COMMERZBANK

The bank at your side

Annual Report 2017

Key figures

Income statement	1.1.–31.12.2017	1.1.–31.12.2016[1]
Operating profit (€m)	1,303	1,399
Operating profit per share (€)	1.04	1.12
Pre-tax profit or loss (€m)	495	643
Consolidated profit or loss[2] (€m)	156	279
Earnings per share (€)	0.12	0.22
Operating return on equity based on CET1[3,4] (%)	5.5	6.0
Return on equity of consolidated profit or loss[7] (%)	0.6	1.1
Cost/income ratio in operating business (%)	77.3	75.5

Balance sheet	31.12.2017	31.12.2016
Total assets (€bn)	452.5	480.4
Risk-weighted assets (€bn)	171.4	190.5
Equity as shown in balance sheet (€bn)	30.0	29.6
Total capital as shown in balance sheet (€bn)	40.1	40.5

Regulatory key figures	31.12.2017	31.12.2016
Tier 1 capital ratio (%)	15.2	13.9
Common Equity Tier 1 ratio[5] (%)	14.9	13.9
Common Equity Tier 1 ratio[5] (fully phased-in; %)	14.1	12.3
Total capital ratio (%)	18.3	16.9
Leverage ratio (%)	5.5	5.4
Leverage ratio (fully phased-in, %)	5.1	4.8

Staff	31.12.2017	30.9.2017
Germany	36,917	36,837
Abroad	12,500	12,385
Total	49,417	49,222

Ratings[6]	31.12.2017	30.9.2017
Moody's Investors Service, New York	A2/Baa1/P–1	A2/Baa1/P–1
S&P Global, New York	A–/A–/A–2	A–/A–/A–2
Fitch Ratings, New York/London	A–/BBB+/F2	A–/BBB+/F2
Scope Ratings, Berlin	–/A/S–1	–/A/S–1

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[4] Annualised.
[5] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully phased-in basis anticipates full application of the new regulations.
[6] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com).
[7] Ratio of net income attributable to Commerzbank shareholders and average IFRS equity before minority after deduction of goodwill and other intangible assets.

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

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Letter from the Chairman of the Board of Managing Directors
Frankfurt/Main, March 2018

Dear shareholders,

In the 2017 financial year, Commerzbank focused on implementing the "Commerzbank 4.0" strategy. As you know, we began a fundamental restructuring of the Bank at the end of 2016. The profound structural change in the banking sector represents a challenge for everyone, but we are ready to seize this opportunity and emerge among the winners. As part of our strategy, we are digitalising our processes and becoming more efficient, so as to enhance profitability. The 2017 financial year was an important stage of this journey. We achieved nearly all of our strategic objectives for 2017 and even exceeded some. Our growth in terms of customers and assets is very respectable, as is the progress made in digitalisation, as reflected in new apps and increasingly digitalised processes. Our Digital Campus is now completely staffed and operating at full speed. The Campus is the engine driving digitalisation within Commerzbank with around 1,000 employees who are working on digitalisation projects in flexible teams. We want to digitalise 80% of our relevant business processes by 2020. Having started at 30%, we have now achieved a level of nearly 50% and plan to increase the proportion of digital processes to 65% by the end of 2018. This means that almost two thirds of our key processes will then operate digitally.

Another focal point of our strategy is growth. With our two strong business segments Private and Small-Business Customers and Corporate Clients we are focusing even more closely on areas where we can provide special added value to our customers, and thus stand out from competitors. In the past financial year, we maintained our strong market position in corporate customer business, despite the ongoing challenges of the market environment, and we continued to grow in retail banking and at mBank.

In the Private and Small-Business Customers segment, we attracted over 500,000 new customers and more than €38bn in assets during the reporting year. New retail mortgage financing business amounted to €15bn, topping the nearly €12bn in new business in the previous year. We are now operating our consumer lending business on our in-house Commerzbank platform. In 2017, we ended the joint venture with BNP Paribas and transferred a portfolio of around €3.5bn to the Bank's books and systems, which will allow us to further expand this business. At the same time, in Private and

Small-Business Customers we made a conscious decision to invest in the digital and personal services we offer to customers. Our branches will continue to play a crucial role in our growth strategy, even as the interaction with our digital offerings gains in importance. In the branch business, we work with our "ONE" platform, available to both customers and advisors, and we can be reached day and night thanks to our customer centres and mobile and online banking services. We are becoming more efficient all the time. mBank again performed very well in Poland, where it gained around 292,000 net new customers in 2017. As in the previous year, it contributed close to €300m to the segment's total operating profit of €867m. The decline compared with the previous year was due to higher loan loss provisions at mBank and higher costs resulting from greater investment in digitalisation and regulatory charges.

The Corporate Clients segment is truly integral to Commerzbank's DNA. Germany is the Mittelstand. And we are the Mittelstand bank. We will continue to underscore this, not least through a further roll-out of our recently launched corporate customer campaign. In Mittelstand financing, Commerzbank is the undisputed market leader in Germany and finances around 30% of German foreign trade. We are also making good progress in digitalisation. Our corporate customers now have the option of opening accounts online. In the first phase of this service, it is only being offered to smaller companies, although it will naturally become available to larger companies in the future. Just in the past two years, the Bank has gained close to 5,400 new corporate customers, mainly from the German Mittelstand, with more than 4,000 of these coming on board last year. In 2017, the Corporate Clients segment recorded an operating profit of €809m. Operating profitability came under pressure from various directions: intense price competition in the business with Mittelstand customers, weak demand for hedging products as a result of low capital market volatility, and the realignment of the Financial Institutions division.

In the Asset & Capital Recovery run-off segment, we reduced the shipping finance and commercial real estate portfolios by around €3.3bn to €4.1bn over the past year in a value-preserving manner. The shipping finance portfolio was scaled down considerably by €2.2bn to €2.6bn. We also significantly reduced the operating loss of the segment to €–269m.

At Group level, operating business developed soundly overall in 2017, despite the ongoing restructuring. Income before loan loss provisions fell to €9.2bn. However, when adjusted for positive one-off income and remeasurement effects, largely deriving from income from the takeover of the instalment loan portfolio and proceeds from the disposal of a stake in the financial services provider Concardis and from a real estate sale, the income before loan loss provisions rose slightly from the previous year to €8.6bn. Net loan loss provisions fell versus the previous year to €781m. In addition, operating expenses were reduced slightly to €7.1bn in 2017, as we employed active cost management methods to offset stronger investment in digitalisation and growth, higher costs for regulatory projects, compliance, deposit protection schemes and various banking levies. Operating profit was down slightly from the previous year at €1.3bn.

In the year under review, the Bank reached a binding agreement with the employee representative committees on achieving a socially responsible reduction in headcount. The associated restructuring costs of just over €800m were charged in full in the 2017 financial year. After deducting tax and minority interests, Commerzbank achieved a consolidated profit of €156m in the first year of implementing the new strategy, compared with €279m in 2016. The positive trend in our capital position continued in the year under review. The Common Equity Tier 1 ratio stood at 14.1% at the end of December, compared with 12.3% in the previous year. As a result, the Bank's capital position is comfortable and we clearly exceed all the applicable regulatory requirements. Our loan loss provisions remain low thanks to the stable economic situation in Germany and the quality of our loan book, as reflected in an excellent non-performing loan ratio of just 1.3%.

Dear shareholders, we achieved a great deal last year and laid the foundation for the restructuring of Commerzbank. We are working hard to make the Bank even better. For the first year of strategy implementation, we are not paying out a dividend, so we can be better equipped to push ahead with our restructuring. However, this must not be allowed to become the future status quo. We are making progress. Therefore, we are targeting a dividend distribution for the 2018 financial year. Meanwhile, we will continue the restructuring of Commerzbank in 2018 and take further key steps as we evolve to become a digital enterprise, all the while striving to achieve higher growth in our core business areas and enhance profitability. These are our objectives, and we will pursue them diligently.

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

We sincerely hope that you will continue supporting Commerzbank on its path into the future. I am delighted to invite you to our Annual General Meeting in Frankfurt am Main, to be held on 8 May 2018. I look forward to seeing you there.

Yours

Martin Zielke
Chairman of the Board of Managing Directors

The Board of Managing Directors

Martin Zielke

Age 55, Chairman
Member of the Board of Managing Directors since 5.11.2010

Stephan Engels

Age 56, Chief Financial Officer
Member of the Board of Managing Directors since 1.4.2012

Frank Annuscheit

Age 55, Chief Operating Officer
Member of the Board of Managing Directors since 1.1.2008

Michael Mandel

Age 51, Private- and Small-Business Customers
Member of the Board of Managing Directors since 23.5.2016

Dr. Marcus Chromik

Age 45, Chief Risk Officer
Member of the Board of Managing Directors since 1.1.2016

Dr. Bettina Orlopp

Age 47, Compliance, Human Resources, Legal
Member of the Board of Managing Directors since 1.11.2017

Michael Reuther

Age 58, Corporate Clients
Member of the Board of Managing Directors since 1.10.2006

Report of the Supervisory Board
Frankfurt/Main, March 2018

Dear shareholders,

During the year under review, we advised the Board of Managing Directors on its conduct of the Bank's affairs and regularly supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us at regular intervals, promptly and extensively, in both written and verbal form, on all the main developments at the Bank, including between meetings. We received frequent and regular information on the company's business position and the economic situation of its individual business segments, its corporate planning, implementation of the "Commerzbank 4.0" strategy, compliance issues, the performance of the share price, and the strategic orientation of the Bank, including its risk strategy, and we advised the Board of Managing Directors on these topics. Between meetings I, as the Chairman of the Supervisory Board, was also continually in touch with the Chairman and other members of the Board of Managing Directors according to a set timetable and kept myself up-to-date with the current business progress and major business transactions within both the Bank and the Group.

We were involved in all decisions of major importance for the Bank, giving our approval after extensive consultation and examination wherever required.

Meetings of the Supervisory Board

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

The focus of all ordinary meetings was the Bank's current business position, which we discussed in detail with the Board of Managing Directors. We considered in depth the Bank's financial and business performance, the risk situation, strategy, planning, compliance issues, the risk management system and the internal control system. Another area of emphasis was the financial performance and strategy of the individual business segments. We were also kept continually informed of the status of cooperation with the US monitor and internal investigations concerning cum-ex transactions of the Bank.

We subjected the reports of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately and to our satisfaction. We also received information on internal and official investigations into the Bank in Germany and other countries, asked questions regarding these, and then formed our verdict on them. When necessary, we also passed resolutions between meetings by way of circulars.

At the meeting on 8 February 2017, our discussions centred on the report on the implementation status of the "Commerzbank 4.0" strategy and reports on the current business situation and the provisional results for financial year 2016. We were kept informed of the status of cooperation with the US monitor and internal investigations concerning cum-ex transactions of the Bank. We discussed and resolved on the target achievement of the members of the Board of Managing Directors for 2016, and set the total amount of their variable remuneration, also reviewing the suitability of the Board members' overall remuneration levels. The Group's risk strategies for 2017 were also discussed. We were informed of the process for selecting the new auditor for financial year 2018 and resolved, on the recommendation of the Audit Committee, to propose the auditing firm Ernst & Young GmbH, based in Eschborn/Frankfurt a.M., as the auditor for financial year 2018 to the 2017 Annual General Meeting.

In addition, we considered the Report of the Supervisory Board and the Corporate Governance Report for the Annual Report 2016. We also resolved on changes to the membership of committees.

At the accounts review meeting on 22 March 2017, we reviewed the 2016 financial statements for the parent company and the Group, and approved them on the Audit Committee's recommendation.

We furthermore approved the proposed resolutions for the agenda of the 2017 Annual General Meeting, including the proposal for the appropriation of profit. The senior management of the ECB's Single Supervisory Mechanism gave a presentation on the main supervisory focal points in 2017, and we discussed a range of issues with them. We were also informed of progress in IT developments within the Bank

and discussed the Remuneration Report for the Annual Report.

At the meeting on 3 May 2017, we discussed the programme for the Annual General Meeting.

At the meeting on 21 June 2017, we again addressed the "Commerzbank 4.0" strategy as well as the report on the current business situation and the status of internal investigations concerning cum-ex transactions of the Bank. Dr. Tobias Guldimann was selected as a new member of the Audit Committee and we set the new target for the proportion of women on the Board of Managing Directors. We were informed of the ECB's "Guide to fit and proper assessments" published on 16 May 2017 and its regulatory impact, as well as measures relating to career development within Commerzbank.

At the meeting of 5 September 2017, the Board of Managing Directors reported to us on the business situation and in particular on the key financial indicators, the shareholder structure, the status of cooperation with the US monitor and compliance issues. We discussed selected issues from the "Commerzbank 4.0" strategy and the implementation status in detail. We also considered the results of the evaluation and efficiency review of the Supervisory Board for 2017 and were informed of the structure of the remuneration models for Commerzbank staff and the amendments to the Remuneration Ordinance for Institutions. We also resolved on amendments to the model pension agreement and current pension agreements for members of the Board of Managing Directors. Finally, there was a discussion of a range of issues where the Board of Managing Directors was not present.

The Board of Managing Directors met with employee representatives on 27 September 2017 to have in-depth discussions of Commerzbank's strategy, and on 28 September met with shareholder representatives for the same purpose.

In its report on the business situation at the meeting on 8 November 2017, the Board of Managing Directors reported on the performance of the business segments, the financial results for the third quarter of 2017, the implementation status of IFRS 9 and the status of internal investigations concerning cum-ex transactions of the Bank. We also discussed the medium-term planning until 2021 and received a status report on foreign operating entities and their progress in rectifying issues identified by regulators. We addressed the Supervisory Board's statutory audit duty with regard to the non-financial report (CSR report), as well as the manner and means by which this report is published. For this purpose, we appointed the auditing firm PricewaterhouseCoopers, based in Frankfurt am Main, to audit the combined separate non-financial report as at 31 December 2017 for Commerzbank AG and the Group. Other topics covered at this meeting included the Bank's corporate governance; in particular, we approved the annual Declaration of Compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act, set objectives for the composition of the Supervisory Board, and resolved diversity policies for the composition of the Board of Managing Directors and the Supervisory Board. More details on corporate governance at Commerzbank can be found on pages 21 to 26 of this Annual Report. We also extended the appointment of Martin Zielke as member and Chairman of the Board of Managing Directors. On the basis of the ECB's "Guide to fit and proper assessments", we approved guidelines on conflicts of interest for members of the Board of Managing Directors. We discussed and took note of the business, risk, IT and outsourcing strategies.

At the last meeting of the year on 13 December 2017, we considered and approved the targets for members of the Board of Managing Directors for 2018. We also received a report on the design of the employee remuneration systems. We added to the skills profile for members of the Supervisory Board of Commerzbank AG and resolved on guidelines on the independence of Supervisory Board members and on conflicts of interest. We also approved amended rules of procedure for the Board of Managing Directors.

Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed seven committees from its members. The current composition of the committees is shown on page 13 of this Annual Report. The duties and responsibilities of the individual committees are defined in the Supervisory Board's rules of procedure, which can be found online at https://www.commerzbank.com.

In observance of the provisions of (EU) Regulation No. 537/2014 on the mandatory rotation of statutory auditors, a public tendering process was implemented in the 2016 financial year and in the period under review to select a new statutory auditor for Commerzbank AG and the Commerzbank Group for financial year 2018. The tendering process was supported operationally by an in-house project team. The major process steps, selection criteria and key decisions were established through advance consultation with the Chairman of the Audit Committee and were then adopted by the Audit Committee. In meetings, the Audit Committee received regular reports on the progress of the tendering process and discussed and made decisions about the further key steps to be taken. In compliance with the EU regulations for public tenders, the entire process was carried out in a fair, transparent and non-discriminatory way. An announcement of the tendering process in the Federal Gazette (Bundesanzeiger) invited auditing firms to communicate their interest in participating in the selection process. The interested parties were then provided with extensive documentation so that they could submit a well-founded written tender. All candidates were also given the opportunity to pose questions in a Q&A session. The two written tenders that were then submitted were analysed and evaluated by the project team and by the Chairman of the Audit Committee.

The candidates were also invited to present their tender and the key members of their team in person. These presentations were attended by the Chairman of the Audit Committee, representatives of the project team, the heads of the relevant divisions and the CFO. The key economic points of the tenders were discussed with both candidates. After completion of the process, and on the basis of a detailed report on the process and the evaluation of the candidates, the Audit Committee recommended to the Supervisory Board to propose the auditing firm Ernst & Young GmbH as the new statutory auditor to the Annual General Meeting. This preference having been expressed, the second-ranked candidate, auditing firm Deloitte & Touche GmbH, was also presented to the Supervisory Board as an alternative. The Supervisory Board then resolved to follow the recommendation of the Audit Committee.

The Audit Committee met a total of six times in the 2017 financial year. It also passed urgent resolutions by way of circulars. With the auditors in attendance, it discussed Commerzbank's parent company and Group financial statements and the auditor's reports. The Audit Committee obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code and submitted proposals to the Supervisory Board for the appointment of the auditor, the amount of the auditor's fee and the focal points of the audit. The Audit Committee dealt with requests for the auditor to perform non-audit services; it also received regular reports from the auditor on the current status and individual findings of the audit of the annual financial statements and discussed the review of the interim financial reports before they were published. The work of the Bank's Group Audit and Group Compliance units was also discussed in detail. Both departments reported regularly about the results of their work and on measures to optimise this work. The Audit Committee received regular reports on developments in the monitorship in the USA and the status of implementation of the monitor's findings, as well as the findings in the underlying settlement agreements with US regulatory authorities. In addition, the Audit Committee requested to be provided by the Board of Managing Directors with continuous special reporting, or selective event-related special reporting, regarding specific issues pertaining to the monitorship, the underlying settlement agreements and closely related regulatory procedures, and it accepted such reporting at the meetings of the Audit Committee. The Audit Committee furthermore received information on internal and external (regulatory) investigations and obtained regular reports on progress in implementing regulatory findings. The Audit Committee also addressed internal investigations of cum-ex transactions of the Bank. It reviewed the effectiveness of the Bank's risk management system and of the internal control system in particular. It discussed developments in whistle-blowing cases and the auditor's report on the review of reporting obligations and rules of conduct under the German Securities Trading Act. The Audit Committee further discussed algorithmic trading, the segments' compliance business reports and the MiFiD II/MiFiR projects. The Audit Committee was informed of the implementation status of IFRS 9 and the progress in transferring the audit to Ernst & Young. Auditor representatives regularly attended the meetings to report on their audit activities.

The Risk Committee convened a total of five times in the 2017 financial year. At its meetings, it closely examined the Bank's risk situation and risk management, devoting particular attention to the overall risk strategy for 2017, the sub-risk strategies and credit, market, liquidity, operational, reputational and compliance risks. Significant individual exposures of the Bank were also discussed in detail with the Board of Managing Directors, as were portfolios and sub-portfolios. The Risk Committee considered the Bank's equity holdings and its recovery plan and was briefed on measures taken by the Bank to prevent cyber-crime activities.

It checked that terms and conditions in customer business are compatible with the Bank's business model and risk structure. It also discussed various stress tests and their results. The meetings included consideration of the employee remuneration system and the audits and risk assessment of Commerzbank by its regulators. The Risk Committee examined Commerzbank's risk-bearing capacity, any large exposures of Commerzbank Group companies, loans to officers at those companies and high-risk exposures.

The Presiding Committee held five meetings during the year under review. Its discussions were devoted to preparing the plenary Supervisory Board meetings and in-depth treatment of the meeting deliberations, especially with regard to business and capital market conditions and Commerzbank's new strategy. The Presiding Committee also prepared the plenary body's resolutions regarding amendments to the pension agreements of members of the Board of Managing Directors and agreed to members of the Board of Managing Directors taking up mandates at other companies. In addition, it looked into loans to employees and officers of the Bank. Urgent resolutions were passed by way of circulars.

The Remuneration Control Committee met three times. It considered the target achievement of the Board of Managing Directors for 2016 and reviewed both the suitability of board remuneration levels and the total variable remuneration for employees in respect of 2016. It also dealt with the employee remuneration systems and the appropriateness of the design of the remuneration systems for employees and the Board of Managing Directors in relation to financial year 2017. Finally, the committee considered the objectives of the members of the Board of Managing Directors for 2018.

The Social Welfare Committee met twice in the year under review, with the meetings focusing primarily on human resources policy and staff development. It also looked at progress on headcount reduction, the "Commerzbank 4.0" strategy and general HR indicators.

The Nomination Committee held four meetings during the year under review. It gave in-depth consideration to the new membership of the Supervisory Board for the period after the 2018 Annual General Meeting. The Committee also discussed extending the appointment of Martin Zielke as member and Chairman of the Board of Managing Directors. In addition, it performed the duties of the Nomination Committee pursuant to Art. 25 d (11) sentence 2 of the German Banking Act, in particular the assessment of the Supervisory Board and Board of Managing Directors required by that act. Finally, the Nomination Committee examined the profile of skills and expertise for the members of Commerzbank's Supervisory Board.

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

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

Conflicts of interest

In accordance with section 5.5.2 of the German Corporate Governance Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, members of Commerzbank's Supervisory Board are required to disclose potential conflicts of interest to the Chairman of the Supervisory Board or the Chairman's deputy, who will in turn consult with the Presiding Committee and disclose the conflict of interest to the Supervisory Board. No member of the Supervisory Board declared a potential conflict of interest during the year under review.

Training and development measures

The members of the Supervisory Board undertook the training and development measures required for their duties at their own initiative, with appropriate support from Commerzbank. Regular training also takes place at the Supervisory Board meetings. In 2017, this involved talks on the ECB's "Guide to fit and proper assessments", the new Remuneration Ordinance for Institutions, IFRS 9 and MiFiD II/MiFiR. In addition, the Supervisory Board members considered Commerzbank's new branch concept and branch strategy in detail and visited local branches in connection with this. The Supervisory Board also discussed the issues of digitalisation and direct banking in depth and visited comdirect Bank AG. New Supervisory Board members were offered internal qualification and onboarding measures. Various Supervisory Board members also took part in external training. Board members were offered the opportunity to take part in a separate meeting with the auditors on the annual financial statements in advance of the Board's accounts review meeting.

Participation in meetings

All members of the Supervisory Board attended more than half the plenary sessions in financial year 2017. Dr. Helmut Perlet, Mr. Karl-Heinz Flöther, Mr. Mark Roach and Dr. Gertrude Tumpel-Gugerell each missed one meeting of the seven meetings in total of the Supervisory Board. Dr. Stefan Lippe did not take part in two meetings. All other members of the Supervisory Board were present at all of the meetings of the Supervisory Board.

Mr. Hans-Hermann Altenschmidt and Mr. Uwe Tschäge were absent at one meeting of the Nomination Committee. Dr. Stefan Lippe did not take part in one meeting of the Risk Committee.

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

Parent company and Group financial statements

The auditor and Group auditor appointed by the Annual General Meeting – the auditing firm PricewaterhouseCoopers Aktiengesellschaft (PwC), based in Frankfurt am Main – audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and also the management reports of the parent company and the Group, giving them their unqualified certification. The parent company financial statements were prepared according to the rules of the German Commercial Code (HGB), and the Group financial statements according to the International Financial Reporting Standards (IFRS). The financial statements and auditor's reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the auditor's reports, and all members of the Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 20 March 2018. At its meeting on 21 March 2018, the Supervisory Board examined and approved the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. The auditors attended the above-mentioned meetings of the Audit Committee and of the plenary Supervisory Board, explaining the main findings of their audit and answering questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the auditor representatives.

Following the final review by the Audit Committee and our own examination, we raised no objections to the parent company and Group financial statements and concurred with the findings of the auditors. The Supervisory Board has approved the financial statements of the parent company and the Group presented by the Board of Managing Directors; the financial statements of the parent company are thus adopted. We concur with the recommendation made by the Board of Managing Directors on the appropriation of profit.

The Audit Committee and the Supervisory Board also reviewed the combined separate non-financial report as at 31 December 2017 for Commerzbank AG and the Group, as prepared by the Board of Managing Directors. PwC conducted an audit to obtain limited assurance and issued an unqualified certification. The documents were carefully reviewed by the Audit Committee at its meeting on 20 March 2018 and by the Supervisory Board at its meeting on 21 March 2018. The Board of Managing Directors provided an in-depth explanation of the reports at both meetings. Auditor representatives took part in both meetings. They reported on the main results of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board raised no objections following its review.

Changes in the Supervisory Board and the Board of Managing Directors

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

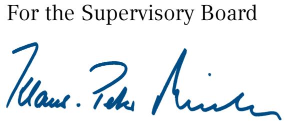
Heike Anscheit became a member of the Supervisory Board on 1 January 2017, succeeding Barbara Priester, who left the board on 31 December 2016. Margit Schoffer resigned her position as a member of the Supervisory Board with effect from 31 January 2017. Her successor, Stefan Jennes, joined the Supervisory Board of Commerzbank on 1 February 2017.

We thank Barbara Priester and Margit Schoffer for their valuable service to Commerzbank.

We would also like to thank the Board of Managing Directors and all our employees for their tremendous commitment and performance in 2017.

After nearly 52 years of working for Commerzbank in a range of roles both domestically and abroad, my term of office as Chairman of the Supervisory Board will end with the Annual General Meeting on 8 May. I would like to extend my very sincere thanks to our many faithful shareholders, who have stood by us through thick and thin. We hope that you will continue to support this great bank.

For the Supervisory Board



Klaus-Peter Müller
Chairman

Committees of the Supervisory Board

Presiding Committee / Compensation Control Committee	Audit Committee	Risk Committee
Klaus-Peter Müller, Chairman	Dr. Helmut Perlet, Chairman	Nicholas Teller, Chairman
Hans-Hermann Altenschmidt	Hans-Hermann Altenschmidt	Stefan Burghardt
Dr. Markus Kerber	Gunnar de Buhr	Dr. Markus Kerber
Uwe Tschäge	Karl-Heinz Flöther	Dr. Stefan Lippe
	Dr. Tobias Guldimann	Dr. Helmut Perlet
	Anja Mikus	
	Dr. Gertrude Tumpel-Gugerell	

Nomination Committee	Social Welfare Committee	Mediation Committee (Art. 27, (3) German Co-determination Act)
Klaus-Peter Müller, Chairman	Klaus-Peter Müller, Chairman	Klaus-Peter Müller, Chairman
Hans-Hermann Altenschmidt	Gunnar de Buhr	Hans-Hermann Altenschmidt
Dr. Markus Kerber	Stefan Burghardt	Nicholas Teller
Nicholas Teller	Sabine U. Dietrich	Uwe Tschäge
Uwe Tschäge	Anja Mikus	
	Uwe Tschäge	

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Klaus-Peter Müller

Age 73, Member of the Supervisory Board since 15.5.2008, Chairman of the Supervisory Board of Commerzbank Aktiengesellschaft

Uwe Tschäge[1]

Age 50, Deputy Chairman of the Supervisory Board since 30.5.2003, banking professional

Hans-Hermann Altenschmidt[1]

Age 56, Member of the Supervisory Board since 30.5.2003, banking professional

Heike Anscheit[1]

Age 47, Member of the Supervisory Board since 1.1.2017, banking professional

Gunnar de Buhr[1]

Age 50, Member of the Supervisory Board since 19.4.2013, banking professional

Stefan Burghardt[1]

Age 58, Member of the Supervisory Board since 19.4.2013, branch manager Mittelstand Bremen

Sabine U. Dietrich

Age 57, Member of the Supervisory Board since 30.4.2015, former member of the Board of Managing Directors of BP Europe SE

Karl-Heinz Flöther

Age 65, Member of the Supervisory Board since 19.4.2013, independent management consultant

Dr. Tobias Guldimann

Age 56, Member of the Supervisory Board since 3.5.2017, independent consultant in the financial sector

Stefan Jennes[1]

Age 50, Member of the Supervisory Board since 1.2.2017, banking professional

[1] Elected by the bank's employees.

You will find detailed curriculum vitae for the members of the Supervisory Board online on our Group page under "Management".

Dr. Markus Kerber

Age 54, Member of the Supervisory Board since 19.4.2013, former Chief Executive Director of the Federal Association of German Industry (Bundesverband der Deutschen Industrie)

Alexandra Krieger[1]

Age 47, Member of the Supervisory Board since 15.5.2008, Head Business Administration/Corporate Strategy Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie)

Oliver Leiberich[1]

Age 61, Member of the Supervisory Board since 19.4.2013, banking professional

Dr. Stefan Lippe

Age 62, Member of the Supervisory Board since 8.5.2014, former President of the Company Management of Swiss Re AG

Beate Mensch[1]

Age 55, Member of the Supervisory Board since 19.4.2013, Trade Union Secretary ver.di Region of the Federal State Hessen (Vereinte Dienstleistungsgewerkschaft ver.di), Organisational development

Anja Mikus

Age 59, Member of the Supervisory Board since 30.4.2015, CEO/CIO of the foundation “Fund for the Financing of Nuclear Waste” German Federal Ministry of Economics and Energy

Dr. Helmut Perlet

Age 70, Member of the Supervisory Board since 16.5.2009, Chairman of the Supervisory Board of GEA GROUP AG

Mark Roach[1]

Age 63, Member of the Supervisory Board since 10.1.2011, Trade Union Secretary ver.di Trade Union National Administration (Vereinte Dienstleistungsgewerkschaft ver.di)

Nicholas Teller

Age 58, Member of the Supervisory Board since 8.5.2014, Chairman of the Advisory Board E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell

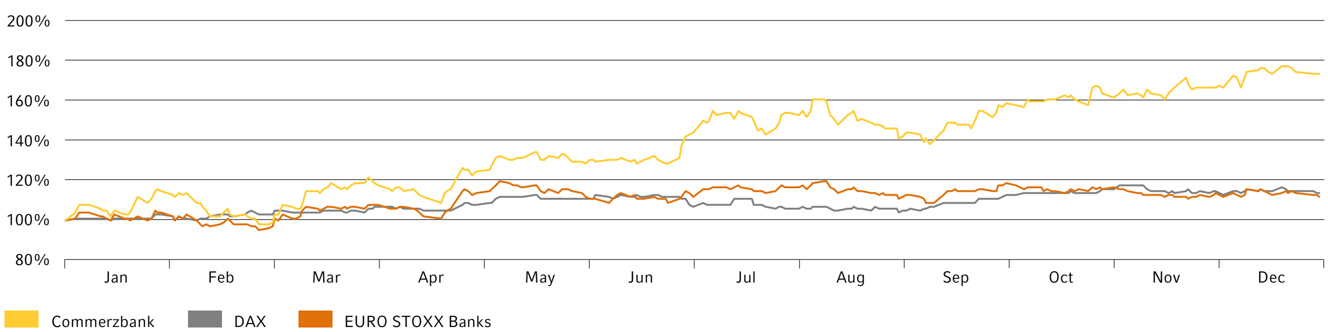
Age 65, Member of the Supervisory Board since 1.6.2012, former member of the Executive Board of the European Central Bank

Our share

Development of equity markets and performance indices

The international stock markets were dominated by a host of geopolitical events in 2017, including parliamentary elections in the Netherlands, France and Germany, the ongoing Brexit negotiations between the UK and the European Union and continued political tensions in the Middle East and North Korea. Nonetheless, the improved economic outlook in Europe combined with a global economic upturn put the capital markets in bullish mood, which was reflected in rising broad stock market indices and a stronger euro relative to other major currencies, such as the US dollar. Higher sovereign bond yields in the euro area boosted demand for bank stocks, which outperformed the market in the year under review. Against the backdrop of continued expansionary monetary policy by the European Central Bank, there was no upward movement in short-term interest rates in 2017. European banks including Commerzbank therefore remained under ongoing pressure from low net interest margins. In light of a more positive interest rate outlook in 2018, however, with the majority of analysts anticipating a rise in 10-year Bund yields, investors are at least expecting a gradual recovery in interest income in the sector. The DAX stock index rose by around 13% in 2017, ending the year at 12,918. While the EURO-STOXX 50 rose by around 7% during the year, the EURO-STOXX Banks Index outperformed in relative terms with a rise of 11%.

Commerzbank share vs. Performance indices in 2017
Daily figures, 30.12.2016 = 100



The Commerzbank share

The Commerzbank share price saw a continual uptrend over the course of the year, rising by around 73% compared with the end of 2016. This uptrend reflected a number of factors, such as growing optimism about the implementation of the Commerzbank 4.0 strategy and expectations that a possible increase in interest rates combined with the Bank's high interest rate sensitivity would have a positive impact on Commerzbank's earnings profile. Occasional takeover speculation has also driven up the Commerzbank share price, as has the fact that the US private equity investor Cerberus took a stake in the Bank, amounting to 5.01% according to Cerberus, in July 2017.

With a closing price of €12.51 at the end of the year, the Commerzbank share was within touching distance of the high of €12.96 reached in the course of 2017.

Owing to the significant rise in the share price, Commerzbank's market capitalisation rose to €15.7bn at year-end 2017 (high: €16.1bn; low €8.9bn), compared with €9.1bn one year earlier. In terms of its price-to-book ratio, Commerzbank traded in a range of 0.3 to 0.6 over the course of 2017. By way of comparison, the EURO STOXX Banks Index had a price-to-book ratio of 0.8–1.0x.

The daily turnover of Commerzbank shares in 2017 was close to the prior-year level in terms of the number of shares traded. The average daily trading volume in the year under review was 11.9 million shares, compared with 12.5 million shares in 2016.

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

Commerzbank share – key figures

With the number of shares unchanged, the earnings per share fell from €0.22 to €0.12 in financial year 2017, which primarily reflected the restructuring costs associated with the realignment of the Bank's business model. Thanks to its strong capitalisation well in excess of the statutory requirements (SREP) and a fully phased-in Tier 1 capital ratio of 14.1%, the Bank significantly improved its risk profile in the year under review.

Highlights of the Commerzbank share	2017	2016
Shares issued in million units (31.12.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	12.96	9.50
Low	6.97	5.16
Closing price (31.12.)	12.51	7.25
Daily trading volume[1] in million units		
High	46.0	42.3
Low	2.6	3.2
Average	11.9	12.5
Index weighting in % (31.12.)		
DAX	1.2	0.9
EURO STOXX Banks	1.7	1.7
Earnings per share in €	0.12	0.22
Book value per share[2] in € (31.12.)	23.06	22.79
Net asset value per share[3] in € (31.12.)	21.90	21.69
Market value/Net asset value (31.12.)	0.57	0.33

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

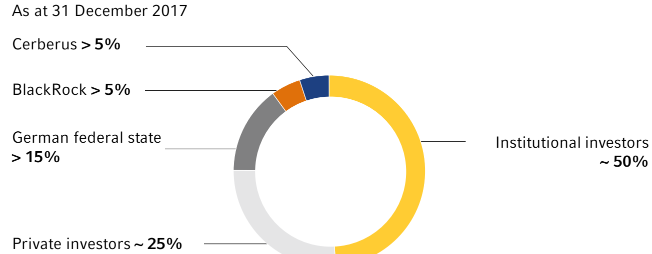
Commerzbank's weight in the DAX was 1.2%, compared with 0.9% in the previous year. In addition to being a constituent of the European sector index EURO STOXX Banks, the Bank was also represented in 2017 in several sustainability indices that place particular emphasis on environmental and ethical criteria alongside economic and social factors.

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

Shareholder structure and analyst recommendations

On 31 December 2017, approximately 50% of Commerzbank shares were held by our major shareholders – the Federal Republic of Germany, Cerberus and BlackRock – as well as our mostly German-based private shareholders. Moreover, around 50% of Commerzbank shares were in the hands of institutional investors. The free float stood at just under 75%.

Shareholder structure
As at 31 December 2017



Around 25 analysts provided regular coverage of Commerzbank during 2017. At the end of 2017, the proportion of buy recommendations was 20%, compared with 31% twelve months ago. A further 60% of analysts recommended a hold, while 20% of analysts recommended selling our shares, compared with 19% in the previous year. The average price target of analysts at the year-end was €11.38, compared with €6.74 at the end of 2016.

Commerzbank's ratings

The German Resolution Mechanism Act (Abwicklungsmechanismusgesetz, or AbwMechG) entered into force on 1 January 2017. This redefined the rules applying to bail-ins in Germany via debt write-downs or debt/equity swaps. It amended the existing creditor hierarchy for senior unsecured liabilities, as a result of which some capital instruments that previously ranked equally with one another are now treated preferentially or as subordinated. In particular, complex structured liabilities, where bail-ins can be hard to enforce, are now senior to plain vanilla capital instruments. Rating agencies have already revised their rating methodologies in recent years to take account of the varying probabilities of different capital instruments being bailed in under a resolution scenario. The main impact of the new legislation was firstly to open up a significant gap in ratings between an issuer's unsecured liabilities that had previously been treated identically. At the same time, the number of ratings increased to reflect the differing probabilities and extent of participation in losses for the different classes of liabilities in the event of resolution (liability cascade). Commerzbank benefited from the establishment of new rating classes. Agency ratings for senior complex structured liabilities and ratings for deposits not covered by the deposit protection scheme tend to be at the same level, which in Commerzbank's case is around "A": A2 from Moody's Investors Service (Moody's), A from Scope Ratings (Scope), A– from S&P Global (S&P) and A– from FitchRatings (Fitch).

Agencies also issued ratings on unsecuritised contractual obligations for the first time. Whereas Fitch focuses primarily on the probability of default of a bank as a counterparty in derivatives transactions – Fitch rating: A– (dcr) – Moody's has a broader scope and includes operational obligations – A2 (cra). Both agencies share the basic assumption that certain core activities of an insolvent bank would be maintained even in the event of resolution, in order to safeguard the systemic stability of the banking sector. S&P plans to launch a new rating category this year, the Resolution Counterparty Rating (RCR), which is expected to be above the issuer rating.

Alongside the methodological changes referred to above, the Bank's improved fundamental data, including a larger equity buffer and improved risk profile, also had a positive impact on some of the main rating categories.

Rating events in 2017

S&P In March 2017, S&P upgraded Commerzbank's issuer credit rating and derived from this also ratings for deposits and counterparty risks, as well as the rating for "preferred" senior unsecured liabilities by one notch to A– with a negative outlook. This was based on the assumption that the large additional loss-absorbing capacity (ALAC) buffer would protect the Bank's senior unsecured liabilities in a resolution. Furthermore, the rating agency gave credit for management's achievements in restructuring the Bank and the associated lower risk of setbacks and avoidance of negative surprises. The rating for "non-preferred" senior unsecured debt was downgraded by one notch to BBB at the same time, as these instruments' ranking in the creditor hierarchy makes it more likely that they will be bailed in in future in a resolution scenario. S&P published an update of the parameters of its own capital model in July 2017. As the ratings agency assumed at this point that the rating would potentially be influenced by the change in methodology, some of the Bank's ratings were placed under review. Although the change in methodology led to a deterioration in the agency's risk-adjusted capital (RAC) ratio, S&P left the Bank's ratings unchanged in August 2017. The Bank benefited especially from the reduction in risk-weighted assets that it had carried out by then in 2017. S&P expects the RAC ratio to rise again to over 10% within the next two years.

Fitch In the course of its regular rating reviews, Fitch confirmed Commerzbank's ratings in the year under review as BBB+ with a stable outlook for the issuer rating and bbb+ for the stand-alone rating.

Moody's In December 2017, Moody's changed the outlook for the deposit rating of A2 and the "preferred" senior unsecured debt rating of A2 from stable to positive. This reflects the expectation that the underlying fundamentals of the Bank will improve. Moody's sees a possibility that the Bank – assuming a further improvement in its profitability – could achieve a higher stand-alone rating with a corresponding positive impact on the ratings listed above within 12 to 18 months.

Scope Commerzbank officially mandated Scope as a further rating agency for Commerzbank's bank rating as of 1 January 2017. Scope first published a rating for Commerzbank without an official mandate in April 2014. The Issuer Credit Strength Rating is A with a stable outlook. Unsecured liabilities, where bondholders are subject to bail-in under a resolution scenario, are rated one notch lower at A–.

Corporate responsibility

› We acknowledge the principles of sound, responsible management as laid down in the German Corporate Governance Code and meet virtually all of the recommendations and proposals it makes. Pages 21 to 26 give details of this aspect of our corporate responsibility.

› The term “corporate social responsibility” describes the extent to which a company is conscious of its responsibilities whenever its business activities affect society, staff, the natural environment or the economic environment. We accept this responsibility, and report on it on pages 44 to 52.

Contents

Corporate governance report and declaration on corporate governance

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

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

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

Recommendations of the German Corporate Governance Code

Commerzbank AG and its subsidiaries that are required by law to do so declare every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explain which individual recommendations are not being implemented and the reasons why. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies; Commerzbank AG's declarations can be found at https://www.commerzbank.com. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2017.

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

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

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

- In relation to the remuneration of the Board of Managing Directors, section 4.2.3 (2) sentence 8 of the Code recommends that there should be no subsequent changes to goals or the parameters for determining the variable remuneration components. Under the German Stock Corporation Act, the Supervisory

Board should agree the possibility of restricting the variable remuneration of the Board of Managing Directors in exceptional circumstances. It is entitled under this legislation to adjust the goals and other parameters for determining variable remuneration components in exceptional circumstances, to reasonably neutralise any positive or negative repercussions on the achievability of the goals; the cap on variable remuneration must be observed in all cases.

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

- Section 4.2.5 sentence 5 and 6 of the Code requires some of the information on board remuneration in the Remuneration Report to be provided in standardised tables. However, the model tables in the Code do not take account of the requirements of the Remuneration Ordinance for Institutions and are therefore not as suitable for financial institutions such as Commerzbank AG. As a result, Commerzbank AG has decided not to implement this recommendation in its Remuneration Report 2017. Commerzbank AG has created its own tables which provide clear and transparent information on its board remuneration system. Commerzbank AG has decided not to use the model tables in the Code alongside the tables created by it or required under accounting rules, because this would undermine the clarity and comprehensibility of the Remuneration Report it is aiming for.

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

- Section 5.4.1 (2) sentence 2 of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the specific situation at the company, take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified fixed limit on length of service on the Supervisory Board and diversity. The Supervisory Board of Commerzbank AG regularly sets specific targets for its composition, taking into account the criteria listed in section 5.4.1 (2) sentence 2. However, it has not set a limit on the normal length of service on the Supervisory Board. The Supervisory Board takes the view that continued service frequently has to be decided in respect of the individual member: setting a fixed limit would result in an inappropriate restriction. Differing lengths of service among the individual members of the Supervisory Board can also offer advantages in terms of diversity.

Suggestions of the German Corporate Governance Code

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

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

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

Board of Managing Directors

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

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of this Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on 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 27 to 37.

Supervisory Board

The Commerzbank AG Supervisory Board advises and supervises the Board of Managing Directors in its management of the Bank. It appoints and dismisses members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures that there is long-term succession planning. The Supervisory Board discharges its responsibilities in accordance with legal requirements, the Articles of Association and its rules of procedure; it cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 13 to 15 of this Annual Report. Details on the work of this committee and on its structure and control function are provided on pages 6 to 12 of the Report of the Supervisory Board. Further details on how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available online at 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 codetermination 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 AGM should take account of the Supervisory Board's objectives and targets while also seeking to fulfil the profile of skills and expertise for the board as a whole. Progress in implementing the targets should be published in the Corporate Governance Report.

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

The composition of the Supervisory Board should be such that, overall, its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential given the activities of the Commerzbank Group. Emphasis should also be placed on appointing members with particular knowledge and experience of the application of accounting principles and internal control procedures. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable, and consideration should be given to their commitment, personality, professionalism, integrity and independence. The Supervisory Board has resolved a detailed profile of skills and expertise for the board as a body, which may be consulted on Commerzbank's website at https://www.commerzbank.com. The Supervisory Board takes account of the targets and requirements set out there in its election proposals to the AGM and the regular assessment of the Supervisory Board as a whole and its members. All targets set by the Supervisory Board for its composition and the profile of responsibilities were implemented as at 31 December 2017. 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 the controlling shareholder that could lead to a significant, not temporary conflict of interest. The employee representatives are not subject to this assessment.

Applying the above-mentioned criteria, all ten shareholder representatives can be classified as “independent”, namely Klaus-Peter Müller, Sabine U. Dietrich, Karl-Heinz Flöther, Dr. Tobias Guldimann, Dr Markus Kerber, Dr. Stefan Lippe, Anja Mikus, Dr. Helmut Perlet, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell.

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

In accordance with section 5.6 of the German Corporate Governance Code, the Supervisory Board reviewed the efficiency of its work in financial year 2017 as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act. The results of the efficiency audit were presented to the plenary session for discussion. The members of the Supervisory Board believe that the board works in an efficient manner and to a high standard. Suggestions from members of the Supervisory Board have been and continue to be taken into account for future activities.

Under section 5.5.2 of the German Corporate Governance Code and Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. No member of the Supervisory Board declared such a conflict of interest during the year under review.

Details of the remuneration paid to the members of the Commerzbank AG Supervisory Board are given on pages 37 to 39 of the Remuneration Report.

Diversity

At Commerzbank AG and in the group companies, consideration is given to diversity in the composition of the Board of Managing Directors, appointments to management and 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 bandwidth in terms of knowledge, capabilities and expertise.

Diversity policy and targets for the Supervisory Board

The Supervisory Board of Commerzbank AG consists of 20 members. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent (shareholder representatives) as defined in section 5.4.2 of the Code and not more than two former members of the Board of Managing Directors of Commerzbank AG. The Supervisory Board has set a regular age limit of 72 and is aiming for a broad range of ages within the board.

The Supervisory Board also wants its members to have a suitable range of educational and professional backgrounds and for the board to have at least one international member. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. The Supervisory Board is keen to at least meet the statutory requirement of a minimum of 30% female representation. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also keen to at least maintain the current percentage of female representation of 30% among the employee representatives in the future.

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

The situation in the Group companies is similar. Where required to by law, they have also set their own targets for the proportion of women on their supervisory boards.

Diversity policy and targets for the Board of Managing Directors

The Nomination Committee of Commerzbank AG’s Supervisory Board assists the Supervisory Board in selecting applicants for positions on the Board of Managing Directors. It takes account of the balance and range of knowledge, skills and experience of all the board members, draws up a job description with an applicant profile and indicates the time requirements associated with the appointment. In making appointments to the Board of Managing Directors, the Supervisory Board aims to increase diversity, particularly with regard to characteristics such as age, education and professional background and to raise the proportion of women. The Supervisory Board also seeks to ensure that a reasonable range of educational and professional backgrounds is represented on the Board of Managing Directors.

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

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

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

The situation in the Group companies is similar. Where required to by law, they have also set their own targets for the proportion of women on their management boards.

Targets for the first and second levels of management

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

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

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

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

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

In the Group, the first management level below the Board of Managing Directors consisted of 41 people, of whom 36 were male and 5 female. The percentage of women in the first level of management below the Board of Managing Directors was thus 12.2% as at 31 December 2017.

The second management level below the Board of Managing Directors consisted of 459 people, 390 of whom were male and 69 female. This means that the percentage of women in the second level of management below the Board of Managing Directors was 15%.

Accounting

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

The Group Management Report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on pages 99 to 134 of this Annual Report.

Shareholders and third parties receive additional information on the course of business during the financial year in the form of the semi-annual report as well as in two quarterly reports. These interim financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS).

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides upon the appropriation of distributable profit (if any) and approves the actions of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and any amendments to the Articles of Association.

If necessary, it authorises the Board of Managing Directors to undertake capital-raising measures and approves the conclusion of profit and loss transfer agreements. Each share entitles the holder to one vote.

In 2015, the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) of the German Stock Corporation Act, gave the Annual General Meeting the opportunity to vote on the approval of the remuneration system for members of the Board of Managing Directors. The 2015 Annual General Meeting approved the principles of the variable remuneration system and the fixed basic annual salary for members of the Board of Managing Directors.

The 2015 Annual General Meeting also voted on the ratio of variable to fixed annual remuneration for members of the Board of Managing Directors pursuant to Art. 25a (5) sentence 5 of the German Banking Act and approved an increase in the cap on variable annual remuneration for members of the Board of Managing Directors of Commerzbank AG to 140% of the respective fixed annual remuneration set from 2015 onwards.

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

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

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

Remuneration Report

The following Remuneration Report is also part of the Group Management Report.

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

Board of Managing Directors

Remuneration system for the Board of Managing Directors

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

Main features of the current remuneration system

The core elements of the remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. The appropriateness of the fixed basic annual salary and the variable remuneration is checked at regular two-yearly intervals. The 2015 Annual General Meeting approved the remuneration system and an upper limit for variable remuneration of 140% of fixed remuneration.

Fixed remuneration components

The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €750 thousand for ordinary members of the Board of Managing Directors. The Chairman of the Board of Managing Directors receives 1.75 times this amount, i.e. €1,312,500. This is payable in 12 equal monthly instalments. The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions (accident insurance), as well as the tax thereon. Members are also entitled to company pension arrangements, which are set down in pension agreements and described in a separate section below.

Performance-related remuneration components (variable remuneration)

The remuneration system provides for a uniform 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 determined by (i) EVA target achievement by the Commerzbank Group, (ii) target achievement by the department (segment and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) the achievement of individual performance targets. Goal achievement for the Group, the department and the individual performance can be between 0% and 200%; however, overall goal achievement from these three components is limited to 150%. The total goal achievement amount is arrived at by multiplying the overall goal achievement level by the target amount. The total goal achievement amount is therefore capped at a maximum of 150% of a member's target amount.

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

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

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

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

Corporate Responsibility

Target achievement Following the end of each financial year, the Supervisory Board decides on the extent to which the targets were achieved. Measurement of target achievement for company targets is based 70% on the Group's business success and 30% on the results and target achievement of the department for which the member in question is responsible. These measurements are over a three-year period, with achievement of the company targets for the financial year in question given a 3/6 weighting, the previous year 2/6 and the year before that 1/6. A transitional arrangement applies to the first two years for newly appointed members of the Board of Managing Directors. The results of the three-year achievement of the company targets are then multiplied by a factor of between 0.7 and 1.3, which is dependent on the achievement of the individual targets of the member of the Board of Managing Directors. 0.7 corresponds to individual target achievement of 0% (minimum), 1.0 to individual target achievement of 100% and 1.3 to individual target achievement of 200% (maximum). For intermediate values, the Supervisory Board defines the factors in increments when setting the targets. Variable remuneration will only be applied if the Group achieves a profit before taxes and non-controlling interests according to IFRS.

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

Short-Term Incentive (STI) 40% of the variable remuneration takes the form of a Short-Term Incentive. Entitlement to the STI arises upon determination by the Supervisory Board of the total target achievement amount for variable remuneration and its notification to the member of the Board of Managing Directors. Half of the component is payable in cash, the other half is payable after a 12-month waiting period, also in cash but share-based. This half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the STI was awarded.

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

Remuneration for serving on the boards of consolidated companies

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

Pension provision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system too, since 2015 increases in the fixed annual salary only increase the annual module if resolved by the Supervisory Board. Until the member of the Board of Managing Directors leaves, the annual modules are managed in a pension account. Upon reaching their 61st birthday, an additional 2.5% of the amount in the pension account at the end of the previous year is credited to the pension account of the member of the Board of Managing Directors on an annual basis until the pension benefits start to be paid out.

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

The retirement capital or the early retirement capital will correspond to the amount in the virtual custody account or the amount in the pension account when the pension benefits start to be paid out, whichever is higher. Under these rules, the amount in the pension account represents the minimum capital payment, where the amount in the virtual custody account is less. As an alternative to the lump-sum payment, the member of the Board of Managing Directors may elect to receive a life-long pension.

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

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

The table below shows the annual pension entitlements at pensionable age of 62 for active members of the Board of Managing Directors on 31 December 2017, the corresponding actuarial net present values on 31 December 2017, the service costs for 2017 contained in the net present value, and comparable amounts for the previous year:

€1,000		Pension entitlements Projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements As at 31.12.	Service costs
Martin Zielke	2017	237	5,999	1,095
	2016	194	4,967	833
Martin Blessing[1]	2017	–	–	–
	2016	332	7,706	171
Frank Annuscheit	2017	224	5,525	536
	2016	202	5,035	454
Markus Beumer[2]	2017	–	–	–
	2016	187	4,011	352
Dr. Marcus Chromik[3]	2017	43[4]	682	342
	2016	23[4]	344	306
Stephan Engels	2017	109[4]	1,945	321
	2016	95[4]	1,606	311
Michael Mandel[5]	2017	32[4]	519	329
	2016	13[4]	193	175
Dr. Bettina Orlopp[6]	2017	3[4]	56	56
	2016	–	–	–
Michael Reuther	2017	258	6,711	569
	2016	236	6,165	497
Total	**2017**		**21,437**	**3,248**
	2016		**30,027**	**3,099**

[1] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended Details of remuneration of the Board of Managing Directors on 30 April 2016.
[2] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
[3] Dr. Markus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.
[4] Capital sum annualised.
[5] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
[6] Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

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

As at 31 December 2017, defined benefit obligations for members of the Commerzbank Aktiengesellschaft Board of Managing Directors active in 2017 totalled €21.4m (previous year: €30.0m).

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

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

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

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

In all these cases, the specified payments for the time after the effective termination of the term of office may not exceed two years' annual remuneration[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 member of the Board of Managing Directors will receive no variable remuneration for the last year of his/her term of office. The same applies where a member of the Board of Managing Directors resigns his/her mandate without good cause accepted by the Bank. In both these cases, the same applies to the fixed basic annual salary from the end of the month in which the term of office ends. If the term of office is terminated because of a serious breach of duty, the variable remuneration for the year in which the term of office ended and variable remuneration not yet paid out in respect of previous years shall not be payable.

Other

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

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

Under 4.2.5 of the 7 February 2017 edition of the German Corporate Governance Code, the benefits granted for the year under review and the allocation made (actual payouts made) for the year under review should be reported for each member of the Board of Managing Directors. This should be broken down into fixed remuneration, company benefits and one-year and multi-year variable remuneration.

As the model tables recommended by the German Corporate Governance Code do not take account of the specificities of the Remuneration Ordinance for Institutions, and hence are less suitable for institutions such as Commerzbank, the Bank has designed its own tables, which provide transparent and comprehensible information on its remuneration system for members of the Board of Managing Directors. Commerzbank has decided not to use the model tables in the Code, because this would undermine the clarity and comprehensibility of the Remuneration Report it is aiming for. Commerzbank also stated this in its declaration of compliance pursuant to Art. 161 of the Stock Corporation Act. Unlike the presentation last year, both the benefit and allocation tables below no longer distinguish between one-year and multi-year variable remuneration, but instead between short-term and long-term remuneration. This is because the total variable remuneration regularly includes the achievement of company targets over a period of three years. The only exceptions are due to a transitional arrangement for newly appointed members of the Board of Managing Directors in the first and second years of their appointment. Variable short-term remuneration is the Short-Term Incentive under the current remuneration system. This is paid out half in cash after the end of the financial year and half in the form of shares after a 12-month waiting period, i.e. in the short term. Entitlement to the long-term portion, the Long-Term Incentive, arises only after the end of a five-year retention period and subject to a retrospective performance evaluation. The pension expense for pension provision for the individual members of the Board of Managing Directors is shown in the above table in the service cost column. Pension expense is therefore not shown again in either the allocation or the benefit tables.

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

The following tables show the actual allocations in 2017 with the figures from the previous year for comparison for each individual member of the Board of Managing Directors. The allocation "for" the year means for example that the STI 2017 paid in cash for 2017 and for which all the parameters are fixed at the end of the year, is shown as an allocation for 2017 even though the actual payment is not made until 2018. Equally, the STI 2016 paid out in cash in 2017 is shown as an allocation for 2016.

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

[1] Martin Blessing, former Chairman of the Board of Managing Directors, waived all entitlement to variable remuneration for 2012 and 2013.

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

Allocation €1,000	**Michael Mandel** Private and Small-Business Customers (since 23 May 2016)		**Dr. Bettina Orlopp** Group Compliance, Group Human Resources, Group Legal (since 1 November 2017)		**Michael Reuther** Corporate Clients, Group Treasury	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Basic salary	750	456	125	–	750	750
Accessory considerations	102	58	20	–	130	125
Sub-total	**852**	**514**	**145**	**–**	**880**	**875**
Short term variable remuneration	**170**	**76**	**30**	**–**	**251**	**195**
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	–	93
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	–	123	–
STI 2016 in cash	–	76	–	–	–	102
STI 2017 in cash	170	–	30	–	128	–
Long term variable remuneration	**–**	**–**	**–**	**–**	**174**	**70**
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	–	70
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	174	–
Total	**1,022**	**590**	**175**	**–**	**1,305**	**1,140**

The following table shows the benefits, comprising fixed remuneration (basic salary and company benefits) and variable remuneration in the amount of the total goal achievement amount set, the short-term and long-term portions of variable remuneration and the minimum and maximum amounts of total variable remuneration for each individual member of the Board of Managing Directors.

Unlike the model table of the German Corporate Governance Code for benefits granted, the variable remuneration granted is not shown as the target value, i.e. the value if target achievement is 100%, or a comparable figure in a medium probability scenario. Instead, the total goal achievement amounts set by the Supervisory Board are shown for each member of the Board of Managing Directors. The table takes into account the actual target achievement of the members of the Board of Managing Directors and is therefore more meaningful in respect of the variable remuneration for the past financial year than if a hypothetical target achievement of 100% were shown.

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

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

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

1 Non-monetary benefits granted, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund are shown under company benefits.
2 Total remuneration does not include pension expense. This is shown in the section on pension provision.
3 Maximum amount in the relevant year, i.e. excluding any rise in the share price for share-based remuneration.
4 Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.
5 Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.
6 Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
7 Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
8 Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

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

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

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

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

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

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

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

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

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

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

[2] The item "Company benefits" includes non-monetary benefits granted in financial year 2017, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.

[3] Payable in 2018 following determination of the total goal achievement amount for 2017.

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

[5] Under DRS 17, the LTI-EVA cash component still due for 2014 after the end of the four-year period from 2014 to 2017 and the approval of the annual financial statements for 2017 have to be reported. The cash element of the 2014 LTI share components and the share elements of both of these LTI components were already disclosed in the Annual Report 2014 and, therefore, do not need to be reported again under DRS 17.
Martin Blessing, former Chairman of the Board of Managing Directors, waived his entire entitlement to variable remuneration for financial years 2012 and 2013.

[6] The amounts disclosed as total remuneration in accordance with DRS 17 for financial year 2017 include only those components in respect of which the members of the Board of Managing Directors already have a legally binding entitlement. As such, the amounts disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2017, as there is no such entitlement until after the retrospective performance evaluation and the five-year retention period.

[7] Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.

[8] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.

[9] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.

[10] Dr. Markus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.

[11] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.

[12] Dr. Bettina Orlopp was appointed as a member of the Board of Managing Directors from 1 November 2017.

[13] The total amounts for the 2013 LTI and total remuneration in 2016 are lower than reported in the 2016 Remuneration Report. This is because the 2013 LTI for Dr. Stefan Schmittmann of €67 thousand is no longer included in the totals for 2016, as his term of office ended on 31 December 2015.

Further mandatory disclosures in accordance with IFRS 2

In light of the three-year period that underlies the current remuneration system and is used to calculate target achievement, pro-rated expenses for share-based remuneration in future financial years were disclosed in the last financial year in compliance with IFRS 2. The expenses disclosed below for 2017 therefore do not reflect either the amounts to be disclosed under DRS 17 or actual expectations or payouts.

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

In 2016, the share-based remuneration recorded as expenses under IFRS 2 totalled €2,320 thousand, of which €625 thousand was for Martin Zielke, €538 thousand for Dr. Marcus Chromik, €408 thousand for Michael Mandel, €331 thousand for Stephan Engels, €327 thousand for Frank Annuscheit, €230 thousand for Michael Reuther as well as €77 thousand for Martin Blessing and €62 thousand for Markus Beumer (including adjustments for 2015 as a result of their departure in 2016).

Loans to members of the Board of Managing Directors

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

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

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2017

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the AGM on 20 April 2016. These provisions applied for the first time with effect from 1 January 2016. Under the new remuneration system, members of the Supervisory Board receive basic remuneration of €80 thousand for each financial year. The Chairman receives triple and the Deputy Chairman double this amount.

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

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

Members of the Supervisory Board thus received total net remuneration for financial year 2017 of €2,936.3 thousand (previous year: €2,944.5 thousand). Of this figure, the basic remuneration amounted to €1,839.8 thousand (previous year: €1,840.0 thousand) and remuneration for committee memberships to €765.0 thousand (previous year: €716.0 thousand). Attendance fees were €331.5 thousand (previous year: €388.5 thousand).

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

€1,000		Basic remuneration	Remuneration for serving on committees	Attendance fee	Total
Klaus-Peter Müller	2017	240.0	120.0	19.5	379.5
	2016	240.0	125.9	24.0	389.9
Uwe Tschäge	2017	160.0	60.0	15.0	235.0
	2016	160.0	60.0	22.5	242.5
Hans-Hermann Altenschmidt	2017	80.0	70.0	22.5	172.5
	2016	80.0	70.0	30.0	180.0
Heike Anscheit (since 1 January 2017)	2017	80.0	0.0	12.0	92.0
	2016	–	–	–	–
Gunnar de Buhr	2017	80.0	49.9	21.0	150.9
	2016	80.0	50.0	19.5	149.5
Stefan Burghardt	2017	80.0	46.8	18.0	144.8
	2016	80.0	20.0	16.5	116.5
Sabine Ursula Dietrich	2017	80.0	20.0	13.5	113.5
	2016	80.0	20.0	16.5	116.5
Karl-Heinz Flöther	2017	80.0	30.0	19.5	129.5
	2016	80.0	30.0	24.0	134.0
Dr. Tobias Guldimann (since 3 May 2017)	2017	52.7	15.8	10.5	79.0
	2016	–	–	–	–
Stefan Jennes (since 1 February 2017)	2017	73.3	0.0	12.0	85.3
	2016	–	–	–	–
Dr. Markus Kerber	2017	80.0	70.0	21.0	171.0
	2016	80.0	70.0	16.5	166.5
Alexandra Krieger	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	16.5	96.5
Oliver Leiberich	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	16.5	96.5
Dr. Stefan Lippe	2017	80.0	30.0	13.5	123.5
	2016	80.0	30.0	19.5	129.5
Beate Mensch	2017	80.0	0.0	12.0	92.0
	2016	80.0	0.0	13.5	93.5
Anja Mikus	2017	80.0	50.0	22.5	152.5
	2016	80.0	24.8	16.5	121.3
Dr. Roger Müller (until 3 May 2017)	2017	27.1	0.0	3.0	30.1
	2016	80.0	0.0	15.0	95.0
Dr. Helmut Perlet	2017	80.0	90.0	21.0	191.0
	2016	80.0	90.0	24.0	194.0
Barbara Priester (until 31 December 2016)	2017	–	–	–	–
	2016	80.0	0.0	15.0	95.0
Mark Roach	2017	80.0	0.0	10.5	90.5
	2016	80.0	0.0	15.0	95.0
Margit Schoffer (until 31 January 2017)	2017	6.7	2.5	1.5	10.7
	2016	80.0	30.0	24.0	134.0
Nicholas Teller	2017	80.0	80.0	19.5	179.5
	2016	80.0	65.3	21.0	166.3
Dr. Gertrude Tumpel-Gugerell	2017	80.0	30.0	19.5	129.5
	2016	80.0	30.0	22.5	132.5
Total	**2017**	**1,839.8**	**765.0**	**331.5**	**2,936.3**
	2016	**1,840.0**	**716.0**	**388.5**	**2,944.5**

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2017. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2043 and at interest rates ranging between 1.0% and 5.1%, and on amounts overdrawn in certain cases up to 11.4%. Loans are secured on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €3,560 thousand; in the previous year, the figure was €2,713 thousand. In 2017, members of the Supervisory Board repaid €254 thousand. Commerzbank Group companies did not enter into any contingent liabilities in favour of members of the Supervisory Board in the year under review.

