

**COMMERZBANK**

The bank at your side



# Interim Report

as at 31 March 2017



## Key figures

<b>Income statement</b>	<b>1.1. – 31.3.2017</b>	<b>1.1. – 31.3.2016<sup>1</sup></b>
Operating profit (€m)	314	282
Operating profit per share (€)	0.25	0.23
Pre-tax profit or loss (€m)	314	282
Consolidated profit or loss <sup>2</sup> (€m)	217	169
Earnings per share (€)	0.17	0.13
Operating return on equity based on CET1 <sup>3,4</sup> (%)	5.4	4.8
Return on equity of consolidated profit or loss <sup>7</sup> (%)	3.3	2.6
Cost/income ratio in operating business (%)	78.6	81.5
<b>Balance sheet</b>	<b>31.3.2017</b>	<b>31.12.2016</b>
Total assets (€bn)	490.3	480.5
Risk-weighted assets (€bn)	186.5	190.5
Equity as shown in balance sheet (€bn)	29.8	29.6
Total capital as shown in balance sheet (€bn)	41.0	40.6
<b>Regulatory key figures</b>	<b>31.3.2017</b>	<b>31.12.2016</b>
Tier 1 capital ratio (%)	13.6	13.9
Common Equity Tier 1 ratio <sup>5</sup> (%)	13.4	13.9
Common Equity Tier 1 ratio <sup>5</sup> (fully phased-in; %)	12.5	12.3
Total capital ratio (%)	17.1	16.9
Leverage ratio (%)	5.1	5.4
Leverage ratio (fully phased-in, %)	4.6	4.8
<b>Staff</b>	<b>31.3.2017</b>	<b>31.12.2016</b>
Germany	36,584	37,546
Abroad	13,414	12,395
Total	49,998	49,941
<b>Ratings<sup>6</sup></b>	<b>31.3.2017</b>	<b>31.12.2016</b>
Moody's Investors Service, New York	A2/Baa1/P-1	A2/Baa1/P-1
S&P Global, New York	A-/A-/A-2	BBB+/BBB+/A-2
Fitch Ratings, New York/London	A-/BBB+/F2	A-/BBB+/F2
Scope Ratings, Berlin	-/A/S-1	-

<sup>1</sup> Prior-year figures restated.

<sup>2</sup> Insofar as attributable to Commerzbank shareholders.

<sup>3</sup> Average Common Equity Tier 1 (CET1) capital with full application of Basel 3.

<sup>4</sup> Annualised.

<sup>5</sup> 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.

<sup>6</sup> Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at [www.commerzbank.com](http://www.commerzbank.com)).

<sup>7</sup> Ratio of net income attributable to Commerzbank shareholders and average IFRS equity before minority after deduction of goodwill and other intangible assets.

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# Performance highlights

## 1 January to 31 March 2017

### Key statements

- The implementation of the Commerzbank 4.0 strategy is going according to plan: the digital instalment loan was successfully launched in the first branches at the end of the first quarter. A €6bn lending campaign for the German Mittelstand has been started as part of the planned growth initiatives.
- In the first three months of 2017, Commerzbank posted a solid Group operating profit of €314m and a net consolidated profit attributable to Commerzbank shareholders of €217m, compared with €282m and €169m in the prior-year period.
- At €2,374m, income before loan loss provisions was slightly above the prior-year period (€2,323m). Apart from measurement effects in net trading income, the stable income trend was chiefly due to commission-generating securities and insurance products.
- Group loan loss provisions increased to €-195m, with ship financing in particular requiring provisioning; the NPL ratio was 1.5%. Operating expenses were €1,865m, down slightly despite heavier charges from the bank levy in particular.
- The Common Equity Tier 1 ratio (based on fully implemented Basel 3 regulations according to our interpretation) was 12.5%; the leverage ratio was 4.6%.
- The operating return on equity was 5.4%, compared with 4.8% in the prior-year period. The return on tangible equity based on consolidated profit was 3.3%, compared with 2.6% in the prior-year period. The cost/income ratio was cut to 78.6%, from 81.5% in the prior-year period.

### Development of Commerzbank shares

In the first quarter of 2017 international stock markets continued to be dominated by geopolitical events such as the UK's decision to leave the European Union. The result of the Dutch parliamentary elections led to continued political stability, which was well received by the markets. The first few months of the current year nevertheless saw uncertainty and the associated volatility on the markets due to the presidential election in France and the upcoming elections in other EU countries. Despite all the political risks, banking sector stocks put in a steady performance in the first three months of the year. This was largely due to the fact that many European banks beat profit forecasts for 2016.

This positive trend was reinforced by a shift in market expectations towards interest rates in the eurozone possibly being raised earlier than previously thought, which would put an end to negative rates. Accordingly, the EURO-STOXX Banks Index rose 8.4% in the first three months of 2017, while the Commerzbank share outperformed the European banking sector with a gain of 17.0%. This rise was driven in particular by the fact that a possible increase in interest rates would have a positive impact on Commerzbank's profitability due to the Bank's strong rate sensitivity.

Highlights of the Commerzbank share	1.1.–31.3.2017	1.1.–31.3.2016
<b>Shares issued</b> in million units (31.3.)	1,252.4	1,252.4
<b>Xetra intraday prices</b> in €		
High	9.08	9.50
Low	6.97	6.21
Closing price (31.3.)	8.48	7.64
<b>Daily trading volume</b> <sup>1</sup> in million units		
High	29.9	36.4
Low	6.3	6.0
Average	14.5	11.9
<b>Index weighting</b> in % (31.3.)		
DAX	0.9	1.0
EURO STOXX Banks	1.7	2.2
<b>Earnings per share</b> in €	0.17	0.13
<b>Book value per share</b> <sup>2</sup> in € (31.3.)	22.94	23.06
<b>Net asset value per share</b> <sup>3</sup> in € (31.3.)	21.82	21.51
<b>Market value/Net asset value</b> (31.3.)	0.39	0.36

<sup>1</sup> Total for German stock exchanges.

<sup>2</sup> Excluding non-controlling interests.

<sup>3</sup> Excluding non-controlling interests and the cash flow hedge reserve and less goodwill.

## Important business policy and staffing events in the first quarter of 2017

### All mandated rating agencies have Commerzbank at Single A

With S&P Global publishing a report at the end of March, Commerzbank now has a Single A deposit/counterparty rating from all mandated rating agencies. In the event of resolution, the bond creditors and institutional customers of Commerzbank will benefit from the lower probability of default thanks to an increased additional capital buffer (in the form of non-structured liabilities, subordinated liabilities and parts of the equity). This includes senior unsecured liabilities, unsecured derivatives and deposits made by companies and institutional customers. The path Commerzbank has successfully set out on is thus increasingly being recognised by the rating agencies too.

# Interim Management Report

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## Economic conditions

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### Overall economic situation

There has been no material change in overall economic performance in the first three months of the current year compared to the forecasts in the Annual Report 2016.

## Earnings performance, assets and financial position

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### Income statement of the Commerzbank Group

Commerzbank posted a solid operating profit of €314m in the first quarter of 2017, after €282m in the previous year.

The individual items in the income statement performed as follows in the first three months of the current year:

Net interest and trading income rose by 7.7% year-on-year to €1,446m overall. Net interest income for the reporting period declined by €249m year-on-year to €1,082m, while net trading income and net income from hedge accounting was up €352m to €364m. In the Private and Small-Business Customers segment, growing interest income thanks to rising volumes in the domestic lending portfolio partially made up for much lower income from the deposit business as interest rates remained low or negative. Net interest income at mBank performed positively due to both growth in the consumer credit business and the rising contribution from deposits. In the Corporate Clients segment, the Mittelstand division benefited from the segment's still solid market position and stable earnings in Debt Capital Markets. This was offset by lower income as a result of the persistently low level of interest rates. The International Corporates division recorded almost stable earnings from commercial business. As a result of the challenging capital market environment, however, earnings were unable to match the level achieved in the prior-year period. The sharp year-on-year rise in net interest and trading income in the Asset & Capital Recovery segment is due to both positive measurement effects and a non-recurring income item. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

Net trading income for the period included positive measurement effects from both counterparty risks and the measurement of own liabilities of €48m, compared with €145m in the equivalent period last year. Further information on the composition of net interest and net trading income is given in the notes to the interim financial statements on pages 47 and 48.

Net commission income rose by 7.8% year-on-year in the first three months of 2017 to €887m. In the Private and Small-Business Customers segment there was a particularly significant increase in less volatile portfolio-related commissions in the domestic securities business. mBank saw gains in commission income especially, on both insurance and lending business. The positive trend in income from capital market products and foreign currency transactions in the Corporate Clients segment was offset by lower income from documentary business, mainly as a result of the strategic focusing in the Financial Institutions division.

Net investment income in the first three months of 2017 was €31m, compared with €32m in the year-earlier period. Other net income was €3m for the reporting period, compared with €76m a year earlier as a result of reversals of provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions was €-195m, €-47m higher than in the corresponding prior-year period. While provisioning requirements in the Corporate Clients segment fell, mainly due to smaller individual positions, there was a rise in loan loss provisions in the Asset & Capital Recovery segment in particular associated with ship financing.

Operating expenses in the reporting period were €1,865m, down 1.5% year-on-year. Personnel expenses were €910m, representing a year-on-year fall of 2.2%, due in particular to the lower number of employees. Other operating expenses including depreciation on fixed assets and amortisation of other intangible assets came to €955m and were thus also slightly below the level of the first three months of 2016.

As a result of the developments described above, the Commerzbank Group posted earnings before taxes of €314m in the first three months of the current year, compared with €282m in the same period last year.

Tax expense for the reporting period was €77m, compared with €89m in the prior-year period. Consolidated profit after tax was €237m, compared with €193m in the prior-year period. Net of non-controlling interests, a consolidated profit of €217m was attributable to Commerzbank shareholders for the period.

Operating profit per share came to €0.25, and earnings per share to €0.17. The comparable figures in the prior-year period were €0.23 and €0.13 respectively.

## Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 March 2017 were €490.3bn, 2.0% above the figure for year-end 2016.

The cash reserve increased by €12.6bn to €47.4bn. This increase compared with the end of 2016 was due in particular to larger deposits with central banks. Claims on banks were €59.7bn, up 2.0% on the year-end 2016 level. An increase in the volume of reverse repos and money market trading was offset by a slight decline in cash collaterals.

Claims on customers were €216.4bn, €3.5bn higher than the level at the end of 2016. The portfolio reduction in the Asset & Capital Recovery segment led to a decline in volumes, whereas customer claims in the operating segments grew. Total lending to customers and banks was €226.0bn as at the reporting date, in line with the level as at end-2016. While loans to banks fell by €1.5bn to €18.4bn, customer lending business was €207.6bn, almost 2% above the year-end 2016 level. As at the reporting date, trading assets totalled €85.0bn, a fall of 4.4% compared with year-end 2016. Holdings of equities, other equity-related securities and investment fund units rose by €0.7bn, while positive fair values of financial derivatives, in particular interest-rate- and currency-related derivative transactions, fell by €5.0bn compared with year-end 2016. Financial investments decreased compared with year-end 2016, down 6.8% to €65.4bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks stood at €71.9bn, €5.0bn above the end-2016 level. While repos and cash collateral fell by €0.8bn, sight deposits rose by €5.0bn and liabilities to central banks were up by €1.3bn. Liabilities to customers rose by 4.0% compared with year-end 2016 to €261.0bn, due mainly to volume growth in sight deposits in the corporate customer business.

Securitised liabilities were €36.2bn, €2.3bn lower than at year-end 2016. While bonds and notes issued fell slightly by €0.9bn to €32.0bn – owing in particular to a lower volume of public-sector Pfandbriefe and other bonds and notes – money market instruments issued were down by €1.4bn to €4.2bn. Trading liabilities decreased in volume by €3.3bn overall to €68.3bn. This was mainly due to the fall in currency- and interest-rate-related derivative transactions, offset by an increase in other equity derivatives.

### Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 31 March 2017 was €28.7bn, 0.6% above the figure for year-end 2016. The slight rise was due to a €0.1bn increase in currency translation reserves, the consolidated net profit of €0.2bn and actuarial losses of €–0.1bn. As at the reporting date, the revaluation reserve stood at €–0.8bn. This was a slight increase of €–0.1bn from the year-end, attributable in particular to higher risk premiums on Italian government bonds. Together with the negative cash flow hedge reserves and currency translation reserves, this amounted to a deduction of €–1.0bn from equity, in line with year-end 2016.

Risk-weighted assets (phase-in) were €186.5bn as at 31 March 2017, €4.0bn below the year-end 2016 level. The decrease was largely attributable to a reduction in risk-weighted assets from credit risks through active portfolio management. Risk-weighted assets from operational risks also fell. Regulatory Tier 1 capital fell by around €1.1bn to €25.4bn compared with year-end 2016, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio fell to 13.6%. Common Equity Tier 1 capital was €25.0bn and the corresponding Common Equity Tier 1 ratio 13.4%. The total capital ratio was 17.1% on 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 3 regulations) was 12.5% as 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 5.1% (phase-in) or 4.6% (fully phased-in).

The Bank complies with all regulatory requirements.



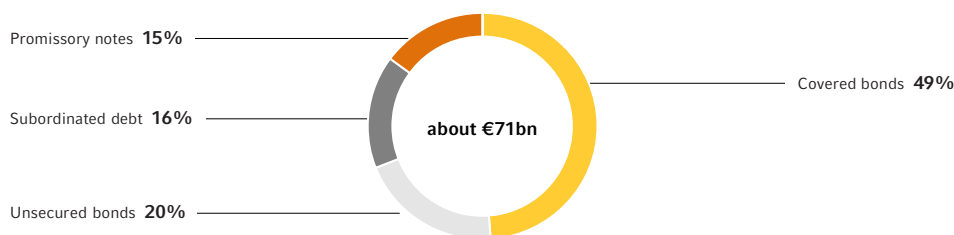
## Funding and liquidity

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period, and its liquidity and sol-

veny 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.

### Capital market funding structure<sup>1</sup>

As at 31 March 2017



<sup>1</sup> Based on reported figures.

The Commerzbank Group raised a total of €2.6bn in long-term funding on the capital market in the first quarter of 2017.

An unsecured benchmark subordinated bond with a volume of €500m was issued in the first quarter. The issue has a term of around ten years.

For the first time the Bank placed a subordinated bond worth SGD 500m in the Asian market. The issue has a term of 10 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.

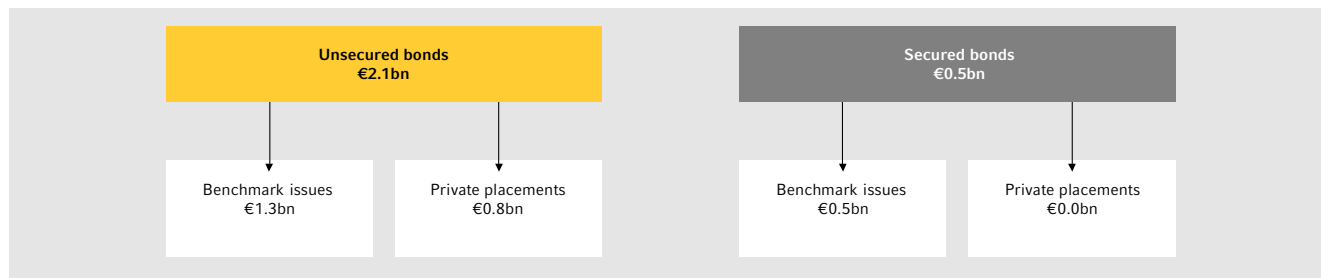
Action was also taken to improve the efficiency of subordinated capital. €134m of the 6.375% subordinated bond maturing on 22 March 2019 was bought back, and the outstanding subordinated bond maturing on 30 March 2027 was increased by €149m.

In addition, Commerzbank issued a five-year floating-rate senior unsecured bond with a volume of €250m. A further €0.8bn 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, taking it to €1bn. The average term of all issues was around eight years.

### Group capital market funding in the first three months of 2017

Volume €2.6bn



As at the reporting date, the Bank had a liquidity reserve of €92.5bn in the form of highly liquid assets. The liquidity reserve portfolio consists of highly liquid assets and 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, in the amount of €17bn, 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 €8.2bn 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 1.51, 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.

## Segment performance

The comments on the segments' results for the first three months of 2017 are based on the new segment structure described on pages 50 and 173 ff. of the Annual Report 2016.

Further information on this subject and on segment reporting in general can be found on page 51 ff. of the interim financial statements. Explanations regarding adjustments of prior-year figures can be found on page 44 f. of the interim financial statements.

### Private and Small-Business Customers

€m	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %/%-points
Income before loan loss provisions	1,168	1,195	-2.3
Loan loss provisions	-33	-23	43.5
Operating expenses	941	895	5.1
<b>Operating profit/loss</b>	<b>194</b>	<b>277</b>	<b>-30.0</b>
Average capital employed	3,966	4,222	-6.1
Operating return on equity (%)	19.6	26.2	-6.6
Cost/income ratio in operating business (%)	80.6	74.9	5.7

<sup>1</sup> Figures adjusted (see page 44 f. of the interim financial statements).

