COMMERZBANK

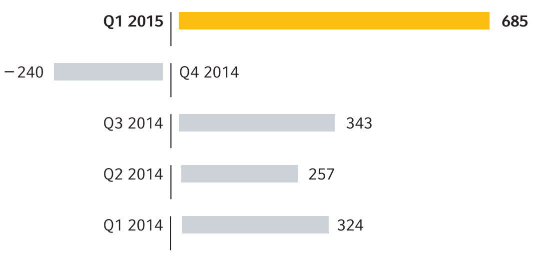
Interim Report as at 31 March 2015

The bank at your side

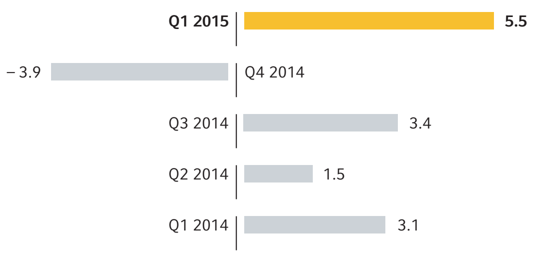
Key figures

Income statement	1.1.–31.3.2015	1.1.–31.3.2014
Operating profit (€m)	685	324
Operating profit per share (€)	0.60	0.28
Pre-tax profit or loss (€m)	619	324
Consolidated profit or loss[1] (€m)	366	200
Earnings per share (€)	0.32	0.18
Operating return on equity[2] (%)	10.0	4.8
Operating return on tangible equity[3] (%)	11.2	5.4
Cost/income ratio in operating business (%)	69.7	75.1
Return on equity of consolidated profit or loss[1,2,4] (%)	5.5	3.1
Balance sheet	**31.3.2015**	**31.12.2014**
Total assets (€bn)	605.3	557.6
Risk-weighted assets (€bn)	222.4	215.2
Equity as shown in balance sheet (€bn)	28.1	27.0
Total capital as shown in balance sheet (€bn)	40.6	39.3
Capital ratios[5]		
Tier 1 capital ratio (%)	11.3	11.7
Core Tier 1 capital ratio[6] (%)	11.3	11.7
Total capital ratio (%)	14.2	14.6
Staff	**31.3.2015**	**31.3.2014**
Germany	39,352	40,058
Abroad	12,465	11,864
Total	51,817	51,922
Long-/short-term rating		
Moody's Investors Service, New York	Baa1/P-2	Baa1/P-2
Standard & Poor's, New York	A-/A-2	A-/A-2
Fitch Ratings, New York/London	A+/F1+	A+/F1+

Operating profit (€m)



Return on equity of consolidated profit or loss[1,2,4] (%)



[1] Insofar as attributable to Commerzbank shareholders.
[2] Annualised.
[3] The capital base comprises the average Group capital less intangible assets pursuant to Basel 3.
[4] The capital base comprises the average Group capital attributable to Commerzbank shareholders.
[5] Preliminary figures as at 31 March 2015 (including retainable interim profit).
[6] The core Tier 1 capital ratio is the ratio of core Tier 1 capital (mainly subscribed capital and reserves) to risk-weighted assets.

Contents

Letter from the Chairman of the Board of Managing Directors

Martin Blessing
Chairman of the Board of Managing Directors

Dear shareholders,

against the background of a market environment which continues to be difficult for banks, Commerzbank has made a very good start to the current financial year. Income increased year-on-year in all customer-oriented core segments, reflecting the successful business with our private and corporate customers.

In Private Customers, operating profit was up sharply in the period under review, testament to the success of our strategic realignment in this segment. This growth was partly due to higher volumes in asset management products and premium custody accounts. The positive trend in income was supported by consistently strong customer satisfaction and sustained demand from customers. New business in retail mortgage financing was also up once again year-on-year.

Mittelstandsbank recorded a further pleasing increase in lending volumes in all areas of business. There was an appreciable boost to earnings from growth in documentary transactions and currency hedging for our customers. Overall, operating profit rose slightly compared with the first quarter of the previous year.

The Central & Eastern Europe segment benefited in the first quarter of 2015 from the sale of its insurance business to AXA Group. On an underlying basis, the segment reported stable net interest income, even though interest rates in Poland were considerably lower compared to the previous year. Operating expenses were hampered by higher regulatory costs. Operating profit grew compared with the first three months of the previous year.

In the Corporates & Markets segment, operating profit improved considerably year-on-year, due in part to the strong performance of the Equity Markets & Commodities and Fixed Income & Currencies units as a result of greater customer activity, mainly in equity derivatives and currency hedging.

We continued to run down the portfolio in the Non-Core Assets segment. The loss incurred in this segment in the first three months of the current year was lower than in the same period of the previous year. Positive measurement effects more than made up for the write-down on Austria's HETA Asset Resolution AG (HETA).

Overall, operating profit rose to €685m, more than double the €324m recorded in the prior-year period. Consolidated earnings attributable to Commerzbank shareholders were €366m, also significantly higher than the prior-year figure of €200m. This was achieved despite the write-down on HETA and the new European bank levy. The quality of the loan book, the solid state of the German economy and lower allowances for commercial real estate financing in the Non-Core Assets segment were reflected in the low level of loan loss provisions.

Our capital ratio under full application of Basel 3 criteria was 9.5% as at the end of the first quarter, which includes the interim profit for the first quarter of 2015 and a dividend accrual. The placement of 113.85 million new shares from authorised capital at the end of April as part of an accelerated bookbuilding transaction has allowed us to boost this ratio to over 10%. As a result, the Common Equity Tier 1 ratio now demanded by the capital market has been reached sooner than anticipated, and we have reinforced our position relative to our European peer group. The ongoing organic strengthening of our capital base remains one of the Bank's most important strategic objectives.

The development of the first quarter confirms that we are on the right path. The consistent implementation of our strategic agenda will also continue to be a key success factor in Commerzbank's performance. We will be striving to grow the Core Bank's earnings and market share again in 2015. We are planning to distribute a dividend for the financial year 2015.

Dear shareholders, in March Commerzbank agreed settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. We in the Board of Managing Directors will do everything so that such cases do not reoccur. In the past years we have also improved our internal control systems. This process has however not been brought to a conclusion. We have to consistently work on this issue and eliminate such deficits for the future. As an international commercial bank we have a clear interest that we keep to the highest standards of the bank sector all over the world, wherever we are active in business.

Yours sincerely

Martin Blessing, Chairman of the Board of Managing Directors

Development of Commerzbank shares

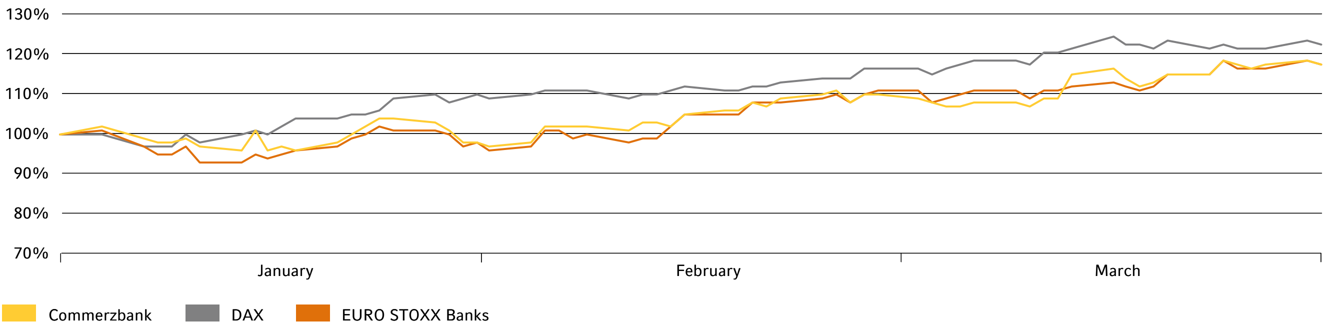
US and European stock markets reached new record levels in the first quarter of 2015. Although they were still unsettled around the turn of the year and in the first half of January by the crisis in Ukraine and the elections in Greece, the markets soared once again following the announcement of new measures from the ECB. At its mid-January meeting the ECB unveiled a package of measures to combat low inflation in the eurozone. In particular, the central bank announced that it would start buying up government bonds and other securities from eurozone countries from March. It also stated that it would keep the key eurozone interest rate at its all-time low of 0.05%.