Other details

D&O liability insurance

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

Purchase and sale of the Company's shares

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

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

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

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

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

Share capital structure

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts.12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (Aktiengesetz, AktG). The share capital of the company totalled €1,252,357,634.00 at the end of the 2017 financial year. It is divided into 1,252,357,634 no-par-value shares. The shares are issued in bearer form.

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

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors 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 replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority of the share capital represented at the date of resolution, a simple majority of the capital represented is sufficient to pass resolutions (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, provided such amendments affect merely the wording of an article with no change in substance, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

Powers of the Board of Managing Directors

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

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

For details of the authorised capital and conditional capital, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Note 58 on page 240 ff.

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

On 30 April 2015, the Annual General Meeting authorised the Board of Managing Directors to purchase and sell Commerzbank shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act, until 29 April 2020. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day.

The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

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

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

Equity holdings that exceed 10% of the voting rights

According to the notification of voting rights dated 4 June 2013, the Financial Market Stabilisation Fund holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights 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.

There are no further facts that need to be declared under Art. 315a of the German Commercial Code.

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

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are linked with each other, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found on pages 99 to 134 of the Risk Report.

The objective of proper financial reporting is endangered if material information in the financial reporting is erroneous. It is irrelevant whether this is due to one single matter or a combination of several.

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

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

Legal basis and guidelines

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

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

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

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standards of Auditing and Quality Control, No. 315, 2009 Edition (hereinafter referred to as 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 governance framework, which is part of the written rules of procedure, sets uniform and binding minimum standards for all units with regard to their organisational structure in respect of maintaining documentation and keeping it updated. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the full Board of Managing Directors and ending with the individual cost approval authorities at the lower management levels. The scope and structure of the governance framework follow both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the 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:

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

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

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

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

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

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

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

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

Controls to minimise risk

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

Monitoring by Group Audit

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

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

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

The financial reporting process

The financial reporting procedures at Commerzbank are supported by IT systems integrated into each process. Since 2015, the financial statements of Commerzbank AG in Germany have been produced using the new financial architecture; this consists of a new financial data warehouse that provides a consistent repository of basic information, and standard SAP software for the financial function. The parent company in Germany therefore has a single solution using consistent financial data for financial statements under both IFRS and the German Commercial Code.

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

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

Measures to further enhance the ICS as regards financial reporting

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

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

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

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

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

Other

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

Combined separate non-financial report

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

The success of the Commerzbank Group is shaped not just by financial factors, but also by a wide range of non-financial criteria. Commerzbank therefore welcomes the EU Directive on the disclosure of non-financial and diversity information as an important step towards putting corporate social responsibility (CSR) at the heart of corporate management and reporting. This directive was implemented in German law with binding effect starting in financial year 2017 pursuant to the German Act on Strengthening Corporate Non-Financial Reporting (CSR-Richtlinie-Umsetzungsgesetz). The law requires a report to cover at least five topics: environmental protection, treatment of employees, social responsibility, respect for human rights and anti-corruption and anti-bribery. Commerzbank has also decided to report on a sixth topic, in the "Treatment of customers" section, as the Group's customer focus is a key non-financial success factor.

This summary stand-alone non-financial report (hereinafter the "non-financial report") applies for the Commerzbank Group and for the parent company, Commerzbank AG. Further details on the reporting format are found at the end of this document, in the section "About this report". The requisite description of the business model is found on page 55 f. of the Group Management Report.

Environmental protection

Protecting nature and the environment is an important component of the Commerzbank Group's commitment to corporate responsibility and sustainable business practices. Combating climate change is a particularly critical part of this. However, Commerzbank has the biggest impact in creating a climate-friendly business environment not through its own banking operations but through financial services that promote protection of the environment – for example renewable energy or energy efficiency measures – and through decisions not to finance, or to cease financing, particular business types as a financial institution. For instance, Commerzbank AG is no longer providing finance for coal-fired power stations.

Environmental criteria in lending[1]

To minimise the impact of its activities on ecosystems, Commerzbank reviews and evaluates transactions, products and customer relationships where the environment plays a prominent role. This is the case, for example, where projects lead to increased pollution of the air, water or soil or could involve overexploitation of natural resources.

Commerzbank AG's Reputational Risk Management department lays down the prerequisites and limits for the Bank's activities by evaluating environmental impact, setting environmental conditions in some cases or turning down transactions, products and customer relationships altogether. It places a particular focus on ensuring that lending activity is compatible with the Bank's sustainability principles, which are set out in published papers and directives, for example on coal-fired power, oil and gas, electricity generation, agricultural commodities, mining and land and forestry. These positions and directives are reviewed regularly and updated as necessary.

Reputational Risk Management works closely with classic Risk Management. The management of reputational risks arising from the potential impact of the Bank's business activities on the environment is an integral part of Commerzbank's overall risk strategy (see Group Risk Report, page 131). As a department within the Group Communications division, Reputational Risk Management falls under the direct responsibility of the Chairman of the Board of Managing Directors. The Board of Managing Directors and Supervisory Board are informed of reputational risks in the Bank on a quarterly basis.

To continue developing its reputational risk management, Commerzbank constantly monitors issues of potential environmental relevance and ensures they are embedded in the Bank's internal processes and evaluation criteria. The credit decision and reporting processes are also reviewed regularly and updated if required. In furtherance of this objective, the Bank take steps to raise awareness internally and also engages in discussions on environmental risks with relevant external stakeholders such as non-governmental organisations. In 2017, Commerzbank AG's Reputational Risk Management investigated a total of around 6,000 cases (2016: 6,200) involving environmental, social and ethical issues.

[1] Not relevant for comdirect and Commerz Real.

mBank in Poland operates its own reputational risk management based on its commitment to the United Nations Global Compact. Introduced in 2016, the policy on providing services and financing to entities operating in areas that are particularly sensitive in terms of mBank's reputational risk is designed to implement this commitment and can result in the rejection of particular lending transactions or requests to open bank accounts. mBank's reputational risk strategy is reviewed annually and coordinated with the reputational risk management of Commerzbank AG.

By publishing and rigorously applying its positions and directives, Commerzbank is able both to raise awareness among staff and other market participants and to help reduce and prevent detrimental environmental impacts. This can lead to multiplication effects whereby particular technologies or business types with a significant adverse environmental impact may no longer have access to funding sources in future.

Products and services with environmental benefits[2]

For the economy to transition successfully to a low-carbon, sustainable future, the financial system will have to play a role. Global efforts to combat climate change call not only for favourable political conditions and new technologies, but also for adequate financial resources. This gives rise to a range of opportunities for Commerzbank due to the growing demand for financing solutions on the one hand and sustainable investment opportunities on the other. As a result, Commerzbank is developing products and services in response to the changes in the demand for financing and new investment opportunities in line with customer needs, while also producing an environmental benefit. In doing so, the Bank is at the same time reducing the risk of under-financing of green technologies or business ideas that could mitigate climate change.

It is the job of the Sustainable Finance Committee, which was founded in 2017, to assist in this process by bringing together departments and activities connected with sustainable finance within Commerzbank AG. Through the work of this committee the Bank aims to actively support international transformation processes and open up new, innovative business areas. Interdisciplinary cooperation enables and promotes the exchange of information across the Group, which supports the development of new products and services with an environmental benefit and the improvement of existing ones.

Corporate and project finance encompassing the entire value chain of renewable energies has been part of Commerzbank AG's portfolio since the mid-1980s. The aim is to contribute to the direct or indirect financing of renewable energy with a minimum of €2.5bn of new business by 2020. In 2017, the Energy Competence Centre's lending totalled around €5.2bn, compared with €5bn in the previous year.

Commerzbank AG also actively incorporates sustainability aspects when developing classic lending solutions by advising its customers on the benefits of public subsidies for these investments and motivating them to implement sustainable projects. This enables customers to realise energy efficiency projects at a relatively modest cost. The advice provided by Commerzbank AG on public subsidies helps customers access the appropriate subsidy offerings. With a share of around 9% in KfW's environmental subsidy programmes, Commerzbank AG is one of the leading banks in Germany in financing such investments by small and medium-sized enterprises.

As a participant in the European emissions trading system, Commerzbank AG is a member of the World Bank's Carbon Pricing Leadership Coalition (CPLC) and is thus able to provide its corporate customers with expert advice on current international developments relating to emissions trading and carbon pricing. Green bonds are a new and growing market segment. Commerzbank AG helps its customers to prepare and place bonds in the renewable energy and energy efficiency sphere. It also participates in industry bodies and similar interest groups. In this way, it makes an active contribution to developing the market for green bonds. The volume of green bond issues managed by Commerzbank AG in 2017 was €5.5bn (€5.2bn in the previous year).

Commerzbank AG and comdirect also distribute successful sustainable funds from various providers to private and institutional customers and thereby help popularise environmentally friendly investment products. According to an analysis carried out by the German business magazine Focus Money, comdirect is viewed by customers as one of the most sustainable providers on the German financial market (rating of "excellent" in the overall ranking, edition 45/2017).

Commerz Real is also playing a part in successfully shaping the energy transition. It launched its first investment in solar energy in 2005 and gave private investors access to many others via funds up until 2013. Commerz Real is now one of the largest asset managers in this segment in Germany with a total investment of around €830m. In addition, the product range for professional investors was broadened in 2017 by adding the option of investing in wind power facilities. An expansion of these investments is planned for the coming years. Moreover, Commerz Real attempts to improve sustainability in managing its real estate assets, for example by obtaining electricity from renewable energy sources. Sustainability criteria are also integrated in the due diligence process when buying real estate. It is now the case that building sustainability certificates have been issued to 24.4% of the properties held by hausInvest, one of the biggest open-end real estate mutual funds in Germany with around €13bn under management at the end of 2017.

[2] Not relevant for mBank.

Treatment of employees

The keystone of Commerzbank's HR policy is the furthering of a trust-based corporate culture – this is particularly important in times of restructuring, as is currently happening as the "Commerzbank 4.0" strategy is implemented. Dealing with employees fairly and in a spirit of partnership is a prerequisite for long-term success. "Commerzbank 4.0" represents a fundamental further development of the business model through which the Bank wants to reach its targets by 2020 (see Group Management Report, page 55 f.). With this strategy, Commerzbank is responding to the low interest rate environment, growing regulatory demands, the digitalisation of society and the rising expectations of its customers. Higher profitability on a sustained basis and increased competitiveness are essential for Commerzbank's future success. A reduction in headcount at Commerzbank AG is unavoidable in this context. comdirect, Commerz Real and mBank, on the other hand, are not currently seeking to reduce their staff numbers. The most important challenge for HR work in the Group at present is therefore to carry out the reduction in staff at Commerzbank AG in a socially responsible manner and at the same time continue to attract and retain staff in a challenging labour market.

Where staff numbers have to be reduced, this is carried out in close consultation with the employee representatives with the aim of avoiding involuntary redundancies. In doing so, Commerzbank goes beyond the statutory requirements. In 2017, the Bank reached 32 different agreements on the partial reconciliation of interests with the employee representative bodies, which covered a range of HR instruments to ensure a socially responsible redundancy programme. These include termination contracts with severance pay plus special arrangements for employees over age 56, new placement offers, early retirement, part-time working for older employees, assistance for employees changing their place of work, individual reductions in working time and unpaid sabbaticals. Commerzbank's associated restructuring expenses amounted to €808m (see the consolidated notes, page 172).

Employer attractiveness

Commerzbank aims to offer its staff an environment where they enjoy working and can do so successfully, thereby securing the company's long-term success. To retain staff in the Bank in the long term and make full use of their qualifications to develop the company, their capabilities must be identified and fostered at an early stage. Commerzbank AG takes a holistic approach to this, which also reflects in the HR work of the Group's subsidiaries, with the parent company in the role of "global functional lead". These efforts start with the recruitment and development of apprentices and encompass the support offered to young graduates in their first business roles, through to personal development of experienced staff, managers and project managers.

The average age of employees at Commerzbank AG in Germany was 45 in September 2017. With the current limits on the recruiting of graduates, this may lead to demographic challenges for the Bank. Short- to medium-term personnel planning is therefore supplemented with a regular strategic personnel and capacity analysis focused on long-term development. The launch of new trainee programmes focused on international digital banking and compliance are important elements of our commitment to continue attracting graduates in future and to support staff development.

The changing conditions of an increasingly digital working world are being integrated in the Commerzbank Group through changes in the structure of work (mobile technical applications), a de-emphasis of hierarchy, agile project management and flexibility in the location and timing of work. The Group has also been continually strengthening its activities to improve work-life balance for over 20 years and puts the promotion of professional fitness and change at the heart of its personnel development measures. Nowadays, Commerzbank offers its staff a range of solutions tailored to their phase of life: flexible working time models, sabbaticals, easing the return to work after parent leave, arrangements for the care of relatives or childcare on a regular basis or in exceptional cases. For example, comdirect has created special parent-child offices and was recognised with the award for "Best employer for families" by a German parenting magazine in 2017.

Work-related health problems represent an area in which the Commerzbank Group can potentially exert some of the largest impact on employee welfare. The aim of Commerzbank's health management is to support the psychological and physical health and social well-being of all staff on a holistic basis. As part of the Employee Assistance Programme (EAP)[3], external psychologists and counsellors are available to help staff and managers in difficult personal and professional situations.

In a similar way, comdirect works to improve its employees' health through sport, relaxation and nutrition courses, an employee support programme delivered through EAP service providers offering advice on both physical and psychological health issues, and a company doctor service. In Poland, the employee benefits fund of mBank provides financial help to mBank staff, retirees and their family members in health emergencies.

Up until 2014, Commerzbank regularly collected data on the commitment and motivation of its staff and their willingness to recommend the Bank. Since 2017, surveys have focused on executives and management staff and addressed the issues of digitalisation and the "Commerzbank 4.0" strategy. The plan is to broaden these surveys to include more staff in future and thus devote greater attention to the issue of employee engagement again.

[3] Does not apply to mBank.

mBank collates a picture of employee satisfaction and the working environment every year in its employee engagement survey. Employees can make suggestions for improvement in the survey and give anonymous feedback on the organisational units they work with.

Data on HR risks such as those related to motivation, resignation and bottlenecks are regularly reported to the Board of Managing Directors (see Group Risk Report, page 132 f.).

Diversity and equal opportunities

Diversity and inclusiveness are firmly integrated in Commerzbank's corporate culture. Diversity is about recognising and promoting the diverse backgrounds of our employees and customers. Inclusiveness refers to an environment where diversity is acknowledged and everyone has the opportunity to develop in accordance with their abilities and interests. Commerzbank is committed to a working environment that is free of prejudice and in which all employees feel accepted. Diversity Management is responsible for achieving this aim. It focuses on six different dimensions; age, gender, sexual orientation and identity, ethnic origin and nationality, religion and world view, and disability. Particular emphasis is given to equality of the sexes and people with disabilities, as well as the promotion of cultural diversity. The main forums for developing policy on these matters are firstly the Global Diversity Council headed by Commerzbank's board member responsible for HR, who leads and manages the Group-wide activities on the issues of diversity and inclusiveness. Secondly, Diversity Management advises and supports the nine employee networks currently within Commerzbank AG, in which more than 1,500 staff are involved in Germany and abroad.

Commerzbank is pursuing the Group-wide aim of increasing the proportion of women in leadership positions to 35% across all management levels below the Board of Managing Directors by 2021. In 2017, this proportion stood at 30.7% (previous year: 29.8%). At the end of the year under review, women held 28.6% of leadership positions in Commerzbank AG in Germany (previous year: 28.5%). Details on the proportion of women on the Supervisory Board and Board of Managing Directors and at the first and second levels of management can be found in the Corporate Governance Report (page 24 f.).

Discrimination or harassment of employees is not tolerated at Commerzbank. This includes both verbal and physical attacks as well as sexual harassment or abuse of any kind. The threat of harassment or the creation of an intimidating atmosphere is equally unacceptable.

Commerzbank guarantees its staff, customers and suppliers that it will react quickly and appropriately in the event of legitimate complaints. Staff have the freedom to use the complaints procedures without fearing that they will be singled out for retaliation. The employees affected are also entitled to use the Employee Assistance Programme (EAP).[4] The works agreement on fair treatment at work contains comprehensive information and guidelines for managers and staff of Commerzbank AG and comdirekt on how to deal with discrimination. mBank has an anti-bullying policy, which informs and protects employees. Employees of the Group who are found guilty of misconduct can expect Commerzbank to examine all of its options under labour law. In particularly serious cases where a criminal offence may have been committed, Commerzbank will refer the case to the authorities. There was no such case in 2017.

Social responsibility

The Commerzbank Group also considers itself to have a responsibility to positively impact society. Banks exert influence in particular through the provision of financial infrastructure and through the effects of financial services on the economy (see also the sections on the environment, treatment of customers, respect for human rights and combating bribery and corruption). Their role as an employer and taxpayer is important for society. Moreover, the properties in the investment and special funds of Commerz Real offer new living space, particularly in conurbations and for student accommodation. Commerzbank AG and the Group subsidiaries also engage in extensive voluntary work for charitable purposes, for example through numerous cooperation and sponsoring projects and the support of staff in such projects. To better assess and manage the societal benefit of its voluntary work, donations and foundation activities, Commerzbank has set itself the target of developing a method of quantifying this value contribution by 2020.

Social commitment

In terms of social commitment, the Commerzbank Group engages in a variety of ways with its environment. Numerous projects and initiatives developed together with political, economic and social partners contribute to resolving current problems. Many of these programmes could not be carried out without this support, and their added value to society would be lost if Commerzbank did not remain committed to them. Although social commitment is not regarded as material for purposes of mandatory CSR reporting, Commerzbank places great importance on the positive social impact it is able to achieve.

[4] Does not apply to mBank.

One example here is the environmental internship launched by Commerzbank AG and the German national parks back in 1990. The internship provides students with practical experience in the areas of environmental education and PR work in national parks throughout Germany. The Bank organises and finances the environmental internship, while the national parks provide the practical and theoretical training. Almost 1,600 students have taken part in the programme since it began. After completing the programme, the graduates then bring their experience to bear in business, politics, society and environmental protection.

The "green band" initiative ("Das Grüne Band") has been going even longer – for over 30 years. Together with the German Olympic Committee, Commerzbank AG awards a prize of €5,000 to 50 sports clubs annually that have made outstanding contributions to promoting talent and youth sport. To date, over 500,000 children and young people in more than 1,800 sports clubs have benefited from the initiative.

The companies of the Commerzbank Group also place particular emphasis on corporate volunteering as part of their social commitment. Staff are encouraged and enabled to volunteer, for example by being granted leave or being provided with infrastructure. This personal commitment by staff benefits society and improves the living conditions of disadvantaged people. At the same time, volunteering raises morale in the workplace and promotes mutual understanding among staff. Over 750 employees of Commerzbank AG were active in volunteering in 2017. Staff can become involved in a whole range of projects. In Germany, for example, they can help prepare disadvantaged youth for working life or assist in refugee integration, non-profit sports projects and other areas of social engagement. In Poland, mBank and mFoundation also jointly support the further education of primary school teachers in the fields of economy and finance.

Various foundations run or supported by the Group make an important contribution to the sustainable development of society. Within Commerzbank, various foundations are active in the areas of education, science, art and culture and social engagement: The Commerzbank Foundation supports key facilities and exemplary projects related to scientific, cultural and social activities throughout Germany, providing incentives for young researchers, cultural mediation and social participation. The Jürgen Ponto Foundation has been promoting young artists in Germany for around 40 years, in music, the visual and performing arts and literature. In addition, six social foundations have been established to provide financial support to the Bank's employees in unforeseeable emergencies.

The common aim of all the foundations is to make a long-term contribution to social development and sustainability. In 2017, Commerzbank AG supported these foundations with a total of €1.17m, which funded staff, workplaces and other operating costs, for example.

comdirect is involved together with the Stuttgart stock exchange in a maths foundation ("Stiftung Rechnen") that promotes the importance of mathematics as a fundamental part of our culture and the improvement of maths skills in Germany. The mFoundation in Poland has a similar objective. For the period from 2014 to 2020, it has put an emphasis on its "m for mathematics" strategy, which works with schools, universities and libraries to strengthen maths skills across the country. In 2017, the cost of the statutory responsibilities of the mFoundation amounted to around €860,000.

Commerzbank AG also made charitable donations of €432,000 in the past financial year.

Respect for human rights

Commerzbank is committed to respecting human rights on the basis of internationally accepted norms such as the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the core ILO labour standards. As a German company, Commerzbank is also bound by the OECD Guidelines for Multinational Enterprises and acknowledges the Guiding Principles for Business and Human Rights of the United Nations. Both Commerzbank AG and mBank are signatories of the United Nations Global Compact and, as such, have voluntarily undertaken to respect human rights in their sphere of influence. As a result, Commerzbank is making a contribution to the promotion and respect of human rights in its area of influence.

Human rights criteria in lending[5]

Commerzbank also takes account of human rights issues when conducting business with its customers. This may relate to a customer's neighbours, employees or people indirectly affected, for example in the disposal of raw material waste in developing countries or cotton production. Commerzbank AG and mBank have each formulated their own positions and guidelines that are applied to all decisions taken by Reputational Risk Management and which, simply by virtue of their existence, increase staff awareness of the business relevance of non-financial issues.

[5] Not relevant for comdirect or Commerz Real.

Commerzbank AG has also formulated a detailed position on the observance of human rights, which is available on its website. On the basis of this policy, transactions and business relationships where human rights play an important role are carefully researched and analysed by Reputational Risk Management and evaluated on a different basis from standard transactions. This can lead in some cases to the refusal of the transaction in question or the rejection or termination of a business relationship.

Reputational Risk Management at Commerzbank AG reports non-quantifiable risks to the Risk Committee of the Supervisory Board on a quarterly basis. Decisions with a significant or high reputational risk – including those with a human rights impact – are also reported quarterly to the CFO and the board members responsible for the relevant business segments.

Following the signing of the UN Global Compact in 2015, mBank published a policy for its own reputational risk management relating to customer services in sensitive business areas (see the "Environmental protection" section). It is designed to prevent mBank from conducting business with customers connected in any way with the use of child or forced labour, serious environmental damage or the destruction of world heritage sites.

In addition, Compliance Management in the Commerzbank Group monitors compliance by the Bank and its business partners with national and international laws and guidelines. This includes compliance with embargoes and sanctions, in particular the implementation of UN sanctions relating to the protection of human rights and the prevention of money laundering and terrorist financing.

Combating bribery and corruption

Compliance with the law and applicable guidelines is the foundation of corporate responsibility. The focus of Commerzbank's compliance activities is on combating money laundering and terrorist financing, insider trading, fraud, corruption and other criminal activities wherever the Bank does business. In order to stay ahead of the constantly increasing complexity of national and international legislation and regulations, the Group is continually developing its compliance risk management and bringing it into line with current developments and challenges. Further information on the material issue of compliance, beyond the combating of bribery and corruption, can be found in the Group Management Report, page 59, and the Group Risk Report, page 130.

Anti-corruption

As a fair market participant, Commerzbank is committed to fighting bribery and corruption. The companies within the Group adhere to the OECD's Guidelines for Multinational Enterprises and comply with the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Moreover, Commerzbank AG and mBank have undertaken to adhere to the ten principles formulated in the UN Global Compact – including combating corruption.

These external standards are supplemented with internal guidelines. Together they form the framework for Compliance Management for combating corruption. This includes binding codes of conduct that provide a framework for correct and ethically appropriate conduct in the day-to-day working environment. Furthermore, the Commerzbank Board of Managing Directors has published the Global Anti-Bribery and Corruption Policy (ABC Policy), which applies throughout the Group and clarifies and supplements the existing rules and processes – for example on gift-giving or conflicts of interest.

Bribery and corruption can lead to direct financial losses. They can have a whole series of negative effects, ranging from reputational damage and deterring investors through to the payment of fines. Alongside economic costs, the social and environmental costs of corruption can be considerable – for example, if funds intended for government spending are diverted or social inequality is exacerbated. Moreover, beyond infringing on the law, every form of corruption raises serious moral and political concerns, undermines responsible corporate management and economic development and distorts national and international competition.

Commerzbank has introduced central prevention systems for the Group in order to identify, monitor, mitigate and ultimately avoid bribery and corruption risks and thus ensure compliance with the ABC Policy. These systems comprise risk analysis, due diligence reviews of third parties, training, mandatory time away[6], compliance checks including an evaluation of their effectiveness, the Global Code of Conduct (revised in 2017), the integrity clause, internal controls, the business keeper monitoring whistle-blowing system and reliability checks of potential employees.

[6] Does not apply to mBank.

Potential compliance risks are evaluated and mitigated on the basis of risk analysis. It is carried out Group-wide once a year and applies to all Group companies, branches and companies otherwise affiliated in Germany and abroad that are deemed to be relevant for compliance purposes. The analysis includes a dedicated section on corruption and assesses the relevant risks and control activities carried out by these entities. The Bank regularly reviews the prevention measures implemented as a result of the risk analysis and supplements them as needed.

Commerzbank's ABC Policy seeks to combat bribery, undue preferential treatment and other forms of corruption: It applies both within and outside the Group and in dealings with trade organisations, public officials and anyone who has a relationship with the Bank. The prohibition on any kind of bribery or corruption applies not just to employees, but also to "related persons" such as agents and intermediaries. Special ABC training has been developed to support employees in implementing the policy. It is mandatory for all staff and managers to complete this training every year. Business and functional units with heightened risk profiles and individuals in functions at Commerzbank that have an increased risk of bribery and corruption receive additional needs-based training. In addition, an anti-corruption team is available for questions at any time. Both employees and external persons can access a whistle-blowing platform on the internet to report suspected cases anonymously.

Business partners and service providers of Commerzbank AG are systematically analysed for any indications of corruption as part of the due diligence process and may continue to be reviewed after the business relationship has been initiated. All newly signed contracts with Commerzbank AG contain a binding integrity clause. As business processes are always evolving and new legal requirements coming into force, Commerzbank is constantly striving to optimise all compliance-relevant processes. The Compliance division has wide-ranging authority and escalation rights, including powers to obtain information and carry out investigations.

Corruption or other criminal action by staff is explicitly not tolerated by Commerzbank. The Bank has a zero-tolerance approach to criminal offences. Any employee who is proven to have breached this principle will face the full consequences under employment, civil and criminal law. We are not aware of any cases of corruption in the Commerzbank Group in 2017.

Treatment of customers

The Commerzbank Group can only be successful on a sustained basis if its customers are satisfied. Our products and services are therefore designed to serve the interests of customers, and the Bank treats customer satisfaction as one of the most important metrics in evaluating its business success.

Transparency and fairness in customer relationships

If advice is not based primarily on the interests of customers, if unsuitable products are suggested or poor recommendations are made, this can have a serious impact on customers' affairs. As a result, fairness and competence are among the guiding values for the Commerzbank Group companies – both in dealing with customers and when designing products.

For example, Commerzbank AG meets its objective of providing fair and competent advice with its "Customer Compass", financial planning software that has received a number of awards. Using this software, Commerzbank's advisors are able to analyse the individual needs of their retail and business customers and jointly create holistic solutions and financial plans. Moreover, Commerzbank has in recent years introduced new products and services that are particularly beneficial to customers. These include free current accounts, business accounts with a satisfaction guarantee and retail mortgage financing with a free choice of supplier.

The willingness of Commerzbank's customers to recommend the Bank plays an important role in the remuneration system of Commerzbank AG and comdirect. The benchmark we use in the Private & Small-Business Customers segment is the net promoter score (NPS)[7], an internationally recognised standard for measuring customer satisfaction. Around 12,000 customers of Commerzbank AG are asked in a brief telephone interview every month whether they would recommend their branch to others. The resultant information is used to improve customer service and thereby achieve a lasting increase in customer satisfaction. The proportion of private and small-business customers with a high willingness to recommend the Bank ("promoters"), stood at over 60% in 2017, as determined by Commerzbank AG's NPS survey. That is a very high level, which is reflected in the growing number of new customers. In Germany alone, the segment gained 500,000 new customers in 2017. The majority of comdirect customers are also satisfied enough with their bank that they would be willing to recommend it to others (56% promoters).

[7] Does not apply to Commerz Real.

Customer satisfaction is also a priority for mBank. Projects such as "mSatisfaction" are designed to further strengthen customer loyalty. mBank measures satisfaction with the relationship in general and with particular products and processes in retail and corporate banking via the NPS. In retail banking, the NPS rose in 2017. Among corporate customers, too, customer satisfaction has markedly improved since mBank started measuring NPS in 2014. In September 2017, the magazine Forbes published its ranking of the best banks for corporate customers in Poland. mBank won the competition for the second time in a row and was found to be the bank that best meets the requirements of small and medium-sized companies in Poland.

In Commerzbank AG's corporate customer business, data is gathered from an average of 7,000 corporate customers annually to provide information on how satisfied customers are with the service they receive in this segment and what expectations and suggestions they have for the relationship. The corporate customers cite the commitment of advisors and the quality of advice as clear strengths, alongside market, industry and company expertise and professionalism in the provision of trade finance. This is reflected in a consistently high level of customer retention. According to the results of the recent customer survey, 94% of corporate customers intend to continue their business relationship with Commerzbank and 87% are prepared to recommend Commerzbank to others. Customer satisfaction is an element of the targets set for sales staff and sales-supporting departments in the Corporate Clients segment.

The Group's companies actively engage with customers so as to fulfil the interests of customers in the best way possible: Experts engage with customers in various forums to ensure that their ideas and suggestions are taken into account when developing products and services. As digitalisation offers new opportunities for direct client participation, Commerzbank AG is currently planning and testing new formats for engaging with its private customers. For example, the Bank launched the Customer Solution Lab in 2017. Here, the objective is to involve customers in the development of innovative products and services. New concepts are presented as prototypes or in advisory meetings and discussed constructively. This gives Commerzbank immediate, concrete ideas for bringing its product range as closely as possible into line with the needs of its customers. comdirect customers can get involved in the "comdirect community", an internet platform where customers and others with an interest in the financial market can discuss products and other financial issues with their bank.

The Corporate Clients segment of Commerzbank AG regularly conducts issue-specific customer surveys in order to develop its product and service range. This provides important information on customer needs and preferences, which can be used in the design of products and processes. The Bank's aim is always to base product optimisation and innovation on the benefits provided to customers, e.g. in the field of digitalisation. In the same way, Commerz Real uses regular surveys of the tenants of its properties to integrate the needs of this important customer group in the development of its product range.

Protecting personal data also has the highest priority in the treatment of customers. The company's data protection officers provide assistance to the Bank's business units in Germany and abroad and monitor adherence to data protection provisions, guidelines and procedural instructions in compliance with the law. In 2017, 158 complaints about the handling of customer data were received Group-wide. This is a very low figure relative to more than 18 million private and small business customers and over 60,000 corporate customers. Nonetheless, Commerzbank energetically pursues every single case. In most cases, the complaint was that customer data had been subject to unauthorised use or had been obtained by third parties. Some of the complaints were forwarded directly to the data protection authority.

Measures to prevent payment fraud and the resultant losses are of great benefit for customers, as they make it possible to identify fraud attempts early on, minimising losses. Commerzbank AG is taking action to combat a form of fraud known as "CEO fraud" that tricks corporate customers into making payments, which has recently been on the rise. Commerzbank AG's efforts include launching an extensive range of courses for customers in Germany and selected European locations to address this issue. In August 2017, comdirect's high security standards were recognised by the German magazine Focus Money, which awarded comdirect the title of "most secure online bank".

About this report

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

For the purposes of this 2017 non-financial report, we analysed the topics addressed here on a materiality basis. This identified the non-financial issues required to understand the development, results and performance of the business and where Commerzbank's business activities could have a significant impact. Unless stated otherwise, the information in this report relates to the Group. Alongside the parent company, Commerzbank AG, the main subsidiaries according to the risk inventory were included, i.e. comdirect bank AG, Commerz Real AG, mBank S. A. and Commerzbank Finance & Covered Bond S. A. (CFCB). In many areas – anti-corruption, HR management and reputational risk management, for example – the guidelines of Commerzbank AG apply to the entire Group by way of the "global functional lead" role. If arrangements in the subsidiaries differ from those of the parent company, this is indicated in the report. CFCB, which only had 10 staff at the end of 2017 and was in charge solely of a workout portfolio, did not have any additional information to contribute on non-financial issues in 2017 and is included in the information on Commerzbank AG.

The option provided by law of using a reporting framework has not been adopted, in the interest of providing focused information for the readership of our financial reporting. Detailed information on the corporate responsibility strategy of Commerzbank AG, the objectives of its sustainability programme and other non-financial indicators can be found in the GRI report (Global Reporting Initiative) and the declaration of compliance with the German Sustainability Code published on the Group's corporate responsibility web page (https://www.nachhaltigkeit.commerzbank.com). References to information beyond the parent company and Group financial statements and the (Group) Management Report is considered to be supplementary and not an integral part of this non-financial report.

Beyond the presentation in the Group Risk Report (page 99 ff.), application of the net method is not associated with any material risks either from the Bank's own business activities or in connection with business relations, products or services that would be highly likely to have a severe negative impact on the above-mentioned non-financial aspects, now or in the future.

This non-financial report was subject to a business audit to obtain limited assurance, performed by the auditing firm PwC, in accordance with ISAE 3000 (Revised). The unqualified certification of the business audit is found on page 303.

Group Management Report

› In the Group Management Report, we provide in-depth information about the Commerzbank Group's performance in financial year 2017 and about the macro-economic and sector-specific conditions and their impact on Commerzbank's business activities. We also describe the outlook for the anticipated performance of the Commerzbank Group in 2018 and overall conditions expected.

› Despite restructuring expenses of €808m Commerzbank generated a consolidated profit, further increased the capital ratio and substantially reduced the workout portfolio in 2017. The implementation of the Commerzbank 4.0 strategy was driven forward as planned and the growth course maintained.

Contents

Basis of the Commerzbank Group

Structure and organisation

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

As part of its strategy, Commerzbank is focusing its business activities on the two core segments "Private and Small-Business Customers" and "Corporate Clients", offering them a comprehensive portfolio of banking and capital market services. The run-off segment Asset & Capital Recovery (ACR) comprises – besides the Public Finance business – all non-strategic activities of commercial real estate and ship financing. Each segment is managed by a member of the Board of Managing Directors.

All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Development & Strategy, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and the central risk functions. The support functions are provided by Group Services. These include Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Center. The staff, management and support functions are combined in the Others and Consolidation division for reporting purposes.

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages a nationwide branch network through which all customer groups are served. Its major German subsidiaries are comdirect bank AG and Commerz Real AG. Outside Germany, the Bank has 6 material subsidiaries, 21 operational foreign branches and 32 representative offices in more than 50 countries and is represented in all major financial centres, such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of the Bank's international activities is on Europe.

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

Objectives and strategy

Commerzbank considers itself to be a fair and competent bank that wishes to be a long-term, reliable partner for its customers. We base our actions on the highest ethical values, integrity and fairness and are committed to complying with all applicable laws, guidelines and market standards. For us, this is the basis on which we work in a relationship of trust with our corporate clients, institutional clients, partners and stakeholders. "The bank at your side" – everything Commerzbank does is measured against this promise, and the Bank has very clearly demonstrated its commitment in this area over recent years.

The banking business has undergone fundamental changes due to the current low interest rate environment, legal requirements and digitalisation, as have the ways in which customers want to conduct their banking transactions. Commerzbank is rising to these major challenges with the strategic realignment: Commerzbank 4.0. The new strategy concentrates on focused growth, digitalisation and efficiency.

Full details of the Commerzbank 4.0 strategy can be found both in the Annual Report 2016 and on the Commerzbank website at http://commerzbank.com. Here are the key elements once again:

As part of this strategy, it will concentrate on its core businesses and digitalise 80% of relevant processes, thereby achieving significant efficiency gains and increasing its profitability on a sustainable basis by the end of 2020. Its business is focused on two customer segments, "Private and Small-Business Customers" and "Corporate Clients".

Commerzbank is aiming for a net return on tangible equity of more than 6% by the end of 2020. This target is based on the expectation that the interest rate environment will remain challenging. Should interest rates normalise, a net return on tangible equity of more than 8% will be achievable. Commerzbank is expecting revenues for 2020 to total between €9.8bn and €10.3bn. The cost base is to be reduced to €6.5bn, taking the cost/income ratio to below 66%. In a up to 2020 expected normalised interest rate environment, revenues could rise to over €11bn, and the cost/income ratio could fall to around 60%. For the year 2020 the Bank expects a Common Equity Tier 1 ratio after full application of Basel 3 of over 13%.

The focus on the core business, with some business activities being discontinued, and the digitalisation and automation of workflows will lead to corresponding staff reductions. In mid-July 2017 Commerzbank agreed an outline reconciliation of interests and an outline social plan with the employee representative committees in Germany. The binding agreements form the basis for personnel reductions at the Bank in a way which is as socially responsible as possible.

Concentrating on strengths

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

The Bank is focusing on areas where it delivers particular added value to its customers, thereby setting itself apart from the competition; at the same time, it is systematically giving up businesses that do not fit with the strategic orientation. As part of the Commerzbank 4.0 strategy, in the Corporate Clients segment the business with investment and financial products and the associated market-making, which makes up most of the Equity Market & Commodities (EMC) area, is being spun off from Commerzbank.

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

The Private and Small-Business Customers segment encompasses Commerzbank’s private and small-business customers as well as the comdirect Group, Commerz Real and mBank. We continue to offer a personal presence for our private clients across the country with advisory and other services in some 1,000 branches. At the same time we are expanding our digital offering and creating a single digital platform for all customers and all channels. Over the coming years the Private and Small-Business Customers segment will become Germany’s first truly digital multi-channel bank. We are strengthening our offering for small and mid-sized companies. To do this we have created a separate business unit for small-business customers within the Private and Small-Business Customers segment to take responsibility for business customers and small corporate clients.

The Bank is planning to substantially increase its market share among small-business customers to 8% by 2020, thanks to good regional accessibility, tailored product portfolios, digital solutions and its ability to offer private and business services in one place. The aim is for these measures to generate revenue growth of at least €1.1bn in the new Private and Small-Business Customers segment by the end of 2020.

Corporate Clients: national and international growth from a leading position

In corporate banking, the Bank wants to further extend its leading position in trade financing. To achieve this it is looking for focused growth in the most important trade corridors for German and European corporate clients. With its deep penetration of key German industries – automotive and transport, chemicals and pharmaceuticals, engineering, energy and infrastructure, consumer goods and retail – Commerzbank possesses comprehensive sector expertise which sets it apart from the competition. In future it will increasingly offer this expertise to its international clients in Europe as well. Among Mittelstand clients with turnover of between €15m and €100m as well, Commerzbank plans to further expand its market position with the aid of its international expertise and digitalisation. To achieve this it will further develop its offering and introduce new digital products and services. The aim is for these measures to generate revenue growth of over €300m by the end of 2020.

Evolution into a digital enterprise

We will therefore restructure Commerzbank into a digital enterprise over the next few years. We are developing a holistic digital business model which makes banking for all customers as simple as possible through a strong digital offering. This strategic programme involves rebuilding Commerzbank from the ground upward. The aim of the Commerzbank 4.0 strategy is to become the leading bank in Germany for private, small-business and corporate customers: digital and personal, close to the client and fast and efficient at processing.

Corporate management

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

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

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

The management of the Bank takes account of both pillars of capital adequacy regulations. To ensure internal risk-bearing capacity at all times, planning includes allocating economic capital to the segments broken down by type of risk. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. At Group level, Common Equity Tier 1 is shown. The calculation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET 1 capital is carried out in Others and Consolidation.

In addition to compliance with the capital requirements currently in place (under phase-in rules), the capital markets are already focusing on the full application of the CRR from 2018. The Common Equity Tier 1 ratio (fully phased-in) is therefore a key indicator for the Bank in capital management.

The key figures used for measuring success in the corporate management process are operating profit/loss and group profit/loss after tax and non-controlling interests, along with the cost/income and return on equity ratios and the economic value added calculated from these ratios. The cost/income ratio is used to assess cost efficiency and is defined as the ratio of operating expenses (excluding impairments of goodwill and restructuring expenses) to income before loan loss provisions. Segment return on equity is calculated as the ratio of operating profit/loss or pre-tax profit/loss to the average amount of regulatory capital employed. It shows the return on the equity invested in a given business segment. As is standard for value-based management concepts, the target minimum return on capital employed is derived from the expected return on the capital market. With a view to the Commerzbank 4.0 strategy, the focus at Group level is the return on tangible equity.

Economic value added is the indicator used for determining the performance of the Group. It is defined as the difference between the Group's return on equity and the capital cost rate, multiplied by the Group's equity. The Group's return on equity is the ratio of the consolidated surplus after tax and non-controlling interests to average Group equity. The capital cost rate represents our shareholders' expectations for the minimum return on their capital employed and is reviewed on an annual basis. The calculation of the capital cost rate is based on the capital market-oriented Capital Asset Pricing Model (CAPM). Commerzbank currently calculates its post-tax capital cost rate to be 7.5%.

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

Remuneration report

The Remuneration Report is part of the Corporate Governance Report in the Corporate Responsibility section. It forms part of the Group Management Report.

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

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

Details pursuant to Art. 315a of the German Commercial Code and explanatory report

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

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

Details pursuant to Art. 315d of the German Commercial Code (HGB) in conjunction with Art. 289f of the German Commercial Code (HGB), “Declaration on corporate governance”, can be found in the Corporate Governance report. This can be found under www.commerzbank.com/annual-report2017.

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

Details pursuant to Art. 340i (5) in conjunction with Art. 315b (3) of the German Commercial Code (HGB) can be found in the Corporate Governance section as a combined separate non-financial report.

Important staffing and business policy events

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

Change in the Supervisory Board of Commerzbank

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

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

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

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

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

Commerzbank takes over instalment loan portfolio

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

Commerzbank completes sale of two affiliated companies

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

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

Commerzbank and HSBC Transaction Services GmbH agree strategic partnership

At the start of December 2017 Commerzbank Aktiengesellschaft and HSBC Transaction Services GmbH reached agreement on a strategic partnership in securities settlement. As part of this partnership, Commerzbank's operational business processes for securities settlement will be outsourced. This will see the creation of a joint venture in which Commerzbank will hold a 20% minority interest. Initially the partnership will run for 10 years. The operational start of the new company is scheduled for the beginning of 2020. By then the two sides will have laid the technical foundations for the data migration. The capital expenditure Commerzbank has to make for this and the medium-term savings that can be expected are fully reflected in the planning for Commerzbank 4.0. An intensive test phase will start in 2018 to ensure that the outsourced securities settlement activities get off to a smooth start. It has been agreed that the further contractual details will remain confidential.

Commerzbank strengthens compliance function

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

According to the requirements of the Financial Services and Markets Act 2000 (FSMA) Commerzbank London has mandated a consulting company as a Skilled Person. The consulting company carried out a review of existing structures and processes (especially with regard to money laundering, financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Following this, the efficiency of the resulting implementation plan will be evaluated and the Skilled Person will report to the FCA on a semi-annual basis.

In terms of the findings relating to the settlements with various US authorities the Bank has dealt with the majority of the findings. The Bank has also received various interim reports from the monitor appointed by the New York State Department of Financial Services ("DFS"), to which it has responded with corresponding implementation programmes. The Bank has already made good progress in carrying out the implementation programmes and has dealt with most of the measures.

Economic report

Economic conditions

Economic environment

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

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

The eurozone also noticeably picked up speed in 2017. Growth was even stronger than in the USA, at 2.5%. The expansive monetary policy of the European Central Bank (ECB) is having an increasingly powerful effect on the real economy. At the same time the eurozone economy is profiting from lively global demand. Thanks to this growth, the situation on the labour market has continued to significantly improve, with the unemployment rate falling from 9.7% at the end of 2016 to 8.7% in December 2017. Despite the tighter supply of available labour, wages rose only very modestly in 2017. Accordingly, there was no change in the low underlying inflation. The core inflation rate, i.e. the year-on-year rate of the consumer price index excluding highly volatile food and energy prices, continues to fluctuate around 1%. The subdued inflationary outlook led the ECB to extend its bond purchase programme until September 2018. However, since the start of the year it has only been buying €30bn per month, half as much as before. The ECB also decided to fully reinvest the principle payment of maturing securities even after the programme has ended.

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

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

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

Sector environment

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

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

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

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

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

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

Earnings performance, assets and financial position

The Commerzbank Group changed the structure of the balance sheet and income statement in 2017. The balance sheet and income statement are now based on the measurement categories under IAS 39. Details of these and other changes can be found in the Group financial statements on page 152 ff.

The Commerzbank Group's operating profit for 2017 came to €1,303m, a fall of 6.8% year on year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €156m.

Total assets at 31 December 2017 were €452.5bn, 5.8% below the figure for year-end 2016. On the asset side, the volume reduction was mostly apparent in financial assets held for trading.

The fall in risk-weighted assets (phase in) to €171.4bn was driven by a reduction in the risk-weighted assets from credit risk, market risk and operational risk. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of full implementation of the Basel III regulations) rose to 14.1% at end-December 2017.

Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2017:

At €4,201m, net interest income in the reporting period was at the same level as in the previous year. In the Private and Small-Business Customers segment net interest income rose year on year, despite another sharp fall in the contribution to earnings from the domestic deposit business. The main income driver was interest income from the growing loan portfolio as a result of the very good new business performance in most areas and the takeover of the instalment loan portfolio from the Commerz Finance GmbH joint venture. Growth at mBank was attributable both to the increase in business volume and to the continuous improvement of the interest margin. In the Corporate Clients segment, the positive capital market business was not able to make up for the burdens of the interest rate environment and lower income from documentary business associated with the reduction of the bank portfolio in Financial Institutions and lower customer activity. In addition, the strategic portfolio reduction of the assets transferred from the ACR segment in 2016 resulted in an anticipated decline in net interest income from lending. In the reporting year, the ACR segment posted a considerable increase in net interest income, caused by significantly lower funding costs amongst other things.

The €116m fall in other realised profit or loss and net remeasurement gain or loss to €–76m was primarily due to negative effects on income from the sale of loans and the write-ups on HETA Asset Resolution AG included in the previous year's figure.

Net commission income fell slightly by 1.0% year on year to €3,178m. In the Private and Small-Business Customers segment, significantly higher commission income from the securities business in Germany contrasted with a steep fall in commissions from loan distribution, as Commerzbank began offering consumer loans through its own platform in the first half of 2017 and ceased distributing instalment loans through the Commerz Finance GmbH joint venture in the middle of 2017. mBank improved its net commission income in several areas of private client business as well as in business with corporate clients.

In the Corporate Clients segment, the sharp year-on-year fall in net commission income was mainly the result of a lower amount of commercial business.

Statement of comprehensive income I €m	**2017**	**2016**[1]	**Change**
Net interest income	4,201	4,165	36
Dividend income	106	164	–58
Loan loss provisions	–781	–900	119
Other realised profit or loss and net remeasurement gain or loss	–76	40	–116
Net commission income	3,178	3,212	–34
Gain or loss from financial assets and liabilities measured at fair value through profit and loss and net income from hedge accounting	1,006	982	24
Other profit or loss from financial instruments, income from at-equity investments and other net income	748	836	–89
Operating expenses	7,079	7,100	–21
Operating profit/loss	**1,303**	**1,399**	**–96**
Impairments of goodwill and other intangible assets	–	627	–627
Restructuring expenses	808	128	679
Pre-tax profit/loss	495	643	–148
Taxes on income	245	261	–16
Consolidated profit/loss	**250**	**382**	**–132**
Consolidated profit/loss attributable to Commerzbank shareholders	156	279	–122

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 152 ff.).

The gain from financial assets and liabilities measured at fair value through profit and loss was €1,092m in the period under review (previous year: €1,019m). The increase was partly thanks to the rise in customer activities in Equity Markets & Commodities, especially the business with structured investment products.

Other profit or loss from financial instruments declined by €134m year on year to €259m. Both periods saw one-off effects having an impact. The figure for the year under review includes a gain of €89m on the disposal of a holding in the payment services provider Concardis. The figure for the prior year includes a one-off effect of €123m from the sale of the stake in Visa Europe Limited.

Net income from companies accounted for using the equity method was €23m after €150m in the previous year, which included a positive effect from the remeasurement of the assets of Commerz Real, reflecting the very good situation in the market for commercial real estate.

Other net income was €465m for the reporting period, compared with €293m the previous year. This €172m increase was mainly driven by positive one-off effects, including €176m from the takeover of the instalment loan portfolio, and a one-off gain from selling real estate.

The net allocation to loan loss provisions fell by 13.2% year on year to €–781m. This fall was the result of a much lower provisioning requirement in Assets & Capital Recovery, where the success in cutting back was reflected in significantly lower loan loss provisions.

In the operational customer segments, by contrast, loan loss provisions were up: in the Private and Small-Business Customers segment most of the higher provisions were at mBank. However, the solid financial position of German households meant that a very low figure was posted once again for the domestic business. The Corporate Clients segment also recorded a higher net allocation to loan loss provisions due to higher provisioning requirements in connection with one individual exposure.

Operating expenses in the period under review were €7,079m, on a par with the prior-year figure. Higher investments in digitalisation and growth and increased costs for regulatory projects, compliance, deposit protection schemes and various banking levies were compensated by cost management. Personnel expenses were €3,600m, representing a year-on-year fall of 3.3% due in particular to the headcount reduction under way. By contrast, other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, rose by 3.0% to €3,479m. The rise was largely the result of higher investments in IT, increased mandatory contributions (including the Polish banking tax and the European bank levy) and amortisation of intangible assets.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €1,303m in the year, compared with €1,339m the previous year. This included positive measurement effects from counterparty risks of €81m in the reporting year, compared with €525m last year.

Restructuring expenses of €808m impacted on profit in the period under review. They were connected with the implementation of the “Commerzbank 4.0” strategy and the agreement reached with the employee representative committees in this regard on an outline reconciliation of interests and an outline social plan.

Pre-tax profit came to €495m, compared with €643m in the previous year period. Tax expense for the reporting period was €245m, compared with €261m the previous year.

Consolidated profit after tax was €250m, compared with €382m in the prior-year period. Net of non-controlling interests, a consolidated profit of €156m was attributable to Commerzbank shareholders for financial year 2017.

As Commerzbank Aktiengesellschaft is reporting its results for the 2017 financial year in accordance with the German Commercial Code (HGB), the plan is to service all profit-related capital instruments issued by Commerzbank Aktiengesellschaft for the 2017 financial year; no dividend will be paid.

The statement of comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €541m in 2017.

Other comprehensive income for the period of €290m consists of the sum of changes in the revaluation reserve (€287m), the cash flow hedge reserve (€44m), the currency translation reserve (€7m), the value of companies accounted for using the equity method (€–8m), actuarial gains and losses (€145m), the change in the remeasurement of own credit risk (€–114m) along with the change from assets and disposal groups held for sale (€–69m).

The operating earnings per share came to €1.04 and the earnings per share to €0.12. The comparable figures in the prior-year period were €1.12 and €0.22 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 December 2017 were €452.5bn. This was a fall of 5.8% or €27.9bn compared with the adjusted figure at end-2016. The volume reduction is most apparent in financial assets held for trading.

The cash reserve and demand deposits increased by €19.5bn to €55.7bn. This rise compared with the end of 2016 was due in particular to larger deposits with central banks, and to the expansion of the cash reserve.

Loans and receivables were €265.7bn, down €10.9bn year on year. The 3.9% decline came almost equally from debt instruments and loans and advances. Loans and advances to banks and corporate customers fell by a total of €15.8bn, whereas loans to private customers rose €10.8bn.

Available-for-sale financial investments decreased compared with year-end 2016, down 21.4% to €31.2bn. This fall came almost solely in bonds.

Financial assets in the fair value option category declined by 4.2% to €23.7bn. The volume decline was mainly driven by a €0.7bn fall in secured money market transactions in the form of reverse repos and cash collaterals and by reductions in equity funds and money market trading.

Financial assets held for trading at end-2017 were down a hefty 28.4% year on year to €63.7bn. This reduction was driven largely by lower positive fair values (especially in interest rate and currency derivatives), which fell by €14.4bn, and a €9.3bn cut in equities/investment funds.

Positive fair values of hedging derivatives were €1.5bn, €0.6bn lower than the level at the end of 2016. The fall related exclusively to interest rate derivatives.

Intangible assets rose by €0.3bn year on year to €3.3bn. This was mainly related to the capitalisation of self-produced software.

Assets I €m	**31.12.2017**	**31.12.2016**[1]	**Change in %**
Financial assets – loans and receivables	265,712	276,578	–3.9
Financial assets – available for sale	31,155	39,634	–21.4
Financial assets – fair value option	23,745	24,797	–4.2
Financial assets – held for trading	63,666	88,862	–28.4
Other assets	68,215	50,564	34.9
Total	**452,493**	**480,436**	**–5.8**

Liabilities and equity I €m	**31.12.2017**	**31.12.2016**[1]	**Change in %**
Financial liabilities – amortised cost	341,260	343,798	–0.7
Financial liabilities – fair value option	14,940	18,084	–17.4
Financial liabilities – held for trading	56,484	77,772	–27.4
Other liabilities	9,768	11,209	–12.9
Equity	30,041	29,573	1.6
Total	**452,493**	**480,436**	**–5.8**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 152 ff.).

On the liabilities side, financial liabilities at amortised costs fell by €2.5bn to €341.3bn, especially in connection with the decline in bonds and notes issued, as maturing issues were only partially replaced with new ones.

Financial liabilities under the fair value option fell 17.4% year on year to €14.9bn, driven by lower deposits from banks and central banks.

Financial liabilities held for trading were €56.5bn, €21.3bn lower than at year-end 2016. The negative fair values of interest rate and currency derivatives, which declined by €17.5bn, made a major contribution to the 27.4% fall.

Off-balance-sheet liabilities rose overall year on year, with contingent liabilities increasing 3.4% year on year to €36.2bn and irrevocable lending commitments up €1.7bn to €79.9bn.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 31 December 2017 was €28.9bn, slightly above the figure for year-end 2016. As at the reporting date, the revaluation reserve stood at €–0.6bn. This was a fall of over one-quarter, attributable in particular to the positive development of credit spreads on Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €0.8bn from equity, €0.2bn less than at year-end 2016.

Risk-weighted assets (phase-in) were €171.4bn as at 31 December 2017, €19.2bn below the year-end 2016 level. The decrease was attributable to a reduction in risk-weighted assets from credit risk, market risk and operational risk. Risk-weighted assets from credit risk mainly fell as a result of active portfolio management, including reductions in the workout portfolio, a securitisation transaction and relief effects from currency movements. Regulatory Tier 1 capital fell by around €0.5bn to €26.0bn compared with year-end 2016, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio rose to 15.2% due to the decline in risk-weighted assets. Common Equity Tier 1 capital was €25.6bn and the corresponding Common Equity Tier 1 ratio 14.9%. The total capital ratio was 18.3% as at the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of full implementation of the Basel III regulations) was 14.1% at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which compares Tier 1 capital with leverage exposure, was 5.5% (phase-in) or 5.1% (fully phased-in).

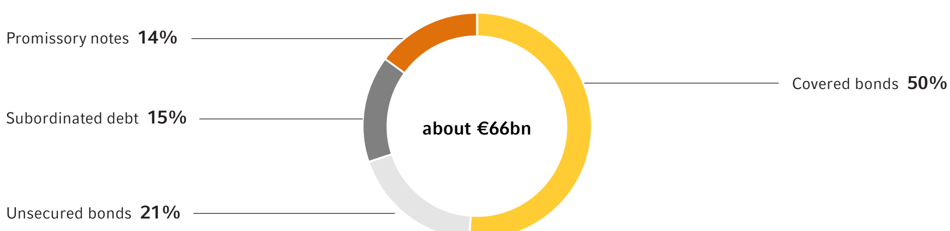
The Bank complies with all regulatory requirements. This information includes the consolidated profit attributable to Commerzbank shareholders and for regulatory purposes.

Funding and liquidity of the Commerzbank Group

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

Guidelines for the funding profile and funds are derived from the business strategy and reflect risk tolerance. The Group's funding is appropriately diversified in terms of investor groups, regions, products and currencies. Top-level decisions about liquidity management are taken by the central Asset Liability Committee (ALCO), which meets at regular intervals. The quantification and limitation of liquidity risks is carried out via an internal model in which expected cash inflows are compared against expected cash outflows. The limits set are monitored by the independent risk function. ALCO and the Board of Managing Directors receive regular reports on the liquidity risk situation.

Capital market funding structure[1]
As at 31 December 2017



[1] Based on reported figures.

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period, and its liquidity and solvency were also adequate at all times. It was always able to raise the resources required for a balanced funding mix and continued to enjoy a comfortable liquidity position in the period under review. The Commerzbank Group raised a total of €5.7bn in long-term funding on the capital market in 2017.

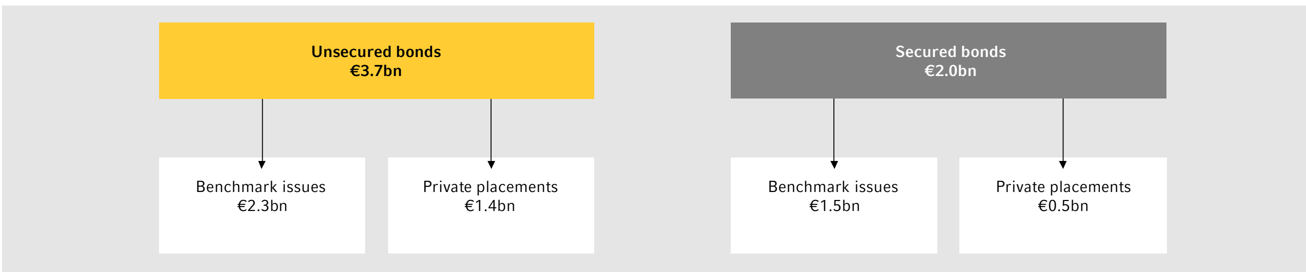
An unsecured benchmark subordinated bond with a volume of €500m and a term of just over ten years was issued in the first quarter. In the first quarter the Bank placed a subordinated bond worth SGD 500m in the Asian market for the first time. The issue has a term of ten years with an issuer call option after five years.

Most investor demand (over 90%) came from Singapore investors. This further diversified the Commerzbank investor base. Commerzbank also issued two senior unsecured benchmark bonds with volumes of €500m each and terms of seven and eight years respectively. A further €1.4bn was raised in private placements. The Polish subsidiary mBank also issued a senior unsecured bond with a benchmark volume of CHF 200m and a term of six years.

In the collateralised area, a mortgage Pfandbrief with a six-year term was topped up by €500m at the start of the year, taking it to €1bn. This was followed in the third quarter by a mortgage Pfandbrief with a ten-year term and a volume of €750m, which was topped up by a further €250m. mBank issued a covered bond under Polish law for just under €0.5bn.

The focus has been on the long end, so the average term of securities issued in 2017 was around eight years.

Group capital market funding of 2017
Volume €5.7bn



As at year-end, the Bank had a liquidity reserve of €83.3bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. This liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €9.7bn as at the reporting date. The regulatory liquidity requirements of the German Liquidity Regulation were met at all times in the reporting period. As at the reporting date, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.55, again significantly higher than the minimum regulatory requirement of 1.00. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Summary of 2017 business position

Despite restructuring expenses of more than €800m, Commerzbank generated a consolidated profit, further increased the capital ratio and substantially reduced the workout portfolio in financial year 2017. The implementation of the Commerzbank 4.0 strategy was driven forward as planned and the growth course maintained.

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

At segment level, it proved impossible to achieve the targeted increase in profit and return on equity in the Private and Small-Business Customers business. Customer numbers and assets under control (total loan, deposit and custody account volumes) in Germany exceeded their targets in financial year 2017, in some cases significantly. Income was further affected by the negative impact from tougher domestic competitive environment. Income in the lending business kept pace with the expansion of the portfolio, despite lower new business margins. A further rise in the interest margin and growth in net commission income at Polish subsidiary mBank was unable to make up for the income decrease in Germany. Loan loss provisions at mBank were slightly higher, so the forecast stability in this indicator was restricted to Germany. We continue to regard the quality of the portfolio as high overall. Greater investment in digitalising processes and products, intended to increase efficiency in the years to come, contributed to a sharper rise in operating expenses than originally planned. Regulatory expenses at mBank were also considerably higher, so the cost/income ratio rose slightly rather than falling as expected.

In the Corporate Clients segment, margin pressure during the year under review, along with subdued new lending business and a deliberately accelerated reduction in credit portfolios that are not part of the core business, resulted in a decline in net interest income and total segment income on a scale that had not been anticipated. A loan loss provision for a single exposure was required at the year-end, so the objective of unchanged loan loss provisions was not met. Consequently the operating earnings of the segment, which had been intended to match the level of the previous year, fell more sharply than forecast. The significant reduction in the cost base was implemented as planned, but this proved insufficient to keep the cost/income ratio stable and it moved up significantly.

The Asset & Capital Recovery segment once again carried out its strategic reduction task faster than expected. As anticipated, this resulted in a decline in segment income; measurement effects make up a significant portion here. Despite overall conditions remaining difficult, especially in shipping financing, a significant reduction in the portfolio was achieved, with a substantially lower level of loan loss provisions. General loan loss provision improved by much more than forecast – they were almost halved and came in well below the lower end of the €450-600m range originally targeted. Lower risk costs were the main reason for the substantial reduction in the operating loss; we had originally assumed a loss on the same scale as the previous year.

At Group level the anticipated decline in one-off income and the increased pressure on margins, which wiped out much of the success of the growth initiatives implemented, were the main causes behind a 2.5% fall in total income before loan loss provisions to €9.2bn. Operating profit was down less, by €0.1bn to €1.3bn, as the good quality of the credit portfolio allowed lower loan loss provisions. Cost management and positive effects from the headcount reduction under way made it possible to cover both higher charges for regulatory expenses and high investments in restructuring Commerzbank to become a digital technology company. At €7.1bn, operating expenses were at the same level as in the previous year.