The Private and Small-Business Customers segment continued its operational growth in the first quarter of 2017 both in Germany and at mBank. In Germany, ongoing sharp credit growth, continued good gains in net new customers and the positive performance of the securities business pushed up income despite a further worsening in the negative impact of low interest rates. However, this was not sufficient to fully make up for the positive non-recurring income received in the prior-year period. At mBank, the positive income trend, supported by continued dynamic net new customer gains, largely offset the burden of the European bank levy introduced in Poland in 2017 and the Polish bank tax. Overall, operating profit in the segment fell by €83m to €194m.

At €1,168m in the period under review, income before loan loss provisions almost reached the level of the previous year (€1,195m). Net interest income declined by €57m to €589m. The corresponding figure for the first quarter of 2016 also included a special dividend of €44m from EURO Kartensysteme GmbH. Growing interest income thanks to rising volumes in the domestic lending portfolio partially made up for much lower income from the deposit business as interest rates remained low or negative. Net interest income at mBank performed positively due to both

growth in the consumer credit business and the rising contribution from deposits. Net commission income grew €60m year-on-year to €545m, rising at a double-digit rate both in Germany and at mBank. In line with strategy, Germany saw a significant increase in less volatile portfolio-related commissions in the securities business. mBank saw gains in commission income especially, on both insurance and lending business.

Loan loss provisions increased by €10m year-on-year, but a figure of €-33m indicates that the quality of the credit portfolio both in Germany and at mBank remains very good.

Operating expenses were €941m, an increase of €46m year-on-year. Personnel expenses were lower, so the increase was the result of higher other operating expenses and higher indirect operating expenses. A large part of the rise in operating costs can only be influenced to a limited extent, as it relates to the European bank levy introduced in Poland in 2017 and the Polish bank tax introduced in February 2016. As a result, mBank incurred additional expenses of €31m.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €194m in the first quarter of 2017, after €277m in the prior-year period.

## Corporate Clients

€m	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %/%-points
Income before loan loss provisions	1,082	1,146	-5.6
Loan loss provisions	-43	-56	-23.2
Operating expenses	789	810	-2.6
<b>Operating profit/loss</b>	<b>250</b>	<b>280</b>	<b>-10.7</b>
Average capital employed	11,225	11,664	-3.8
Operating return on equity (%)	8.9	9.6	-0.7
Cost/income ratio in operating business (%)	72.9	70.7	2.2

<sup>1</sup> Figures adjusted (see page 44 f. of the interim financial statements).

Against the backdrop of a challenging market environment, numerous geopolitical events and persistently low interest rates, the Corporate Clients segment posted a solid operating profit of €250m in the first three months of 2017 after €280m in the same period of the previous year.

The Mittelstand division benefited from the segment's still solid market position and stable earnings in Debt Capital Markets. This was offset by lower income as a result of the persistently low level of interest rates. The International Corporates division recorded almost stable earnings from commercial business. As a result of the challenging capital market environment, however, earnings were unable to match the level achieved in the prior-year period. The Financial Institutions division recorded a significant drop in earnings year-on-year due to the strategic realignment carried out last year to comply with stricter internal risk and compliance requirements. By contrast, the Equity Markets & Commodities division saw a sharp increase in customer activity in the first quarter of 2017. A sharp rise in demand for structured financial products for institutional customers drove a near-30% increase in income.

In the period under review, income before loan loss provisions fell 5.6% year-on-year to €1.082m. Net interest and trading income was €736m, down 2.1% year-on-year.

Net commission income was €347m, in line with the prior-year period. The positive trend in income from capital market products and foreign currency transactions was offset by lower income from documentary business, mainly as a result of the strategic focusing in the Financial Institutions division.

Loan loss provisions were €-43m in the first quarter of 2017, a fall of €13m year-on-year. The lower provisioning requirement was related to a qualitative improvement in the lending portfolio.

Operating expenses were €789m, down €21m on the prior-year figure. This 2.6% decline was primarily the result of strict cost management and lower personnel costs.

Overall, the Corporate Clients segment posted a pre-tax profit of €250m in the first three months of 2017, which represents a decrease of 10.7% on the same period of the previous year.

## Asset & Capital Recovery

€m	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %/%-points
Income before loan loss provisions	115	-18	.
Loan loss provisions	-119	-70	70.0
Operating expenses	29	31	-6.5
<b>Operating profit/loss</b>	<b>-33</b>	<b>-119</b>	<b>-72.3</b>
Average capital employed	3,165	3,296	-4.0
Operating return on equity (%)	-4.2	-14.4	10.2
Cost/income ratio in operating business (%)	25.2	.	.

<sup>1</sup> Figures adjusted (see page 44 f. of the interim financial statements).

Since the transfer of assets with good credit quality and low earnings volatility from the former Non-Core Assets (NCA) segment to various Bank segments with effect from 1 January 2016, the assets remaining in Asset & Capital Recovery (ACR) mainly comprise more complex sub-portfolios, some of which have very long maturities. There was a further reduction in assets (exposure at default including non-performing loans) in commercial real estate and ship financing; the total volume in the first quarter of 2017 was €16.1bn.

Income before loan loss provisions in the first three months of 2017 was €115m, compared with €-18m in the year-earlier period. In addition to positive measurement effects, a non-recurring income item of €68m made a major contribution. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

The loan loss provisions of €-119m, after €-70m in the first quarter of the previous year, were largely attributable to ship financing. Only a small portion related to commercial real estate.

In line with the reduction in the size of the portfolio, operating expenses were down again to €29m.

Overall, the ACR segment posted a pre-tax loss of €-33m in the first quarter of 2017. This represents a considerable €86m reduction in the loss compared with the same period of the previous year.

## 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 and specific individual matters that cannot be allocated to the segments. The costs of the support functions, which are mainly charged to the segments, are also shown here. In addition Group Treasury, which also comes under Others, is taken into account as part of the cost allocation as an internal service provider. 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.

An operating loss of €-97m was recorded for the first quarter of 2017, compared with €-156m in the prior-year period. Reasons for the €59m increase included an improved operating performance in Group Treasury and a lower burden from the purchase price allocation associated with the acquisition of Dresdner Bank.

## Outlook and opportunities report

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### Future economic situation and future situation in the banking sector

Our view regarding the expected development of the overall economy and banking sector in the current financial year has not changed substantially compared with our comments published in the Annual Report 2016.

### 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.

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

The Bank's investment plans have not changed significantly in the first three months of the current year from the plans set out on pages 85 to 86 of the Annual Report 2016. Commerzbank's current and planned investment activity relates to measures under the Commerzbank 4.0 strategy. We will be spending the coming years making our business model consistently more focused, implementing digital transformation and boosting efficiency.

#### Anticipated liquidity trends

In the first quarter of 2017 the eurozone money and capital markets were again characterised 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 €80bn of liquidity available each month up to the end of March 2017 through the securities purchase programme. This amount has been cut back to €60bn monthly since April 2017 and will stay at that level until the end of December 2017. As it had announced, the ECB also decided at the beginning of the first quarter of 2017 to purchase securities with a yield below the deposit facility rate and reduced the minimum remaining maturity under the purchase programme to one year. In addition, the ECB issued the final tranche under its Targeted Longer-Term Refinancing Operation (TLTRO II) in March 2017, taking excess liquidity as at the end of March 2017 to over €1,500bn. We expect a further increase in excess liquidity in the eurozone in 2017 due to the continuation of the purchase programme. The translation into demand for credit will remain modest.

Overall, we expect secondary market liquidity on European bond markets to decline further as a result of the heavy activity by the ECB and the persistently negative yields on many government bonds. There will be increasing discussion about the timing and impact of a possible end to the purchase programme as the year goes on. The restrictive regulatory environment and ECB interest rate policy are still having a severe limiting effect on turnover in the repo market. The ECB's asset purchase programme is leading to an even greater shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is severely restricted. Liquidity trends on the bond markets will also continue to be dictated largely by the ECB's activities. Secondary market liquidity, which has already been significantly reduced, will remain weak due both to the situation in the repo markets and to the ECB's activities. We still expect yields to be negative up to maturities of three years and credit spreads to be narrow.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and able to respond promptly to new market circumstances. 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.

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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 the Bank's stable franchise in private and corporate customer business and its continued access to secured and unsecured debt instruments in the money and capital markets.

### **Anticipated performance of the Commerzbank Group**

We stand by what we said at the end of 2016 about the anticipated performance of the Commerzbank Group. Given the conditions and risk factors described, we expect a similar consolidated net profit to the previous year in 2017.

# Interim Risk Report

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## Risk-oriented overall bank management

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

### Risk management organisation

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

The risk management organisation comprises Credit Risk Management Core, Credit Risk Management Non-Core, Intensive Care, Market Risk Management as well as 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 heads of these risk management divisions together with the CRO make up the Risk Management Board within Group Management.

Further details on the risk management organisation within Commerzbank can be found in the Annual Report 2016.

### Risk-bearing capacity and stress testing

Risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's internal capital adequacy assessment process (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 unsub-

ordinated 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).

In addition, risk-bearing capacity is assessed using macro-economic stress scenarios. The Annual Report 2016 provides further details on the methodology used. The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2017. In addition to regularly updating the economic capital model's risk parameters, we also included deposit model risk. Deposit model risk is the risk arising from the deposit model used by Commerzbank and from modelling unscheduled repayment rights in commercial credit business.

The monitoring and management by means of risk-bearing capacity is carried out monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In the first quarter of 2017, the RBC ratio was consistently above 100% and stood at 196% as at 31 March 2017. The increase in the RBC ratio compared with December 2016 is mainly due to the decline in market risk and operational risk. The RBC ratio remains at a high level.

Risk-bearing capacity Group   €bn	31.3.2017	31.12.2016
<b>Economic risk coverage potential<sup>1</sup></b>	<b>30</b>	<b>30</b>
<b>Economically required capital<sup>2</sup></b>	<b>15</b>	<b>17</b>
thereof for default risk	11	11
thereof for market risk	4	5
thereof for operational risk	2	2
thereof diversification effects	-2	-2
<b>RBC-ratio<sup>3</sup></b>	<b>196%</b>	<b>178%</b>

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

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

<sup>3</sup> RBC ratio = economic risk coverage potential/economically required capital.

## 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.

## Commerzbank Group

At the end of September 2016, Commerzbank presented its new strategic programme “Commerzbank 4.0”. Its business will be focused on two customer segments, “Private and Small-Business Customers” and “Corporate Clients”. The Mittelstandsbank and Corporates & Markets segments were consolidated into a single unit and trading activities in investment banking were scaled back.

**Credit risk parameters** To manage and limit default risks in the Commerzbank Group, we use the following risk parameters among others: exposure at default (EaD), loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.91% and a holding period of one year), risk-weighted assets and “all-in” for bulk risks.

The credit risk parameters in the rating classes 1.0 to 5.8 are as follows as at 31 March 2017:

Credit risk parameters as at 31.3.2017	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	145	316	22	2,283
Corporate Clients	200	522	26	5,810
Others and Consolidation <sup>1</sup>	80	89	11	1,900
Asset & Capital Recovery	14	369	261	808
<b>Group</b>	<b>440</b>	<b>1,296</b>	<b>29</b>	<b>10,802</b>

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

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 constitute the investment-grade area.

Rating breakdown as at 31.3.2017 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	33	50	13	3	1
Corporate Clients	23	56	16	3	2
Others and Consolidation	50	46	4	0	0
Asset & Capital Recovery	3	58	8	13	18
<b>Group</b>	<b>31</b>	<b>52</b>	<b>13</b>	<b>3</b>	<b>2</b>

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 8% 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 Western Europe. 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, Ukraine, Turkey and China are closely monitored. As at the end of the first quarter of 2017, exposure to Russia was €2.6bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.0bn and exposure to China was €4.3bn.

As a consequence of the debt crisis, the sovereign exposures of Italy and Spain are also still being closely monitored. As at the end of the first quarter of 2017, Commerzbank's Italian sovereign exposure was €9.1bn, while its Spanish sovereign exposure was €2.7bn.

Group portfolio by region as at 31.3.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	218	388	18
Western Europe	103	202	20
Central and Eastern Europe	39	174	45
North America	34	118	35
Asia	30	41	14
Other	15	373	243
<b>Group</b>	<b>440</b>	<b>1,296</b>	<b>29</b>

**Loan loss provisions** The Group's loan loss provisions in the first quarter of 2017 amounted to €195m and hence €47m more than the previous year's figure.

Write-downs on securities are not recognised in loan loss provisions but in net investment income. Note (5) of the interim financial statements gives further details on this.

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Loan loss provisions   €m	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Private and Small-Business Customers	33	119	14	40	42	23
Corporate Clients	43	185	-30	87	72	56
Others and Consolidation	0	-3	-1	1	-2	-1
Asset & Capital Recovery	119	599	307	147	75	70
<b>Group</b>	<b>195</b>	<b>900</b>	<b>290</b>	<b>275</b>	<b>187</b>	<b>148</b>

Loan loss provisions for 2017 in the Private and Small-Business Customers and Corporate Clients segments are likely to be at the same level as in 2016. We anticipate loan loss provisions of between €450m and €600m for ship financing. 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.

**Default portfolio** The default portfolio stood at €6.9bn as at the end of the first quarter of 2017 and remained stable compared with the end of 2016.

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

Default portfolio Group   €m	31.3.2017	31.12.2016
Default portfolio	6,899	6,914
SLLP <sup>1</sup>	3,290	3,243
GLLP <sup>2</sup>	651	673
Collaterals	2,218	2,256
Coverage ratio excluding GLLP (%) <sup>3</sup>	80	80
Coverage ratio including GLLP (%) <sup>4</sup>	89	89
NPL ratio (%) <sup>2</sup>	1.5	1.6

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

<sup>2</sup> General loan loss provision.

<sup>3</sup> Coverage Ratio: total of risk provisions, collateral (and GLLP) as a proportion of the default portfolio.

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

### 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 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 €69bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €18bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans, credit cards, to a total of €10bn). The portfolio's expansion in the first quarter was largely the result of consistent growth in residential mortgage loans.

Risk density was nearly unchanged with 22 basis points compared with the year end.

Credit risk parameters as at 31.3.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	86	114	13
Business Customers	25	60	24
comdirect bank	4	9	24
Commerz Real	1	1	25
mBank	30	132	44
<b>Private and Small-Business Customers</b>	<b>145</b>	<b>316</b>	<b>22</b>

Loan loss provisions in the Private and Small-Business Customers segment remained in the first quarter of 2017 with €33m on a low level. This rise of €10m was, amongst others, driven by that of mBank's loan loss provisions, which rose by €6m year-on-year.

The default volume in the segment decreased by €21m to €1,715m compared with 31 December 2016.

Default portfolio Private and Small-Business Customers   €m	31.3.2017	31.12.2016
Default portfolio	1,715	1,737
SLLP	857	834
GLLP	161	155
Collaterals	644	675
Coverage ratio excluding GLLP (%)	87	87
Coverage ratio including GLLP (%)	97	96
NPL ratio (%)	1.2	1.2

#### Corporate Clients segment

This segment comprises all the Group's activities with mainly 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.

Furthermore, customer oriented capital markets activities of the Group are bundled in this segment.

Credit risk parameters as at 31.3.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	82	184	22
International Corporates	66	120	18
Financial Institutions	35	119	34
Equity Markets & Commodities	4	4	10
Other	14	95	68
<b>Corporate Clients</b>	<b>200</b>	<b>522</b>	<b>26</b>

The EaD of the Corporate Clients segment increased from €195bn to €200bn compared with 31 December 2016. Risk density was 26 basis points.

The economic environment in Germany remains stable. The first quarter of 2017 was still characterised by political uncertainties in regards to the Brexit as well as the new president in the USA, but without important impact to our portfolio.

For details of developments in the Financial Institutions portfolio, please see page 22.

Loan loss provisions in the Corporate Clients segment in the first quarter of 2017, at €43m, remained low and below the previous year's figure of €56m.

The default portfolio in the segment decreased by €167m compared with 31 December 2016.

Default portfolio Corporate Clients   €m	31.3.2017	31.12.2016
Default portfolio	3,196	3,363
SLLP	1,535	1,563
GLLP	316	323
Collaterals	673	780
Coverage ratio excluding GLLP (%)	69	70
Coverage ratio including GLLP (%)	79	79
NPL ratio (%)	1.6	1.7

At the end of March 2017, the volume of new investments entered into since 2014 in the Structured Credit area remained on a par with the year-end 2016 level, at €2.4bn overall. In general, we have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile.

In the first quarter of 2017, the volume of structured credit positions already in the portfolio prior to 2014 decreased by €0.1bn to a total of €2.3bn (December 2016: €2.4bn), while risk values<sup>1</sup> fell by €0.1bn to €0.9bn (December 2016: €1.0bn). As before, a large part of the portfolio was made up of CDOs (€1.2bn).