The announcement of a government bond purchase programme had an invigorating effect on Europe's stock markets. The DAX reached a record high of 12,219 points on 16 March, a gain of more than 24% compared with the 2014 year-end level. This rise was driven in part by strong demand for fund products, and also by purchases by US investors triggered in particular by comparatively attractive German equity valuations. It was also supported by the low oil price and the strong US dollar, which appreciated by almost 30% year-on-year against the euro. With yields on fixed-income securities falling to record lows, equities remained one of the few attractive investment alternatives. The yield on German government notes (Bobls) fell to −0.12% in mid-March, while the yield on ten-year German government bonds (Bunds) fell to +0.18%. The 10-year Bund yield was +0.55% as recently as the end of last year. The DAX rose by 22.0% overall in the first quarter to 11,966 points, its biggest single-quarter rise for 12 years.

This market environment had a positive impact on the prices of bank stocks in particular. The short-term easing of the situation in Greece and the improvement in bank earnings across the board also boosted prices. While Commerzbank also published significantly improved earnings figures on 12 February, the share price was affected by the – subsequently settled – legal disputes in the USA and remained practically unchanged even on the day the results were published. Only in mid-March, with the announcement of the agreement with the US authorities regarding the legal disputes, did the price rise 5.25% to €12.67. The Commerzbank share price rose to a quarterly high of €13.19 on 25 March.

Towards the end of March, the tensions in Yemen led to increasing market uncertainty and profit-taking by investors. Stock markets and bank stocks fell back somewhat towards the end of the quarter.

Commerzbank share vs. performance indices in first quarter 2015
Daily figures, 30 December 2014 = 100



The Commerzbank share price rose by 17.0% in the first three months of 2015, compared with an increase of 17.2% for the EURO-STOXX Banks Index over the same period. The Commerzbank share price closed the quarter at €12.85.

The daily turnover of Commerzbank shares – in terms of the number of shares traded – was down slightly in the first three months of 2015 compared with the corresponding period last year. The average daily trading volume in the period under review was 11.6 million shares, compared with 12.0 million shares in the first three quarters of 2014. Commerzbank's market capitalisation stood at €14.6bn at the end of the first quarter of 2015.

As at 31 March 2015, approximately 53% of all Commerzbank shares were still held by our major shareholders SoFFin, Capital Group and BlackRock and private shareholders, mainly resident in Germany. Approximately 47% of all Commerzbank shares are in the hands of institutional investors. BlackRock increased its holding from just under 5% at the end of 2014 to just above 5%.

Over the first quarter of 2015, 13 analysts recommended buying Commerzbank shares. The share of buy recommendations was therefore 34%, some 10 percentage points higher than the level at end-2014. Fifteen analysts recommended holding Commerzbank shares, while ten recommending selling them.

Highlights of the Commerzbank share	1.1.–31.3.2015	1.1.–31.3.2014
Shares issued in million units (31.3.)	1,138.5	1,138.5
Xetra intraday prices in €		
High	13.19	13.92
Low	10.31	11.08
Closing price (31.3.)	12.85	13.34
Daily trading volume[1] in million units		
High	26.1	24.1
Low	6.3	4.6
Average	11.6	12.0
Index weighting in % (31.3.)		
DAX	1.2	1.6
EURO STOXX Banks	2.1	2.8
Earnings per share in €	0.32	0.18
Book value per share[2] in € (31.3.)	23.84	22.97
Net asset value per share[3] in € (31.3.)	22.22	21.43
Market value/Net asset value (31.3.)	0.58	0.62

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

Interim Management Report

Business and overall conditions

Overall economic situation

The global economy did not perform quite as well as expected in the first few months of the current year. This was due in part to weaker growth in emerging markets, with the Chinese economy in particular getting off to a relatively slow start in 2015. In view of the problems on the real estate market and the sharp rise in household debt, the Chinese government has now revised its growth target of 7.5% for 2015 downwards.

Economic indicators in the USA have also been disappointing on the whole recently. The US economy grew by no more than 0.1% quarter-on-quarter in the first three months of 2015, compared with a gain of 0.5% in the fourth quarter of 2014. In addition to the unusually cold weather, the appreciation of the dollar is also likely to have put a brake on growth.

By contrast, the eurozone economy has continued to work its way out of the crisis, growing by 0.3% in the final quarter of 2014 compared with the third quarter of the year. Based on the data available so far, growth is set to be even stronger in the first three months of 2015.

The eurozone economy is profiting in particular from the collapse in the price of oil and the considerable depreciation of the euro, which are both acting as an economic stimulus. Lower energy prices are boosting the purchasing power of private households, encouraging them to increase their consumption. Companies are the main beneficiaries of the weaker euro, as it is improving their price competitiveness and boosting margins for foreign business.

The German economy is still the growth engine within the eurozone. It grew by 0.7% quarter-on-quarter in the final quarter of last year and is set to outperform the economies of the other eurozone countries again in the first quarter of 2015. This is because Germany, unlike other eurozone countries, has not experienced any excesses relating to the real estate market or debt that now need to be corrected.

Despite the slight economic recovery, inflation in the eurozone remains very weak. Tumbling oil prices have pushed inflation into negative territory and separated long-term inflationary expectations from their anchor. The European Central Bank (ECB) has implemented further expansionary measures as a result. Since March it has been buying up large quantities of government bonds.

The ECB's zero interest rate policy is continuing to force investors both into riskier investment instruments such as government bonds of periphery countries, equities and corporate bonds, and into physical assets such as real estate and commodities. The DAX climbed to new historic highs in March, while the yield on ten-year Bunds fell to new record lows of almost zero.

Important business policy events in the first quarter of 2015

Commerzbank reaches agreement with the US authorities regarding sanctions and money laundering violations

In mid-March 2015, Commerzbank agreed settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions.

Commerzbank has been cooperating with US authorities and authorities in New York for several years and provided them with detailed documentation and the findings of various internal investigations. The Bank has improved its compliance function over the past few years and implemented steps to remedy the deficiencies on which the measures taken by the US authorities are based. The Bank has also appointed new managers for its compliance unit since 2013 and plans to more than double the number of compliance staff in the USA by 2016. Commerzbank also has wide-ranging obligations under the agreement, particularly in relation to cooperation with the US authorities and the improvement of the Bank's compliance processes. Initial measures for global implementation of even more comprehensive compliance guidelines have already been set in motion. The settlement also includes a good conduct period covering a time-span of three years.

Commerzbank has continuously built adequate provisions during the course of the negotiations with the US authorities. On 12 February 2015 the Bank announced a further possible increase in the provisions that would be reflected in the final annual financial statements for 2014. In addition to the provisions already recognised, the Bank has therefore booked an additional one-off charge of €338m for these settlements and taken this into account in the final annual financial statements for 2014.

Earnings performance, assets and financial position

Commerzbank made a very good start to the current year despite the still difficult market environment for banks. Although interest rates remain low and regulatory requirements are becoming stricter and have to be implemented at ever shorter intervals, with the corresponding impact on earnings, the Commerzbank Group nevertheless recorded an operating profit of €685m in the reporting period. This represents an increase of more than double on the first three months of the previous year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €366m.

Total assets as at 31 March 2015 were €605.3bn, 8.5% higher than the figure for year-end 2014. This was due to the higher volume of claims on customers and banks and an increase in trading assets. Risk-weighted assets rose to €222.4bn, mainly due to the increase in risk-weighted assets in market and credit risks. As a result, the Common Equity Tier 1 ratio fell to 11.3% as at the end of March 2015.