As the restructuring expense of around €0.8bn had a greater impact on pre-tax profit than the goodwill writedown in 2016 in connection with the strategic refocusing (€0.6bn) and restructuring provisions to be reported (€0.1bn), consolidated net profit for financial year 2017 was down from €0.4bn in the previous year to €0.3bn. Consolidated earnings attributable to shareholders were €156m (previous year: €279m). As anticipated, return on equity declined year on year, from 1.1% to 0.6%, while the cost/income ratio went up roughly in line with expectations, by two percentage points to 77.3%.

Commerzbank further strengthened its comfortable equity position in 2017. Common Equity Tier 1 under full application of the Basel 3 rules rose to €24.0bn (previous year: €23.4bn), largely due to rising equity capital and lower regulatory deductions. Accentuated by the 10% fall in risk-weighted assets, this resulted in a significant improvement in the Common Equity Tier 1 ratio from 12.3% to 14.1% at the end of December 2017.

Segment performance

Private and Small-Business Customers

The Private and Small-Business Customers (PSBC) segment encompasses branch business in Germany, comdirect Group, Commerz Real and the mBank Group. Small-Business Customers combines business customers and smaller Mittelstand customers with an annual turnover of up to €15m served by the branch bank in Germany. The segment again saw growth in new clients and assets under control in 2017. With over 12.7 million customers in Germany and more than 5 million in central and eastern Europe, Commerzbank is one of the leading banks for private and small-business customers in these markets.

Performance

€m	2017	2016[1]	Change in %/%-points
Income before provisions	4,832	4,818	0.3
Loan loss provisions	−154	−119	29.9
Operating expenses	3,811	3,621	5.2
Operating profit/loss	**867**	**1,078**	**−19.6**
Capital employed	4,134	4,122	0.3
Operating return on equity (%)	21.0	26.1	−5.1
Cost/income ratio in operating business (%)	78.9	75.2	3.7

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 152 ff.).

Against the backdrop of difficult interest rate and competitive conditions, the Private and Small-Business Customers segment posted an operating profit of €867m in financial year 2017, compared with €1,078m the previous year. In Germany, strong new customer growth, loan growth in mortgage lending that was again above the market and pleasing securities business largely made up for the persistently strong negative impact of the low interest rate environment. Investments to further extend the market position in Germany pushed up operating expenses. mBank again performed strongly in most business areas, resulting in considerable growth in the major lines of income.

At €4,832m in the period under review, income before loan loss provisions was marginally above the level of the previous year (€4,818m). Net interest income climbed by €72m to €2,353m, despite a further declining contribution from the deposit business in Germany. The main driver was interest income from the growing loan portfolio as a result of the very good new business performance in most areas and the takeover of the instalment loan portfolio from the Commerz Finance GmbH joint venture. By contrast with Germany, mBank saw the interest rate margin continue to improve. Net commission income improved slightly, up €21m year on year to €1,977m. Significantly higher commission income from the securities business in Germany contrasted with a steep fall in commissions from loan distribution, as Commerzbank began offering consumer loans through its own platform already in the first half of 2017 and ceased distributing instalment loans through the Commerz Finance GmbH joint venture. mBank improved its net commission income in several areas of private client business as well as in business with corporate clients.

The other profit and loss components largely reflect changes in one-off income items. This includes other profit or loss from financial instruments, which fell by €34m to €119m in 2017, following a gain of €123m the previous year from the sale of the holding in Visa Europe Limited. The year under review includes a gain of €89m on the disposal of the holding in payment services provider Concardis. Other net income of €224m includes special effects of €176m, mainly from the takeover of the instalment loan portfolio. In turn, the dissolution of the joint venture with BNP meant that current income from companies accounted for using the equity method is now only a marginal €2m (previous year: €131m): lower contributions from Commerz Real play a part here, with no repetition of the remeasurement gains on assets seen last year.

Loan loss provisions show that the quality of the credit portfolio remains high, even though they increased by €–35m to €–154m. The majority of the valuation allowances related to mBank, where loan loss provisions increased by €–36m to €–119m. Net loan loss provisions in Germany were again very low at €–35m (previous year: €–36m).

Operating expenses rose by €189m to €3.811m. Total personnel costs fell €18m to €1,341m, largely as a result of cost cutting in Germany. Other operating expenses including internal cost allocations rose by €207m to €2,469m, reflecting amongst other things the increased investment in the digitalisation of products and processes. Regulatory costs at mBank, such as the Polish bank levy, had a major impact on expenses and reduced profitability by €116m in 2017 (2016: €75m).

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €867m in 2017, €211m less than in the prior-year period.

Main developments in the financial year

The Private and Small-Business Customers segment continued to systematically push forward the Commerzbank 4.0 strategy in 2017. Good progress was made in digitalising services and processes and expanding distribution channels in all divisions. Important foundations were also laid in the German branch business for the future organisational structure of business with private and small-business customers.

Growth in new customers and assets under control (AuC) also accelerated again in the reporting year. The segment is significantly closer to its declared goal of increasing AuC to over €400bn by 2020. At the end of 2017, AuC were €376bn. The branch bank, comdirect Group and mBank Group all gained customers. In Germany alone, the segment grew by around 500,000 new customers during the year under review.

Private Clients and Small-Business Customers

The branch bank in Germany offers the range of services of a full-service bank to private, small-business and wealth management customers both personally and via digital channels. The Bank is keeping its number of locations unchanged: private clients receive advice and/or service in some 1,000 branches, wealth management customers in 103 locations and small-business customers in around 330. The business unit for small-business customers was further developed during the reporting year. This includes both previously managed business customers as well as Mittelstand customers previously managed in the Corporate Clients segment with an annual turnover of between €2.5m and €15m. Major progress was made in 2017 in terms of the range of products and services for small-business customers.

High quality and profitable growth

In the past financial year the branch bank has once again made good progress with its core objective of growth and has been able to further stimulate a sustained improvement in profitability. The high level of quality was retained in the segment in 2017.

Customer satisfaction as the yardstick for the core objective of quality is measured using the net promoter score (NPS); this shows how willing clients are to recommend the Bank. It was at a consistently high level. External prizes and awards confirm the high quality of service and advice. For example, Commerzbank was named “Service King 2017” by Focus Money, and the outstanding quality of advice made it overall winner in the “Premium Banks” study by Handelsblatt. The high quality is partly due to the “Commerzbank Customer Compass” advisory application for private and small-business customers. This allows individual, personal advice, tailored to the client’s stage of life and based on their financial needs and objectives. This advice has been standard in the Bank for all customer groups since 2012.

We continued to successfully refine our marketing activities. Data-driven, cross-channel, automated customer management through the customer life cycle and new activities in partnership banking allowed us to accelerate growth in customers and assets and capture further efficiencies. Traditional advertising campaigns, cooperations with external partners and initiatives such as prospect handling and loyalty measures for new customers contributed to growth. In its marketing the Bank is increasingly using data-based methods and advanced analytics to determine the best offering for a customer and show them, for example, suitable offerings in online banking. As a result, product sales to online banking customers who have consented to their data being used were increased by 10% compared with a comparator group. Marketing activities focused on the free current account with a starting balance as the anchor product. Over half a million new payment accounts were opened in 2017, some 110,000 of them online.

In the lending business, the strong trend continued in 2017. Demand for residential property in Germany remains high due to the low level of interest rates. As a result the Bank was able to increase new volumes in private mortgage loans by 26% year on year. There was also considerable growth of 17% in personal loans compared to 2016. Sales of instalment loans were down on the previous year in 2017, due to the change in the business model. Following the dissolution of the joint venture with BNP Paribas, since August 2017 the Bank has been again carrying the instalment loan business in its own books. June 2017 saw the launch of the digital instalment loan: this is now much simpler and quicker to take out. Further evidence of how the Bank is expanding its digital offering to improve customer friendliness and efficiency.

The persistently low level of interest rates is also having an impact on the retirement savings business: increasing numbers of customers are opting for savings solutions such as pension or endowment insurance. This was reflected in the results of the retirement savings business: the volume of new business was up 8% to €2.5bn (2016: €2.3bn). In the area of home loan savings, new business volume of €2.7bn was generated. This is equivalent to a 12% increase on 2016 (€2.4bn). This shows that the attractiveness of home loan savings to lock in interest rates in a low rate environment and when modernisation is required remains intact.

Interest rates remain low and fluctuations in the markets, especially in currencies, were a challenge for investors again in 2017. In the securities business, Commerzbank customers could again chose between various custody account models to invest in. The Premium Fund Custody Account was launched at the start of the reporting year. This allows investors to buy units from around 100 top funds with upfront fee. All costs are covered by a flat-rate annual charge of 0.9% of the volume of the custody account. By the end of the year under review, around €2.4bn had been invested in the Premium Funds Custody Account. The mandate business saw a big increase in volume. A gain of some 8.5% was posted in wealth management products. Portfolio volume at the end of the year was some €23bn. Wealth management recorded growth of 19%, to around €15.2bn portfolio volume. As a result, volume based portfolio income from securities rose once again, accounting for around 81% of total income in the securities business in 2017 (2016: 77%).

The gain for entrepreneurs

During the year under review we further expanded business with small-business customers. The first offerings specially for small-business customers were launched: for example, the "start-up offer" comprises basic payment services like an account and credit card, plus an immediate credit line. The "entrepreneur package" allows customers to cover their basic needs for payments and credit, while the "premium private package" adds solutions for entrepreneurs' personal needs. At the end of 2017 a new leasing offering with leasing calculator and attractive terms was launched in cooperation with Commerz Real, as were "Cash Radar" for digital liquidity management and "Sector: Radar" for industry and focus reports.

Customers experience the Bank digitally and personally

In the Private and Small-Business Customers segment, the future is both digital and personal. At the end of 2016 the application ONE was launched in the branches; this allows branch advisors and online banking clients to access the same technical platform. The single user interface for employees and customers was further extended in 2017. The Commerzbank Customer Centre has also been working with the application since April. The shared view of the customer allows a single, consistent customer experience across all channels. The new investment advisory in ONE also meets the regulatory requirements of MiFID II (the Markets in Financial Instruments Directive), which came into force on 3 January 2018. ONE means the Bank will be technically better placed to integrate and implement product innovations or new regulatory requirements across all distribution channels.

Also newly on the market is a mortgage app that allows customers to search for, finance and value property conveniently on their smartphone or tablet. Services on the app include property search, an advance credit check with personal credit certificate and an interest rate guarantee for 48 hours, along with tools such as a property valuation with just one picture from an independent property valuer. The customer can check in seconds whether the purchase price is realistic and the amount they wish to borrow is feasible. Even the loan application can be initiated at once online. The customer documents needed are displayed individually and can easily be scanned in with the mobile phone. If the customer wants advice, this can be arranged at once.

The banking app, which has been downloaded over two million times since launch, has also been improved. For instance, 2017 saw a more convenient log-in process using fingerprints or the biometric log-in with facial recognition for users of the new Apple iPhone X. The app also has new functions like the preferred PIN for credit cards. The Bank is increasingly relying on mobile solutions in dialogue with customers: in August 2017 a messenger function was added to the banking app in the form of Mobile Dialog. This allows the Bank to assist customers with their questions on products and services every day by text, audio and video chat and give a full answer to their queries. Since Mobile Dialog was launched it has been used nearly 90,000 times over audio, video and text chat.

Even in times of digitalisation, Commerzbank is clearly committed to its branches as an important part of the multi-channel bank. However, customer behaviour has changed over recent years, not least because of digital change. Customers are making increasing use of the Bank's digital offerings, but still want a personal contact on site. The Bank is therefore retaining its national presence and the branch strategy is based on new branch models with greater differentiation in the service offering. This involves a change to the service model: In the autumn the Bank reached agreement with the employee representatives on personnel reductions, the restructuring of the advisory model and further steps towards digitalisation.

The Bank also made progress in implementing its branch strategy. Flagship branches in larger cities will be the main showcase for Commerzbank in future. The final concept has now been determined. Seven new flagships were opened across the country during the reporting year: Bonn, Freiburg, Dresden, Leipzig, Mainz, Wiesbaden and Mannheim. In future the City branch will be the cheap and efficient branch model for local daily banking. The test phase for this model continued in 2017: further pilot branches were opened in Frankfurt and Stuttgart. In view of the positive results it was decided to roll these out gradually over the next few years. The concept for the City branch won the "Customer Experience Award" in 2017. This is given for outstanding customer experience and innovation in distribution, marketing and client service with retail banking customers. The award is bestowed by the trade magazine "gi-Geldinstitute" in cooperation with the Frauenhofer IAO and IBM Germany.

comdirect Group

During the year under review comdirect Group strengthened its position as the German market leader in the online securities business by organic growth and by the acquisition in April 2017 of onvista AG, with its two fully owned subsidiaries onvista bank GmbH and onvista media GmbH. With assets under custody exceeding €91bn for the first time and 29.6 million securities transactions executed, comdirect Group remains the top address for securities saving, investing and trading. As a smart financial advisor it also supports its clients in all their banking transactions. Since onvista bank GmbH merged with comdirect bank AG, onvista bank has been a business unit in the B2C business segment. B2B business with institutional partners is done through ebase GmbH. The extensive financial portal www.onvista.de is run by onvista media GmbH.

In an environment where interest rates remain problematic and trading is quiet, comdirect Group exceeded the growth seen in previous years in brokerage and banking. The rise in assets under custody is primarily due to net inflows into securities custody accounts and exchange rate effects. The numbers of orders executed in securities trading was clearly up. The lending business also reported considerable growth, partly due to the optimised instalment loan offering. Business with institutional partners in key customer segments– banks, insurers, asset managers – grew too.

The range of brokerage services was extended in 2017 by adding cominvest digital asset management, which already had over €200m in custody accounts by the year-end. The comdirect Group also raised its profile as a smart financial advisor by using innovative voice control systems. Innovation management continues to target the central objectives: making it as easy as possible for the bank's customers to manage their finances while at the same time encouraging them to save, invest and trade in securities with digital solutions and accessible offerings.

Commerz Real

Commerz Real can look back on a successful year, with new business volume matching the prior-year figures.

As asset manager for physical assets in the Commerzbank network, the company combines more than 45 years of experience in asset and investment management with extensive structuring expertise and a unique portfolio of investment products and individual financing solutions. The product portfolio includes hausInvest, which was created in 1972 and is one of the most successful open-end real estate funds, as well as institutional investment vehicles and equity investments under the CFB-Fonds and CFB Invest brands. The portfolio ranges from commercial real estate of various types through solar parks, wind farms and aircraft to infrastructure and production facilities. The common thread is always a physical asset – as an asset gathering product for private and institutional investors, comprehensive construction management for commercial projects and a tailored financing concept for corporate customers. In addition, as the leasing company for the Commerzbank Group, Commerz Real offers need-based real estate and equipment leasing concepts as well as asset structuring. At the end of the period under review, assets under management amounted to around €31bn.

The hausInvest real estate fund reached €13bn at the end of 2017, up around €1.2bn from 2016. With a market share currently in excess of 14% (2016: 13%) it remains the second largest open-end retail real estate fund in Germany. 95 properties in 16 countries and 56 cities with a market value of around €10.5bn generated a return of 2.7% by the end of 2017. The fund management team further strategically optimised the portfolio, successfully selling for investors and acquiring lucrative long-term assets. Purchases and disposals were more or less balanced in 2016, but during the year under review hausInvest bought (€1.5bn) more than twice as much as it sold (around €850m).

Commerz Real also grew significantly in the institutional business. Four special AIF alternative investment funds are distributed under the Commerz Real Institutional brand with BaFin authorisation: the Commerz Real Institutional Hotel Fund (opened-ended special AIF with fixed investment terms), the Commerz Real Institutional Smart Living Fund (opened-ended special AIF with fixed investment terms), the Commerz Real Institutional Aviation Fund (closed-end special AIF) and the Commerz Real Institutional Renewable Energies Fund (closed-end special AIF). Three of these funds successfully achieved first closing.

Commerz Real Asset Structuring GmbH (CRAS) focused in 2017 on structuring individual financial solutions and developing long-term financial structures for real estate. Commerz Real Mobilienleasing GmbH (CRML) again concentrated on leasing and hire purchase models for operating assets for small and mid-sized companies, primarily machinery, manufacturing equipment and commercial vehicles. An important strategic step in this customer segment was moving into small-ticket leasing by providing a digital application which automatically produces offer and contract documentation at the point of sale. New transactions amounted to around €1bn in the reporting year.

mBank Group

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

Financial year 2017 was very successful for the mBank Group. mBank's growing business activities were reflected in solid growth in new customers and revenue, while deposits and loans were stable over the year. At the end of 2017 the Group had roughly 5.3 million private customers and 22,000 corporate customers, compared to 5.1 million and roughly 21,000 respectively on a comparable basis last year.

The corporate strategy of the mBank Group is called "mobile bank" and is based on three pillars: customer focus, extending the bank's competitive advantage in mobile services and consistently improving efficiency. Numerous project initiatives were launched to implement the most important strategic objectives, e.g. extending the digital offering.

Since April 2017 mBank customers have been able to use a new smartphone app developed using the results of studies into how mBank clients behave. Along with a new user interface and simplified navigation the app also has several entirely new functions, such as Android Pay (for Visa and MasterCard holders) allowing contactless POS payments with a smartphone, a payment assistant with reminder function for regular payments so users can pay bills quickly, the ability to contact an advisor directly from the app using One-Click-mLine, mobile transaction authorisation confirmation, a quick overdraft within one minute of request and an express money transfer by telephone number within the Polish BLIK system.

A new version of the CompanyNet transaction service for corporate customers was also launched; this is easier and more intuitive to use and can be tailored to individual user needs. Company finances can also be managed on the move, using the mBank Company Mobile app. This provides quick authorisation for oders and access to central financial information management.

Under the mBox project, mBank also offer its retail banking solutions, which have won numerous awards in Poland and abroad, to partners outside Poland. The offer includes the electronic platforms (the internet bank platform and the mobile app) and specific product and marketing expertise. mBank also supports cooperation partners in project management and organisation and in other areas which are critical to the success of a digital retail banking provider. The first partner to profit from the expertise of mBank will be La Banque Postale of France, a subsidiary of the French post office. mBank plans to expand this part of the business.

The mAccelerator Fund was set up in 2017 as a way for mBank to get involved in developing start ups in the banking and financial services sector. The fund's portfolio currently consists of two companies: Cyber Rescue, a cyber security solution based on passive biometric features, and Digital Teammates, which specialises solely in process automation with robotics. Further investments are in the pipeline.

Outlook for Private and Small-Business Customers

As part of its growth strategy in financial year 2018 the segment will concentrate on providing better support for customers to achieve their financial objectives. The branch bank will continue to implement the Commerzbank 4.0 strategy under the motto "Customer bank no.1". The Bank wishes to continue to offer its clients high-quality advice and grow profitably. The focus is on increasing revenue significantly. Among the central measures is completing the multi-channel platform ONE. The Bank will also in future – with the consent of the clients – use advanced analytics to make its huge store of data available to the branch channel. By covering the market more intensively, growth will be expanded among small-business, wealth management and private customers. The Bank aims to stand out in the market with product innovations and digitalise further offerings and services. Implementing a new advisory model in the branches and advisory teams goes hand in hand with a further restructuring of the branch network into flagship and city branches.

The comdirect Group will concentrate on establishing cominvest digital asset management and reinforcing the market position in brokerage by pursuing the trading campaign. Further functionalities will also be added to the smart financial advisor. Business with institutional partners will be driven forward by focusing on digitalising the range of services, developing robo-advice solutions and working increasingly closely with fintech companies in wealth management.

The stated aim of Commerz Real is to further raise its market presence. The emphasis continues to be on expanding the institutional business and customer-centric digitalisation, mainly in the product areas hausInvest and equipment leasing. Commerz Real wants to refine its business model to become a digital asset manager and integrated investment services provider. As far as possible, all business processes will be automated and products and services made even more flexible, rapid and transparent. The company expects strong new business and a further strengthening of the market position at hausInvest and in the areas of asset structuring and equipment leasing over the coming months. Focusing Commerz Real on digital transformation will make it possible to access new markets and future themes relevant for the industry.

mBank too will concentrate on implementing its strategy in 2018. The mBank Group will continue to concentrate on growing its mobile banking services and transaction banking – with special attention on the ever more challenging customer demands. For this the bank will consistently improve its existing offerings and develop new products to meet customer expectations of convenient and innovative banking. In addition, mBank expects the success to date of its customer acquisition in Poland, and in the foreign markets of the Czech Republic and Slovakia, to continue.

Corporate Clients

The Corporate Clients segment is divided into five reporting areas. The Mittelstand, International Corporates and Financial Institutions divisions are responsible for business with our core customers: the Mittelstand division covers larger Mittelstand customers and domestic large corporates with the relevant products they require. The International Corporates division looks after corporate clients headquartered abroad, large German multinational companies and international insurance companies. The Financial Institutions division is responsible for financing and processing foreign trade and for relationships with banks in Germany and abroad and with central banks. The segment offers customers the complete range of products of an international full-service bank, from traditional credit products, individually tailored financing solutions, cash management and trade finance, investment and hedging products, through to customised capital market solutions. The performance of the Equity Markets & Commodities (EMC) division is reported separately since it is due to be spun off. The Other Result division handles all business that either has a cross-segment risk management function or falls outside the strategic focus of the Corporate Clients segment. These mainly relate to assets transferred from the former Non-Core Assets and Portfolio Restructuring Unit run-off segments and effects from hedging positions.

Performance

€m	2017	2016[1]	Change in %/%-points
Income before provisions	3,989	4,447	−10.3
Loan loss provisions	−295	−185	59.3
Operating expenses	2,885	2,973	−3.0
Operating profit/loss	**809**	**1,289**	**−37.3**
Capital employed	10,462	11,600	−9.8
Operating return on equity (%)	7.7	11.1	−3.4
Cost/income ratio in operating business (%)	72.3	66.9	5.5

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 152 ff.).

The reporting year 2017 was a challenging one for the Corporate Clients segment, with persistently low interest rates, a challenging regulatory environment, the implementation of our Commerzbank 4.0 strategy launched in 2016 and geopolitical uncertainty factors, some of which resulted in lower customer activity. This was also reflected in its earnings performance, with the segment posting an operating profit of €809m in the year under review after €1,289m in the previous year. This decline is mainly due to the negative interest rates, the effects of the business policy transformation and higher loan loss provisions.

The Mittelstand division benefited from the segment's solid market position. Credit volumes were expanded slightly over the year. The negative impact of the interest rate environment and the stiff price competition was counteracted by strong demand for capital market solutions. International Corporates saw moderate loan growth but lower demand for structured capital market products compared to last year.

As anticipated, the restructuring of Financial Institutions resulted in a customer and income base lower than last year, though solid over the year. In combination with strong performance on the equity market and relatively low volatility, Equity Markets & Commodities profited from greater customer activity, especially in business with structured investment products.

In the period under review, income before loan loss provisions fell €459m or 10.3% year on year to €3,989m. The positive capital market business was not able to make up for the burdens of the interest rate environment and lower income from documentary business associated with the reduction in the bank portfolio in Financial Institutions and lower customer activity. The ongoing strategic reduction of the portfolio transferred from the former Non-Core Assets segment also led as expected to a fall in net interest income from lending. Net interest income was €1,730m, down €193m. Net commission income was €1,237m, €43m lower than last year, mainly due to a lower contribution from the commercial business.

Loan loss provisions were €–295m in the year under review, an increase of €110m year on year. The higher need for provisions compared to the previous year was largely associated with a single position.

Operating expenses were €2,885m, down 3.0% on the prior-year figure, while spending on strategic development continued. The decline was primarily attributable to strict cost management and lower personnel costs, enabling the Bank to offset higher regulatory expenses and investments in digitalisation in particular.

Overall, the segment posted a pre-tax profit of €809m, compared to €639m in the prior year, which was especially heavily affected by goodwill write-offs of €627m.

Main developments in the financial year

The business performance of the Corporate Clients segment last year was largely determined by two factors: externally, by ever rising competition, and internally by the implementation of the Commerzbank 4.0 strategy. The focus here was on bringing together product units and concentrating on the core business, as well as continuously implementing growth initiatives and digitalising processes and products. Against the backdrop of these challenges, we comfortably beat our cumulative target of 3,500 net new customers by the end of 2017. This demonstrates that our strategic adjustments are going down well with our corporate customers.

Progress in digitalisation

We made good progress in financial year 2017 towards becoming a modern, customer-focused multi-channel bank and digitalising our internal processes.

In addition to advice in person, we also offer our customers the ability to access many of our products and services quickly, independently and at any time via our online corporate customer portal, so they can integrate banking transactions into their daily business. Around 40% of standardised term deposits are now processed over our corporate customer portal. As part of digital investment and risk advice in the corporate customer portal, clients receive individual product proposals to match their personal investment objective and market expectations. The percentage of currency, securities and money market transactions traded online grew again during the reporting year. The digital lending business was also further optimised. Guarantees can now be issued quickly and efficiently online, in addition to the online money market loan.

Commerzbank is also active in applying innovative financial technologies. Using the rapidly spreading distributed ledger technology (DLT) and blockchain technology, Commerzbank carried out its first pilot transaction placing euro commercial paper with immediate settlement.

Today, the processing of traditional trade finance activities is largely paper-based, but Commerzbank is taking a leading position in developing digital solutions in this market segment. With the successful market introduction of the Bank Payment Obligation to protect open-invoice payments, it is now possible to present financing solutions which support the optimisation of current assets for our corporate customers. Commerzbank also successfully implemented an IT platform solution to finance trade receivables with a market leading technology supplier for selected customers both in Germany and at selected international locations.

In addition Commerzbank is playing a leading role, together with other banks, in global DLT/blockchain projects to develop a digital platform for trade and supply chain finance business (Batavia, R3). The Bank is also engaged in this area in a cooperation project with the Fraunhofer Institute for Material Flow and Logistics IML in Dortmund. The long-term aim is to develop scenarios for future physical supply chains.

The Commerzbank Trade Innovation Project will consolidate and modernise the IT platforms for processing trade financing transactions, which are key for the Bank. The main functions for processing collections and documentary credit processing were piloted in two foreign locations during the year under review, in Europe and Asia.

Setting up sector networks

As a key part of the sector approach, in 2017 the sector experts in the branches were grouped together with the central sector teams, who combine strong sector expertise with corporate finance knowledge, to form sector networks. The aim is for our small and mid-sized corporate customers to also profit from sector and capital market skills which to date have been focused on the needs of large multinationals. This will make it possible to offer forward-looking financing solutions for all small, mid-sized and large corporate customers. Local specialists – working with product specialists – are able to offer customised debt and equity financing solutions to small and mid-sized customers.

Strengthening the equity capital market business

In order to be able to offer corporate customers and institutional investors even more comprehensive advice and take account of changing regulatory requirements, equity trading and the business with structured equity transactions for this customer group were successfully merged with the equity capital markets business. As a result, Commerzbank has a single, highly efficient platform for successfully winning, executing and settling all equity-based transactions and services.

Keeping up the excellent reputation in brokerage

The Commerzbank equity business has an outstanding reputation with institutional investors and corporate customers. For the sixth year in a row, Commerzbank was voted "Germany – Leading Brokerage Firm" in 2017, putting it in top place in the Extel Survey, one of the leading polls of institutional investors. This leading position also includes first place in the categories "Country Research, Small & Mid Caps Research" and "Equity Sales".

Strong growth in the market segment for sustainable bond financing

The market segment for sustainable bond financing for companies, banks and public issuers in Europe and Asia saw strong growth in 2017. Total volume was €120bn, equivalent to a 50% increase year on year. We worked on a range of successful transactions in this segment in several European countries.

M&A advisory with an international perspective

Thanks to its broad customer access and the extended sector approach, Commerzbank played an advisory role in various takeover transactions involving German and international clients. German Mittelstand customers in particular were assisted in national and international transactions. Our customers based abroad were advised on cross-border transactions with a German connection; the focus was on customers from Asia acquiring domestic companies.

Market position maintained despite weaker currency market

While an environment of gradually rising yields triggered an increased demand for interest rate hedging, the currency markets saw little new business, especially in the second half. Low volatility in particular resulted in very restrained trading activity in this market segment. The expansion of FX Live Trader, our electronic currency trading platform for derivatives transactions, allowed us to maintain our market position in a market which shrank overall.

We optimised the processing for approving new customers on our electronic trading platforms so we can onboard them fully automatically in just a few hours. In financial year 2017 the segment won the "Profit & Loss Digital FX Award" for its innovations in the FX business. Our treasury management was awarded the TMI Award for Innovation & Excellence.

Commodity hedging is still part of the Commerzbank service offering; physical trading in precious metals discontinued

Physical trading in precious metals and the associated services were discontinued in the year under review with the sale of precious metals refiner Argor-Hereaus SA. Services in non-physical precious metals trading remain a core business for the Bank. Commodity risk hedging are still offered to ensure that our corporate clients can continue to benefit from the full range of capital market-oriented risk management solutions.

Further streamlining of trading activities

We continued to downsize our trading activities during the past financial year and focused even more closely on customer needs. We withdrew from business in complex and exotic interest rate and currency derivatives and restricted bond trading to supporting our primary market activities.

Dedicated unit for compliance issues set up within the segment

Once again in the year under review we set a high priority on implementing across various jurisdictions regulatory requirements that have become complex and ever tighter over the years and further adapted the systems, processes and control mechanisms in Bank accordingly. Sustainable success requires us to have guidelines and directions on proper conduct. Last year we launched a major internal campaign on the "culture of integrity" to raise staff awareness in the segment of the importance of acting in a way that is legally and ethically impeccable. This also reinforces the reputation and integrity of the Bank and our segment.

In order to ensure a high degree of security in compliance issues at segment units, a specialist unit was set up within the segment at the end of 2017. This will act as the centre of competence for all compliance issues and be responsible for the following areas, amongst others: compliance business risk strategy, controlling and communications within the segment, support in dealing with compliance guidelines where client structures are complex, advice on the latest regulatory trends, ongoing review of customer data and assessment of customer risk throughout the term of the relationship, review of and if necessary improvement to the quality of customer related data and staff training.

The creation of the new unit will also ensure that employees at the Corporate Clients segment both in Germany and at foreign locations always act in accordance with the applicable compliance standards.

Mittelstand

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

Growth programme launched for smaller German companies
At the end of 2017 we launched a growth programme to expand our German Mittelstand business. The aim is aim to gain further market share among small and mid-sized companies, especially those with annual turnover of between €15m and €100m, and further build on the business relationships with our existing customers. We mainly offer loans to finance further growth. Our optimised advisory model with corporate client advisors and skilled local specialists, plus digital channels, lives up to our commitment to be the best personal and digital bank for the Mittelstand in Germany.

Expanding bond transactions for large German customers
Commerzbank has longstanding relationships with capital market-oriented companies in Germany with a financing requirement of at least €200m per year. We won and successfully placed a large number of bond mandates in 2017.

Strong position in syndicated lending and promissory notes strengthened
Last year Commerzbank again demonstrated its leading position in arranging and structuring syndicated loans for corporate customers, especially in coordinating large-scale transactions for German and European corporates. Commerzbank's high penetration in the German Mittelstand also led to a consolidation of its leading market position in the steadily growing Schuldschein loan business.

High level of issues in the German equity market
The equity markets performed strongly in 2017. Companies' issuing activity was correspondingly high. On the German equity market in particular, Equity Capital Markets significantly grew both income and market share year on year. In addition to many successful equity placings last year, a large number of prestigious mandates was won for forthcoming IPOs and capital increases to take place this financial year.

International Corporates

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

Cross-border advisory approach confirmed
The customer-focused advisory approach used by Commerzbank, with the relationship manager coordinating the globally active client service team to ensure high-quality advice across borders at the international locations of Commerzbank, was systematically taken forward over the reporting year. Our German corporate customers continue to make increasing use of our local service offering for their foreign subsidiaries. International groups too are choosing Commerzbank as a competent financial services provider, not just in their home markets and in Germany, but increasingly worldwide as well. In addition to the local service, customers find the broad product portfolio of cash management, trade finance, corporate finance and interest rate and currency management attractive. This makes Commerzbank a well-positioned and reliable partner for corporate customers as they continue to internationalise.

Important partner for export-oriented corporate customers
Increasing globalisation and the resultant international competition mean our export customers face the challenge of not only having to provide their foreign business partners with technically attractive and innovative product offerings – they also have to offer attractive payment and financing options. As part of its range of international trade services Commerzbank offers long-term export financing in conjunction with more than 15 government export credit insurers such as Euler Hermes. The export financing specialists are available to our customers at 14 locations in important export markets around the world, offering their expertise on structuring and implementing financing, as well as providing direct local support.

International range of services strengthened with new partner bank

The partnership agreement signed in May 2017 with Mashreqbank, one of the leading institutions in the United Arab Emirates, gives Commerzbank corporate customers rapid and efficient access to local banking services. Our network of international partner banks plus the 50 or so own locations mean Commerzbank is present for corporate customers in all the major markets around the world.

Further diversification in bond issues

We further diversified our bond issuing activities for international corporates in reporting year 2017. Our regional focus is on issuers from Germany, France, the rest of Europe and the UK, supplemented by issuers from the USA. Some securities were issued as multi-tranche bonds denominated in euro, dollars and sterling. Companies mostly used the bonds for regular corporate financing or to pay for acquisitions. We also saw further considerable growth in liability management.

Financial Institutions

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

Implementation of the new strategic alignment completed

Financial Institutions successfully completed the realignment of its correspondent banking strategy in the past financial year in view of the changed global market environment and increasingly strict regulatory requirements. The complexity of the bank portfolio was considerably reduced, at almost no cost in terms of capabilities. Financial Institutions retains a competitive global network of correspondent banks which are very important for the customer areas of Commerzbank. This ensures that Commerzbank will remain the market leader for the settlement of Germany's foreign trade in the future.

The extension of participation in trade facilitation programmes to new target markets over recent years and newly developed formats further promote trade financing. The Bank will continue to support German and European export-oriented corporate clients with their international trading business in the world's main trade corridors. The specialist magazine Global Finance awarded Commerzbank the title "Best Trade Finance Bank Germany" – an indication of its trade finance skills.

Comprehensive product range in payments

In cash management we offer our customers a comprehensive range of products and services to optimise their national and international cash and treasury management. These include multi-bank-enabled solutions for national and international payments and an extensive digital offering. In addition, in reporting year 2017 we continually kept our customers informed of the latest risks in payments, to protect them from these new forms of fraud. The prestigious specialist magazine Global Finance and research firm Greenwich Associates honoured Commerzbank with multiple awards for outstanding performance in cash management.

Numerous awards in the Pfandbrief segment

Once again in financial year 2017 we expanded our strong market position in the global Pfandbrief segment. We improved our market position in the international Pfandbrief segment to fourth place, from fifth the previous year. We remain the market leader in Germany in unsecured bonds. In 2017 Commerzbank again won two important awards for its success in the Pfandbrief segment: the prestigious "Best Euro House 2017" from the magazine The Cover, and "Covered Bond House of the Year" from IFR.

Equity Markets & Commodities

As already announced, as part of the Commerzbank 4.0 strategy, the business with investment and financial products and the associated market-making, which makes up most of the Equity Market & Commodities (EMC) area, is being spun off from Commerzbank. The business being split out comprises the established ETF brand, the associated leading platform for ETF market-making and the business in structured trading and investment products, which are in demand from both private clients and institutional investors. This will allow the unit to better concentrate on its key competencies as a leading European and Asian provider and market maker for financial products and make even more efficient use of financial resources.

Intensive preparations were made for the legal spin-off during the year under review and applications made to the supervisory authorities for the necessary licences. All strategic options for a subsequent placing in the market will be further analysed in depth.

In a trading environment like the year under review, with low volatility and a change in correlation, the division profited from increased customer activity and was able to improve performance significantly compared to the prior year, especially in business with investment products. This was in particular due to the doubling of income in electronic trading in this division.

The asset management business also performed strongly and saw further inflows during the year. The EMC expertise in managed investment solutions, especially multi-asset, sustainability and commodities, won numerous awards over the financial year. Thanks to the launch of the Commerzbank/Mattioli Woods Fund for structured products, an innovative product solution, we won the “Retail Investment Product” Risk Award 2018.

Along with a strong market position in several European countries, EMC also reported growing interest in its products in Asia. During the year under review the business in Asia achieved its best results to date. This was confirmed by winning “ETF House of the Year” at the Structured Products Asia Awards for the second time in a row, and “Best House for China” at the Asia Pacific Awards for Structured Retail Products.

Outlook for Corporate Clients

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

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

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

A new optimised advisory model will support differentiation from the competitors, combining a broad regional presence of advisors in person with digital distribution channels which proactively boost customer retention. At the same time, the old sales channels will be refocused by grouping similar activities together and outsourcing administrative activities to downstream divisions of the Bank to take the pressure off distribution, so they can deal even more closely with customers’ needs. Operational excellence will also be emphasised, so customers and advisors can enjoy lean, largely digital, processing. The idea of the one-stop shop will be actively used as a competitive advantage.

We wish to further build on our market leading position as the provider of finance for the Mittelstand. In 2018 we will again assist our corporate customers as a competent and reliable lender. We also expect sustainable financing with environmental or social features to continue to gain in importance, as increasing numbers of issuers and investors move into the segment.

We wish to realise further growth potential in corporate finance and trade finance too, by continuing to focus on the sector approach and by modernising and further consolidating our IT platforms so foreign trade can be processed even more efficiently. As part of the digital transformation an increase in application programming interface (API) banking for our customers is planned.

We are further aiming to develop our digital new issue systems landscape, including expanding blockchain capabilities and integrating a bond database. Our expertise in public-sector funding will be strengthened by continuing to develop digital applications.

The separation of the EMC division, which is no longer a part of the segment's core business, will be progressed in 2018 with the aim of bringing the business to market in the short to medium term.

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

Asset & Capital Recovery

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

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

Performance

€m	2017	2016[1]	Change in %/%-points
Income before provisions	166	213	–22.2
Loan loss provisions	–336	–599	–43.9
Operating expenses	98	128	–23.4
Operating profit/loss	**–269**	**–515**	**–47.8**
Capital employed	2,982	3,308	–9.8
Operating return on equity (%)	–9.0	–15.6	6.5
Cost/income ratio in operating business (%)	59.4	60.4	–0.9

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 152 ff.).

In financial year 2017, despite difficult overall conditions particularly in the international shipping markets, the ACR segment was able to reduce total volumes (exposure at default (EaD), including problem loans) of assets that no longer form part of the core business of Commerzbank by more than €2bn to €14.0bn with a significantly reduced burden on the income statement. The reduction focused on the riskiest sub-portfolios in commercial real estate and shipping loans, and as a result the volume of problem loans also fell significantly. The ACR segment reported a strong improvement in operating profit in 2017: the loss of €–515m in 2016 was almost halved to €–269m.

Income before loan loss provisions fell by €47m to €166m, reflecting the considerable progress in cutting back segment assets. In the previous year the €135m partial write-up on the former position in HETA Asset Resolution AG, which was reported almost completely under other realised profit or loss and net remeasurement gain or loss, made a major contribution to income; in 2017, however, earnings were lifted by one-off income of €68m. The amount reported under net gains from financial assets and liabilities measured at fair value through profit and loss arose from the write-up of a position with a counterparty with whom Commerzbank had taken out a hedge in the Public Finance division, which had previously been written down.

The success in shrinking assets was reflected in the sharp fall in impairments. Loan loss provisions came to €–336m, compared with €–599m the previous year. The expense related almost entirely to ship financing.

In line with a further reduction in headcount, operating expenses fell €30m to €98m.

Overall, the ACR segment posted a pre-tax loss of €–269m in the 2017 reporting period. This represents a €246m reduction in the loss compared with the same period of the previous year.

Main developments in the financial year

Reduction strategy continued

For all assets bundled in the ACR segment, a reduction plan for all ACR portfolios is being drawn up as part of the comprehensive management plan. The focus of the portfolio reduction is on reducing EaD (including NPLs). The priority here is to reduce the more risky assets. The management of ACR also has an efficient tool kit for reducing the portfolio. In addition to active restructuring and the use of market opportunities, improved access to investors and capital markets in recent years has made it possible to reduce assets in a selective manner by selling sub-portfolios, provided capital is freed up as a result.

The value-preserving portfolio reduction in financial year 2017 was over €2bn, taking EaD to €14.0bn, including NPLs. The EaD volume of the CRE and ship finance portfolio stood at €4.1bn as at the end of 2017. Risk-weighted assets (RWA) fell by €3bn year on year to €18bn. The secured funding for ACR's activities comes from lettres de gage publiques. Securities repo transactions also play a role in funding the portfolio. Optimising the funding structure – through active cover pool management, for example – is an important component of the reduction strategy. The ACR segment still has sufficient numbers of highly qualified staff with many years of experience in the different asset classes. The operating stability of the units within the ACR segment is assured.

Commercial Real Estate

In financial year 2017 the total CRE volume (EaD) was further reduced by €1.0bn or 42% to €1.4bn through active management. In CRE Germany, which still accounts for around 31% of the total exposure, EaD declined by 45% to €0.4bn. In CRE International, which accounts for around 69% of the total portfolio, EaD fell by 40% over the course of 2017 to €1.0bn. The breakdown of the overall portfolio by type of use is as follows: the main components of the exposure are the sub-portfolios office (€0.2bn), retail (€0.8bn) and logistics (€0.2bn).

Ship Finance

In financial year 2017 the portfolio volume (EaD) booked in ACR was reduced by €2.2bn from €4.8bn to €2.6bn. Aside from the ongoing reduction in problem loans at individual loan level, the focus of reduction activities in 2017 was on the sale of selected loans from the performing loan book.

In 2017 the bulker and container markets recovered from their historic lows seen in 2016, sometimes considerably. This does not yet mean that all loans can be fully serviced, however. Tanker markets remained very weak in the reporting year.

The portfolio is divided principally between three standard types of ship, namely containers (€1.0bn), tankers (€0.5bn) and bulkers (€0.4bn). The rest of the portfolio (€0.7bn) consists of various special tonnages which are well diversified across the various ship segments.

Public Finance

The Public Finance portfolio consists mainly of loans to local authorities, other public-sector or quasi-public-sector institutions, companies or financing institutions.

EaD rose by €1.0bn over the past financial year to €10.0bn, as a result of restructurings. Most of the exposure is in western Europe and North America.

Outlook for Asset & Capital Recovery

The run-off strategy for the ACR segment will be rigorously pursued in the coming years. The aim is still to run off the remaining portfolios and residual risks completely over time in a way that preserves value and releases capital. Opportunities to sell assets and portfolios will therefore continue to be taken in cases where a sale makes economic sense. By the end of 2018, the ACR segment aims to further substantially reduce the CRE and DSB portfolios.

In CRE, persistently low interest rates and ongoing pressure on both large and small investors to invest are such that we assume real estate will remain an attractive asset class, especially in the eurozone. Stable market conditions are expected for the short to medium term.

In Ship Finance we are keen to continue to run down the portfolio, depending on market conditions. The future speed of portfolio reduction will continue to depend crucially on the performance of the shipping markets.

The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in the UK and the USA. The Public Finance division will continue to seek out and make use of opportunities for asset and portfolio reductions that are focused on risks and do not harm profits.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under Others comprises equity participations that are not assigned to business segments, overarching Group matters such as expenditure on regulatory fees, specific individual matters that cannot be allocated to the segments and Group Treasury. The costs of the support functions, which are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. The costs of the staff and management functions are also mainly charged to the segments and shown here. Restructuring costs for support functions and staff and management functions are not included in this charging.

The segment recorded an operating loss of €–104m in 2017 compared with €–453m in the previous year. Reasons for the €349m increase included one-off income from a property sale and a lower burden from the purchase price allocation associated with the acquisition of Dresdner Bank. Taking into account restructuring expenses of €808m in connection with the implementation of the headcount reduction as part of the Commerzbank 4.0 strategy, Others and Consolidation recorded a pre-tax result of €–911m in 2017, compared with €–559m in 2016.

Our employees

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

Actual number employed	31.12.2017	31.12.2016
Total staff Group	49,417	49,941
Total staff parent bank	33,850	35,211

At year-end 2017, the Commerzbank Group employed 49,417 staff, a decrease of 524 employees compared with year-end 2016. The number of full-time equivalents was 43,560, compared with 44,267 in the previous year (FTEs excluding trainees were 41,814 compared with 42,190 the previous year). The following table shows full-time employees at year-end by segment and by staff/management and support function. The staff/management functions perform central Group management tasks. The support functions ensure that the business processes underlying the Bank's operations run smoothly. The costs of the staff/management and support functions are mainly charged to the segments on the basis of an internal allocation formula.

Full-time personnel	31.12.2017	31.12.2016[1]
Private and Small-Business Customers	20,534	20,940
Corporate Clients	6,030	6,310
Staff/management functions and Support functions[2]	16,996	17,017
Group total	**43,560**	**44,267**

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

Most employees in the Commerzbank Group (around 75%) work in Germany. The average length of service at Commerzbank Aktiengesellschaft (Germany) is around 21 years; 18% have worked for the Bank for up to 9 years, 30% for between 10 and 19 years, and over half for 20 years or more. The employee turnover rate in 2017 was 4.6%, compared with 3.7% in 2016.

HR work supports the new business model

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

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

Promoting digital competence

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

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

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

Strong culture of integrity at the Bank for sustainable success

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

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

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

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

Diversity management an integral part of HR strategy

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

Bank promotes good work/life balance

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

Number of women in management positions up again

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

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

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

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

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

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

Attractive company benefits for employees

Along with remuneration, we also offer our employs many attractive company benefits. These range from private and occupational retirement saving to risk insurance and numerous other extras. These benefits are all very relevant for our employees and support our positioning as an attractive employer. We are keen to promote the mobility of our employees. Once again in 2017, staff were able to lease bikes and bank cars. Around 5,300 employees made use of this offer. For this first time this year the Bank included an electric car in a leasing campaign. This is a further contribution to the Bank’s sustainability targets and highlights electromobility. Commerzbank also regularly offers staff the opportunity to lease high-end IT devices for their private use.

Remuneration

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

Outlook and opportunities report

Future economic situation

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

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

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

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

1 The figures for 2018 and 2019 are all Commerzbank forecasts.

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

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

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

The German economy looks set to grow as fast in 2018 as it did last year, once adjusted for the different number of working days. On an unadjusted basis, the rise will be 2.5%, driven by vigorous investment activity. Consumption should post sound growth once again. Slightly higher wage increases and a continued strong rise in employment are still giving a powerful boost to employees' household income. Domestic demand is not the only source of support, though. The German economy will continue to benefit from lively global demand. It is worthy of note, however, that unit labour costs at German companies have been rising faster than in the rest of the currency union for several years now. And in the property market, low interest rates are driving up prices, especially in the major cities.

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

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

[1] The figures for 2018 and 2019 are all Commerzbank forecasts.

Future situation in the banking sector

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

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

A largely disorderly UK departure from the EU without any transitional period or free trade agreement, which cannot be ruled out despite the recent progress in the negotiations on the terms of departure, would be equivalent to an economic shock and cause harm to the German banking sector, even though there would be marginally positive value creation effects as market-related financial services are switched to Germany. The current level of integration between the UK and the EU, especially Germany, is very high, due to specialisation in the internal market and international value chains. Banks' foreign business with major German export clients would be noticeably hit, especially, through trading, in cars, engineering, electricals, chemicals, pharmaceuticals, food and textiles. Wholesale deliveries are significant at the macro and microeconomic level for both Germany and the UK. Research by the Ifo Institute shows that at least 550,000 jobs in Germany depend on exports to the UK, hence business with retail bank customers would be directly affected. In addition, the UK's departure from the EU internal market and the customs union may affect trade with other EU countries. Banks have to hope that their credit customers identify the risks Brexit will have for their own business models, and mitigate these. In the short term there would be major general downside risk for the macro-economic environment from market jitters and political uncertainty, with a negative impact on the customers of the banking sector. The perception of serious institutional consequences from the departure of one of the three large member states (in terms of the balance of power, a potential change of direction on free trade and the effect on the EU budget) could add to this. If the UK government lowers regulatory standards in the banking sector after Brexit to support London as a financial centre, the competitive position of the banks in the remaining EU countries would be harmed.

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

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

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

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

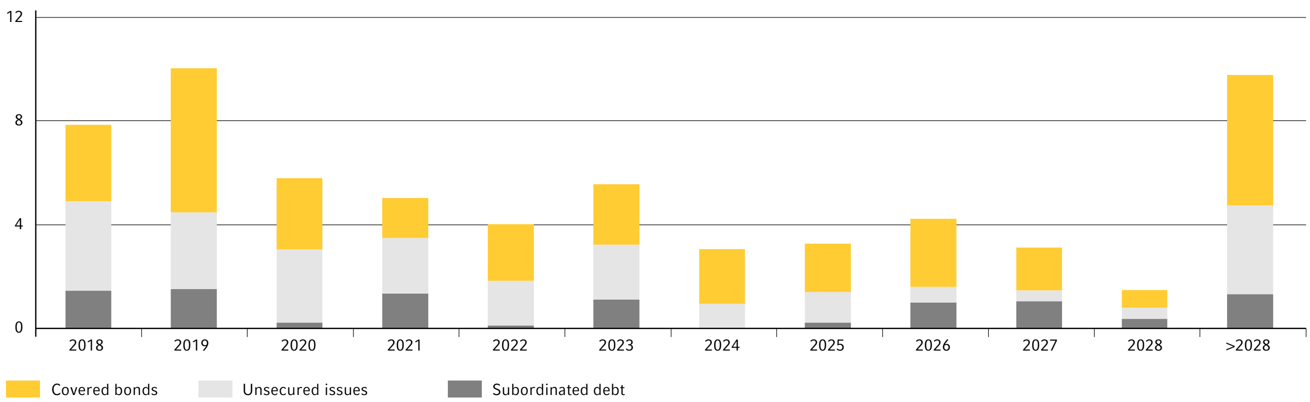
The Polish economy continues to grow strongly, though. After a healthy rise of around 4.6% in economic output last year, 2018 is likely to see a strong gain of about 3.8%. Private consumption will again play a major role, accentuated by fiscal policy measures such as support programmes for families and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

Financial outlook for the Commerzbank Group

Planned funding measures

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

Group maturity profile of capital market issues as at 31 December 2017
€bn



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

Planned investments

Commerzbank plans to invest around €1bn in 2018. Around two-thirds of this relates to IT investment. Some 45% of investments are on digitalisation, around 25% on regulatory issues and just under 20% on our infrastructure.

Private and Small-Business Customers

The main investment targets for the branch bank in 2018 are still initiatives relating to the Commerzbank 4.0 strategy and compliance with regulatory requirements.

The focus is on continuing the digitalisation activities. These include in particular investments in the new multi-channel platform ONE, where the expansion of functionalities for customers and employees is being steadily driven ahead. Maintenance costs are being reduced by decommissioning individual systems, using individual components throughout the entire Group and increasing standardisation. Compliance requirements can be better met by harmonising processes, products and services. The platform also makes it possible to connect for example fintech companies, thus making the business model more flexible.

There will also be further investment in Commerzbank's sales platform. The findings from analyses of customer needs will be fed in a targeted manner to channels such as branches, the Customer Centre or online banking to permit an industrialised, scaled and automated customer approach and customer service. Tailored offerings targeted at specific needs increase customer satisfaction and promote cross and upselling. This calls for the efficient use of big data and advanced analytics as part of digital customer relationship management (DCRM). In-depth analysis of internal and external data identifies untapped customer potential and allows the Bank to generate tailored offerings. Analytical DCRM is also used to generate leads: the leads generated (prospective customers) are collected, managed and processed in a targeted manner in the customer pool. Budgets for marketing and sales campaigns can then be allocated more efficiently.

Implementing the wide range of ever higher regulatory requirements in a timely and customer-centric manner remains the Bank's top priority. Investments are focusing on implementing the requirements under the EU General Data Protection Regulation, changed tax legislation and process optimisations related to the EU Directive MiFID II.

2018 will also see more rigorous work on making the structure of the branch business more efficient. The core of the measures being taken is the implementation of an advisory model which pays closer attention to a differentiated service offering in the individual locations, along with a clear digitalisation strategy. At the same time, local presence will be consistently maintained. Investments in the branch business in 2018 will focus on the accelerated rollout of the flagship branch format and the City branches successfully piloted in 2017.

Investments in digitalisation, the sales platform, the advisory model and regulatory implementation will again form the basis for the small-business customers unit in 2018. At the same time, as part of Commerzbank 4.0 the Bank will again invest in 2018 in specific issues relevant to companies and entrepreneurs. The focus is on further developing digital liquidity management, extending our leasing offering and the foreign business offering for corporate customers. Another focus for investment will be completing the new advisory model for small-business customers in the branches and taking over customers from the Corporate Clients segment. In future, small-business customers with turnover of less than €15m will be covered across the country at over 300 locations by more than 1,600 employees specialised in dealing with entrepreneurs.

Planned investments at mBank in financial year 2018 will again concentrate on digitalisation. Client-related and internal processes will be further optimised and automated in order to extend and reinforce the leading competitive position. Against the backdrop of digital transformation, it will be crucial to have an agile organisation. The projects planned for 2018 systematically support the "mobile (banking) first" approach of a customer-focused multichannel bank. A comprehensive understanding of customers and their needs is essential to gain new clients and retain existing ones. The investments will make it possible to offer financial solutions customised to customer needs. Further activities aim to boost process efficiency and optimise costs. Various initiatives from 2017 will continue in 2018. Among them are the One Network project and investments to improve and standardise IT infrastructure at mBank and IT security. The One Network project will see further advisory centres and "light" branches opened in 2018. There will also be investments for regulatory requirements, including MiFID II, split payment of VAT in Poland and cooperation with a state clearing house belonging to the national tax authority.

Corporate Clients

The investments at the Corporate Clients segment in 2018 will again concentrate on the measures decided as part of the Commerzbank 4.0 strategy. The emphasis will be on the growth programme "Leading the Future" – the top position in the Mittelstand. This aims to gain market share and expand the market position in Germany by clearly focusing all actions on the needs of sales and the customer. At the same time, the ever rising level of digitalisation will make it possible to reduce administrative activities in sales, creating more time for customers and allowing better support for existing customers, e.g. using sales analytics.

Our digital corporate client credit will be rolled out in 2018: this lets customers make a simple online application for credit lines of up to €5m, receive an immediate response and download the loan agreement once it has been agreed. There will also be a focus on actively managing compliance risks. The segment will continue to invest globally in strengthening the compliance culture, largely by holding appropriate training sessions.

Campus/journeys

Commerzbank is transforming itself into a digital technology company in order to significantly speed up service provision for customers while improving efficiency within the Bank. As part of Commerzbank 4.0 the Bank is pursuing the strategic objective of having 80% of the relevant business processes end-to-end digitalised by the end of 2020. The first major digitalisation processes at Commerzbank may be completed in 2018. In addition, three further digitalisation projects will be launched this year. Up to 1,000 staff are still working on the digital campus.

The digitalisation will not be approached in the same way as traditional projects, but grouped into thematically related end-to-end process bundles known as master journeys. Responsibility for each lies with a lead executive. For each journey, implementation will be driven forward by two members of the Board of Managing Directors as sponsors. The journeys follow a vision the teams work towards in short intermediate stages at set deadlines, known as sprints. The ongoing and planned digitalisation projects are grouped together in the Digital Campus and agile working methods are applied.

Back office

Commerzbank will continue in 2018 with the ongoing optimisation of the IT structure. There will also be significant investment in payment transactions and securities processing. At the end of 2017 Commerzbank entered into a strategic partnership in securities processing with HSBC Transaction Services GmbH. This will allow Commerzbank to work on a cost efficient, modern and flexible platform.

Investments are also being made in big data and advanced analytics. This describes making smart use of the data Commerzbank holds from public sources or is given voluntarily by customers. The aim is to address customers in a focused manner, create added value for the customer and open up new opportunities for business.

The compliance function will be reinforced in connection with the further development of legal compliance and ethical principles.

Ever stricter regulatory requirements mean Commerzbank needs to make substantial investments in order to comply with national and international standards. Among the expenditure planned in 2018 is the implementation of the EU General Data Protection Regulation (GDPR).

Anticipated liquidity trends

In the fourth quarter of 2017 the eurozone money and capital markets were again strongly affected by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone and prevent deflationary trends.

The ECB made an additional €60bn of liquidity available each month up to the end of 2017 through the securities purchase programme. From January 2018 onwards it intends to buy €30bn of government bonds and other securities every month. The programme is to run until at least the end of September 2018, nine months longer than previously planned. There was a further increase in excess liquidity to just under €1,800m as at the end of December 2017. We expect that in 2018 the ECB will again be a net buyer of more securities than those that fall due. The translation into demand for credit will remain modest.

The restrictive regulatory environment and ECB interest rate policy are still having a limiting effect on turnover in the repo market. The ECB's purchase programme is continuing to cause a shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. Liquidity trends on the bond markets are still dictated largely by the ECB's activities. Secondary market liquidity, which has already been significantly reduced, will remain modest due to the ECB's activities. We still anticipate that interest rates will be negative out to three years, with persistently high demand from investors for high-quality securities, and therefore expect credit spreads to remain tight.

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

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

Managing opportunities at Commerzbank

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

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

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

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

We will transform the Bank into a digital technology company across all segments. This restructuring affects strategy, technology, competence and culture. We will actively drive forward digitalisation in the banking business and be a technology leader. We want to be number one is all technologies that provide our customers with speed, security and convenience.

For some time we have been involved in start-ups, both directly and through our subsidiaries CommerzVentures, main incubator and the digitalisation platform #openspace. We support entrepreneurs with good ideas, so we have a finger on the pulse of tomorrow's innovations. The Digital Leadership programme will support our managers in their multiplier role for digital change.

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

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

Anticipated performance of the Commerzbank Group

The banking environment remained very challenging in 2017, but Commerzbank laid important foundations for achieving a sustainably higher level of profitability in the medium term with the help of the Commerzbank 4.0 strategy. The €0.8bn of restructuring expense needed to implement these strategic measures was recognised in full in the last financial year. In financial year 2018 Commerzbank will continue to focus on growth in customers and business volumes and sustainably improving the market position in the two core segments Private and Small-Business Customers and Corporate Clients, and on high investment in the digital transformation of the business model. This will lay the basis for considerable growth in income in the coming years, as well as significant gains in efficiency. In the Asset & Capital Recovery segment, which groups together complex, long-term and risky portfolios that make no strategic value contribution, Commerzbank expects to see further substantial success in making reductions. We assume that by the end of 2018 the ship financing portfolio can be shrunk to a volume which is negligible for risk purposes. This will further strengthen Commerzbank's resilience to adverse stress scenarios.

We expect no material change to the challenging overall conditions in the current business year. In addition to low or negative interest rates, the stiffer competitive situation, reflected in lower margins on new lending and weaker profitability in deposits, will weigh on income.

In our view, any acceleration of the improvements in income and earnings we are aiming for in the medium terms, which would require a normalisation of the yield curve and rising rates at the short end of the curve in particular, is unlikely in 2018. The priority in the current year, therefore, will be to improve the quality of customer-related income and earnings. This means, firstly, that total Group income in the current business year will probably not quite reach the level seen in 2017. Adjusting for the exceptional, one-time income last year, however, Commerzbank is aiming for a slight growth in income. Secondly, the high quality of the loan portfolio in the core Private and Small-Business Customers and Corporate Clients segments, together with the considerably lowered level of risk in Asset & Capital Recovery, will permit a further significant reduction in the risk provisioning requirement. With continued strict management of operating expenses, on our forecast Commerzbank will be able to reach another milestone in 2018 on the path to higher profitability, as set out in our strategy.

Anticipated performance of individual earnings components

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

The slight increase targeted in net commission income in both Private and Small-Business Customers and Corporate Clients is mainly related to growth in the securities and capital markets business. For private customers, higher volume-based income from mandate business combined with a further expected increase in volumes held in custody accounts should compensate for the loss of income from distributing consumer loans and lead to higher commission income overall.

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

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

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

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

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

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

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

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

Anticipated segment performance

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

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

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

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

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

General statement on the outlook for the Group

In financial year 2018 Commerzbank will focus on continuing to implement the Commerzbank 4.0 strategy. On our forecast, slightly lower income with slightly lower operating expenses and a significant fall in the risk result will give an operating profit almost on the level of the previous year and a slightly worse cost/income ratio. Excluding the effect from one-off income last year, operating income this year will rise slightly, resulting in a slight improvement in the cost/income ratio; on this adjusted basis there is a significant improvement in operating profit. As no more significant restructuring expenses are likely to be needed, we expect a strong rise in the consolidated surplus in the current year. As a result we see the return on equity and economic value added on a substantially higher level. We expect the Common Equity Tier 1 ratio (after full application of Basel 3) to fall to around 13.3% as at 1 January 2018 due to initial application of IFRS 9 and be at least 13% at the end of the year. Temporary fluctuations in the ratio during the year due to market movements cannot be ruled out.

We plan to use the profit for the year mainly to further strengthen the capital base by retaining it. In view of Commerzbank's comfortable equity capital position and the intention to further improve the risk profile, we are aiming to pay a dividend for financial year 2018.