#### Asset & Capital Recovery segment

After the re-segmentation in the first quarter of 2016, 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.

EaD for the segment in the performing portfolio totalled €14bn as at 31 March 2017. Due to recoveries in the non-performing portfolio the EaD of the performing portfolio was only €0.2bn lower than at the end of 2016.

<sup>1</sup> Risk value is the balance sheet value of cash instruments. For long CDS positions it comprises the nominal value of the reference instrument less the net present value of the credit derivative.

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Credit risk parameters as at 31.3.2017	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	2	27	162
Ship Finance	3	262	858
Public Finance	9	80	85
<b>Asset &amp; Capital Recovery</b>	<b>14</b>	<b>369</b>	<b>261</b>

**Commercial Real Estate** Due to redemptions and repayments the portfolio has further declined. There were no major developments on the risk side. Risk density decreased to 162 basis points.

We expect stable market conditions over the short and medium-term forecast period

**Ship Finance** Compared with 31 December 2016, exposure to ship finance in the performing portfolio was reduced by €0.5bn in line with our reduction strategy.

Our portfolio is mainly made up of three standard types of ship: container ships (€1.0bn), tankers (€0.8bn) and bulkers (€0.8bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

We do not expect a lasting market recovery across all asset classes in 2017.

**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 (€4.8bn EaD), a private finance initiative (PFI) portfolio (€3.1bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.6bn EaD).

The future development in the Public Finance portfolio depends on political, economic and monetary events, especially in Europe and the USA.

Loan loss provisions in the ACR segment stood at €119m in the first quarter of 2017, representing a rise of €49m compared with the previous year. The rise was almost completely due to the shipping portfolio. Ongoing declining charter rates, the decreasing liquidity of the ship owners and limited resaleability led to new defaults as well as to a need for higher loan loss provisions for already defaulted exposures.

Loan loss provisions   €m	2017	2016				
	Q1	Total	Q4	Q3	Q2	Q1
Commercial Real Estate	3	42	68	5	-26	-5
Ship Finance	116	559	240	146	99	74
Public Finance	0	-1	0	-4	3	0
<b>Asset &amp; Capital Recovery</b>	<b>119</b>	<b>599</b>	<b>307</b>	<b>147</b>	<b>75</b>	<b>70</b>

The default volume increased by €174m to €1,979m in the first quarter of 2017 compared with 2016, mainly driven by the shipping portfolio.

Default portfolio ACR   €m	31.3.2017			31.12.2016		
	ACR	CRE	SF	ACR	CRE	SF
Default portfolio	1,979	560	1,419	1,805	562	1,243
SLLP	891	220	670	838	210	628
GLLP	171	14	156	192	20	172
Collaterals	901	337	564	800	334	466
Coverage ratio excluding GLLP (%)	91	99	87	91	97	88
Coverage ratio including GLLP (%)	99	102	98	101	101	102
NPL ratio (%)	12.3	25.5	31.7	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 31.3.2017	Exposure at default €bn	Expected loss €m	Risk density bp.
Energy supply/Waste management	17	41	24
Consumption	16	38	24
Wholesale	12	40	33
Technology/Electrical industry	12	24	20
Transport/Tourism	12	26	22
Services/Media	10	26	28
Basic materials/Metals	10	38	40
Mechanical engineering	9	26	28
Automotive	9	21	22
Chemicals/Plastics	9	37	42
Pharmaceutical/Healthcare	5	12	24
Construction	5	14	29
Other	5	8	17
<b>Total</b>	<b>130</b>	<b>353</b>	<b>27</b>

### Financial Institutions portfolio

The focus remains – after the reduction in the number of our correspondent banks in 2016 – on capital market activities and on the trade finance activities that we carry out on behalf of our corporate clients. In derivatives, we are entering into bilateral trades with selected counterparties under the new EMIR standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, our strategy is to reduce the exposure which might absorb losses in the case of a bail-in.

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

FI portfolio by region	31.3.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	5	10	6	6	11
Western Europe	15	21	14	17	21	12
Central and Eastern Europe	5	20	43	5	21	43
North America	2	2	14	2	3	15
Asia	10	25	25	10	27	27
Other	6	24	43	6	36	58
<b>Total</b>	<b>42</b>	<b>98</b>	<b>23</b>	<b>46</b>	<b>114</b>	<b>25</b>

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### 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 of the 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	31.3.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	18	26	15	17	26	15
Western Europe	14	23	17	12	24	20
Central and Eastern Europe	1	4	67	1	4	65
North America	8	73	88	8	10	14
Asia	1	1	9	1	1	11
Other	1	1	11	1	1	14
<b>Total</b>	<b>42</b>	<b>129</b>	<b>31</b>	<b>39</b>	<b>67</b>	<b>17</b>

### Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €6.1bn, primarily for capital management purposes.

As at the reporting date 31 March 2017, risk exposures with a value of €5.7bn were retained. By far the largest portion of these positions is accounted for by €5.6bn of senior tranches, which are nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume <sup>1</sup>			Total volume <sup>1</sup> 31.3.2017	Total volume <sup>1</sup> 31.12.2016
		Senior	Mezzanine	First loss piece		
Corporates	2025–2036	5.6	<0.1	0.1	6.1	6.1
<b>Total</b>		<b>5.6</b>	<b>&lt;0.1</b>	<b>0.1</b>	<b>6.1</b>	<b>6.1</b>

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

### Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). In the first quarter of 2017, the volume and risk values in the Silver Tower remained stable. They stood at €4.1bn as at the end of March 2017 and were unchanged compared to 31 December 2016.

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. In the first quarter of 2017, the volume was unchanged at €5.3bn (December 2016: €5.3bn), as well as risk values which were unchanged at €5.2bn (December 2016: €5.2bn).

## 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.

## Risk management

A standardised value at risk model (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Annual Report 2016. 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 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).

By the end of the first quarter, the VaR for the overall book had fallen by €16m to €69m. The VaR of the trading book fell slightly since the beginning of the year, from €15m to €13m.

VaR contribution   €m	31.3.2017	31.12.2016
<b>Overall book</b>	<b>69</b>	<b>85</b>
thereof trading book	13	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 and Treasury divisions.

VaR of portfolios in the trading book €m	Q1 2017	2016
Minimum	13	14
Mean	18	30
Maximum	25	46
<b>VaR – end of reporting period</b>	<b>13</b>	<b>15</b>

The market risk profile is diversified across all asset classes. The dominant asset classes are foreign exchange, interest rate and credit spread risks, followed by equity price risks. To a lesser extent, value at risk is also affected by commodity and inflation risk.

The change in VaR in the first quarter of 2017 shows a decrease in credit spread risks and an increase in interest rate risk. This is mainly due to different hedging strategies in the Corporate Clients segment.

VaR contribution by risk type in the trading book   €m	31.3.2017	31.12.2016
Credit spreads	3	5
Interest rates	4	3
Equities	2	2
FX	4	4
Commodities	0	1
<b>Total</b>	<b>13</b>	<b>15</b>

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



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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 is adjusted where necessary. Stressed VaR fell in the first quarter of 2017 from €48m at end-2016 to €44m at the reporting date, due to a different hedging strategy in the Corporate Clients segment and position changes in the business area Treasury.

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 is monitored by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. 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 solely result from changes in market prices. In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are included. If the loss actually calculated exceeds the loss forecast from the VaR estimate, 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 the first quarter of 2017, we saw one negative clean P&L outlier and no negative dirty P&L outlier. 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. Events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the interest rate 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 VaR and stress test models are validated regularly. The identification and elimination of model weaknesses are of particular importance. In the first quarter of 2017, against this background, regulatory and internal model adjustments were implemented to further improve the accuracy of risk measurement.

## Banking book

The key drivers of market risk in the banking book are the 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 subsidiaries Commerzbank Finance & Covered Bond S.A. and LSF Loan Solutions Frankfurt GmbH.

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 by €1m to €49m as at the end of the first quarter.

Most credit spread sensitivities relate 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 for 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 was a potential loss of €2,585m, while that of the -200 basis points scenario was a potential loss of €530m, both as at 31 March 2017. Therefore, Commerzbank does not need to be classified as a bank with higher interest rate risk as the negative changes in present value in each case account for less than 20% of regulatory capital.

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 increased volatility of the 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.

As at the end of the first quarter of 2017, Commerzbank had earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking books. Asset-backed securities and structured products in particular have 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.

## 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. Additional information on this subject can be found in the section "Funding and liquidity" in the Interim 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.

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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.

## 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). 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 idiosyncratic scenario specific to Commerzbank simulates a stress situation arising from a rating downgrade of two notches, while the market-wide scenario is derived from experience of the sub-prime 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 31 March 2017, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €21.6bn and €24.5bn respectively.

Net liquidity in the stress scenario   €bn		31.3.2017
Idiosyncratic scenario	1 month	24.9
	3 months	28.7
Market-wide scenario	1 month	30.2
	3 months	33.3
Combined scenario	1 month	21.6
	3 months	24.5

## 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 €92.5bn 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 €8.2bn as at the reporting date.

Liquidity reserves from highly liquid assets €bn	31.3.2017
Highly liquid assets	92.5
of which level 1	76.2
of which level 2A	14.7
of which level 2B	1.6

## Liquidity ratios

In the first quarter of financial year 2017, Commerzbank's internal liquidity risk ratios, including the regulatory liquidity coverage ratio (LCR), were at all times within 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 regulatory German Liquidity Regulation; at the end of the year, the liquidity ratio under the German Liquidity Regulation stood at 1.51.

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. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards. At the start of the new financial year 2017, the ratio to be complied with is 80%.

Commerzbank significantly exceeded the stipulated minimum ratio of 80% on every reporting date in the first quarter of the financial year 2017.

## 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 high economic significance, compliance risk is managed as a separate risk type. In line with the CRR, however, losses from compliance risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

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.

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 €21.7bn at the end of the first quarter of 2017 (31 December 2016: €23.9bn), while economically required capital was €1.8bn (31 December 2016: €2.0bn).

OpRisk management includes an annual evaluation of the Bank's internal control system (ICS) and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis. Where loss events involve  $\geq$  €1m, lessons learned activities are carried out. External OpRisk events at competitors are also systematically evaluated.

The total charge for OpRisk events at the end of the first quarter of 2017 was around €21m (full-year 2016: €36m). The events were dominated by losses in the categories "Process related" and "Products and business practices".

OpRisk events <sup>1</sup>   €m	31.3.2017	31.12.2016
Internal fraud	0	1
External fraud	2	26
Damages and IT failure	0	1
Products and business practices	7	-21
Process related	12	29
HR related	0	0
<b>Group</b>	<b>21</b>	<b>36</b>

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

## 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. In the following details of legal risk, compliance risk and human resources risk are shown. As regards all other risks, there were no significant changes in the first quarter of 2017 compared with the position reported in the Annual Report 2016.

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**Legal risk** 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 most of these court cases, claimants are asking for the payment of compensation 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.

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 is still ongoing.

As already noted in the Annual Report 2016, in December 2016 the tax authority issued an amended decision to Commerzbank regarding the offsetting of capital gains taxes and the solidarity surcharge with respect to cum-cum transactions for the year 2009. Commerzbank lodged an appeal against the tax credit thus refused, which has yet to be decided. The tax authority granted a request based on this legal opinion that enforcement be suspended. Based on similar rulings against third parties, Commerzbank considers itself exposed to disputed claims.

Some of these cases could also have an impact on the reputation of Commerzbank and its subsidiaries. The Group recog-

nises 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 reserves created for them 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 create reserves. 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 (24) regarding provisions and Note (28) regarding contingent liabilities and irrevocable lending commitments in the Interim Financial Statements.

**Compliance risk** 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, as reported in the Annual Report 2016. The settlement also includes a three-year period of good conduct. 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.

**Human resources risk** Overall, the Bank will continue to monitor human resources risk. There is a risk of the human resources risk situation to deteriorate 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.

**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.

# Interim Financial Statements

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## Statement of comprehensive income

### Income statement

€m	Notes	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %
Interest income		2,247	2,544	- 11.7
Interest expenses		1,165	1,213	- 4.0
Net interest income	(1)	1,082	1,331	- 18.7
Loan loss provisions	(2)	- 195	- 148	31.8
Net interest income after loan loss provisions		887	1,183	- 25.0
Commission income		1,056	972	8.6
Commission expenses		169	149	13.4
Net commission income	(3)	887	823	7.8
Net trading income	(4)	398	67	.
Net income from hedge accounting		- 34	- 55	- 38.2
Net trading income and net income from hedge accounting		364	12	.
Net investment income	(5)	31	32	- 3.1
Current net income from companies accounted for using the equity method		7	49	- 85.7
Other net income	(6)	3	76	- 96.1
Operating expenses	(7)	1,865	1,893	- 1.5
Impairments on goodwill and other intangible assets		-	-	.
Restructuring expenses		-	-	.
<b>Pre-tax profit or loss</b>		<b>314</b>	<b>282</b>	<b>11.3</b>
Taxes on income	(8)	77	89	- 13.5
<b>Consolidated profit or loss</b>		<b>237</b>	<b>193</b>	<b>22.8</b>
Consolidated profit or loss attributable to non-controlling interests		20	24	- 16.7
Consolidated profit or loss attributable to Commerzbank shareholders		217	169	28.4

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

Earnings per share   €	1.1.–31.3.2017	1.1.–31.3.2016	Change in %
Earnings per share	0.17	0.13	30.8

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders. No conversion or option rights were outstanding in the current year or comparable prior-year period. The figure

for diluted earnings was therefore identical to the undiluted figure. The restatement of the prior-year figures had no effect on earnings per share of the previous year.



## Condensed statement of comprehensive income

€m	1.1.–31.3.2017	1.1-31.3.2016 <sup>1</sup>	Change in %
Consolidated profit or loss	237	193	22.8
Change from remeasurement of defined benefit plans not recognised in income statement	-96	-250	-61.6
Change from non-current assets held for sale or disposal groups not recognised in income statement	-	-	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	-96	-250	-61.6
Change in revaluation reserve			
Reclassified to income statement	-31	-34	-8.8
Change in value not recognised in income statement	-12	-9	33.3
Change in cash flow hedge reserve			
Reclassified to income statement	9	18	-50.0
Change in value not recognised in income statement	4	-3	.
Change in currency translation reserve			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	135	-83	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-5	9	.
Change in companies accounted for using the equity method	1	-2	.
Items recyclable through profit or loss	101	-104	.
Other comprehensive income	5	-354	.
<b>Total comprehensive income</b>	<b>242</b>	<b>-161</b>	<b>.</b>
Comprehensive income attributable to non-controlling interests	63	30	.
Comprehensive income attributable to Commerzbank shareholders	179	-191	.