Income statement of the Commerzbank Group

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

Net interest and net trading income rose by 31.1% year-on-year to €2,017m overall. During the first three months of 2015, net interest income rose by €368m year-on-year to €1,498m, while net trading income and net income from hedge accounting rose by €111m year-on-year to €519m. The ongoing low interest rate environment continued to impact net interest income in the Private Customers segment. The pleasing performance of lending business on the assets side did not fully offset the increased tightening on the liabilities side. The increase in lending volume in the Mittelstandsbank segment had a positive impact on net interest income, although this was offset by charges in the deposit business. Net interest income in the Central & Eastern Europe segment also remained stable, although the National Bank of Poland's reference interest rate was reduced by a total of 100 basis points following rate cuts in October 2014 and March 2015. The negative impact of the interest rate environment was largely offset by growth in lending and deposit volumes and in business with both private and corporate customers. The Corporates & Markets segment once again reported a large increase in net interest income and net trading income. However, the marked increase in net interest income in the Non-Core Assets segment was largely attributable to non-recurring income from measures to restructure funding. Further information on the composition of net interest income and the trading result is given in the notes to the interim financial statements on pages 53 and 54.

Net commission income in the reporting period rose by 10.4% compared with the same period last year to €900m. This was largely due to the dynamic performance of the equity markets in the first quarter of 2015, which in the Private Customers segment was reflected in a rise in both transaction-dependent and volume-based commission income.

The Mittelstandsbank segment also recorded an increase, which was primarily attributable to growth in documentary and currency hedging business with our customers.

Net investment income in the first three months of 2015 was €–128m, after €–38m in the prior-year period. The decrease of €90m stemmed chiefly from write-downs on HETA Asset Resolution AG.

Other net income came to €–21m, compared with €–68m a year earlier. The charges in the prior-year period resulted primarily from provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions fell by 33.6% year-on-year to €-158m. The decrease was the result of both lower provisions in the Private Customers and Mittelstandsbank segments and lower impairments for commercial real estate financing in the Non-Core Assets segment. The Corporates & Markets segment reported a higher net reversal in the first three months of 2015 than that achieved in the prior-year period. This was principally the result of a one-off effect in relation to settled legal disputes.

In the period under review, operating expenses were €1,939m, an increase of 14.2% on the prior-year figure. While personnel expenses remained at the prior-year level at €984m, other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, rose by around a third to €955m. The increase of €233m was chiefly due to the first-time reporting of the European bank levy and a rise in IT costs.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €685m in the first three months of the current year, compared with €324m in the same period last year.

Profit in the period was burdened by restructuring expenses of €66m. These were predominantly related to the bundling of product and market expertise in Corporates & Markets.

Pre-tax profit for the first three months of the current year was €619m, after €324m in the prior-year period. Tax expense for the reporting period was €218m, compared with €95m for the equivalent prior-year period. The remeasurement of deferred tax assets on tax loss carryforwards as a result of the restrictions imposed by the UK government on the offsetting of tax loss carryforwards against future profits was one of the main items that pushed up the tax rate.

Consolidated profit after tax came to €401m, compared with €229m in the prior-year period. Net of non-controlling interests of €35m, a consolidated profit of €366m was attributable to Commerzbank shareholders.

The operating profit per share was €0.60 and the earnings per share €0.32. In the prior-year period the comparable figures were €0.28 and €0.18 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 March 2015 were €605.3bn. Compared with year-end 2014, this represents a rise of 8.5% or €47.6bn, primarily due to higher claims on customers and banks and increased trading assets.

Claims on banks were €86.3bn, up €6.2bn from the year-end. While claims due on demand rose significantly by €15.6bn, claims with maturities up to one year fell by €12.3bn. Claims from secured money market transactions rose by €3.5bn. Claims on customers were slightly above the year-end level at €237.0bn. The fall in volume at the short end was offset by a corresponding rise in longer-dated maturities. As at the reporting date, total lending to customers and banks stood at €243.7bn, up 1.2% on year-end 2014. Although loans to banks fell by €1.2bn to €24.0bn, customer lending business grew by 1.9% compared with year-end 2014 to €219.8bn. The increase in lending volume in the core segments was more than offset by the reduction in non-strategic business in the NCA segment. As at the reporting date, trading assets amounted to €165.6bn, a rise of €35.2bn or 27.0% compared with year-end 2014. This was primarily attributable to the €9.0bn increase in bonds, notes and other interest rate-related securities and in particular – given the positive market environment for equity products and associated high customer demand – to the increase of €10.3bn in holdings of equities, other equity-related securities and investment fund units. Positive fair values of derivative financial instruments also increased by €15.8bn compared with year-end 2014. Financial investments remained at around the year-end level at €90.5bn.

On the liabilities side, liabilities to banks – especially those due on demand – rose by €6.0bn to €105.4bn. The increase in volume related exclusively to foreign bank liabilities.

Liabilities to customers rose by 5.0% compared with year-end 2014 to €261.3bn due to volume growth of €7.9bn at the short end. Securitised liabilities remained at around the year-end level at €48.1bn. The €4.0bn fall in bonds and notes issued to €41.7bn was due in part to a decline of €0.5bn in mortgage Pfandbriefe as a result of maturities at Hypothekenbank Frankfurt AG, and also due to a reduction of €1.4bn in the volume of Öffentliche Pfandbriefe. This reduction was mostly compensated for by an increase in money market instruments by €3.2bn. Liabilities from trading activities increased in volume by €26.8bn overall to €124.0bn. This was mainly due to the growth in currency and interest rate-related derivatives transactions and an increase in short sales of bonds and equities.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 31 March 2015 was €27.1bn, €1.1bn above the figure for year-end 2014. There was no change in the capital reserve compared with year-end 2014. As at the reporting date, it stood at €15.9bn. Subscribed capital also remained unchanged at €1.1bn. Retained earnings were up €0.3bn on the end-2014 level, at €10.7bn. As at the reporting date, the revaluation reserve stood at €0.5bn. This was an improvement of around €0.5bn compared with the end of 2014, attributable in particular to a rise in the fair values of Italian government bonds. Together with the negative cash flow hedge reserves and currency translation reserves, this amounted to a deduction of €0.6bn from equity, compared with €1.4bn at year-end 2014.

Risk-weighted assets were up €7.2bn as at 31 March 2015 compared with end-2014, to €222.4bn. This was mainly attributable to an increase in risk-weighted assets in credit risks due to significant exchange rate movements and an increase in risk-weighted assets in market and operational risks. Regulatory Tier 1 capital remained unchanged compared with the end of 2014, at €25.1bn. In conjunction with the higher level of risk-weighted assets, the Tier 1 ratio fell to 11.3%. Common Equity Tier 1 capital came to €25.1bn. Under Basel 3 phase-in rules, this is identical to core capital. The total capital ratio was 14.2% on the reporting date. The decrease of 0.4 percentage points is mainly due to the increase in risk-weighted assets.

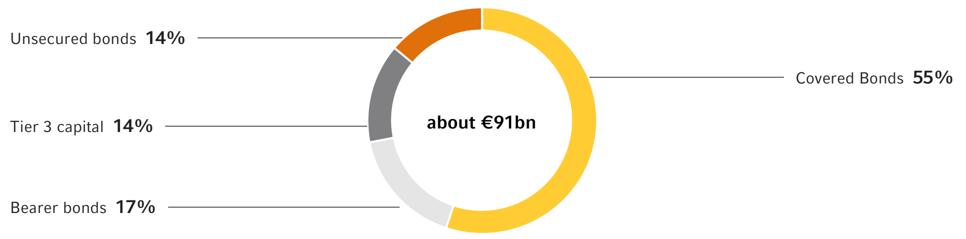
As at the reporting date, the leverage ratio based on the CRD IV/CRR rules applicable on that date ("delegated act"), which compares Tier 1 capital with leverage exposure, was 4.3% ("phase-in").

The Bank complies with all regulatory requirements. The disclosures as required by law include the retainable portion of interim profit. Since the deadline for the preparation of the interim financial statements differs from the reporting deadline, these disclosures are provisional.