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

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

Group Risk Report

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

Group Risk Report

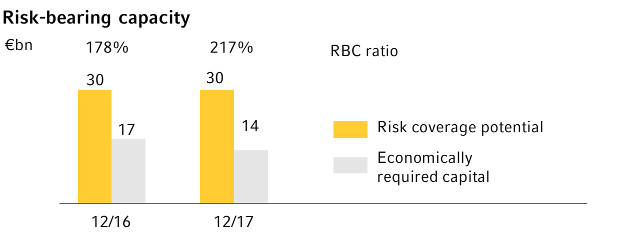
› In the Group Risk Report, we give a comprehensive presentation of the risks we are exposed to. We provide a detailed insight into the organisation and key processes of our risk management. Our primary aim is to ensure that all risks in Commerzbank are fully identified, monitored and managed based on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

Contents

Executive summary 2017

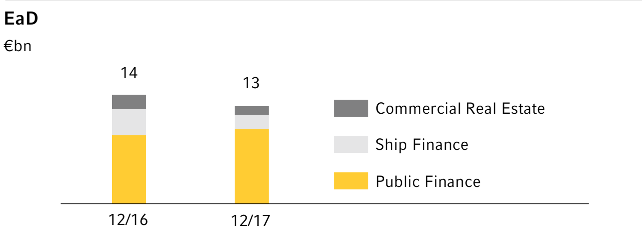
Solid capitalisation and high risk-bearing capacity ratio

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



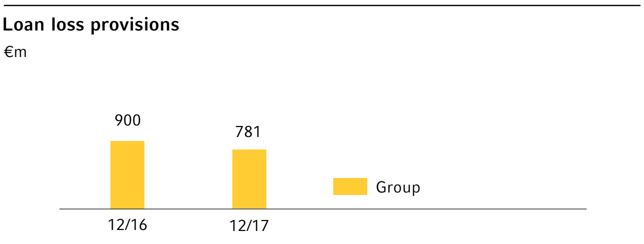
Exposure reduction in the Asset & Capital Recovery segment

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



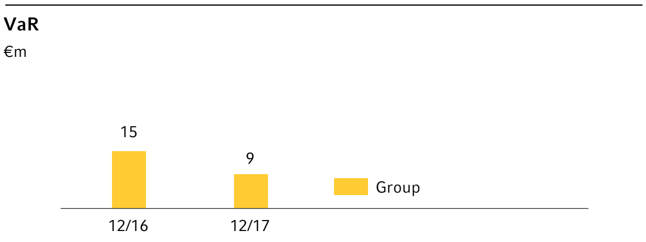
Loan loss provisions for the Group lower at €781m

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



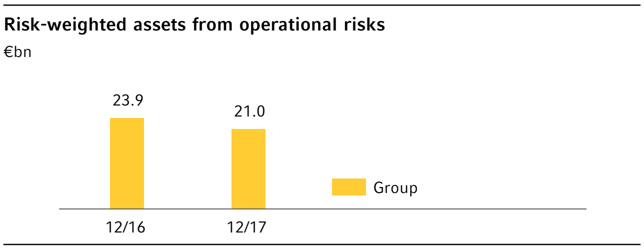
Market risk in the trading book fell in the course of 2017

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



Operational risks decreased year-on-year

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



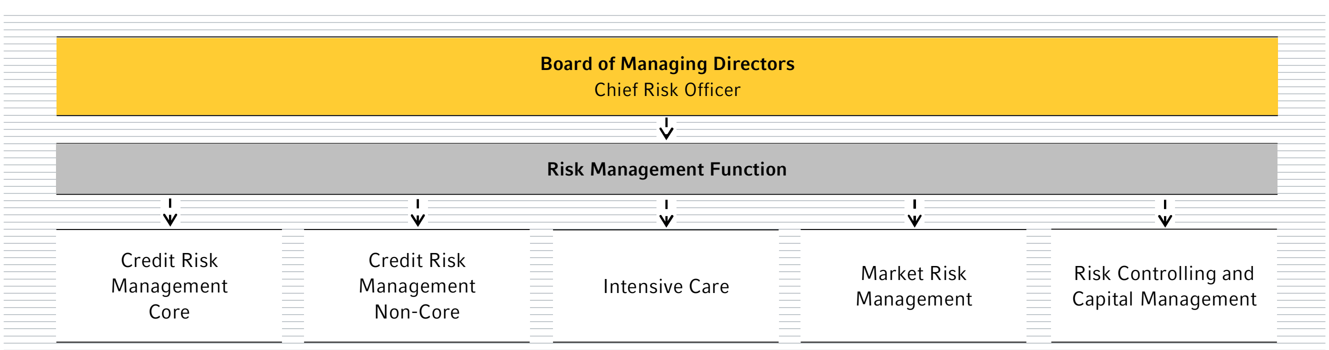
Risk-oriented overall bank management

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

Risk management organisation

Risk Management in Commerzbank is an overarching bank mission and follows the principle of the "three lines of defence". Each unit (segments and functions) forms the first line of defence within its framework of operative responsibility. For credit, market and liquidity risk the responsibility for the second line of defence lies with the Chief Risk Officer (CRO). The CRO is responsible for implementing the Group's risk policy guidelines laid down by the full Board of Managing Directors, controlling of operational risks and he regularly reports to the Board of Managing Directors and the Supervisory Board's Risk Committee on the risk situation within the Group. For other risks (e.g. IT risks or legal risks) the responsibility for the second line of defence is located outside the risk function depending on the kind of risk. The third line of defence is internal audit.

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



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

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

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

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

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

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

The central **Asset Liability Committee** (ALCO) is the Commerzbank Group committee responsible for the Group-wide and integrated management of financial resources, namely capital, liquidity and balance sheet structure as well as interest surplus, in accordance with the regulatory framework. The central Asset Liability Committee monitors in particular the Group's risk-bearing capacity and, as such, plays an important part in the Internal Capital Adequacy Assessment Process (ICAAP).

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

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

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

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

Risk strategy and risk management

The overall risk strategy, together with the business strategy, defines the strategic risk management guidelines for the development of Commerzbank's investment portfolio. Furthermore, the risk appetite is set as the maximum risk that the Bank is prepared and able to accept while following its business objectives without exposing itself to existential threats over and above the risks inherent in the business. The guiding idea is to ensure that the Group holds sufficient liquidity and capital. Based on these requirements, suitable limits for the risk resources capital and liquidity reserve available to the Group are defined. The overarching limits of the overall risk strategy are consistent with the indicator thresholds of the recovery plan.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, in view of its business model, these inherent existential threats include the default of Germany, Poland, one or more of the other major EU countries (France, Italy, Spain or the UK, although Brexit is not deemed to be a default) or the default of the USA. Others include a deep recession lasting several years with serious repercussions for the German economy, a bank run and the collapse of global clearing houses or the foreign exchange markets, possibly triggered by a cyber attack. In general, cyber risk is an inherent, existential threat for Commerzbank in the context of increasing digitalisation in the business environment. When pursuing its business targets, the Bank accepts these existential threats. It may be necessary to adjust the business model and hence the business and risk strategies in the medium and long term if the full Board of Managing Directors' assessment of these threats to Commerzbank changes substantially. To the extent that it is able to do so, Commerzbank makes early preparations in anticipation of forthcoming changes in regulatory requirements and accounting standards. Such changes and their (retrospective) interpretation may have lasting implications for – and even threaten the survival of – Commerzbank's business model. Commerzbank takes these "regulatory risks" into account because there are many cases where there is no option to mitigate or manage them.

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

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

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

By establishing adequate risk management and controlling processes, Commerzbank provides for the identification, assessment, management, monitoring and communication of material risks and related risk concentrations. This ensures that all Commerzbank-specific risk concentrations are adequately taken into account. Stress tests are regularly used to ensure transparency regarding risk concentrations. Management is regularly informed about the results of the analyses so that the potential risk of losses can be avoided in good time.

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

Commerzbank has adopted a code of conduct that defines binding minimum standards for Commerzbank's corporate responsibility, its dealings with customers, business partners and colleagues, and its day-to-day business. It goes without saying that the Bank complies with relevant laws, regulatory requirements, industry standards and internal rules, and this therefore forms a particularly important part of its risk culture. It demands appropriate and courageous conduct in compliance with rules, and any failure to comply with rules is penalised.

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

Risk ratios

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

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

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

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

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

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

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

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

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

Risk-bearing capacity and stress testing

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

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

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

The capital requirement for the risks taken is quantified using the internal economic capital model. When assessing the economic capital required, allowance is made for all the types of risk at the Commerzbank Group that are classified as material and quantifiable in the annual risk inventory. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-bearing capacity concept is internally consistent. The quantifiable risks in the economic capital model can be divided into default risk, market risk, operational risk and (although not shown separately in the table on page 106) business risk, property value change risk, investment portfolio risk, deposit model risk and reserve risk. Business risk is the risk of a loss resulting from discrepancies between actual income and expense and the respective budgeted figures. Business risk is considered as a deductible amount in risk coverage potential. Investment portfolio risk indicates the risk of an unexpected fall in the value of unlisted investments. Property value change risk is the risk of an unexpected fall in the value of owned property which is either already booked as an asset in the Group's balance sheet or which can be capitalised during the next 12 months by contractually assured obligations with option character (especially real estate). Deposit model risk is the risk arising from the deposit model used by Commerzbank and from modelling unscheduled repayment rights in commercial credit business. Reserve risk is the risk of additional charges being incurred on the portfolio of loans already in default through the creation of additional loan loss provisions. Allowance is made for this risk when considering risk-bearing capacity by means of a risk buffer. The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital.

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

Risk-bearing capacity Group | €bn	31.12.2017	31.12.2016
Economic risk coverage potential[1]	**30**	**30**
Economically required capital[2]	**14**	**17**
thereof for default risk	10	11
thereof for market risk[3]	3	5
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio[4]	**217%**	**178%**

[1] Including deductible amounts for business risk.
[2] Including property value change risk, risk of unlisted investments and reserve risk.
[3] From 2017, including deposit model risk.
[4] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account. Commerzbank expects the European Central Bank (ECB) to publish revised ICAAP and ILAAP guidelines in 2018 and is checking whether this might require adjustments.

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

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

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

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

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

Regulatory environment

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

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

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

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

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

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

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

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

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

Default risk

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

Strategy and organisation

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

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

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

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

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

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

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

Risk management

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

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

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

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

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

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

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

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

Management of economic capital commitment

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

Overview of management instruments and levels

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

Rating classification

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

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

Commerzbank master scale

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

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

Risk mitigation

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

Commerzbank Group

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

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

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

[1] Mainly liquidity portfolios of Group Treasury.

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

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

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

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

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

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

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

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

Loan loss provisions

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

Write-downs on securities are not recognised in loan loss provisions but in other realised profit or loss and net remeasurement gain or loss (Note 11) and in net income from financial assets and liabilities at fair value through profit or loss (Note 13) The a.m. notes to the consolidated financial statements give further details on this.

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

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

Default portfolio

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

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

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

[1] Specific loan loss provision.
[2] General loan loss provision (for incurred but not yet reported defaults in the perfoming portfolio).
[3] Coverage ratio: total of SLLP and collateral as a proportion of the default portfolio.
[4] NPL ratio: default portfolio (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

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

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

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

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

Overdrafts in the performing loan book

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

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

[1] Including Others and Consolidation.

Private and Small-Business Customers segment

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

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

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

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

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

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

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

Corporate Clients segment

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

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

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

For details of developments in the Financial Institutions portfolio, please see page 118.

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

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

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

Asset & Capital Recovery segment

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

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

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

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

Commercial Real Estate

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

Ship Finance

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

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

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

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

Charter rates for bulkers achieved fairly good growth in 2017. The main drivers were China's high iron ore and coal imports and global growth in exports of grain and soya beans. Greater discipline over new orders has also been in evidence since 2016, alongside a declining or3der book. Taking into consideration the IMF's positive forecast for global gross national product in 2018, we expect charter rates to be on a par with last year.

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

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

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

Public Finance

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

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

For details of developments in the Non-Bank Financial Institutions portfolio, please see page 118 f.

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

Loan loss provisions | €m	2017	2016
Commercial Real Estate	5	42
Ship Finance	332	559
Public Finance	–2	–1
Asset & Capital Recovery	**336**	**599**

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

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

Further portfolio analyses

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

Corporates portfolio by sector

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

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

Financial Institutions portfolio

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

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

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

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

Non-Bank Financial Institutions portfolio

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

We carry out new business with NBFIs, partly in light of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

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

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

Originator positions

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

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

Securitisation pool €bn	Maturity	Commerzbank volume[1] Senior	Commerzbank volume[1] Mezzanine	Commerzbank volume[1] First loss piece	Total volume[1] 31.12.2017	Total volume[1] 31.12.2016
Corporates	2025 - 2036	7.0	0.1	<0.1	7.6	6.1
Total		**7.0**	**0.1**	**<0.1**	**7.6**	**6.1**

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

Conduit exposure and other asset-backed exposures

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

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

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

Forbearance portfolio

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

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

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

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

[1] SLLP and GLLP.

The forbearance portfolio by region is as follows:

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

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

Market risk

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

Strategy and organisation

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

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

Within the Bank, various market risk committees have been established. In these, segment representatives, along with representatives from the risk function and finance area, discuss current risk positioning issues and decide on appropriate action. Chaired by the risk function, the Group Market Risk Committee, which meets monthly, deals with the Commerzbank Group's market risk position. Discussions centre on the monthly market risk report, which is also presented to the Board of Managing Directors for their consideration. The report summarises the latest developments on financial markets, the Bank's positioning and subsequent risk ratios. The Segment Market Risk Committee, which focuses on the Corporate Clients segment and the Group Treasury division, meets once a week. This committee also manages market risks arising from non-core activities (Asset & Capital Recovery).

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

Risk management

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

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

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

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

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

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

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

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

VaR contribution | €m	31.12.2017	31.12.2016
Overall book	**54**	**85**
thereof trading book	9	15

Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients segment and Group Treasury division.

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

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

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

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

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

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

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions.

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

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In 2017, we saw one negative clean P&L outlier and no negative dirty P&L outliers. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

The internal model's individual components are independently validated at regular intervals to assess their appropriateness for risk measurement. The identification and elimination of model weaknesses are of particular importance in this. Against this background, an application for a model change to enhance the accuracy of risk measurement was submitted to the supervisory authority at the end of 2016. One of the main reasons for this was a change in the level of interest rates and volatilities in the market. The supervisory authority conducted its review in 2017 and its final approval is currently pending.

Banking book

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

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

Most credit spread sensitivities related to securities positions classified as loans and receivables (LaR). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the Banking Directive, the Federal Financial Supervisory Authority has prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/- 200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter.

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

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

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

Market liquidity risk

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

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

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

Liquidity risk

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

Strategy and organisation

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

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

Risk management

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

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

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

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

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

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

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

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

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

Liquidity risk model

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

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

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

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the stricter requirements of the Minimum Requirements for Risk Management (MaRisk), the revised version of which has been in place since end-2017. Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the full Board of Managing Directors.

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates a market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, extensions of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

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

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

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

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €83.3bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €9.7bn as at the reporting date.

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

Liquidity ratios

Throughout 2017, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the external German Liquidity Regulation. At the end of the year, the liquidity ratio under the German Liquidity Regulation stood at 1.55.

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

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

In 2017, Commerzbank significantly exceeded the minimum ratio of 80% stipulated for that year on every reporting date. At year end, the average LCR of the last 12 reporting periods of the Commerzbank Group was 144.61%. The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met. Further information on the composition of the LCR is given in Note (61) of the Group financial statements.

Operational risk

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

Strategy and organisation

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

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

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

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

Risk management

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

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS back-testing on an event-driven basis. Where loss events involve ≥ €1m, lessons learned activities are carried out. External OpRisk events at competitors are also systematically evaluated.

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €21.0bn at the end of the fourth quarter of 2017 (31 December 2016: €23.9bn), while economically required capital was €1.7bn (31 December 2016: €2.0bn).

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

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

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

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

OpRisk events[1] | €m	31.12.2017	31.12.2016
Internal fraud	4	1
External fraud	7	26
Damages and IT failure	0	1
Products and business practices	2	−21
Process related	24	29
HR related	1	0
Group	**38**	**36**

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

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

Other risks

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

Legal risk

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

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

Organisation

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

Risk management

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

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

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

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

Current developments

Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, and cases brought by shareholders and other investors as well as investigations by US authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures.

Regulatory authorities and governmental institutions in various countries, where Commerzbank and its subsidiaries are or have been active, have been investigating irregularities regarding foreign exchange rate fixings and the foreign exchange business in general in the last couple of years. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the company with requests for information and brought one case. Commerzbank is cooperating fully with these bodies and is also looking into the relevant matters on the basis of its own comprehensive investigations. The possibility of financial consequences arising from some of these matters cannot be ruled out; however, it is not yet possible to make more precise statements in that regard.

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

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

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

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

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

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

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

Further information on legal proceedings may be found in Note (54) regarding provisions and Note (56) regarding contingent liabilities and irrevocable lending commitments in the Group financial statements.

Compliance risk

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

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

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

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

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

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

According to the requirements of the Financial Services and Markets Act 2000 (FSMA), Commerzbank London mandated a consulting company as a "skilled person" in June 2016. The consulting company carried out a review of existing structures and processes (especially with regard to money laundering, financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). The Bank has drafted an action plan, and the consulting company sends the FCA a half-yearly report on the plan's implementation. It cannot be ruled out that additional expenses might arise, e.g. for staff or other resources.

Reputational risk

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

Strategy and organisation

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

Risk management

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

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

IT risk

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

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

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

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

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

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

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

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

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

See also the following description of cyber risk.

Cyber risk

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

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

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

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

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

Cyber risk is managed by Group Organisation & Security, which reports to the Group Chief Information Security Officer (CISO).

Human resources risk

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

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

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

Departure risk: Departure risk takes into account the consequences of undesired employee departures (for example, if an employee resigns voluntarily), particularly when high performers are involved.

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

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

Employees are a key resource for Commerzbank. Human resources risk is systematically managed by Group Human Resources with the aim of identifying, assessing and managing risks, for instance by applying selected personnel tools. The Board of Managing Directors is regularly informed about human resources risk. In addition, systematic and strategic personnel planning helps to put the management of medium- and long-term human resources risks on a more professional footing. Since mid-2016 we have been gradually introducing strategic personnel planning into the Bank's business units, based on the pilot projects completed by the end of 2015.

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

Business strategy risk

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

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

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

Model risk

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

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

Disclaimer

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

Group Financial Statements

› Our Group Accounts are drawn up in accordance with International Financial Reporting Standards (IFRS) and their interpretation by the IFRS Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the 2017 financial year.

Financial Statements of the Commerzbank Group as at 31 December 2017

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.12.2017	1.1.–31.12.2016[1]	Change in %
Interest income	(8)	8,423	8,773	−4.0
Interest expenses	(8)	4,222	4,608	−8.4
Net interest income	(8)	4,201	4,165	0.9
Dividend income	(9)	106	164	−35.5
Loan loss provisions	(10)	−781	−900	−13.2
Other realised profit or loss and net remeasurement gain or loss	(11)	−76	40	.
Commission income	(12)	3,923	3,837	2.2
Commission expenses	(12)	745	626	19.1
Net commission income	(12)	3,178	3,212	−1.0
Net income from financial assets and liabilities at fair value through profit or loss	(13)	1,092	1,019	7.2
Net income from hedge accounting	(14)	−86	−37	.
Other profit or loss from financial instruments	(15)	259	393	−34.0
Current net income from companies accounted for using the equity method	(16)	23	150	−84.6
Other net income	(17)	465	293	58.7
Operating expenses	(18)	7,079	7,100	−0.3
Impairments on goodwill and other intangible assets	(19)	–	627	.
Restructuring expenses	(20)	808	128	.
Pre-tax profit or loss		**495**	**643**	**−23.0**
Taxes on income	(21)	245	261	−6.1
Consolidated profit or loss		**250**	**382**	**−34.5**
Consolidated profit or loss attributable to non-controlling interests		94	103	−9.3
Consolidated profit or loss attributable to Commerzbank shareholders		156	279	−43.9

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).

€		1.1.–31.12.2017	1.1.–31.12.2016	Change in %
Earnings per share	(23)	0.12	0.22	−43.9

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

Condensed statement of comprehensive income

€m	1.1.–31.12.2017	1.1.–31.12.2016	Change in %
Consolidated profit or loss	250	382	–34.5
Change from remeasurement of own credit risk not recognised in the income statement[1]	–114	–	.
Change from remeasurement of defined benefit plans not recognised in income statement	145	–379	.
Items not recyclable through profit or loss	**31**	**–379**	**.**
Change in revaluation reserve			
Reclassified to income statement	–162	–86	88.7
Change in value not recognised in income statement	449	–49	.
Change in cash flow hedge reserve			
Reclassified to income statement	32	54	–41.2
Change in value not recognised in income statement	12	8	47.0
Change in currency translation reserve			
Reclassified to income statement	–	–52	.
Change in value not recognised in income statement	7	–91	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	–66	–89	–26.3
Change in value not recognised in income statement	–3	–	.
Change in companies accounted for using the equity method	–8	1	.
Items recyclable through profit or loss	**260**	**–304**	**.**
Other comprehensive income	290	–683	.
Total comprehensive income	**541**	**–301**	**.**
Comprehensive income attributable to non-controlling interests	156	32	.
Comprehensive income attributable to Commerzbank shareholders	385	–333	.

[1] Adjustment due to early application of IFRS 9 regarding own credit risk (see page 148).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

Group Financial Statements

Other comprehensive income I €m	**1.1.-31.12.2017**		
	Before taxes	**Taxes**	**After taxes**
Change from remeasurement of own credit risk	–122	8	–114
Change from remeasurement of defined benefit plans	206	–61	145
Change in revaluation reserve	218	67	286
Change in cash flow hedge reserve	58	–14	44
Change in currency translation reserve	6	1	7
Change from non-current assets held for sale and disposal groups	–69	1	–68
Change in companies accounted for using the equity method	–8	–	–8
Other comprehensive income	**288**	**2**	**290**

Other comprehensive income I €m	**1.1.-31.12.2016**		
	Before taxes	**Taxes**	**After taxes**
Change from remeasurement of own credit risk	–	–	–
Change from remeasurement of defined benefit plans	–558	179	–379
Change in revaluation reserve	–28	–107	–135
Change in cash flow hedge reserve	86	–24	62
Change in currency translation reserve	–142	–1	–143
Change from non-current assets held for sale and disposal groups	–96	7	–89
Change in companies accounted for using the equity method	1	–	1
Other comprehensive income	**–737**	**54**	**–683**

Balance sheet

Assets | €m	Notes	31.12.2017	31.12.2016[1]	Change in %	1.1.2016
Cash on hand and cash on demand		55,733	36,206	53.9	28,887
Financial Assets – Loans and Receivables	(24,25)	265,712	276,578	−3.9	293,538
of which pledged as collateral		2,655	1,519	74.8	262
Financial Assets – Available for Sale	(27)	31,155	39,634	−21.4	43,025
of which pledged as collateral		924	1,656	−44.2	246
Financial Assets – Fair Value Option	(28)	23,745	24,797	−4.2	36,433
of which pledged as collateral		–	–	.	–
Financial Assets – Held for Trading	(30)	63,666	88,862	−28.4	114,825
of which pledged as collateral		1,072	1,917	−44.1	2,876
Value adjustment on portfolio fair value hedges		153	310	−50.7	284
Positive fair values of derivative hedging instruments	(40)	1,464	2,075	−29.4	3,031
Holdings in companies accounted for using the equity method	(41)	181	180	0.5	735
Intangible assets	(42,43)	3,312	3,047	8.7	3,525
Fixed assets	(44)	1,600	1,723	−7.1	2,294
Investment properties	(45)	16	16	−3.0	106
Non-current assets held for sale and disposal groups	(46)	78	1,188	−93.4	846
Current tax assets	(48)	767	629	21.8	512
Deferred tax assets	(48)	2,950	3,035	−2.8	2,747
Other assets	(50)	1,961	2,156	−9.0	1,898
Total		**452,493**	**480,436**	**−5.8**	**532,687**

[1] Figures restated due to a change in reporting plus other restatements (see page 152 ff.).

Liabilities and equity | €m	Notes	31.12.2017	31.12.2016[1]	Change in %	1.1.2016
Financial Liabilities – Amortised Cost	(26)	341,260	343,798	–0.7	373,571
Financial Liabilities – Fair Value Option	(29)	14,940	18,084	–17.4	23,708
Financial Liabilities – Held for Trading	(31)	56,484	77,772	–27.4	86,454
Value adjustment on portfolio fair value hedges		491	1,001	–50.9	1,137
Negative fair values of derivative hedging instruments	(40)	2,255	3,080	–26.8	7,406
Provisions	(54,55)	3,291	3,436	–4.2	3,326
Current tax liabilities	(49)	673	672	0.1	530
Deferred tax liabilities	(49)	34	49	–31.7	106
Liabilities of disposal groups	(47)	–	–	.	1,073
Other liabilities	(51)	3,024	2,970	1.8	5,319
Equity	(58)	30,041	29,573	1.6	30,058
Subscribed capital		1,252	1,252	–	1,252
Capital reserve		17,192	17,192	–	17,192
Retained earnings		11,249	11,117	1.2	11,391
Other reserves		–817	–1,014	–19.5	–781
Total before non-controlling interests		28,877	28,547	1.2	29,054
Non-controlling interests		1,164	1,027	13.4	1,004
Total		**452,493**	**480,436**	**–5.8**	**532,687**

[1] Figures restated due to a change in reporting plus other restatements (see page 152 ff.).

Group Financial Statements

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	**1,252**	**17,192**	**11,740**	**–597**	**–159**	**–25**	**29,403**	**1,004**	**30,407**
Change due to retrospective adjustments	–	–	–349	–	–	–	–349	–	–349
Equity as at 1.1.2016	**1,252**	**17,192**	**11,391**	**–597**	**–159**	**–25**	**29,054**	**1,004**	**30,058**
Total comprehensive income	–	–	–99	–184	62	–112	–332	33	–300
Consolidated profit or loss			279				279	103	382
Change from remeasurement of defined benefit plans			–378				–378	–1	–378
Change in revaluation reserve				–114			–114	–21	–135
Change in cash flow hedge reserve					62		62	0	62
Change in currency translation reserve						–113	–113	–30	–143
Change from non-current assets held for sale and disposal groups				–70		–	–70	–19	–89
Change in companies accounted for using the equity method						1	1	–	1
Dividend paid on shares			–250				–250	–13	–263
Changes in ownership interests			6				6	2	8
Other changes			69				69	1	70
Equity as at 31.12.2016	**1,252**	**17,192**	**11,117**	**–781**	**–97**	**–137**	**28,547**	**1,027**	**29,573**

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

€m	Sub-scribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 1.1.2017	**1,252**	**17,192**	**11,117**	**–781**	**–97**	**–137**	**28,547**	**1,027**	**29,573**
Total comprehensive income	–	–	187	209	43	–55	385	156	541
Consolidated profit or loss			156				156	94	250
Change from remeasurement of own credit risk			–114				–114	–	–114
Change from remeasurement of defined benefit plans			145				145	0	145
Change in revaluation reserve				277			277	10	287
Change in cash flow hedge reserve					43		43	0	44
Change in currency translation reserve						–46	–46	52	7
Change from non-current assets held for sale and disposal groups				–68		–1	–69	–	–69
Change in companies accounted for using the equity method						–8	–8	–	–8
Dividend paid on shares			–				–	–10	–10
Changes in ownership interests			–8				–8	–4	–12
Other changes			–47				–47	–4	–51
Equity as at 31.12.2017	**1,252**	**17,192**	**11,249**	**–571**	**–54**	**–192**	**28,877**	**1,164**	**30,041**

As at 31 December 2017, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was €1,252m and was divided into 1,252,357,634 no-par-value shares (accounting value per share of €1.00).

A proposal will be put before the Annual General Meeting to waive the payment of a dividend for the financial year, as in the previous year.

As at 31 December 2017, there was no material impact on the "Other reserves" from assets held for sale and disposal groups.

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

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

The changes in ownership interests of €–8m in 2017 resulted from the purchase of additional shares in companies that had already been consolidated.

Cash flow statement

€m	Notes	2017	2016[1]
Consolidated profit or loss		**250**	**382**
Non-cash positions in consolidated profit or loss and reconciliation with cash flow from operating activities:			
Write-downs, depreciation, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting		1,925	1,457
Change in other non-cash positions		−7,082	1,647
Net gain or loss on the sale of fixed assets	(17)	14	76
Other adjustments		−3,973	−3,937
Sub-total		**−8,866**	**−376**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Financial assets – Loans and Receivables	(24)	11,470	17,178
Financial assets – Available for Sale		8,456	3,370
Financial assets – Fair Value Option	(28)	1,098	11,676
Financial assets – Held for Trading	(30)	9,954	12,893
Other assets from operating activities		825	−244
Financial liabilities – Amortised Cost	(26)	−1,615	−28,883
Financial liabilities – Fair Value Option	(29)	−3,236	−5,672
Financial liabilities – Held for Trading	(31)	95	−695
Net cash from contributions into plan assets	(54)	12	9
Other liabilities from operating activities		−1,292	−5,604
Interest received	(8)	7,111	7,403
Dividends received	(9)	106	164
Interest paid	(8)	−3,244	−3,630
Income tax paid	(21)	−443	−337
Net cash from operating activities		**20,432**	**7,251**
Proceeds from the sale of:			
Financial investments and holdings in companies accounted for using the equity method	(41,46)	405	1,639
Fixed assets	(44)	19	−50
Payments for the acquisition of:			
Financial investments and holdings in companies accounted for using the equity method	(27,41)	−394	−1,081
Fixed assets	(44)	−908	−312
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired		379	−306
Cash flow from disposals less cash reserves disposed of		7	89
Net cash from investing activities		**−492**	**−21**
Net cash from financing activities		**−282**	**69**
Cash and cash equivalents at the end of the previous period		**36,206**	**28,887**
Net cash from operating activities		20,432	7,251
Net cash from investing activities		−492	−21
Net cash from financing activities		−282	69
Effects from exchange rate changes		−131	20
Cash and cash equivalents at the end of the period		**55,733**	**36,206**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.). In addition, securities assigned to the LaR and AfS categories were removed from net cash from investing activities and allocated to net cash from operating activities. This reclassification was necessary because the securities in question belong to the operating banking business. As a result, net cash from investing activities for 2016 decreased by €12.1bn and net cash from operating activities increased by a corresponding amount.

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

€m	31.12.2017	31.12.2016	Change in %
Cash on hand	4,423	1,431	.
Balances with central banks	49,063	33,030	48.5
Deposits daily due on demand with banks	1,736	1,404	23.7
Debt issued by public-sector borrowers	511	341	49.9
Total	**55,733**	**36,206**	**53.9**

Cash and cash equivalents as at 31 December 2017 included €421m (previous year: none) from companies consolidated for the first time. There was also no effect on cash and cash equivalents from deconsolidations in 2017 (previous year: €255m).

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

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

Changes in net cash from operating activities also resulted from disposals of consolidated companies. Other assets and liabilities from operating activities include disposals of consolidated companies that were classified as held for sale and were sold during the reporting year. The following tables provide an overview of the assets and liabilities at the time of disposal.

Assets | €m	31.12.2017
Financial Assets – Loans and Receivables	8
Financial Assets – Available for Sale	–
Financial Assets – Fair Value Option	–
Financial Assets – Held for Trading	0
Fixed Assets	0
Other Assets	10

Liabilities | €m	31.12.2017
Financial liabilities – Amortised Cost	5
Financial liabilities – Fair Value Option	9
Other liabilities	3

Net cash from investing activities is made up of cash flows relating to payment transactions for intangible assets, fixed assets and disposals of non-consolidated subsidiaries. The cash flows relating to the acquisition or disposal of consolidated subsidiaries are also shown here. Net cash from financing activities consists of the proceeds of capital increases as well as payments made or received on subordinated deposits and debt instruments. Dividends paid are also reported here.

Cash and cash equivalents consists of items that can be rapidly converted into liquid funds and are subject to a negligible risk of changes in value. Here we include the item "Cash on hand and cash on demand", which contains cash on hand, balances held at central banks, sight deposits at banks due on demand, and debt issued by public-sector borrowers.

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

The following table shows the changes in net debt.

€m	2017	2016
Net debt as per 1.1.	**10,969**	**11,858**
Changes in net cash from financing activities	–642	–1,202
Changes in the group of consolidated companies	–	–
Exchange rate changes	–167	399
Change in other non-cash positions	–114	–86
Net debt as per 31.12.	**10,046**	**10,969**

Notes

General information

The Commerzbank Group has its headquarters in Frankfurt/Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt/Main under registration no. HRB 32000. Our Group financial statements as at 31 December 2017 were prepared in accordance with Art. 315 e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied.

All standards and interpretations that are mandatory within the EU in 2017 have been applied. As permitted under the regulations, we have not applied standards and interpretations that do not enter into force until the 2018 financial year or later. As at 30 June 2017, the Commerzbank Group had already applied part of IFRS 9 retrospectively as at 1 January 2017. This relates to the remeasurement effect arising from the change in own credit risk. In contrast to the previous practice of recognising this change in the income statement, it is now reported directly in equity.

The information required under IFRS 7.31 to 7.42 (nature and extent of exposure to risks arising from financial instruments) is reported partly in the notes (see Notes 62 and 63) and partly in the Group Management Report.

The Group Management Report, including the separate Group Risk Report pursuant to Art. 315 of the German Commercial Code, appears on pages 53 to 134 of this Annual Report.

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

(1) Initially applicable, revised and new standards

In the financial year, the Commerzbank Group implemented all new and revised standards and interpretations that are relevant for the Group which required initial mandatory application as at 1 January 2017 and which had already been endorsed into European law. All amendments to the standards have been taken into account in accordance with the applicable transitional provisions. The application did not result in any material effects for the Commerzbank Group. The relevant and significant new standards for the Group are presented in the following section.

The application of IAS 1 (Presentation of Financial Statements – Disclosure Initiative) focuses on the concept of materiality. The application had no effect on the Group's accounting and measurement practices, although items related objectively and substantively in these financial statements are now summarised together in the notes on the individual components of the income statement and balance sheet.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014, which affected not only IFRS 9 but also other standards (particularly IFRS 7 and IAS 1). It was transposed into European law in November 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018, but earlier application is also possible. The previous standard for the accounting treatment of financial instruments (IAS 39) will largely be replaced.

Reported equity declined by €1.2bn as compared with IAS 39. This decrease was the result of two factors: a change in the methodology for risk provisioning versus IAS 39, and the required reclassification of the respective financial instruments. A range of financial assets, such as loans granted primarily for ship financing and loans of British public-sector bodies, are now measured at fair value, leading to a reduction in equity.

Note 74 of this Annual Report contains the opening balance sheet and various reconciliation tables as at 1 January 2018 in accordance with IFRS 9.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. The change was transposed into EU law in the fourth quarter of 2017. Under IFRS 16 all leases with a term of over twelve months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessee will in future recognise a right-of-use asset and a lease liability, which represents the obligation to make the lease payments. IFRS 16 adopts the criteria of IAS 17 for the classification of finance and operating leases by the lessor. The standard also contains further provisions on recognition, on the information in the notes and on sale-and-leaseback transactions. IFRS 16 will become effective for financial years beginning on or after 1 January 2019, subject to the endorsement of the EU. Based on our knowledge as of today, the application of IFRS 16 leads to minor reporting changes in the income statement and an increase in total assets by a low-to-mid single-digit billion amount.

IFRS 15 Revenue from Contracts with Customers introduces a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC 13, 15 and 18 as well as SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. It was transposed into European law in October 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. We have concluded our assessment of the new standard and do not expect a material impact on the Group financial statements.

Accounting and measurement policies

(2) Significant principles and uncertainties in estimates

The Group financial statements are based on the going concern principle. Financial assets and liabilities are generally measured at amortised cost, unless a different form of measurement is required by IFRS standards. This applies in particular to certain financial instruments classified in accordance with IAS 39, investment properties and non-current assets held for sale.

Income and expenses are accounted for on an accrual basis; they are recognised in the income statement for the period to which they are attributable in economic terms. Interest from all contractual agreements relating to financial assets or liabilities is reported in net interest income on an accrual basis. We have reported negative interest separately in net interest income (see Note 8). Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised on the one hand on the basis of the accounting treatment of the associated financial instruments and on the other hand on the basis of the nature of the activity. Commission income for services which are performed over a certain period is recognised over the period in which the service is performed. Fees which are associated with the completion of a particular service are recognised at the time of completion of the service. Performance-related fees are recognised when the performance criteria are met. Commission income on trading transactions carried out on behalf of customers is reported in net commission income.

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

Assets and liabilities are normally reported on a gross basis in the balance sheet, i.e. without netting. However, in accordance with IAS 32.42, financial assets and liabilities relating to the same counterparty are netted and shown in the balance sheet on a net basis if there is a legally enforceable right to net the amounts and the transactions are fulfilled on a net basis or the asset is realised simultaneously with the settlement of the liability. In addition to the netting of positive and negative fair values attributable to derivatives with clearing agreements and any variation margins payable on them, this also applies to the netting of claims and liabilities in reverse repo and repo transactions with central counterparties.

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group financial statements we have generally used financial statements prepared as at 31 December 2017. As regards companies accounted for using the equity method, in some cases we use the most recent audited financial statements under national GAAP if the company's financial statements for the last financial year are not yet available at the date the Group financial statements are being prepared.

Where there is an intention to sell the assets and liabilities of subsidiaries and companies accounted for using the equity method, and their sale is highly probable within one year, they are reported separately in the relevant balance sheet items and notes (see Notes 46 and 47) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 34 contains a breakdown of all balance sheet items into short-term and long-term items. The residual maturities for all financial instruments held as liabilities, financial guarantees and irrevocable lending commitments with contractual maturity dates are also reported in this note.

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

Estimates are subject to uncertainty, for example in the case of pension obligations, goodwill, the fair value of financial instruments, the fair value of investment properties and the recognition of provisions in connection with tax-related operational risks.

Pension obligations are measured based on the projected-unit-credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made, in particular regarding the discount rate, the long-term rate of increase in salaries and pensions, and average life expectancy. Changes in the underlying assumptions from year to year and divergences from the actual annual effects are reported as remeasurements without effect on income in retained earnings (see Note 54 on the impact of changes in parameters).

The impairment test for goodwill, which must be carried out at least once a year, uses the recognised discounted cash flow method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 32 and 42.

For uncertainties relating to the fair value of investment properties, we carry out analyses based on country-specific rental indices (see Note 45).

Provisions for tax-related operational risks are recognised taking into account the most current information from the ongoing audit and case law (see Note 49).

In addition, estimate uncertainty is still present for deferred tax assets and generally for loan loss provisions, for example with respect to charter rates in ship financing. A bank-internal expert committee assesses the future development of charter rates. Its assessments draw on multiple sources of information: current market data for the short-term forecast, and historical averages, forecasts by independent external research providers and their own analyses for the long-term forecast. The final estimates for charter rates are then derived from this combined information (see Notes 25 and 48). For loan loss provisions, please also refer to the Group Management Report.

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

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

- the reclassification of certain financial assets from the available-for-sale (AfS) category to the loans and receivables category (LaR) (see Note 24);
- the impairment of loans and the recognition of provisions for off-balance-sheet lending exposures, in particular the analysis of the borrower's financial situation and the determination of the expected cash flows including the recognition, level and timing of the realisation of collateral (see Note 25);
- impairment testing of other financial assets such as holdings in companies accounted for using the equity method and financial instruments held for sale, in particular the choice of criteria used to determine whether an asset is impaired (see Note 46);
- impairment testing of non-financial assets such as goodwill and other intangible assets, in particular the criteria used to determine the recoverable amount (see Notes 42 and 43);
- impairment testing of deferred tax assets in accordance with IAS 12.24 ff., in particular determining the methodology used for tax planning and to assess the probability that the expected future tax effects will actually occur (see Notes 48 and 49), as well as presenting of tax risk positions;
- the recognition of provisions for uncertain liabilities (see Note 54);
- the assessment of legal risks where a loss is not probable (see Note 56).

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

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

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

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

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

(3) Changes

In the 2017 financial year, an error was corrected in connection with an audit finding for Commerzbank Aktiengesellschaft. As at 1 January 2016, retained earnings were reduced by €53m and current tax liabilities increased by the same amount. Thus, there was no impact on consolidated profit or earnings per share.

A further error was also corrected in connection with unpaid investment income tax. As at 1 January 2016, retained earnings were reduced by €45m and current tax liabilities increased by the same amount. Thus, there was no impact on consolidated profit or earnings per share.

An additional error was corrected during the financial year in the portfolio of own promissory note loans. As at both 1 January 2016 and 31 December 2016, this correction increased retained earnings by €31m, while deferred tax assets decreased by €14m and “financial liabilities – amortised cost” (formerly “liabilities to banks”) by €45m. Thus, there was no impact on consolidated profit or earnings per share.

Furthermore, an error was corrected retrospectively as at 31 December 2016, which required that liabilities related to short sales be reclassified from “financial liabilities – amortised cost” (formerly “liabilities to customers”) to “financial liabilities – held for trading” (formerly “trading liabilities”) in the amount of €6,128m. Thus, there was no impact on consolidated profit or earnings per share.

In 2016, interest income and interest expenses in connection with early repayments of liabilities were reported in part on a net basis. This was corrected retrospectively, resulting in an increase in both interest income and interest expenses of €141m for the 2016 financial year. Thus, there was no impact on consolidated profit or earnings per share.

Moreover, an adjustment was made to the prior-year figures in Note 32 (IFRS 13 fair value hierarchies and disclosure requirements) and in Note 52 (Leasing).

The Commerzbank Group changed the structure of the balance sheet and income statement in 2017. The balance sheet and income statement are now based on the measurement categories under IAS 39. For this reason, the structure of various notes was changed accordingly and the values were restated. The structure of the notes is therefore also based on the IAS 39 fair value categories. The new structure was introduced to generate synergies with regard to IFRS-based regulatory requirements (FINREP) and to facilitate comparability with financial statements published by the supervisory authorities as well as with competitors and the Commerzbank Group. This harmonisation will make it much easier to reconcile the reports published by the regulator and the Commerzbank Group. The reporting changes have no impact on consolidated profit or loss, the statement of comprehensive income or earnings per share.

In the fourth quarter of 2017 we also changed the reporting for the balance sheet item "cash on hand and cash on demand", which contained primarily cash, withdrawable deposits held at central banks and debt issued by public-sector borrowers. We made this reporting change to align this item more closely with regulatory reporting. Demand deposits held at banks, which were previously reported in claims on banks, are now shown in this item. We have amended the comparative figures for 2016 in the consolidated balance sheet and the associated notes. The resulting changes in the consolidated statement of cash flows were restated accordingly. This reclassification had no impact on consolidated profit or loss, the statement of comprehensive income or earnings per share.

In addition, the prior-year figures in the cash flow statement have been restated.

Besides the adjustment of the structure of the balance sheet and income statement, the Group also changed the reporting for current income and expenses from derivatives and other trading portfolios in the held-for-trading category, which were previously shown in net interest income. This is now reported in the gain and loss from financial assets and liabilities measured at fair value through profit and loss. The Group made this reclassification because with trading portfolios it is economically inappropriate to differentiate between current income and expenses and remeasurement gains and losses and realisation effects. The revised reporting therefore also better reflects the economic management of the trading portfolios and thus provides more reliable and relevant information.

The reclassifications from net interest income into gain or loss from financial assets and liabilities measured at fair value through profit or loss amounted to €662m for the 2016 financial year (net balance of a €776m reduction in interest income and a €114m decrease in interest expense). The restatements, however, had no impact on consolidated profit or loss, the balance sheet, the statement of comprehensive income or earnings per share.

The following tables show the changes between the old and new structure in the income statement and the balance sheet. All changes presented here had no impact on consolidated profit or loss, the statement of comprehensive income or earnings per share.

Income statement | €m	1.1.–31.12.2016[1]	(A)	(B)	(C)	(D)	(E)
Old structure						
Interest income	9,990	–164	–776	–6	–270	
Interest expenses	4,913		–114	–58	–132	
Net interest income	5,077	–164	–662	+ 52	–138	
	–	+ 164				
Loan loss provisions	–900					
	–			–52		+ 139
Commission income	3,837					
Commission expenses	626					
Net commission income	3,212					
Net trading income including net income from hedge accounting	320		+ 662			
	–					
Net investment income	344					–139
	–				+ 138	+ 0
Current net income from companies accounted for using the equity method	150					
Other net income	297					
Operating expenses	7,100					
Impairments on goodwill and other intangible assets	627					
Restructuring expenses	128					
Pre-tax profit or loss	**643**	**–**	**–**	**–**	**–**	**–**
Taxes on income	261	–	–	–	–	–
Consolidated profit or loss	**382**	**–**	**–**	**–**	**–**	**–**
Consolidated profit or loss attributable to non-controlling interests	103	–	–	–	–	–
Consolidated profit or loss attributable to Commerzbank shareholders	279	–	–	–	–	–

[1] Prior-year figures adjusted due to restatements (see page 152 ff.)

(A) Reclassification of dividend income and net income from profit and loss transfer agreements

Net income from profit and loss transfer agreements, dividend income (without HfT) and income from profit-sharing certificates, which were previously included in interest income, are now reported under the separate item of dividend income.

(B) Reclassification of trading interest

Interest income, including dividend income, and interest expense from financial instruments in the held-for-trading category (HfT) are now reported in the net gain or loss from financial assets and liabilities measured at fair value through profit and loss.

(C) Reclassification of realised profit or loss on LaR claims

The realised profit or loss from the sale of financial assets (claims) classified in the loans and receivables category (LaR), which was previously recorded in interest income and expenses, is now reported as other realised profit or loss and net remeasurement gain or loss.

(D) Reclassification of realised profit or loss from liabilities measured at cost

The net gain or loss from the repurchase of liabilities measured at cost, which was previously reported in net interest expense/income, is now reported as other net gain or loss from financial instruments.

(E) Reclassification of realised profit or loss on LaR securities

The realised profit or loss from securities in the loans-and-receivables category (LaR), which was previously shown under net investment income, is now reported as other realised profit or loss and net remeasurement gain or loss.

(F)	(G)	(H)	(I)	1.1.–31.12.2016	Income statement | €m
					New structure
				8,773	Interest income
				4,608	Interest expenses
				4,165	Net interest income
				164	Dividend income
				–900	Loan loss provisions
–47				40	Other realised profit or loss and net remeasurement gain or loss
				3,837	Commission income
				626	Commission expenses
				3,212	Net commission income
		+ 37		1,019	Net income from financial assets and liabilities at fair value through profit or loss
		–37		–37	Net income from hedge accounting
+ 47	–255		+ 3	–	
	+ 255			393	Other profit or loss from financial instruments
			+ 0	150	Current net income from companies accounted for using the equity method
			–3	293	Other net income
				7,100	Operating expenses
				627	Impairments on goodwill and other intangible assets
				128	Restructuring expenses
–	**–**	**–**	**–**	**643**	**Pre-tax profit or loss**
–	–	–	–	261	Taxes on income
–	**–**	**–**	**–**	**382**	**Consolidated profit or loss**
–	–	–	–	103	Consolidated profit or loss attributable to non-controlling interests
–	–	–	–	279	Consolidated profit or loss attributable to Commerzbank shareholders

(F) Reclassification of net remeasurement gain or loss on LaR/AfS items
The net remeasurement gain or loss (impairments) of securities in the "loans and receivables" (LaR) and "available for sale" (AfS) categories, which was previously recorded under net investment income, is now reported as other realised profit or loss and net remeasurement gain or loss.

(G) Reclassification of realised profit or loss on AfS items
The realised gain or loss from securities in the "available for sale" (AfS) category, which was previously shown under net investment income, is now reported in other net gain or loss from financial instruments.

(H) Separate reporting of net income from hedge accounting
Net income from hedge accounting, which was previously recorded in net trading income including net income from hedge accounting, is now reported in a separate individual item as net income from hedge accounting.

(I) Reclassification of realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities
The realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities, which was previously recorded in net investment income, is now reported under other net income.

Assets | €m	31.12.2016[1]	(J)	(K)
Old structure			
Cash on hand	34,802	+ 1,404	
			+ 246,023
			+ 23,950
Claims on banks	58,529	− 1,404	− 57,125
Claims on customers	212,848		− 212,848
Value adjustment on portfolio fair value hedges	310		
Positive fair values of derivative hedging instruments	2,075		
Trading assets	88,862		
Financial assets	70,180		
Holdings in companies accounted for using the equity method	180		
Intangible assets	3,047		
Fixed assets	1,723		
Investment properties	16		
Non-current assets held for sale and disposal groups	1,188		
Current tax assets	629		
Deferred tax assets	3,035		
Other assets	3,013		
Total	**480,436**	**–**	**–**

[1] Prior-year figures adjusted due to restatements (see page 152 ff.).

(J) Reclassification of demand deposits held at banks

Demand deposits held at banks, which were previously reported in claims on banks, are now shown in cash on hand and cash on demand.

(K) Reclassification of claims on banks and customers into the respective IAS 39 category

Loans and receivables, which were previously reported under claims on banks and customers, are now reported in accordance with the respective IAS 39 category in the new items “Financial assets – loans and receivables” (LaR) or “Financial assets – fair value option” (FVO).

(L)	(M)	31.12.2016	Assets | €m
			New structure
		36,206	Cash on hand and cash on demand
+ 29,698	+ 857	276,578	Financial assets – Loans and Receivables
+ 39,634		39,634	Financial assets – Available for Sale
+ 847		24,797	Financial assets – Fair Value Option
		–	
		–	
		310	Value adjustment on portfolio fair value hedges
		2,075	Positive fair values of derivative hedging instruments
		88,862	Financial assets – Held for Trading
−70,180		–	
		180	Holdings in companies accounted for using the equity method
		3,047	Intangible assets
		1,723	Fixed assets
		16	Investment properties
		1,188	Non-current assets held for sale and disposal groups
		629	Current tax assets
		3,035	Deferred tax assets
	−857	2,156	Other assets
–	–	**480,436**	**Total**

(L) Reclassification of financial investments into the respective IAS 39 category

Securities-related equity instruments and debt instruments, which were previously reported under financial investments, will now be valued in accordance with the respective IAS 39 category and reported in the new items “Financial assets – loans and receivables” (LaR), “Financial assets – available for sale” (AfS) or “Financial assets – fair value option” (FVO).

(M) Reclassification of initial/variation margins recivable

Initial/variation margins receivable, which were previously reported under other assets, will now be reported in accordance with the respective IAS 39 category in the new item “Financial assets – loans and receivables” (LaR).

Liabilities and equity | €m	**31.12.2016**[1]	**(N)**	**(O)**
Old structure			
Liabilities to banks	66,903	−66,903	
Liabilities to customers	244,792	−244,792	
Securitised liabilities	38,494		−38,494
		+ 294,637	+ 37,481
		+ 17,057	+ 1,013
Value adjustment on portfolio fair value hedges	1,001		
Negative fair values of derivative hedging instruments	3,080		
Trading liabilities	77,772		
Provisions	3,436		
Current tax liabilities	672		
Deferred tax liabilities	49		
Liabilities of disposal groups	–		
Other liabilities	3,694		
Subordinated debt instruments	10,969		
Equity	29,573		
Total before non-controlling interests	28,547		
Non-controlling interests	1,027		
Total	**480,436**	**–**	**–**

[1] Prior-year figures adjusted due to restatements (see page 152 ff.).

(N) Reclassification of liabilities to banks and customers into the respective IAS 39 category

The deposits that were previously included in liabilities to banks and customers are now reported in accordance with the respective IAS 39 category in the new items "Financial liabilities – amortised cost" or "Financial liabilities – fair value option" (FVO).

(O) Reclassification of securitised liabilities into the respective IAS 39 category

Issues that were previously included in securitised liabilities are now reported in accordance with the respective IAS 39 category in the new items "Financial liabilities – amortised cost" or "Financial liabilities – fair value option" (FVO).

(P)	(Q)	31.12.2016	Liabilities and equity | €m
			New structure
		–	
		–	
		–	
+ 10,955	+ 724	343,798	Financial Liabilities – Amortised Cost
+ 14	–	18,084	Financial Liabilities – Fair Value Option
		1,001	Value adjustment on portfolio fair value hedges
		3,080	Negative fair values of derivative hedging instruments
		77,772	Financial Liabilities – Held for Trading
		3,436	Provisions
		672	Current tax liabilities
		49	Deferred tax liabilities
		–	Liabilities of disposal groups
	–724	2,970	Other liabilities
–10,969		–	
		29,573	Equity
		28,547	Total before non-controlling interests
		1,027	Non-controlling interests
–	**–**	**480,436**	**Total**

(P) Reclassification of subordinated debt instruments into the respective IAS 39 category

The subordinated issues that were previously included in subordinated debt instruments are now reported in accordance with the respective IAS 39 category in the new items "Financial liabilities – amortised cost" or "Financial liabilities – fair value option" (FVO).

(Q) Reclassification of variation margins payable

Variation margins payable, which were previously included in other liabilities, are now reported in accordance with the respective IAS 39 category in the new item "Financial liabilities – amortised cost".

Principles of consolidation

All intragroup receivables and liabilities as well as income and expenses resulting from transactions between entities consolidated in the Group Financial Statements are eliminated when liabilities and income and expenses are consolidated. Any gains or losses realised in the Group on intragroup transactions are likewise eliminated.

(4) Subsidiaries and business combinations

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

When consolidating capital for the first time, we remeasure the assets and liabilities of subsidiaries completely at the time of acquisition regardless of the percentage share of equity held. The assets and liabilities remeasured now at fair value are included in the Group balance sheet net of deferred taxes; identified hidden reserves and liabilities are accounted for in accordance with the applicable standards in subsequent reporting periods. Any difference over net assets on remeasurement is recognised as goodwill. Any negative goodwill is reported in the income statement.

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

(5) Associated companies and jointly controlled entities

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

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

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

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries. If associated companies and joint ventures are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company’s equity. Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value (see Note 41). Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Future profits are first offset against unrecognised losses.

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

(6) Structured entities

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

Commerzbank also acts as sponsor to structured entities in which it does not have an equity holding. A company is considered to be sponsored if it was founded and/or structured by the Commerzbank Group, received or purchased assets from the Commerzbank Group, was granted guarantees by the Commerzbank Group, or has been intensively marketed by the Commerzbank Group. As with subsidiaries, a structured entity must be consolidated if Commerzbank exerts control over it. In the Commerzbank Group the obligation to consolidate structured entities is reviewed by means of a process that includes transactions where Commerzbank launches a structured entity with or without the involvement of third parties, and transactions where Commerzbank enters into a contractual relationship with an already existing structured entity with or without the involvement of third parties. Decisions as to whether or not to consolidate an entity are reviewed as the need arises, but no less than once a year. All consolidated structured entities and structured entities that have not been consolidated for materiality reasons are listed in Note 70.

The ability of the Commerzbank Group to access or use assets and settle the liabilities of subsidiaries including structured entities, associated companies and joint ventures can be subject to legal, regulatory and contractual restrictions.

(7) Consolidated companies

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

Subsidiaries, associates and jointly controlled entities of minor significance for the Group's net assets, financial position and earnings performance are not fully consolidated or not accounted for using the equity method; instead, they are recognised in the balance sheet under "Financial assets – available for sale".

Please refer to Note 73 for more information on the structure of the Commerzbank Group including a full list of the Group's ownership interests.

Acquisitions and disposals

Acquisition onvista Aktiengesellschaft

On 3 April 2017, our subsidiary comdirect bank Aktiengesellschaft, Quickborn, acquired from Boursorama S.A. a 100% interest in onvista Aktiengesellschaft in Frankfurt/Main and its affiliated companies.

Onvista operates an established online platform for brokerage transactions as well as a financial information portal in Germany. The purchase price, which totalled €40m, was comprised of €42m in cash and a claim from a purchase price adjustment in the amount of €2m. With the purchase of the onvista Group, cash and cash equivalents amounting to €421m were acquired. Onvista bank GmbH has meanwhile been merged with comdirect bank Aktiengesellschaft. As at the reporting date on 31 December 2017, the group of consolidated companies thus included onvista Aktiengesellschaft, Frankfurt/Main, as well as onvista media GmbH, Frankfurt/Main.

The purchase price allocation performed at the acquisition date resulted in other intangible assets of €24m and deferred tax liabilities of €7m. The other intangible assets are derived from the customer base of the former onvista bank GmbH, internally produced software, the portal onvista.de, the brand name and from a favourable contract.

The acquisition resulted in badwill in the amount of €1m, which was recognised through profit and loss in the income statement under other net income. This badwill is primarily attributable to the conservative valuations for companies from the financial services sector that prevailed in the market environment at the date of the acquisition.

In the period from the date of the acquisition on 3 April 2017 until 31 December 2017, the acquired company contributed €0m, including the effects from the purchase price allocation, to the consolidated net profit of the Commerzbank Group. If the initial consolidation had taken place as at 1 January 2017, the contribution to consolidated net profit would have been less than €–1m. These figures were determined solely for comparison purposes based on estimates. They do not provide information about actual operating results or future results.

The following table shows the acquired assets and assumed liabilities recognised in the balance sheet as at the acquisition date:

€m	3.4.2017
Cash on hand and cash on demand	421
Financial assets – Loans and Receivables	220
Financial assets – Available for Sale	97
Intangible assets	24
Fixed assets	1
Other assets	3
Total of identified assets	**764**
Financial liabilities – Amortised Cost	704
Provisions	2
Deferred tax liabilities	7
Other liabilities	10
Total of identified liabilities	**723**
Net asset value	**41**
Purchase price/consideration	**40**
Badwill	**1**

Acquisition Commerz Finanz GmbH

Commerzbank Aktiengesellschaft previously owned a 49.9 % interest in Commerz Finanz GmbH, a joint venture with BNP Paribas Personal Finance S.A. On 18 August 2017, the instalment loan business of Commerzbank Aktiengesellschaft, which prior to this date had been isolated in Commerz Finanz GmbH, was transferred to Commerzbank Aktiengesellschaft in exchange for the return of the interest in Commerz Finanz GmbH. This transfer also involved the assumption of liabilities of Commerz Finanz GmbH, which, however, were largely owed to Commerzbank Aktiengesellschaft. These liabilities, together with the receivables owed to Commerz Finanz GmbH at the time in the amount of €3.2bn, were therefore extinguished through commingling.

In accordance with the requirements of IFRS 3, the transaction resulted in the recognition of the hidden reserves in the previous interest in Commerz Finanz GmbH and in the acquired financial assets – loans and receivables. Overall, this transaction added €176m in reported income to other net income from financial instruments (due to the recognition of hidden reserves associated with the interest disposed of in Commerz Finanz GmbH) and triggered the recognition of goodwill totalling €23m. The latter is the accounting consequence of the carve-out of the instalment loan business from Commerz Finanz GmbH and the corresponding return of the previous interest in Commerz Finanz GmbH, which on the date of the return was measured for the last time at its fair value as part of the merger. We expect additional synergies from the transaction in the future.

The fair value of the disposed interest amounts to €0.6bn and the fair values of the disposed receivables due from the banking suboperation of Commerz Finanz GmbH total €3.2bn minus the existing receivables of Commerz Finanz GmbH due from Commerzbank in the amount of €0.4bn. Combined, this results in consideration provided totalling €3.4bn. The primary items added included loans of private customers measured as at the acquisition date at fair value in the amount of €3.6bn, nominal amounts totalling €3.5bn and an estimated loan loss provision of €0.2bn. These loans will be measured subsequently at amortised cost.

As at 31 December 2017, the instalment loan business acquired from Commerz Finanz GmbH contributed €16m to consolidated net profit.

The following table shows the acquired assets and assumed liabilities recognised in the balance sheet as at the acquisition date.

€m	18.8.2017
Financial assets – Loans and Receivables	3,589
Other assets	162
Total of identified assets	**3,751**
Financial liabilities – Amortised Cost	1
Provisions	9
Deferred tax liabilities	100
Other liabilities	282
Total of identified liabilities	**392**
Net asset value	**3,359**
Purchase price/consideration	**3,382**
Goodwill	**23**

Divestment mLocum S.A.

On 2 June 2017, mBank S.A., Warsaw, Poland signed a preliminary sales agreement with Archicom S.A. to divest its interest in mLocum S.A., Lódz, Poland. After the fulfilment of several conditions precedent as well as a guarantee and pledge agreement between mBank S.A. and DRK Investment Sp. z o.o., 14,120,880 shares representing 51,0 % of the share capital were sold to the majority shareholder of Archicom S.A. on 31 July 2017. The sale of the

remaining 8,026,120 shares (29,0 % of the share capital) will take place by 30 June 2020 at the latest. Since 31 July 2017, the interest in mLocum S.A. has been reported under Holdings in companies accounted for using the equity method.

The transaction was the result of the mBank Group's initiative to focus on its core activities. The sale of the interest in mLocum S.A. will improve the ability of the mBank Group to exploit its potential and achieve its business objectives on the Polish market.

Notes to the income statement

(8) Net interest income

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

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

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

€m	2017	2016[1]	Change in %
Interest income	**8,423**	**8,773**	**−4.0**
Interest income – Loans and Receivables	6,823	7,325	−6.8
Interest income from lending and money market transactions	6,310	6,648	−5.1
Interest income from the securities portfolio	513	676	−24.2
Interest income – Available for Sale	664	790	−16.0
Interest income from the securities portfolio	664	790	−16.0
Interest income – Fair Value Option	334	226	47.7
Interest income from lending and money market transactions	334	224	48.8
Interest income from the securities portfolio	1	2	−58.2
Prepayment penalty fees	109	122	−10.2
Unwinding	18	21	−13.1
Positive interest from financial instruments held as liabilities	474	289	64.0
Interest expenses	**4,222**	**4,608**	**−8.4**
Interest expenses – Amortised Cost	3,251	3,902	−16.7
Deposits	1,939	2,204	−12.0
Debt securities issued	1,312	1,698	−22.7
Interest expenses – Fair Value Option	345	340	1.6
Deposits	296	264	12.1
Debt securities issued	49	76	−35.2
Negative interest from financial instruments held as assets	601	346	73.9
Other interest expenses	25	21	20.5
Total	**4,201**	**4,165**	**0.9**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).

(9) Dividend income

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

Here we also report the current net income from non-consolidated subsidiaries, which is realised through profit and loss transfer agreements.

This income also contains distributions on profit-sharing certificates and participating bonds, plus fund distributions on units classified as equity capital.

€m	2017	2016	Change in %
Dividends from equity instruments – Available for Sale	28	86	–67.6
Dividends from equity instrument – Fair Value Option	47	62	–24.0
Current net income from non-consolidated subsidiaries	31	16	92.1
Total	**106**	**164**	**–35.5**

(10) Loan loss provisions

€m	2017	2016	Change in %
Allocations to loan loss provisions[1]	–1,231	–1,653	–25.6
Reversals of loan loss provisions[1]	816	790	3.2
Direct write-downs	–592	–240	.
Write-ups and amounts recovered on claims written down	226	203	11.6
Total	**–781**	**–900**	**–13.2**

[1] Gross figures (e.g. migrations between different types of provisions are not netted off).

The breakdown of the net allocation to provisions was as follows:

€m	2017	2016	Change in %
Specific risks	–571	–982	–41.9
Loans and advances banks	8	8	2.8
Loans and advances corporate customers	–398	–922	–56.8
Loans and advances private customers	–131	–103	27.6
Loans and advances	–15	–1	.
Loans and advances public-sector	–0	0	.
Off-balance-sheet exposures	–34	36	.
Portfolio risks	156	119	30.9
Loans and advances banks	10	20	–52.1
Loans and advances corporate customers	71	74	–5.0
Loans and advances private customers	19	15	27.2
Loans and advances	25	4	.
Loans and advances public-sector	1	–0	.
Off-balance-sheet exposures	29	5	.
Direct write-downs, write-ups and amounts recovered on claims written down	–366	–37	.
Total	**–781**	**–900**	**–13.2**

(11) Other realised profit or loss and net remeasurement gain or loss

This item includes the net income from the measurement of financial assets in the loans and receivables category, which are measured at amortised cost, and financial assets in the available-for-sale category, which are measured at fair value without effect on income.

Here we also report the net realised gain or loss on claims and securities from the sale of financial assets in the loans and receivables category, irrespective of whether or not the gain or loss was credit-induced.

€m	2017	2016	Change in %
Financial assets – Loans and Receivables	−76	58	.
Net remeasurement gain or loss	−10	156	.
Realised gain or loss	−66	−98	−32.6
Financial assets – Available for Sale	0	−18	.
Net remeasurement gain or loss	0	−18	.
Total	**−76**	**40**	**.**

(12) Net commission income

The Group reports the income and expense realised in the Commerzbank Group's service business for others for the utilisation of services as commission income and expenses. The income in this context is not the income realised for claims recognised in the balance sheet, but rather amounts realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service business and not to proprietary trading. The same applies conversely when the Bank utilises third-party services.