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

The breakdown of other comprehensive income for the first three months was as follows:

Other comprehensive income   €m	1.1.-31.3.2017			1.1-31.3.2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	-144	48	-96	-370	120	-250
of which companies accounted for using the equity method	-	-	-	-	-	-
of which non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in revaluation reserve	-57	14	-43	-48	5	-43
Change in cash flow hedge reserve	17	-4	13	23	-8	15
Change in currency translation reserve	135	0	135	-82	-1	-83
Change from non-current assets held for sale and disposal groups	-5	0	-5	13	-4	9
Change in companies accounted for using the equity method	1	0	1	-2	0	-2
<b>Other comprehensive income</b>	<b>-53</b>	<b>58</b>	<b>5</b>	<b>-466</b>	<b>112</b>	<b>-354</b>

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## Income statement (by quarter)

€m	2017	2016			
	1 <sup>st</sup> quarter	4 <sup>th</sup> quarter	3 <sup>rd</sup> quarter <sup>1</sup>	2 <sup>nd</sup> quarter <sup>1</sup>	1 <sup>st</sup> quarter <sup>1</sup>
Net interest income	1,082	1,256	1,141	1,349	1,331
Loan loss provisions	-195	-290	-275	-187	-148
Net interest income after loan loss provisions	887	966	866	1,162	1,183
Net commission income	887	825	781	783	823
Net trading income	398	28	337	-75	67
Net income from hedge accounting	-34	-7	27	-2	-55
Net trading income and net income from hedge accounting	364	21	364	-77	12
Net investment income	31	87	94	131	32
Current net income from companies accounted for using the equity method	7	8	79	14	49
Other net income	3	202	-22	40	76
Operating expenses	1,865	1,772	1,733	1,702	1,893
Impairments on goodwill and other intangible assets	-	-	627	-	-
Restructuring expenses	-	32	57	40	-
<b>Pre-tax profit or loss</b>	<b>314</b>	<b>305</b>	<b>-255</b>	<b>311</b>	<b>282</b>
Taxes on income	77	100	14	58	89
<b>Consolidated profit or loss</b>	<b>237</b>	<b>205</b>	<b>-269</b>	<b>253</b>	<b>193</b>
Consolidated profit or loss attributable to non-controlling interests	20	22	19	38	24
Consolidated profit or loss attributable to Commerzbank shareholders	217	183	-288	215	169

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

## Balance sheet

Assets   €m	Notes	31.3.2017	31.12.2016	Change in %
Cash reserve		47,417	34,802	36.2
Claims on banks	(10,12,13)	59,716	58,529	2.0
of which pledged as collateral		–	–	.
Claims on customers	(11,12,13)	216,378	212,848	1.7
of which pledged as collateral		–	–	.
Value adjustment on portfolio fair value hedges		221	310	–28.7
Positive fair values of derivative hedging instruments		2,058	2,075	–0.8
Trading assets	(14)	84,975	88,862	–4.4
of which pledged as collateral		2,500	1,917	30.4
Financial investments	(15)	65,431	70,180	–6.8
of which pledged as collateral		5,986	3,175	88.5
Holdings in companies accounted for using the equity method		186	180	3.3
Intangible assets	(16)	3,057	3,047	0.3
Fixed assets	(17)	1,694	1,723	–1.7
Investment properties		16	16	0.0
Non-current assets held for sale and assets of disposal groups	(18)	1,455	1,188	22.5
Current tax assets		824	629	31.0
Deferred tax assets		3,128	3,049	2.6
Other assets	(19)	3,701	3,012	22.9
<b>Total</b>		<b>490,257</b>	<b>480,450</b>	<b>2.0</b>

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Liabilities and equity   €m	Notes	31.3.2017	31.12.2016 <sup>1</sup>	Change in %
Liabilities to banks	(20)	71,929	66,948	7.4
Liabilities to customers	(21)	260,975	250,920	4.0
Securitised liabilities	(22)	36,233	38,494	-5.9
Value adjustment on portfolio fair value hedges		806	1,001	-19.5
Negative fair values of derivative hedging instruments		2,890	3,080	-6.2
Trading liabilities	(23)	68,312	71,644	-4.7
Provisions	(24)	3,559	3,436	3.6
Current tax liabilities		640	627	2.1
Deferred tax liabilities		54	49	10.2
Liabilities of disposal groups		-	-	.
Other liabilities	(25)	3,851	3,695	4.2
Subordinated debt instruments	(26)	11,198	10,969	2.1
Equity		29,810	29,587	0.8
Subscribed capital		1,252	1,252	0.0
Capital reserve		17,192	17,192	0.0
Retained earnings		11,238	11,131	1.0
Other reserves		-957	-1,015	-5.7
Total before non-controlling interests		28,725	28,560	0.6
Non-controlling interests		1,085	1,027	5.6
<b>Total</b>		<b>490,257</b>	<b>480,450</b>	<b>2.0</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

## Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings <sup>1</sup>	Other reserves			Total before non-controlling interests <sup>1</sup>	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2015</b>	<b>1,252</b>	<b>17,192</b>	<b>11,458</b>	<b>-597</b>	<b>-159</b>	<b>-25</b>	<b>29,121</b>	<b>1,004</b>	<b>30,125</b>
Change due to retrospective adjustments			-53				-53		-53
<b>Equity as at 1.1.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,405</b>	<b>-597</b>	<b>-159</b>	<b>-25</b>	<b>29,068</b>	<b>1,004</b>	<b>30,072</b>
Total comprehensive income	-	-	-99	-184	62	-112	-333	32	-301
Consolidated profit or loss			279				279	103	382
Change from remeasurement of defined benefit plans			-378				-378	-1	-379
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	0	1
Dividend paid on shares			-250				-250	-13	-263
Capital increases							-	-	-
Withdrawal from retained earnings							-	-	-
Changes in ownership interests			6				6	2	8
Other changes			69				69	2	71
<b>Equity as at 31.12.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,131</b>	<b>-781</b>	<b>-97</b>	<b>-137</b>	<b>28,560</b>	<b>1,027</b>	<b>29,587</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

Other changes primarily comprise changes in the group of consolidated companies and changes arising from taxes not recognised in the income statement.

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€m	Subscribed capital	Capital reserve	Retained earnings <sup>1</sup>	Other reserves			Total before non-controlling interests <sup>1</sup>	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,184</b>	<b>-781</b>	<b>-97</b>	<b>-137</b>	<b>28,613</b>	<b>1,027</b>	<b>29,640</b>
Change due to retrospective adjustments			-53				-53		-53
Equity as at 1.1.2017	1,252	17,192	11,131	-781	-97	-137	28,560	1,027	29,587
Total comprehensive income	-	-	121	-51	13	96	179	63	242
Consolidated profit or loss			217				217	20	237
Change from remeasurement of defined benefit plans			-96				-96	0	-96
Change in revaluation reserve				-46			-46	3	-43
Change in cash flow hedge reserve					13		13	0	13
Change in currency translation reserve						95	95	40	135
Change from non-current assets held for sale and disposal groups				-5			-5	-	-5
Change in companies accounted for using the equity method						1	1	-	1
Dividend paid on shares							-	-	-
Capital increases							-	-	-
Withdrawal from retained earnings							-	-	-
Changes in ownership interests			-6				-6	-5	-11
Other changes			-8				-8	-	-8
<b>Equity as at 31.3.2017</b>	<b>1,252</b>	<b>17,192</b>	<b>11,238</b>	<b>-832</b>	<b>-84</b>	<b>-41</b>	<b>28,725</b>	<b>1,085</b>	<b>29,810</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

As at 31 March 2017, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was €1,252m and was divided into 1252357634 no-par-value shares (accounting value per share of €1.00).

As at 31 March 2017 there was no material impact on the other reserves from assets and disposal groups held for sale.

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 €-11m in the first three months of 2017 resulted from the purchase of additional shares in an already consolidated company.

## For information: Statement of changes in equity from 1 January to 31 March 2016

€m	Subscribed capital	Capital reserve	Retained earnings <sup>1</sup>	Other reserves			Total before non-controlling interests <sup>1</sup>	Non-controlling interests	Equity <sup>1</sup>
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2015</b>	<b>1,252</b>	<b>17,192</b>	<b>11,458</b>	<b>-597</b>	<b>-159</b>	<b>-25</b>	<b>29,121</b>	<b>1,004</b>	<b>30,125</b>
Change due to retrospective adjustments			-53			0	-53		-53
<b>Equity as at 1.1.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,405</b>	<b>-597</b>	<b>-159</b>	<b>-25</b>	<b>29,068</b>	<b>1,004</b>	<b>30,072</b>
Total comprehensive income	-	-	-81	-39	15	-86	-191	30	-161
Consolidated profit or loss			169				169	24	193
Change from remeasurement of defined benefit plans			-250				-250	0	-250
Change in revaluation reserve				-46			-46	3	-43
Change in cash flow hedge reserve					15		15	0	15
Change in currency translation reserve						-84	-84	1	-83
Change from non-current assets held for sale and disposal groups				7			7	2	9
Change in companies accounted for using the equity method						-2	-2	0	-2
Dividend paid on shares							-	-	-
Capital increases							-	-	-
Withdrawal from retained earnings							-	-	-
Changes in ownership interests							-	-	-
Other changes			-1				-1	2	1
<b>Equity as at 31.3.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,323</b>	<b>-636</b>	<b>-144</b>	<b>-111</b>	<b>28,876</b>	<b>1,036</b>	<b>29,912</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

Other changes primarily include changes in the group of consolidated companies and changes from taxes not recognised in the income statement.



## Cash flow statement (condensed version)

€m	2017	2016
<b>Cash and cash equivalents as at 1.1.</b>	<b>34,802</b>	<b>28,509</b>
Net cash from operating activities	8,074	-12,840
Net cash from investing activities	4,635	1,323
Net cash from financing activities	-29	257
<b>Total net cash</b>	<b>12,680</b>	<b>-11,260</b>
Effects from exchange rate changes	-45	-270
Effects from non-controlling interests	-20	-24
<b>Cash and cash equivalents as at 31.3.</b>	<b>47,417</b>	<b>16,955</b>

The cash flow statement shows the changes in cash and cash equivalents for the Commerzbank Group. These correspond to the cash reserve item in the balance sheet and consist of cash on hand, balances with central banks and debt issues of 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 restatement of the prior-year figures had no effect on the cash flow statement.

## Selected notes

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### General information

#### Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 31 March 2017 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (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. This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

#### Application of new and revised standards

We have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2016 (see pages 136 ff. of the Annual Report 2016). These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2017 (IAS 7 and 12, IFRS 14, plus amendments arising from the IASB's annual improvement process for the 2014 to 2016 cycle); this had no material impact on the Commerzbank Group financial statements.

The new and revised standards (IAS 28 and IFRS 2, 4, 9, 10, 15 and 16) and interpretations for which application is not yet mandatory impacted the Group's accounting and measurement practices as set out below.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014. 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. The previous standard for the accounting treatment of financial instruments (IAS 39) will largely be replaced.

IFRS 9 contains new rules for classifying and measuring financial instruments. As a rule, all financial assets must be measured at fair value. The remeasurement effects are taken through profit or loss. A different subsequent measurement is only permitted for a debt instrument on the assets side if it is included in a portfolio

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we predominantly used financial statements prepared as at 31 March 2017. 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. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes amounts rounded down to €0m and zero items are both indicated by a dash.

that operates under a "hold" or "hold and sell" business model. Moreover, the financial instrument in question may as a rule only have cash flows that are payments of principal and interest on the principal amount outstanding (SPPI criterion). Irrespective of this, a financial instrument may still be measured at fair value if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

The classification and measurement of financial liabilities are nearly unchanged from the current provisions of IAS 39. As before, a fair value option also exists for financial liabilities under certain circumstances. However, gains or losses deriving from a change in own credit risk are no longer reported through profit and loss, but instead in other comprehensive income (revaluation reserve), unless this would create or enlarge an accounting mismatch in profit or loss.

IFRS 9 also changes the rules on the accounting treatment of expected default risk of financial assets (provisions). Unlike in IAS 39, provisions are not recognised only when a specific loss event occurs. Instead, for every financial instrument measured at amortised cost or at fair value through other comprehensive income, the credit loss expected over the next 12 months must be recognised as a provision on initial recognition. If the borrower's credit risk increases significantly, but the borrower is not yet in

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default, a provision must be recognised for the full lifetime expected credit losses. If an instrument is in default, the present value of the provision must be calculated on the basis of the estimated cash flows that can still be expected.

IFRS 9 also contains improvements for hedge accounting. These new rules aim to improve the harmonisation between the accounting treatment of hedging relationships and (economic) risk management. However, the new standard also includes an option under which the current provisions of IAS 39 may still be applied. Commerzbank will utilise this option for hedge accounting.

The "IFRS 9" project launched in 2014 in Commerzbank under the responsibility of Group Finance has analysed the new requirements under the standard in terms of methodology, data procurement and processes. Experts from the Finance, Risk and IT divisions supported the project. The results of these analyses were described in detail in technical concepts and incorporated into the Group-wide accounting guidelines. Several questions regarding methodology and content are still under discussion, including, for example, the definition of the business model for the respective portfolios based on the requirements of IFRS 9 in alignment with the business segments.

With the implementation phase, in which the processes and IT systems impacted by the conversion were modified, largely concluded, we are now in the testing phase. The testing phase will involve the material entities consolidated in the Group financial statements. We anticipate that the change in risk-provisioning methodology compared with IAS 39 will result in a moderate increase in provisions as at the changeover date. The new classification of the respective financial instruments to be made as of 1 January 2018 leads additionally to measurement at fair value for a range of financial assets. This will probably decrease equity. Given the current regulatory rules, the changes in classification and provisioning requirements will on balance have a moderate negative impact on the Common Equity Tier 1 ratio. However, the effects of the change will only later be able to be determined reliably and definitively.

As a preview of the Annual Report as at 31 December 2017 we would like to point out that we will make structural changes to the reporting of items in the balance sheet and income statement. In the future, our reporting will focus on the respective valuation categories. As at 31 December 2017, the reporting will be based on the valuation categories under IAS 39, and from 1 January 2018 on the valuation categories to be applied under 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. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over 12 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. Based on our knowledge as of today, we anticipate that the application of IFRS 16 will result in minor reporting changes in the income statement and an increase in total assets by a low-to-mid single-digit billion amount. We do not expect any significant effects on the Group financial statements from the other standards and interpretations set out below for which application is not yet mandatory (including the changes from the IASB's annual improvement process).

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.

The amendments to the standards IAS 28 and IFRS 10 published in September 2014 mean that unrealised gains or losses from transactions with an associate or joint venture are recognised if assets that constitute a business are sold or contributed to the associate or joint venture. The endorsement has been postponed indefinitely.

The clarifications in IFRS 2 Share-based Payment provide guidance on a number of issues relating to the measurement of cash-settled share-based payments. The main change is the addition of rules on determining the fair value of liabilities arising from share-based payments. The change is expected to be transposed into EU law in the second half of 2017 and to become effective for EU companies for financial years beginning on or after 1 January 2018. We are currently examining the impacts of the clarifications in IFRS 2.

The purpose of the amendments to IFRS 4 Insurance Contracts is to prevent an increase in earnings volatility and avoid duplicate work for implementing two separate rounds of changes due to the different effective dates of IFRS 9 and the new standard for insurance contracts. Two new options are being introduced in the form of the overlay approach and the deferral approach, which insurers can use under certain conditions. The standard is expected to be transposed into EU law in 2017 and to become effective for EU companies for financial years beginning on or after 1 January 2018.

## Changes in presentation

Errors that were corrected last year led to the retrospective restatement of prior-year data. The Annual Report 2016 contains a detailed list of the restatements on pages 139 ff. This gave rise to the following changes in the first quarter of 2016 compared with the previous:

- We corrected the accounting treatment of limited partner shares, which are reported as liabilities attributable to non-controlling interests, for two property companies included in the Group financial statements as subsidiaries. For the first quarter of 2016, other expenses were reduced by €10m and other liabilities fell by an equivalent amount. Moreover, taxes on income were €3m higher and deferred tax assets fell by the same amount. Consolidated profit therefore increased by €7m and earnings per share by €0.01.

In sale-and-leaseback transactions (operating lease), any differential between the purchase price of the property and its fair value must be amortised over the life of the contract. Two transactions were restated retrospectively, as the original purchase prices corresponded to fair value and the transactions were therefore conducted at market terms. We therefore brought the underlying fair value into line with the purchase price. For the first quarter of 2016, other income decreased by €1m and other liabilities increased by an equivalent amount. Consolidated profit was therefore €1m lower, which translated into a reduction in earnings per share by less than €0.01. Gains and losses on finance leases are now reported on a net basis in interest income or expense, as appropriate. Previously, the lease payments received (less any amounts passed on to the

lessee) were in part reported in interest income and the carrying amount of the asset was derecognised through interest expense. Interest income and expense were thus each reduced by €32m in the first quarter of 2016. There was no impact on consolidated profit, the balance sheet or the earnings per share.

- The Commerzbank Group corrected an error by retrospectively deconsolidating as of 31 March 2016 three exchange-traded funds (ETFs) that had been previously consolidated. This correction was necessary because control had been permanently relinquished. In the first quarter of 2016, commission expenses fell by €2m, net trading income by €1m and other income by €1m. Claims on banks increased by €2m and trading assets by €71m. In addition, liabilities to customers increased by €270m, while trading liabilities declined by €8m and other liabilities by €189m. Thus, there was no impact on consolidated profit or earnings per share.

In the current financial year, an error was also corrected in connection with tax audit risks for Commerzbank Aktiengesellschaft. The prior-year figures have been restated as follows: 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.

In addition, the prior-year figures in Note 31 have been restated.

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The tables below show the impact of the main restatements for the first quarter of 2016 on the income statement and the balance sheet as of 31 December 2016:

€m	Original Group financial statements 1.1.–31.3.2016	Adjustment	Restated Group financial statements 1.1.–31.3.2016
Interest income	2,576	-32	2,544
Interest expenses	1,245	-32	1,213
Net interest income	1,331	0	1,331
Loan loss provisions	-148	0	-148
Net interest income after loan loss provisions	1,183	0	1,183
Commission income	972	0	972
Commission expenses	151	-2	149
Net commission income	821	2	823
Net trading income and net income from hedge accounting	13	-1	12
Net investment income	32	0	32
Current net income from companies accounted for using the equity method	49	0	49
Other net income	68	8	76
Operating expenses	1,893	0	1,893
<b>Pre-tax profit or loss</b>	<b>273</b>	<b>9</b>	<b>282</b>
Taxes on income	86	3	89
<b>Consolidated profit or loss</b>	<b>187</b>	<b>6</b>	<b>193</b>
Consolidated profit or loss attributable to non-controlling interests	24	0	24
Consolidated profit or loss attributable to Commerzbank shareholders	163	6	169

€m	Original Group financial statements 1.1.–31.3.2016	Adjustment	Restated Group financial statements 1.1.–31.3.2016
Equity	30,241	-329	29,912
of which retained earnings	11,652	-329	11,323

Total assets rose by €130m as at 31 March 2016 as a result of the restatement.

€m	Original Group financial statements 1.1.–31.12.2016	Adjustment	Restated Group financial statements 1.1.–31.12.2016
Current tax liabilities	574	53	627
Equity	29,640	-53	29,587
of which retained earnings	11,184	-53	11,131

### **Consolidated companies**

No material companies were included in the scope of new consolidated companies in the first quarter of 2017. In addition, no material companies were sold or liquidated or are no longer consolidated for other reasons.