Funding and liquidity

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

Capital market funding structure[1]
As at 31 March 2015



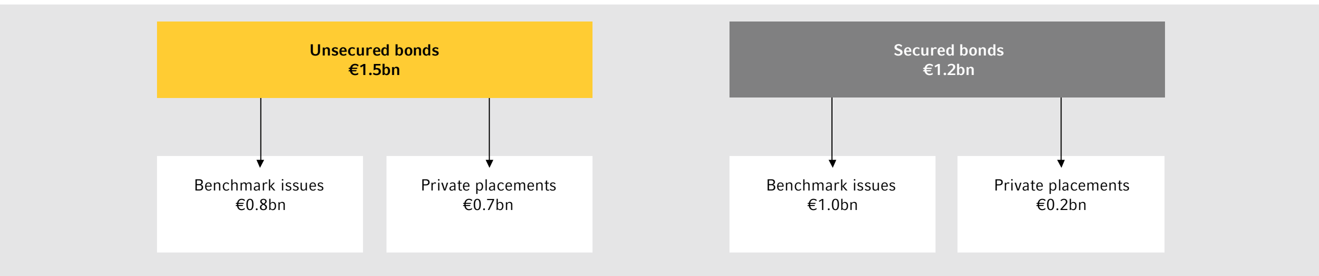
[1] Based on balance sheet figures.

The Commerzbank Group raised a total of €2.7bn in long-term funding on the capital market in the first quarter of 2015.

In the collateralised area, Commerzbank Aktiengesellschaft placed a mortgage Pfandbrief in January in the form of a benchmark bond with a volume of €0.5bn and a seven-year term. This issue was topped up by a further €0.5bn at the end of March, to €1bn. The mortgage Pfandbriefe are secured by Commerzbank's private retail mortgage loans in Germany. In addition, a number of mortgage Pfandbriefe were issued in the form of private placements. The Polish subsidiary mBank also issued private placements with a volume of €0.1bn.

An unsecured three-year benchmark bond with a volume of €0.8bn was issued in March. A further €0.7bn was raised through private placements, some 70% of which related to structured bonds. The issues had an average term of five years. Funding spreads remain at a very low level.

Group capital market funding in the first three months of 2015
Volume €2.7bn



Based on its internal liquidity model, which uses conservative assumptions, as at the end of the quarter the Bank had available excess liquidity of €89.2bn. Of this, €45.8bn is held in a separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur, ensuring solvency at all times. The Bank also holds €10.6bn in its intraday liquidity reserve portfolio.

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 1.37, still 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.

Key figures for the Commerzbank Group

Largely as a result of the rise in income described above, the main operating return ratios of the Commerzbank Group for the first three months of 2015 were significantly higher overall than in the comparable prior-year period.

The operating return on equity rose from 4.8% in the same period last year to 10.0%. The return on equity based on the consolidated profit was 5.5%, compared with 3.1% a year earlier. The cost/income ratio also improved, falling to 69.7% due to the increase in operating income, compared with 75.1% in the prior-year period.

In addition to the usual key performance indicators, we are for the first time reporting the operating return on tangible equity, which is increasingly becoming a source of interest for investors. In the first quarter of 2015 this ratio was 11.2%, compared with 5.4% in the prior-year period.

Segment performance

The comments on the segments' results for the first three months of 2015 are based on the segment structure that was applicable at year-end 2014. Further information on the segment reporting you will find in the interim report on page 57 ff.

The Core Bank achieved an operating profit of €771m in the reporting period. This represents an increase of 54.8% compared with the prior-year period. Income increased year-on-year in the customer-oriented core segments – Private Customers, Mittelstandsbank, Central & Eastern Europe and Corporates & Markets – significantly so in some cases, reflecting the successful business with our private and corporate customers. Others and Consolidation also recorded a marked improvement in earnings performance compared with the first quarter of the previous year.

In the Non-Core Assets segment, operating losses were significantly lower than in the same period in 2014 due to higher income and a decrease in loan loss provisions in connection with the ongoing portfolio reduction. Positive measurement effects more than made up for the drag from the write-down on Austria's HETA Asset Resolution AG (HETA).

Private Customers

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %/%-points
Income before provisions	914	873	4.7
Loan loss provisions	–13	–36	–63.9
Operating expenses	740	726	1.9
Operating profit/loss	**161**	**111**	**45.0**
Average capital employed	4,144	4,266	–2.9
Operating return on equity (%)	15.5	10.4	5.1
Cost/income ratio in operating business (%)	81.0	83.2	–2.2

The Private Customers segment continued the positive trend of the previous financial year. Awards, victories in regional and countrywide bank tests and the increasing preparedness of more and more customers to recommend us as a bank are the result of the consistent realignment of the Private Customer business. A net 66,000 new customers were gained in the first three months of the financial year. This positive effect of the path taken is also reflected in the segment's income performance. The ongoing strength of new lending business and the current bullish phase on the equity markets were key drivers behind this trend in the first quarter. Demand for products and services of the securities division and for custody account models is still good. Operating profit rose by €50m in the period under review to €161m.

Income before loan loss provisions increased by 4.7% in the first three months of the current year to €914m. The ongoing low interest rate environment continued to affect net interest income, however, which fell by 3.1% to €435m. The pleasing performance of lending business did not fully offset the increased pressure on margins on the liabilities side. Conversely, net commission income rose significantly by €52m to €459m. The dynamic performance of the equity markets in the first quarter of 2015 was reflected in both transaction-dependent and volume-based commission income. Volumes of premium custody accounts and asset management products grew by 40% year-on-year to €36bn.

Loan loss provisions for private customer business were €-13m, down €23m on the prior-year period.

Operating expenses increased by 1.9% to €740m. This year's figure includes expenses of €15m for the European bank levy for the first time. Taking this effect into account, operating expenses remained at the prior-year level.

The Private Customers segment therefore reported a pre-tax profit of €161m in the first three months of this year, compared with €111m in the same period of 2014.

The operating return on equity based on average capital employed of €4.1bn was 15.5% (previous year: 10.4%). The operating return on tangible equity was 22.4%, up from 14.9% in the first quarter of 2014. The cost/income ratio fell to 81.0%, compared with 83.2% in the prior-year period.

Mittelstandsbank

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %/%-points
Income before provisions	763	719	6.1
Loan loss provisions	–35	–57	–38.6
Operating expenses	383	322	18.9
Operating profit/loss	**345**	**340**	**1.5**
Average capital employed	8,191	7,335	11.7
Operating return on equity (%)	16.8	18.5	–1.7
Cost/income ratio in operating business (%)	50.2	44.8	5.4

Against the backdrop of persistently difficult market conditions, the Mittelstandsbank segment made a good start to the current year, posting an operating profit of €345m in the first three months of 2015, compared with €340m in the prior-year period. Mittelstandsbank's earnings performance was boosted by higher income and seasonally low loan loss provisions for lending. The growth in lending volume also continued in the first quarter of 2015.

In the period under review, income before loan loss provisions rose by 6.1% year-on-year to €763m. At €443m, net interest income was at the same level as in the first three months of the previous year. While lending volumes increased in all Group divisions, with the interest contribution rising as a result, the deposit business continued to have a negative impact on net interest income. Net commission income rose by 6.2% year-on-year to €292m. This pleasing increase was primarily attributable to growth in documentary and currency hedging business with our customers. Net trading income was €29m, compared with €4m in the prior-year period. The rise was mainly due to positive remeasurement effects on counterparty risks in the derivatives business with our customers.

Loan loss provisions for the first three months of 2015 were €–35m, compared with €–57m in the same period of 2014. The fall was mainly due to lower additions to loss loan provisions for individual commitments.

At €383m, operating expenses were up €61m on the previous year's figure of €322m. The 18.9% increase was mainly due to the first-time reporting of the European bank levy and a rise in indirect costs.

All in all, the Mittelstandsbank segment generated pre-tax earnings of €345m in the reporting period, which represents an increase of 1.5% on the same period of the previous year.

The operating return on equity based on average capital employed of €8.2bn was 16.8% (previous year: 18.5%). The operating return on tangible equity was 18.7%, down from 20.9% in the first quarter of 2014. The cost/income ratio was 50.2%, compared with 44.8% in the prior-year period.

