

– –

Heike Anscheit

– –

Alexander Boursanoff

– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG, Berlin

BVV Versicherungsverein des Bankgewerbes a.G., Berlin

b) BVV Versorgungskasse des Bankgewerbes e.V., Berlin

Stefan Burghardt

– –

Sabine U. Dietrich

a) H&R GmbH und Co. KGaA, Salzbergen (since 24.5.2019)

Monika Fink

– –

Dr. Tobias Guldimann

b) Edmond de Rothschild Holding S.A., Chambésy (Switzerland)

Edmond de Rothschild (Suisse) S.A., Geneva (Switzerland)

Edmond de Rothschild (Monaco) S.A., Monaco (Principality of Monaco)

Fedafin AG, Widnau (Switzerland)
Chairman

Dr. Rainer Hillebrand

b) Vorwerk & Co. KG Wuppertal

Otto Group (Otto GmbH & Co. KG), Hamburg (since 1.6.2019)

Christian Höhn

– –

Kerstin Jerchel

a) Allianz Deutschland AG, Munich

Dr. Markus Kerber

– –

Alexandra Krieger

a) AbbVie Komplementär GmbH, Wiesbaden

Evonik Resource Efficiency GmbH, Essen
(Deputy Chair)

Anja Mikus

– –

Dr. Victoria Ossadnik

a) Linde AG, Munich (until 8.8.2019)

Linde Intermediate Holding AG, Munich (until 8.8.2019)

Innogy SE, Essen (since 5.10.2019)

b) Linde plc, Guildford (UK)

Robin J. Stalker

a) Schaeffler AG, Herzogenaurach

Schmitz Cargobull AG, Horstmar
Deputy Chairman

Nicholas Teller

– –

Dr. Gertrude Tumpel-Gugerell

b) OMV Aktiengesellschaft, Vienna (Austria)

Vienna Insurance Group AG, Vienna (Austria)

AT & S A G, Leoben (Austria) (since 4.7.2019)

Stefan Wittmann

– –

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

In accordance with Art. 340a (4) no. 1 HGB

as at reporting date: 31.12.2019

Ulrich Coenen
Commerz Direktservice GmbH[1]
Chairman

Volker Ergler
Stadtwerke Viernheim GmbH

Gerold Fahr
Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick
Borgers SE & Co. KGaA

Sven Gohlke
Bombardier Transportation GmbH

Andrea Habermann
Delta Direkt Lebensversicherung Aktiengesellschaft Munich

Marcus König
N-ERGIE Aktiengesellschaft

Nürnberg Messe GmbH

VAG Verkehrs-Aktiengesellschaft

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft
Chairman

Andreas Schimmele
Commerz Direktservice GmbH[1]

Roman Schmidt
Commerz Real AG[1]

Carsten Schmitt
Commerz Real AG[1]

Sabine Schmittroth
(until 31.12.2019)
comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]

Commerz Real AG[1]

Benedikt Winzen
Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

[1] Group mandate.

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt/Main, 28 February 2020
The Board of Managing Directors

Martin Zielke	Roland Boekhout	Marcus Chromik
Stephan Engels	Jörg Hessenmüller	Michael Mandel
Bettina Orlopp	Sabine Schmittroth	

„Translation from the German language of Independent Auditor´s report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at 31 December 2019, and the income statement for the financial year from 1 January to 31 December 2019, 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 2019. In accordance with the German legal requirements, we have not audited the content of the corporate governance report included in the “Details pursuant to Art. 289 of the German Commercial Code (HGB)” section of the management report or the declaration on corporate governance pursuant to Sec. 289f HGB [“Handelsgesetzbuch”: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Institution as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the Institution’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the corporate governance report included in the “Details pursuant to Art. 289 of the German Commercial Code (HGB)” section of the management report and the declaration on corporate governance pursuant to Sec. 289f HGB.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements, principles and standards are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Institution in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Valuation of holdings in affiliated companies

Reasons why the matter was determined to be a key audit matter

The Bank determines the fair value of holdings in affiliated companies using generally accepted valuation methods, in particular the capitalisation of earnings method. The valuation methods applied are subject to judgement with regard to the valuation parameters used and expectations of future business development.

Given the judgement involved, the measurement of holdings in affiliated companies was a key audit matter.

Auditor´s response

To assess the recoverability of the carrying amounts of the shares in affiliated companies, we assessed the design of the internal process to determine whether the methods defined therein are consistent with the professional pronouncements of the Institut der Wirtschaftsprüfer (IDW) on the valuation of companies and equity investments (IDW AcP HFA 10 in conjunction with IDW S1).

Based on the calculations performed by the Bank using the capitalisation of earnings method and alternative valuation methods, we obtained an understanding of the application of the valuation method and the significant planning assumptions and valuation parameters and reperformed the calculations for a risk-based sample of affiliated companies.