### **Report on events after the reporting period**

After receiving the approval of the banking supervisory and competition authorities, comdirect bank Aktiengesellschaft on 3 April 2017 successfully concluded the complete acquisition of OnVista Aktiengesellschaft from Boursorama S.A. This acquisition was first announced in December 2016. The next step is the merger of OnVista Bank GmbH into comdirect bank Aktiengesellschaft, which is planned for the second quarter. OnVista Bank will be managed in the future as a business area of comdirect.

As part of the Commerzbank 4.0 strategy, Commerzbank and the employee representatives have jointly agreed to offer an age-related short-time working programme to employees of Commerzbank Aktiengesellschaft in Germany. From April to July 2017 employees will have the option to take part in an age-related short-time working sprinter programme. This age-related short-time working programme will result in expense being incurred in the income statement for the current financial year 2017.

## Notes to the income statement

### (1) Net interest income

€m	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %
Interest income	2,247	2,544	-11.7
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	193	151	27.8
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	1,724	1,933	-10.8
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	74	65	13.8
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	70	83	-15.7
Prepayment penalty fees	29	26	11.5
Gains on the sale of loans and receivables and repurchase of liabilities	12	9	33.3
Dividends from securities	6	9	-33.3
Current net income from equity holdings and non-consolidated subsidiaries	21	53	-60.4
Positive interest from financial instruments held as liabilities	112	42	
Unwinding	6	7	
Other interest income	-	166	-100.0
Interest expenses	1,165	1,213	-4.0
Interest expenses on subordinated debt instruments and on securitised and other liabilities	850	1,023	-16.9
Interest expenses from applying the fair value option	89	87	2.3
Interest expenses on securitised liabilities held for trading	34	28	21.4
Loss on the sale of loans and receivables and repurchase of liabilities	5	8	-37.5
Negative interest from financial instruments held as assets	133	64	.
Other interest expense	54	3	.
<b>Total</b>	<b>1,082</b>	<b>1,331</b>	<b>-18.7</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

Net interest from derivatives (including negative interest from the banking and trading book) is recognised in other interest income or other interest expense, depending on the net balance.

**(2) Loan loss provisions**

€m	1.1.–31.3.2017	1.1.–31.3.2016	Change in %
Allocation to loan loss provisions <sup>1</sup>	-422	-376	12.2
Reversals of loan loss provisions <sup>1</sup>	215	220	-2.3
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	12	8	50.0
<b>Total</b>	<b>-195</b>	<b>-148</b>	<b>31.8</b>

<sup>1</sup> Gross figures (e.g. migrations between different types of provisions are not netted off).

**(3) Net commission income**

€m	1.1.–31.3.2017	1.1-31.3.2016 <sup>1</sup>	Change in %
Securities transactions	248	219	13.2
Asset management	67	57	17.5
Payment transactions and foreign business	320	315	1.6
Guarantees	50	55	-9.1
Net income from syndicated business	90	78	15.4
Intermediary business	70	61	14.8
Fiduciary transactions	2	2	0.0
Other income	40	36	11.1
<b>Total</b>	<b>887</b>	<b>823</b>	<b>7.8</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

We have changed our presentation compared with the previous year. We reclassified net income from the real estate business in the reporting items asset management and guarantees.

**(4) Net trading income**

Net trading income is comprised of two components:

- Net trading gain or loss (this includes trading in securities, promissory note loans and claims on the trading portfolio, precious metals and derivative instruments plus the net gain or loss on the remeasurement of derivative financial instruments that do not qualify for hedge accounting)

- Net gain or loss from applying the fair value option

The net gain or loss from applying the fair value option includes the changes in fair value of the underlying derivatives.

€m	1.1.–31.3.2017	1.1-31.3.2016 <sup>1</sup>	Change in %
Net trading gain or loss <sup>2</sup>	433	56	.
Net gain or loss from applying the fair value option	-35	11	.
<b>Total</b>	<b>398</b>	<b>67</b>	<b>.</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

<sup>2</sup> Including net gain or loss on the remeasurement of derivative financial instruments.



## (5) Net investment income

Net investment income contains gains or losses on the disposal and measurement of securities in the loans and receivables and available-for-sale categories, equity holdings, holdings in companies accounted for using the equity method and subsidiaries.

€m	1.1.–31.3.2017	1.1.–31.3.2016	Change in %
<b>Net gain or loss from interest-bearing business</b>	<b>26</b>	<b>2</b>	<b>.</b>
In the available-for-sale category	26	1	.
Gain on disposals (including reclassification from revaluation reserve)	35	7	.
Loss on disposals (including reclassification from revaluation reserve)	-9	-7	28.6
Net remeasurement gain or loss	-	1	-100.0
In the loans and receivables category	-	1	-100.0
Gains on disposals	2	4	-50.0
Loss on disposals	-1	-3	-66.7
Net remeasurement gain or loss	-1	-	.
<b>Net gain or loss on equity instruments</b>	<b>5</b>	<b>30</b>	<b>-83.3</b>
In the available-for-sale category	5	34	-85.3
Gain on disposals (including reclassification from revaluation reserve)	5	34	-85.3
Loss on disposals (including reclassification from revaluation reserve)	-	-	.
In the available-for-sale category, measured at acquisition cost	-	-1	-100.0
Net remeasurement gain or loss	-	-3	-100.0
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	-	-	.
<b>Total</b>	<b>31</b>	<b>32</b>	<b>-3.1</b>

The net remeasurement gain or loss in the loans and receivables category includes reversals of portfolio valuation allowances amounting to €1m (previous year: reversal of €3m) for reclassified securities.

**(6) Other net income**

€m	1.1.–31.3.2017	1.1.–31.3.2016 <sup>1</sup>	Change in %
<b>Other material items of expense</b>	<b>75</b>	<b>68</b>	<b>10.3</b>
Allocations to provisions	34	23	47.8
Operating lease expenses	27	29	-6.9
Expenses arising from building and architects' services	3	8	-62.5
Hire-purchase expenses and sublease expenses	1	3	-66.7
Expenses from investment properties	-	2	.
Expenses from non-current assets held for sale	-	1	.
Expenses from disposal of fixed assets	1	-	.
Expenses from FX rate differences	9	2	
<b>Other material items of income</b>	<b>83</b>	<b>128</b>	<b>-35.2</b>
Reversals of provisions	34	46	-26.1
Operating lease income	40	43	-7.0
Income from insurance business	-	-	.
Income from building and architects' services	-	-	.
Hire-purchase income and sublease income	2	6	-66.7
Income from investment properties	-	2	.
Income from non-current assets held for sale	-	6	.
Income from disposal of fixed assets	-	21	.
Income from FX rate differences	7	4	75.0
Balance of sundry tax income/expenses	-5	-5	0.0
Balance of sundry other income/expenses	-	21	.
<b>Other net income</b>	<b>3</b>	<b>76</b>	<b>-96.1</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

**(7) Operating expenses**

€m	1.1.–31.3.2017	1.1.–31.3.2016	Change in %
Personnel expenses	910	930	-2.2
Administrative expenses	816	797	2.4
Depreciation/amortisation of fixed assets and other intangible assets	139	166	-16.3
<b>Total</b>	<b>1,865</b>	<b>1,893</b>	<b>-1.5</b>

Operating expenses include €171m (previous year: €143m) for bank levies in the current financial year and Polish bank tax of €21m (previous year €13m).

## (8) Taxes on income

Group tax expense was €77m as at 31 March 2017. With pre-tax profit of €314m the Group's effective tax rate was therefore 24,5% (Group income tax rate: 31,5%). Group tax expense mainly comprised the current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft in London for the reporting period. The change in the

deferred tax assets of Commerzbank Aktiengesellschaft in Germany was one of the main items that raised the tax rate.

However, the lower tax rates in Poland and the UK on the operating profits generated there continue to reduce the Group's tax rate.

## (9) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The segment information below 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 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 in the business model of the Corporate Clients segment led to minor adjustments in the business responsibilities: duties previously belonging to credit administration were reallocated to support functions. The prior-year figures have been restated accordingly. Further information on the segments is provided in the management report of this interim report.

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 after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, 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. To reflect the impact on earnings of specific tax-related transactions in the Corporate Clients segment, the net interest income of the Corporate Clients segment includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation. 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.

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. The average capital employed is calculated using the Basel 3 methodology, based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, Common Equity Tier 1 (CET 1) capital on a fully phased-in basis is shown, which is used to calculate the operating return on equity. The reconciliation of average capital employed to 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 on 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.

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The tables below contain information on the segments as at 31 March 2017 and on the comparative figures for the prior-year period.

1.1.–31.3.2017	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	589	463	80	-50	1,082
Loan loss provisions	-33	-43	-119	-	-195
Net interest income after loan loss provisions	556	420	-39	-50	887
Net commission income	545	347	-	-5	887
Net trading income and net income from hedge accounting	21	273	23	47	364
Net investment income	5	-2	-	28	31
Current net income from companies accounted for using the equity method	-	7	-	-	7
Other net income	8	-6	12	-11	3
<i>Income before loan loss provisions</i>	<i>1,168</i>	<i>1,082</i>	<i>115</i>	<i>9</i>	<i>2,374</i>
<i>Income after loan loss provisions</i>	<i>1,135</i>	<i>1,039</i>	<i>-4</i>	<i>9</i>	<i>2,179</i>
Operating expenses	941	789	29	106	1,865
<b>Operating profit or loss</b>	<b>194</b>	<b>250</b>	<b>-33</b>	<b>-97</b>	<b>314</b>
Impairments on goodwill and other intangible assets	-	-	-	-	-
Restructuring expenses	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>194</b>	<b>250</b>	<b>-33</b>	<b>-97</b>	<b>314</b>
<b>Assets</b>	<b>120,297</b>	<b>208,707</b>	<b>25,905</b>	<b>135,348</b>	<b>490,257</b>
<b>Liabilities and equity</b>	<b>144,548</b>	<b>233,062</b>	<b>19,289</b>	<b>93,358</b>	<b>490,257</b>
<b>Carrying amount of companies accounted for using the equity method</b>	<b>9</b>	<b>176</b>	<b>1</b>	<b>-</b>	<b>186</b>
<b>Average capital employed<sup>1</sup></b>	<b>3,966</b>	<b>11,225</b>	<b>3,165</b>	<b>5,019</b>	<b>23,375</b>
<b>Operating return on equity<sup>2</sup> (%)</b>	<b>19.6</b>	<b>8.9</b>	<b>-4.2</b>	<b>.</b>	<b>5.4</b>
<b>Cost/income ratio in operating business (%)</b>	<b>80.6</b>	<b>72.9</b>	<b>25.2</b>	<b>.</b>	<b>78.6</b>

<sup>1</sup> Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

<sup>2</sup> Annualised.

1.1.–31.3.2016 <sup>1</sup> €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	646	761	3	-79	1,331
Loan loss provisions	-23	-56	-70	1	-148
Net interest income after loan loss provisions	623	705	-67	-78	1,183
Net commission income	485	345	-	-7	823
Net trading income and net income from hedge accounting	14	-9	-30	37	12
Net investment income	-2	29	-1	6	32
Current net income from companies accounted for using the equity method	38	11	-	-	49
Other net income	14	9	10	43	76
<i>Income before loan loss provisions</i>	<i>1,195</i>	<i>1,146</i>	<i>-18</i>	<i>-</i>	<i>2,323</i>
<i>Income after loan loss provisions</i>	<i>1,172</i>	<i>1,090</i>	<i>-88</i>	<i>1</i>	<i>2,175</i>
Operating expenses	895	810	31	157	1,893
<b>Operating profit or loss</b>	<b>277</b>	<b>280</b>	<b>-119</b>	<b>-156</b>	<b>282</b>
Impairments on goodwill and other intangible assets	-	-	-	-	-
Restructuring expenses	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>277</b>	<b>280</b>	<b>-119</b>	<b>-156</b>	<b>282</b>
<b>Assets</b>	<b>112,832</b>	<b>259,304</b>	<b>24,128</b>	<b>139,690</b>	<b>535,954</b>
<b>Liabilities</b>	<b>134,822</b>	<b>271,687</b>	<b>15,186</b>	<b>114,259</b>	<b>535,954</b>
<b>Carrying amount of companies accounted for using the equity method</b>	<b>540</b>	<b>235</b>	<b>1</b>	<b>-</b>	<b>776</b>
<b>Average capital employed<sup>2</sup></b>	<b>4,222</b>	<b>11,664</b>	<b>3,296</b>	<b>4,298</b>	<b>23,480</b>
<b>Operating return on equity<sup>3</sup> (%)</b>	<b>26.2</b>	<b>9.6</b>	<b>-14.4</b>	<b>.</b>	<b>4.8</b>
<b>Cost/income ratio in operating business (%)</b>	<b>74.9</b>	<b>70.7</b>	<b>.</b>	<b>.</b>	<b>81.5</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

<sup>2</sup> Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

<sup>3</sup> Annualised.

Details for Others and Consolidation:

€m	1.1.–31.3.2017			1.1.–31.3.2016 <sup>1</sup>		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	-57	7	-50	-6	-73	-79
Loan loss provisions	-	-	-	1	-	1
Net interest income after loan loss provisions	-57	7	-50	-5	-73	-78
Net commission income	-4	-1	-5	-6	-1	-7
Net trading income and net income from hedge accounting	42	5	47	28	9	37
Net investment income	31	-3	28	1	5	6
Current net income from companies accounted for using the equity method	-	-	-	-	-	-
Other net income	-5	-6	-11	45	-2	43
Income before loan loss provisions	7	2	9	62	-62	-
Income after loan loss provisions	7	2	9	63	-62	1
Operating expenses	114	-8	106	163	-6	157
<b>Operating profit or loss</b>	<b>-107</b>	<b>10</b>	<b>-97</b>	<b>-100</b>	<b>-56</b>	<b>-156</b>
Impairments on goodwill and other intangible assets	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>-107</b>	<b>10</b>	<b>-97</b>	<b>-100</b>	<b>-56</b>	<b>-156</b>
<b>Assets</b>	<b>135,066</b>	<b>282</b>	<b>135,348</b>	<b>139,690</b>	<b>-</b>	<b>139,690</b>
<b>Liabilities and equity</b>	<b>93,228</b>	<b>130</b>	<b>93,358</b>	<b>114,143</b>	<b>116</b>	<b>114,259</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

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 includes the following items, among others:

- Remeasurement effects from the application of hedge accounting to cross-segment transactions as per IAS 39.
- Elimination of the net measurement gains or losses on own bonds and shares incurred in the segments.
- Other consolidation effects from intragroup transactions.

The breakdown within segment reporting of the results by geographical region, which is mainly based on the location of the branch or group entity, was as follows:

1.1.–31.3.2017 <sup>1</sup> €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	889	167	7	19	–	1,082
Loan loss provisions	–156	–39	–2	2	–	–195
Net interest income after loan loss provisions	733	128	5	21	–	887
Net commission income	746	126	12	3	–	887
Net trading income and net income from hedge accounting	–30	350	6	38	–	364
Net investment income	33	–2	–	–	–	31
Current net income from companies accounted for using the equity method	6	–	1	–	–	7
Other net income	1	2	–	–	–	3
<i>Income before loan loss provisions</i>	<i>1,645</i>	<i>643</i>	<i>26</i>	<i>60</i>	<i>–</i>	<i>2,374</i>
<i>Income after loan loss provisions</i>	<i>1,489</i>	<i>604</i>	<i>24</i>	<i>62</i>	<i>–</i>	<i>2,179</i>
Operating expenses	1,451	341	34	39	–	1,865
<b>Operating profit or loss</b>	<b>38</b>	<b>263</b>	<b>–10</b>	<b>23</b>	<b>–</b>	<b>314</b>
<b>Credit-risk-weighted assets</b>	<b>87,839</b>	<b>48,223</b>	<b>4,370</b>	<b>4,480</b>	<b>–</b>	<b>144,912</b>

In the prior-year period we achieved the following results in the various geographical regions:

1.1.–31.3.2016 <sup>1</sup> €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	748	426	94	63	–	1,331
Loan loss provisions	–108	–30	3	–13	–	–148
Net interest income after loan loss provisions	640	396	97	50	–	1,183
Net commission income	685	119	11	8	–	823
Net trading income and net income from hedge accounting	39	60	–78	–9	–	12
Net investment income	41	–9	–	–	–	32
Current net income from companies accounted for using the equity method	43	5	1	–	–	49
Other net income	66	13	–1	–2	–	76
<i>Income before loan loss provisions</i>	<i>1,622</i>	<i>614</i>	<i>27</i>	<i>60</i>	<i>–</i>	<i>2,323</i>
<i>Income after loan loss provisions</i>	<i>1,514</i>	<i>584</i>	<i>30</i>	<i>47</i>	<i>–</i>	<i>2,175</i>
Operating expenses	1,499	324	33	37	–	1,893
<b>Operating profit or loss</b>	<b>15</b>	<b>260</b>	<b>–3</b>	<b>10</b>	<b>–</b>	<b>282</b>
<b>Credit-risk-weighted assets</b>	<b>93,311</b>	<b>54,095</b>	<b>4,292</b>	<b>3,044</b>	<b>–</b>	<b>154,742</b>

<sup>1</sup> Prior-year figures adjusted due to restatements (see page 44 f.).