Central & Eastern Europe

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %/%-points
Income before provisions	254	224	13.4
Loan loss provisions	–23	–21	9.5
Operating expenses	115	105	9.5
Operating profit/loss	**116**	**98**	**18.4**
Average capital employed	1,843	1,693	8.9
Operating return on equity (%)	25.2	23.2	2.0
Cost/income ratio in operating business (%)	45.3	46.9	–1.6

The Central & Eastern Europe (CEE) segment comprises all of the Group's activities in universal banking and direct banking in Central and Eastern Europe.

The segment is represented by mBank, which provides retail, corporate and investment banking services for customers in Poland, and retail banking services for customers in the Czech Republic and Slovakia.

At the end of 2014 mBank had a market share of around 8%, making it the fourth-largest bank in Poland.

The Polish economy, which had outperformed the eurozone in 2014, consolidated in the first quarter of 2015. However, the interest rate environment came under additional pressure following a further rate cut in March 2015. The segment improved its operating profit by €18m year-on-year in the first three months of 2015 to €116m.

Income before loan loss provisions totalled €254m in the period under review and was thus €30m higher than the figure for the same period of the previous year. This included the successful sale of the insurance business to AXA Group, which generated proceeds of around €46m. Net interest income remained stable at €135m, although the National Bank of Poland's reference interest rate was reduced by a total of 100 basis points following rate cuts in October 2014 and March 2015. This negative impact of the current interest rate environment was largely offset by growth in lending and deposit volumes and in business with both private and corporate customers. Net commission income fell by €10m year-on-year to €47m due to the regulatory requirement to reduce fees for card business in Poland. Overall, the still pleasing rise in the number of new customers is supporting the steady performance of the CEE segment. The number of customers at mBank rose by around 115,000 to 4.8 million in the first quarter of 2015.

Loan loss provisions were up slightly by €2m year-on-year to €–23m.

Operating expenses were €10m higher than the prior-year figure at €115m. The increase reflects rising regulatory costs.

The Central & Eastern Europe segment reported a pre-tax profit of €116m in the first quarter of 2015, compared with €98m in the prior-year period.

The operating return on equity based on average capital employed of €1.8bn was 25.2% (previous year: 23.2%). The operating return on tangible equity was 30.7%, up from 28.7% in the first quarter of 2014. The cost/income ratio was 45.3%, compared with 46.9% in the prior-year period.

Corporates & Markets

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %/%-points
Income before provisions	666	541	23.1
Loan loss provisions	47	9	.
Operating expenses	413	336	22.9
Operating profit/loss	**300**	**214**	**40.2**
Average capital employed	4,624	4,552	1.6
Operating return on equity (%)	26.0	18.8	7.1
Cost/income ratio in operating business (%)	62.0	62.1	–0.1

The capital markets were generally friendly in the first three months of 2015, mainly helped by rising currency volatility, the effects of the ECB's new bond purchasing programme and a rising equity market. The result was stronger customer demand for hedging products and investment solutions, with a corresponding pick-up in trading volumes.

The Corporates & Markets segment generated an operating profit of €300m in the period under review, compared with €214m in the prior-year period that had included positive measurement effects from restructured loans. The profit figure includes positive measurement effects from both counterparty risks (€40m) and the measurement of own liabilities (€7m), compared with a net effect of €12m last year, of which €17m related to counterparty risks.

In Corporate Finance, the primary market bonds and syndicated loans business in particular made a significant contribution to income, while lower interest rates led to a decline in deposit business. The Equity Markets & Commodities division continued to benefit from high demand for structured investment solutions in equities and strong demand for commodity hedging as the price of crude oil fluctuated wildly, enabling it to generate corresponding income. Income in the Fixed Income & Currencies division – excluding measurement effects from own liabilities and counterparty risks in derivatives business – benefited in particular from a significantly higher level of customer activity in both currency hedging and bond and credit derivatives trading.

Credit Portfolio Management, which is responsible for managing and optimising the credit portfolios and counterparty risk, generated satisfactory income, but this was due in part to write-ups on existing portfolios.

Income before loan loss provisions in the first three months of the year was €666m, up €125m on the prior-year period. Adjusted for measurement effects the figure increased by €90m. Net interest and trading income increased considerably, rising by €107m to €571m, while net commission income increased by €26m to €102m.

Loan loss provisions saw a net release of €47m in the first quarter of 2015, after €9m in the previous year. This increase was principally the result of a one-off effect in relation to settled legal disputes.

Operating expenses increased by €77m year-on-year to €413m. The increase was almost entirely due to the first-time reporting of the European bank levy.

Pre-tax profit rose by €36m to €250m. This includes restructuring expenses of €50m in connection with the bundling of product and market expertise in the new centre of competence model.

The operating return on equity based on average capital employed of €4.6bn rose to 26.0% (prior-year period: 18.8%). The operating return on tangible equity was 26.8%, up from 19.5% in the first quarter of 2014. The cost/income ratio was 62.0%, compared with 62.1% in the prior-year period. Adjusted for the effects of measurement of own liabilities and counterparty risk in derivatives business, the operating return on equity would be 21.9% (previous year: 17.7%). The adjusted cost/income ratio would be 66.7%, compared with 63.5% a year earlier.

Non-Core Assets

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %/%-points
Income before provisions	116	41	.
Loan loss provisions	–97	–134	–27.6
Operating expenses	105	81	29.6
Operating profit/loss	**–86**	**–174**	**–50.6**
Average capital employed	7,559	8,514	–11.2
Operating return on equity (%)	–4.6	–8.2	3.6
Cost/income ratio in operating business (%)	90.5	197.6	.

In the first three months of 2015 the non-strategic Non-Core Assets (NCA) segment posted a negative operating result of €–86m. The operating loss was €88m smaller than in the same period of the previous year. The reduction of on-balance-sheet assets and associated improvement in the risk profile continued in all sub-segments in the reporting period despite a headwind from currencies. The reduction of over €2bn in exposure at default (including non-performing loans) to €82bn would have been some €4bn larger but for the depreciation of the euro against the US dollar in particular. The first quarter of 2015 revealed a differentiated picture for the three divisions with regard to the underlying conditions. The search by investors for yield-bearing assets, a task that is becoming more and more difficult due to the interest rate situation, led to ongoing strong demand for commercial real estate investments and together with the ECB's bond purchases also accelerated the reduction in risk premiums on European government bonds.

By contrast, falling transport demand in many market segments and new capacity entering the market meant there was still no broad change for the better on the international shipping markets.

Income before loan loss provisions of €116m was generated in the period under review, compared with €41m in the prior-year period. The increase of €90m in net interest income to €149m is largely attributable to additional income from measures to restructure funding. Given the aim of reducing the portfolio without new business, the net commission income of €5m is, as expected, no longer making any significant contribution to income. Net trading income was also up considerably to €157m, compared with €60m in the prior-year period. It received a significant boost from fair value changes from the measurement of derivatives. The negative net investment income figure of €–203m chiefly comprises write-downs on HETA Asset Resolution AG.

The €–88m reported in the previous year was chiefly the result of effects from the intra-Group sales of public finance portfolios to Treasury.

Loan loss provisions amounted to €–97m, less than the prior-year figure of €–134m. The improvement was largely attributable to lower valuation allowances for commercial real estate financing. Operating expenses were €24m higher than the prior-year figure at €105m due to the first-time inclusion of the European bank levy. We set aside a restructuring provision of €16m in the first quarter in connection with the further reduction in operational complexity. In the first three months of 2015, the NCA segment reported an overall pre-tax loss of €–102m (prior-year period: €–174m).

Average capital employed amounted to €7.6bn, compared with €8.5bn in the prior-year period.

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 costs for Group-wide projects, effects resulting from the purchase price allocation in connection with the Dresdner Bank takeover, specific individual matters that cannot be allocated to the segments, and Group Treasury. The costs of the service units, which – except for restructuring costs – are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. Also shown here are the costs of the Group management units, which – except for restructuring costs – are also mainly charged to the segments.

