

COMMERZBANK HOLDINGS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2019

Company Registered No. 681392

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COMMERZBANK HOLDINGS (UK) LIMITED

STRATEGIC REPORT

The directors present their strategic report on Commerzbank Holdings (UK) Limited ('the Company') for the year ended 31 December 2019.

REVIEW OF BUSINESS

The principal activity of the Company is that of an investment holding company.

The results of the Company for the year are set out in detail on page 8. The profit before taxation for the year was £1,242,000 (2018: £637,000), with the increase arising due to an increase in the amount of dividends received from subsidiary undertakings. The directors declared an interim dividend of £2,000,000 on 25 July 2019 (2018: £Nil).

The Company holds US\$25,880,000 of primary capital undated floating rate notes in issue, listed on the Professional Securities Market of the London Stock Exchange. These notes forming part of two series issued in May 1985 (US\$100m) and June 1986 (US\$125m) (US\$59.54m having been repurchased and cancelled between 1989 and 1992; a further US\$127.96m having been repurchased and cancelled in 2015; and a further US\$11,620,000 having been repurchased and cancelled in 2017.)

Full details of the notes are included in the 'Particular of an Issue' published at the time of each issuance.

FUTURE TRENDS AND DEVELOPMENTS

The directors expect the Company to continue to earn an appropriate rate of interest on its cash deposits, commensurate with the credit risk involved. It is therefore expected that the Company will continue to earn net interest income based on the excess of cash on deposit over notes in issue, although following the reduction to UK base rates in March 2020, in reaction to the economic impacts of the COVID-19 pandemic, it is expected that the amount of net interest arising in 2020 will be below that reported for 2019.

The financial risks of the Company and how they are managed are set out below. The directors believe that none of the risks described in notes 10 and 11 have been adversely impacted by the COVID-19 pandemic. Furthermore the directors do not anticipate any change to the activities or the performance of the Company as a result of Brexit.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

From the perspective of the Company the principal risks and uncertainties are those described in notes 10 and 11 of these financial statements. The directors believe that none of the risks described in those notes have been adversely impacted by the COVID-19 pandemic.

KEY PERFORMANCE INDICATORS

As the Company is managed as part of a global bank there are no key performance indicators that are specific to the Company. The key performance indicators are included in the Annual Report of Commerzbank AG. Ongoing review of performance of the Company and its subsidiary undertakings is carried out by comparing actual performance against annually set budgets.

Approved by the Board of Directors
Signed on behalf of the Board



J G Wall
Secretary

Commerzbank Holdings (UK) Limited
Company Registered No. 681392

26 June 2020

COMMERZBANK HOLDINGS (UK) LIMITED

DIRECTORS' REPORT

The directors submit their annual report and audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

RESULTS AND DIVIDENDS

The results of the Company for the year are set out in detail on page 8.

The profit for the financial year of £1,242,000 (2018: £637,000) will be transferred to reserves. The directors declared an interim dividend of £2,000,000 on 25 July 2019 (2018: £Nil).

DIRECTORS

The directors of the Company who held office throughout the year and up to the date of signing the financial statements were as follows:

N G Aiken
A D Levy
J C Wall

The directors benefited from qualifying third party indemnity provisions in place during the financial year and up to the date of signing the financial statements.

FUTURE DEVELOPMENTS

Information on future developments is included in the Strategic Report on page 1.

GOING CONCERN

As described in note 2 of these financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis. The assessment of going concern has not changed as a result of considering the potential impacts of the COVID-19 pandemic.

As described in Note 13, the Directors have concluded that COVID-19 is a non-adjusting post balance sheet event.

PRINCIPAL RISKS AND UNCERTAINTIES AND FINANCIAL RISK MANAGEMENT

From the perspective of the Company the principal risks and uncertainties are those described in notes 10 and 11 of these financial statements. The directors believe that none of the risks described in those notes have been adversely impacted by the COVID-19 pandemic.