Credit risk-weighted assets 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 ser-

vices. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor management reporting.



## Notes to the balance sheet

### (10) Claims on banks

€m	31.3.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	35,099	33,395	5.1
Claims from money market transactions	2,096	1,662	26.1
Promissory note loans	1,051	1,241	-15.3
Other claims	21,537	22,290	-3.4
<b>Total</b>	<b>59,783</b>	<b>58,588</b>	<b>2.0</b>
of which relate to the category:			
Loans and receivables	38,590	43,033	-10.3
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	21,193	15,555	36.2

Claims on banks after deduction of loan loss provisions amounted to €59,716m (previous year: €58,529m).

### (11) Claims on customers

€m	31.3.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	12,460	12,362	0.8
Claims from money market transactions	781	522	49.6
Promissory note loans	13,156	13,290	-1.0
Construction and ship financing	93,795	92,994	0.9
Other claims	99,858	97,350	2.6
<b>Total</b>	<b>220,050</b>	<b>216,518</b>	<b>1.6</b>
of which relate to the category:			
Loans and receivables	211,275	208,095	1.5
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	8,775	8,423	4.2

Claims on customers after deduction of loan loss provisions amounted to €216,378m (previous year: €212,848m).

**(12) Total lending**

€m	31.3.2017	31.12.2016	Change in %
Loans to banks	18,379	19,894	-7.6
Loans to customers	207,590	204,156	1.7
<b>Total</b>	<b>225,969</b>	<b>224,050</b>	<b>0.9</b>

We distinguish loans from claims on banks and customers such that only claims for which a special loan agreement has been concluded with the borrower are shown as loans. Interbank money

market transactions and reverse repo transactions, for example, are thus not shown as loans. Acceptance credits are also included in loans to customers.

**(13) Loan loss provisions**

Provisions for loan losses are made in accordance with rules that apply Group-wide and cover all discernible credit risks. For loan losses that have already occurred but are not yet known, portfolio

valuation allowances have been calculated in line with procedures derived from Basel 3 methodology.

Development of provisioning   €m	2017	2016	Change in %
<b>As at 1.1.</b>	<b>3,934</b>	<b>4,192</b>	<b>-6.2</b>
Allocations	422	376	12.2
Disposals	409	468	-12.6
Utilisation	194	248	-21.8
Reversals	215	220	-2.3
Changes in consolidated companies	-	-	.
Exchange rate changes/reclassifications/unwinding	11	-34	.
<b>As at 31.3.</b>	<b>3,958</b>	<b>4,066</b>	<b>-2.7</b>

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 provisions of €195m (previous year: €148m) (see Note 2).

Loan loss provisions   €m	31.3.2017	31.12.2016	Change in %
Specific valuation allowances	3,213	3,186	0.8
Portfolio valuation allowances	526	543	-3.1
<b>Provisions for on-balance-sheet loan losses</b>	<b>3,739</b>	<b>3,729</b>	<b>0.3</b>
Specific loan loss provisions	95	76	25.0
Portfolio loan loss provisions	124	129	-3.9
<b>Provisions for off-balance-sheet loan losses</b>	<b>219</b>	<b>205</b>	<b>6.8</b>
<b>Total</b>	<b>3,958</b>	<b>3,934</b>	<b>0.6</b>

For claims on banks, loan loss provisions amounted to €67m (previous year: €59m), and for claims on customers to €3,672m (previous year: €3,670m).

## (14) Trading assets

The Group's trading activities include trading in:

- Bonds, notes and other interest-rate-related securities,
- Shares, other equity-related securities and units in investment funds,
- Promissory note loans and other claims,
- Foreign currencies and precious metals,
- Derivative financial instruments,
- Other trading assets.

The positive fair values also include derivative financial instruments that cannot be used as hedging instruments in hedge accounting.

€m	31.3.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities	5,300	4,361	21.5
Promissory note loans and other claims	995	1,044	-4.7
Shares, other equity-related securities and units in investment funds	21,384	20,642	3.6
Positive fair values of derivative financial instruments	57,230	62,205	-8.0
Interest-rate-related derivative transactions	40,729	42,551	-4.3
Currency-related derivative transactions	10,565	15,049	-29.8
Equity derivatives	3,884	2,328	
Credit derivatives	1,258	1,489	
Other derivative transactions	794	788	0.8
Other trading assets	66	610	-89.2
<b>Total</b>	<b>84,975</b>	<b>88,862</b>	<b>-4.4</b>

## (15) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They comprise bonds, notes and other interest-rate-related securities, shares and other equity-related securities not used for trading purposes, as well as units in

investment funds, equity holdings (including associates not accounted for using the equity method for materiality reasons and jointly controlled entities) and, also for materiality reasons, not fully consolidated holdings in subsidiaries.

€m	31.3.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities <sup>1</sup>	64,431	69,094	- 6.7
Shares, other equity-related securities and units in investment funds	633	712	- 11.1
Equity holdings	224	222	0.9
Holdings in non-consolidated subsidiaries	143	152	- 5.9
<b>Total</b>	<b>65,431</b>	<b>70,180</b>	<b>- 6.8</b>
of which relate to the category:			
Loans and receivables <sup>1</sup>	27,874	29,698	- 6.1
Available-for-sale financial assets	36,728	39,635	- 7.3
of which measured at amortised cost	157	188	307
At fair value through profit or loss (fair value option)	829	847	- 2.1

<sup>1</sup> Reduced by portfolio valuation allowances for reclassified securities of €14m (previous year: €15m).

As at 31 March 2017 the financial investments included €157m (previous year €188m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

In the first three months of 2017 equity-related financial instruments with a carrying amount of €32m (previous year €6m) measured at amortised cost were derecognised from the category of available-for-sale financial assets. No result in net income (previous year: €7m).

The revaluation reserve after deferred taxes for the securities reclassified from the available-for-sale financial assets category to the loans and receivables category in 2008 and 2009 was €-0.4bn (previous year: €-0.4bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €-2.1bn (previous year: €-2.2bn) as at 31 March 2017; the carrying amount of these portfolios on the balance sheet date was €26.3bn (previous year: €28.0bn), and fair value was €23,8bn (previous year: €25.3bn).

## (16) Intangible Assets

€m	31.3.2017	31.12.2016	Change in %
Goodwill	1,484	1,484	0.0
Other intangible assets	1,573	1,563	0.6
Customer relationships	231	241	-4.1
In-house developed software	915	882	3.7
Purchased software	411	423	-2.8
Other	16	17	-5.9
<b>Total</b>	<b>3,057</b>	<b>3,047</b>	<b>0.3</b>

## (17) Fixed assets

€m	31.3.2017	31.12.2016	Change in %
Land and buildings	441	443	-0.5
Office furniture and equipment	469	477	-1.7
Leased equipment	784	803	-2.4
<b>Total</b>	<b>1,694</b>	<b>1,723</b>	<b>-1.7</b>

## (18) Non-current assets and disposal groups held for sale

€m	31.03.2017	31.12.2016	Change in %
Claims on banks	-	-	.
Claims on customers	267	-	.
Trading assets	-	-	.
Financial investments	94	94	0.0
Intangible assets	-	-	.
Fixed assets	520	520	0.0
Investment properties	-	-	.
Other asset items	574	574	0.0
<b>Total</b>	<b>1,455</b>	<b>1,188</b>	<b>22.5</b>

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 2017. The sale of an investment relating to the credit card business in the Private and Small-Business Customers segment is planned. The transaction is expected to be completed in the next twelve months and may still be subject to change up until the completion date, particularly as regards the expected selling price. Negotiations are also currently in progress concerning a holding involved with certain financings, the disposal of which would result in the simultaneous acquisition of assets derived from banking business. The negotiations with the business partner are at an advanced stage. We expect the transaction to be completed within

the next twelve months. In the Corporate Clients segment a purchase agreement was concluded for an investment relating to the precious metals processing sector. The closing is to be during the first half of 2017 and until then the transaction may still be subject to changes, particularly as regards the expected selling price. In addition, loans from the Corporate Clients segment were reclassified as assets held for sale as at 31 March 2017. The closing of the transaction is scheduled for the second quarter of 2017. Additionally, properties held as fixed assets and investment properties were classified in the course of the financial year as non-current assets held for sale.

There were no liabilities from disposal groups held for sale in the first quarter of 2017, as was also the case at the end of 2016.

**(19) Other assets**

€m	31.3.2017	31.12.2016	Change in %
Collection items	16	11	45.5
Precious metals	310	357	- 13.2
Accrued and deferred items	338	236	43.2
Initial/variation margins receivables	1,165	857	35.9
Defined benefit assets recognised	452	443	2.0
Other assets	1,420	1,108	28.2
<b>Total</b>	<b>3,701</b>	<b>3,012</b>	<b>22.9</b>

**(20) Liabilities to banks**

€m	31.3.2017	31.12.2016	Change in %
Repos and cash collaterals	17,346	18,171	- 4.5
Liabilities from money market transactions	15,842	15,051	5.3
Other liabilities	38,741	33,726	14.9
<b>Total</b>	<b>71,929</b>	<b>66,948</b>	<b>7.4</b>
of which relate to the category:			
Liabilities measured at amortised cost	62,034	56,155	10.5
At fair value through profit or loss (fair value option)	9,895	10,793	- 8.3

**(21) Liabilities to customers**

€m	31.3.2017	31.12.2016	Change in %
Repos and cash collaterals	8,217	7,047	16.6
Liabilities from money market transactions	46,263	46,985	- 1.5
Savings deposits	7,286	7,189	1.3
Other liabilities	199,209	189,699	5.0
<b>Total</b>	<b>260,975</b>	<b>250,920</b>	<b>4.0</b>
of which relate to the category:			
Liabilities measured at amortised cost	253,895	244,655	3.8
At fair value through profit or loss (fair value option)	7,080	6,265	13.0

## (22) Securitised liabilities

Securitised liabilities consist of bonds and notes, including mortgage and public-sector Pfandbriefe, money market instruments (e.g. euro notes, commercial paper), index certificates, own acceptances and promissory notes outstanding.

Securitised liabilities contained mortgage Pfandbriefe of €12,225m (previous year: €11,857m) and public-sector Pfandbriefe of €4,719m (previous year: €5,203m).

€m	31.3.2017	31.12.2016	Change in %
Bonds and notes issued	32,023	32,884	-2.6
Money market instruments issued	4,186	5,566	-24.8
Own acceptances and promissory notes outstanding	24	44	-45.5
<b>Total</b>	<b>36,233</b>	<b>38,494</b>	<b>-5.9</b>
of which relate to the category:			
Liabilities measured at amortised cost	35,120	37,481	-6.3
At fair value through profit or loss (fair value option)	1,113	1,013	9.9

In the first three months of 2017, material new issues with a total volume of €2.6bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.0bn and the volume of bonds maturing to €4.5bn.

## (23) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify as hedging instruments for hedge accounting purposes. Own issues in the trading book and

delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	31.3.2017	31.12.2016	Change in %
Negative fair values of derivative financial instruments	60,329	65,952	-8.5
Currency-related derivative transactions	13,164	18,561	-29.1
Interest-rate-related derivative transactions	39,741	42,117	-5.6
Equity derivatives	5,124	2,437	.
Credit derivatives	1,802	2,225	-19.0
Other derivative transactions	498	612	-18.6
Certificates and other notes issued	5,540	4,828	14.7
Delivery commitments arising from short sales of securities	2,443	864	.
<b>Total</b>	<b>68,312</b>	<b>71,644</b>	<b>-4.7</b>

**(24) Provisions**

€m	31.3.2017	31.12.2016	Change in %
Provisions for pensions and similar commitments	1,444	1,356	6.5
Other provisions	2,115	2,080	1.7
<b>Total</b>	<b>3,559</b>	<b>3,436</b>	<b>3.6</b>

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 204 ff. of our 2016 Annual Report). The actuarial assumptions underlying these obligations at 31 March 2017 were a discount rate of 1.8 % a change in salaries of 2.5% a change in salaries of 1,6%.

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 2017 to 2019.

In case of legal proceedings for which provisions need to be recognised and which are contained in the other provisions, 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 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 that non-term-related processing fees in pre-formulated 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.
- 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.
- In connection with the acquisition of an equity stake by a Commerzbank subsidiary, the vendor took the case to court disputing the way in which the share price had been determined through the transfer of properties by way of a capital contribution in kind. The appeal court decided in April 2014 that the transfer of the properties by way of a capital contribution in kind was invalid. The Commerzbank subsidiary appealed this ruling. The appeal was rejected in August 2015 and a drawdown of the provision is therefore likely. Adequate provision has been made for this outcome.



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- 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.
- In July 2005, Commerzbank was sued as part of a consortium by a customer in the course of his bankruptcy proceedings in the USA. The customer had repaid a loan in full as guarantor for his subsidiary and claimed that various repayments were invalid because he was evidently insolvent at the date the loan was granted. Two attempts at out-of-court mediation were unsuccessful. After the quashing of the ruling of the court of first instance, pre-trial discovery was held before the district court in March 2015. Following these proceedings the banking consortium submitted an application for a summary judgement. In December 2015 the application by the banking consortium was upheld and the customer's suit was rejected. The customer has lodged an appeal.
- 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.

**(25) Other liabilities**

€m	31.3.2017	31.12.2016	Change in %
Liabilities attributable to film funds	1,186	1,184	0.2
Liabilities attributable to non-controlling interests	152	169	- 10.1
Accrued and deferred items	315	322	- 2.2
Variation margins payable	818	725	12.8
Other liabilities	1,380	1,295	6.6
<b>Total</b>	<b>3,851</b>	<b>3,695</b>	<b>4.2</b>

**(26) Subordinated debt instruments**

€m	31.3.2017	31.12.2016	Change in %
Subordinated debt instruments	11,265	10,866	3.7
Accrued interest, including discounts <sup>1</sup>	- 799	- 664	20.3
Remeasurement effects	732	767	- 4.6
<b>Total</b>	<b>11,198</b>	<b>10,969</b>	<b>2.1</b>
of which relate to the category:			
Liabilities measured at amortised cost	11,185	10,955	2.1
At fair value through profit or loss (fair value option)	13	14	- 7.1

<sup>1</sup> Including the impact of the adjustment of fair values of subordinated debt instruments at the date of acquisition of Dresdner Bank.

In the first three months of 2017 the volume of subordinated debt instruments maturing amounted to €0.9m, repayments were €0.3bn and new issues were €1.0bn.

## Other notes

### (27) Capital requirements and leverage ratio

The overview below of the composition of the Commerzbank Group's capital shows the figures on both a phase-in (currently used) and a fully phased-in basis.

Position   €m	31.3.2017 Phase-in	31.12.2016 Phase-in	31.3.2017 Fully phased-in	31.12.2016 Fully phased-in
<b>Equity as shown in balance sheet</b>	<b>29,810</b>	<b>29,640</b>	<b>29,810</b>	<b>29,640</b>
Effect from debit valuation adjustments	-209	-177	-262	-295
Correction to revaluation reserve	167	313	-	-
Correction to cash flow hedge reserve	84	97	84	97
Correction to phase-in (IAS 19)	308	578	-	-
Correction to non-controlling interests (minority)	-391	-258	-459	-426
Goodwill	-1,496	-1,496	-1,496	-1,496
Intangible assets	-1,210	-1,206	-1,210	-1,206
Surplus in plan assets	-309	-231	-387	-385
Deferred tax assets from loss carryforwards	-480	-297	-600	-494
Shortfall due to expected loss	-559	-420	-621	-525
Prudential valuation	-349	-367	-349	-367
Own shares	-47	-33	-57	-51
First loss positions from securitisations	-295	-301	-295	-301
Advance payment risks	-	-1	-	-1
Deduction of offset components of additional core capital (AT 1)	605	1,066	-	-
Deferred tax assets from temporary differences which exceed the 10% threshold	-324	-166	-552	-548
Accrued dividends	-	-	-	-
Others and rounding	-345	-247	-344	-247
<b>Common Equity Tier 1 (CET1)<sup>1</sup></b>	<b>24,960</b>	<b>26,494</b>	<b>23,262</b>	<b>23,395</b>
<b>Additional Tier 1</b>	<b>462</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital<sup>1</sup></b>	<b>25,422</b>	<b>26,494</b>	<b>23,262</b>	<b>23,395</b>
<b>Tier 2 capital</b>	<b>6,402</b>	<b>5,677</b>	<b>6,374</b>	<b>5,691</b>
<b>Equity</b>	<b>31,824</b>	<b>32,171</b>	<b>29,636</b>	<b>29,086</b>
<b>Risk-weighted assets</b>	<b>186,529</b>	<b>190,527</b>	<b>186,162</b>	<b>189,848</b>
of which: Credit risk <sup>3</sup>	144,912	146,880	144,545	146,201
of which: Market risk <sup>2,3</sup>	19,948	19,768	19,948	19,768
of which: Operational risk	21,669	23,879	21,669	23,879
<b>Common Equity Tier 1 ratio (%)</b>	<b>13.4</b>	<b>13.9</b>	<b>12.5</b>	<b>12.3</b>
<b>Tier 1 ratio (%)</b>	<b>13.6</b>	<b>13.9</b>	<b>12.5</b>	<b>12.3</b>
<b>Total capital ratio (%)</b>	<b>17.1</b>	<b>16.9</b>	<b>15.9</b>	<b>15.3</b>

<sup>1</sup> This information includes only the consolidated profit attributable to Commerzbank shareholders for regulatory purposes as at 31 December 2016.