An operating result of €–151m was recorded for the first quarter of 2015, compared with €–265m in the prior-year period. The increase of €114m was primarily attributable to the performance of Group Treasury, which significantly exceeded the results of the previous year. Others and Consolidation recorded a pre-tax loss of €–151m for the first quarter of 2015, compared with a loss of €–265m in the prior-year period.

Report on events after the reporting period

Commerzbank increases share capital by 113.85 million shares in an accelerated bookbuilding transaction

At the end of April, the Board of Managing Directors of Commerzbank decided, with the approval of the Supervisory Board, to increase the share capital. 113,850,693 new shares were placed with institutional investors by way of an accelerated bookbuilding transaction. The placement price was €12.10 per share, and the gross issue proceeds totalled around €1.4bn.

With the successful conclusion of the capital measure, the Common Equity Tier 1 ratio under full application of Basel 3 rose to 10.2% (pro forma as at end-March 2015). This takes the ratio to the level now demanded by the capital market sooner than anticipated.

Annual General Meeting elects new members of the Supervisory Board

As proposed by the Supervisory Board, the Annual General Meeting on 30 April 2015 elected Sabine U. Dietrich to the Supervisory Board to succeed Petra Schadeberg-Hermann and Anja Mikus to succeed Dr. Nikolaus von Bomhard. Sabine U. Dietrich is a member of the Management Board of BP Europe SE. Anja Mikus is Chief Investment Officer at Arabesque Asset Management. The changes in the Supervisory Board were necessary because Petra Schadeberg-Hermann and Dr. Nikolaus von Bomhard stepped down with effect from the end of the 2015 Annual General Meeting. Solms U. Wittig was also appointed by the Annual General Meeting as a substitute member for the two new members of the Supervisory Board.

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

Outlook and opportunities report

Future economic situation

Global economic growth is unlikely to be much faster this year than it was in 2014. The biggest risks come from the emerging markets. The policy of cheap money has led to excesses in the real estate markets and borrowing levels that now need to be corrected. The emerging markets are also likely to suffer capital outflows if the US Federal Reserve starts to raise interest rates. Economic growth in China is expected to slow to 6.5% in 2015.

By contrast, the USA is set to continue living up to its role as the engine of the global economy. The weak start to 2015 was chiefly down to temporary factors such as the harsh winter. The US economy is thus likely to pick up again in the spring, even though the sluggish global economy and the strong dollar will put a brake on exports for rather longer and the lower oil price will only gradually start to have a positive impact. The US economy is set to grow by 2.8% overall in 2015. Unemployment will fall further, while wage growth will gradually accelerate. As a result, the US Federal Reserve is likely to start raising interest rates in the second half of the year. We expect the fed funds rate to reach 0.75% by the end of the year.

Unlike the USA, the eurozone economy will still see only a modest recovery. The low oil price and the depreciation of the euro will fuel growth only temporarily. Growth in some countries will continue to be affected by the ongoing excesses relating to real estate markets and debt. Real GDP growth is projected to be 1.2% in 2015, which is below average. The German economy should continue to pick up over 2015. It should enjoy similar growth to 2014, expanding by a further 1.8% during the course of 2015.

Despite the somewhat stronger growth in the first half of the year and inflation once again rising towards zero, the ECB will presumably purchase the planned volume of bonds.

The divergence in monetary policy between the USA and the eurozone suggests that the euro is set to depreciate further against the dollar. Yields on ten-year Bunds should rise slightly in the second half of the year, in case of the increase in the Fed funds rate. The change in direction by the Fed will also hurt equities. Overall, though, German and European stocks should benefit from the fact that the ECB's zero interest rate policy is continuing to drive investors into riskier assets.

Future situation in the banking sector

Our views regarding the expected development of the banking sector over the medium term have not changed significantly since the statements published in the Annual Report for 2014.

The environment on the capital markets and in the real economy has remained robust in the first few months of the current year. Key major asset classes and financial markets started the year with strong gains in some areas.

After its unexpectedly strong expansion at the end of 2014, the German economy is set to record stronger growth than those of other eurozone countries in the first quarter of 2015.

There is a growing sense in the country that the economy has the wind in its sails and is enjoying a brisk upswing. In addition, the conditions for stronger growth have improved in the eurozone too – helped amongst others by the euro depreciation and lower oil prices. It is still too soon to sound the all-clear, however, since the eurozone economy is currently receiving a push-start from the special factors outlined above and the euro crisis – with its complex interplay between government debt and financial and structural factors – is not so easily overcome. The political crisis in Greece shows that uncertainty and volatility may increase again even if the stability of the system itself is not in doubt. The debt reduction required on the part of governments, companies and private households continues to weigh on the profitability of European banks.

The eurozone banking sector is in the middle of a long-term structural transformation triggered by the crisis of the last few years and more stringent regulatory requirements. The different rules for capital, liquidity, derivatives and bank structures could lead to further setbacks for global financial market integration. The new, stricter regulatory framework based on rules rather than principles leaves banks little time to adapt their business models. It is forcing them to re-evaluate their business areas on a regular basis, and the overall burden may lead to certain business activities being cut back.

The capital base is now stronger, but in future there will be reductions in implicit government guarantees, stricter rules on resolutions and greater creditor involvement. Although the asset quality review and bank stress test carried out by the ECB last year reduce the potential for large-scale jitters in the banking environment, a further reduction in debt levels and an improvement in asset quality are still essential if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

The pressure on the banking sector has strengthened as a result of regulation, structural transformation and competition, and this will be even more difficult to deal with because major profit drivers in the past, such as high lending growth and a sharp decline in credit default rates, will be less evident. Corporate investment activity should gradually boost the demand for loans in Germany this year after a pause in the capex upturn in 2014, but increased use of internal and alternative external funding sources is impeding a strong revival in lending to corporate customers. The expected revival in German foreign trade in 2015 will surely be positive for corporate customer business. Corporate insolvencies have been declining for five years, but this trend is likely to stall in the current year.

In the private customer business, net commission income could grow despite the still prevailing preference for highly liquid investments that pay little commission and an unwillingness to buy securities directly, particularly as activity is picking up due to market volatility. Impulses for the sector are also coming from employment, which is at an all-time high, and the still good prospects for real estate lending.

Historically low interest rates, together with increasing price sensitivity on the part of customers and greater competition from online banks and technology-driven players with banking licences, are a fundamental hindrance to the expansion of earnings potential. All in all, eurozone banks will have rather limited scope to boost earnings in 2015 despite the improved macroeconomic conditions.

The outlook for banking in our second core market, Poland, remains better than in the eurozone. The expected economic growth should boost credit volumes, and the improving position of private households and the corporate sector will be reflected in banks' risk costs – before one-off effects from the ongoing debate over the conversion of mortgages into Polish zloty, which would lead to painful charges. The main drivers of this growth are set to be corporate loans, but an increase is also expected in the Private Customers segment thanks to higher disposable income and persistently low interest rates.

In general, the financial crisis will continue to leave its mark in the shape of flat growth due to deleveraging, persistently very low interest rates, spreads that have recently tightened again, moderate growth in lending, and caution and a definite preference for cash among customers. Against this background, competition in the national banking market will intensify further, particularly as regards internationally active corporate customers and German SMEs.

Financial outlook for the Commerzbank Group

Planned financing measures

Commerzbank anticipates that its capital market funding requirement will remain low over the coming years. The Bank is able to issue mortgage Pfandbriefe, public-sector Pfandbriefe and structured covered bonds secured by SME loans. The secured funding instruments in particular give us stable access to long-term funding with cost advantages compared to unsecured sources of funding. Such issues are a key element of Commerzbank's funding mix.

Commerzbank intends to launch unsecured capital market issues in the future as well: mainly private placements to meet demand from customers, and where necessary to further diversify the Bank's funding base. Hypothekenbank Frankfurt AG has no funding requirement due to the reduction strategy. 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 2015 from the plans set out on pages 100 to 102 of the Annual Report 2014.