INDEPENDENT AUDITORS

Ernst & Young LLP were appointed by the members, in accordance with Section 485 of the Companies Act 2006, to act as auditors of the Company's financial statements. Ernst & Young LLP will be re-appointed in accordance with Section 487 of the Companies Act 2006.

COMMERZBANK HOLDINGS (UK) LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

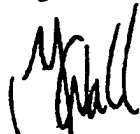
DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with section 418 of the Companies Act 2006, the Directors' Report includes a statement, in the case of each director in office as at the date the Report of the Directors is approved, that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board of Directors

Signed on behalf of the Board



J.C. Wall
Secretary

Commerzbank Holdings (UK) Limited

Company Registered No. 681392

26 June 2020

COMMERZBANK HOLDINGS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMERZBANK HOLDINGS (UK) LIMITED

Opinion

We have audited the financial statements of Commerzbank Holdings (UK) Limited (the 'company') for the year ended 31 December 2019 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to notes 2 and 13 of the financial statements, which describes the economic disruption the company is facing as a result of the COVID-19 pandemic, which is impacting financial markets and investments. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

COMMERZBANK HOLDINGS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMERZBANK HOLDINGS (UK) LIMITED (continued)

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">We have determined that there are no key audit matters to communicate in our report.
Materiality	<ul style="list-style-type: none">Overall materiality of £501k which represents 3% of Equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identify. These matters include those which have the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters are addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £501k (2018: £481k), which is 3% of Equity. We believe that Equity provides an appropriate basis as this is a key focus for the users of the financial statements, given the company's principal activity is of an investment holding company and that it has listed debt in issue.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £376k (2018: £361k). We have set performance materiality at this percentage based on various considerations including the past history of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

COMMERZBANK HOLDINGS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMERZBANK HOLDINGS (UK) LIMITED (continued)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board of Directors that we would report to them all uncorrected audit differences in excess of £25k (2018: £24k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 3, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

COMMERZBANK HOLDINGS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMMERZBANK HOLDINGS (UK) LIMITED (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Maurice McCormick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
London

26 June 2020

COMMERZBANK HOLDINGS (UK) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Dividends receivable from subsidiary undertakings		991	417
OPERATING PROFIT	4	991	417
Provision against carrying value of investments in subsidiaries		-	(8)
Loss on disposal of investment in subsidiary	6	(2)	-
PROFIT BEFORE INTEREST AND TAXATION		989	409
Interest receivable from Commerzbank AG London Branch		856	756
Interest payable on subordinated loan capital		(603)	(528)
PROFIT BEFORE TAXATION		1,242	637
Tax on profit	5	-	-
PROFIT FOR THE FINANCIAL YEAR		1,242	637
Other comprehensive income after tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,242	637

All amounts stated above were derived from continuing activities.

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements.

COMMERZBANK HOLDINGS (UK) LIMITED**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Investments	6	1,458	1,480
CURRENT ASSETS			
Amounts due from group undertakings	7	34,079	35,466
TOTAL ASSETS		35,537	36,946
CREDITORS: amounts falling due after more than one year	8	(19,615)	(20,266)
NET ASSETS		15,922	16,680
CAPITAL AND RESERVES			
Called up share capital	9	15,382	15,382
Profit and loss account		540	1,298
TOTAL SHAREHOLDER'S FUNDS		15,922	16,680

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements.

These financial statements on pages 8 to 18 were approved by the Board of Directors and signed on its behalf by:



A D Levy
Director

26 June 2020

COMMERZBANK HOLDINGS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total shareholder's funds £'000
Balance as at 1 January 2018	15,382	661	16,043
Profit and total comprehensive income for the year	-	637	637
Balance as at 31 December 2018	15,382	1,298	16,680
Profit and total comprehensive income for the year	-	1,242	1,242
Interim dividends paid	-	(2,000)	(2,000)
Balance as at 31 December 2019	15,382	540	15,922

The accounting policies and notes on pages 11 to 18 form an integral part of these financial statements.

COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company is an investment holding company.