<sup>2</sup> Including capital adequacy requirements for credit valuation adjustment risks

<sup>3</sup> Settlement risk of €12m was reallocated from market risk to credit risk as at 31 December 2016.

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 III tran-

sitional provisions. The increase in the capital ratios over the quarter is primarily the result of the decrease in risk-weighted assets

The CRD IV/CRR has introduced the leverage ratio as a tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance-sheet positions is calculated

is laid down by regulators. The leverage ratio 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.

Leverage ratio according to revised CRR (delegated act)	31.3.2017	31.12.2016	Change in %
Leverage exposure "phase-in" (€m)	502,781	489,362	2.7
Leverage exposure "fully phased-in" (€m)	501,808	487,615	2.9
Leverage ratio "phase-in" (%)	5.1	5.4	
Leverage ratio "fully phased-in" (%)	4.6	4.8	

## (28) Contingent liabilities and irrevocable lending commitments

€m	31.3.2017	31.12.2016	Change in %
Contingent liabilities	35,781	34,997	2.2
from rediscounted bills of exchange credited to borrowers	0	2	.
from guarantees and indemnity agreements	35,703	34,917	2.3
from other commitments	78	78	0.0
Irrevocable lending commitments	80,567	78,245	3.0

Provisions for contingent liabilities and irrevocable lending commitments have been deducted from the respective items.

The other commitments include the irrevocable payment obligation provided by the Federal Financial Market Stabilisation Authority (FMSA) after approval of the Bank's request for security for payment of part of the banking levy.

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal risks where the occurrence of a loss is not probable, but also not improbable, and for which no provisions have been recognised. 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 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 March 2017 the contingent liabilities for legal risks amounted to €561m (previous year: €544m) 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 this year.
- 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 will defend itself against the action.

- Commerzbank is currently 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. The claim for damages was partly withdrawn in September 2016. The cases are ongoing.
- 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 will defend 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.
- As already noted in the Annual Report 2016, in December 2016, the tax authority issued an amended decision to Commerzbank regarding the offsetting of capital gains taxes and the solidarity surcharge with respect to "cum-cum" transactions for the year 2009. Commerzbank lodged an appeal against the tax credit thus refused, which has yet to be decided. The tax authority granted a request based on this legal opinion that enforcement be suspended. Based on similar rulings against third parties, Commerzbank considers itself exposed to disputed claims.

## (29) Derivative transactions

The nominal amounts and fair values of derivative transactions after netting the fair values of derivatives and any variation margins payable on them were as set out below.

The netting volume as at 31 March 2017 totalled €58,909m (previous year: €62,814m). On the assets side €56,209m (previous

year: €60,544m) of this was attributable to positive fair values and €2,700m (previous year: €2,270m) to variation margins received. Netting on the liabilities side involved negative fair values of €55,191m (previous year: €59,868m) and liabilities for variation margin payments of €3,718m (previous year: €2,946m).

**(30) Maturities of assets and liabilities**

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.

<b>31.03.2017</b>		<b>Residual terms</b>			
<b>€m</b>	<b>up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>more than 5 years</b>	
Liabilities to banks	44,599	5,482	9,199	11,650	
Liabilities to customers	213,477	19,542	9,761	16,762	
Securitised liabilities	2,375	4,347	14,356	6,751	
Trading liabilities	1,238	2,370	960	94	
Derivatives	3,957	5,411	15,157	34,726	
Subordinated debt instruments	11	1,248	3,168	3,816	
Financial guarantees	2,285	0	0	0	
Irrevocable lending commitments	80,567	0	0	0	
<b>Total</b>	<b>348,509</b>	<b>38,399</b>	<b>52,600</b>	<b>73,800</b>	

<b>31.12.2016</b>		<b>Residual terms</b>			
<b>€m</b>	<b>up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>more than 5 years</b>	
Liabilities to banks	39,219	5,711	8,898	10,021	
Liabilities to customers	198,043	25,172	8,411	14,913	
Securitised liabilities	4,043	5,521	13,429	6,665	
Trading liabilities	1,175	2,139	756	44	
Derivatives	4,926	6,906	17,545	36,564	
Subordinated debt instruments	409	918	3,526	3,116	
Financial guarantees	2,393	0	0	0	
Irrevocable lending commitments	78,331	0	0	0	
<b>Total</b>	<b>328,539</b>	<b>46,367</b>	<b>52,565</b>	<b>71,323</b>	

**(31) Information on the fair value hierarchies of financial instruments measured at fair value****Measurement of financial instruments**

Under IAS 39, all financial instruments are initially recognised at fair value; financial instruments that are not classified as at fair value through profit or loss are recognised at fair value plus transaction costs. Subsequently, those financial instruments that are classified as at fair value through profit or loss and available-for-sale financial assets are measured at fair value on an ongoing basis. For this purpose, financial instruments classified at fair value through profit or loss include derivatives, instruments held for trading and instruments designated for measurement 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 repre-

sents 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 fair value of a liability also reflects 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 most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy Level 1). An active market is one in which transactions in the asset or liability take place sufficiently regularly and with sufficient volume to ensure pricing data is available continuously. As a rule, therefore, quoted prices are to be used if they are

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available. The relevant market used to determine the fair value is generally the market with the greatest activity (main market). To reflect the price at which an asset could be exchanged or a liability settled, asset positions are valued at the bid price and liability positions are valued at the ask price. In cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs – except for non-material parameters – are obtained from verifiable market sources (fair value hierarchy Level 2). In accordance with IFRS 13, valuation methods are to be chosen that are commensurate with the situation and for which the required information is available. For the selected methods, observable input parameters are to be used to the maximum extent possible and unobservable input parameters to the least extent possible. While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate at least one material input for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. 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. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (fair value hierarchy Level 3). 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. All fair values are subject to the Commerzbank Group's internal controls and proce-

dures 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 Group Finance. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function. The fair values which can be realised at a later date may deviate from the estimated fair values. The following summary shows how these measurement principles are applied to the key classes of financial instrument held by the Commerzbank Group:

- The fair value of OTC derivatives is determined using valuation models that are well established on the financial markets. On the one hand, models may be used that measure the expected future cash flows and discount these to determine the net present value of the financial instruments. On the other hand, alternative models may be used that determine the value at which there is no scope for arbitrage between a given instrument and other related traded instruments. For some derivatives, the valuation models used in the financial markets may differ in the way that they model the fair value and may use different input parameters or use identical input but to different degrees. These models are regularly calibrated to recent market prices. Input parameters for these models are derived, wherever possible, from observable data such as prices or indices that are published by the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. Where input parameters are not directly observable, they may be derived from observable data through extrapolation or interpolation, or may be approximated by reference to historical or correlated data. Input parameters for derivative valuations would typically include underlying spot or forward security prices, volatility, interest rates and exchange rates. The fair value of options is comprised of two parts, the intrinsic value and the time value. The factors used to determine the time value include the strike price compared to the underlying, the volatility of the underlying market, the time to expiry and the correlations between the underlying assets and underlying currencies.

- Equities, bonds and asset-backed securities (ABS) are valued using market prices from the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. In the absence of such prices, the price for similar quoted instruments is used and adjusted to reflect the contractual differences between the instruments. In the case of more complex securities traded in markets that are not active, the fair value is derived using a valuation model that calculates the present value of the expected future cash flows. In such cases, the input parameters reflect the credit risk associated with those cash flows. Unlisted equity instruments are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.
- Structured instruments are securities that combine features of fixed-income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable return based on the performance of an underlying asset, with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly, as each instrument is individually customised and, therefore, the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign-exchange, interest-rate, credit and fund products.

#### **Fair value hierarchy**

Under IFRS 13, financial instruments carried at fair value 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.

The allocation of certain financial instruments to the relevant level is subject to the judgement of management on a systematic basis, particularly if the valuation is based both on observable market data and unobservable market data. An instrument's classification may also change over time due to changes in market liquidity and consequently in price transparency.

In the following tables, the financial instruments reported in the balance sheet at fair value are grouped by balance sheet item and valuation method. They are broken down according to whether fair value is based on quoted market prices (Level 1), observable market data (Level 2) or unobservable market data (Level 3).



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41	Cash flow statement
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Financial assets   €bn		31.3.2017				31.12.2016 <sup>1</sup>			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	20.3	0.9	21.2	–	14.9	0.7	15.6
Claims on customers	At fair value through profit or loss	–	8.6	0.2	8.8	–	8.2	0.2	8.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	2.1	–	2.1	–	2.1	–	2.1
Trading assets	Held for trading	24.7	53.9	6.4	85.0	23.5	59.3	6.1	88.9
of which positive fair values from derivatives		–	51.8	5.4	57.2	–	56.9	5.3	62.2
Financial investments	At fair value through profit or loss	0.4	0.4	–	0.8	0.4	0.4	0.1	0.9
	Available-for-sale financial assets	27.5	9.0	0.1	36.6	31.0	8.3	0.1	39.4
Non-current assets held for sale and assets of disposal groups	Available-for-sale financial assets	–	–	0.1	0.1	–	–	0.1	0.1
<b>Total</b>		<b>52.6</b>	<b>94.3</b>	<b>7.7</b>	<b>154.6</b>	<b>54.9</b>	<b>93.2</b>	<b>7.3</b>	<b>155.4</b>

<sup>1</sup> Prior-year figures restated due to a correction in Level 3 positive fair values from 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		31.3.2017				31.12.2016 <sup>1</sup>			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	9.9	–	9.9	–	10.8	–	10.8
Liabilities to customers	At fair value through profit or loss	–	7.1	–	7.1	–	6.3	–	6.3
Securitised liabilities	At fair value through profit or loss	1.1	–	–	1.1	1.0	–	–	1.0
Negative fair values of derivative hedging instruments	Hedge accounting	–	2.9	–	2.9	–	3.1	–	3.1
Trading liabilities	Held for trading	7.7	56.3	4.3	68.3	5.6	61.8	4.2	71.6
of which negative fair values from derivatives		–	56.0	4.3	60.3	–	61.8	4.2	66.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Total</b>		<b>8.8</b>	<b>76.2</b>	<b>4.3</b>	<b>89.3</b>	<b>6.6</b>	<b>82.0</b>	<b>4.2</b>	<b>92.8</b>

<sup>1</sup> 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.

A reclassification of levels occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. A reclassification of the financial instrument may be caused 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 the first quarter of 2017, as there were no listed market

prices available. These involved €1.0bn of available-for-sale securities and €0.5bn of liabilities held for trading. Opposite reclassifications from Level 2 to Level 1 were made for €0.7bn of available-for-sale securities, as quoted market prices became available again. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

The changes in financial instruments in the Level 3 category were as follows:

Financial assets €m	Claims on banks <sup>2</sup>	Claims on customers <sup>2</sup>	Trading assets <sup>1,3</sup>	of which positive fair values from derivatives <sup>1, 3</sup>	Financial investments <sup>4</sup>	Financial invest- ments <sup>2</sup>	Non-current assets held for sale and disposal groups	Total
<b>Fair value as at 1.1.2016</b>	–	428	5,373	4,354	50	131	97	6,079
Changes in consolidated companies	–	–148						–148
Gains or losses recognised in income statement during the period	–	–29	2	133	–	–	–8	–35
of which unrealised gains/losses	–	1	29	154	–	–	–	30
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	–	–	237	9	–	2	–	239
Sales	–	–	–61	–3	–	–	–192	–253
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–2	–174	–1	–	–	–	–176
Reclassifications to Level 3	746	2	1,406	1,217	2	12	68	2,236
Reclassifications from Level 3	–	–	–604	–444	–2	–5	–	–611
Reclassifications from/to non-current assets held for sale	–	–103	–	–	–	–	103	–
<b>Fair value as at 31.12.2016</b>	<b>746</b>	<b>148</b>	<b>6,179</b>	<b>5,265</b>	<b>50</b>	<b>140</b>	<b>68</b>	<b>7,331</b>
Changes in consolidated companies	–	–			–	–	–	–
Gains or losses recognised in income statement during the period	–6	–3	126	169	–	2	–5	114
of which unrealised gains/losses	–6	–3	125	168	–	2	–5	113
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	212	–	141	6	2	1	–	356
Sales	–52	–	–	–	–	–	–	–52
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–	–	–	–	–	–	–
Transfer to available-for- sale financial assets	–	–	–	–	–	–	–	–
Reclassifications to Level 3	–	–	2	–	–	–	–	2
Reclassifications from Level 3	–	–	–3	–3	–50	–2	–	–55
Reclassifications from/to non-current assets held for sale	–	–	–	–	–	–	–	–
<b>Fair value as at 31.3.2017</b>	<b>900</b>	<b>145</b>	<b>6,445</b>	<b>5,437</b>	<b>2</b>	<b>141</b>	<b>63</b>	<b>7,696</b>

<sup>1</sup> Prior-year figures restated due to a correction in Level 3 positive fair values from 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.

<sup>2</sup> At fair value through profit or loss.

<sup>3</sup> Held for trading.

<sup>4</sup> Available for sale financial assets.

Unrealised gains or losses on financial instruments held for trading purposes (trading assets and derivatives) are included in net trading income. Unrealised gains or losses on claims and financial investments at fair value through profit or loss are recognised in the net gain or loss from applying the fair value option.

In the first three months of 2017, €0.1bn securities measured at fair value were reclassified from Level 3 to Level 2.

Financial liabilities €m	Trading liabilities <sup>1,2</sup>	Of which negative fair values from derivatives <sup>1,2</sup>	Total
<b>Fair Value as at 1.1.2016</b>	<b>2,950</b>	<b>2,931</b>	<b>2,950</b>
Changes in consolidated companies		–	–
Gains or losses recognised in income statement during the period	288	288	288
of which unrealised gains/losses	291	291	291
Purchases	416	416	416
Sales	–2	–2	–2
Issues	–	–	–
Redemptions	–36	–34	–36
Reclassifications to Level 3	845	824	845
Reclassifications from Level 3	–290	–252	–290
<b>Fair Value as at 31.12.2016</b>	<b>4,171</b>	<b>4,171</b>	<b>4,171</b>
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	141	141	141
of which unrealised gains/losses	129	129	129
Purchases	26	26	26
Sales	–23	–23	–23
Issues	–	–	–
Redemptions	–8	–8	–8
Reclassifications to Level 3	6	6	6
Reclassifications from Level 3	–22	–22	–22
<b>Fair Value as at 31.3.2017</b>	<b>4,291</b>	<b>4,291</b>	<b>4,291</b>

<sup>1</sup> 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.

<sup>2</sup> Held for trading.

Unrealised gains or losses on financial instruments held for trading purposes (trading liabilities and derivatives) are included in net trading income.

There were no significant reclassifications of financial liabilities into or out of Level 3 in the first three months of 2017.

### 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.
- **Equity correlation:**  
Correlation is a measure of how two instruments move in relation to each other. Correlation is expressed as the correlation coefficient, which ranges between  $-1$  and  $+1$ .  
Many popular equity derivative products involve several underlying reference assets (equity basket correlation). The performance is determined by taking the average of the baskets; locking in at certain time intervals the best (or worst) performers; or picking the best (or worst) performer at maturity.

Basket products such as index baskets may have their performance linked to a number of indices. The inputs used to price these include the interest rate, index volatility, index dividend and the correlations between the indices. The correlation coefficients are typically provided by independent data providers. For correlated paths the average basket value can then be estimated by a large number of samples (Monte Carlo simulation).

A quanto (quantity adjusting option) swap is a swap with varying combinations of interest rate, currency and equity swap features, where the yield spread is based on the movement of two different countries' interest rates. Payments are settled in the same currency.

The inputs needed to value an equity quanto swap are the correlation between the underlying index and the FX forward rate, the volatility of the underlying index, the volatility of the FX forward rate and maturity.

- **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.
- **Discount yield:**  
Discount yield is a measure of a bond's percentage return. Discount yield is most frequently used to calculate the yield on short-term bonds and treasury bills sold at a discount. This yield calculation uses the convention of a 30-day month and 360-day year. The inputs required to determine the discount yield are the par value, purchase price and the number of days to maturity.
- **Credit correlation:**  
Credit derivative products such as collateralised debt obligations (CDOs), credit default swap (CDS) indices, such as iTraxx and CDX, and first-to-default (FTD) basket swaps all derive their value from an underlying portfolio of credit exposures. Correlation is a key determinant in the pricing of FTD swaps. Default correlation assumptions can have a significant impact on the distribution of losses experienced by a credit portfolio. It is the loss distribution that captures the default characteristics of a portfolio of credits and ultimately determines the pricing of the FTD swaps.