Anticipated liquidity trends

In the first quarter of 2015, the eurozone money and capital markets were characterised by the monetary policy measures implemented by the ECB to support the economic recovery in the eurozone.

Following market concerns at the start of the year regarding the trend for excess liquidity going forward as a result of the ongoing repayment of the existing three-year tenders (LTROs), the ECB's announcement that it was to expand its asset purchase programme from March onwards and the surprisingly strong demand for the TLTROs in March ensured that these fears remained groundless. There were no bottlenecks in excess liquidity, and the implementation of the expanded asset purchase programme means that excess liquidity will now increase on a monthly basis.

Short-term interest rates are moving towards the rate of return for the deposit facility. EONIA is thus likely to drop further into negative territory and move towards –15 basis points. Against this background, shorter-term EURIBOR fixings up to three months are also negative, and we also expect three-month EURIBOR to move below zero in the second quarter of 2015.

As for credit spreads, the ECB's announcement at the start of 2015 regarding the expansion of the asset purchase programme led to further tightening in Ireland, Italy, Portugal and Spain. The large volume of government bonds from these countries has been funded without any problems so far this year. We are seeing these credit spreads trend sideways following the implementation of the expanded ECB measures in March and expect them to continue to do so for the next few months.

Credit spreads are tightening in the core eurozone countries. This trend is affecting not only countries but also regions, federal states, agencies and European institutions and is set to continue over the coming months with the ongoing purchase of these assets.

The implementation of other regulatory measures such as the liquidity coverage ratio (LCR) and the leverage ratio will also continue to affect the markets. For example, funding costs for collateral that generates an LCR outflow have generally become more expensive relative to LCR-eligible securities, and a new bilateral repo market has also developed in recent months for more intensive trading in these collateral up/downgrades. We are anticipating a further decline in volumes for the overall bilateral repo market.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and is set to respond promptly to new market circumstances. The Bank has a comfortable liquidity position which is well above internal limits as well as the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk.

The Bank holds a liquidity reserve to provide a cushion against unexpected outflows of cash, made up of highly liquid assets that can be discounted at central banks. 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 loans in the money and capital markets.

Anticipated performance of the Commerzbank Group

We stand by what we said at the end of 2014 about the anticipated performance of the Commerzbank Group in 2015.

We continue to believe that we will be able to reach a sustainably higher level of profitability by refining our business model, to be completed by 2016. Despite the good start so far this year, we expect the operating environment to remain challenging in 2015. We are seeking to make further progress through a combination of growth initiatives and sustained tight cost and risk control. This year we are aiming to further boost business volumes in the Core Bank and increase operating income in both the Core Bank and the Group as a whole. The extreme interest rate environment, as manifested in negative yields on German government bonds across a broad range of maturities, and a recovery in Europe that continues to be anaemic are likely to exert a drag for large parts of the year.

We therefore expect the anticipated slight increase in overall Group income to come mainly from the ongoing improvement in our market position in the core business.

Net interest income in 2015 will largely be determined by the extent to which the impact of an even more challenging interest rate environment can be offset by rising lending volumes and active countermeasures. In the Core Bank, Commerzbank intends to exploit the improved competitive position achieved in the private and corporate customer business to gain more market share and boost growth in retail mortgages and Mittelstand loans in particular. Companies' unwillingness to invest, which is reflected in low demand for credit, should gradually lessen as the year progresses. We will cut refinancing costs again by adjusting terms, although there is less and less scope to do so. We anticipate higher net interest income in the Non-Core Assets segment despite the good progress made in reducing the portfolio. In addition to revenues from restructuring our refinancing, the raising of margins when loans are rolled over, will have a corresponding effect. A non-recurring negative effect incurred last year in connection with a portfolio transaction will also not be repeated. Overall, we assume at most a slight rise in net interest income at Group level for the current year.

We are targeting a slight increase in net commission income in 2015. We expect further positive effects from our more customer-focused advisory approach in the private customer business. If capital market volatility remains as expected, the trend towards increased customer activity in securities business should persist. We expect higher commission income from Mittelstand customers, including in foreign business and cash management, because of the strong international market position. It is difficult to forecast net trading income because of the unpredictability of developments on the global financial markets. Especially in an environment of heightened capital market volatility, however, Commerzbank's risk-oriented approach of deliberately not engaging in proprietary trading activities should pay off.

We believe loan loss provisions in 2015 for the Group as a whole will be in line with last year. We are expecting a normalisation, i.e. higher loan loss provisions from a very low level, in the Core Bank. This is partly because the net releases of provisions seen in Corporates & Markets in 2014 are unlikely to be repeated over the year as a whole. In the NCA segment, the improvement in the portfolio quality and much smaller holdings of commercial real estate and ship financing should permit a further significant reduction in loan loss provisions compared with 2014. As was the case last year, most of the risk costs relate to ship financing, where there is no sign as yet of a sustainable recovery in the difficult environment.

Commerzbank's strict cost management will continue in 2015. Due to the increasing regulatory requirements and because of the European bank levy, significant additional efforts are necessary to keep the cost base stable at around €7.0bn. In terms of our capitalisation, following the capital measure in the second quarter of 2015 our aim is to reach a Common Equity Tier 1 ratio of well over 10% on a fully phased-in Basel 3 basis (i.e. on our understanding of the regulations that will be in force from 2019) by the end of 2015 by retaining earnings. However, this ratio may fluctuate temporarily from quarter to quarter, for example as a result of changes in regulation.

We are maintaining our existing forecasts for the full year, even though earnings were substantially better than expected in the first quarter of 2015. We expect consolidated profit to improve significantly, both before and after tax. We therefore expect the consolidated return on equity to also improve significantly, while the cost/income ratio should fall slightly. We are planning to distribute a dividend for the financial year 2015.

Interim Risk Report

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

Risk-oriented overall bank management

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

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 their 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 Bank, Credit Risk Management Non-Core Assets (NCA), Intensive Care, Market Risk Management as well as Risk Controlling and Capital Management. For the Core Bank segments, credit risk management is separated into a performing loan area and Intensive Care, while in the NCA segment 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 five risk management divisions together with the CRO make up the Risk Management Board within Group Management.

The organisation of Commerzbank's risk management is presented in detail in the Annual Report 2014.

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 for the risk profile of the Commerzbank Group at all times.

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event. The gone concern analysis is supplemented by elements aimed at ensuring the institution's continuing existence (going concern perspective). In addition, risk-bearing capacity is assessed using macroeconomic stress scenarios. The Annual Report 2014 provides further details on the methodology used.

Risk-bearing capacity (RBC) is deemed to be assured as long as the RBC ratio is higher than 100%. In the first quarter of 2015, the RBC ratio was consistently well above 100% and was 189% as at 31 March 2015 due to a significant increase of the economic risk coverage potential.

Risk-bearing capacity Group | €bn	31.3.2015	31.12.2014
Economic risk coverage potential[1]	**31**	**28**
Economically required capital[2]	**16**	**16**
thereof for default risk	12	12
thereof for market risk	3	3
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio[3]	**189%**	**172%**

[1] Including potential deductible amounts for business risk.
[2] Including property value change risk, risk of unlisted investments and reserve risk.
[3] RBC ratio = economic risk coverage potential/economically required capital.

Default risk

Default risk refers to the risk of losses due to defaults by counterparties as well as to changes in this risk. For Commerzbank, the concept of default risk embraces not only the risks associated with defaults on loans and with third-party debtors, but also counterparty and issuer risks and country/transfer risk.

Commerzbank Group

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)[1], 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 risk. The credit risk parameters in the rating levels 1.0 to 5.8 of Commerzbank Group are distributed as follows over the Core Bank and Non-Core Assets:

[1] Expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity at default. For Public Finance securities, the nominal is reported as EaD.

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Core Bank	375	1,005	27	8,302
Non-Core Assets	76	619	81	3,304
Group	**451**	**1,624**	**36**	**11,606**

When broken down on the basis of PD ratings, 79% of the Group's portfolio is in the internal rating classes 1 and 2, which compose the investment-grade area.