The Company is a private company limited by shares and is domiciled and incorporated in the UK. The Company's Registered Office is situated at 30 Gresham Street, London, EC2V 7PG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), which took effect from 1 January 2015. The financial statements have been prepared under the historical cost convention and in accordance with the requirements of the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The directors are of the opinion that there are no accounting estimates and judgements that are deemed critical to the Company's results and financial position.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of IAS 7, 'Statement of cash flows'; and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

The directors, based on the Company's financial and liquidity position and also having considered the uncertainties associated with COVID-19 pandemic (see note 13), have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on a going concern basis. Specifically, the directors have performed a COVID-19 impact analysis, focussing on plausible future scenarios, including adverse ones, as part of their going concern assessment using information available to the date of issue of these financial statements.

As at the date of the signing of these financial statements the most significant assets of the Company are deposit account balances held with Commerzbank AG London Branch. The directors do not consider the recovery of the deposits to be a significant and material uncertainty, even after taking into account the impact of the COVID-19 pandemic. In addition, the directors expect that the activities of the Company will remain unchanged for the foreseeable future and that the Company will have sufficient liquidity to meet its liabilities as and when they fall due for at least the next 12 months from the date of signing these financial statements and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Consolidation

In accordance with Section 400 of the Companies Act 2006, group financial statements have not been prepared as the Company is a wholly owned subsidiary of Commerzbank AG, which prepares consolidated financial statements which are publicly available.

COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures

a) New and amended standards adopted – the only IFRS or IFRIC interpretation that was effective for the first time for the financial year beginning on or after 1 January 2019 that might have been expected to have a material impact on the Company was IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The directors believe that the Interpretation did not have an impact on the financial statements of the Company.

b) There are no new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2019 and not early adopted that will have any material impact on the Company.

Interest income and expense

Interest income and expense is recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Dividends

Dividends receivable from subsidiary undertakings are brought into account when the right to receive payment is established.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at mid-market closing rates of exchange ruling at the balance sheet date. All other foreign exchange differences are taken to the income statement in the year in which they arise. All revenue and expense items are translated at the rate applicable to the period when they are recognised.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. The Company reviews for impairment indicators at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The impairment review is performed by comparing the carrying value of the investment, including outstanding loans, with recoverable amounts, which for these investments is considered to be net tangible assets. Impairment provisions are released to the profit and loss account to the extent that the events and circumstances which caused the initial impairment have reversed, indicating that the recoverable amount of the investment has increased.

Where distributions are received from subsidiary undertakings, the directors assess whether the substance is a return of capital (in which case the distribution is offset against the carrying value of the investment) or a dividend (in which case the distribution is taken to the profit and loss account).

Subordinated liabilities

Subordinated liabilities are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest. Interest payable includes amortisation of transaction costs deferred at initial recognition and any premium or discount to maturity amount using the effective interest method. As the subordinated liabilities balance relates to perpetual debt paying a constant rate of interest to perpetuity, amortised cost is equal to the principal amount plus accrued interest.

COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairments of financial assets

The impairment requirements apply to all financial assets. In accordance with IFRS 9 the Company has applied an expected credit loss ('ECL') model, with any impairment charge resulting recognised in the statement of comprehensive income.

The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the assets are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under Stage 3, where there is objective evidence of impairment at the reporting date these assets will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded. Both qualitative and quantitative factors are considered in assessing whether a significant increase in credit risk has occurred, including whether the counterparty's external credit rating has been downgraded.

Regardless of changes in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. A default is deemed to occur when contractual payments are 90 days overdue.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Taxation

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimate and assumption that has a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year is in respect of the measurement of the ECL allowance as described below:

The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk; and
- Choosing appropriate models and assumptions for the measurement of ECL;

4. OPERATING PROFIT

All administrative expenses, including auditors' remuneration for services to the Company, were borne by Commerzbank AG London Branch. The Company had no employees during the year (2018: none). None of the directors received any emoluments and were not entitled to receive any pension contributions in respect of their services to the Company (2018: £Nil). Certain directors were remunerated by associated undertakings. The audit fee applicable in respect of this Company's financial statements was £10,650 (2018: £10,400), with no further services provided to the Company by the Company's auditors.