€m	2017	2016	Change in %
Commission income	**3,923**	**3,837**	**2.2**
Securities transactions	1,204	1,081	11.5
Asset management	343	300	14.3
Payment transactions and foreign business	1,386	1,389	−0.2
Guarantees	210	213	−1.5
Net income from syndicated business	260	264	−1.5
Intermediary business	283	370	−23.6
Fiduciary transactions	24	16	51.6
Other income	213	205	4.1
Commission expenses	**745**	**626**	**19.1**
Securities transactions	287	230	24.5
Asset management	61	44	38.7
Payment transactions and foreign business	149	155	−3.5
Guarantees	20	16	23.6
Net income from syndicated business	0	2	−89.8
Intermediary business	165	120	37.5
Fiduciary transactions	11	7	52.0
Other expenses	53	52	1.9
Net provision income	**3,178**	**3,212**	**−1.0**
Securities transactions	918	850	7.9
Asset management	283	257	10.1
Payment transactions and foreign business	1,237	1,234	0.2
Guarantees	190	197	−3.6
Net income from syndicated business	260	262	−0.8
Intermediary business	118	250	−52.8
Fiduciary transactions	13	9	51.3
Other income	160	153	4.8
Total	**3,178**	**3,212**	**−1.0**

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

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

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

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

The net gain or loss from financial instruments in the fair value option category includes only the net remeasurement gain or loss and realised profit or loss from financial instruments designated for measurement at fair value through profit and loss (the "fair value option"). Expenses and income are presented on a net basis.

€m	2017	2016	Change in %
Profit or loss from financial instruments – Held for Trading	1,046	1,012	3.4
Profit or loss from financial instruments – Fair Value Option	46	7	.
Total	**1,092**	**1,019**	**7.2**

(14) Net income from hedge accounting

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

€m	2017	2016	Change in %
Fair Value Hedges			
Changes in fair value attributable to hedging instruments	115	−968	.
Micro fair value hedges	113	−1,107	.
Portfolio fair value hedges	2	139	−98.5
Changes in fair value attributable to hedged items	−200	935	.
Micro fair value hedges	−233	1,123	.
Portfolio fair value hedges	33	−188	.
Cash Flow Hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	−2	−4	−61.9
Total	**−86**	**−37**	**.**

(15) Other net gain or loss from financial instruments

This item contains the gain or loss on disposals of financial assets in the available-for-sale category as well as the gain or loss from the repurchase of financial liabilities in the amortised cost category.

In the case of financial assets in the available-for-sale category, the difference between amortised cost and fair value is recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve is reversed through profit and loss when the asset is disposed of.

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

€m	2017	2016	Change in %
Realised profit or loss from financial assets – Available for Sale	239	255	−6.3
Realised profit or loss from financial liabilities – Amortised Cost	20	138	−85.3
Total	**259**	**393**	**−34.0**

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

Current net income from companies accounted for using the equity method was €23m (previous year: €150m).

Including the net gain on disposals and remeasurement of companies accounted for using the equity method, which was reported in other net income and amounted to €194m (previous year: €–3m), the total net income from companies accounted for using the equity method was €217m (previous year: €147m). The figure in the reporting year was positively impacted primarily by a non-recurring effect associated with the spin-off and acquisition of the instalment loan business as well as the resulting remeasurement of the former holding in Commerz Finanz GmbH.

(17) Other net income

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

This item also includes the realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities.

€m	2017	2016	Change in %
Other material items of income	**854**	**856**	**–0.2**
Reversals of provisions	201	197	2.0
Operating lease income	174	178	–2.4
Income from building and architects' services	1	7	–82.4
Hire-purchase income and sublease income	11	22	–50.8
Income from investment properties	1	9	–85.8
Income from non-current assets held for sale	240	93	.
Income from disposal of fixed assets	18	81	–77.3
Income from FX-rate differences	25	69	–63.9
Other items in other income	182	200	–8.8
Other material items of expense	**484**	**499**	**–3.0**
Allocations to provisions	104	79	31.5
Operating lease expenses	126	166	–24.1
Expenses arising from building and architects' services	16	24	–35.0
Hire-purchase expenses and sublease expenses	4	8	–47.0
Expenses from investment properties	0	2	–87.6
Expenses from non-current assets held for sale	0	1	–99.6
Expenses from disposal of fixed assets	5	5	–8.3
Expenses from FX-rate differences	31	25	22.0
Other items in other expenses	198	188	5.6
Balance of sundry other income/expenses	–99	–60	63.3
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	194	–3	.
Other net income	**465**	**293**	**58.7**

(18) Operating expenses

Operating expenses in the Group were €7,079m (previous year: €7,100m) and included personnel expenses of €3,600m (previous year: €3,724m), administrative expenses of €2,862m (previous year: €2,821m) and depreciation and amortisation of office furniture and equipment, property and other intangible assets of €617m (previous year: €556m). The breakdown of operating expenses was as follows:

Personnel expenses | €m	2017	2016	Change in %
Wages and salaries	3,360	3,527	–4.7
Expenses for pensions and similar employee benefits	240	196	22.4
Total	**3,600**	**3,724**	**–3.3**

Wages and salaries contain €457m (previous year: €463m) for social security contributions. They also include the employers' contributions to the statutory pension scheme in the amount of €226m (previous year: €227m).

Expenses for pensions and similar employee benefits consist of expenses for defined benefit and defined contribution pension plans (see Note 54), age-related short-time working schemes and early retirement, as well as other pension-related expenses.

Operating expenses | €m	**2017**	**2016**	**Change in %**
Occupancy expenses	565	570	–0.7
IT expenses	542	498	9.0
Workplace and information expenses	260	253	2.6
Compulsory contributions	417	372	12.2
Advisory, audit and other expenses required to comply with company law	502	507	–1.1
Travel, representation and advertising expenses	263	306	–14.0
Personnel-related operating expenses	126	131	–3.8
Other operating expenses	188	185	1.3
Total	**2,862**	**2,821**	**1.5**

The compulsory contributions include €182m for bank levies in the reporting year (previous year: €155m) and Polish bank tax of €87m (previous year: €74m).

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, Germany, was appointed as the group auditors of Commerzbank. The audit partners responsible for this mandate pursuant to Art. 319a (1) sentence (4) of the German Commercial Code were Helge Olsson and Clemens Koch. This was the third year in which Helge Olsson was a responsible audit partner, and the sixth year in this role for Clemens Koch. The auditor in charge of the Commerzbank mandate as defined under the Professional Statutes is Helge Olsson. At the Annual General Meeting on 3 May 2017, Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft have been elected as auditor for the financial year 2018

The fees for the group auditors amounted to €31,748 thousand excluding VAT for the 2017 financial year. €765 thousand of this amount is attributable to services rendered during 2016.

Auditors' fees | €1,000	**2017**	**2016**[1]	**Change in %**
Audit of financial statements	16,136	17,632	–8.5
Other confirmation services	3,552	6,374	–44.3
Tax consulting services	906	430	.
Other services	11,153	21,654	–48.5
Total	**31,748**	**46,090**	**–31.1**

[1] Prior-year figures restated.

The fee for annual audit services covers the annual audits of Commerzbank Aktiengesellschaft and its subsidiaries, and the audit of the Group accounts in accordance with the amended standard RS HFA 36 promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany).

The other confirmation services mainly comprise fees for legally required, contractually agreed or voluntarily commissioned audit and confirmation services. It also includes reviews of reporting obligations pursuant to Art. 36 of the German Securities Trading Act (WpHG). The fees for other services are mainly fees for project-related advisory services.

The depreciation and amortisation of office furniture and equipment, land, buildings, other fixed assets and intangible assets includes scheduled depreciation and amortisation as well as impairment losses, broken down as follow:

Depreciation | €m	**2017**	**2016**	**Change in %**
Office furniture and equipment	129	133	–3.0
Land and buildings	14	38	–62.5
Intangible assets	473	385	23.0
Total	**617**	**556**	**10.9**

The amortisation of intangible assets included €1m of impairment charges (previous year: €1m). On land, buildings and other fixed assets there were write-ups of €3m (previous year: write-downs of €8m).

(19) Impairments on goodwill and other intangible assets

In the previous year, against the backdrop of the realignment of the segment structure as part of the “Commerzbank 4.0” strategy, we carried out an unscheduled impairment test as at 30 September 2016, which resulted in the recognition of an impairment on goodwill of €592m in the Corporate Clients segment (see Note 42).

We also recognised an impairment of €35m on the customer base of the Corporate Clients segment. This depreciation is associated exclusively with the impairment test.

€m	2017	2016	Change in %
Goodwill	–	592	.
Customer base	–	35	.
Total	**–**	**627**	**.**

(20) Restructuring expenses

€m	2017	2016	Change in %
Expenses for restructuring measures in progress	808	128	.
Total	**808**	**128**	**.**

The restructuring expenses in the 2017 reporting year are connected with the implementation of the “Commerzbank 4.0” strategy in Germany and abroad.

The restructuring expenses in the previous year were related to the restructuring of various back office units in Germany and the realignment of the Corporate Clients segment in London and New York.

(21) Taxes on income

€m	2017	2016	Change in %
Current taxes on income	320	536	−40.2
Tax expense/income for the current year	293	491	−40.3
Tax expense/income for previous years	27	45	−39.4
Deferred income taxes	−75	−275	−72.7
Tax expense/income due to temporary differences and tax loss carryforwards	−80	8	.
Tax rate differences	−82	−81	1.2
Tax expense due to depreciation on deferred taxes calculated hitherto	87	20	.
Tax income from previously unrecognised tax loss carryforwards and temporary differences	–	−222	.
Total	**245**	**261**	**−5.9**

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

The following reconciliation shows the relationship between net pre-tax profit according to IFRS and tax expense in the reporting year.

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0 % applied in Germany, plus the solidarity surcharge of 5.5 % and an average rate of 15.4 % for trade tax. This yields a German income tax rate of 31.5 % (previous year: 31.5 %).

Income tax effects result from discrepancies between the tax rates applying to foreign units. Tax rates outside Germany ranged between 12.0 % (Singapore) and 46.0 % (New York).

As at 31 December 2017 the Group tax rate was 49.5 % (previous year: 40.5 %).

The increase in the tax ratio stemmed primarily from current European Court of Justice case law, under which tax losses from foreign branches are disallowed for domestic tax purposes.

€m	2017	2016	Change in %
Pre-tax profit or loss under IFRS	**495**	**643**	**–23.0**
Group's income tax rate (%)	31.5	31.5	–
Calculated income tax expense in financial year	**156**	**202**	**–22.8**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	–83	–88	–5.7
Effect from the remeasurement of deferred taxes	–30	93	.
Effects of non-deductible operating expenses and tax-exempt income	25	200	–87.5
Unrecognised deferred tax assets	206	–166	.
Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated	–32	–55	–41.8
Effects of additions and deductions for trade tax	8	8	–
Withholding taxes not creditable	12	46	–73.9
Current taxes relating to other periods	–27	25	.
Other effects	10	–4	.
Taxes on income	**245**	**261**	**–6.1**

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

Taxes on income not recognised in the income statement | €m	2017	2016	Change in %
Current taxes on income	–	–	.
Deferred taxes on income	972	1,026	–5.3
Measurement differences arising from cash flow hedges	13	25	–48.0
Revaluation reserve	272	207	31.4
Loss carryforwards	150	199	–24.6
Remeasurement of defined benefit plans	530	595	–10.9
Other	7	–	.
Total	**972**	**1,026**	**–5.3**

(22) Net income by measurement category

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

€m	2017	2016	Change in %
Net income from			
Financial assets – Loans and Receivables	2,735	2,718	0.6
Financial assets – Available for Sale	931	1,114	–16.4
of which change in valuation reserve recognised in income statement	–162	–86	88.7
of which change in valuation reserve not recognised in income statement	449	–49	.
Financial assets and liabilities – Fair Value Option	82	–45	.
Financial assets and liabilities – Held for Trading	833	918	–9.2

(23) Earnings per share

	2017	2016	Change in %
Operating profit (€m)	1,303	1,399	–6.8 %
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	156	279	–43.9 %
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	.
Operating profit per share (€)	1.04	1.12	–6.8 %
Earnings per share (€)	0.12	0.22	–43.9 %

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in the previous year, no conversion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (Note 57).

Notes to the balance

Financial assets and liabilities

General classification and measurement

In accordance with IAS 39 all financial investments and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition, financial instruments are measured at fair value. For financial instruments that are not measured at fair value through profit and loss, directly attributable transaction costs are included in the fair values as acquisition-related costs, which increase the fair value of financial assets or reduce the fair value of financial liabilities. In accordance with IFRS 13, fair value is defined as the realisable price, i.e. the price that the market participant would receive for the sale of an asset or pay to transfer a liability in an orderly transaction. The fair value is a price observed on an active market (mark-to-market) or determined using valuation models (mark-to-model). The relevant inputs for the valuation model are either observed directly on the market or are estimates made by experts.

Depending on their category, financial instruments are recognised in the balance sheet subsequently either at (amortised) cost or fair value.

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability is generally recognised in the balance sheet when the Commerzbank Group becomes a party to the contractual provisions of the financial instrument. For regular-way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular-way cash market purchases and sales may be recognised using either trade date or settlement date accounting. Within the Commerzbank Group, regular-way purchases and sales of financial assets in the categories loans and receivables and in the case of the fair value option are recognised on the settlement date on both recognition and derecognition. For all other IAS 39 categories the Group uses trade date accounting for all regular-way purchases and sales of financial assets both on recognition and derecognition.

The derecognition rules of IAS 39 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control. If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

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

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

b) Classification of financial assets and liabilities and their measurement

The Commerzbank Group classifies its financial assets and financial liabilities in accordance with the applicable IAS 39 categories:

Financial assets
- Loans and Receivables
- Available for Sale
- Fair Value Option
- Held for Trading

Financial liabilities
- Amortised Cost
- Fair Value Option
- Held for Trading

c) Net gains or losses

Net gains or losses include fair value measurements recognised in profit or loss, currency translation effects, impairments, impairment reversals, gains realised on disposal, subsequent recoveries on written-down financial instruments and changes recognised in the revaluation reserve classified in the respective IAS 39 categories. The components are detailed in the condensed statement of comprehensive income and in the notes on net interest income, loan loss provisions, other realised profit or loss and net remeasurement gain or loss, gain or loss from financial assets and liabilities measured at fair value through profit and loss and other net gain or loss from financial instruments.

d) Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This may include, for example, bank guarantees (see Note 56). If Commerzbank is the guarantee holder, the financial guarantee is not recorded in the accounts and is only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (known as the "net method"). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised if payment of the guarantee becomes probable.

e) Embedded derivatives

Embedded derivatives are derivatives that are integrated into primary financial instruments. These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments. Under certain conditions, the embedded derivative must be shown separately from the host contract as a stand-alone derivative.

Such a separation must be made if the following three conditions are met:
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IAS 39
- the hybrid (combined) contract is not measured at fair value through profit or loss.

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

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

Financial assets and liabilities measured at amortised cost and loan loss provisions

(24) Financial assets – Loans and Receivables

Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market are assigned to this category. This holds true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Measurement of these assets is at amortised cost. If there is impairment, this is recognised in profit or loss when determining the amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset.

In the case of securities reclassified in the financial assets – loans and receivables category, the fair value at the date of reclassification is taken as the new carrying amount. The revaluation reserve net of deferred taxes existing at this point remains in the other reserves within equity and is amortised over the remaining term of the reclassified securities.

Impairments on securities are recognised in the same way as for lending business (see Note 25). The impairments for these financial instruments are recognised in other realised profit or loss and net remeasurement gain or loss and directly reduce the corresponding item in the balance sheet. If the indicators for impairment of given securities cease to apply or no longer suggest an impairment, the impairment of the securities in question is reversed through profit or loss, but to no more than the level of amortised cost. Similarly, an improved risk environment can lead to the reversal of an impairment that was previously recognised at the portfolio level.

€m	31.12.2017	31.12.2016	Change in %
Loans and advances	241,708	246,880	−2.1
Central banks	906	297	.
Banks	29,502	41,300	−28.6
Corporate clients	90,468	94,457	−4.2
Privat customers	93,476	82,636	13.1
Other financial corporations	10,389	10,205	1.8
General governments	16,967	17,984	−5.7
Debt securities	24,004	29,698	−19.2
Banks	2,256	4,543	−50.3
Corporate clients	3,799	3,133	21.2
Other financial corporations	3,834	4,954	−22.6
General governments	14,115	17,068	−17.3
Total	**265,712**	**276,578**	**−3.9**

For securities reclassified from the "financial assets – available for sale" category to the "financial assets – loans and receivables" category in the financial years 2008 and 2009, the revaluation reserve after deferred taxes was €–0.3bn as at 31 December 2017 (previous year: €–0.4bn). This negative balance will be dissolved over the remaining lifetime of the reclassified securities. Without these reclassifications, the revaluation reserve for the portfolio after deferred taxes would have been €–1.5bn as at 31 December 2017 (previous year: €–2.2bn); the change on the previous year is therefore €0.7bn (previous year: €0.1bn).

In addition to the release of portfolio valuation allowances of €–1m (previous year: €–25m), a net €0.4bn in interest income was recognised in the income statement for the reclassified securities in the current financial year (previous year: €0.5bn).

As at 31 December 2017 the carrying amount of the reclassified securities was €21.6bn (previous year: €28.0bn), fair value was €19.8bn (previous year: €25.3bn) and the cumulative portfolio valuation allowances were €14m (previous year: €15m). The securities had effective interest rates of between 0 % and 11.8% and are expected to generate a cash inflow of €25.9bn (previous year: €31.1bn).

(25) Provisions for on- and off-balance-sheet loan losses

We make provision for the particular risks of on- and off-balance sheet lending in the form of specific loan loss provisions (SLLPs), portfolio loan loss provisions (PLLPs) and general loan loss provisions (GLLPs).

When determining provisioning levels, the fundamental criteria include whether the claims are in default or not and whether the claims are significant (over €5m) or insignificant (up to €5m). All claims which are in default under the Basel 3 regulations are identified as in default or non-performing. The following events can be indicative of a customer default:

- Imminent insolvency (over 90 days past due).
- The Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contributions.
- The Bank has demanded immediate repayment of its claims.
- The customer is in insolvency proceedings.

For significant claims which are in default we recognise specific loan loss provisions in accordance with uniform standards across the Group. The net present value of the expected future cash flows is used to calculate both specific valuation allowances as well as specific loan loss provisions. In addition to the payments still expected from the borrower, the cash flows include the expected proceeds from realising collateral and other recoverable cash flows. The loan loss provision or valuation allowance is therefore equal to the difference between the carrying value of the loan and the net present value of all the expected cash flows. The increase in the net present value over time using the original effective interest rate (unwinding) is recognised as interest income. If the reason for the impairment ceases to apply, it is reversed through profit or loss.

In ship financing, a distinction must be made between claims in default that can be restructured (“going concern” approach) and those which must be liquidated (“gone concern” approach). In the case of the former, expected cash flows are determined primarily based on the Bank’s estimates of future charter rates, whereas in cases requiring liquidation, the primary cash flows taken into account are the proceeds resulting from the sale of the ship furnished as collateral.

The shipping markets are traditionally very volatile. This volatility is driven, for example, by exogenous factors, such as the general trend in the global economy and strong price fluctuations for commodities, as well as by endogenous factors, such as new orders and scrapping. The Bank’s forecasts for charter rates are therefore subject to estimation uncertainty. For example, a decrease in the forecasts for charter rates by up to 20% in the ship indices used internally would have led to an incremental need for provisions in 2017 for an amount in the low triple-digit millions.

A portfolio loan loss provision (PLLP) is recognised for insignificant defaulted claims using internal parameters.

We deduct the total loan loss provision, insofar as it relates to on-balance-sheet claims, directly from the respective asset items. However, the provision for losses in off-balance-sheet business (e.g. contingent liabilities and irrevocable lending commitments) is shown under provisions for lending business.

Uncollectible portions of claims are likewise written down against previously recognised loan loss provisions. Amounts recovered on claims written off are recognised in the income statement under loan loss provisions.

We have calculated portfolio valuation allowances (GLLP) for loan losses which have already occurred but are not yet known. The breakdown of loan loss provisions was as follows:

€m	As at 1.1.2017	Additions	Utilisation	Reversals	Change in the group of consolidated companies	Exchange rate changes/ Reclassification/ Unwinding	As at 31.12.2017
Loan loss provisions for on-balance-sheet loan losses	3,729	1,151	1,145	740	53	78	3,125
Loans and advances banks	59	1	2	18	–	11	50
Loans and advances corporate customers	3,037	889	874	561	–0	–122	2,368
Loans and advances private customers	497	231	224	119	11	180	577
Loans and advances financial services companies	132	30	44	40	42	9	129
Loans and advances general governance	3	0	1	1	–	1	1
Loan loss provisions for off-balance-sheet loan losses	205	80	0	75	–	2	211
Total	**3,934**	**1,231**	**1,145**	**816**	**53**	**80**	**3,337**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €781m (previous year: €900m) of which €382m (previous year: €618m) is attributable to ship financing.

€m	Valuation allowances for specific risks		Valuation allowances for portfolio risks		Valuation allowances total		
	2017	2016	2017	2016	2017	2016	Change in %
As at 1.1.	**3,185**	**3,282**	**544**	**664**	**3,729**	**3,946**	**–5.5**
Allocations	1,137	1,578	14	26	1,151	1,604	–28.3
Disposals	1,745	1,709	140	140	1,885	1,848	2.0
of which utilised	1,145	1,149	–	–	1,145	1,149	–0.3
of which reversals	600	560	140	140	740	700	5.8
Changes in the group of consolidated companies	43	–	10	0	53	0	.
Exchange rate changes/ reclassifications/ unwinding	52	33	26	–7	78	27	.
As at 31.12.	**2,672**	**3,185**	**454**	**544**	**3,125**	**3,729**	**–16.2**

€m	Provisions for specific risks		Provisions for portfolio risks		Provisions for lending business		
	2017	2016	2017	2016	2017	2016	Change in %
As at 1.1.	**76**	**110**	**129**	**136**	**205**	**246**	**–16.6**
Allocations	75	34	5	15	80	49	63.3
Disposals	41	70	34	21	75	90	–16.5
of which utilisation	0	0	–	–	0	0	7.0
of which reversals	41	70	34	21	75	90	–16.5
Changes in the group of consolidated companies	–	0	–	0	–	0	.
Exchange rate changes/ reclassifications/ unwinding	2	2	–1	–1	1	1	61.0
As at 31.12.	**112**	**76**	**99**	**129**	**211**	**205**	**2.7**

An enhanced estimation method for the probability of default was used for the first time in the fourth quarter of 2017. This adjustment resulted in a GLLP reversal amounting to €74m.

The loan loss provisions for default risks by customer group were as follows as at 31 December 2017:

€m	2017			2016		
	Specific valuation allowances and provisions for lending business	Loan losses[1]	Net allocation to valuation allowances and provisions in lending business[2]	Specific valuation allowances and provisions for lending business	Loan losses[1]	Net allocation to valuation allowances and provisions in lending business[2]
Customers and banks in Germany	**1,253**	**1,055**	**319**	**1,508**	**759**	**615**
Banks	0	–	–	–	–	–0
Corporate clients	996	834	235	1,334	623	580
Manufacturing	331	162	72	395	150	91
Construction	41	35	–23	67	17	6
Trading	132	165	34	218	79	32
Services and others	492	472	152	654	378	451
Private customers	228	209	56	160	132	37
Other financial corporations	29	13	28	14	4	–1
General government	0	–	0	0	–	0
Customers and banks outside Germany	**1,530**	**682**	**253**	**1,752**	**629**	**367**
Banks	8	4	–8	18	5	–8
Corporate clients	1,165	550	197	1,352	456	308
Manufacturing	344	189	20	508	52	9
Construction	129	13	27	138	23	13
Trading	120	30	40	94	21	32
Services and others	572	318	110	612	361	254
Private customers	264	81	77	269	50	65
Other financial corporations	94	46	–13	111	118	2
General government	0	1	0	1	–0	–
Total	**2,783**	**1,737**	**572**	**3,261**	**1,389**	**982**

[1] Direct write-downs, utilised valuation allowances and utilised loan loss provisions.
[2] Allocations less reversals.

(26) Financial liabilities – Amortised Cost

All financial liabilities that are not classified as held for trading and to which the fair value option was not applied are allocated to "Financial liabilities – amortised cost". This category includes deposits and bonds and notes issued. Measurement of these assets is at amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset.

€m	31.12.2017	31.12.2016	Change in %
Deposits	297,890	298,051	−0.1
Central banks	4,427	3,811	16.2
Banks	44,468	52,300	−15.0
Corporate clients	86,297	83,672	3.1
Privat customers	114,087	105,815	7.8
Other financial corporations	33,056	39,028	−15.3
General governments	15,555	13,426	15.9
Debt securities issued	43,369	45,747	−5.2
Money market instruments	4,428	5,566	−20.4
Covered bonds	17,237	17,060	1.0
Other debt securities issued	21,704	23,121	−6.1
Total	**341,260**	**343,798**	**−0.7**

Financial assets – Available for Sale

(27) Financial assets – Available for Sale

This category comprises all non-derivative financial assets not assigned to one of the other categories or designated for the category "Financial assets – available for sale". This includes interest-bearing securities, equities, profit-sharing certificates and units in investment funds. Available-for-sale assets primarily comprise fixed-income securities that are traded on an active market but which the Bank does not intend to sell in the short term. They are measured at fair value. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

If the fair value of unlisted equity instruments cannot be reliably determined, measurement is at cost less any impairments required.

Gains and losses on remeasurement are shown net of deferred taxes in equity in a separate item within other reserves (revaluation reserve). Premiums and discounts on debt instruments are recognised in profit or loss under net interest income over the life of the instrument. Interest income from these financial instruments is recognised in net interest income. Dividends and current profits and losses from equity holdings classified in this category are reported under dividend income. If the financial assets are sold, the cumulative remeasurement gain or loss previously recognised in the revaluation reserve (OCI) is reclassified in the income statement (recycling).

In accordance with IAS 39.59 financial instruments in this category must be monitored for any objective indications of a loss (such as breach of contract, loss event, increased likelihood of bankruptcy proceedings or insolvency) incurred after the date of initial recognition that would lead to a reduction in the cash flow arising from them. An impairment exists when the net present value of the expected cash flows is lower than the carrying value of the financial instrument concerned. In the event of an impairment, the net remeasurement gain or loss is no longer recognised in the revaluation reserve in equity, and instead must be recognised as an impairment charge in the income statement under other realised profit or loss and net remeasurement gain or loss.

In the Commerzbank Group, equity instruments in the available-for-sale portfolio are written down if their fair value is either significantly lower than their historic cost (≥ 20%) or has been below the historic cost for a considerable period (at least nine months). Besides these quantitative trigger events, qualitative evidence is also taken into account. Impairment reversals for equity instruments in the available for sale category may not be recognised in the income statement; instead, they are recognised directly in the revaluation reserve in equity. Impairment reversals are not permitted on unlisted equity instruments for which it is not possible to determine a reliable fair value and that are therefore carried at historic cost less any necessary impairment.

Debt instruments are reviewed individually for impairment if any qualitative trigger events have occurred. To operationalise qualitative trigger events, additional indicators for an impairment have been developed in the Commerzbank Group. For example, an impairment charge for debt instruments in this category must generally be recognised if the debtor's rating is CCC or lower (see the Commerzbank master scale in the Group Management Report) and the fair value is lower than amortised cost. If the reasons for an impairment of debt instruments cease to apply, the impairment is reversed through profit or loss, but to no more than the level of amortised cost. Any amount exceeding cost is recognised in the revaluation reserve.

€m	31.12.2017	31.12.2016	Change in %
Debt securities	30,661	38,994	−21.4
Banks	8,373	10,284	−18.6
Corporate clients	1,894	643	.
Other financial corporations	3,585	3,920	−8.5
General governments	16,809	24,147	−30.4
Equity instruments	493	641	−23.0
Banks	11	12	−2.9
Corporate clients	269	379	−28.9
Other financial corporations	213	250	−15.0
Total	**31,155**	**39,634**	**−21.4**
of which interests in non-consolidated subsidiaries	134	152	−12.2
of which interests in companies accounted for using the equity method	167	222	−24.6

As at 31 December 2017, equity instruments contained financial instruments totalling €131m (previous year: €188m) that were predominantly unlisted (e.g. shareholdings in limited companies) and were measured at cost, as reliable fair values for these assets were not available. We plan to continue to hold these financial instruments.

Financial instruments valued at historic cost, with a carrying amount of €34m (previous year: €6m), were derecognised in 2017. This resulted in net income of €5m (previous year: €7m).

Financial assets and liabilities – Fair Value Option

Under the fair value option, it is permissible to voluntarily measure any financial instrument at fair value and to recognise the net result of this valuation in the income statement. The decision whether to use the fair value option must be made upon acquisition of the financial instrument and is irrevocable. The fair value option may be applied to a financial instrument provided that

- an accounting mismatch will be prevented or significantly reduced; or
- a portfolio of financial instruments is managed, and its performance measured, on a fair value basis; or
- the financial instrument has one or more embedded derivatives that must be separated.

Net remeasurement gains or losses are recognised in the income statement under gain or loss from financial assets and liabilities measured at fair value through profit and loss, while interest income and expenses are reported in net interest income.

In the Commerzbank Group, the fair value option is primarily used to avoid or significantly reduce accounting mismatches arising from securities and loans hedged with interest or credit derivatives. This also applies to structured debt instruments we have issued which have been hedged with interest rate or foreign currency derivatives.

The fair value option is also used for transactions which are managed in accordance with the documented risk management strategy on a fair value basis and whose performance is measured on this basis, for example repurchase agreements, money market transactions and cash collaterals paid and received.

All in all, the results of applying the fair value option amounted to €46m (previous year: €7m), see Note 13.

(28) Financial assets – Fair Value Option

€m	31.12.2017	31.12.2016	Change in %
Loans and advances	23,000	23,950	−4.0
Central banks	4,113	2,746	49.8
Banks	9,181	12,781	−28.2
Corporate clients	574	749	−23.3
Privat customers	3	2	37.3
Other financial corporations	7,121	4,166	70.9
General governments	2,009	3,506	−42.7
Debt securities	393	401	−2.0
Banks	91	91	−0.4
Corporate clients	151	151	−0.1
Other financial corporations	114	117	−2.7
General governments	38	43	−10.0
Equity instruments	352	446	−20.9
Other financial corporations	352	446	−20.9
Total	**23,745**	**24,797**	**−4.2**

(29) Financial liabilities – Fair Value Option

€m	31.12.2017	31.12.2016	Change in %
Deposits	14,279	17,071	−16.4
Central banks	2,445	3,018	−19.0
Banks	5,020	7,774	−35.4
Corporate clients	1,027	1,420	−27.7
Privat customers	153	176	−12.8
Other financial corporations	5,517	4,541	21.5
General governments	116	141	−17.6
Debt securities issued	661	1,013	−34.8
Total	**14,940**	**18,084**	**−17.4**

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

€m	31.12.2017	31.12.2016	Change in %
Loans and advances	153	168	−8.9
Debt securities	50	43	18.2
Equity instruments	352	446	−20.9
Total assets	**556**	**657**	**−15.3**
Deposits	1,144	1,355	−15.6
Debt securities issued	661	1,013	−34.8
Total liabilities	**1,805**	**2,368**	**−23.8**

Of the total loans and receivables of €153m measured at fair value, €108m (previous year: €113m) were hedged with credit derivatives. In the year under review, the change in the fair value of claims attributable to changes in default risk was €1m (previous year: €95m) and amounted cumulatively to €3m (previous year: €3m).

The change in the fair values of the related risk-limiting credit derivatives amounted to €0m in the financial year (previous year: €–4m) and amounted cumulatively to €–3m (previous year: €–3m).

For liabilities to which the fair value option was applied, the change in fair value in 2017 for credit risk reasons €122m (previous year: €–47m). The cumulative change was €30m (previous year: €–92m). The repayment amount of financial liabilities measured at fair value was €1,702m (previous year: €2,426m).

The credit risk-specific changes in the fair value of claims and liabilities were primarily calculated as changes in fair values less value changes resulting from market conditions.

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

€m	31.12.2017	31.12.2016	Change in %
Loans and advances	22,846	23,809	–4.0
Debt securities	343	359	–4.4
Total assets	**23,189**	**24,168**	**–4.0**
Deposits	13,135	15,716	–16.4
Total liabilities	**13,135**	**15,716**	**–16.4**

There were no significant changes in the fair values of assets and liabilities arising from default risk, since these consisted of short-term money market transactions and collaterals in securities lending business. Furthermore, for €18,480m of loans and receivables at fair value (reverse repos after netting; previous year: €20,861m), we received securities in the amount of €48,899m (previous year: €48.503m) as collateral to reduce the counterparty risk.

The repayment amount of financial liabilities measured at fair value was €13,136m (previous year: €15,725m).

Financial assets and liabilities – Held for Trading

This category comprises financial assets and liabilities contained in the trading portfolio, including the positive and negative fair values of derivative financial instruments. If these are designated as a hedging instrument for hedge accounting purposes, they are reported under the items positive or negative fair values of derivative hedging instruments. Financial assets and liabilities in the held-for-trading category are recognised at fair value as at every reporting date. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expense and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under gain or loss from financial assets and liabilities measured at fair value through profit and loss.

(30) Financial assets – Held for Trading

This category includes interest- and equity-related securities, promissory note loans and other claims, derivative financial instruments and other trading portfolios held for trading. These financial instruments are used to realise profits from short-term fluctuations in prices or traders' margins.

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit and loss in the income statement.

€m	31.12.2017	31.12.2016	Change in %
Loans and advances	1,080	1,044	3.4
Banks	702	611	14.8
Corporate clients	310	429	−27.8
Other financial corporations	13	3	.
General governments	55	2	.
Debt securities	2,955	4,361	−32.2
Banks	596	703	−15.2
Corporate clients	287	1,095	−73.8
Other financial corporations	1,106	678	63.1
General governments	966	1,885	−48.7
Equity instruments	11,302	20,642	−45.2
Banks	646	1,594	−59.5
Corporate clients	7,770	14,634	−46.9
Other financial corporations	2,887	4,414	−34.6
Positive fair values of derivative financial instruments	47,783	62,205	−23.2
Interest-rate-related derivative transactions	33,467	42,551	−21.3
Currency-related derivative transactions	9,992	15,049	−33.6
Equity derivatives	3,145	2,328	35.1
Credit derivatives	720	1,489	−51.7
Other derivative transactions	459	788	−41.8
Other trading positions	546	610	−10.6
Total	**63,666**	**88,862**	**−28.4**

(31) Financial liabilities – Held for Trading

This item comprises derivative financial instruments, own issues in the trading book and delivery commitments arising from short sales of securities.

€m	31.12.2017	31.12.2016[1]	Change in %
Certificates and other issued bonds	5,565	4,827	15.3
Delivery commitments arising from short sales of securities	2,467	6,992	−64.7
Negative fair values of derivative financial instruments	48,452	65,953	−26.5
Interest-rate-related derivative transactions	33,279	42,117	−21.0
Currency-related derivative transactions	9,514	18,561	−48.7
Equity derivatives	3,927	2,437	61.1
Credit derivatives	1,102	2,225	−50.5
Other derivative transactions	629	612	2.7
Total	**56,484**	**77,772**	**−27.4**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).

Other notes to financial instruments

(32) IFRS 13 fair value hierarchies and disclosure requirements

Fair value hierarchy

Under IFRS 13, financial instruments are assigned to the three levels of the fair value hierarchy as follows:

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques which rely on observable market parameters.
- Level 3: Financial instruments where valuation techniques are used that incorporate at least one material input for which there is insufficient observable market data and where at least this input has a more than insignificant impact on the fair value.

With respect to the methods of model-based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities.

The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. These valuations include a greater level of management judgement. Market data or third-party inputs are relied on to the greatest possible extent, and company-specific inputs to a limited degree.

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price.

The fair values that can be realised at a later date may, in principle, deviate from the estimated fair values.

All fair values are subject to the Commerzbank Group's internal controls and procedures, which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the finance function. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function.

Disclosure obligations

In the following, a distinction is made between:

a) financial instruments measured at fair value (fair value option, available for sale and held for trading)
b) financial instruments measured at cost (loans and receivables, amortised cost)

The respective disclosure requirements regarding these financial instruments are set out in IFRS 7 and IFRS 13. For example, they require explanatory statements on the valuation techniques applied and the inputs used for levels 2 and 3, as well as quantitative disclosures on unobservable inputs (level 3). The reporting entity must also provide information about and reasons for reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured at fair value

Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit risk. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of derivative transactions takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVA), the funding costs or 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. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio market values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVA is approximated by the Commerzbank funding curve.

IAS 39 requires that on initial recognition all financial instruments are measured at fair value. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IAS 39 fair value category and by class.

Financial assets | €bn		**31.12.2017**				**31.12.2016**[1]			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets of the Fair Value Option	Debt instruments	0.0	0.4	0.0	0.4	0.0	0.4	0.1	0.4
	Equity instruments	0.4	–	–	0.4	0.4	–	–	0.4
	Loans and advances	–	22.5	0.5	23.0	–	23.1	0.9	24.0
Financial assets – Held for Trading	Derivatives	–	43.5	4.3	47.8	–	56.9	5.3	62.2
	Debt instruments	1.3	0.7	0.9	3.0	1.6	1.8	0.9	4.4
	Equity instruments	11.3	–	0.0	11.3	20.6	–	–	20.6
	Loans and advances	–	1.1	–	1.1	0.6	0.4	–	1.0
	Other trading assets	0.5	–	–	0.5	0.6	–	–	0.6
Financial assets – Available for Sale	Debt instruments	24.1	6.5	0.1	30.7	30.5	8.3	0.1	39.0
	Equity instruments	0.4	–	0.0	0.4	0.4	–	0.0	0.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	1.5	–	1.5	–	2.1	–	2.1
Non-current assets held for sale and disposal groups	Debt instruments	0.0	–	–	0.0	–	–	–	–
	Equity instruments	0.1	–	–	0.1	0.0	–	0.1	0.1
	Loans and advances	0.0	–	–	0.0	–	–	–	–
Total		**38.1**	**76.1**	**5.9**	**120.1**	**54.8**	**93.1**	**7.3**	**155.2**

[1] Prior-year figures restated due to a correction in level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from level 2 to level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from level 3 to level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Financial liabilities | €bn		31.12.2017				31.12.2016[1]			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities of the Fair Value Option	Deposits	–	14.2	0.1	14.3	–	17.1	–	17.1
	Bonds and notes issued	0.7	–	–	0.7	1.0	–	–	1.0
Financial liabilities – Held for Trading	Derivatives	–	44.5	3.9	48.5	–	61.8	4.2	66.0
	Certificates and other notes issued	5.6	–	–	5.6	4.8	–	–	4.8
	Delivery commitments arising from short sales of securities	2.2	0.3	–	2.5	6.9	0.1	–	7.0
Negative fair values of derivative hedging instruments	Hedge accounting	–	2.3	–	2.3	–	3.1	–	3.1
Total		**8.4**	**61.2**	**4.0**	**73.7**	**12.7**	**82.0**	**4.2**	**98.9**

[1] Prior-year figures restated due to a correction in level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from level 2 to level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share. In addition, €6.1bn in delivery commitments arising from short sales of securities in the level 2 category were restated to correct an error (see page 152 ff.).

A reclassification to a different level occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. This may be caused, for example, by market changes which impact on the input factors used to value the financial instrument.

A number of reclassifications from level 1 to level 2 were carried out in financial year 2017, as there were no listed market prices available. These related to €1.6bn in securitised debt instruments in the IAS 39 AfS category and €0.5bn in claims in the IAS 39 HfT category. At the same time, €3.2bn of securitised debt instruments in the IAS 39 AfS category were reclassified from level 2 to level 1, as quoted market prices were again available. No financial liabilities were reclassified between level 1 and level 2 during the financial year. The changes in financial instruments in the level 3 category were as follows:

Financial assets €m	Financial assets – Available for Sale	Financial assets – Fair Value Option	Financial assets – Held for Trading[1]	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2016	**131**	**478**	**5,373**	**97**	**6,079**
Changes in the group of consolidated companies	–	–148	–	–	–148
Gains or losses recognised in income statement during the period	0	–29	2	–8	–34
of which unrealised gains or losses	0	1	29	–	31
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	2	–	237	–	239
Sales	–	–	–62	–192	–254
Issues	–	–	–	–	–
Redemptions	–	–2	–174	–	–176
Reclassifications to level 3	12	750	1,406	68	2,236
Reclassifications from level 3	–5	–2	–604	–	–611
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–103	–	103	–
Fair Value as at 31.12.2016	**140**	**944**	**6,179**	**68**	**7,332**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–14	–31	–338	–2	–385
of which unrealised gains or losses	–14	–31	–348	–2	–395
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	4	413	164	–	581
Sales	–	–158	–751	–66	–975
Issues	–	–	–	–	–
Redemptions	–	–	–16	–	–16
Reclassifications to level 3	12	7	85	–	105
Reclassifications from level 3	–7	–661	–78	–	–747
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–	–	–
Fair Value as at 31.12.2017	**135**	**514**	**5,245**	**–**	**5,894**

[1] Prior-year figures restated due to a correction in level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from level 2 to level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from level 3 to level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Unrealised gains or losses on financial instruments held for trading (securities and derivatives) are a component of the gain or loss from financial assets and liabilities measured at fair value through profit and loss. Likewise, unrealised gains or losses on claims and securities measured at fair value through profit or loss are recognised in the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

In the 2017 financial year, €0.1bn of derivatives in the IAS 39 HfT category were reclassified from level 2 to level 3 because market parameters were not observable. €0.6bn of reverse repos in the IAS 39 FVO category were also reclassified from level 3 back to level 2 because market parameters were again observable. In addition, reclassifications were made from level 3 to level 2 totalling €0.1bn for securitised debt instruments in the IAS 39 FVO category because here, too, market parameters were again observable.

The changes in financial liabilities in the level 3 category in the year under review were as follows:

Financial liabilities €m	Financial liabilities – Fair Value Option	Financial liabilities – Held for Trading[1]	Total
Fair Value as at 1.1.2016	**–**	**2,950**	**2,950**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	288	288
of which unrealised gains or losses	–	291	291
Purchases	–	416	416
Sales	–	−2	−2
Issues	–	–	–
Redemptions	–	−36	−36
Reclassifications to level 3	–	845	845
Reclassifications from level 3	–	−290	−290
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–
Fair Value as at 31.12.2016	**–**	**4,171**	**4,171**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	−97	−97
of which unrealised gains or losses	–	−76	−76
Purchases	100	154	255
Sales	–	−65	−65
Issues	–	–	–
Redemptions	–	−33	−33
Reclassifications to level 3	–	63	63
Reclassifications from level 3	–	−263	−263
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–
Fair Value as at 31.12.2017	**100**	**3,930**	**4,030**

[1] Prior-year figures restated due to a correction in level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from level 2 to level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Unrealised gains or losses on financial liabilities held for trading are a component of the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

In the 2017 financial year, €0.2bn of derivatives with negative fair values were reclassified from Level 3 to Level 2, as market parameters were again observable. There was an opposite reclassification of derivatives with negative fair values in the amount of €0.1bn from level 2 to level 3. There were no other significant reclassifications of financial liabilities into or out of level 3.

Sensitivity analysis

Where the value of financial instruments is based on unobservable input parameters (level 3), the precise level of these parameters at the balance sheet date may be derived from a range of reasonable possible alternatives at the discretion of management. In preparing the Group financial statements, appropriate levels for these unobservable input parameters are chosen which are consistent with existing market evidence and in line with the Group's valuation control approach.

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (level 3). Interdependencies frequently exist between the parameters used to determine level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

The main unobservable input parameters for level 3 and the key related factors may be summarised as follows:

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding payments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps. Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap.
  The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Expectations regarding recovery rates are a factor that determines the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability.
  There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.
  In practice, market participants use market spreads to determine implied default probabilities. Estimates of default probabilities also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.
- Repo curve:
  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual-fund-related repos may also contain unobservable repo curve exposures.
- Price:
  Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of positions.
- Investment fund volatility:
  Fundamentally, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

The following ranges for the material unobservable parameters were used in the valuation of our level 3 financial instruments:

€m		2017			2017	
	Valuation Techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		**4,303**	**3,930**			
Equity-related transactions	Discounted cash flow model	188	510	IRR (%), price (%), Investmentfonds-volatility (%)	1 %	9 %
Credit derivatives	Discounted cash flow model	4,115	3,245	Credit spread (bps)	100	500
				Recovery rate (%)	40 %	80 %
Interest-rate-related transactions	Option pricing model	–	175	IR-FX correlation (%)	−30 %	52 %
Other transactions		–	–		–	–
Securities		**1,079**	**0**			
Interest-rate-related transactions	spread based model	1,033	0	Credit spread (bps)	100	500
of which ABS	spread based model	–	–	Credit spread (bps)	100	500
Equity-related transactions	Discounted cash flow model	46	0	Price (%)	90 %	110 %
Loans		**511**	**100**			
Repo-business	Discounted cash flow model	373	100	Repo-curve (bps)	126	257
Other loans	Price based	139	–	Price (%)	90 %	110 %
Total		**5,894**	**4,030**			

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in level 3 of the fair value hierarchy. The sensitivity analysis for financial instruments in level 3 of the fair value hierarchy is broken down by type of financial instrument:

€m	2017		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**26**	**−28**	
Equity-related transactions	12	−12	IRR, price based, investment fund volatility
Credit derivatives	13	−13	credit spread, recovery rate, price
Interest-rate-related transactions	1	−3	Price, IR-FX correlation
Other transactions	–	–	
Securities	**37**	**−37**	
Interest-rate-related transactions	33	−33	Price, repo curve
of which ABS	6	−6	IRR, recovery rate, credit spread
Equity-related transactions	4	−4	Price
Loans	**7**	**−7**	

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of their range of reasonable possible alternatives. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by between 1% and 10% as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

Day-One Profit or Loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but pro rata over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in the income statement in the gain or loss from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between transaction price and model valuation is calculated for the level 3 items in all categories. Material impacts only result from financial instruments held for trading; the development was as follows:

€m	Day-One Profit Loss		
	Financial assets – Held for Trading	Financial liabilities – Held for Trading	Total
Balance as at 1.1.2016	**–**	**5**	**5**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–5	–5
Balance as at 31.12.2016	**–**	**4**	**4**
Allocations not recognised in income statement	–	37	37
Reversals recognised in income statement	–	–8	–8
Balance as at 31.12.2017	**–**	**34**	**34**

b) Financial instruments measured at cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal management costs or maintenance costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2.

Market prices are not available for loans as there are no organised markets for trading these financial instruments. The discounted cash flow model is used for loans, with parameters based on a risk-free yield curve (swap curve) plus credit spreads and maturity-based premiums to cover funding spreads, plus fixed premiums for administrative expenses and the cost of capital. Data on the credit spreads of major banks and corporate customers are available, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

In the case of reclassified securities contained in the available-for-sale financial assets of the IAS 39 loans and receivables category, the fair value is determined on the basis of available market prices insofar as an active market once again exists (level 1). If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of bonds and notes issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, the own credit spread and capital costs, are taken into account in determining fair value. If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models generally rely on observable input parameters.

31.12.2017 €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**319.1**	**321.6**	**−2.5**	**–**	**109.5**	**209.7**
Cash on hand and cash on demand	55.7	55.7	–	–	55.7	–
Financial Assets – Loans and Receivables	263.4	265.7	−2.3	–	53.7	209.7
Loans and advances	241.3	241.7	−0.4	–	32.5	208.8
Debt securities	22.1	24.0	−1.9	–	21.2	0.9
Value adjustment on portfolio fair value hedges	–	0.2	−0.2	–	–	–
Non-current assets held for sale and disposal groups	0.0	0.0	–	–	–	–
Liabilities	**344.5**	**341.8**	**2.8**	**0.2**	**339.2**	**5.2**
Financial Liabilities – Amortised Cost	344.5	341.3	3.3	0.2	339.2	5.2
Deposits	298.3	297.9	0.4	–	298.3	–
Bonds and notes issued	46.3	43.4	2.9	0.2	40.9	5.2
Value adjustment on portfolio fair value hedges	–	0.5	−0.5	–	–	–
Liabilities of disposal groups	–	–	–	–	–	–

31.12.2016 €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**311.1**	**313.7**	**−2.5**	**1.0**	**115.6**	**194.6**
Cash on hand and cash on demand	36.2	36.2	–	–	36.2	–
Financial Assets – Loans and Receivables	274.4	276.6	−2.2	0.4	79.4	194.6
Loans and advances	247.5	246.9	0.6	–	60.7	186.8
Debt securities	26.9	29.7	−2.8	0.4	18.7	7.8
Value adjustment on portfolio fair value hedges	–	0.3	−0.3	–	–	–
Non-current assets held for sale and disposal groups	0.6	0.6	–	0.6	–	–
Liabilities	**346.7**	**344.8**	**1.9**	**–**	**342.4**	**4.3**
Financial Liabilities – Amortised Cost	346.7	343.8	2.9	–	342.4	4.3
Deposits	298.2	298.1	0.1	–	296.7	1.5
Bonds and notes issued	48.5	45.7	2.8	–	45.7	2.8
Value adjustment on portfolio fair value hedges	–	1.0	−1.0	–	–	–
Liabilities of disposal groups	–	–	–	–	–	–

(33) Information on netting of financial instruments

The table below shows the reconciliation of amounts before and after netting, as well as the amounts of existing netting rights which do not satisfy the netting criteria, separately for all recognised financial assets and liabilities which are

- are already netted in accordance with IAS 32.42 (financial instruments I) and
- subject to an enforceable, bilateral master netting agreement or a similar agreement but are not netted in the balance sheet (financial instruments II).

For the netting agreements we conclude master agreements with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from repurchase agreements (reverse repos and repos), to OTC derivatives, and to positive and negative fair values of derivatives. The balance sheet netting pertains to transactions with central counterparties.

Assets | €m	**31.12.2017**		**31.12.2016**	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	33,195	101,586	38,202	124,824
Book values not eligible for netting	5,784	4,514	9,889	5,894
a) Gross amount of financial instruments I and II	27,411	97,072	28,313	118,930
b) Amount netted in the balance sheet for financial instruments I[1]	13,912	52,339	14,820	60,544
c) Net amount of financial instruments I and II = a) – b)	13,499	44,733	13,493	58,386
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32,42[2]	379	29,662	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	12,227	43	11,192	633
Cash collaterals	3	8,990	30	9,671
e) Net amount of financial instruments I and II = c) – d)	890	6,038	1,967	7,154
f) Fair value of financial collateral of central counterparties relating to financial instruments I	890	–	1,967	55
g) Net amount of financial instruments I and II = e) – f)	–	6,038	–	7,099

[1] Of which for positive fair values €2,553m (previous year: €2,270m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	**31.12.2017**		**31.12.2016**	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	26,091	101,810	28,184	128,901
Book values not eligible for netting	5,248	675	4,593	1,219
a) Gross amount of financial instruments I and II	20,843	101,135	23,591	127,682
b) Amount netted in the balance sheet for financial instruments I[1]	13,912	51,103	14,820	59,869
c) Net amount of financial instruments I and II = a) – b)	6,931	50,032	8,771	67,813
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32,422	379	29,662	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)3				
Non-cash collaterals4	6,320	934	5,432	2,441
Cash collaterals	1	13,358	4	18,588
e) Net amount of financial instruments I and II = c) – d)	231	6,078	3,031	5,856
f) Fair value of financial collateral of central counterparties relating to financial instruments I	231	–	3,031	55
g) Net amount of financial instruments I and II = e) – f)	–	6,078	–	5,801

[1] Of which for negative fair values €3,789m (previous year: €2,946m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

(34) Maturities of assets and liabilities (including financial obligations)

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments without contractual maturities, cash on hand and cash on demand, assets and liabilities held for sale and current taxes on income are classified as short-term items. By contrast, holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term items. When classifying other assets and other liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 54.

€m	31.12.2017		31.12.2016[1]	
	Short-term	Long-term	Short-term	Long-term
Cash on hand and cash on demand	55,733	–	36,206	–
Financial Assets – Loans and Receivables	95,421	170,291	101,734	174,844
Financial Assets – Available for Sale	5,948	25,206	5,343	34,292
Financial Assets – Fair Value Option	19,539	4,206	21,396	3,402
Financial Assets – Held for Trading	9,877	6,006	22,536	4,121
Holdings in companies accounted for using the equity method	–	180	–	180
Intangible assets	–	3,312	–	3,047
Fixed assets	–	1,600	–	1,723
Investment properties	–	16	–	16
Non-current assets held for sale and disposal groups	78	–	1,188	–
Current tax assets	767	–	629	–
Deferred tax assets	–	2,950	–	3,035
Other assets	2,091	23	2,109	357
Total	**189,456**	**213,789**	**191,141**	**225,015**
Financial Liabilities – Amortised Cost	258,152	83,108	259,818	83,980
Financial Liabilities – Fair Value Option	13,122	1,818	16,243	1,841
Financial Liabilities – Held for Trading	6,465	1,567	10,775	1,044
Provisions	2,401	890	1,741	1,695
Current tax liabilities	673	–	672	–
Deferred tax liabilities	–	34	–	49
Liabilities of disposal groups	–	–	–	–
Other liabilities	2,411	1,104	2,618	1,353
Total	**283,223**	**88,521**	**291,868**	**89,962**

[1] Prior-year figures adjusted due to restatements (see page 152 ff.).

In the maturity breakdown, we show the residual terms of financial instruments that are subject to contractual maturities on the basis of undiscounted cash flows. Derivative liabilities are reported on the basis of their fair values in the relevant maturity range. In the case of interest-rate-related derivatives, interest payments also occur in the maturity ranges before final maturity, due to interest payment obligations. The residual term is defined as the period between the balance sheet date and the contractual maturity date of the financial instruments. In the case of financial instruments which are paid in stages, the residual term of each payment stage has been used.

31.12.2017	Residual terms			
€m	up to 3 months	3 months up to 1 year	1 year up to 5 years	more than 5 years
Financial Liabilities – Amortised Cost	228,069	27,380	38,635	33,578
Financial Liabilities – Fair Value Option	12,494	541	326	1,356
Financial Liabilities – Held for Trading	1,610	2,388	1,435	132
Derivatives	3,237	3,823	11,707	28,704
Financial guarantees	2,024	–	–	–
Irrevocable lending commitments	79,965	–	–	–
Total	**327,399**	**34,132**	**52,104**	**63,770**

31.12.2016	Residual terms			
€m	up to 3 months	3 months up to 1 year	1 year up to 5 years	more than 5 years
Financial Liabilities – Amortised Cost	220,950	35,948	33,798	33,097
Financial Liabilities – Fair Value Option	15,179	1,040	245	1,594
Financial Liabilities – Held for Trading	1,311	2,473	976	68
Derivatives	4,926	6,906	17,545	36,564
Financial guarantees	2,393	–	–	–
Irrevocable lending commitments	78,331	–	–	–
Total	**323,090**	**46,366**	**52,565**	**71,323**

(35) Transferred financial assets and collateral pledged for own liabilities

Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the Group balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities that apply to non-transferred financial assets thus also apply to financial assets that have been transferred but not derecognised.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio and are measured and categorised according to the rules of IAS 39. Borrowed securities do not appear in the balance sheet, nor are they valued. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a securities lending transaction is referred to as "cash collateral out" and collateral received as "cash collateral in". In addition, cash collaterals are deposited or received as collateral in connection with derivative transactions.

The following assets were pledged as collateral for liabilities.

€m	31.12.2017	31.12.2016	Change in %
Own assets	47,594	49,665	−4.2
Equity instruments	4,588	1,041	.
Debt securities	6,711	5,295	26.7
Loans and advances	36,295	43,329	−16.2
of which cash securities from OTC transactions	14,132	19,896	−29.0
Repledged securities	50,974	53,498	−4.7
Securities lending transactions	8,952	10,345	−13.5
Securities repo-business	37,757	37,185	1.5
Certificate business	161	173	−7.0
Variation margin	4,105	5,795	−29.2
Total	**98,568**	**103,163**	**−4.5**

No restrictions apply to the equity instruments totalling €4,535m or the securitised debt instruments in the amount of €5,342m.

The assets pledged by the Commerzbank Group are attributable to the following own liabilities:

€m	31.12.2017	31.12.2016	Change in %
Derivatives/Financial Liabilities – Held for Trading	18,462	25,723	−28.2
Deposits	34,274	36,972	−7.3
Debt securities issued	500	500	–
Return commitments for securities from lending transactions	14,823	16,898	−12.3
Total	**68,059**	**80,093**	**−15.0**

(36) Collateral received

The fair value of collaterals received for which the Bank has a right to sell on or pledge even where the provider does not default were as follows:

€m	2017	2016	Change in %
Total received securities	70,510	81,236	−13.2
of which sold or repledged	52,866	56,593	−6.6

(37) Financial assets which have been transferred but not derecognised (own holdings)

31.12.2017 €m	Held for Trading	Fair Value Option	Available for Sale	Loans and Receivables
Carrying amount of securities transferred	1,041	–	924	2,655
Carrying amount of associated liabilities	1,035	–	927	2,675
Fair value of securities transferred	1,041	–	924	2,655
Fair value of associated liabilities	1,035	–	927	2,675
Net position	**5**	**–**	**−3**	**−19**

31.12.2016 €m	Held for Trading	Fair Value Option	Available for Sale	Loans and Receivables
Carrying amount of securities transferred	1,885	–	1,656	1,519
Carrying amount of associated liabilities	1,814	–	1,584	1,519
Fair value of securities transferred	1,885	–	1,656	1,519
Fair value of associated liabilities	1,814	–	1,584	1,519
Net position	**71**	**–**	**72**	**–**

(38) Subordinated assets

Assets are considered to be subordinated if the claims they represent may not be met until after those of other creditors in the event of the liquidation or insolvency of the issuer.

€m	31.12.2017	31.12.2016	Change in %
Financial Assets – Loans and Receivables	433	819	−47.1
Financial Assets – Available for Sale	11	11	–
Financial Assets – Held for Trading	143	117	22.3
Total	**587**	**947**	**−38.0**

Derivatives and hedging relationships

(39) Derivatives

The Commerzbank Group conducts transactions with derivative financial instruments, as explained below.

A derivative is a financial instrument with a value determined by an “underlying asset”. The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any initial net investment or an initial investment that is smaller than would be required for other types of instrument expected to have a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values listed in the table, however, are the expenses which would be incurred by the Bank or the counterparties to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk present from derivative transactions on the balance sheet date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question if the counterparty should become insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business partners to secure the net claim or liability remaining after netting (receiving or furnishing of collateral). As a rule, this collateral management reduces credit risk by means of prompt – usually daily or weekly – measurement and adjustment of the customer exposure.

The total effect of netting amounted to €54,892m as at 31 December 2017 (previous year: €62,814m). On the assets side, €52,339m (previous year: €60,544m) of this was attributable to positive fair values, and €2,553m claims for variation margins (previous year: €2,270m). Netting on the liabilities side involved negative fair values of €51,103m (previous year: €59,869m) and liabilities for variation margins payable of €3,789m (previous year: €2,946m).

As at the balance sheet date the outstanding volume of the Commerzbank Group's transactions as a protection buyer and seller amounted to €19,661m (previous year: €30,643m) and €18,174m (previous year: €30,632m). We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios.

Details of derivatives in cash flow hedge accounting

The nominal values of derivatives used until cash flow hedge accounting was ended in 2009 (see the statement of changes in equity) totalled €16bn as at 31 December 2017 (previous year: €24bn). The table below shows the periods in which these are expected to expire.

€bn	31.12.2017	31.12.2016	Change in %
Up to 3 months	3	4	−34.0
More than 3 months up to 1 year	4	5	−15.2
More than 1 year up to 5 years	4	10	−61.4
More than 5 years	5	5	−4.2

(40) Hedging relationships

IAS 39 contains extensive hedge accounting regulations which apply if it can be shown that the hedging instruments – especially derivatives – are employed to hedge risks in the underlying non-trading transactions. Two types of hedge accounting are used:

- Fair value hedge accounting

  IAS 39 prescribes the use of hedge accounting to avoid a distorted impact on earnings for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. The Group's issuing and lending business and the securities holdings for liquidity management are particularly subject to interest rate risk when fixed-income securities are involved. Interest rate swaps are primarily used to hedge these risks.

  In line with the regulations for fair value hedge accounting, the derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in the balance sheet. Counterbalancing changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk are accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs. For interest rate risks fair value hedge accounting can either be a micro fair value hedge or a portfolio fair value hedge:

  – In micro fair value hedge accounting an underlying transaction is linked with one or more hedging instruments in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.

  – In a fair value hedge portfolio, interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are not hedged, but, rather, a quantity of underlying transactions in a portfolio grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item.

- Cash flow hedge accounting

  IAS 39 prescribes the use of cash flow hedge accounting to avoid a distorted impact on profit or loss for derivatives which serve to hedge the risk of a change in future cash flows. Interest rate swaps are primarily used to hedge these cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. In addition to documentation, IAS 39 requires the effectiveness of a hedge to be demonstrated during the entire term of the hedge in order for hedge accounting rules to be applied. Effectiveness in this context refers to the relationship between the change in fair value or cash flow of the hedged item and the change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists. Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). Secondly, when a hedge exists, it must be regularly demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of 0.8 to 1.25.

Commerzbank uses regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

Value adjustment on portfolio fair value hedges

This item contains hedged interest-rate-related positive and negative changes in the fair value of hedged transactions for which portfolio fair value hedge accounting is used. A matching item from hedging transactions is shown on the asset or liabilities side of the balance sheet under the fair values of derivative hedging instruments.