Where the capitalisation of earnings method was used, our focus was on assessing the significant planning assumptions. We compared the business plan with the previous financial year’s plan and with the actual results achieved and analysed deviations. We also assessed the consistency and verifiability of the significant assumptions made in the business plan. Furthermore, we examined the extent to which the assumptions on the economic development are within a range of externally available forecasts. We examined the valuation parameters used for the estimate of the net realisable values, such as estimated growth rates, cost of capital rates and tax rates, in comparison to externally available parameters.

To audit the valuation of holdings in affiliated companies, we consulted internal specialists who have particular expertise in the area of business valuation.

Our procedures did not lead to any reservations relating to the valuation of holdings in affiliated companies performed.

Reference to related disclosures

Information on the valuation of holdings in affiliated companies is provided in Note 2 of the notes to the HGB financial statements.

2. Valuation of the corporate customers – automotive credit portfolio

Reasons why the matter was determined to be a key audit matter

Valuation of the credit portfolios and the resulting estimate of any necessary specific loan loss provisions constitutes a significant area of management judgement. The identification of impaired loans and estimation of the recoverable net proceeds involve uncertainty and are based on various assumptions subject to judgement. Minimal changes in the assumptions can lead to great variation in values.

The corporate customers – automotive credit portfolio represents a considerable portion of the entire lending volume of Commerzbank. Market conditions are persistently adverse in some areas of the automotive industry. In this context, the valuation of the corporate customers – automotive credit portfolio was a key audit matter.

Auditor’s response

We assessed the design and operating effectiveness of the internal control system with regard to the key accounting-related lending processes. In doing so, we focused on the processes for calculating impairments, including the inputs used.

We also performed substantive procedures, assessing specific loan loss provisions in terms of their necessity and adequacy based on a sample of loan exposures. We selected our sample using a risk-based approach, notably using criteria such as the management of loans on watch lists for potential and acute default risks, rating class, the level of exposure and specific loan loss provisions recognised.

For the defaulted exposures in the sample, we assessed the significant assumptions used to determine the expected credit loss during the impairment process with regard to the relevant requirements of IFRS 9 and use of the procedure in the HGB financial reporting. This included analysing the estimates of the expected future cash flows from customers, including the cash flows from the realisation of collateral, and estimates of the recoverability of defaults on payments.

Our audit procedures did not lead to any reservations relating to the valuation of the corporate customers – automotive credit portfolio.

Reference to related disclosures

The Institution's disclosures on the valuation of the credit portfolio (including the corporate customers – automotive credit portfolio) are included in the "Accounting and measurement policies" section of the notes to the financial statements and in the "Default risk" section of the management report accompanying the annual financial statements.

Other information

The executive directors are responsible for the other information. The other information comprises the combined separate non-financial report pursuant to Sec. 340a in conjunction with Sec. 289b HGB and Sec. 340i in conjunction with Sec. 315b HGB, the corporate governance report included in the "Details pursuant to Art. 289 of the German Commercial Code (HGB)" section of the management report and the declaration on corporate governance pursuant to Sec. 289f HGB. In addition, the other information comprises other parts of the annual financial statements and the management report of which we received a version before issuing this auditor's report, in particular the "Significant Group companies" and "Responsibility statement by the Board of Managing Directors" sections.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Institution's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Institution's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Institution's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Institution's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Institution.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Institution in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Institution's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting on 22 May 2019. We were engaged by the Supervisory Board on 12 June 2019. We have been the auditor of COMMERZBANK Aktiengesellschaft without interruption since financial year 2018.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Claus-Peter Wagner."

Eschborn/Frankfurt am Main, 2 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner	Marcus Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Significant Group companies

Germany
comdirect bank AG, Quickborn
Commerz Real AG, Wiesbaden

Abroad
Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
mBank S.A., Warsaw

Operative foreign branches
Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

Representative Offices and Financial Institutions Desks
Abidjan, Addis Ababa, Almaty, Ashgabat, Baghdad, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow (FI Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

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.

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.

For the sake of improved readability, we refrain from any linguistic differentiation between gender forms. Instead, we adopt the masculine form, but understand the use of this form and our gender policy explicitly and completely as gender-neutral.

2020 Financial calendar	
7 May 2020	Annual General Meeting
13 May 2020	Interim Report as at 31 March 2020
5 August 2020	Interim Report as at 30 June 2020
5 November 2020	Interim Report as at 30 September 2020

Commerzbank AG
Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

Postal address
60261 Frankfurt am Main
Tel. +49 69 136-20
info@commerzbank.com

Investor Relations
Tel. +49 69 136-21331
Fax +49 69 136-29492
ir@commerzbank.com

The Group annual report
(in accordance with the International
Financial Reporting Standards)
appears in German and English.