5. TAX ON PROFIT

	2019 £'000	2018 £'000
The tax charge on the profit before taxation was as follows:		
Current tax	-	-
Factors affecting the tax charge for the year:		
The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:		
Profit before taxation	1,242	637
Standard rate tax charge in the UK of 19% (2018: 19%)	236	121
Effects of:		
Non-taxable income	(188)	(79)
Chargeable gain on sale of subsidiary	3	-
Non-deductible expense	-	1
Utilisation of unvalued brought forward losses	(51)	(43)
Tax charge	-	-

Taxable profits in the Company are driven by interest earned on the GBP deposits held. Following a return of capital and the payment of dividends in prior years which materially reduced the size of the GBP deposits held, the directors concluded that the resulting reduction in future taxable profits meant that the carrying of an asset with respect to carried forward losses was no longer justified. The total amount of unutilised tax losses at 31 December 2019 was c£33.7m (2018: c£34.0m), all of which is unrecognised.

MEMORANDUM FOR THE RECORD

DATE: 10/10/1964

TO: SAC, NEW YORK

FROM: SA [Name]

SUBJECT: [Subject]

Reference is made to the report of SA [Name] dated 10/10/64, captioned as above.

It is noted that the above-named individual is currently residing at [Address].

The Bureau is advised that the individual is currently under surveillance.

Very truly yours,
[Signature]

Special Agent in Charge

100-100000-100000

100-100000-100000

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COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

6. INVESTMENTS

	Cost £'000	Accumulated provisions £'000	Net Book Value £'000
Investments in subsidiary undertakings:			
At 1 January 2019	1,488	(8)	1,480
Return of capital	(3)	-	(3)
Disposal	(20)	(1)	(19)
At 31 December 2019	<u>1,465</u>	<u>(7)</u>	<u>1,458</u>

During the year the Company received distributions from a number of its subsidiary undertakings in order to reduce the amount of excess cash and reserves held in those subsidiaries. The Company also received a distribution from Commerzbank Leasing March (3) Limited in order for that company to become a dormant company. The total amount of dividends received during the year was £994,000. Of those amounts, £3,000 was treated as a return of capital with £991,000 recognised as dividends within the income statement.

On 22 October 2019, the Company sold the entire ordinary share capital of Commerz Pearl Limited to a third party as part of a wider sale of the Equity Capital Markets business of the Commerzbank Group. A consideration of £17,000 was received resulting in a loss on disposal of £2,000.

The directors believe that the carrying value of the investments is supported by their underlying net assets, mainly consisting of liquid cash balances. The full list of active trading subsidiaries as at 31 December 2019 is shown below:

Company	Country of incorporation or registration	Principal activity	% of ordinary shares held
Commerzbank Leasing Holdings Limited	England and Wales	Investment Company	100%
Commerzbank Leasing December (3) Limited	England and Wales	Leasing	100%
Commerzbank Leasing December (13) Limited	England and Wales	Leasing	100%
Commerzbank Leasing September (5) Limited	England and Wales	Leasing	100%
Commerzbank Leasing Limited and its subsidiary undertaking	England and Wales	Financing	100%

The Company also owns the following dormant subsidiaries as at 31 December 2019:

Company	Country of incorporation or registration	Principal activity	% of ordinary shares held
Herradura Limited	England and Wales	Dormant	100%
Commerzbank Securities Limited	England and Wales	Dormant	100%
Gresham Leasing March (1) Limited	England and Wales	Dormant	100%
Marylebone Commercial Finance (2)	England and Wales	Dormant	100%
Watling Leasing March (1)	England and Wales	Dormant	100%
Commerzbank Leasing March (3) Limited	England and Wales	Dormant	100%
Commerzbank Leasing December (1) Limited	England and Wales	Dormant	100%
Commerzbank Leasing December (12) Limited	England and Wales	Dormant	100%
Commerzbank Leasing December (26) Limited	England and Wales	Dormant	100%
Commerz Equipment Leasing Limited	England and Wales	Dormant	100%
Gresham Leasing March (2) Limited	England and Wales	Dormant	100%
Pisces Nominees Limited	England and Wales	Dormant	100%

All of the Company's subsidiary undertakings have their Registered Office situated at 30 Gresham Street, London, EC2V 7PG.