Positive and negative fair values of derivative hedging instruments

The fair values of derivatives used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2017	31.12.2016	Change in %
Positive fair values micro fair value hedges	1,184	1,721	−31.2
Positive fair values portfolio fair value hedges	274	348	−21.4
Positive fair values cash flow hedges	7	7	2.6
Total	**1,464**	**2,075**	**−29.4**

€m	31.12.2017	31.12.2016	Change in %
Negative fair values micro fair value hedges	2,198	3,041	−27.7
Negative fair values portfolio fair value hedges	38	10	.
Negative fair values cash flow hedges	19	29	−34.9
Total	**2,255**	**3,080**	**−26.8**

Information on companies accounted for using the equity method

(41) Holdings in companies accounted for using the equity method

	Associated companies		Joint Ventures	
€m	**2017**	**2016**	**2017**	**2016**
Equity book value as at 1.1.	**179**	**673**	**1**	**62**
Acquisition cost as at 1.1.	132	444	17	99
Exchange rate changes	−5	1	–	–
Additions	–	–	–	–
Disposals	–	–	–	2
Reclassifications to non-current assets held for sale and assets of disposal groups	–	−313	–	−80
Other reclassifications/changes in the group of consolidated companies	7	–	–	–
Acquisition cost as at 31.12.	133	132	17	17
Write-ups	7	7	–	–
Cumulative write-downs as at 1.1.	24	21	–	–
Exchange rate changes	–	–	–	–
Additions	2	3	–	–
Disposals	–	–	–	–
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–
Cumulative write-downs as at 31.12.	26	24	–	–
Cumulative changes from remeasurement using the equity method	65	64	−17	−16
Equity book value as at 31.12.	**180**	**179**	**1**	**1**
of which holdings in banks	80	73	–	–

In 2017, €20m (previous year: €23m) in dividends from associated companies accounted for using the equity method were paid. As in the previous year, no dividends from jointly controlled entities accounted for using the equity method flowed directly or indirectly to Commerzbank Aktiengesellschaft.

As in the previous year, there was no equity carrying amount for either associated companies or joint ventures (see Note 5) accounted for using the equity method, and so this figure is shown as zero.

Where obligations arise from contingent liabilities of companies accounted for using the equity method or discontinued operations at companies accounted for using the equity method, the Commerzbank Group is liable to the extent of its respective ownership interest.

The investments in companies accounted for using the equity method are non-strategic holdings of the Commerzbank Group, which are active mainly in the financial services sector and in leasing and real estate business. The information in this note is therefore aggregated for associated companies and for joint ventures. A list of all companies accounted for using the equity method is given in Note 73.

The Commerzbank Group does not have any associated companies or jointly controlled entities that are material for the Group.

Intangible assets

(42) Goodwill

a) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the Cash Generating Units (CGUs) at the time of acquisition. Commerzbank has defined the segments as CGUs in accordance with IFRS 8. Further details on the segments are provided in Note 57. In accordance with IAS 36 these assets are tested for impairment at the level of the CGUs at least at every balance sheet date and if a trigger event occurs. In this process, the carrying amount of the capital employed in a segment as a CGU (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGUs.

First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to the total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less cost of disposal. The value in use is based on the expected results of the unit and the cost of capital as set out in the multi-year planning for the individual segments approved by the board. Also, solely for the purposes of the impairment test, the main expenses in Others & Consolidation are distributed to the segments based on a precise key. If the value in use falls below the carrying amount, the fair value less costs of disposal is also calculated. The higher of the two figures is reported.

b) Assumptions of the impairment test for goodwill and other intangible assets

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, in order to calculate goodwill using the discounted cash flow method. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units. This produces the recoverable amount, which can be higher or lower than the carrying amount. If the recoverable amount is lower than the carrying amount, Commerzbank initially recognises an impairment on the goodwill of the cash-generating unit, which is reported under impairments of goodwill and other intangible assets in the income statement. Any additional impairment required is divided pro-rata between the remaining assets in the unit and is also reported in this item in the income statement. The expected results of the cash-generating units are generally based on the segments' multi-year planning, which has a horizon of four years. If necessary, financial years beyond this are adjusted to a sustainable level of results and a constant growth rate based on forecasts for GDP growth and inflation is applied for the calculation of the perpetuity. This factor, including mBank, represents 1.6 % in the Private and Small-Business Customers segment. In addition to profitability projections, the multi-year planning also relies on forecasts for risk-weighted assets and capital employed, subject to the regulatory minimum capital ratios. The main value drivers are receivables volumes, net interest income after loan loss provisions and net commission income. Risk-weighted assets are a further sensitive planning parameter. The projections are based on forecasts from economic research for the main parameters such as movements in interest rates, exchange rates and equity and bond markets. Planning is based both on management's past experience and an assessment of risks and opportunities in line with the forecasts.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the Business Segment Private and Small-Business Customers:

Segment	Main assumptions	Management approach
Private and Small-Business Customers	Commerzbank 4.0 – Continuation of growth strategy as a pioneer in Germany's private and small-business customer segment and development towards a digital, multi-channel bank • Ongoing income growth in the role of a profitable driver of growth for the Bank • Growth creation, in particular by establishing small-business customers as a business area and through a cross-segment marketing strategy • Evolution into a digital enterprise by investing substantially in digitalisation: – Expansion of the uniform multi-channel platform ONE for customers and employees to boost efficiency and make the business model more flexible – Utilisation of big data and advanced analytics to facilitate an industrialised, scaled, automated customer approach • Development of partnership banking by widening strategic cooperation range • Further development of lending business and growth in own instalment loan book • Product innovations and further digitalisation of service offerings • Efficient positioning of branch business by differentiating the service offering at the individual locations through a new service model and innovative branch formats • Development towards goal of being "Customer bank no.1", largely through optimal sales management, stronger customer focus in branch processes, modern leadership and maximum level of service quality • Fulfilment of all regulatory requirements • Expansion and strengthening of Commerz Real's market position, e.g. through lead role as the first digital asset manager and integrated investment service provider • Growth path of comdirect bank AG through expansion of smart, innovative asset management in securities and with cominvest as digital asset manager • mBank with successive implementation of the 2016–2020 Mobile Bank strategy for organic growth as announced in June 2016: – Continuation of our digitisation strategy with multichannel approach, particularly in the private customer business (expansion of market leadership in mobile & transaction banking) – Making better use of existing business potential, especially through the expansion of consumer credit and deposit business with private customers – Further strengthening of our position in the medium-sized corporate customer segment and expanding cross-border corporate business – Further efficiency gains through digitised processes and active cost management	• Central assumptions based on internal analyses and external studies of economic development and the market • Management projections for growth in new customers and the stabilisation of costs based on progress achieved so far • Institutionalised customer surveys and measurement of customer satisfaction • Inclusion of independent benchmark analyses • Initiatives that are part of the strategy to be based on business plans developed by management

Due to the assumptions underlying the cash flow forecasts and the uncertainties that are inevitably involved, the following circumstances may have an adverse impact on the cash flow forecasts of the CGUs (the list is not exhaustive):

- Macroeconomic environment worse than expected
- Interest rate outturn differs from economic forecast
- Uncertainties about the regulatory environment, particularly the implementation of new rules at the European level
- Greater intensity of competition than assumed

Risk-adjusted interest rates (before tax) were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

c) Change in goodwill

The impairment test carried out as planned at the end of 2017 did not result in any write-downs being required. The Private and Small-Business Customers segment continues to have high excess cover.

The acquisition of Commerz Finanz GmbH in the third quarter of 2017 resulted in the recognition of goodwill in the amount of €23m. This goodwill is attributable to the Private and Small-Business Customers segment.

	Private and Small Business Customers		Corporate Clients		Asset & Capital Recovery		Group	
€m	2017	2016	2017	2016	2017	2016	2017	2016
Carrying amount as at 1.1.	**1,484**	**1,484**	**–**	**592**	**–**	**–**	**1,484**	**2,076**
Cost of acquisition/production as at 1.1.	1,520	1,520	592	592	725	725	2,837	2,837
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	23	–	–	–	–	–	23	–
Disposals	–	–	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cost of acquisition/production as at 31.12.	1,543	1,520	592	592	725	725	2,860	2,837
Cumulative write-downs as at 1.1.	36	36	592	–	725	725	1,353	761
Exchange rate changes	–	–	–	–	–	–	–	–
Additions	–	–	–	592	–	–	–	592
of which unscheduled	–	–	–	592	–	–	–	592
Disposals	–	–	–	–	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–	–	–	–	–	–	–
Cumulative write-downs as at 31.12.	36	36	592	592	725	725	1,353	1,353
Carrying amount as at 31.12.	**1,507**	**1,484**	**–**	**–**	**–**	**–**	**1,507**	**1,484**

Sensitivities

In 2017, the recoverable amount corresponded to the value in use of the Private and Small-Business Customers segment. A sensitivity analysis was also carried out to further validate the impairment of the goodwill. It identified no potential impairment requirement for the Private and Small-Business Customers CGU. No sensitivity analysis was required for the Corporate Clients CGU, as its goodwill had already been written off in full. Varying the risk-adjusted interest rate (after tax) by −25 and +25 basis points (bps) for the detailed planning phase produced the following ratios of excess cover to carrying amount for the Private and Small-Business Customers CGU; cover was not deficient at any point in the reporting year.

		Private- and Small- Business Customers	
		2017	2016
Realistic value[1]	Assumed risk-adjusted interest rate	116.0 %	89.0 %
Sensitivity analysis[1]	Risk- adjusted interest rate −25 bps (advantageous)	123.6 %	95.7 %
	Risk- adjusted interest rate +25 bps (disadvantageous)	108.9 %	82.8 %

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

Further sensitivities for the growth rate were determined on the basis of the realistic scenario:

		Private- and Small- Business Customers	
		2017	2016
Sensitivity analysis[1]	Growth rate +25 bps (advantageous)	121.8 %	94.5 %
	Growth rate −25 bps (disadvantageous)	110.6 %	83.9 %

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

The changes in the underlying premises and central planning assumptions that would equalise the recoverable amount and the book value are as follows:

	Private- and Small- Business Customers	
	2017	2016
Risk-adjusted interest rate (after taxes) from/to	8.4 % / 14.3 %	8.1 % / 11.9 %
Growth rate from/to	1.6 % / negative[1]	1.6 % / negative[1]
Loan loss provisions/risk-weighted assets based on the end of the planning phase and perpetuity from/to	71BP. / 352BP.	84BP. / 251BP.

[1] Impossible to quantify, as the recoverable amount is above book value even with a long-term growth rate of 0%.

(43) Other intangible assets

Other intangible assets primarily comprise software and customer relationships. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are amortised over their prospective useful lives.

	Expected useful life years
Software	up to 7
Customer relationships	up to 15

	Customer relationships		In-house developed software		Purchased software and other intangible assets	
€m	2017	2016	2017	2016	2017	2016
Equity book value as at 1.1.	**241**	**315**	**882**	**738**	**440**	**396**
Acquisition cost as at 1.1.	964	964	1,671	1,342	1,549	1,498
Exchange rate changes	0	–0	0	–0	13	–20
Additions	–	15	491	343	205	198
Disposals	–	–	6	14	82	79
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	–	–	–	–6
Other reclassifications/changes in the group of consolidated companies	18	–15	4	0	3	–42
Acquisition cost as at 31.12.	983	964	2,160	1,671	1,689	1,549
Write-ups	–	–	–	–	1	0
Cumulative write-downs as at 1.1.	724	650	788	604	1,109	1,102
Exchange rate changes	0	–0	0	–0	7	–15
Additions	40	74	256	199	177	146
of which unscheduled	–	35	1	–	0	1
Disposals	–	–	6	14	70	74
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	–	–	–	–5
Other reclassifications/changes in the group of consolidated companies	–	–	–	–0	–0	–45
Cumulative write-downs as at 31.12.	764	724	1,038	788	1,223	1,109
Equity book value as at 31.12.	**219**	**241**	**1,121**	**882**	**466**	**440**

Tangible assets

(44) Fixed assets

The land and buildings, office furniture and equipment, and assets under operating leases shown under this item are recognised at cost less scheduled depreciation and any unscheduled write-downs. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset. Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than amortised cost.

In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off largely over the following periods, using the straight-line method:

	Expected useful life years
Buildings	25-50
Office furniture and equipment	3-25
Leased equipment	1-25

In line with the materiality principle, purchases of low-value fixed assets are recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

	Land, buildings and other fixed assets		Office furniture and equipment		Leasing equipment	
€m	2017	2016	2017	2016	2017	2016[1]
Carrying amount as at 1.1.	**443**	**958**	**476**	**479**	**803**	**857**
Cost of acquisition/production as at 1.1.	906	1,953	2,025	2,191	1,207	1,173
Exchange rate changes	5	–3	1	–33	–113	29
Additions	2	3	152	147	52	45
Disposals	11	14	162	203	43	40
Reclassifications to non-current assets held for sale and assets of disposal groups	–0	–1,054	–	–4	–	–
Other reclassifications/changes in the group of consolidated companies	–2	43	–1	–72	–	–
Cost of acquisition/production as at 31.12.	899	928	2,014	2,025	1,102	1,207
Write-ups	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	463	995	1,549	1,712	404	316
Exchange rate changes	2	–1	–3	–30	–42	11
Additions	14	38	129	133	73	104
of which unscheduled	–	8	3	1	9	47
Disposals	2	9	150	187	20	28
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–577	–	–4	–	–
Other reclassifications/changes in the group of consolidated companies	–0	39	–1	–75	–	0
Cumulative write-downs as at 31.12.	477	485	1,524	1,549	414	404
Carrying amount as at 31.12.	**422**	**443**	**490**	**476**	**688**	**803**

[1] Prior year restated.

The total value of fixed assets in the Commerzbank Group was €1,600m (previous year: €1,723m) of which, as in the previous year, none was pledged as collateral. Beyond this there were no restrictions with regard to rights of disposal relating to our fixed assets.

(45) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral (rescue purchases) and properties owned by the Commerzbank Group that are let under operating leases in this category. Commercial property accounts for the bulk of the investment properties.

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. In subsequent measurements, investment properties are measured at fair value. Fair value is generally determined on the basis of valuations conducted by external and internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually valued based on capitalised income; individual residential buildings are generally valued using the cost or sales comparison approach. The valuation of the properties using the capitalised income approach is based on standard rental values for the locality, with discounts for management, acquisition costs and vacancy rates, and on remaining useful lives and land values. In some cases, contractually agreed rents are also used. The property yield, which is a further input in the valuation process, takes account of the market interest rate level and the specific property and location risk attaching to the property. The main parameters observable on the market are local rent levels and property yields.

Current income and expenses are recognised in other net income. Remeasurement changes arising from changes in fair value are also shown under other net income in the income statement for the period.

The properties held as investments in the amount of €16m (previous year: €16m) were all classified at fair value hierarchy level 3 and developed as follows:

€m	2017	2016
Carrying amount as at 1.1.	**16**	**106**
Cost of acquisition/production as at 1.1.	196	210
Exchange rate changes	–	–
Additions	0	–
Disposals	1	–
Changes in the group of consolidated companies	–	–
Reclassifications	–	–
Reclassifications to non-current assets held for sale and assets of disposal groups	–	−14
Cost of acquisition/production as at 31.12.	195	196
Cumulative changes from remeasurement at fair value	−179	−180
Carrying amount as at 31.12.	**16**	**16**

In the year under review, as in the previous year, no investment properties were acquired in rescue purchases. The additions contain no subsequent acquisition costs for significant properties.

There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

We use the country-specific rental indices for commercial and office properties published by the Association of German Pfandbrief Banks (vdp) over a period of at least 18 years for the sensitivity analysis of investment properties. We use the medium fluctuation range calculated on this basis to determine the potential changes in value of our properties. The medium change rate lies between −1.9 % and 1.5 %. Applying the medium change rates would lead to an adjustment of around €–0.3m or €+0.2m in the properties' market value.

Assets and liabilities held for sale

(46) Assets held for sale and disposal groups

Non-current assets and disposal groups that can be sold in their current condition and whose sale is highly probable must be classified as held for sale. These assets must be measured at fair value less costs to sell, insofar as this is lower than book value. However, for interest-bearing and non-interest-bearing financial instruments and investment property the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with IAS 39 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

The current net income from assets and disposal groups held for sale is normally recognised under the same item in the income statement as for other assets and disposal groups without the classification of being held for sale. Gains and losses on the disposal of disposal groups are divided up and recognised in the relevant line of the income statement.

€m	31.12.2017	31.12.2016	Change in %
Financial assets – Loans and Receivables	7	–	.
Loans and advances	7	–	.
Financial assets – Available for Sale	54	68	−21.1
Equity instruments	54	68	−21.1
Financial assets – Fair Value Option	18	25	−30.2
Debt instruments	18	–	.
Equity instruments	–	25	.
Fixed assets	–	520	.
Other assets	–	574	.
Total	**78**	**1,188**	**−93.4**

In all cases of non-current assets and disposal groups held for sale, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in 2018.

The sale of an investment relating to the credit card business in the Private and Small-Business Customers segment was concluded. The transaction has been completed on 26 July 2017 and the derecognition has been made. The Group in July 2017 concluded a contract with a business partner regarding an interest in a company that operates in the instalment loan business. The closing of the transaction took place during the third quarter of 2017. Furthermore, a decision was made in June 2017 to sell holdings in the fully consolidated subsidiary mLocum S.A. Lódz, Poland, as part of the Private and Small-Business Customers segment. The transaction was closed during the third quarter of 2017. In addition, a decision was made in the fourth quarter of 2017 to place shares in closed investment funds. These equity instruments were classified as held for sale, and were reclassified accordingly. The transaction is scheduled to close within the next twelve months.

In the Corporate Clients segment, a purchase agreement was concluded in the second quarter of 2017 for an investment relating to the precious metals processing sector. This transaction closed on 13 July 2017. The loans were derecognised. In the third quarter of 2017, claims on customers were newly categorised as held for sale and reclassified accordingly. The transaction is scheduled to close within the next twelve months.

In the third quarter of 2017, claims on customers (including loan loss provisions) in the Asset & Capital Recovery segment were newly categorised as held for sale and reclassified accordingly. The transaction was closed in the fourth quarter of 2017 and the receivables were derecognised.

Furthermore, several properties used by the Bank and classified as investment properties were sold during the financial year.

(47) Liabilities from disposal groups held for sale

There were no liabilities from disposal groups held for sale in the 2017 financial year, which was also the case in 2016.

Tax assets and tax liabilities

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority given the current tax rates and tax regulations applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against disclosing them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2017 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-reducing temporary differences, unused tax losses and unused tax credits are only recognised if and to the extent that it is probable that the same taxable entity will generate taxable profit in the foreseeable future with respect to the same fiscal authority. To assess impairment, detailed 5-year fiscal profitability projections are made on the basis of the multi-year planning approved by the Board of Managing Directors. Furthermore, recognition is justified if it is likely that a sufficient taxable result will be available even beyond the 5-year time frame.

Deferred tax assets and liabilities are recognised and – depending on the reason for the deferral – continued, either under taxes on income in the income statement or directly in equity.

Income tax expenses or income are reported under taxes on income in the Group income statement.

Deferred tax assets and liabilities are netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

Taxable temporary differences relating to shares in Commerzbank group companies for which no deferred income tax liabilities were recognised amounted to €242m (previous year: €254m).

The current and deferred tax assets as well as the current and deferred tax liabilities are set out in the balance sheet and detailed in the notes.

(48) Tax assets

€m	31.12.2017	31.12.2016[1]	Change in %
Current tax assets	**767**	**629**	**21.9**
in Germany	658	540	21.9
Outside Germany	109	89	22.5
Deferred tax assets	**2,950**	**3,035**	**−2.8**
Tax assets recognised in income statement	2,483	2,662	−6.7
Tax assets not recognised in income statement	467	373	25.2
Total	**3,717**	**3,664**	**1.4**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).

Deferred tax assets represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax carryforwards and as yet unused tax credits.

For the following tax loss carryforwards no deferred tax assets nor any impairments of existing deferred tax assets were recognised as at 31 December 2017 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

Tax loss carryforwards | €m	31.12.2017	31.12.2016	Change in %
Corporation tax/federal tax	**7,502**	**9,263**	**−19.0**
Can be carried forward for an unlimited period	4,452	5,814	−23.4
Can be carried forward for a limited period [1]	3,050	3,449	−11.6
of which expires in the subsequent reporting period	–	–	.
Trade tax/local tax	**3,323**	**4,692**	**−29.2**
Can be carried forward for an unlimited period	232	1,328	−82.5
Can be carried forward for a limited period [1]	3,091	3,364	−8.1
of which expires in the subsequent reporting period	–	–	.

[1] Expires 20 years after the date on which the tax liability arose.

Deferred tax assets are recognised mainly for domestic Group companies, the London branch and United Kingdom subsidiaries. They were recognised in connection with the following items:

€m	31.12.2017	31.12.2016	Change in %
Fair values of derivative hedging instruments	700	1,022	−31.5
Financial assets and liabilities – Held for trading	2,080	3,147	−33.9
Other financial assets	759	698	8.7
Provisions (excluding pension obligations)	51	60	−15.0
Other financial liabilities	190	694	−72.6
Pension obligations	1,030	1,099	−6.3
Other balance sheet items	796	1,152	−30.9
Tax loss carryforwards	1,168	1,149	1.7
Deferred tax assets gross	**6,774**	**9,021**	**−24.9**
Offsetting with deferred tax liabilities	−3,824	−5,986	−36.1
Total	**2,950**	**3,035**	**−2.8**

(49) Tax liabilities

€m	31.12.2017	31.12.2016	Change in %
Current tax liabilities	**673**	**672**	**0.1**
Tax liabilities to tax authorities from income tax	49	27	81.5
Provisions for income tax	624	645	−3.3
Deferred tax liabilities	**34**	**49**	**−30.6**
Tax liabilities recognised in income statement	34	49	−30.6
Tax liabilities not recognised in income statement	–	–	.
Total	**707**	**721**	**−1.9**

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations. They were recognised in connection with the following items:

€m	31.12.2017	31.12.2016	Change in %
Financial assets and liabilities – Held for trading	502	2,280	−78.0
Fair values of derivative hedging instruments	507	716	−29.2
Other financial assets	1,001	1,673	−40.2
Other financial liabilities	698	359	94.4
Other balance sheet items	1,150	1,007	14.2
Deferred tax assets gross	**3,858**	**6,035**	**−36.1**
Offsetting with deferred tax liabilities	−3,824	−5,986	−36.1
Total	**34**	**49**	**−30.6**

Other assets and other liabilities

This line item presents any assets and liabilities which individually are immaterial and which cannot be assigned to other line items.

(50) Other assets

€m	31.12.2017	31.12.2016	Change in %
Precious metals	23	357	−93.6
Accrued and deferred items	218	236	−7.8
Defined benefit assets recognised	390	444	−12.0
Other assets	1,331	1,119	18.9
Total	**1,961**	**2,156**	**−9.0**

(51) Other liabilities

€m	31.12.2017	31.12.2016	Change in %
Liabilities attributable to film funds	1,004	1,184	−15.2
Liabilities attributable to non-controlling interests	100	169	−40.7
Accrued and deferred items	274	322	−15.0
Other liabilities	1,646	1,295	27.1
Total	**3,024**	**2,970**	**1.8**

(52) Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, leases where the lessee bears all the substantial risks and rewards are classified as finance leases. The present value of the lease payments is central to determining the risks and rewards of the lease. If the present value equals at least the amount invested into the leased asset, the lease is classified as a finance lease.

The Group as lessor

The assets where the Group acts as lessor include, in particular, chartered ships, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment).

- Operating leases

  If the risks and rewards of ownership remain substantially with the lessor (operating lease), the asset will continue to be reported on the balance sheet. Leased assets are normally reported in the Group balance sheet under other assets. Leased assets are shown at cost, less depreciation and/or impairments over their useful economic lives. Unless a different distribution is appropriate in individual cases, we recognise the proceeds from leasing transactions on a straight-line basis over the lifetime of the lease and report them under other net income. Ship leases usually include a fixed chartering period. The lease agreements usually include an option for the lessee to buy or to extend the lease. The ships are written off over a 25-year period. Investment properties let under operating leases are contained in the investment properties item on the balance sheet (see Note 45).
- Finance leases

  If virtually all the risks and rewards relating to the leased asset are transferred to the lessee (finance lease), the Commerzbank Group recognises a claim on the lessee. The claim is shown at its net present value (net investment value at the inception of the lease less repayments). Lease payments received (annuities) are divided into an interest portion and a repayment portion. The income is recognised as interest income over the lifetime of the lease.

The payments to be made by lessees are calculated based on the total investment costs less the residual value of the leased asset (real estate, ships) as determined at the start of the lease agreement. During the fixed basic rental period lessees bear all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessors.

Lease agreements for moveable assets are structured as partially amortising agreements with the possibility of subsequent purchase and can be terminated. Because the fixed rental period is shorter in relation to the normal length of use in the case of partially amortising agreements, only part of the total investment costs is amortised.

Leases which may be terminated have no fixed rental period. In the event of termination, a previously agreed final payment becomes due, which covers the portion of the total investment costs not yet amortised. If notice of termination is not given, the lease rolls over. The risk of unexpected or partial loss of the leased asset is then borne again by the lessor.

The Group as lessee

Expenditure on operating leases is always recorded on a straight-line basis over the life of the lease agreement and reported under operating expenses.

Finance leases where the Commerzbank Group is a lessee are of minor significance.

Lessor disclosures – operating leases

Commerzbank acts as a lessor in operating lease arrangements. No contingent rents have been agreed in the leases.

The following minimum lease payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Maturity | €m	**31.12.2017**	**31.12.2016**[1]
up to 1 year	126	143
in 1 year up to 5 years	469	529
in more than 5 years	171	323
Total	**766**	**995**

[1] Prior-year figures restated due to a correction in minimum lease payments. A retrospective correction of €758m was made for the total minimum lease payments. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Impairment losses of €17m were reversed and recognised as income during the financial year.

Lessor disclosures – finance leases

Commerzbank acts as a lessor for finance leases. As at the balance sheet date, these leases primarily comprised technical equipment and machines, office furniture and equipment (e.g. vehicles and office equipment) and to a lesser extent leased real estate. The relationship between gross investments and net present value of the minimum lease payments was as follows:

€m	31.12.2017	31.12.2016
Outstanding lease payments	2,564	2,337
+ guaranteed residual values	98	90
= minimum lease payments	2,663	2,427
+ non-guaranteed residual values	4	8
= gross investments	2,667	2,435
of which from sale and leaseback transactions	477	405
– unrealised financial income	218	194
= net investments	2,450	2,242
– net present value of non-guaranteed residual values	3	6
= net present value of minimum lease payments	2,446	2,235
of which from sale and leaseback transactions	426	361

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease agreement plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease agreement and reviewed at the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease agreement between the reporting date and the end of the contract.

The accumulated allowance for uncollectible minimum lease payments receivable was €46m (previous year: €46m). In addition, €4m (previous year: €7m) of contingent rents were recognised as income in the year under review.

The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

Residual terms as at 31.12.	Gross investments		of which from sale and leaseback transactions	
€m	2017	2016	2017	2016
up to 1 year	746	683	102	76
1 year up to 5 years	1,623	1,517	330	248
more than 5 years	298	236	45	81
Total	**2,667**	**2,435**	**477**	**405**

Residual terms as at 31.12.	Net present value of minimum lease payments		of which from sale and leaseback transactions	
€m	2017	2016	2017	2016
up to 1 year	676	619	88	64
1 year up to 5 years	1,509	1,407	298	222
more than 5 years	261	210	39	75
Total	**2,446**	**2,235**	**426**	**361**

Lessee disclosures – operating leases

The Group's existing obligations arising from operating leases involve rental and leasing agreements for buildings, office furniture and equipment and in 2017 led to expenses of €448m (previous year: €320m). The breakdown of the expenses was as follows:

€m	2017	2016[1]
Minimum lease payments	174	70
Payments for terminable agreements	17	8
Conditional payments	261	242
less sublease income	4	5
Total	**448**	**315**

[1] Prior year restated.

For rental and lease agreements that cannot be terminated, the following expenses are forecast for future years:

Residual terms as at 31.12.	Non-cancellable rental and leasing contracts		of which from sale and leaseback transactions	
€m	2017	2016[1]	2017	2016[1]
up to 1 year	443	324	52	24
1 year up to 5 years	1,338	897	211	96
more than 5 years	998	767	397	146
Total	**2,780**	**1,989**	**661**	**267**

[1] Prior-year figures restated due to a correction in future expenses. A retrospective correction of €357m was made for the future expenses associated with rental and lease agreements that cannot be terminated. In addition, €221m for future expenses from sale-and-leaseback transactions was restated. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

For real estate, mostly rental agreements were concluded, but occasionally also lease agreements. These lease agreements are usually long term and include opt-out clauses, options for the lessee to extend the lease for follow-up periods or price adjustment clauses. Price adjustment clauses exist in a number of different forms such as step-up leases and index clauses. Lease agreements may also include purchase options. Operating lease agreements do not entail any restrictions with respect to the future payment of dividends or contracting of additional debt.

Subletting agreements have been signed for buildings no longer in use in the Commerzbank Group. These leases are non-cancellable. The following income will accrue to the Commerzbank Group in the next few years from these leases:

Due date | €m	2017	2016
up to 1 year	18	7
1 year up to 5 years	72	35
more than 5 years	85	75
Total	**174**	**117**

(53) Other commitments

Payment commitments to Group-external entities and non-consolidated entities on shares not fully paid up were immaterial in the current financial year (previous year: €38.4m).

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

Securities with a book value of €7,857m (previous year: €8,946m) were furnished as collateral for obligations on forward exchanges and clearing houses.

Provisions and employee benefits

A provision must be shown if on the balance sheet date, as the result of an event in the past, a current legal or factual obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly, we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognised as a provision represents the best possible estimate of the expense required to meet the current obligation as at the reporting date. Risks and uncertainties (including with regard to the actual level of the costs at the date of any utilisation of the provision and potential increases in costs for long-term provisions) are taken into account in the estimate. Provisions are recognised at their net present value if they are long-term.

Allocations to the different types of provisions are made via various items in the income statement. Provisions for lending business are charged to loan loss provisions and provisions for restructuring are charged to restructuring expenses. Other provisions are generally charged to operating expenses and released through other net income.

Companies within the Commerzbank Group are involved both in Germany and other countries in court and arbitration cases (legal proceedings) and in out-of-court and supervisory proceedings (recourse claims) as defendants and claimants or in other ways. Moreover, legal cases in which Commerzbank and its subsidiaries are not directly involved could have an impact on the Group because of their fundamental importance for the banking sector. The Group recognises appropriate provisions for proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. Recourse claims relate, for example, to reimbursements of processing fees for consumer loans which have been ruled as invalid and possible claims from customer misselling. In the case of provisions for legal proceedings, the procedure differs depending on whether a company within the Group is the claimant (active proceedings) or defendant (passive proceedings). In active proceedings, provisions are recognised for the legal and court fees and ancillary costs, although this may vary based on the specific practices in each country. In passive proceedings provisions are also recognised for the value in dispute on each balance sheet date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognised, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings. Legal risks for which no provisions have been recognised are reported as contingent liabilities (see Note 56).

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments and main locations involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement can contain further direct restructuring expenses which are not included in the restructuring provision.

Provisions for pensions and similar commitments are recognised for occupational pension schemes. These comprise pension commitments under both defined benefit and defined contribution pension plans. Defined benefit plans exist for obligations from pension entitlements and current benefits based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is pre-defined and dependent on factors such as age, salary level and length of service. Provisions are established for these plans. In contrast, the contributions paid for defined contribution pension plans are recognised directly under personnel expenses.

(54) Provisions

€m	2017	2016	Change in %
Provisions for pensions and similar commitments	890	1,356	−34.3
Other provisions	2,401	2,080	15.4
Total	**3,291**	**3,436**	**−4.2**

Provisions for pensions and similar commitments

The provisions for pensions and similar commitments comprise provisions for pension entitlements of active and former employees and pension entitlements of pensioners in the amount of €811m (previous year: €1,287m) and provisions for early retirement of €80m (previous year: €69m).

The interest and operating expenses for pensions and other employee benefits consist of the following components:

€m	2017	2016	Change in %
Expenses for defined benefit plans	84	85	−0.7
Expenses for defined contribution plans	99	77	27.5
Other pension benefits (early retirement and part-time scheme for older staff)	51	36	41.0
Other pension-related expenses	20	9	.
Expenses for pensions and similar employee benefits	**254**	**208**	**22.0**

a) Defined benefit plans

Pension obligations, pension-related obligations (age-related short-time working schemes, early retirement), obligations for long-service awards and pension expense for defined benefit plans are calculated annually by independent actuaries using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established. Apart from biometric assumptions (the Heubeck-Richttafeln 2005 G in Germany and country-specific biometric tables in other countries), the actuaries rely in particular on a current discount rate based on the yield on high-quality, long-term corporate bonds, as well as expected future rates of pension increases. The future change in salaries does not have a material influence on the amount of the pension obligation due to the structure of the respective pension plans both in Germany and abroad. As a result, the parameter and its sensitivities are not disclosed.

For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity and adjusted by a spread premium for high-quality corporate bonds.

The parameters outside Germany are shown on the basis of weighted averages taking account of the respective relevant pension plans.

%	31.12.2017	31.12.2016
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	1.9	1.8
Adjustment to pensions	1.6	1.6
for determining the pension expenses in the financial year		
Discount rate	1.8	2.6
Adjustment to pensions	1.6	1.5
Parameters for pension plans outside Germany		
for determining the pension obligation at year-end		
Discount rate	2.5	2.7
Adjustment to pensions	2.9	2.9
for determining the pension expenses in the financial year		
Discount rate	2.7	3.7
Adjustment to pensions	2.9	2.7

For employees entitled to pension benefits who joined Commerzbank Aktiengesellschaft or certain other consolidated companies before 31 December 2004, the pension entitlements are based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA. The amount of the benefits under CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards; the benefits are structured as a lifelong pension with the option to take a lump sum. Staff joining the Bank after 1 January 2005 have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds.

Since 1 January 2010 the direct pension arrangements for staff formerly employed by Dresdner Bank Aktiengesellschaft have also been based on the company pension modules (CBA).

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined benefit plans.

In addition to the occupational pension plans, there is an internally-financed healthcare plan in the United Kingdom which entitles members in retirement to reimbursement of medical costs or a contribution to private medical insurance. The resulting obligations are accounted for according to the rules for defined benefit pension plans as specified by IAS 19.

In order to meet the direct pension liabilities in Germany, cover assets were transferred to a legally independent trustee, Commerzbank Pension Trust e. V. (CPT) under a Contractual Trust Arrangement (CTA). The assets held by CPT and the cover assets for pension obligations in our foreign units qualify as plan assets within the definition of IAS 19.8. The trust agreements signed by Commerzbank Aktiengesellschaft and other group companies in Germany with the CPT also provide insolvency insurance for the direct occupational pension commitments funded by plan assets. The insolvency insurance covers all vested benefits of active and former employees and all current benefits being paid to pensioners. It covers the portion of vested or current benefits that are not covered by Pensions-Sicherungs-Verein (PSV), the German pensions insurance fund. The trust agreements do not require the trustor companies to pay in contributions. However, the plan assets must cover the liabilities not covered by PSV at all times. The companies that are party to the agreements may only request rebates from the plan assets for pension benefits that have been paid up to this limit.

The investment guidelines for the German plan assets are laid down jointly by the Board of Managing Directors of Commerzbank Aktiengesellschaft and the CPT. There are no legal requirements for the investment guidelines. The investment management is carried out by the Executive Pension Committee (EPC), which follows a liability-driven investment (LDI) approach as part of its Asset Liability Management. It also sets the framework for determining the actuarial assumptions. The main aim of the EPC's investment strategy is to replicate the future cash flows for the pension liabilities using derivatives for interest rates, inflation and credit spreads, with the aim of reducing the risks directly attributable to the future development of the pension liabilities. Apart from the usual pension risks such as inflation and biometric risks there are no other unusual risks at Commerzbank. The portfolio of the plan assets is well-diversified and mainly comprises fixed-income securities, equities and alternative investments.

The pension plans outside Germany have their own trust structures independent from the CPT. Overall, they currently represent around 14 % of the Group's total pension liabilities. The EPC also acts as the steering committee for the plan assets of the foreign pension plans. Different national regulations also apply in each of the foreign countries. However, these plans also generally use an LDI approach. The biggest plan sponsors outside Germany are the

Group units in London (around 86 %), New York and Amsterdam, which all together account for around 96 % of the non-German pension liabilities. Most of the foreign pension schemes are funded defined benefit plans. In some cases, there are also pension liabilities on a small scale outside Germany that are not covered by plan assets.

The net liability or net asset resulting from the present value of the defined benefit obligations less the fair value of the plan assets, subject, if applicable, to the asset ceiling, is recognised in the balance sheet.

The pension expense for defined benefit plans, which is reported under personnel expenses and in net interest income, consists of the service cost and the net interest cost. The service cost arises from changes in the pension obligation of past years as a result of changes in pension commitments. Apart from the current service cost, which represents the entitlements earned by members during the financial year, this also includes the past service cost or income. In the reporting year, this was based on a curtailment in the existing pension obligations in Germany, resulting from the reduction in personnel under the social plan. Net interest expense/income (net interest cost) is calculated as the difference between the present value of the obligation and the fair value of the plan assets. When calculating the pension obligation with respect to the net liability and plan assets under defined benefit plans, the discount rate is applied.

The difference between the remeasurement of the pension obligation on the balance sheet date as compared with the value projected at the beginning of the year is the actuarial gain or loss. Actuarial profits and losses are, like the return on plan assets (with the exception of amounts contained in net interest expense/income), recognised directly in retained earnings within equity and are reported in the statement of comprehensive income.

The net debt of the defined benefit obligation changed as follows:

	Pension obligation		Plan assets		Net debt	
€m	2017	2016	2017	2016	2017	2016
As at 1.1. current year	**9,729**	**8,547**	**–8,765**	**–7,892**	**964**	**655**
Service cost	88	82	–	–	88	82
Past service cost	–15	–7	–	–	–15	–7
Curtailments/settlements	1	–	–	–	1	–
Interest expense/income	184	229	–172	–219	12	10
Remeasurement	–116	1,386	–90	–828	–206	559
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	–	–90	–828	–90	–828
Experience adjustments	9	–58	–	–	9	–58
Adjustments in financial assumptions	–109	1,443	–	–	–109	1,443
Adjustments in demographic assumptions	–16	1	–	–	–16	1
Pension payments	–393	–339	132	80	–261	–259
Settlement payments	–4	–	4	–	–	–
Change in the group of consolidated companies	0	–0	–	–	0	–0
Exchange rate changes	–58	–171	66	214	9	44
Employer contributions	–	–	–155	–119	–155	–119
Employee contributions	2	2	–2	–2	0	0
Reclassifications/other changes	4	1	–	–0	4	0
As at 31.12. current year	**9,421**	**9,729**	**–8,982**	**–8,765**	**439**	**964**
of which provision for pension					811	1,287
of which recognition of defined benefit assets					372	323

In the 2018 financial year, employer contributions of €24m to plan assets for defined benefit pension plans are expected, as well as pension payments of €254m.

The asset ceiling had no effects within Commerzbank, and the net debt may therefore be equated with the financing status.

The geographical breakdown of the pension obligations was as follows:

€m	31.12.2017	31.12.2016
Germany	8,066	8,243
United Kingdom	1,164	1,274
America	89	103
Others	102	109
Total	**9,421**	**9,729**

The sensitivity analysis shown here reflects the changes in the assumption; the other assumptions remain unchanged from the original calculation, i.e. potential correlation effects between the individual assumptions are not accounted for. The effects of the assumption changes on the present value of the pension liabilities were determined using the same methods – in particular, the projected unit credit method – as used for the measurement of pension obligations as at the year-end. A change in the corresponding assumptions as at 31 December 2017 would have the following effects on the obligation:

€m	31.12.2017	31.12.2016
Interest rate sensitivity		
Discount rate +50bps	–787	–841
Discount rate –50bps	909	976
Pension adjustment sensitivity		
Adjustment to pensions +50bps	536	560
Adjustment to pensions –50bps	–488	–511
Mortality rate (life expectancy) change sensitivity		
Reduction in mortality by 10 %[1]	336	348

[1] The reduction in mortality by 10% for all ages results in an average increase in life expectancy of around one year at age 65.

The breakdown of the plan assets was as follows:

%	2017		2016	
	Active market	Inactive market	Active market	Inactive market
Fixed-income securities/bond funds	46.5	21.3	52.0	19.1
Shares/equity funds	8.2	1.5	6.1	2.5
Other investment fund units	0.3	0.6	0.1	0.6
Liquid assets	3.7	–	0.3	–
Asset-backed securities	4.9	1.9	2.8	3.4
Derivates	9.9	1.1	12.3	1.2
Others	–	0.1	–0.1	–0.3

As at 31 December 2017, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Nor did they include any mortgage securities used by the Group.

The weighted average duration of the pension obligations was 18.3 years (previous year: 19.0 years). The anticipated maturities of undiscounted pension obligations are as follows:

€m	2018	2019	2020	2021	2022	2023–2027
Expected pension payments	308	297	308	312	319	1,695

The pension payments expected for 2018 include around €12m resulting from the wind-up and one-time settlement of the former pension plan in Ireland.

b) Defined contribution plans

Commerzbank is a member of the BVV pension scheme, to which other financial institutions in Germany also belong. The payment of employer and employee contributions to BVV and the rendering of benefits by BVV to the employees of the member companies in Germany are based on the applicable BVV regulations. It involves defined benefit plans which are shared jointly by several employers. However, they are accounted for as defined contribution plans, as we do not have enough information on our share of the overall defined benefit obligation of each BVV plan and on the share of the relevant plan assets attributable to us. The contributions paid to BVV are recognised in personnel expenses. Under the German occupational pensions legislation, the employer is liable for meeting the pension commitment provided through BVV. However, no provisions for the BVV pension commitment were recognised either in the current or previous business years, as recourse to this statutory liability is regarded as unlikely.

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined contribution plans.

The expenses for defined contribution plans included €82m (previous year: €59m) in payments to defined contribution plans in Germany. Contributions in 2018 are expected to be around the same amount.

Other provisions

a) Provisions for off-balance-sheet lending exposures

€m	As at 1.1.2017	Allocations	Utilisation	Reversals	Reclassifications/ Change in the group of consolidated companies/ Others	As at 31.12.2017
Specific risks in lending business	76	75	0	41	2	112
Portfolio risks in lending business	129	5	–	34	–1	99
Total	**205**	**80**	**0**	**75**	**1**	**211**

For information on the principles we observe when establishing provisions for off-balance-sheet lending exposures, please refer to the explanations in Notes 62 to 64 on credit risks and credit losses.

b) Other provisions

Other provisions changed as follows in the financial year:

€m	As at 1.1.2017	Allocations	Utilisation	Reversals	Unwinding of discount	Reclassifi-cations/ Change in the group of consolidated companies/ Others	As at 31.12.2017
Personnel provisions	607	404	354	50	0	–2	605
Restructuring measures	425	810	127	57	0	–200	850
Legal proceedings and recourse claims	339	119	46	110	0	–1	301
Other	505	197	187	55	2	–28	433
Total	**1,875**	**1,530**	**714**	**273**	**2**	**–230**	**2,190**

The personnel provisions are predominantly short-term in nature, but also include provisions for service anniversaries, which are by their nature long-term and are utilised successively in following reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan which are utilised after the expiry of the 3-year vesting period. The provisions listed under Other mostly have a residual term of under one year.

The restructuring provisions are largely attributable to the areas of Human Resources and Organisation. We expect these provisions to be utilised in the period from 2018 to 2020.

Legal disputes

In case of legal proceedings for which provisions need to be recognised and which are reported in other provisions under legal proceedings and recourse claims, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at the balance sheet date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors

who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).

- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. Commerzbank anticipates the recovery of the corresponding charges by its customers.
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- In the past few years, Commerzbank and its subsidiaries have sold a number of subsidiaries and equity holdings in Germany and abroad as well as some major properties. These contracts contain guarantees and certain indemnities and financial commitments and could lead to claims being raised against the Commerzbank Group. In some cases, complaints have been filed claiming failure to honour the agreements in question.
- A subsidiary of Commerzbank was involved in two South American banks which in the meantime have gone into liquidation. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks' supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition, the company's insolvency administrator has raised recourse claims against the company arising from its joint liability and for other legal reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. Should the claimants win their appeal in the higher courts, Commerzbank expects that recourse claims against other members of the consortium and third parties will be possible based on the contractual agreements.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. The case is ongoing.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- A class action lawsuit was granted in May 2017 against a Commerzbank subsidiary, and a notice of initiation of the class action proceedings was published. The subject matter of the lawsuit is the alleged ineffectiveness of index clauses in loan agreements denominated in foreign currency. The subsidiary has defended itself against the claim.

(55) Share-based remuneration plans

Significant share-based remuneration plans

a) Commerzbank-Incentive-Plan (CIP)

The Commerzbank Incentive Plan (CIP), which was first launched in 2011, has been revised in response to changing regulatory requirements. The CIP sets out the detailed rules for variable remuneration and applies to the entire Commerzbank Group. In some locations different or supplementary CIP rules apply reflecting local legal or employment law requirements.

Under the CIP, employees designated as "risk takers" can receive parts of their individual variable remuneration as a cash component and a stock component linked to the performance of the Commerzbank share. The variable remuneration consists of a short-term incentive (STI) and, in the case of risk takers whose variable remuneration exceeds the risk taker limit, a long-term incentive (LTI).

A risk taker is an employee whose role has a material impact on Commerzbank's overall risk profile. The criteria include the function carried out by the employee, the group to which the employee belongs and whether certain requirements determined by the Bank are met. Depending on the employee's hierarchical level and the risk relevance of their role, the Bank designates what kind of risk taker the employee is: "risk taker I" or "risk taker II". Risk taker I status applies to employees whose role entails a higher risk relevance.

The risk taker limit is the amount up to which the payment of a risk taker's entire variable remuneration for a financial year as a cash STI payment is tolerated by the supervisory authorities, subject to general salary levels in the banking sector. For risk takers whose variable remuneration does not exceed the risk taker limit, and for employees without risk taker status (non-risk takers), variable remuneration is paid entirely as STI in cash rather than shares. Only if the risk taker limit is exceeded is the variable remuneration divided up into STI and LTI components subject to the CIP rules applying to these components.

The following rules apply once the risk taker limit has been exceeded:

- For the risk taker I category, the STI component is 40% and the LTI component is 60% of the potential variable remuneration. 50% of both the STI and LTI are paid in shares.
- For the risk taker II category, the STI component is 60% and the LTI component is 40% of the potential variable remuneration. 50% of both the STI and LTI are paid in shares.

An individual's variable remuneration is determined on the basis of the results of their annual target attainment meeting (performance appraisal I), which is held in the first three months of the following year. The number of Commerzbank shares granted is set at the same time as the variable remuneration for both the STI and the LTI. If risk takers receive share-based remuneration components, the number of Commerzbank shares is calculated by dividing 50% of the euro amounts in the STI and the LTI by the subscription price. If there are any fractional amounts the number of shares is rounded up. The subscription price is the simple arithmetic average of the Xetra closing prices of the Commerzbank share on all trading days during the reference period (December of the previous year and January and February of the next year).

Under the rules of the share-based remuneration components Commerzbank has the right to make a payment in cash rather than in shares. Use is made of this option as a rule. In the STI, the shares, or the optional cash settlement, are subject to a 6-month lockup ("retention period"). The share component of the STI is currently paid in October of the following financial year.

In the LTI, the shares can be acquired at the earliest after the expiry of the deferral period, currently three years, provided there are no other grounds under performance appraisal II to block the allocation. Performance appraisal II is held in the first three months after the end of the deferral period and consists of a review of the underlying performance appraisal I and fulfilment of individual and group-specific qualitative targets during the deferral period. If entitlement is confirmed, the final availability of the shares or the optional cash settlement in the LTI is also subject to a 6-month retention period. The LTI is currently paid out in October of the fourth year after the underlying financial year.

In the event of a cash settlement of the share component the cash amount is calculated on the basis of the simple arithmetic average of Xetra closing prices of the Commerzbank share on all trading days during the reference period. The reference period is the month of September preceding the due date of the relevant share-based remuneration component.

If Commerzbank has paid dividends or carried out capital actions during the term of the CIP, an additional cash amount equal to the dividend, or a cash settlement for the capital action, will be paid out when the STI and LTI components mature.

The various remuneration components are estimated in the underlying financial year on the basis of budget forecasts, and provisions are recognised proportionally over the lifetime of the plans. Moreover, regular reviews, revaluations based on movements in the share price and/or adjustments of the amounts are carried out throughout the lifetime of the CIP.

b) Share Awards

Share awards are a deferred component of variable compensation where non-pay-scale employees of Commerzbank Aktiengesellschaft are allocated virtual Commerzbank shares.

The Commerzbank Incentive Plan (CIP) was introduced as a result of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung), which became law in Germany in October 2010. For the financial years from 2011 onwards, share awards were therefore used for selected employees only and they expired in 2017.

c) mBank S.A.

In 2008, mBank SA launched two share-based remuneration plans for the members of its Management Board. The members of the Management Board of our subsidiary could participate in these plans from 2009 to 2011. The first plan provided for the subscription of mBank shares. The second plan (modified in 2010) allows for an amount to be drawn in cash corresponding to the Commerzbank share value. The last payout was made in 2016. In 2012 a new share-based programme was launched in which members of the Management Board could participate up until 2017. Until 2013 this programme comprised both a short-term component (cash payment) and a long-term component which entitled the participants to make regular subscriptions to mBank shares over a period of three years. The programme was modified in 2014 and now consists of cash payments and the subscription of mBank shares in both components over three years. Similar to the 2008 programme, a given quantity of these shares were issued each year and made available to those entitled for purchase at a pre-determined price. In addition, a significant number of risk takers were added to this programme in 2015. In all of these programmes, participation is linked to a minimum return on equity by the mBank sub-group. The long-term component of the programme from 2012 (modified in 2014) is also linked to the participants' performance assessment.

Both plans, which entitle the participants to subscribe to mBank shares (2008 and 2012, modified in 2014), are classified as share-based payments settled in the form of equity instruments. The second programme from 2008 is accounted for as a cash-settled share-based compensation transaction.

d) Remuneration of the Board of Managing Directors

Please refer to the separate Remuneration Report in the Group Management Report for a detailed account of the remuneration of members of the Board of Managing Directors (p.27.ff.).

Accounting treatment and measurement of share-based remuneration plans

The staff compensation plans are accounted for under the rules of IFRS 2 – Share-based Payment and IAS 19 – Employee Benefits. A distinction is made between share-based remuneration payments settled in the form of equity instruments and those settled in cash. For both forms, however, the granting of share-based remuneration has to be recognised at fair value in the Group Financial Statements.

- Equity-settled share-based remuneration transactions:
  The fair value of share-based remuneration payments settled in the form of equity instruments is recognised as personnel expense within equity in retained earnings. The fair value is determined on the date on which the rights are granted. If rights cannot be exercised because the conditions for exercise are not met due to market conditions, no change is made to the amounts already recognised in equity. However, if rights cannot be exercised because other conditions for exercise are not met (service and non-market conditions), the amounts already recognised in equity are adjusted through profit or loss.
- Cash-settled share-based remuneration transactions:
  The portion of the fair value of share-based remuneration payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expense while at the same time being recorded as a provision. The fair value is recalculated on each balance sheet date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. The provisions fluctuate on each balance sheet date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. This affects the portion of the share-based variable remuneration that was determined using an average price for the Commerzbank share. The price itself is determined as the average Xetra closing price of the months of January and February plus December of the previous year. In the case of share awards the portion of the provisions attributable to share awards is reassigned from other personnel provisions to the provision for share awards at the date of the award. The provision is calculated as the product of the number of rights allocated multiplied by the average Xetra closing price of Commerzbank shares in January and February of the year of the award and December of the previous year. The provisions fluctuate on each balance sheet date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. Discounts are not applied for staff natural wastage as the share awards do not lapse on the departure or death of an employee. If Commerzbank pays dividends during the vesting period, a cash payment equal to the dividend, or cash compensation for a capital action, will be paid out for each CIP and share award at the payout date in addition to the payout value. Provisions are recognised for these payments if applicable.
- Measurement:
  The provision for the Commerzbank incentive plan and the share awards is determined by multiplying the number of shares earned by participants by the closing price of the Commerzbank share on 31 December of the reporting year. The value of Commerzbank shares for the second mBank programme from 2008 is calculated by using average market prices of the Commerzbank share on the date the shares were granted. The expense for the allocations to the provisions can also be recognised over the vesting period, depending on the remuneration plan.

Expenses relating to share-based payments were incurred in the 2017 financial year in connection with services already rendered by employees (including the Board of Managing Directors). Expense for share-based payments was as follows:

€m	2017	2016
Cash-settled plans	43	20
of which Commerzbank Incentive Plan	43	20
Equity-settled plans	2	2
Total	**46**	**22**

The provisions for cash-settled plans and the reserves in equity for plans settled with equity instruments were as follows:

€m	2017	2016
Provisions	65	55
of which Share Awards	0	1
of which Commerzbank Incentive Plan	65	54
Equity reserves	7	8

Share Awards. The number of rights outstanding under the share award programmes developed as follows during the financial year:

Number of awards units	**Share Awards**
Balance as at 1.1.2016	**7,791**
Granted during the year	–
Forfeited during the year	–
Exercised during the year	4,105
Expired during the year	–
Balance as at 31.12.2016	**3,686**
Forfeited during the year	–
Exercised during the year	–
Expired during the year	3,565
Balance as at 31.12.2017	–
Balance as at 31.12.2017	**121**

Commerzbank-Incentive-Plan. The number of shares changed as follows in the current reporting year::

Number of awards units	**Commerzbank-Incentive-Plan**
Balance as at 1.1.2016	**3,492,061**
Granted during the year	3,785,377
Forfeited during the year	86,921
Exercised during the year	2,953,614
Expired during the year	–
Balance as at 31.12.2016	**4,236,903**
Granted during the year	1,664,336
Forfeited during the year	–
Exercised during the year	2,026,863
Expired during the year	–
Balance as at 31.12.2017	**3,874,376**

Off-balance sheet transactions

(56) Contingent liabilities and lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the reporting company acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance. These are normally guarantees issued at a customer's request, which give us a right of recourse to the customer in the event that the guarantee is called upon. All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. credit lines that have been advised to customers), to buy securities or provide guarantees or acceptances. However, lending commitments attributable to the trading book are reported under trading assets or trading liabilities.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for loan losses.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

Legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised, are also reported under contingent liabilities. We take a wide variety of factors into account in determining the probability of a loss, including the type of claims and judgements on similar issues.

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be presented in different forms, as shown in the following examples:

- guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Customers' total exposure under loans and guarantees may be secured by any available collateral. Also, third parties may have sub-participations in irrevocable lending commitments and acceptances.

The contingent liabilities include the irrevocable payment obligation provided by the Single Resolution Board (SRB) after approval of the Bank's request for security for payment of part of the banking levy.

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. The Group Management Report contains further information on credit risk and liquidity risk and how they are monitored and managed. Loan loss provisions for off balance-sheet commitments have been deducted from the respective items in these tables.

€m	31.12.2017	31.12.2016	Change in %
Contingent liabilities	**36,179**	**34,997**	**3.4**
Banks	6,669	6,358	4.9
Corporate clients	26,570	25,912	2.5
Private customers	291	302	–3.9
Other financial corporations	2,531	2,299	10.1
General governments	117	125	–6.3
Lending commitments	**79,896**	**78,245**	**2.1**
Banks	1,382	1,391	–0.6
Corporate clients	59,543	60,077	–0.9
Private customers	10,618	7,472	42.1
Other financial corporations	8,130	9,028	–9.9
General governments	222	277	–19.7
Total	**116,074**	**113,242**	**2.5**

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2017, the contingent liabilities for legal risks amounted to €558m (previous year: €544m) and for tax risks they were in the upper double-digit million range and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal on point of law against the judgement of the appellate court of May 2016. A decision on the appeal is expected in the course of 2018.
- Commerzbank held an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against the Commerzbank Group and others for repayment of the proceeds it received from the sale of its stake. Two of these suits were rejected on appeal. Whether the appeal will be upheld on review has not yet been decided. A third suit has in the meantime been dismissed, in favour of the banking consortium. This decision is being appealed.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. Commerzbank is defending itself against the action.
- Commerzbank was involved in several legal disputes with the guarantor of a ship finance loan. As the borrower did not fulfil its payment obligation on the due date, Commerzbank launched a lawsuit in London and moved to hold the guarantor liable under the guarantee. The guarantor in turn applied to a court in Piraeus, Greece, for a negative finding that it does not owe Commerzbank any amount for the borrower under the

guarantee. Finally, in May 2016 the guarantor and the shipping company jointly sued Commerzbank in Piraeus for damages. They are claiming they suffered a loss as a result of the attachment of a tanker by Commerzbank in 2014 and the subsequent sale of the ship on the open market. In the meantime, the aforementioned proceedings have been terminated by mutual agreement and the case settled.

- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.
- Supervisory authorities and other relevant authorities in a number of countries have been investigating market manipulation and irregularities in connection with exchange rate fixing and the foreign exchange market in general for some time.

The contingent liabilities for tax risks relate to the following material issues:

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

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions of €12m as at the end of 2017 for potentially refundable own investment income taxes.

With respect to securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. In this respect a lawsuit has been filed in one case. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, this cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, including interest on arrears.

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

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

Segment reporting

(57) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The following segment information is based on IFRS 8 Operating Segments, which applies the management approach. The segment information is prepared on the basis of internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and determining the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting addresses the three business segments which we established as at 30 September 2016: Private and Small-Business Customers, Corporate Clients and Asset & Capital Recovery, plus the Others and Consolidation segment. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. A modification to the business model of the Corporate Clients segment in the first quarter of 2017 led to minor changes in business responsibilities; tasks related to loan administration were transferred to the support functions. The prior-year figures have been restated accordingly. Further information on the segments is provided in the Group Management Report. As at 31 December 2017, the reporting of the line items in the income statement was changed to reflect the IAS 39 fair value categories. The prior-year figures have been restated accordingly.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income, dividend income, loan loss provisions, other realised profit or loss and net remeasurement gain or loss, net commission income, gain or loss from financial assets and liabilities measured at fair value through profit and loss, net income from hedge accounting, other net gain or loss from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses. The operating profit does not include impairments of goodwill and other intangible assets and restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit or loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments and expresses the relationship of operating expenses to income before loan loss provisions in lending business.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual businesses and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. At Group level, Common Equity Tier 1 (CET 1) capital is shown, which is used to calculate the operating return on equity. The calculation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET 1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at market prices or at full cost.

2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	2,353	1,730	183	−66	4,201
Dividend income	24	25	0	58	106
Loan loss provisions	−154	−295	−336	4	−781
Other realised profit or loss and net remeasurement gain or loss	−12	−32	−38	6	−76
Net commission income	1,977	1,237	2	−38	3,178
Net income from financial assets and liabilities at fair value through profit or loss	148	960	28	−44	1,092
Net income from hedge accounting	−2	−1	−34	−49	−86
Other profit or loss from financial instruments	119	28	4	109	259
Current net income from companies accounted for using the equity method	2	22	−0	−0	23
Other net income	224	20	21	201	465
Income before loan loss provisions	*4,832*	*3,989*	*166*	*177*	*9,163*
Income after loan loss provisions	*4,678*	*3,693*	*−170*	*181*	*8,382*
Operating expenses	3,811	2,885	98	285	7,079
Operating profit or loss	**867**	**809**	**−269**	**−104**	**1,303**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	808	808
Pre-tax profit or loss	**867**	**809**	**−269**	**−911**	**495**
Assets	**128,214**	**173,095**	**24,374**	**126,810**	**452,493**
Liabilities	**152,994**	**194,860**	**20,015**	**84,623**	**452,493**
Carrying amount of companies accounted for using the equity method	**11**	**169**	**1**	**–**	**181**
Average capital employed [1]	**4,134**	**10,462**	**2,982**	**6,031**	**23,609**
Operating return on equity (%)	**21.0**	**7.7**	**−9.0**	**–**	**5.5**
Cost/income ratio in operating business (%)	**78.9**	**72.3**	**59.4**	**–**	**77.3**

[1] Average CET 1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

2016[1] €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	2,281	1,924	26	–66	4,165
Dividend income	53	36	3	72	164
Loan loss provisions	–119	–185	–599	3	–900
Other realised profit or loss and net remeasurement gain or loss	–10	–17	141	–74	40
Net commission income	1,956	1,280	4	–27	3,212
Net income from financial assets and liabilities at fair value through profit or loss	199	978	75	–233	1,019
Net income from hedge accounting	–4	8	–21	–20	–37
Other profit or loss from financial instruments	154	153	1	85	393
Current net income from companies accounted for using the equity method	131	19	–0	–0	150
Other net income	59	67	–17	184	293
Income before loan loss provisions	*4,818*	*4,447*	*213*	*–78*	*9,399*
Income after loan loss provisions	*4,699*	*4,262*	*–386*	*–76*	*8,499*
Operating expenses	3,621	2,973	128	377	7,100
Operating profit or loss	**1,078**	**1,289**	**–515**	**–453**	**1,399**
Impairments on goodwill and other intangible assets	–	627	–	–	627
Restructuring expenses	–	22	–	106	128
Pre-tax profit or loss	**1,078**	**639**	**–515**	**–559**	**643**
Assets	**119,392**	**210,768**	**27,005**	**123,271**	**480,436**
Liabilities	**141,396**	**223,776**	**20,203**	**95,061**	**480,436**
Carrying amount of companies accounted for using the equity method	**9**	**170**	**1**	**–**	**180**
Average capital employed [2]	**4,122**	**11,600**	**3,308**	**4,156**	**23,186**
Operating return on equity (%)	**26.1**	**11.1**	**–15.6**	**–**	**6.0**
Cost/income ratio in operating business (%)	**75.2**	**66.9**	**60.4**	**–**	**75.5**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).
[2] Average CET 1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

€m	2017			2016[1]		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	–89	23	–66	–87	22	–66
Dividend income	58	–	58	72	–	72
Loan loss provisions	4	0	4	3	0	3
Other realised profit or loss and net remeasurement gain or loss	–11	18	6	77	–151	–74
Net commission income	–34	–4	–38	–23	–4	–27
Net income from financial assets and liabilities at fair value through profit or loss	–53	10	–44	–276	43	–233
Net income from hedge accounting	–49	–	–49	–20	–	–20
Other profit or loss from financial instruments	109	–1	109	121	–35	85
Current net income from companies accounted for using the equity method	–0	–	–0	–0	–0	–0
Other net income	217	–16	201	191	–8	184
Income before loan loss provisions	*148*	*30*	*177*	*55*	*–133*	*–78*
Income after loan loss provisions	*152*	*30*	*181*	*57*	*–133*	*–76*
Operating expenses	314	–29	285	400	–23	377
Operating profit or loss	**–163**	**59**	**–104**	**–343**	**–110**	**–453**
Impairments on goodwill and other intangible assets and other intangible assets	–	–	–	–	–	–
Restructuring expenses	808	–	808	100	6	106
Profit or loss before tax	**–970**	**59**	**–911**	**–443**	**–116**	**–559**
Assets	**126,403**	**407**	**126,810**	**123,001**	**270**	**123,271**
Liabilities	**84,340**	**283**	**84,623**	**94,920**	**141**	**95,061**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 152 ff.).