At a low correlation, the assets are virtually independent of each other. In the case of an extremely low expected standard correlation, the distribution is almost symmetrical. There is a high probability of experiencing a few losses but almost no probability of experiencing a very large number of losses. Also, the probability of experiencing zero losses is low. With a medium expected standard correlation, the distribution becomes more “skewed”. There is thus a higher probability of experiencing no defaults, but also a higher probability of experiencing a large number of losses. As a result, there is a greater likelihood of assets defaulting together. The tail of the portfolio loss distribution is pushed out, with more of the risk therefore in the senior tranche.

At a high correlation, the portfolio virtually behaves like a single asset, which either does or does not default.

- Mean reversion of interest rates:

This is a theory suggesting that prices and returns eventually move back towards the mean or average. This mean or average can be the historical average of a price or yield or another relevant average such as average economic growth or the average return of an industry.

A single-factor interest rate model used to price derivatives is the Hull-White model. This assumes that short rates have a normal distribution and are subject to mean reversion. Volatility is likely to be low when short rates are near zero, which is reflected in a larger mean reversion in the model. The Hull-White model is an extension of the Vasicek and Cox-Ingersoll-Ross (CIR) models.

- 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.

Data vendors provide a service for quanto swaps as well as for CMS quanto spread options in the same currency pairs. We participate in these services and receive consensus mid prices for these, together with spreads and standard deviations of the distribution of prices provided by all participants.

The model parameters required as inputs include, for example, rate/rate (Dom-For currency) and rate/FX (Dom-FX and For-FX) correlations. These are not directly observable on the market, but can be derived from consensus prices then used to price these transactions.

For the calculation of the correlation sensitivities, the different types of correlations (rate/rate and rate/FX) are shifted one after the other and the exotic interest rate swaps portfolio is revalued each time. The calculated price differences to the respective basis prices determine the sensitivity values for each correlation type. These calculations are done for the various currency pairs.

- Recovery rates, survival and default probabilities:
- Supply and demand as well as the arbitrage relationship with asset swaps tends 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%. Assumptions about recovery rates will be a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery assumption implies a higher probability of default (relative to a low recovery assumption) and hence a lower survival probability.

There is a relationship over time between default rates and recovery rates of corporate bond issuers. In particular, there is an inverse correlation between the two: 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 (Repo). Generally, these are short-dated maturities ranging from O/N out to 12 months. Beyond 12 months maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independ-

ent observable market data. In some cases proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient then this input parameter will be classified as unobservable. Furthermore, Mutual Fund related repos may also contain unobservable repo curve exposures.

- Price:

Certain interest 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.

The following ranges for the material unobservable parameters were used in the valuation of our Level 3 financial instruments.

€m		31.3.2017			31.3.2017	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
<b>Derivatives</b>		<b>5,437</b>	<b>4,291</b>			
Equity-related transactions	Discounted cash flow model	168	485	IRR (%)	1%	8%
Credit derivatives	Discounted cash flow model	5,251	3,613	Credit spread (bps)	100	500
				Recovery rate (%)	40%	80%
Interest-rate-related transactions	Option pricing model	18	193	IR-FX correlation (%)	-36%	51%
Other transactions		-	-			
<b>Securities</b>		<b>1,214</b>	<b>-</b>			
Interest-rate-related transactions	spread based model	1,151	-	Credit spread (bps)	100	500
of which ABS	spread based model	1,009	-	Credit spread (bps)	100	500
Equity-related transactions	Discounted cash flow model	63	-	Price (%)	90%	110%
<b>Loans</b>		<b>1,045</b>	<b>-</b>			
repo-business	Discounted cash flow model	900	-	repo-curve (bps)	130	228
Claims	Price-based	145	-	Price (%)	90%	110%
<b>Total</b>		<b>7,696</b>	<b>4,291</b>			

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in fair value hierarchy level 3. The sensitivity analysis

for financial instruments in the fair value hierarchy Level 3 is broken down by type of instrument:

€m	2017		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
<b>Derivatives</b>	<b>44</b>	<b>-41</b>	
Equity-related transactions	21	-20	IRR, price based
Credit derivatives	18	-18	credit spread, recovery rates
Interest-rate-related transactions	5	-3	Correlation
Other transactions	-	-	
<b>Securities</b>	<b>31</b>	<b>-31</b>	
Interest-rate-related transactions	21	-21	Price, repo curve
of which ABS	7	-8	IRR, recovery rate, credit spread
Equity-related transactions	10	-10	Price
<b>Loans</b>	<b>6</b>	<b>-6</b>	Price

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 transaction price. 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 net trading income. 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 or loss		
	Trading assets	Trading liabilities	Total
<b>Balance as at 1.1.2016</b>	-	5	5
Allocations not recognised in income statement	-	4	4
Reversals recognised in income statement	-	-5	-5
<b>Balance as at 31.12.2016</b>	-	4	4
Allocations not recognised in income statement	-	6	6
Reversals recognised in income statement	-	-	-
<b>Balance as at 31.3.2017</b>	-	10	10

## Fair value of financial instruments not measured at fair value

### Determination of fair value

Below we provide more information on the fair values of financial instruments which are not recognised at fair value in the balance sheet, but for which a fair value must be disclosed. For the financial instruments reported in the balance sheet at fair value, the accounting methodology is set out in the section on fair value hierarchy.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include the cash reserve as well as overdrafts and demand deposits in the “Claims on banks and customers” or “Liabilities to banks and customers” items.

Market prices are not available for loans as there are no organised markets for trading these financial instruments. A discounted cash flow model is used for loans with parameters based on a risk-free yield curve (swap curve), credit spreads and a maturity-based premium to cover liquidity spreads, plus fixed premiums for administrative costs and the cost of capital. Data on the credit spreads of major banks and corporate customers is available. When using credit spreads, neither liquidity spreads nor premiums for administrative costs and the cost of capital may be considered, since implicitly they are already included in credit risk.

In the case of reclassified securities contained in 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. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, the discounted cash flow model is applied to the valuation. The parameters used comprise yield curves, risk and liquidity spreads and premiums for administrative costs and the cost of capital.

For liabilities to banks and customers, a discounted cash flow model is generally used for determining fair value, since market data is usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. In the case of promissory note loans issued by banks, the cost of capital is also taken into account.

The fair value of securitised liabilities and subordinated liabilities is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value.



The table below compares the fair values of the balance sheet items with their carrying amounts:

€bn	Fair value		Carrying amount		Difference	
	31.3.2017	31.12.2016	31.3.2017	31.12.2016	31.3.2017	31.12.2016
<b>Assets</b>						
Cash reserve	47.4	34.8	47.4	34.8		
Claims on banks	59.8	58.7	59.7	58.5	0.1	0.2
Claims on customers	215.6	213.2	216.4	212.8	-0.8	0.4
Value adjustment on portfolio fair value hedges <sup>1</sup>	-	-	0.2	0.3	-0.2	-0.3
Positive fair values of derivative hedging instruments	2.1	2.1	2.1	2.1		
Trading assets	85.0	88.9	85.0	88.9		
Financial investments	62.7	67.4	65.4	70.2	-2.7	-2.8
Non-current assets held for sale and assets of disposal groups	0.9	0.7	0.9	0.7		
<b>Liabilities</b>						
Liabilities to banks	71.9	66.9	71.9	66.9		
Liabilities to customers	261.4	251.3	261.0	250.9	0.4	0.4
Securitised liabilities	37.8	40.2	36.2	38.5	1.6	1.7
Value adjustment on portfolio fair value hedges <sup>1</sup>	-	-	0.8	1.0	-0.8	-1.0
Negative fair values of derivative hedging instruments	2.9	3.1	2.9	3.1		
Trading liabilities	68.3	71.6	68.3	71.6		
Liabilities of disposal groups	-	-	-	0.0		
Subordinated debt instruments	12.1	11.8	11.2	11.0	0.9	0.8

<sup>1</sup> The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged financial instruments.

### (32) Treasury shares

	Number of shares in units	Accounting par value <sup>1</sup> in €1,000	Percentage of share capital
Balance as at 31.3.2017	-	-	-
Largest number acquired during the financial year	-	-	-
Total shares pledged by customers as collateral as at 31.3.2017	4,314,187	4,314	0.34
Shares acquired during the current financial year	-	-	
Shares disposed of during the current financial year	-	-	

<sup>1</sup> Accounting par value per share €1.00.

### (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

- 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.

Assets   €m	31.3.2017		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	43,347	115,497	38,202	124,824
Book values not eligible for netting	5,897	6,525	9,889	5,894
a) Gross amount of financial instruments I and II	37,450	108,972	28,313	118,930
b) Amount netted in the balance sheet for financial instruments I <sup>1</sup>	18,199	56,209	14,820	60,544
c) Net amount of financial instruments I and II = a) – b)	19,251	52,763	13,493	58,386
d) Master agreements not already accounted for in b)				
Betrag der Finanzinstrumente II, die die Kriterien nach IAS 32.42 nicht oder nur zum Teil erfüllen <sup>2</sup>	670	35,729	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) <sup>3</sup>				
Non-cash collaterals <sup>4</sup>	16,052	400	11,192	633
Cash collaterals	5	9,434	30	9,671
<b>e) Net amount of financial instruments I and II = c) – d)</b>	<b>2,524</b>	<b>7,200</b>	<b>1,967</b>	<b>7,154</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	2,524	–	1,967	55
<b>g) Net amount of financial instruments I and II = e) – f)</b>	<b>–</b>	<b>7,200</b>	<b>–</b>	<b>7,099</b>

<sup>1</sup> Of which for positive fair values €2,700m (previous year: €2,270m) is attributable to margins.

<sup>2</sup> Lesser amount of assets and liabilities.

<sup>3</sup> Excluding rights or obligations to return arising from the transfer of securities.

<sup>4</sup> Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities   €m	31.3.2017		31.12.2016	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	32,402	118,410	28,184	128,901
Book values not eligible for netting	4,431	2,869	4,593	1,219
a) Gross amount of financial instruments I and II	27,971	115,541	23,591	127,682
b) Amount netted in the balance sheet for financial instruments I <sup>1</sup>	18,199	55,191	14,820	59,869
c) Net amount of financial instruments I and II = a) – b)	9,772	60,350	8,771	67,813
d) Master agreements not already accounted for in b)				
Betrag der Finanzinstrumente II, die die Kriterien nach IAS 32.42 nicht oder nur zum Teil erfüllen <sup>2</sup>	670	35,729	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) <sup>3</sup>				
Non-cash collaterals <sup>4</sup>	8,186	2,416	5,432	2,441
Cash collaterals	–	16,463	4	18,588
<b>e) Net amount of financial instruments I and II = c) – d)</b>	<b>916</b>	<b>5,742</b>	<b>3,031</b>	<b>5,856</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	916	–	3,031	55
<b>g) Net amount of financial instruments I and II = e) – f)</b>	<b>–</b>	<b>5,742</b>	<b>–</b>	<b>5,801</b>

<sup>1</sup> Of which for positive fair values €3,718m (previous year: €2,946 m) is attributable to margins.

<sup>2</sup> Lesser amount of assets and liabilities.

<sup>3</sup> Excluding rights or obligations to return arising from the transfer of securities.

<sup>4</sup> Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

### (34) 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. The banking activities with related parties as well as the guarantees and collaterals with federal agencies were granted in the course of the bank's ordinary banking activities.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors

and Supervisory Board who were active during the reporting period.

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.

In the following tables we present relationships with federal government-controlled entities and agencies separately from relationships with other related parties. Assets, liabilities and off-balance-sheet items involving related parties (excluding federal agencies) were as follows:

€m	31.3.2017	31.12.2016	Change in %
Claims on banks	3,254	3,158	3.0
Claims on customers	570	696	-18.1
Trading assets	227	58	.
Financial investments	88	64	37.5
Other assets	33	6	.
<b>Total</b>	<b>4,172</b>	<b>3,982</b>	<b>4.8</b>
Liabilities to banks	6	4	50.0
Liabilities to customers	469	432	8.6
Trading liabilities	3	-	.
Subordinated debt instruments	-	-	.
Other liabilities	20	21	-4.8
<b>Total</b>	<b>498</b>	<b>457</b>	<b>9.0</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	44	183	-76.0
Guarantees and collaterals received	-	-	.

The following income and expenses arose from loan agreements with, deposits from and services provided in connection with related parties (excluding federal agencies):

€m	1.1.-31.3.2017	1.1.-31.3.2016	Change in %
<b>Income</b>			
Interest income	26	57	-54.4
Commission income	36	44	-18.2
Gains or losses on disposals and remeasurement	36	5	.
Others	-	-	.
<b>Expenses</b>			
Interest expenses	3	6	-50.0
Commission expenses	-	-	.
Operating expenses	18	21	-14.3
Gains or losses on disposals and remeasurement	-	-	.
Write-downs/impairments	-	3	-100.0
Others	2	3	-33.3

The table below sets out the assets and liabilities relating to transactions with federal agencies:

€m	31.3.2017	31.12.2016	Change in %
Cash reserve	16,443	18,350	- 10.4
Claims on banks	680	270	.
Claims on customers	1,360	1,287	5.7
Trading assets	397	308	28.9
Financial investments	2,781	3,612	- 23.0
<b>Total</b>	<b>21,661</b>	<b>23,827</b>	<b>- 9.1</b>
Liabilities to banks	12,737	12,614	1.0
Liabilities to customers	71	80	- 11.3
Trading liabilities	734	115	.
<b>Total</b>	<b>13,542</b>	<b>12,809</b>	<b>5.7</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	271	310	- 12.6
Guarantees and collaterals received	-	-	.

Income and expenses for transactions with federal agencies were as follows:

€m	1.1.-31.3.2017	1.1.-31.3.2016	Change in %
<b>Income</b>			
Interest income	19	47	- 59.6
Commission income	-	1	- 100.0
Gains or losses on disposals and remeasurement	24	34	- 29.4
<b>Expenses</b>			
Interest expenses	5	27	- 81.5
Net loan loss provisions	-	-	.
Commission expenses	-	-	.
Gains or losses on disposals and remeasurement	-	-	.
Operating expenses	-	-	.
Write-downs/impairments	-	-	.

## Board of Commerzbank Aktiengesellschaft

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### Supervisory Board

**Klaus-Peter Müller**  
Chairman

**Uwe Tschäge<sup>1</sup>**  
Deputy Chairman

**Hans-Hermann Altenschmidt<sup>1</sup>**

**Heike Anscheit<sup>1</sup>**  
(since 1.1.2017)

**Gunnar de Buhr<sup>1</sup>**

**Stefan Burghardt<sup>1</sup>**

**Sabine U. Dietrich**

**Karl-Heinz Flöther**

**Dr. Tobias Guldemann**  
(since 4.5.2017)

**Stefan Jennes<sup>1</sup>**  
(since 1.2.2017)

**Dr. Markus Kerber**

**Alexandra Krieger<sup>1</sup>**

**Oliver Leiberich<sup>1</sup>**

**Dr. Stefan Lippe**

**Beate Mensch<sup>1</sup>**

**Anja Mikus**

**Dr. Roger Müller**  
(until 3.5.2017)

**Dr. Helmut Perlet**

**Mark Roach<sup>1</sup>**

**Margit Schoffer<sup>1</sup>**  
(until 31.01.2017)

**Nicholas Teller**

**Dr. Gertrude Tumpel-Gugerell**

<sup>1</sup> Elected by the Bank's employees.

### Board of Managing Directors

**Martin Zielke**  
Chairman

**Frank Annuscheit**

**Dr. Marcus Chromik**

**Stephan Engels**

**Michael Mandel**

**Michael Reuther**

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Frankfurt/Main, 5. May 2017

The Board of Managing Directors



Martin Zielke



Frank Annuscheit



Marcus Chromik



Stephan Engels



Michael Mandel



Michael Reuther

## Review Report

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### To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Frankfurt am Main, 8. May 2017

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Helge Olsson  
(Wirtschaftsprüferin)  
(German Public Auditor)

Martin Alt  
(Wirtschaftsprüfer)  
(German Public Auditor)



## Significant subsidiaris and associates

### Germany

comdirect bank AG, Quickborn

Commerz Finanz GmbH, Munich

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, Plzeň (office), Prague, Shanghai, Singapore, Tianjin, 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), Novosibirsk, Panama City, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

The German version of this Interim Report is the authoritative version.

## Disclaimer

### Reservation regarding forward-looking statements

This interim 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.

#### 2017/2018 Financial calendar

2 August 2017	Interim Report as at 30 June 2017
9 November 2017	Interim Report as at 30 September 2017
End-March 2018	Annual Report 2017
Early-May 2018	Interim Report as at 31 March 2018

#### **Commerzbank AG**

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