COMMERZBANK HOLDINGS (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2019

7. AMOUNTS DUE FROM GROUP UNDERTAKINGS	2019	2018
	£'000	£'000

Amounts due from the immediate parent undertaking	34,079	35,466
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The amounts due from the immediate parent undertaking represent interest earning deposits that have been placed with Commerzbank AG London Branch, which reset on a 3 or 6 monthly basis. Of the total, US\$25.88m (2018: US\$25.88m) is held to hedge foreign exchange rate risks associated with the notes in issue. The directors are of the opinion that the fair value of the deposits equate to their book values.

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2019	2018
	£'000	£'000

Subordinated liabilities	19,615	20,266
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The Company holds US\$25,880,000 of primary capital undated floating rate notes in issue, listed on the Professional Securities Market of the London Stock Exchange. These notes forming part of two series issued in May 1985 (US\$100m) and June 1986 (US\$125m) (US\$59.54m having been repurchased and cancelled between 1989 and 1992; a further US\$127.96m having been repurchased and cancelled in 2015; and a further US\$11,620,000 having been repurchased and cancelled in 2017). Full details of the notes are included in the 'Particular of an Issue' published at the time of each issuance.

The directors of the Company have been made aware that, subsequent to the year end, on 5 June 2020, Commerzbank AG acquired a further US\$15.08m of the notes in issue by way of a direct acquisition.

The interest paid on the subordinated loan capital is calculated by reference to US\$ LIBOR plus a fixed margin of 0.375% set at the date of inception. The primary capital undated floating rate notes reset on a 6 monthly basis. The latest reset took place on 29 May 2020 for a period until the next reset that is scheduled to take place on 30 November 2020.

The directors are following market developments on IBOR reform and the recommendations from the Alternative Reference Rates Committee (ARRC). The ARRC was convened by the Federal Reserve Board and New York Fed to help ensure a successful transition from US\$ LIBOR to its recommended alternative, the Secured Overnight Financing Rate (SOFR). Current expectations are that existing FRNs that reference US\$ LIBOR will move to a SOFR rate plus a suitable replacement margin in the same way that existing US\$ LIBOR derivatives under ISDA terms will transition.

These notes are not actively traded and therefore observability is low. Based on the most recent trading activity, the directors believe that the fair value of these notes is approximately 86.5% of their book value. Fair values of such notes differ from the book value due to market views over funding costs of such positions into perpetuity.

9. CALLED UP SHARE CAPITAL	2019	2018
	£'000	£'000
Allotted, called up and fully paid:		
15,382,429 ordinary shares of £1 each	15,382	15,382

10. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders.

During the year, the Company's approach to capital management remained unchanged in aiming to maintain the current level of called up share capital and retained earnings as shown in the statement of changes in equity on page 10. The Company is not regulated for capital requirements purposes.

COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

11. FINANCIAL RISK MANAGEMENT

The financial risks of the Company and how they are managed are set out below. The directors believe that none of the risks described have been adversely impacted by the COVID-19 pandemic:

- **Market risk**

Price/Interest rate risks

Market risk is the potential of suffering losses due to changes in market prices or parameters influencing market prices. It includes changes concerning illiquidity of sub-markets resulting in the inability of buying/selling positions of a special size, within a special period of time or at fair value conditions. Interest rate risk is the risk to earnings and capital that arises from mismatches in the characteristics of the Company's loans and deposits, including cash flows and repricing dates.