Under "Consolidation" we report consolidation and reconciliation items between the results of the segments and the "Others" category on the one hand and the Group financial statements on the other. This relates primarily to the following items:

- elimination of the net measurement gains or losses on own bonds incurred in the segments;
- effects from the consolidation of intragroup-transactions between segments;
- effects from the consolidation of expenses and income;
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

The breakdown within segment reporting of the results by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

2017 €m	**Germany**	**Europe without Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	2,524	1,536	8	133	–	4,201
Dividend income	105	1	0	0	–	106
Loan loss provisions	−552	−230	−5	6	–	−781
Other realised profit or loss and net remeasurement gain or loss	−48	−28	0	–	–	−76
Net commission income	2,619	500	38	21	–	3,178
Net income from financial assets and liabilities at fair value through profit or loss	696	284	50	63	–	1,092
Net income from hedge accounting	−75	−14	3	−0	–	−86
Other profit or loss from financial instruments	237	22	–	–	–	259
Current net income from companies accounted for using the equity method	18	0	5	–	–	23
Other net income	469	−14	13	−2	–	465
Income before loan loss provisions	6,545	2,287	117	214	–	9,163
Income after loan loss provisions	5,993	2,057	112	220	–	8,382
Operating expenses	5,490	1,317	113	159	–	7,079
Operating profit or loss	**503**	**740**	**−1**	**61**	**–**	**1,303**
Risk assets without credit risks (phase-in)	**85,059**	**45,927**	**3,631**	**2,870**	**–**	**137,486**

2016[1] €m	Germany	Europe without Germany	America	Asia	Others	Total
Net interest income	2,750	1,318	–22	120	–	4,165
Dividend income	157	5	1	0	–	164
Loan loss provisions	–684	–208	9	–16	–	–900
Other realised profit or loss and net remeasurement gain or loss	57	–19	2	–	–	40
Net commission income	2,666	477	44	24	–	3,212
Net income from financial assets and liabilities at fair value through profit or loss	259	528	94	138	–	1,019
Net income from hedge accounting	–46	8	1	–0	–	–37
Other profit or loss from financial instruments	275	113	3	2	–	393
Current net income from companies accounted for using the equity method	141	5	4	–	–	150
Other net income	212	81	2	–3	–	293
Income before loan loss provisions	6,472	2,517	131	280	–	9,399
Income after loan loss provisions	5,788	2,308	140	263	–	8,499
Operating expenses	5,531	1,284	133	152	–	7,100
Operating profit or loss	**257**	**1,025**	**6**	**111**	**–**	**1,399**
Risk assets without credit risks (phase-in)	**91,460**	**47,006**	**4,742**	**3,672**	**–**	**146,880**

[1] Anpassung Vorjahr aufgrund geändertem Ausweis sowie diversen Restatements (siehe Seite 152 ff.).

Approximately 37 % of income before loan loss provisions in Europe was attributable to our units in the United Kingdom (previous year: 35 %), 46 % to our units in Poland (previous year: 40 %) and 6 % to our units in Luxembourg (previous year: 15 %). Credit-risk-weighted assets (phase-in) are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor management reporting.

Other notes

Reported equity and regulatory capital

(58) Equity structure in accordance with IFRS

Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00. The subscribed capital stood at €1,252m as at 31 December 2017, as no treasury shares were held. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up.

Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and profit-sharing certificates with conversion or option rights. Conditional capital developed as follows:

€m	Conditional capital 1.1.2017	Additions	Expirations/ utilisations	Authorisation expired	Conditional capital 31.12.2017	thereof: Used conditional capital	thereof: Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	569	–	–	–	569	–	569
Total	**569**	**–**	**–**	**–**	**569**	**–**	**569**

As resolved at the Annual General Meeting of 30 April 2015, the Company's share capital shall be conditionally increased by up to €569,253,470.00 divided into up to 569,253,470 bearer shares with no par value (Conditional Capital 2015 in accordance with Art. 4 (4) of the Articles of Association). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit participation rights, convertible hybrid bonds, or warrants attached to bonds or profit-sharing certificates, with warrants issued or guaranteed until 29 April 2020 by the Company (or by companies in which the Company directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act) on the basis of the authorisation resolved at the Annual General Meeting dated 30 April 2015 (Authorisation 2015), exercise their conversion/option rights or fulfil their related conversion or option obligations, or the Company utilises its right to provide alternative performance, and other forms of settlement are not chosen. The new shares are issued at the option or conversion price, as the case may be, to be determined in accordance with the Authorisation 2015. The new shares will be entitled to dividend payments from the start of the fiscal year in which they are issued through the exercise of either conversion or option rights, or through the fulfilment of the related conversion or option obligations; as far as legally permissible, the Board of Managing Directors may, with the approval of the Supervisory Board, determine the dividend right in respect of new shares in derogation of Art. 60 (2) Stock Corporation Act, even for a fiscal year already ended.

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

Authorised capital

Date of AGM resolution	Original amount €m	Used in precious years for capital increases €m	Used in 2017 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
30.04.2015	569	–	–	–	569	29.04.2020
Total	**569**	**–**	**–**	**–**	**569**	

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

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 29 April 2020 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €569,253,470.00 (Authorised Capital 2015 in accordance with Art. 4 (3) of the Articles of Association). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sentence 1 Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the Supervisory Board in the following circumstances:

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to issue shares to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act);
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective, or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2015, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5 and Art. 186 (3) sentence 4 Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2015, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 Stock Corporation Act.

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

The Supervisory Board is authorised to amend the wording of Art. 4 of the Articles of Association in accordance with the utilisation of Authorised Capital 2015 or to amend it after the expiry of the authorisation period.

(59) Regulatory capital requirements

The main rules governing compliance with minimum regulatory capital ratios for solvency purposes in the EU are contained in the Capital Requirements Directive (CRD) IV, the Capital Requirements Regulation (CRR), a European regulation which, unlike the CRD IV Directive, has direct legal effect for all European banks, together with the SSM Regulation (Council Regulation No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions). This legislation is supplemented at national level in Germany by further provisions in the German Banking Act, the German Solvency Regulation and other regulations. In addition, Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) provide explanations about particularly complex matters. The introduction of the new regulations in 2014 has strengthened the quality of regulatory capital compared with the previous regime, made capital requirements more stringent and set higher minimum requirements for banks' capital adequacy.

To avoid having all these requirements take effect on a single date, certain parts of the new rules are subject to defined phase-in rules.

Common Equity Tier 1 (CET 1) capital consists largely of subscribed capital plus reserves and non-controlling interests. Adjustments to this figure may be necessitated by any number of causes, for example goodwill, intangible assets, write-downs of assets (if assets are not valued cautiously enough in the regulator's view), shortfalls due to the comparison of expected losses with the provisions recognised for them and the correction of tax loss carryforwards. Adding Additional Tier 1 capital (AT1), which can contain subordinated debt instruments with certain conditions, produces Tier 1 core capital. Tier 2 capital consists largely of subordinated debt instruments which are not eligible as Additional Tier 1 capital. The eligibility of these capital components has been reduced, as over the final five years of their life they may now only be amortised on a straight-line basis.

Commerzbank seeks to achieve the following objectives in managing its capital:

- adherence to the statutory minimum capital requirements at Group level and in all companies included in the regulatory Group;
- ensuring that the planned capital ratios are met, including the new ECB/EBA requirements;
- provision of sufficient reserves to guarantee the Bank's freedom of action at all times;
- strategic allocation of Tier 1 capital to business segments and divisions in order to exploit growth opportunities.

The financial crisis made the importance of adequate CET 1 capital levels for banks become an issue of increasing public concern. At Commerzbank, Tier 1 capital has always been a key management target. The Bank's specifications for the capital ratios far exceed the minimum statutory requirements. The Bank's risk-taking capability and market expectations play an important role in determining the internal capital ratio targets. For this reason, Commerzbank has stipulated minimum ratios for regulatory capital.

CET 1 capital is allocated via a regular process that takes account of the Bank's strategic direction, profitable new business opportunities in the core business of each business segment as well as aspects of risk-bearing capacity.

Measures relating to the Bank's capital are approved by the full Board of Managing Directors, subject to the authorisation granted by the AGM. During the past year, Commerzbank met the minimum statutory capital requirements as well as the requirements of the ECB and EBA at all times. In the pro forma calculation of fully phased-in implementation of the CRR requirements, the transitional regulations are completely disregarded.

The following table with the composition of the Commerzbank Group's capital shows the figures on both a phase-in (currently used) and a fully phased-in basis. The reconciliation of equity reported in the balance sheet with regulatory capital is already integrated in these figures.

Position €m	31.12.2017 Phase-in	31.12.2016 Phase-in	31.12.2017 Fully phased-in	31.12.2016 Fully phased-in
Equity as shown in balance sheet	**30,041**	**29,640**	**30,041**	**29,640**
Effect from debit valuation adjustments	–86	–177	–108	–295
Correction to revaluation reserve	114	313	–	–
Correction to cash flow hedge reserve	54	97	54	97
Correction to phase-in (IAS 19)	260	578	–	–
Correction to non-controlling interests (minorities)	–421	–258	–495	–426
Goodwill	–1,507	–1,496	–1,507	–1,496
Intangible assets	–1,381	–1,206	–1,381	–1,206
Surplus in plan assets	–257	–231	–322	–385
Deferred tax assets from loss carryforwards	–566	–297	–707	–494
Shortfall due to expected loss	–608	–420	–676	–525
Prudential Valuation	–264	–367	–264	–367
Direct, indirect and synthetic positions of the bank's own instruments in Core Tier 1	–49	–33	–60	–51
First loss positions from securitisations	–213	–301	–213	–301
Advance payment risks	–	–1	–	–1
Allocation of components from additional Equity Tier 1	647	1,066	–	–
Deferred tax assets from temporary differences which exceed the 10 % threshold	–110	–166	–278	–548
Dividend accrued	–	–	–	–
Others and rounding	–47	–247	–45	–247
Common Equity Tier 1[1]	**25,607**	**26,494**	**24,039**	**23,395**
Additional Equity Tier 1[2]	**378**	**–**	**–**	**–**
Tier 1 capital	**25,985**	**26,494**	**24,039**	**23,395**
Tier 2 capital	**5,404**	**5,677**	**5,808**	**5,691**
Equity	**31,389**	**32,171**	**29,847**	**29,086**
Risk-weighted assets	171,369	190,527	171,019	189,848
of which Credit risk[3]	137,486	146,880	137,136	146,201
of which Market risk[3,4]	12,842	19,768	12,842	19,768
of which operational risk	21,041	23,879	21,041	23,879
Common Equity Tier 1 ratio (%)	14.9 %	13.9 %	14.1 %	12.3 %
Equity Tier 1 ratio (%)	15.2 %	13.9 %	14.1 %	12.3 %
Total capital ratio (%)	18.3 %	16.9 %	17.5 %	15.3 %

[1] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[2] As at 31 December 2017, the eligible former balance of additional Tier 1 capital under the transitional provisions exceeds the corresponding deductions.
[3] Settlement risk of €12m was reallocated from market risk to credit risk as at 31 December 2016.
[4] Includes credit valuation adjustment risk.

The table reconciles reported equity to Common Equity Tier 1 (CET 1) and the other components of core capital and regulatory capital. The main changes compared to 31 December 2016 relate to phase-in capital and arise from the impact of the Basel 3 transitional provisions. The increase in the capital ratios over the end of the previous year is primarily the result of the decrease in risk-weighted assets.

(60) Leverage ratio

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus offbalance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid down by regulators. The leverage ratio at the end of 2017 was calculated on the basis of the CRR as revised in January 2015. As a non-risk sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Avoiding the risk of excessive leverage is an integral part of Commerzbank's balance sheet management. Commerzbank has set up a quantitative and qualitative framework in order to calculate, monitor and manage the leverage ratio.

Group Finance is responsible for quantifying the leverage ratio on the basis of regulatory requirements and provides regulators with quarterly reports.

Commerzbank has set an internal target for the leverage ratio which supplements the targets for the risk-based capital ratios. Segments actively get involved in the steering of the leverage ratio by segment specific targets for their leverage ratio exposure.

Developments in the segment-specific leverage ratio exposures relative to the guidelines is monitored monthly. Group Finance reports regularly to the Central Asset Liability Committee (ALCO) and the Board on leverage ratio of Commerzbank Group and the leverage exposures of the segments and their main drivers.

In addition projections of future development of the leverage exposure and of the leverage ratio are integrated into the internal multi-year planning process and reviewed regularly in forecasting exercises with regard to the actual reporting year. Furthermore, Group Finance monitors expected changes in regulatory requirements with respect to their impact on the leverage ratio. Moreover, the development of the leverage ratio is considered in the analyses of adverse macroeconomic trends within the recovery planning process.

Key decisions on management and monitoring of the leverage ratio are taken by ALCO, subject to confirmation by the Board of Managing Directors.

Summary reconciliation of accounting assets and leverage ratio exposures	**Applicable amounts**
€m	**31.12.2017**
Total assets as per published group financial statements	452,493
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–170
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	–
Adjustments for derivative financial instruments	–33,141
Adjustment for securities financing transactions (SFTs)	2,124
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	51,721
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	–
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	–
Other adjustments	
Phase-in	–1,710
Fully phased-in	–2,536
Leverage ratio total exposure measure	
Phase-in	**471,317**
Fully phased-in	**470,491**

Leverage ratio common disclosure	**CRR leverage ratio exposures**
€m	**31.12.2017**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	382,190
(Asset amounts deducted in determining Tier 1 capital)	
Phase-in	–4,262
Fully phased-in	–5,088
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
Phase-in	377,928
Fully phased-in	377,102
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	9,095
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	20,951
Exposure determined under Original Exposure Method	–
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–15,196
(Exempted CCP leg of client-cleared trade exposures)	–2,303
Adjusted effective notional amount of written credit derivatives	17,681
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–14,123
Total derivative exposures	**16,105**

Leverage ratio common disclosure (continuation)	**CRR leverage ratio exposures**
€m	**31.12.2017**
Securities financing transaction (SFTs) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	37,253
(Netted amounts of cash payables and cash receivables of gross SFT assets)	−13,814
Counterparty credit risk exposure for SFT assets	2,124
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b (4) and 222 of Regulation (EU) No. 575/2013	–
Agent transaction exposures	–
(Exempted CCP leg of client-cleared SFT exposure)	–
Total securities financing transaction exposures (SFTs)	25,563
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	170,293
(Adjustments for conversion to credit equivalent amounts)	−118,572
Total other off-balance sheet exposures	51,721
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	–
Capital and total exposure measure	
Tier 1 capital	
Phase-in	25,985
Fully phased-in	24,039
Leverage ratio total exposure measure	
Phase-in	471,317
Fully phased-in	470,491
Leverage ratio	
Phase-in (%)	**5.5**
Fully phased-in (%)	**5.1**
Choice on transitional (phase-in) arrangements and amount of derecognised fiduciary items	
Choice on transitional (phase-in) arrangements for the definition of the capital measure	Phase-in and Fully phased-in
Phase-in	–
Fully phased-in	–
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	–

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
€m	31.12.2017
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	382,190
Trading book exposures	31,264
Banking book exposures, of which:	350,926
Covered bonds	4,209
Exposures treated as sovereigns	90,238
Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	13,896
Institutions	23,438
Secured by mortgages of immovable properties	59,718
Retail exposures	45,979
Corporate	76,937
Exposures in default	2,748
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	33,763

The leverage ratio based on the CRR phase-in rules was 5,5% as at 31 December 2017 (30 September 2017: 5,1%). The leverage ratio with full phasing-in of the revised CRR rules stood at 5,1%, compared with 4,7% as at 30 September 2017.

Both fully phased-in and phase-in leverage ratio increased due to decreased leverage ratio exposure and marginally higher Tier 1 capital under fully phased-in rules and phase-in rules, respectively. As at the reporting date the leverage ratio exposure was €471,3bn (phase-in) and €470,5bn (fully phased-in), compared with €506,8bn (phase-in) and €506,0bn (fully phased-in) in the prior quarter.

(61) Liquidity Coverage Ratio

The liquidity coverage ratio (LCR) is the regulatory minimum liquidity ratio. It is a measure of the near-term solvency of the Bank under a predetermined stress scenario. Based on the requirements of the Basel Committee, the EU Commission set out the legal foundation for the LCR in the Capital Requirements Regulation (CRR) and in Regulation (EU) No. 575/2013, in conjunction with Delegated Regulation EU/2015/61 (D-REG).

The ratio itself is defined as the relationship between high quality liquid assets (HQLA) and net liquidity outflows (NLOs) within a 30-day period. It has been reported to the supervisory authorities in this form since 30/09/2016. The CRR stipulates the LCR must be at least 80% for 2017 and at least 100% from 1 January 2018. Commerzbank has included the LCR in the internal liquidity risk model as a binding secondary condition, and the development of the LCR is regularly monitored.

The Bank has established internal early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity. Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures. This is also applicable for payment obligations in foreign currencies. In addition, the Bank also mitigates a concentration through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

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

For further information about the responsibilities for managing liquidity risk and the corresponding internal models, please refer to the liquidity risk section of the Risk Report in this document.

The following section shows the calculation of the LCR for the current reporting year. The averages of the respective previous twelve month-end values are calculated for each quarter of the reporting year. The resulting values are shown in the table below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group. The EBA's transitional provisions limit the disclosure requirement in reporting year 2017 to the third and fourth quarters.

€m		Total unweighted value (average)		Total weighted value (average)	
		30.9.2017	31.12.2017	30.9.2017	31.12.2017
	Number of data points used in the calculation of averages	12	12	12	12
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA			93,004	95,086
Cash-Outflows					
2	Retail deposits and deposits from small business customers, of which:	98,744	101,885	6,943	7,043
3	Stable Deposits	64,724	68,617	3,236	3,431
4	Less stable Deposits	34,013	33,262	3,700	3,606
5	Unsecured Wholesale Funding	107,525	107,061	55,309	54,187
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	31,909	33,722	7,953	8,405
7	Non-operational deposits (all counterparties)	74,184	72,000	45,923	44,442
8	Unsecured debt	1,432	1,340	1,432	1,340
9	Secured Wholesale Funding			5,992	5,384
10	Additional requirements	85,147	85,597	24,998	24,915
11	Outflows related to derivative exposures and other collateral requirements	10,475	10,404	9,871	9,733
12	Outflows related to loss of funding on debt products	306	182	306	182
13	Credit and liquidity facilities	74,367	75,011	14,821	15,000
14	Other contractual funding obligations	1,786	1,612	902	834
15	Other contingent funding obligations	96,397	98,857	606	688
16	**Total Cash Outflows**			**94,750**	**93,051**
Cash-Inflows					
17	Secured lending (eg reverse repos)	71,799	69,603	4,597	4,126
18	Inflows from fully performing exposures	27,852	27,431	20,352	19,901
19	Other cash inflows	3,463	3,232	3,324	3,093
EU–19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)				
EU–19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**103,114**	**100,267**	**28,273**	**27,120**
EU–20a	**Fully Exempt Inflows**				
EU–20b	**Inflows subject to 90 % Cap**				
EU–20c	**Inflows subject to 75 % Cap**	**90,375**	**89,904**	**28,273**	**27,120**
21	**Liquidity Buffer**			**93,004**	**95,086**
22	**Total Net Cash Outflows**			**66,476**	**65,931**
23	**Liquidity Coverage Ratio (%)**			**140.01 %**	**144.61 %**

Commerzbank's quarterly average values significantly exceeded the minimum ratio of 80 % stipulated for that year on every reporting date. In the fourth quarter of 2017, the average value for the LCR over the previous twelve reporting periods was 144.61 % and thus 4.60 percentage points above the value in the third quarter. The reason for this increase is the rise in highly liquid assets to €95,086m and a reduction in average liquidity outflows to €93,051m. These outflows, however, were partially offset by a decrease in liquidity inflows. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below.

Highliquid assets in accordance with EU/2015/61 | €m	**30.9.2017**	**31.12.2017**
Total:	93,004	95,086
thereof Level 1	83,591	86,980
thereof Level 2A	7,803	6,695
thereof Level 2B	1,610	1,411

Commerzbank additionally reports the LCR in US dollars, because under the CRR the US dollar is deemed to be an important foreign currency. Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and for a possible deterioration in the credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions.

Credit risks and credit losses

(62) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and which are individually able to service debt and influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities to a customer in the event of the default or insolvency of that customer. The carrying amounts of credit risks relating to claims were as follows:

	Loans and advances	
€m	31.12.2017	31.12.2016
Banks and customers in Germany	**160,844**	**158,690**
Banks	7,260	11,622
Corporate clients	54,009	55,619
Manufacturing	17,130	17,178
Construction	877	894
Trade	8,661	8,430
Services and others	27,341	29,117
Private customers	82,518	71,641
Other financial corporations	3,807	4,651
General governments	13,251	15,157
Banks and customers outside Germany	**106,989**	**115,869**
Banks	36,491	45,562
Corporate clients	39,402	42,624
Private customers	11,538	11,495
Other financial corporations	13,832	9,852
General governments	5,726	6,336
Sub-total	**267,833**	**274,559**
Less valuation allowances	−3,125	−3,729
Total	**264,708**	**270,830**

	Contingent liabilities, irrevocable lending commitments	
€m	31.12.2017	31.12.2016
Banks and customers in Germany	53,012	48,786
Banks and customers outside Germany	63,239	64,620
Sub-total	**116,252**	**113,406**
Less valuation allowances	−177	−164
Gesamt	**116,074**	**113,243**

The book values of credit risk concentrations in loans and receivables, contingent liabilities and irrevocable lending commitments shown above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(63) Maximum credit risk

The maximum credit risk exposure – excluding collateral and other credit enhancements – is equal to the carrying amounts of the relevant assets in each class, or the nominal values of irrevocable lending commitments and financial guarantees. The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

€m	31.12.2017	31.12.2016	Change in %
Financial Assets – Loans and Receivables	265,712	276,578	−3.9
Loans and receivables	241,708	246,880	−2.1
Debt instruments	24,004	29,698	−19.2
Financial Assets – Available for Sale	30,661	38,994	−21.4
Debt instruments	30,661	38,994	−21.4
Financial Assets – Fair Value Option	23,393	24,352	−3.9
Loans and receivables	23,000	23,950	−4.0
Debt instruments	393	401	−2.0
Financial Assets – Held for Trading	52,364	68,220	−23.2
Loans and receivables	1,080	1,044	3.4
Debt instruments	2,955	4,361	−32.2
Derivatives	47,783	62,205	−23.2
Other trading assets and liabilities	546	610	−10.6
Positive fair values of derivative hedging instruments	1,464	2,075	−29.4
Irrevocable lending commitments	79,965	78,331	2.1
Financial guarantees	2,024	2,393	−15.4

The maximum credit risk exposures listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the section on default risks in the Group Management Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(64) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swaps (CDS) and/or by credit-linked notes (CLNs). This enables us to achieve three important goals:

- risk diversification (reduction of credit risks in the portfolio, especially concentration risks);
- easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements);
- funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds).

As at the end of 2017, Commerzbank Aktiengesellschaft had launched four securitisation programmes as the buyer of protection.

The legal maturity date is 9-10 years. A total volume of €6.3bn of loans to customers had been securitised by end-December 2017 (previous year: €6.0bn). This reduced the Bank's risk-weighted assets by €2.1bn (previous year: €2.6bn).

Name of transaction	Buyer of protection	Year transacted	Contract period of transactions in years	Type of claim	Total lending	Reduction of risk-weighted assets €m
CoSMO Finance III–1 Limited	Commerzbank Aktiengesellschaft	2015	10	Mittelstand customers	996	374
CoCo Finance II–2 Limited	Commerzbank Aktiengesellschaft	2015	10	Large corporates	1,846	262
CoSMO Finance III–2 Limited	Commerzbank Aktiengesellschaft	2016	10	Mittelstand customers	1,987	925
CoCo Finance III–1	Commerzbank Aktiengesellschaft	2017	9	Large corporates	1,498	579
Total					**6,327**	**2,140**

Other details

(65) Average number of staff employed by the Bank during the year

These figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group.

	2017			2016		
	Total	**male**	**female**	**Total**	**male**	**female**
Group	48,289	22,781	25,508	48,944	23,325	25,619
in Germany	35,803	17,150	18,653	36,864	17,768	19,096
outside Germany	12,486	5,631	6,855	12,080	5,557	6,523

(66) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Banking transactions with related parties are carried out on normal market terms and conditions.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

However, besides the stake held by the German federal government, other factors (including membership of the supervisory board) which could allow a shareholder to exert a significant influence on Commerzbank Aktiengesellschaft also need to be taken into account. As a result, the German federal government and entities controlled by it constitute related parties as defined by IAS 24.

Transactions with non-consolidated subsidiaries
The assets relating to non-consolidated subsidiaries in the amount of €289m (previous year: €335m) as at 31 December 2017 included primarily loans and receivables. Liabilities in the amount of €201m (previous year: €179m) comprised mostly deposits. The income of €46m (previous year: €41m) comprised primarily interest income. The expenses in the amount of €84m (previous year: €77m) were mostly operating expenses. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €2m (previous year: €2m).

Transactions with jointly controlled entities
No transactions took place with jointly controlled entities during the reporting year. In the previous year we reported €84m in income with jointly controlled entities.

Transactions with associated companies
The assets relating to associated companies in the amount of €12m (previous year: €3,519m) as at 31 December 2017 included primarily loans and claims. The decrease on the previous year is attributable to the acquisition of Commerz Finanz GmbH. Liabilities in the amount of €42m (previous year: €64m) comprised

mostly deposits. The income of €110m (previous year: €257m) resulted primarily from commission income and current net income from companies accounted for using the equity method. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €54m (previous year: €40m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 December 2017 in the amount of €121m (previous year: €120m) included primarily loans and receivables as well as securitised debt instruments. The liabilities of €230m (previous year: €211m) were primarily deposits. The deposits were mostly attributable to external providers of occupational pensions. The income of €46m (previous year: €6m) resulted largely from interest income. In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €1m (previous year: €141m).

Transactions with entities controlled by the German federal government

The Commerzbank Group conducts transactions with federal government-controlled entities as part of its ordinary business activities on standard market terms and conditions. The assets relating to entities controlled by the German federal government as at 31 December 2017 in the amount of €28,558m (previous year: €23,827m) comprised primarily deposits with Deutsche Bundesbank totalling €25,592m (previous year: €18,350m). Of the liabilities related to entities controlled by the German federal government in the amount of €13,383m (previous year: €12,809m), €12,550m (previous year: €12,614m) were deposits. As at 31 December 2017, the Bank had granted guarantees and collateral totalling €309m (previous year: €310m) to entities controlled by the German federal government.

Transactions with key management personnel

The assets relating to key management personnel as at 31 December 2017 in the amount of €7m (previous year: €8m) comprised loans and receivables. The liabilities of €5m (previous year: €3m) included deposits from key management personnel. The expenses represent personnel expenses in the amount of €19m (previous year: €17m as well as €4m in termination benefits) and include remuneration for key management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group and value added tax reimbursed to members of the Supervisory Board.

Claims on key management personnel were as follows:

	Board of Managing Directors		Supervisory Board	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Claims (€ 1,000)[1]	3,129	5,001	3,560	2,713
Last due date[2]	2051	2051	2043	2043
Range of interest rates used (%)[3]	0.86 – 2.8	0.86 – 2.8	1.04 – 5.1	1.34 – 5.1

[1] In 2017, members of the Board of Managing Directors repaid €153 thousand, and members of the Supervisory Board repaid €254 thousand.
[2] Besides loans with fixed repayment dates, loans without a specified maturity were granted.
[3] In individual cases, up to 11.9% (previous year: 15.0%) was charged for overdrafts in the Board of Managing Directors and up to 11.4% (previous year: 15.9%) in the Supervisory Board.

Collaterals for the loans to members of the Board of Managing Directors and the Supervisory Board are provided, if necessary, through land charges or rights of lien.

With the exception of rental guarantees, the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review.

A detailed description of the remuneration system as well as individual remuneration details for the members of the Board of Managing Directors and the Supervisory Board in accordance with DRS 17, including pension entitlements and service costs, are provided in the remuneration report included in the Group Management Report (p. 27 ff.).

Board of Managing Directors

The table below shows a breakdown of the total remuneration of the Board of Managing Directors in accordance with both the IAS 24.17 and German Accounting Standard 17 classifications (see the Remuneration Report). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2). The short-term employee benefits include, for example, standard non-monetary benefits.

€ 1,000	2017	2016
Short-term employee benefits	6,983	7,320
Post-employment benefits	3,248	3,099
Other long term benefits	1,693	1,324
Termination benefits[1]	–	4,051
Share-based remuneration[2]	3,503	2,320
Total remuneration in accordance with IAS 24.17	**15,427**	**18,114**
less		
Post-employment benefits	3,248	3,099
Termination benefits	–	4,051
Measurement and other differences[3]	3,502	2,327
Total remuneration in accordance with § 314 Abs. 1 Nr. 6 a) S. 1 HGB	**8,677**	**8,637**

[1] Termination benefits were paid to Martin Blessing and Markus Beumer in the 2016 financial year. For further details, please see the section on "Rules for termination of office" in the Remuneration Report for 2016.
[2] The present remuneration system also gives rise to pro-rata recognition of share-based remuneration in respect of future financial years, as set out in the Remuneration Report.
[3] Under the current remuneration system, granting does not take place until the entitlements exist, which in the 2016 and 2017 financial years led to a significant reduction in total remuneration under Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code, as the latter does not contain the long-term remuneration components. The prior-year figures were restated.

The net present value of the pension entitlements of the members of the Board of Managing Directors who were active in the financial year was €21,437 thousand as at 31 December 2017 (previous year: €30,027 thousand). The service costs reflected in the calculation of pension provisions for post-employment benefits amounted to €3,248 thousand in the reporting year (previous year: €3,099 thousand). After deduction of plan assets transferred, provisions for pension obligations in respect of members of the Board of Managing Directors active in the financial year were €2,408 thousand at 31 December 2017 (previous year: €6,569 thousand). Provisions of €14,550 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2017 (previous year: €13,760 thousand).

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement. Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the financial year came to €10,043 thousand (previous year: €8,847 thousand). The pension liabilities for these persons amounted to €103,289 tousand (previous year: €99,863 thousand).

Supervisory Board

Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration for the 2017 financial year of €2,936 thousand (previous year: €2,945 thousand), which is categorised as short-term employee benefits in accordance with IAS 24.17.

(67) Date of release for publication

The Group financial statements were approved by the Board of Managing Directors for submission to the Supervisory Board on 02 March 2018. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2017 results were released by the Board of Managing Directors for publication on 5 February 2018.

(68) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Stock Corporation Act (Aktiengesetz) and made it permanently available to shareholders on the internet (www.commerzbank.com). An annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, Stock Corporation Act has also been issued for comdirect bank AG and made permanently available on the internet (www.comdirect.com).

(69) Country-specific reporting

The following information pursuant to Art. 26a KWG relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group was 0.06 % as at 31 December 2017. For the statement of business purpose please refer to our ownership interests (Note 73) in the electronic version of the annual report available on the internet under "Commerzbank > Investor Relations" (www.commerzbank.de). The turnover figure is based on each company's separate financial statements under International Financial Reporting Standards (IFRS) and comprises income before loan loss provisions. The pre-tax profit or loss and taxes on income are also taken from each company's separate financial statements under IFRS. The average number of employees includes both full-time personnel and part-time personnel converted into full-time equivalents.

31.12.2017	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Employees number
Germany	6,397	–489	158	32,236
China including Hongkong and Shanghai	76	9	12	289
France	33	8	3	86
United Kingdom	843	356	26	990
Luxembourg	144	–11	–7	246
Netherlands	14	3	–3	36
Poland	1,078	387	101	6,977
Russia	42	21	4	141
Singapore	64	–2	1	381
USA	146	39	–24	356
Others	272	83	23	697

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derive from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

31.12.2016	Turnover €m	Pre-tax profit or loss €m	Taxes on income[1] €m	Employees number
Germany	6,280	–132	261	33,182
China including Hongkong and Shanghai	86	14	3	286
France	34	12	7	83
United Kingdom	852	367	137	1,139
Luxembourg	435	261	28	324
Netherlands	12	–1	–2	38
Poland	1,021	416	96	6,925
Russia	43	28	8	140
Singapore	99	25	1	386
USA	138	3	–1	441
Others	246	82	4	703

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derive from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

(70) Information on unconsolidated structured entities

The unconsolidated structured entities of the Commerzbank Group comprise the transaction types (clusters) set out below.

- Asset-backed securities (ABSs)
  Asset-backed securities are collateralised securities designed to convert particular assets, usually loans, into interest-bearing tradable securities through securitisation. The underlying assets may include, for example, consumer loans (auto loans, credit card assets), mortgage loans and high-grade corporate loans. The companies are financed through the issue of various tranches of asset-backed securities. Investors in these securities are subject to the default risk of the underlying asset. Commerzbank only invests in investment grade ABS tranches.
- CFS Funds Business
  This includes all the mutual funds launched by Commerz Funds Solutions S.A. and not consolidated, and ComStage ETFs. The business of Commerz Funds Solutions S.A. comprises various types of passive investment funds. The company offers ETFs as well as mutual funds covering different strategies for, as an example, European markets, industries or particular asset classes. ComStage, which is a Commerzbank brand, is registered as an open-ended investment entity in the form of a SICAV. It serves as the umbrella fund for ComStage ETFs. ComStage ETFs are sub-funds under Luxembourg law that are subject to the provisions of European fund regulation. ETFs are exchange-traded investment funds that aim to track an index as closely as possible without active portfolio management. Commerzbank holds units in individual mutual funds and ETFs in order to ensure a liquid market or supports new fund launches with a seed money contribution. Own securitisations and securitisation platform
  Commerzbank's own securitisations are true-sale and synthetic securitisations used for the purpose of steering the liquidity, capital and risk-weighted assets of the Bank. The companies that acquire the assets are financed through the issue of various tranches of securities that are placed on the capital market. Furthermore, Commerzbank also sponsors a securitisation platform. With this conduit programme, Commerzbank structures, arranges and securitises the receivables of third parties who are customers of the Corporate Clients segment. The securitisation companies refinance themselves through the issue of asset-backed securities and liquidity lines. Default risk is covered by external bad debt insurance as well as existing over-hedging.
- Hedge funds
  These are investments in hedge fund units made in the interest of the customer. The performance and risk of the units are passed on to the customer by means of total return swaps or certificates. Commerzbank thus secures itself financially and does not invest for its own account.
- Property financing companies
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous special-purpose company is established in which the Commerz Real Group is a majority or minority stakeholder. As a financial services company, the Commerz Real Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group. The core business of Commerz Real does, however, include administration related to the structured entities.
- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former Portfolio Restructuring Unit (PRU), which was responsible for managing down assets related to the proprietary trading and investment activities that were discontinued in 2009. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate and bank bonds and exotic credit derivatives. The companies are largely financed through the issue of various types of asset-backed securities and bonds. The investors in these securities are therefore subject to the default risk of the underlying or the issuer.
- Others
  These are structured entities that are not included in the above categories. This category mainly includes capital market transactions by Asset Solutions & Structured Finance (AS&SF) and structured transactions in connection with credit derivatives transactions. AS&SF carries out transactions for customers with limited access to the capital markets and brings them together with alternative providers of capital. The focus in Structured Finance is on structuring and distributing financing and investment solutions for corporate customers and financial institutions. Structured Asset Solutions concentrates on the financing of tangible assets and other assets using leasing or structured financing. This also includes the involvement of alternative providers of capital from outside the banking sector. These activities are supplemented with the structuring of investment solutions, and the underwriting and placement of suitable financings for that purpose.

The carrying amounts of the assets and liabilities and income and expenses of the Commerzbank Group relating to unconsolidated structured entities are set out in the tables below: The size of the unconsolidated structured entities and the Commerzbank Group's maximum exposure to loss are also shown.

The maximum exposure to loss for the Commerzbank Group with regard to unconsolidated structured entities results from recognised assets and from lending commitments and guarantees provided to unconsolidated structured entities that had not yet been utilised as at the reporting dates. The maximum risk of loss on assets with regard to unconsolidated structured entities is equivalent to the current carrying values of these items after loss provisions. For loan commitments and guarantees we treat the nominal value of the commitment as the maximum risk of loss.

The maximum risk of loss is shown gross, i.e. without regard to collateral or hedging activities serving the purpose of risk mitigation.

€m	ABS	Own securitisations	CFS Funds Business	Hedge-funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2017	**7,073**	**1,380**	**108**	**235**	**458**	**1,226**	**223**
Financial Assets – Loans and Receivables	–	1,358	5	0	451	0	84
Financial Assets – Available for Sale	7,073	17	–	24	4	183	98
Financial Assets – Held for Trading	–	5	103	211	3	943	40
Other Assets	–	0	–	–	–	100	0
Liabilities as at 31.12.2017	**–**	**1,058**	**24**	**0**	**28**	**0**	**30**
Financial Liabilities – Amortised Cost	–	112	1	–	28	–	2
Financial Liabilities – Held for Trading	–	0	23	–	–	0	28
Other Liabilities	–	946	–	0	–	0	0
Income and expenses from 1.1.–31.12.2017							
Net interest income after loan loss provisions	82	−47	−5	–	15	59	5
Net commission income	–	4	0	–	7	0	0
Net income from financial assets and liabilities at fair value through profit or loss and other profit or loss from financial instruments	5	−37	618	18	−1	59	−24
Other net income	–	–	–	–	−1	30	–
Maximum exposure to loss as at 31.12.2017							
Assets	7,073	1,380	108	235	458	1,226	223
Lending commitments	–	2,565	–	–	–	–	106
Guarantees	–	16	–	–	0	–	–
Extent[1]	**68,450**	**5,450**	**10,634**	**235**	**3,003**	**1,073**	**40,766**

[1] The size of unconsolidated structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

€m	ABS	Own securitis-ations	CFS Funds Business	Hedge-funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2016	**8,664**	**1,317**	**440**	**234**	**470**	**1,452**	**364**
Financial Assets – Loans and Receivables	133	1,063	–	1	460	7	26
Financial Assets – Available for Sale	8,524	–	282	24	5	347	118
Financial Assets – Held for Trading	7	254	158	204	4	992	220
Other Assets	–	0	–	5	–	105	–
Liabilities as at 31.12.2016	**–**	**1,144**	**27**	**0**	**26**	**0**	**92**
Financial Liabilities – Amortised Cost	–	72	13	–	26	–	52
Financial Liabilities – Held for Trading	–	0	14	–	–	0	39
Other Liabilities	–	1,071	–	0	–	–	0
Income and expenses from 1.1.–31.12.2016							
Net interest income after loan loss provisions	74	–58	–5	–	17	125	25
Net commission income	–	3	0	–	9	1	0
Net income from financial assets and liabilities at fair value through profit or loss and other profit or loss from financial instruments	7	8	15	–0	–1	90	–45
Other net income	–	–	–	–	–1	13	–0
Maximum exposure to loss as at 31.12.2016							
Assets	8,664	1,317	440	234	470	1,452	364
Lending commitments	–	2,924	–	–	–	–	–
Guarantees	–	16	–	–	0	–	–
Extent[1]	**65,714**	**6,027**	**9,071**	**234**	**3,028**	**1,452**	**10,984**

[1] The size of unconsolidated structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

Commerzbank also acts as sponsor of structured entities in which it does not have an equity holding. An entity is regarded as sponsored if:

- it was launched and/or structured by Commerzbank;
- it has received or bought assets from the Commerzbank Group;
- it is guaranteed by the Commerzbank Group or was marketed intensively by the Commerzbank Group.

As at 31 December 2017 the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €625m (previous year: €–32m). It related primarily to trading income attributable to the CFS Funds Business cluster, incl. ComStage ETFs. The amount of the income results from remeasurement effects for derivatives, which are neutralised on the market to the greatest extent possible through corresponding offsetting transactions. The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €2,046m (previous year: €2,553m).

(71) Information on significant non-controlling interests

Significant non-controlling interests in the Private and Small-Business Customers segment were as shown below. They include the subsidiary mBank S.A. and the comdirect bank subgroup.

	mBank S.A., Warsaw, Poland		comdirect bank subgroup, Quickborn, Germany	
	31.12.2017	31.12.2016[2]	31.12.2017	31.12.2016[2]
Attributable to non-controlling interests				
Capital (%)	30.6	30.6	17.7	18.7
Voting rights (%)	30.6	30.6	17.7	18.7
Consolidated profit or loss (€m)	63	68	13	17
Equity (€m)	937	832	113	116
Dividend paid on shares (in €m)	–	–	6	11
Assets (€m)[1]	9,111	8,875	4,085	3,597
Liabilities (€m)[1]	8,091	7,989	3,971	3,480
Profit or Loss (€m)[1]	74	80	13	17
Pther comprehensive income (€m)[1]	–58	–61	5	–4
Total comprehensive income (€m)[1]	17	19	17	13
Cash flows (€m)[1]	–159	283	48	174

[1] Before elimination of intragroup-transactions.
[2] Prior-year figures adjusted due to restatements (see page 152 ff.).

(72) Letters of comfort

In respect of the subsidiaries listed below and included in the Group financial statements, we undertake to ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

Name	Registered office
comdirect bank Aktiengesellschaft	Quickborn
Commerzbank (Eurasija) AO	Moscow
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH	Eschborn

(73) Ownership interests

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) and IFRS 12.10 and IFRS 12.21 on the Group Financial Statements. The data on the equity and net profit or loss of the companies is taken from their financial statements under national accounting regulations. Footnotes, information on business purpose and further comments on the tables below appear at the end of this note.

1. Affiliated companies

a) Affiliated companies included to the Group financial statements

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	−2,321	592	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	53	3	
ABORONUM Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	SOFDL	0.0	85.0	EUR	0	2	
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	SOFDL	100.0		EUR	−80	−45	
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	26	2	
AGUSTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	25	−1	
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	24	1	
ALISETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	24	0	
ARINGO GmbH & Co. Geschlossene Investment KG	Düsseldorf, Germany	SOFDL	34.3		EUR	10	−136	c)
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	25	−1	
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	3,825	–	a)
Atlas Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	269,317	–	a) b)
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	25	−1	
BDH Development Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	92,674	−2,117	
Bridge Re Limited	Hamilton, Bermuda	SOFDL	100.0		USD	620	−61	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	6,137	–	a) b)
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	100.0		EUR	49,601	8,136	
CERI International Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	15,944	39,934	
Coba Vermögensverwaltungs-gesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	26	–	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	KREDI	82.3		EUR	429,941	69,886	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	4,457	123	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	SOUNT	100.0		USD	26,725	−281	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerz Bankenholding Nova GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	982,707	–	a) b)
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	94	–	a) b)
Commerz Direktservice GmbH	Duisburg, Germany	SOUNT	100.0		EUR	1,178	–	a)
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	BETGE	100.0		EUR	7,731	4,637	
Commerz Grundbesitz Beteiligungs-gesellschaft mbH & Co. KG	Frankfurt/Main, Germany	SOFDL	90.0		EUR	15,464	–858	
Commerz Markets LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	197,611	7,565	
Commerz Pearl Limited	London, United Kingdom	SOFDL	100.0		GBP	20	0	
Commerz Real AG	Eschborn, Germany	SOFDL	100.0		EUR	408,394	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	151	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	BETGE	100.0		EUR	21,677	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	BETGE	100.0		EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	5,385	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	26	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	10,995	120	
Commerz Service-Center Intensive GmbH	Düsseldorf, Germany	SOUNT	100.0		EUR	435	–	1) a) b)
Commerz Services Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	15,979	–	a) b)
Commerz Systems GmbH	Eschborn, Germany	SOUNT	100.0		EUR	6,464	–	a) b)
Commerzbank (Eurasija) AO	Moscow, Russia	KREDI	100.0		RUB	11,327,339	826,100	
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	SOUNT	100.0		USD	1,892	–50	
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main, Germany	SOFDL	100.0		EUR	183,000	–	a) b)
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo, Brazil	KREDI	100.0		BRL	249,067	–10,450	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	KREDI	100.0		EUR	1,030,739	58,810	
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	SOUNT	100.0		EUR	771	–19	
Commerzbank Finance BV	Amsterdam, Netherlands	SOFDL	100.0		EUR	1,294	–167	
Commerzbank Finance Limited	London, United Kingdom	SOFDL	100.0		GBP	255,319	77,208	
Commerzbank Holdings (UK) Limited	London, United Kingdom	SOFDL	100.0		GBP	15,764	125	
Commerzbank Holdings France	Paris, France	SOFDL	100.0		EUR	75,583	–4,585	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	462,597	–	a) b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	2,577,604	–	a) b)
Commerzbank Leasing 4 S.e.n.c.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	28	–20	
Commerzbank Leasing 5 S.e.n.c.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	93	–17	
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	99	–5	
Commerzbank Leasing December (1) Limited	London, United Kingdom	SOFDL	100.0		GBP	334	–17	
Commerzbank Leasing December (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	681	–105	
Commerzbank Leasing Holdings Limited	London, United Kingdom	SOFDL	100.0		GBP	1,028	169	
Commerzbank Leasing Limited	London, United Kingdom	SOFDL	100.0		GBP	1,377	21	
Commerzbank Leasing March (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	342	16	
Commerzbank Leasing September (5) Limited	London, United Kingdom	SOFDL	100.0		GBP	261	57	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	338	3	
Commerzbank Zrt.	Budapest, Ungarn	KREDI	100.0		HUF	26,261,000	–434,000	
CommerzFactoring GmbH	Mainz, Germany	SOFDL	50.1		EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	SOFDL	99.4	99.5	EUR	25,106	–858	
CommerzVentures GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	28,055	–1,902	
ComTS Finance GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550	–	a) b)
ComTS Kredit GmbH	Duisburg, Germany	SOUNT	100.0		EUR	1,050	–	a) b)
ComTS Logistics GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,550	–	a) b)
ComTS Mitte GmbH	Erfurt, Germany	SOUNT	100.0		EUR	2,714	–	a) b)
ComTS Nord GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,492	–	a) b)
ComTS Ost GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550	–	a) b)
ComTS West GmbH	Hamm, Germany	SOUNT	100.0		EUR	1,256	–	a) b)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG	Düsseldorf, Germany	SOUNT	0.1	0.3	EUR	–2,970	2,670	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	SOUNT	6.0	7.0	EUR	–1,066	238	c)
Dr. Gubelt Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Frankfurt Neue Mainzer Straße KG	Düsseldorf, Germany	SOUNT	94.9		EUR	19,910	6,965	c)
Dr. Gubelt Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	SOUNT	8.1	65.0	EUR	–4,327	1,108	c)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	SOUNT	100.0		EUR	–420	–330	
Dresdner Capital LLC I	Wilmington, Delaware, USA	SOFDL	100.0		USD	1,790	42	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	SOFDL	100.0		JPY	18,566	–38	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	742,872	105	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	SOFDL	100.0		EUR	32,109	–	a) b)
DSB Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	25	–	a) b)
Entertainment Asset Holdings C.V.	Amsterdam, Netherlands	SOUNT	58.2		EUR	–151	–26	
Entertainment Asset Holdings GP B.V.	Amsterdam, Netherlands	SOUNT	100.0		EUR	0	0	
Eschborn Capital LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	7,315	4	
European Bank for Financial Services GmbH (ebase)	Aschheim, Germany	KREDI	100.0		EUR	26,800	–	a)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	26	–	a) b)
Film Library Holdings LLC	Wilmington, Delaware, USA	SOUNT	51.0		USD	67,713	4,062	
Frega Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	31	8,616	
Future Tech Fundusz Inwestycyjny Zamkniety	Warsaw, Poland	SOFDL	98.0	0.0	PLN	0	0	
Garbary Sp. z o.o.	Poznan, Poland	SOUNT	100.0		PLN	45,504	–2,177	
Greene Elm Trading II LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	14,966	378	
Greene Elm Trading V LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	9,652	148	
Greene Elm Trading VI LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	11,758	167	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	15,383	0	
Gresham Leasing March (2) Limited	London, United Kingdom	SOFDL	100.0		GBP	2,511	–27	
Kira Vermögensverwaltungs-gesellschaft mbH	Munich, Germany	SOFDL	100.0		EUR	74,830	–	a)
Kommanditgesellschaft "MS CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	18,552	371	b)
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2		EUR	21,026	5,645	b)
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	17,163	1,871	b)
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.2	77.4	EUR	16,971	4,211	b)
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	73.9		EUR	39,478	2,503	b)
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	17,847	2,359	b)
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	19,040	1,770	b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	SOUNT	100.0		EUR	115,291	–	a) b)
mBank Hipoteczny S.A.	Warsaw, Poland	KREDI	100.0		PLN	880,277	23,422	
mBank S.A.	Warsaw, Poland	KREDI	69.4		PLN	11,804,464	1,219,339	
mCentrum Operacji Sp. z o.o.	Aleksandrów Lódzki, Poland	SOUNT	100.0		PLN	33,882	561	
MERKUR Grundstücks GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	9,233	–	a) b)
mFaktoring S.A.	Warsaw, Poland	SOFDL	100.0		PLN	61,053	11,342	
mFinance France S.A.	Paris, France	SOFDL	100.0		EUR	335	195	
mFinanse S.A.	Lódz, Poland	SOUNT	100.0		PLN	154,709	135,431	
mLeasing Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	276,041	56,360	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	25.0		EUR	5,706	–1,209	c)
NAVIPOS Schiffsbeteiligungs-gesellschaft mbH	Hamburg, Germany	SOFDL	100.0		EUR	35,394	–3,271	b)
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	11,176	–	a)
OLEANDRA Grundstücks-Vermietungs-gesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	SOUNT	85.0	93.0	EUR	5,541	3,977	c)
OnVista Aktiengesellschaft	Frankfurt/Main, Germany	SOUNT	100.0		EUR	35,020	–1,939	
onvista media GmbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	912	0	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	SOFDL	100.0		EUR	9,362	72	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	5,811	–	a)
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	510	31	
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	22,778	–	a) b)
Twins Financing LLC	Dover, Delaware, USA	SOUNT	60.0		USD	1,965	795	
Wilmots Leasing AB	Stockholm, Sweden	SOFDL	100.0		SEK	431	–343	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	SOFDL	100.0		EUR	–20,081	–5,436	

b) Affiliated companies not included to the Group financial statement due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %	
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
10. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
11. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
12. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
13. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG i.L.	Düsseldorf, Germany	81.4		2)
2. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Balingen KG	Düsseldorf, Germany	75.8	75.9	
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Heilbronn KG	Düsseldorf, Germany	78.1	78.3	
3. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
4. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
5. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
6. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
7. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
8. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
9. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABALINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ABANTITIM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABELASSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABELLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABODA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACILIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACONITA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Actium Leasobjekt Gesellschaft mbH	Frankfurt/Main, Germany	100.0		a)
ACTOSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG	Düsseldorf, Germany	50.0		
ADELIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADENARA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
ADMEO Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADORA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADRUGA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADURAMA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AFORTUNA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGALINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGARBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
AGASILA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AHOIH Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AJOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AKERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALACRITAS Verwaltungs- und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBELLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBOLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALDINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALDULA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALEMONA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALFUTURA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALICANTE NOVA Shipping Limited	Monrovia, Liberia	100.0		
ALIVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALLATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	94.0		
ALLORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALMARENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALMARENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	0.0	50.0	c)
ALMONDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALMURUS Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
ALSANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALSANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte RiCö KG i.L.	Düsseldorf, Germany	100.0		
ALSENNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALUBRA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALVARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALVENTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALVINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMALIA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMATA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMTERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANBANA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANCAVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANCONA NOVA Shipping Limited	Monrovia, Liberia	100.0		
ANDINO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ANDINO Dritte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ANDINO Fünfte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANDINO Vierte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANDINO Zweite Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ANET Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
APTEMUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARAUNA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AREBA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		

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ARIBELLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Ariondaz SAS	Paris, France	100.0		
ARKAMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARMILLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Arvilla Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARVILLUX S.a.r.l.	Luxembourg, Luxembourg	100.0		
ARVINA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ASCETO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASERTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASKIBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSANDRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSENTO Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSERTA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
ASTRADA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		c)
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVALERIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVALERIA Hotel HafenCity GmbH & Co. KG	Hamburg, Germany	94.8	94.0	
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH & Co. Zweite Legacy 600 KG	Düsseldorf, Germany	100.0		
AVIO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AVOLO Flugzeugleasinggesellschaft mbH	Karlsruhe, Germany	100.0		
AWINTO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
BENE Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		c)
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.0	19.0	
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt/Main, Germany	100.0		
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0		
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0		
BONITAS Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG	Düsseldorf, Germany	0.0	51.0	c)
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main, Germany	100.0		
CCR Courtage i.L.	Paris, France	100.0		
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	100.0		a)
CG Japan GmbH	Wiesbaden, Germany	100.0		
CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH	Wiesbaden, Germany	100.0		
CGI Victoria Square Limited	London, United Kingdom	100.0		
CGI Victoria Square Nominees Limited	London, United Kingdom	100.0		
CIMONUSA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
CIV GmbH Beta	Frankfurt/Main, Germany	100.0		
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten, Germany	100.0		a)
Commerz Brasil Holding e Servicos Ltda.	São Paulo, Brazil	100.0		
Commerz Building and Management GmbH	Essen, Germany	100.0		a)
Commerz Equipment Leasing Limited	London, United Kingdom	100.0		
Commerz GOA Realty Associates LLC	Wilmington, Delaware, USA	49.0	50.0	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0		
Commerz Kreditbearbeitung GmbH	Duisburg, Germany	100.0		3)
Commerz Nederland N.V.	Amsterdam, Netherlands	100.0		
Commerz Nominees Limited	London, United Kingdom	100.0		
Commerz Property GmbH	Frankfurt/Main, Germany	100.0		a)
Commerz Real Asia Pacific Limited	Hong Kong, Hong Kong	100.0		
Commerz Real Asset Structuring GmbH	Düsseldorf, Germany	100.0		
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		a)
Commerz Real Baumanagement GmbH	Düsseldorf, Germany	100.0		a)
Commerz Real Beteiligungsgesellschaft mbH	Düsseldorf, Germany	22.9	23.0	c)
Commerz Real Digitale Vertriebs- und Service GmbH	Düsseldorf, Germany	100.0		
Commerz Real Finanzierungsleasing GmbH i.L.	Düsseldorf, Germany	100.0		4) a)
Commerz Real Fund Management S.à.r.l.	Luxembourg, Luxembourg	100.0		
Commerz Real North Ltd.	London, United Kingdom	100.0		
Commerz Real Southern Europe GmbH	Wiesbaden, Germany	100.0		
Commerz Real West BV	Amstelveen, Netherlands	100.0		
Commerz Real Western Europe GmbH	Wiesbaden, Germany	100.0		
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	100.0		
Commerz Regulatory Models GmbH i.L.	Frankfurt/Main, Germany	100.0		
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		
Commerz Trade Services Sociedad Anónima	San José, Costa Rica	100.0		
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0		
Commerzbank Capital Management Unternehmensbeteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Commerzbank Investments (UK) Limited	London, United Kingdom	100.0		
Commerzbank Leasing December (12) Limited	London, United Kingdom	100.0		
Commerzbank Leasing December (13) Limited	London, United Kingdom	100.0		
Commerzbank Leasing December (26) Limited	London, United Kingdom	100.0		
Commerzbank Leasing December (6) Limited	London, United Kingdom	100.0		
Commerzbank Pension Trustees Limited	London, United Kingdom	100.0		
Commerzbank Representative Office Nigeria Limited	Lagos, Nigeria	100.0		
Commerzbank Representative Office Panama, S.A.	City of Panama, Panama	100.0		
Commerzbank São Paulo Servicos Ltda.	São Paulo, Brazil	100.0		
Commerzbank Securities Ltd	London, United Kingdom	100.0		
Commerzbank Securities Nominees Limited	London, United Kingdom	100.0		
CommerzKommunalbau GmbH	Düsseldorf, Germany	100.0		
CommerzLeasing Anlagen-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
CommerzLeasing GmbH	Düsseldorf, Germany	100.0		
CommerzStiftungsTreuhand GmbH	Frankfurt/Main, Germany	100.0		
CommerzTrust GmbH	Frankfurt/Main, Germany	100.0		
CommerzVentures Beteiligungsverwaltungs GmbH	Frankfurt/Main, Germany	100.0		
COMUNITHY Immobilien GmbH	Düsseldorf, Germany	51.0		
Copernicus Germany GmbH	Frankfurt/Main, Germany	100.0		5) a)
CR Hotel Target Pty Ltd	Sydney, Australia	100.0		
CR KaiserKarree Holding S.a.r.l.	Luxembourg, Luxembourg	100.0		
Crédito Germánico S.A.	Montevideo, Uruguay	100.0		
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden, Germany	100.0		
CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg, South Africa	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
CSK Sp. z o.o.	Lódz, Poland	100.0		
DAUNUS Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0		
Dr. Gubelt Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Alpha Objekt Hauptverwaltung Frankfurt KG i.L.	Düsseldorf, Germany	0.0	4.3	6) c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Beta Objekt Hauptverwaltung Frankfurt KG i.L.	Düsseldorf, Germany	0.0	2.2	7) c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Potsdam Alte Wache KG i.L.	Düsseldorf, Germany	0.0	0.4	c)
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH	Düsseldorf, Germany	100.0		
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG	Grünwald, Germany	6.0	2.0	c)
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREFLORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELOBA Grundstücks-Vermietungsgesellschaft & Co. Objekt Gevelsberg KG	Grünwald, Germany	6.0	5.0	c)
DRELOBA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRESANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
Dresdner Kleinwort Derivative Investments Limited	London, United Kingdom	100.0		
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0		
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0		
Dresdner Kleinwort Wasserstein Securities (India) Private Limited	Mumbai, India	75.0		
DRETERUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0		
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		a)
EuREAM GmbH	Wiesbaden, Germany	100.0		
EVIDENTIA Immobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Falest Investments S.A.	Warsaw, Poland	100.0		
Fernwärmenetz Leipzig GmbH	Leipzig, Germany	100.0		
Feronia S.A.	Warsaw, Poland	94.0		
FLOR Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
FORNAX Kraftwerk-Beteiligungsgesellschaft mbH	Grünwald, Germany	50.0		c)
Galbraith Investments Limited	London, United Kingdom	100.0		
General Leasing (No.16) Limited	London, United Kingdom	100.0		
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3		
GIE Dresdner Kleinwort France i.L.	Paris, France	100.0		
GRABINO Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRADARA Vermietungsgesellschaft mbH	Grünwald, Germany			c)
GRAFINO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0	15.0	
GRAFINO Vermietungsgesellschaft mbH & Co. Objekt Sendlinger Alm KG	Grünwald, Germany	100.0		c)
GRALANA Vermietungsgesellschaft mbH	Grünwald, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
GRALIDA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRAMINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLDISCUS Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0	40.0	c)
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.	Grünwald, Germany	94.0		c)
GRASSANO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAVIATION Flugzeug-Vermietungsgesellschaft mbH i.L.	Grünwald, Germany			8) c)
GRECORA Aviation GmbH	Grünwald, Germany	100.0		c)
GRECORA Aviation GmbH & Co. geschlossene Investment KG	Grünwald, Germany	100.0		
Greene Elm Trading IX LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading VIII LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading X LLC	Wilmington, Delaware, USA	100.0		
GRENADO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRENDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRESELA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
Gresham Leasing March (1) Limited	London, United Kingdom	100.0		
Gresham Leasing March (3) Limited	London, United Kingdom	70.0		
GRETANA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRILISA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRINA Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		
GRONDOLA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover EXPOPark KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover Hauptbetrieb KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Grünwald, Germany	0.6	5.0	c)
GROTEGA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMENTO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMONA Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
GRUMOSA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUNATA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
HAJOBANTA GmbH	Düsseldorf, Germany	100.0		
HAJOBURGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOGA-US Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
HAJOLENA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOLINDA Beteiligungsgesellschaft GmbH	Düsseldorf, Germany	100.0		
HAJOLUCA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOMINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJORALDIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		9)
HAJOSINTA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOSOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOTARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Hamudi S.A.	Madrid, Spain	100.0		
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0		
HDW Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
Herradura Ltd	London, United Kingdom	100.0		
HIMUS Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Histel Beteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prague, Czech Republic	100.0		
Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH i.L.	Eschborn, Germany	100.0		
IMMOFIDUCIA Sp. z. o.o.	Warsaw, Poland	100.0		
IWP International West Pictures GmbH & Co. Erste Produktions KG i.L.	Cologne, Germany	95.1		
IWP International West Pictures Verwaltungs GmbH	Cologne, Germany	100.0		
Japanturm Betriebsgesellschaft mbH i.L.	Wiesbaden, Germany	100.0		
JBBK Verwaltungs S.à.r.l.	Luxembourg, Luxembourg	100.0		
KENSTONE GmbH	Eschborn, Germany	100.0		a)
KTC Kommunikations- und Trainings-Center Königstein GmbH	Königstein, Germany	100.0		a)
Latona S.A.	Warsaw, Poland	100.0		
Libitina S.A.	Warsaw, Poland	93.7		
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Erfurt, Germany			c)
LOUISENA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
LOUISENA Vermietungsgesellschaft mbH & Co. Objekt Königstein KG	Grünwald, Germany			c)
LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		10)
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Berlin, Germany			c)
M 31 Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
Main Incubator GmbH	Frankfurt/Main, Germany	100.0		
MARBARDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBINO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf, Germany	100.0	50.0	c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf, Germany	100.0	50.0	c)
MARIUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARLINTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MAROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
Marseille Shipping Limited	Monrovia, Liberia	100.0		
Marylebone Commercial Finance (2)	London, United Kingdom	100.0		
Max Lease S.à.r.l. i.L.	Luxembourg, Luxembourg	100.0		
mBOX Sp. z o.o.	Warsaw, Poland	100.0		11)
mCorporate Finance S.A.	Warsaw, Poland	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANCONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLANDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLANKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANZIO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARELLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAREZZO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG i.L.	Düsseldorf, Germany	100.0	49.0	c)
MOLARIS Geschäftsführungs GmbH	Düsseldorf, Germany			c)
MOLARIS Grundstücksverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Immobilienverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Managementgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Objektverwaltung GmbH	Düsseldorf, Germany			c)
MOLARISA Vermögensverwaltung mbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG	Düsseldorf, Germany	1.0	2.0	c)
MOLARONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAROSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLASSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLATHINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAMBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLBERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBERNO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
MOLBOLLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBONA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
MOLBRIENZA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBURGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCAMPO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCOCO Vermietungsgesellschaft mbH	Düsseldorf , Germany			c)
MOLCORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCREDO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Lünen KG	Düsseldorf, Germany			c)
MOLDESKA Vermietungsgesellschaft mbH & Co. Objekt Mallersdorf KG	Düsseldorf, Germany			c)
MOLDICMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDOMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLEMPA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLENDRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLETUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFENNA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFINO Vermietungsgesellschaft mbH i.L.	Berlin, Germany			c)
MOLFOKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFRIEDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFUNDA Vermietungsgesellschaft mbH	Berlin, Germany			c)
MOLGABA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGATO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGEDI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGEKA Vermietungsgesellschaft mbH	Meerbusch, Germany			c)
MOLGERBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGERO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGRADO Vermietungsgesellschaft Objekt Göttingen und Oldenburg mbH i.L.	Grünwald, Germany	50.0		c)
MOLHABIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGELA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGO Vermietungsgesellschaft mbH	Rostock, Germany			c)
MOLISTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLITA Vermietungsgesellschaft mbH	Hannover, Germany			c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKIRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKRIMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMARTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMELFI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMIRA Vermietungsgesellschft mbH	Düsseldorf, Germany			c)
MOLNERA Vermietungsgesellschaft mbH	Berlin, Germany			c)
MOLOTA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
MOLPANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPETTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLPURA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRAWIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRESTIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRISTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRITA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRONDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLROSSI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSCHORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSIWA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSOLA Vermietungsgesellschaft mbH	Grünwald, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLSTEFFA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSTINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLTANDO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTERAMO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTIVOLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLUGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVANI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINCA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVORRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG	Düsseldorf, Germany	1.0	2.0	c)
MOLWANKUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWARGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG	Düsseldorf, Germany	1.0	2.0	c)
MONATA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MONEA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MORANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MS “PUCCINI” Verwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
NACOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFARI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFIRINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASIRO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUCULA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAULUMO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURANTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURATA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUSOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTARO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTESSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTLUS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS “NEDLLOYD JULIANA” KG i.L.	Hamburg, Germany	93.6	93.7	

Name	Registered office	Share of capital held %	Voting rights (where different) %	
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGA Schiffsbeteiligung GmbH	Hamburg, Germany	100.0		
NAVIGATO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVILO Vermietungsgesellschaft mbH	Hamburg, Germany	100.0		
NAVINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIRENA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIROSSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITONI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITOSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITURA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	10.0	15.0	c)
NEPTANA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTILA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTORA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUNO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NERVUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NESTOR Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NEUGELB STUDIOS GmbH	Berlin, Germany	100.0		a)
NewEMC GmbH	Frankfurt/Main, Germany	100.0		a)
NOLICA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	70.0		
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG	Düsseldorf, Germany	–	50.0	c)
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	90.0	65.0	
NOSCO Grundstücks-Vermietungsgesellschaft mbH	Mainz, Germany	100.0		
NOTITIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NOVITAS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Number X Real Estate GmbH i.L.	Eschborn, Germany	100.0		12)
NUMERIA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
NURUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
Octopus Investment Sp. z o.o.	Warsaw, Poland	100.0		
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
openspace GmbH	Berlin, Germany	82.5		
OPTIO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schönborn KG	Düsseldorf, Germany			c)
OPTIONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
ORBITA Kraftwerk-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
ORBITA Kraftwerk-Beteiligungsgesellschaft mbH & Co. Objekt Kraftwerk Hessen KG	Düsseldorf, Germany			c)
ORNATUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
OSKAR Medienbeteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
PALERMO Shipping Limited	Monrovia, Liberia	100.0		
PAREO Kraftwerk-Beteiligungsgesellschaft mbH	Leipzig, Germany	100.0		
PATELLA Vermietungsgesellschaft mbH	Berlin, Germany			c)
PATULA Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.0		
Pisces Nominees Limited	London, United Kingdom	100.0		
Projekt CH Lodz Sp. z o.o.	Warsaw, Poland	95.5		
Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
quatron Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
RALTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAMONIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RANA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAPIDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAVENNA Kraków Sp. z o.o.	Warsaw, Poland	100.0		
RAYMO Vierte Portfolio GmbH	Frankfurt/Main, Germany	100.0		
RECURSA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
REGALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RIVALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
Rood Nominees Limited	London, United Kingdom	100.0		
ROSARIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt ISF Sindlingen KG	Düsseldorf, Germany	0.0	50.0	c)
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Veldhoven KG	Düsseldorf, Germany	100.0	50.0	c)
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte TANK & RAST KG	Düsseldorf, Germany	0.0	50.0	c)
ROSINTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SENATORSKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SILVA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
Smart Living Immobiliengesellschaft mbH	Düsseldorf, Germany	100.0		13)
SOLTRX Transaction Services GmbH	Düsseldorf, Germany	100.0		a)
TALORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TAMOLDINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
TASKABANA erste Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany			c)
TASKABANA erste Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany			c)
TIGNARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		c)
TIGNARIS Beteiligungsgesellschaft mbH & Co. Streubesitz KG	Düsseldorf, Germany	100.0		
TIGNARIS Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TIGNATO Beteiligungsgesellschaft mbH i.L.	Eschborn, Germany	100.0		14)
TOULON NOVA Shipping Limited	Monrovia, Liberia	100.0		
T-Rex Baugesellschaft mbH	Wiesbaden, Germany	100.0		
T-Rex Verwaltungs GmbH	Wiesbaden, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
U.S. Residential I GP, LLC	Wilmington, Delaware, USA	100.0		
U.S. Residential Investment I, L.P.	Wilmington, Delaware, USA	90.0		
Urban Invest Holding GmbH i.L.	Eschborn, Germany	100.0		15)
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0		
Watling Leasing March (1)	London, United Kingdom	100.0		
WebTek Software Private Limited	Bangalore, India	100.0		
Windpark Duben Süd Verwaltungs GmbH	Grünwald, Germany	100.0		16)
Windpark Fläming 1 GmbH & Co. KG	Grünwald, Germany	0.0	0.1	c)
Windpark Fläming 1 Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Karche 2 Verwaltungs GmbH	Grünwald, Germany	100.0		17)
Windpark Klosterkumbd Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Ottweiler-Bexbach GmbH & Co. KG	Grünwald, Germany	0.0		c)
Windpark Ottweiler-Bexbach Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0		
Windpark Rayerschied Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Schöneseiffen Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windsor Asset Management GP Ltd.	Toronto, Canada	75.0	0.0	c)
Windsor Canada Verwaltungsgesellschaft mbH	Düsseldorf, Germany			c)

2. Associated companies

a) Associated companies to the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital held %	Voting rights (where different)	Currency	Equity* 1,000	Net profit or loss* 1,000	
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6		EUR	227,652	4,100	
Capital Investment Trust Corporation	Taipeh, Taiwan	24.0		TWD	3,163,802	426,383	
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0		EUR	87,169	14,052	
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0		USD	72,710	10,594	
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8		EUR	23,682	1,982	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0		EUR	15,469	4,496	c)
mLocum S.A.	Lódz, Poland	29.0		PLN	122,394	14,561	

b) Associated companies to the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %	
AF Eigenkapitalfonds für deutschen Mittelstand GmbH & Co. KG	Munich, Germany	47.4	47.5	
AGASILA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf KG	Düsseldorf, Germany	24.3	29.8	
ALIVERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf-Lichtenbroich KG	Düsseldorf, Germany	5.2	25.0	
ASTIRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		
ATISHA Verwaltungsgesellschaft mbH & Co. Objekt Paris KG	Düsseldorf, Germany	50.0		
Film & Entertainment VIP MEDIENFONDS 3 GmbH & Co. KG i.L.	Grünwald, Germany	42.8		
FRAST Beteiligungsgesellschaft mbH	Grünwald, Germany	49.0		
FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG	Grünwald, Germany			c)
GIE Go Lease	Puteaux, France	50.0		
GIE Hu Lease	Puteaux, France	50.0		
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg, Germany	24.8	28.8	
Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG	Düsseldorf, Germany	3.5	25.0	
Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Plauen-Park KG	Düsseldorf, Germany	21.4	21.3	
Koppelenweg I BV	Hoevelaken, Netherlands	33.3		
MAECENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dortmund KG i.L.	Düsseldorf, Germany	5.0	33.3	
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG i.L.	Grünwald, Germany	29.4	29.0	
MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L.	Düsseldorf, Germany	5.0	50.0	
MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG i.L.	Düsseldorf, Germany	21.0		
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG	Düsseldorf, Germany	6.0	31.0	
MS "Meta" Stefan Patjens GmbH & Co. KG i. L.	Drochtersen, Germany	30.5		18)
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen	Düsseldorf, Germany	0.0	50.0	
NOSSIA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Pöcking, Germany	2.5	25.0	
OSCA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i. L.	Grünwald, Germany	26.0		
Pinova GmbH & Co. Erste Beteiligungs KG	Munich, Germany	40.0		
PRUNA Betreiber GmbH	Grünwald, Germany	51.0		
Rendite Partner Gesellschaft für Vermögensverwaltung mbH i. L.	Frankfurt/Main, Germany	33.3		
SUEZ Immobilia GmbH & Co. KG	Cologne, Germany	5.1	50.0	

3. Joint ventures

a) Joint ventures to the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital %	Voting rights (where different)	Currency	Equity* 1,000	Net profit or loss* 1,000
Delphi I LLC	Wilmington, Delaware, USA	33.3		EUR	−513,489	−19,074
FV Holding S.A.	Brussels, Belgium	60.0		EUR	1,309	−86

b) Joint ventures in the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Equity* %	Voting rights (where different) %	
Bonitos Verwaltungs GmbH i.L.	Frankfurt/Main, Germany	50.0		19)
NULUX NUKEM LUXEMBOURG GmbH	Luxembourg, Luxembourg	49.5		

4. Structured entities

a) Structured entities included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of capital %	Voting rights (where different) %	Currency	Equity* 1,000	
Agate Assets S.A. S014	Luxembourg, Luxembourg	FK			EUR	31	
Borromeo Finance S.r.l.	Milan, Italien	FK			EUR	16,582	
Bosphorus Capital DAC	Dublin, Ireland	FK			EUR	−334	
Bosphorus Investments DAC	Dublin, Ireland	FK			EUR	−1,008	
CoCo Finance II−2 DAC	Dublin, Ireland	PUK			EUR	10	20)
Danube Delta PLC	Dublin, Ireland	FK			USD	−26,941	
Justine Capital SRL	Milan, Italien	FK			EUR	−4,351	
LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	SuK	100.0	16.7	EUR	−5,930	
Liffey Emerald Limited	Dublin, Ireland	FK			EUR	–	
Livingstone Mortgages Limited	London, United Kingdom	FK			GBP	45,409	
Plymouth Capital Limited	St. Helier, Jersey	FK			GBP	–	
SME Commerz SCB GmbH	Frankfurt/Main, Germany	PUK			EUR	26	
Thames SPC	Grand Cayman, Cayman Islands	FK			GBP	–	

b) Structured entitites not included in the Group financial statements pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment	
Caduceus Compartment 5	Luxembourg, Luxembourg	FK	
CB MezzCAP Limited Partnership	St. Helier, Jersey	PUK	
GRENADO Vermietungsgesellschaft mbH & Co. Objekt Brigachschiene KG	Grünwald, Germany	PUK	
HSC Life Policy Pooling S.A.R.L.	Luxembourg, Luxembourg	FK	
MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG i.L.	Grünwald, Germany	SuK	21)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG	Düsseldorf, Germany	PUK	
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Haar KG	Düsseldorf, Germany	PUK	
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG	Düsseldorf, Germany	PUK	
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Kleve KG	Düsseldorf, Germany	PUK	

5. Investment funds

a) Investment funds included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of investor to fund %	Currency	Fund volume 1,000
CDBS-Cofonds	Frankfurt/Main, Germany	PUK	100.0	EUR	142,530
CDBS-Cofonds II	Frankfurt/Main, Germany	PUK	100.0	EUR	96,534
CDBS-Cofonds III	Frankfurt/Main, Germany	PUK	100.0	EUR	132,441
CDBS-Cofonds IV	Frankfurt/Main, Germany	PUK	100.0	EUR	132,820
CDBS-Cofonds V	Frankfurt/Main, Germany	PUK	100.0	EUR	109,138
Green Loan Fund I	Luxembourg, Luxembourg	PUK	100.0	EUR	62,380
Olympic Investment Fund II	Grevenmacher, Luxembourg	FK	98.3	EUR	2,456,656
Premium Management Immobilien-Anlagen	Frankfurt/Main, Germany	PUK	98.5	EUR	92,772
VFM Mutual Fund AG & Co. KG	Gamprin-Bendern, Liechtenstein	FK	51.8	CHF	402,741

b) Investment funds not included in the Group financial statements pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment
Commerzbank CCBI RQFII Money Market UCITS ETF B	London, United Kingdom	FK
Commerzbank CCBI RQFII Money Market UCITS ETF C	London, United Kingdom	FK
Commerzbank Rohstoff Strategie R USD	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus I	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus II	Luxembourg, Luxembourg	FK
ComStage 1 DAX UCITS ETF (I) (II)	Frankfurt/Main, Germany	FK
ComStage 1 DivDAX UCITS ETF (I) (II)	Frankfurt/Main, Germany	FK
ComStage CBK 10Y US-Treasury Future UCITS ETF	Luxembourg, Luxembourg	FK
ComStage Commerzbank Bund-Future Leveraged UCITS ETF	Luxembourg, Luxembourg	FK
ComStage EURO STOXX 50® NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage FTSE 100 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 3-5 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 5-7 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 7-10 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped Overall UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 10-15 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 15+ UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified Overall UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 10+ UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 1-5 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 5-10 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Italy UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Spain UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Industrial Goods & Services UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Retail UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Travel & Leisure UCITS ETF	Luxembourg, Luxembourg	FK

6. Investments to large corporations where the investment exceeds 5 % of the voting rights

Name	Registered office	Share of capital %	Voting rights (where different) %
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main, Germany	13.9	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen, Germany	7.1	
SCHUFA Holding AG	Wiesbaden, Germany	18.6	

Footnotes	
1)	Renamed: from Service-Center Inkasso GmbH Düsseldorf to Commerz Service-Center Intensive GmbH
2)	Renamed: from 14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG to 14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG i.L.
3)	Renamed: from Kronen zweitausend285 GmbH to Commerz Kreditbearbeitung GmbH
4)	Renamed: from Commerz Real Finanzierungsleasing GmbH to Commerz Real Finanzierungsleasing GmbH i.L.
5)	Renamed: from Copernicus Germany GmbH i. Gr. to Copernicus Germany GmbH
6)	Renamed: from Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Alpha Objekt Hauptverwaltung Frankfurt KG to Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Alpha Objekt Hauptverwaltung Frankfurt KG i.L.
7)	Renamed: from Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Beta Objekt Hauptverwaltung Frankfurt KG to Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Beta Objekt Hauptverwaltung Frankfurt KG i.L.
8)	Renamed: from GRAVIATION Flugzeug-Vermietungsgesellschaft mbH to GRAVIATION Flugzeug-Vermietungsgesellschaft mbH i.L.
9)	Renamed: from HAJORALDIA Verwaltung und Treuhand GmbH to HAJORALDIA Beteiligungsgesellschaft mbH
10)	Renamed: from LUGO Photovoltaik Beteiligungsgesellschaft mbH to LUGO Photovoltaik Beteiligungsgesellschaft mbH i.L.
11)	Renamed: from JMD III Sp. z o.o. to mBOX Sp. z o.o.
12)	Renamed: from Number X Real Estate GmbH to Number X Real Estate GmbH i.L.
13)	Renamed: from ARINO GmbH to Smart Living Immobiliengesellschaft mbH
14)	Renamed: from TIGNATO Beteiligungsgesellschaft mbH to TIGNATO Beteiligungsgesellschaft mbH i.L.
15)	Renamed: from Urban Invest Holding GmbH to Urban Invest Holding GmbH i.L.
16)	Renamed: from Windpark Duben Süd GmbH to Windpark Duben Süd Verwaltungs GmbH
17)	Renamed: from Windpark Karche 2 GmbH to Windpark Karche 2 Verwaltungs GmbH
18)	Renamed: from MS “Meta” Stefan Patjens GmbH & Co. KG to MS “Meta” Stefan Patjens GmbH & Co. KG i. L.
19)	Renamed: from Bonitos Verwaltungs GmbH to Bonitos Verwaltungs GmbH i.L.
20)	Renamed: from CoCo Finance II–2 Ltd. to CoCo Finance II–2 DAC
21)	Renamed: from MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG to MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG i.L.

Comments and Explanations	
a)	Control and profit transfer agreement.
b)	No disclosures persuant to Art. 264 (3) and Art. 264 b of the German Commercial Code (HGB).
c)	Agent relationships.
*	Financial figures as of last year’s annual report.

Information on business purpose pursuant to Art. 26 a of the German Banking Act (KWG) as well as on segments:

Abbreviation	Explanation
BETGE	Investment Companies
KREDI	Banks
SOFDL	Other Financial Institutions
SOUNT	Other Companies
ACR	Asset & Capital Recovery
FK	Corporate Clients
PUK	Private and Smal-Business Customers
SuK	Others and Consolidation

Foreign exchange rates for 1€ as at 31 December 2017		
Brazil	BRL	3.9729
United Kingdom	GBP	0.8872
Japan	JPY	135.0100
Poland	PLN	4.1770
Russia	RUB	69.3920
Sweden	SEK	9.8438
Switzerland	CHF	1.1702
Taiwan	TWD	35.5397
Hungary	HUF	310.3300
USA	USD	1.1993

(74) Application of IFRS 9

The Commerzbank Group has been applying IFRS 9 since 1 January 2018 in the version adopted by the European Union. However, these financial statements include in this note a detailed reconciliation of the consolidated balance sheet in accordance with IAS 39 as at 31 December 2017 to the opening balance sheet pursuant to IFRS 9 as at 1 January 2018. The Commerzbank Group has already applied part of IFRS 9 since 31 March 2017 retrospectively as at 1 January 2017. Gains or losses deriving from own credit risk are therefore no longer reported through profit and loss, but instead directly in retained earnings.

General classification and measurement

The application of IFRS 9 requires the reporting entity to classify all assets and liabilities defined as financial instruments under IAS 32. This classification aims to enable the user of the financial statements to make a better assessment of the amount, timing and uncertainty of future cash flows. Fundamentally, all financial instruments must be recognised at their fair value on the date of acquisition. This acquisition principle applies regardless of the financial instrument's classification.

IFRS 9 sets out four types of subsequent measurement, which depend on the respective business model and the fulfilment of the SPPI criterion (solely payment of principal and interest):

- measurement at amortised cost (AC)
- fair value through other comprehensive income with recycling (FVOCImR)
- fair value through other comprehensive income without recycling (FVOCIoR)
- fair value through profit or loss (FVPL)

Management allocates the financial assets to one of the following business models based on how the financial assets are managed to generate cash flows:

- "hold" business model: receipt of contractual cash flows with only seldom or immaterial sales activities.
- "hold and sell" business model: receipt of cash flows through holding and also through sales.
- residual business model: all portfolios that are not allocated to the "hold" or "hold and sell" business model. These include primarily trading portfolios and portfolios managed on a fair-value basis. The receipt of contractually agreed cash flows is of minor importance; the main objective is instead to maximise cash flows through short-term purchases and sales.

The second criterion for classifying financial assets is the characteristics of their cash flows. When assessing these cash flows, the crucial consideration is whether they are solely unleveraged interest and principal payments on the outstanding capital, i.e. the SPPI criterion. In principle, a financial instrument is SPPI-compliant only if its contractual cash flows are equivalent to those of a simple loan, i.e. a basic lending arrangement.

The allocation to the business model can be made on a portfolio basis, whereas the SPPI criterion must always be assessed for each individual financial instrument.

Measurement at amortised cost (AC) requires that the financial asset has cash flows which correspond to the SPPI criterion and that it has been allocated to a portfolio with the "hold" business model. The associated bookings correspond in principle to the previous IAS 39 fair value category of loans and receivables (LaR).

A financial asset is measured at fair value through other comprehensive income with recycling (FVOCImR) if its cash flows also correspond to the SPPI criterion and it has been allocated to a portfolio with the "hold-and-sell" business model. The associated accounting therefore corresponds fundamentally to the previous IAS 39 fair value category of available for sale (AfS).

The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if either the financial asset has not been allocated to a portfolio with one of the aforementioned business models or its cash flows are not SPPI-compliant. This measurement category is therefore subsidiary in nature, i.e. if the asset cannot be clearly allocated to one of the two other measurement categories, it must be measured according to this category. A reporting distinction is made in this measurement category between financial instruments held for trading purposes (HfT) and other financial instruments requiring recognition at fair value with the resulting value fluctuation being recorded in the income statement (mFVPL). Besides the fair value option (FVO), there is also the possibility of voluntarily designating financial assets on acquisition into the mFVPL category if accounting mismatches can be avoided.

The methodology for measuring financial assets is based on the allocation of the asset to one of the following three groups:

- Derivatives:
  financial instruments for which the allocation criteria have not changed as compared with IAS 39. As derivatives do not have fixed redemption amounts, subsequent measurement at amortised cost is not possible. They must always be measured at fair value, with the fluctuation in value being recorded in the income statement. If derivatives are not used for hedge accounting, they must always be allocated to the trading portfolio (HfT).
- Equity instruments:
  financial instruments which correspond to the definition of equity under IAS 32 for the issuing entity. As equity instruments do not involve fixed redemption amounts and instead represent only a proportional right, i.e. not a right to receive a

fixed redemption amount, the SPPI criterion is not fulfilled and measurement at AC or FVOCImR is precluded.
However, an irrevocable decision can be made when the equity instrument is acquired to instead measure the instrument based on the FVOCI-without-recycling method. All value fluctuations are recognised in other comprehensive income and are not reported in the income statement upon the disposal of the financial instrument (without recycling). This option is not available for financial instruments that have been acquired for trading purposes or as conditional payment for the acquisition of a company. In these cases, similar to all other equity instruments, they must be measured at FVPL.
- Debt instruments:
All financial instruments not considered to be derivatives as defined in IFRS 9 or equity as defined under IAS 32 are measured based on the business model and SPPI criteria described above, or in the case of an accounting mismatch in accordance with the fair value option of the financial instrument (SPPI criterion). It is also possible to apply the fair value option voluntarily.

Debt instruments on the asset side of the balance sheet may thus be accounted for in one of the following ways:
- Subsequent measurement at AC is required if the financial instrument is held only to realise the contractually agreed cash flows ("hold" business model) and, in addition, the contractually agreed cash flows are exclusively interest and principal payments as defined under IFRS 9 (SPPI compliance).
- Subsequent measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCImR) is required if the financial instrument is allocated to a portfolio with the "hold-and- sell" business model and, in addition, the contractually agreed cash flows are only interest and principal payments, and are thus SPPI-compliant. Upon disposal of the financial instrument, the cumulative valuation fluctuations that have been recognised in other comprehensive income are then recognised in the income statement (recycling).

As a rule, financial liabilities must be measured at amortised cost. In addition, the possibility exists of applying the fair value option. Financial liabilities held for trading and all derivatives must be reported in the balance sheet in a separate line item and measured at fair value through profit or loss.

Impairment

IFRS 9 changes the rules on the accounting treatment of expected default risk (provisions). Unlike in IAS 39, provisions are not recognised only when a specific loss event occurs. Instead, for every financial instrument measured at AC or FVOCImR, the credit loss expected over the next 12 months must be recognised as a provision on initial recognition. If the credit risk increases significantly, but the borrower is not yet in default, a provision must be recognised for the full lifetime expected losses. If an instrument is in default, a provision must be recognised for the lifetime expected loss on the basis of the estimated cash flows that can still be expected. In this case, interest income is calculated based on the net carrying amount.

Hedge accounting

The improvements for hedge accounting contained in IFRS 9 aim to further harmonisation between the accounting treatment of hedging relationships and (economic) risk management. We have utilised the option provided in the standard and have continued to apply the previous IAS 39 regulations.

The significant effects from the application of IFRS 9 Financial Instruments as at 1 January 2018 are presented in the following reconciliation tables.

Assets €m	Presentation IAS 39	Carrying amount 31.12.2017	Presentation IFRS 9	Adjustments[1]	Reclas-sification	Remea-surement	Carrying amount IFRS 9 1.1.2018
Cash on hand and cash on demand		**55,733**		**–**	**55,733**	**–**	**55,733**
	LAR	–	AC	–	55,222	–	55,222
	LAR	–	mFVPL	–	511	–	511
Financial assets – Loans and Receivables		**265,712**		**–**	**265,712**	**–37**	**265,675**
Loans and advances		241,708		–	241,708	–298	241,409
	LAR	–	AC	–	233,123	–200	232,922
	LAR	–	FVOCI	–	2,027	2	2,029
	LAR	–	mFVPL	–	6,558	–100	6,458
Debt securities		24,004		–	24,004	262	24,266
	LAR	–	AC	–	22,420	270	22,690
	LAR	–	FVOCI	–	1,352	3	1,354
	LAR	–	mFVPL	–	232	–11	221
Financial assets – Available for Sale		**31,155**		**–**	**31,155**	**599**	**31,753**
Debt securities		30,661		158	30,820	599	31,418
	AFS	–	AC	–	9,003	599	9,602
	AFS	–	FVOCI	–	21,498	–	21,498
	AFS	–	mFVPL	–	318	–	318
Equity instruments		493		–158	335	–	335
	AFS	–	FVOCI	–	68	–	68
	AFS	–	mFVPL	–	267	–	267
Financial assets – Fair Value Option		**23,745**		**–**	**23,745**	**–**	**23,745**
Loans and advances	FVO	23,000	mFVPL	–	23,000	–	23,000
Debt securities		393		352	746	–	746
	FVO	–	FVOCI	–	293	–	293
	FVO	–	mFVPL	–	452	–	452
Equity instruments		352		–352	–	–	–
	FVO	–	FVOCI	–	–	–	–
	FVO	–	mFVPL	–	–	–	–
Financial assets – Held for Trading		**63,666**		**–**	**63,666**	**–1,980**	**61,686**
Loans and advances	HFT	1,080	HFT	–	1,080	–	1,080
Debt securities		2,955		2,364	5,319	–	5,319
	HFT	–	mFVPL	–	970	–	970
	HFT	–	HFT	–	4,349	–	4,349
Equity instruments	HFT	11,302	HFT	–2,364	8,938	–	8,938
Derivatives and other	HFT	48,328	HFT	–	48,328	–1,980	46,349
Value adjustment on portfolio fair value hedges		153		–	153	–0	153
Positive fair values of derivative hedging instruments		1,464		–	1,464	–1	1,463
Holdings in companies accounted for using the equity method		181		–	181	–	181
Intangible assets		3,312		–	3,312	–	3,312
Fixed assets		1,600		–	1,600	–	1,600
Investment properties		16		–	16	–	16
Non-current assets held for sale and disposal groups		78		–	78	0	78
Current tax assets		767		–	767	–	767
Deferred tax assets		2,950		–	2,950	65	3,015
Other assets		1,961		–	1,961	–	1,961
Total		**452,493**		**–**	**452,493**	**–1,354**	**451,139**

[1] The restatement was necessary because the definitions of equity and debt are modified under IFRS 9. Investment fund units and profit-sharing certificates previously reported under equity instruments were reallocated to securitised debt instruments

Liabilities and equity €m	**Presentation IAS 39**	**Carrying amount IAS 39 31.12.2017**	**Presentation IFRS 9**	**Reclas-sification**	**Remea-surement**	**Carrying amount IFRS 9 1.1.2018**
Financial liabilities – AC		**341,260**		**341,260**	**135**	**341,395**
Deposits		297,890		297,890	–34	297,856
	OLI	–	AC	297,651	–	297,651
	OLI	–	FVO	239	–34	205
Debt securities issued		43,369		43,369	170	43,539
	OLI	–	AC	38,306	–6	38,300
	OLI	–	FVO	5,064	176	5,239
Financial liabilities – FVO		**14,940**		**14,940**	**–**	**14,940**
Deposits	FVO	14,279	FVO	14,279	–	14,279
Debt securities issued	FVO	661	FVO	661	–	661
Financial liabilities – HFT		**56,484**		**56,484**	**110**	**56,593**
Debt securities issued	HFT	5,565	HFT	5,565	–	5,565
Derivatives and other trading liabilities	HFT	50,919	HFT	50,919	110	51,028
Value adjustment on portfolio fair value hedges		491		491	–41	451
Negative fair values of derivative hedging instruments		2,255		2,255	–383	1,872
Provisions		3,291		3,291	82	3,373
Current tax liabilities		673		673	–	673
Deferred tax liabilities		34		34	–24	9
Liabilities of disposal groups		–		–	–	–
Other liabilities		3,024		3,024	–	3,024
Equity		**30,041**		**30,041**	**–1,232**	**28,809**
Subscribed capital		1,252		1,252	–	1,252
Capital reserve		17,192		17,192	–	17,192
Retained earnings		11,249		11,249	–1,871	9,378
Other reserves		–817		–817	663	–154
Total before non-controlling interests		28,877		28,877	–1,208	27,669
Non-controlling interests		1,164		1,164	–24	1,141
Total		**452,493**		**452,493**	**–1,354**	**451,139**

The following table shows the opening balance as at 1 January 2018 in comparison to the closing balance as at 31 December 2017:

€m	1.1.2018	31.12.2017	Change in €m
Cash on hand and cash on demand	55,222	55,733	–511
Financial assets – Amortised Cost (AC)	265,215	n/a	265,215
Financial assets – Loans and Receivables (LAR)	n/a	265,712	–265,712
Financial assets – Fair Value OCI (FVOCI)	25,243	n/a	25,243
Financial assets – Available for Sale (AFS)	n/a	31,155	–31,155
Financial assets – Fair Value Option (FVO)	–	23,745	–23,745
Financial assets – Mandatorily Fair Value P&L (mFVPL)	32,198	n/a	32,198
Financial assets – Held for Trading (HFT)	60,716	63,666	–2,950
Value adjustment on portfolio fair value hedges	153	153	–0
Positive fair values of derivative hedging instruments	1,463	1,464	–1
Holdings in companies accounted for using the equity method	181	181	–
Intangible assets	3,312	3,312	–
Fixed assets	1,600	1,600	–
Investment properties	16	16	–
Non-current assets held for sale and disposal groups	78	78	0
Current tax assets	767	767	–
Deferred tax assets	3,015	2,950	65
Other assets	1,961	1,961	–
Total	**451,139**	**452,493**	**–1,354**

€m	1.1.2018	31.12.2017	Change in €m
Financial liabilities – Amortised Cost (AC)	335,951	341,260	–5,309
Financial liabilities – Fair Value Option (FVO)	20,385	14,940	5,444
Financial liabilities – Held for Trading (HFT)	56,593	56,484	110
Value adjustment on portfolio fair value hedges	451	491	–41
Negative fair values of derivative hedging instruments	1,872	2,255	–383
Provisions	3,373	3,291	82
Current tax liabilities	673	673	–
Deferred tax liabilities	9	34	–24
Liabilities of disposal groups	–	–	–
Other liabilities	3,024	3,024	–
Equity	28,809	30,041	–1,232
Subscribed capital	1,252	1,252	–
Capital reserve	17,192	17,192	–
Retained earnings	9,378	11,249	–1,871
Other reserves	–154	–817	663
Total before non-controlling interests	27,669	28,877	–1,208
Non-controlling interests	1,141	1,164	–24
Total	**451,139**	**452,493**	**–1,354**

Report on events after the reporting period

On 9 February 2018, the Bank sold its holding in Capital Investment Trust Corporation, Taipei, Taiwan, a shareholding that was previously accounted for using the equity method. This sale results in a positive effect on the income statement for financial year 2018.

There have been no other material events since the end of the reporting period.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman
Employee of
Commerzbank Aktiengesellschaft

Hans-Hermann Altenschmidt[1]
Employee of
Commerzbank Aktiengesellschaft

Heike Anscheit[1]
(since 1.1.2017)
Employee of
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Employee of
Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstand Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former member of the
Management Board of
BP Europe SE

Karl-Heinz Flöther
Independent management consultant

Dr. Tobias Guldimann
(since 3.5.2017)
Independent consultant in the financial sector

Stefan Jennes[1]
(since1.2.2017)
Employee of
Commerzbank Aktiengesellschaft

Dr. Markus Kerber
Former Chief Executive Director of the Federal Association of German Industry (Bundesverband der Deutschen Industrie)

Alexandra Krieger[1]
Head Business Administration/Corporate Strategy Industrial Union Mining, Chemical and Energy

Oliver Leiberich[1]
Employee of
Commerzbank Aktiengesellschaft

Dr. Stefan Lippe
Former CEO
of Swiss Re AG

Beate Mensch[1]
Trade Union Secretary
ver.di Region of the Federal State Hessen (Vereinte Dienstleistungsgewerkschaft ver.di) Organisational Development

Anja Mikus
CEO/CIO of the foundation “Fund for the Financing of Nuclear Waste” German Federal Ministry of Economics and Energy

Dr. Roger Müller
(until 3.5.2017)
General Counsel
Deutsche Börse AG

Dr. Helmut Perlet
Chairman of the
Supervisory Board of
GEA GROUP AG

Mark Roach[1]
Trade Union Secretary
ver.di National Administration

Margit Schoffer[1]
(until 31.1.2017)
Employee of
Commerzbank Aktiengesellschaft

Nicholas Teller
Chairman of the Advisory Board E.R. Capital Holding GmbH & Cie. KG KG

Dr. Gertrude Tumpel-Gugerell
Former member of the Executive Board of the European Central Bank

[1] Elected by the Bank´s employees.

Board of Managing Directors

Martin Zielke
Chairman

Frank Annuscheit

Dr. Marcus Chromik

Stephan Engels

Michael Mandel

Dr. Bettina Orlopp
(since 1.11.2017)

Michael Reuther

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of the Group provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt /Main, 2 March 2018
The Board of Managing Directors

Martin Zielke

Frank Annuscheit

Marcus Chromik

Stephan Engels

Michael Mandel

Bettina Orlopp

Michael Reuther

Independent Auditor's Report

To COMMERZBANK Aktiengesellschaft, Frankfurt/Main

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt/Main, and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year from 1 January to 31 December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of COMMERZBANK Aktiengesellschaft for the financial year from 1 January to 31 December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2017, and of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Measurement of ship financing loans**
2. **Valuation of securities and derivatives at fair value**
3. **Acquisition of installment loan business of Commerz Finanz GmbH**
4. **Recognition and measurement of deferred tax assets**
5. **Audit of provisions required in the context of the "Commerzbank 4.0" strategy**
6. **Tax refund claims resulting from trades settled on or near the dividend date**

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue
b) Audit approach and findings
c) Reference to further information

Hereinafter we present the key audit matters:

1. Measurement of ship financing loans

a) COMMERZBANK Aktiengesellschaft is engaged in the ship financing business. During the reporting period, this business area made a significant contribution to the specific loan loss provisions, with the result that the ship financing business had a significant impact on the Group's consolidated financial statements and, in particular, its financial performance. From the accounting point of view, the measurement of these loans regularly requires the use of estimates, particularly of future charter rates. In connection with the liquidation of non-performing loans, cash flows from the realization of collateral also need to be estimated. Since these valuation parameters have a significant influence on whether or to what extend specific loan loss provisions are required and these specific loan loss provisions are insofar subject to considerable uncertainties, this matter was of particular significance for our audit.

b) As part of our audit of the consolidated financial statements, we first assessed the appropriateness and effectiveness of the Company's relevant internal control system for the measure-ment of ship financing loans. We also included the corresponding business organization, IT systems and valuation models in our assessment. In addition, we assessed the measurement of ship financing loans, including the appropriateness of estimated values, by, among other things, examining the correct application of the valuation models and by evaluating the appropriateness of the future charter rates, proceeds from the realization of collateral and other input factors used. For this purpose, we also examined the evaluations and explanations provided by the Company, taking into account our own analyses and data from external analysts. We have involved our specialists for ship valuation and our specialists for the areas of IT audit and financial mathematics in the assessment of the measurement of the ship financing loans. The valuation parameters and assumptions used by the executive directors of COMMERZBANK Aktiengesellschaft to measure the ship financing portfolio are within the ranges we consider to be acceptable.

c) COMMERZBANK Aktiengesellschaft's disclosures on the measurement of ship financing loans are contained in the notes to the consolidated financial statements, in particular in notes 2 and 25.

2. Valuation of securities and derivatives at fair value

a) COMMERZBANK Aktiengesellschaft conducts trading in securities and derivatives which it presents in the consolidated financial statements based on the categories Held for Trading, Fair Value Option, Available for Sale and Loans and Receivables. For the purposes of accounting and disclosure in the notes to the financial statements, the Company determines the fair value for these financial instruments in accordance with IFRS 13. These instruments are valued in COMMERZBANK Aktiengesellschaft's trading division and are then verified independently of the trading division. The fair value is determined on the basis of the price for a financial instrument established on an active market (mark-to-market; fair value hierarchy level 1). If no market prices are available, the valuation is based on quoted prices for similar instruments on active markets. If no quoted prices for identical or similar financial instruments are available, valuation models which use observable market data to the greatest extent possible as inputs are used to determine the fair value (mark-to-model; fair value hierarchy level 2). If there is insufficient recent observable market data available to establish fair value, parameters which are not observable on the market are also used in the valuation models. These input parameters may include data derived in the form of approximations using, inter alia, historical data (fair value hierarchy level 3). In addition, for OTC derivatives the Company also calculates valuation adjustments for counterparty risk and funding cost.

Financial instruments which are valued based on models are therefore subject to increased valuation uncertainties and wider reasonable ranges. This applies in particular to complex financial instruments and the use of unobservable parameters. Due to the potential impacts of these valuation uncertainties on the consolidated financial statements, the valuation of financial instruments in fair value hierarchy levels 2 and 3, including valuation adjustments for counterparty risk and funding cost, was of particular significance for our audit.

b) As part of our audit, we analyzed in particular the securities and derivatives valued using models, with the focus on instruments which were subject to increased valuation uncertainties (levels 2 and 3). We then assessed the appropriateness and effectiveness of the Company's relevant controls of the internal control system relating to the valuation of these securities and derivatives, in particular the independent price verification and model validation. With the assistance of our internal specialists for financial mathematics, we carried out an assessment of the appropriateness of the valuation models used and the inputs used for selected classes of securities and derivatives. In addition, we carried out a separate, independent valuation of selected portfolios of OTC derivatives (Level 2) as of the balance sheet date. We then examined the methods applied to calculate valuation adjustments for counterparty risk and funding cost for OTC derivatives to ascertain the extent to which these are suitable for determining an appropriate fair value within the meaning of an exit price in accordance with IFRS 13. In our view, the fair values of securities and derivatives based on the valuation methods and assumptions used by the executive directors are within the ranges we consider to be acceptable.

c) Further information on the measurement of trades is contained in the notes to the consolidated financial statements, in particular in notes 30, 31 and 32.

3. Acquisition of installment loan business of Commerz Finanz GmbH

a) In financial year 2017, the joint venture Commerz Finanz GmbH, Munich, operated together with BNP Paribas Personal Finance S.A., Paris/France, for the purpose of jointly marketing consumer loans, was terminated. In this connection, the division comprising the installment loan business marketed via COMMERZBANK Aktiengesellschaft was transferred to COMMERZBANK Aktiengesellschaft. This transaction necessitated large-scale migrations in the data processing systems of COMMERZBANK Aktiengesellschaft. In addition, it resulted in complex accounting issues relating to the presentation in the financial reporting. Against this background, in our view this matter was of particular significance for our audit.

b) As part of our audit, we firstly inspected the respective contractual agreements relating to the acquisition of the installment loan portfolio. In addition, we performed a variety of audit procedures with respect to the installment loan business acquired relating to the legal compliance of the accounting, the implications under tax law and the IT migration. Among other things, we assessed the etermination of the purchase price, the accounting treatment of the termination of pre-acquisition business relations and the remeasurement of the assets acquired and liabilities assumed at fair value, as well as the calculation of goodwill, and assessed their appropriateness. We also assessed whether the data migration was carried out. In doing so, we involved the specialist experts from our national office for accounting and further specialists from the areas of company valuations, tax law, corporate law and IT audits. We were able to satisfy ourselves that the transaction was presented appropriately in the consolidated financial statements and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated.

c) The Company's explanatory notes pertaining to this transaction are contained in note 7 to the consolidated financial statements.

4. Recognition and measurement of deferred tax assets

a) The consolidated financial statements of COMMERZBANK Aktiengesellschaft contain material amounts of deferred tax assets. The projected results in accordance with IFRSs, which serve as the starting point for tax planning, are derived from the multi-year plan for 2018 to 2021. As the result of a change in the interpretation of the law, write-downs were recognized in respect of domestic deferred tax assets on foreign loss carryforwards in the financial year. With respect to Commerzbank Aktiengesellschaft (domestic Group companies), the deferred tax assets that could potentially be recognized on the basis of the IFRS projected results now exceed the deferred tax assets actually reported. From our point of view, this matter was of particular significance for our audit, as the multi-year plan serving as the basis for the recoverability of deferred taxes is highly dependent on the estimates and assumptions made by the executive directors and subject to considerable uncertainties.

b) For our audit of the proper recognition and measurement of deferred tax assets, we included specialists from our tax and company valuations department in our audit team. With their assistance, we assessed, the processes and controls established by the Company to record and measure deferred tax assets. We assessed the recoverability of the deferred tax assets on the basis of the multi-year plan prepared by the executive directors and we assessed the appropriateness of the planning assumptions used. Our assessment also covered the correctness of the reconciliation of the projected results to the tax result, compliance of the method used to calculate deferred taxes with IAS 12 and the mathematical accuracy of the calculations. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are within the ranges we consider to be acceptable.

c) The Company's disclosures pertaining to deferred tax assets are contained in notes 2 and 48 to the consolidated financial statements.

5. Audit of provisions required in the context of the "Commerzbank 4.0" strategy

a) COMMERZBANK Aktiengesellschaft unveiled its new "Commerzbank 4.0" strategic program in financial year 2016. Under the new strategy, the Company will focus on its core business and has modified its objectives and planning accordingly. In financial year 2017, the Company reached agreement with the employee representative committees on a reconciliation of interests and a social plan. The binding agreements form the basis for the Company's staff reductions announced in autumn 2016 as part of the "Commerzbank 4.0" strategy. In connection with the agreement with the employee representative committees, the Company recorded a restructuring provision to be recognized in profit or loss in 2017. In our view, this matter was of particular significance for our audit, as the recognition of restructuring provisions is to a large extent based on estimates and assumptions made by the executive directors.

b) The requirement for recognizing a restructuring provision is that the definition of restructur-ing measures within the meaning of IAS 37.10 has been met. According to that standard, the general recognition and measurement criteria for provisions and the more detailed criteria in IAS 37.70 et seqq. have to be assessed. If the provision is a provision for termination benefits, the requirements of IAS 19 apply. In our audit, we assessed whether the individual recognition criteria were met and whether the measurement of the restructuring provision was appropriate. For this purpose, we obtained and evaluated relevant evidence from the executive directors of the Company. We were able to satisfy ourselves that the matter as well as the estimates and assumptions made by the executive directors in connection with the recognition and measurement of a restructuring provision were sufficiently documented and substantiated. The measurement is within the ranges we consider to be acceptable.

c) The Company's disclosures pertaining to the provisions are contained in notes 2, 20 and 54 to the consolidated financial statements.

6. Tax refund claims resulting from trades settled around the dividend date

a) In assessment periods not yet subject to limitation for assessment, COMMERZBANK Aktiengesellschaft received dividends from trades settled and claimed tax credits and tax refunds (together: tax claims) for the dividend withholding tax levied thereon. There is the risk that the tax claims resulting from such transactions do not accrue to the Company at least partially, bacause it may be not be considered as the legal or economic owner. COMMERZBANK Aktiengesellschaft reflected this risk for potentially affected "cum-ex" and "cum-cum" transactions as of 31 December 2017 by means of a provision respectively a contingent liability as disclosed in the notes to the consolidated financial statements. Given that the non-recognition of tax claims could have a material impact on COMMERZBANK Aktiengesellschaft's tax items reported in the balance sheet, the statement of comprehensive income and the notes to the consolidated financial statements, in our view these matters were of particular significance for our audit.

b) Based on the (separate) tax certificates issued by COMMERZBANK Aktiengesellschaft and an analysis of the data from the trading and settlement systems used, we examined the amount of tax claims relating to trades delivered around the dividend date. Furthermore, we investigated whether the Company's purchases of shares prior or around the dividend date and the subsequent sales of those shares were conducted with identical market participants. We also included the derivative transactions for the purpose of hedging market price risks, in order to establish whether the share purchases and the hedging transactions were conducted with the same counterparty. Within our analysis, we addressed the risk relating to a possible improper structure of these transactions.

For "cum-cum" transactions, in relation to which the German Federal Ministry of Finance is-sued a circular dated 17 July 2017 setting out the principles applying to their tax treatment according to the tax authorities' view of the legal position, we also investigated, based on COMMERZBANK Aktiengesellschaft's trading data, whether and to what extent the respective counterparties were able to claim tax refunds by structuring the transactions in particular ways. Additionally, we examined if other entities in the Group beside COMMERZBANK Aktiengesellschaft could potentially be affected.

For "cum-ex" transactions, we examined the extent to which short sales were executed although the respective shares were available in stock.

Based on the information available to us, current court rulings and the statements made by the tax authorities, we were able to satisfy ourselves that the estimates made by the executive directors with respect to the accounting treatment of a possible non-recognition of asserted tax refund claims were sufficiently documented in detail and substantiated.

c) The Company's disclosures pertaining to the possible non-recognition of asserted tax refund claims are contained in notes 2 and 56 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the group statement on corporate governance pursuant to § 315d HGB included in section "details pursuant to § 315 of the German Commercial Code (HGB)" of the group management report
- the separate non-financial group report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group manage-ment report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Finan-cial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial state-ments, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 3 May 2017. We were engaged by the supervisory board on 11 July 2017. We have been the group auditor of COMMERZBANK Aktiengesellschaft, Frankfurt/Main, without interruption since the financial year 1952.

We declare that the audit opinions expressed in this auditor's report are consistent with the addi-tional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Helge Olsson.

Frankfurt/Main, 5 March 2018
PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Clemens Koch	Helge Olsson
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Further Information

› We inform you about the seats on mandatory supervisory boards and similar bodies for members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank. We also inform you about the result of the review of the combined separate non-financial report as well as about the information on the encumbrance of assets and the quarterly results by segment.

Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Martin Zielke

b) CommerzVentures GmbH[1]

Frank Annuscheit

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

Dr. Marcus Chromik

b) mBank S.A.[1]

Stephan Engels

b) CommerzVentures GmbH[1]
Deputy Chairman

EIS Einlagensicherungsbank GmbH
Chairman

mBank S.A.[1]
Deputy Chairman

Michael Mandel

a) comdirect bank Aktiengesellschaft[1]
Chairman

Commerz Real AG[1]
Deputy Chairman

SCHUFA Holding AG
(until 19.6.2017)

b) Commerz Real Investment-gesellschaft mbH[1]
Deputy Chairman

CommerzVentures GmbH[1]
(since 20.9.2017)

mBank S.A.[1]

Dr. Bettina Orlopp

(since 1.11.2017)
a) Commerz Real AG[1]

Michael Reuther

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungs-gesellschaft mit beschränkter Haftung

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285 no. 10 of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats in similar national and international bodies

Klaus-Peter Müller

a) Fresenius Management SE

Fresenius SE & Co. KGaA

b) Parker Hannifin Corporation, Cleveland

Uwe Tschäge

– –

Hans-Hermann Altenschmidt

– –

Heike Anscheit
(since 1.1.2017)
– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG

BVV Versicherungsverein des Bankgewerbes a.G.

b) BVV Versorgungskasse des Bankgewerbes e.V.

Stefan Burghardt
– –

Sabine U. Dietrich
– –

Karl-Heinz Flöther

a) Deutsche Börse AG, Frankfurt am Main

Dr. Tobias Guldimann

(since 3.5.2017)
b) Edmond de Rothschild Holding S.A., Chambésy (Schweiz)

Edmond de Rothschild (Suisse) S.A., Genf (Schweiz)

Edmond de Rothschild (Monaco) S.A., Monaco (Fürstentum Monaco)

Fedafin AG, Widnau (Schweiz)
Chairman

Stefan Jennes
(since 1.2.2017)
– –

Dr. Markus Kerber

a) KfW-Bankengruppe
(until 30.3.2017)

b) Computershare Limited, Melbourne

Alexandra Krieger

a) AbbVie Komplementär GmbH

Evonik Resource Efficiency GmbH

Oliver Leiberich
– –

Dr. Stefan Lippe

b) Acqupart Holding AG, Zug
Deputy Chairman

AXA S.A., Paris

Celsius Pro AG, Zürich
Chairman

YES.com AG, Lachen
Chairman

Beate Mensch

a) Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich

Anja Mikus
– –

Dr. Roger Müller
(until 3.5.2017)
– –

Dr. Helmut Perlet

a) Allianz SE
Chairman
(until 6.5.2017)

GEA GROUP AG
Chairman

Mark Roach
– –

Margit Schoffer
(until 31.1.2017)
– –

Nicholas Teller
– –

Dr. Gertrude Tumpel-Gugerell

b) Finanzmarktbeteiligung Aktiengesellschaft des Bundes, Vienna
(until 7.3.2017)

Österreichische Bundesbahnen Holding AG, Vienna
(until 9.2.2018)

OMV Aktiengesellschaft, Vienna

Vienna Insurance Group AG, Vienna

Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a (4) no. 1 of the German Commercial Code (HGB)
as at reporting date: 31.12.2017.

Dorthe Freifrau von Beaulieu-Marconnay
Commerz Systems GmbH[1]

Ulrich Coenen
Commerz Direktservice GmbH[1]

Volker Ergler
Stadtwerke Viernheim GmbH

Gerold Fahr
Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick
Borgers SE & Co. KGaA

Jörg van Geffen
Häfen und Güterverkehr Köln AG

Sven Gohlke
Bombardier Transportation GmbH

Dr. Gerd Gouverneur
Commerz Systems GmbH[1]
Deputy Chairman

Andrea Habermann
Delta Direkt Lebensversicherung Aktiengesellschaft Munich

Marcus König
Städtische Werke Nürnberg Gesellschaft mit beschränkter Haftung

VAG Verkehrs-Aktiengesellschaft

Dr. Annette Messemer
K+S Aktiengesellschaft

Stephan Müller
Commerz Systems GmbH[1]
Chairman

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft

Christian Rhino
Commerz Direktservice GmbH[1]

Roman Schmidt
Commerz Real AG[1]

Sabine Schmittroth
comdirect bank Aktiengesellschaft[1]

Commerz Direktservice GmbH[1]
Chairman

Commerz Real AG[1]

Dr. Jochen Sutor
Commerz Real AG[1]

Benedikt Winzen
Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

Reiner Wohlmann
Commerz Systems GmbH[1]

[1] Group mandate.

Independent Practitioner's Report

on a Limited Assurance Engagement on Non-financial Reporting[1]

To Commerzbank AG, Frankfurt/Main

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 340a Abs. (paragraph) 1a in conjunction with (hereinafter "icw") 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Commerzbank AG, Frankfurt am Main, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer; BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis; IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner´s Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of in-formation or expert opinions, referred to in the Non-financial Report.

[1] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the Non-financial Report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization
- Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the (consolidated) financial statements and in the (group) management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 340a Abs. 1a icw 289b Abs. 3 and 340i Abs. 5 icw 315b Abs. 3 HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt/Main, 5 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink	ppa. Nicolette Behncke
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Information on the encumbrance of assets

The following disclosure is made pursuant to Article 100 in conjunction with Article 443 of the Capital Requirements Regulation (CRR), taking account of the recommendation of the European Systemic Risk Board on the funding of credit institutions (ESRB, 2012/2). According to the related guidelines of the European Banking Authority (GL/2014/03), an asset should be treated as encumbered if it has been pledged or is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

The Commerzbank Group offers a wide range of standardised and customer-specific financial services for private, corporate, public-sector and institutional customers. The main triggers for the encumbrance of the Bank's assets are therefore as follows:

- supplementing the funding of the Bank's lending business through covered bonds (particularly Pfandbriefe) and securitisations;
- securities lending and repo transactions to fund the Bank's securities business;
- derivatives business and associated posting of collateral;
- provision of collateral for third-party funds lent by development banks for assets eligible for development assistance.

OTC derivatives transactions are concluded based on internationally standardised master agreements such as the ISDA Master Agreement or the German Master Agreement for Financial Futures. The collateralisation under these agreements, in some cases stipulated by EU regulations and in others determined in accordance with the wishes of the parties, is fundamentally based on customary and bilaterally negotiated collateralisation arrangements. These arrangements in the derivatives business usually involve the collateralisation of the respective obligation from the totality of all transactions between the parties under a master agreement through the transfer of title over the collateral to the buyer of protection.

In contrast, the master agreements for securities lending and securities repurchase transactions usually do not require additional collateralisation because collateralisation is already an inherent component of the transaction. Commerzbank, in its capacity as a recipient of collateral, regularly has the right to realise or pledge such collateral provided that it returns equivalent securities when the transaction is concluded. As well as fulfilling the requirements of the German Pfandbrief legislation, covered bonds issued by the core bank must also meet the more stringent overcollateralisation requirements of the rating agencies. The overcollateralisation of covered bonds in programmes that are being wound down has been reduced to the requirements of the Pfandbrief legislation and disclosed publicly.

There are no material Pfandbrief liabilities.

In repo and Pfandbrief business, besides transactions in euros, there are also relevant foreign currency liabilities denominated in US dollars and Polish zloty.

The table below contains information on encumbered and unencumbered assets of the Commerzbank Group according to CRR. The group of consolidated companies under CRR is not significantly different from the consolidated assets in accordance with the liquidity requirements under Part Six of EU Regulation 575/2013. For the calculation of the figures published here, the median of the past four quarters in 2017 was used.

€m	Encumbered assets		Unencumbered assets	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets	**87,553**		**389,289**	
Equity instruments	6,496	6,496	9,911	9,915
Debt securities	16,122	15,847	47,520	45,777
of which: covered bonds	258	258	6,337	6,303
of which: asset-backed securities	478	475	8,455	8,344
of which: issued by general governments	10,685	10,414	25,654	
of which: issued by financial corporations	3,126	3,122	19,412	19,201
of which: issued by non-financial corporations	2,311	2,311	2,454	2,333
Other assets	64,935		331,858	
of which: loans and advances other than loans on demand	64,109		211,346	

More than 50% of the unencumbered other assets may also be used to provide security or collateral. Assets that may not be encumbered include, in particular, loans secured by deposited securities, derivatives without collaterals and non-financial assets.

The breakdown of collateral received and own debt securities issued was as follows at the reporting date:

31.12.2017 €m	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	**57,956**	**24,795**
Loans on demand	-	248
Equity instruments	2,071	2,971
Debt securities	55,885	21,576
of which: covered bonds	1,519	746
of which: asset-backed securities	379	637
of which: issued by general governments	47,223	17,129
of which: issued by financial corporations	7,070	3,858
of which: issued by non-financial corporations	1,592	589
Own debt securities issued other than own covered bonds or ABSs		**4,825**
Retained covered bonds issued		**697**
Total assets, collateral received and own debt securities issued	**145,509**	

The liabilities associated or secured with encumbered assets were as follows at the reporting date:

31.12.2017 €m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than encumbered Pfandbriefe and ABSs
Carrying amount of selected financial liabilities	**89,425**	**126,321**

There are no material encumbrances of assets that are not related to recognised liabilities. Based on the median values, the encumbrance of assets declined versus the previous year, in line with the significant reduction in consolidated total assets.

The information above relates to the consolidated assets of Commerzbank Group. As a result, no transactions carried out within the Group affect the information on encumbrance.

Quarterly results by segment

1st quarter 2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	567	483	34	−33	1,052
Dividend income	4	18	–	6	28
Loan loss provisions	−33	−43	−119	–	−195
Other realised profit or loss and net remeasurement gain or loss	–	−7	−1	5	−3
Net commission income	545	347	–	−5	887
Net income from financial assets and liabilities at fair value through profit or loss	39	257	72	33	402
Net income from hedge accounting	–	−2	−4	−28	−34
Other realised profit or loss from financial instruments	6	2	–	43	50
Current net income from companies accounted for using the equity method	–	7	–	–	7
Other net income	7	−5	13	−12	3
Income before loan loss provisions	*1,168*	*1,100*	*115*	*9*	*2,392*
Income after loan loss provisions	*1,135*	*1,057*	*−4*	*9*	*2,197*
Operating expenses	941	790	29	105	1,865
Operating profit or loss	**194**	**267**	**−33**	**−96**	**332**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss	**194**	**267**	**−33**	**−96**	**332**

2nd quarter 2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	575	405	47	−20	1,006
Dividend income	7	3	–	17	27
Loan loss provisions	−43	−33	−92	–	−167
Other realised profit or loss and net remeasurement gain or loss	−3	−4	−5	−3	−14
Net commission income	477	312	–	−11	779
Net income from financial assets and liabilities at fair value through profit or loss	36	209	8	43	296
Net income from hedge accounting	−1	−3	−17	−34	−55
Other realised profit or loss from financial instruments	6	−1	–	14	19
Current net income from companies accounted for using the equity method	2	7	–	–	9
Other net income	14	14	5	−31	2
Income before loan loss provisions	*1,112*	*942*	*39*	*−25*	*2,068*
Income after loan loss provisions	*1,069*	*909*	*−54*	*−24*	*1,901*
Operating expenses	927	675	28	87	1,718
Operating profit or loss	**142**	**234**	**−82**	**−111**	**183**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	807	807
Pre-tax profit or loss	**142**	**234**	**−82**	**−918**	**−624**

3rd quarter 2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	583	416	28	13	1,040
Dividend income	4	2	–	12	17
Loan loss provisions	–55	–47	–65	–	–168
Other realised profit or loss and net remeasurement gain or loss	–1	–3	–28	2	–29
Net commission income	465	278	–	–6	738
Net income from financial assets and liabilities at fair value through profit or loss	37	245	–11	–46	225
Net income from hedge accounting	–1	–1	–7	1	–8
Other realised profit or loss from financial instruments	93	21	–	–9	105
Current net income from companies accounted for using the equity method	–	5	–	–	5
Other net income	182	8	5	223	417
Income before loan loss provisions	*1,362*	*971*	*–13*	*190*	*2,510*
Income after loan loss provisions	*1,307*	*923*	*–78*	*190*	*2,342*
Operating expenses	926	682	22	84	1,714
Operating profit or loss	**382**	**241**	**–100**	**106**	**629**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss	**382**	**241**	**–100**	**106**	**629**

4th quarter 2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	627	427	75	–26	1,103
Dividend income	9	2	–	22	34
Loan loss provisions	–24	–172	–59	4	–251
Other realised profit or loss and net remeasurement gain or loss	–8	–18	–5	2	–29
Net commission income	489	299	1	–15	774
Net income from financial assets and liabilities at fair value through profit or loss	36	248	–41	–74	169
Net income from hedge accounting	–1	4	–6	13	10
Other realised profit or loss from financial instruments	16	6	4	60	85
Current net income from companies accounted for using the equity method	–	2	–	–	2
Other net income	21	4	–3	22	44
Income before loan loss provisions	*1,190*	*975*	*25*	*3*	*2,193*
Income after loan loss provisions	*1,166*	*804*	*–35*	*7*	*1,942*
Operating expenses	1,016	737	19	9	1,782
Operating profit or loss	**149**	**66**	**–54**	**–2**	**159**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss	**149**	**66**	**–54**	**–3**	**159**

Five-year overview

Income statement | €m	**2017**	**2016[1]**	**2015**	**2014**	**2013**
Net interest income	4,201	4,165	4,272	4,273	4,521
Dividend income	106	164	316	231	151
Loan loss provisions	−781	−900	−696	−1,144	−1,747
Other realised profit or loss and net remeasurement gain or loss	−76	40	−248	−133	−206
Net commission income	3,178	3,212	3,424	3,205	3,215
Net income from financial assets and liabilities at fair value through profit or loss	1,092	1,019	1,509	1,506	1,286
Net income from hegde accounting	−86	−37	−60	16	14
Other realised profit or loss from financial instruments	259	393	440	151	320
Current net income from companies accounted for using the equity method	23	150	82	44	60
Other net income	465	293	28	−540	−93
Operating expenses	7,079	7,100	7,157	6,926	6,797
Operating profit	1,303	1,399	1,909	684	725
Impairment of goodwill and other intangible assets	–	627	–	–	–
Restructuring expenses	808	128	114	61	493
Pre-tax profit or loss	495	643	1,796	623	232
Taxes on income	245	261	619	253	65
Consolidated profit or loss attributable to non-controlling interests	94	103	115	106	89
Consolidated profit or loss attributable to Commerzbank shareholders	**156**	**279**	**1,062**	**264**	**78**

Balance sheet	**31.12.2017**	**31.12.2016[1]**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Total assets (€bn)	452.5	480.4	532.6	557.6	549.6
Equity as shown in balance sheet (€bn)	30.0	29.6	30.4	27.0	27.0

Capital ratios	**31.12.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Tier 1 capital ratio (%)	15.2	13.9	13.8	11.7	13.5
Total capital ratio (%)	18.3	16.9	16.5	14.6	19.2

Ratings[2]	**31.12.2017**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Moody's Investors Service, New York	A2/Baa1/P–1	A2/Baa1/P–1	Baa1/P–2	Baa1/P–2	Baa1/P–2
S&P Global, New York	A–/ A–/ A–2	BBB+/BBB+/A2	BBB+/A–2	BBB+/A–2	A–/A–2
Fitch Ratings, New York/London	A–/BBB+/F2	A–/BBB+/F2	BBB/F2	A+/F1+	A+/F1+
Scope Ratings, Berlin	–/A/S–1	–	–	–	–

[1] Prior-year figures restated.
[2] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.de). 2013–2015 rating for long- and short-term liabilities.

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Alexandra Lechner (p. 6)

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Disclaimer

Reservation regarding forward-looking statements

This Annual Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors 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 Annual Report is the authoritative version and only the German version of the Group Management Report and the Group Financial Statements was audited by the auditors.

References made to persons in the masculine for reasons of readability apply equally in the feminine.

Publication of the Annual Report as at 26 March 2018.

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Commerzbank offsets the greenhouse gas emissions produced by the paper used in this Annual Report by investing in high-quality climate protection projects.
Further information can be found at: klimaneutrale.commerzbank.de

Significant Group companies

Germany
comdirect bank AG, Quickborn
Commerz Real AG, Eschborn

Abroad
Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
mBank S.A., Warsaw

Operative foreign branches
Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Ostrava (office), Paris, Prague, Shanghai, Singapore, Tokyo, Vienna, Zurich

Representative Offices and Financial Institutions Desks
Abidjan, Addis Ababa, Almaty, Ashgabat, Baghdad, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Bucharest, Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow, Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

Commerzbank worldwide

Operative foreign branches	**21**
Representative offices	**32**
Significant Group companies abroad	**6**
Domestic branches in private customer business	**~1,000**
Foreign branches	**390**
Worldwide staff	**49,417**
International staff	**12,500**
Domestic staff	**36,917**

2018/2019 Financial calendar	
8 May 2018	Annual General Meeting
15 May 2018	Interim Report as at 31 March 2018
7 August 2018	Interim Report as at 30 June 2018
8 November 2018	Interim Report as at 30 September 2018
End-March 2019	Annual Report 2018

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