The Company mitigates any interest rate risk with respect to its financial liabilities by holding within its financial assets a US\$ deposit which exactly matches its financial liabilities and has the same interest rate terms. The remaining interest rate risk applicable to the Company is the risk to earnings and capital that arises from the variable rate characteristics of the Company's GBP deposits. If during the year the interest rate on the Company's deposits had been 0.5% higher/lower, the post-tax profit would have been approximately £74,000 (2018: £73,000) higher/lower than the amounts reported.

Subsequent to the year end, it is expected that the level of interest income will decrease as a result of reduced UK base rates in response to the COVID-19 pandemic. However as there is agreement in place for CHUK to receive 1% above UK base rates, the Company is still expected to earn net interest income of at least £175,000 during 2020 given the level of deposits in place.

Currency risk

Currency risk is the potential of suffering losses due to currency exposure in respect of assets and liabilities that are not denominated in the functional currency of the Company. As the Company holds a deposit in US\$ that matches the US\$ denominated floating rate notes, with all other financial assets and liabilities denominated in GBP, the directors believe the Company is not subject to currency risk.

- **Liquidity risk**

Liquidity risk is the risk that in the short term the Company's ability to meet payment obligations cannot be ensured at all times. In economic terms, this is the risk resulting from the exposure to an increase in liquidity premiums. The Company now has £14.5m (2018: £15.2m) and US\$25.88m (2018: US\$25.88m) of short term funds on deposit with Commerzbank AG London Branch rolling within 3 and 6 months respectively, offset by undated subordinated liabilities of US\$25.88m (2018: US\$25.88m), which have formalised optional redemption requirements attached. In addition the directors have concluded that the COVID-19 pandemic has not changed this assessment. As a result, the directors do not consider the Company to have a material exposure to liquidity risk.

- **Credit risk**

Credit risk is the risk arising from the possibility that the Company will incur losses from the failure of counterparties to meet their financial obligations to the Company as and when they fall due. The only material credit risk relates to balances held with Commerzbank AG London Branch which are not past due. The maximum credit risk as at 31 December 2019 was £34,079,000 (2018: £35,466,000). In determining the ECL of Commerzbank AG London Branch and concluding that it is immaterial, the directors considered that there was an extremely low probability of default given that the external credit rating of Commerzbank AG according to S&P is BBB+. This balance is considered to be stage one given that there has been no significant increase in credit risk since origination, with the directors concluding that the COVID-19 pandemic has not changed this assessment.

COMMERZBANK HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

12. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the Company is Commerzbank AG, a company incorporated in Germany under German law.

The smallest and the largest group in which the results of the Company are consolidated is that headed by Commerzbank AG. Commerzbank AG is also the ultimate parent undertaking and controlling party. Financial statements of Commerzbank AG are available from Commerzbank AG, Investor Relations, Kaiserplatz, D-60261 Frankfurt am Main, Germany.

13. EVENTS AFTER THE REPORTING DATE

On January 30 2020, the World Health Organisation declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to the outbreak, the governments of many countries took preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The Commerzbank AG Group has a well-developed business continuity plan which includes a pandemic response, enabling the Group to quickly adapt to these unprecedented circumstances and to continue as a viable business.

The directors continue to monitor the impact that the COVID-19 pandemic has on the Company, the financial markets and the economy in which the Company operates. While there remains significant uncertainty regarding the developments of the pandemic and the future economic recovery, the directors have concluded that COVID-19 is a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. Whilst it is not possible to precisely quantify the effect of the pandemic on the Company, there could be an impact on the Company's profitability and assets recoverability. The Directors continue to monitor this and at this stage do not consider that there are any material issues for the Company and do not expect a significant change in the Company's business activities. For further discussion concerning the directors' assessment of the COVID-19 impact on the Company and appropriateness of the going concern assumptions, refer to the basis of preparation described with respect to going concern within note 2 and the consideration of financial risks in note 11.

There have been no other events since 31 December 2019 which have a material effect on the financial situation of the Company as at the day of signing these accounts.