Rating breakdown as at 31.3.2015 EaD | %	1.0 –1.8	2.0 –2.8	3.0 –3.8	4.0 –4.8	5.0 –5.8
Core Bank	33	48	14	4	1
Non-Core Assets	29	41	17	7	5
Group	**32**	**47**	**15**	**4**	**2**

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, a further third to other countries in Europe and 6% 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. In view of the current developments in Ukraine, the exposures in Ukraine and Russia are a particular focus of risk management at present. During the first quarter of 2015, the exposure in Russia was reduced from €5.7bn to €4.9bn. The exposure in Ukraine remained stable at €0.1bn as at end of March 2015.
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 finance.

Group portfolio by region as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	225	536	24
Western Europe	110	330	30
Central and Eastern Europe	41	250	61
North America	29	38	13
Asia	21	51	24
Other	25	418	169
Group	**451**	**1,624**	**36**

The table below shows the exposure to Greece, Ireland, Italy, Portugal and Spain based on the member state where the head office or the asset is located.

	31.3.2015					31.12.2014
EaD[1] €bn	Sovereign[2]	Banks	CRE	Corporates/ Other	Total	Total
Greece	0.0	0.1	0.1	0.1	0.3	0.3
Ireland	0.7	0.2	0.0	1.9	2.8	2.6
Italy	9.4	0.5	1.0	2.1	13.0	13.2
Portugal	1.4	0.2	1.0	0.2	2.9	2.9
Spain	5.3	2.9	0.1	2.1	10.4	11.0

[1] Excluding exposure from ship finance.
[2] Including sub-sovereigns.

Loan loss provisions The Group's loan loss provisions in the first quarter of 2015 amounted to €158m. This is a decrease of €80m for the Group or of one-third on the previous year's level.

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. The engagement at the Austrian HETA was written down by €209m.

	2015	2014				
Loan loss provisions | €m	Q1	Total	Q4	Q3	Q2	Q1
Core Bank	61	490	104	90	192	104
Non-Core Assets	97	654	204	251	65	134
Group	**158**	**1,144**	**308**	**341**	**257**	**238**

For the total year 2015, we expect loan loss provisions for the Group to be in line with the previous year's level. However, in the event of a huge, unexpected deterioration in economic conditions, for instance due to a negative development in the crisis in Ukraine or in the case of defaults of large individual customers, significantly higher loan loss provisions may also become necessary under certain circumstances.

Default portfolio The default portfolio stood at €11.4bn as at the end of March 2015, representing a slight decrease of €0.5bn compared with the end of 2014. This reduction was largely due to successful restructuring measures in the NCA segment.

The following table shows the exposure in default in the category LaR.

	31.3.2015			31.12.2014		
Default portfolio category LaR | €m	**Group**	**Core Bank**	**NCA**	**Group**	**Core Bank**	**NCA**
Default volume	11,391	5,532	5,859	11,843	5,610	6,233
Loan loss provisions	4,918	2,771	2,146	5,145	2,950	2,196
GLLP	842	528	314	822	513	309
Collaterals	5,521	1,456	4,064	5,526	1,454	4,072
Coverage ratio excluding GLLP (%)[1]	92	76	106	90	79	101
Coverage ratio including GLLP (%)[1]	99	86	111	97	88	105
NPL ratio (%)[2]	2.5	1.5	7.1	2.7	1.6	7.4

[1] Coverage ratio: total risk provisions, collateral (and GLLP) as a proportion of the default volume.
[2] NPL ratio: default volume (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

Core Bank

The Core Bank comprises the segments Private Customers, Mittelstandsbank, Central & Eastern Europe, Corporates & Markets and Others and Consolidation.

Credit risk parameters The Core Bank's exposure in the rating classes 1.0 to 5.8 rose to €375bn as at 31 March 2015 (31 December 2014: €355bn); risk density remained stable at 27 basis points.

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	91	176	19	943
Mittelstandsbank	140	439	31	4,059
Central & Eastern Europe	28	163	59	739
Corporates & Markets	73	188	26	1,750
Others and Consolidation[1]	44	40	9	810
Core Bank	**375**	**1,005**	**27**	**8,302**

[1] Mainly Treasury positions.

Some 80% of the Core Bank's portfolio consists of investment-grade securities, corresponding, on the basis of PD ratings, to our internal rating classes 1.0 to 2.8.

Rating breakdown as at 31.3.2015 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	36	47	13	3	1
Mittelstandsbank	13	60	20	5	2
Central & Eastern Europe	5	60	23	10	3
Corporates & Markets	54	37	7	1	1
Core Bank[1]	33	48	14	4	1

[1] Including Others and Consolidation.

Loan loss provisions Loan loss provisions in the Core Bank amounted to €61m in the first quarter of 2015. The charge was therefore lower than in the previous year's first quarter, falling by €43m.

	2015	2014				
Loan loss provisions | €m	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Private Customers	13	79	11	16	16	36
Mittelstandsbank	35	342	107	36	142	57
Central & Eastern Europe	23	123	27	37	38	21
Corporates & Markets	–47	–55	–41	0	–5	–9
Others and Consolidation	37	1	0	1	1	–1
Core Bank	**61**	**490**	**104**	**90**	**192**	**104**

Default portfolio The Core Bank's default portfolio is virtually unchanged on the level as at year-end 2014, at €5.5bn.

Default portfolio Core Bank | €m	31.3.2015	31.12.2014
Default volume	5,532	5,610
Loan loss provisions	2,771	2,950
GLLP	528	513
Collaterals	1,456	1,454
Coverage ratio excluding GLLP (%)	76	79
Coverage ratio including GLLP (%)	86	88
NPL ratio (%)	1.5	1.6

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	53	84	16
Investment properties	5	6	11
Individual loans	13	33	25
Consumer and instalment loans/credit cards	10	26	28
Domestic subsidiaries	4	8	23
Foreign subsidiaries and other	7	19	29
Private Customers	**91**	**176**	**19**

Private Customers

The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. Private Customers also includes Commerzbank's branch business in Germany for private and business customers as well as Wealth Management.

The risks in private customer business depend mainly on the economic environment, trends in unemployment levels and real estate prices. We manage risks by the use of defined lending standards, active monitoring of new business, close observation of the real estate market and IT-based overdraft management, as well as by other means. We also identify any irregularities in loans by using selected triggers. These loans are dealt with in our area of early risk identification.

We meet the financing needs of our customers with a broad and modern product range. 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 €58bn). We provide our business customers with credit in the form of individual loans with a volume of €13bn. 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).

There was continued growth in the Private Customer business, particularly in residential mortgage loans, in the first quarter. Risk density was reduced by 2 basis points compared with year-end 2014 to stand at 19 basis points.

Loan loss provisions for Private Customer business fell by €23m to €13m compared with the same quarter of the previous year, standing at a very low level.

The default portfolio in the segment was reduced by €50m compared with 31 December 2014.

Default portfolio Private Customers | €m	31.3.2015	31.12.2014
Default volume	704	754
Loan loss provisions	239	258
GLLP	106	113
Collaterals	336	361
Coverage ratio excluding GLLP (%)	82	82
Coverage ratio including GLLP (%)	97	97
NPL ratio (%)	0.8	0.8

Mittelstandsbank

This segment comprises all the Group's activities with mainly mid-size corporate customers, the public sector and institutional customers, where they are not assigned to other segments. 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. We are seeking further growth in German corporate customers and international corporate customers connected to Germany through their core business, and are investing in certain new markets. The risk appetite is oriented towards the assessment of the relevant sector, but also towards a company's economic and competitive conditions. For each and every exposure, we analyse the future viability of the company's business model, its strategic direction and its creditworthiness.

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	91	286	31
Corporates International	21	41	19
Financial Institutions	28	112	40
Mittelstandsbank	**140**	**439**	**31**

The credit volume has increased in the first quarter, particularly as a result of the credit initiative initiated by Mittelstandsbank. The EaD in the Mittelstandsbank segment increased by €6bn compared with year-end 2014 to stand at €140bn. The economic environment in Germany is still solid. The risk density in the Corporates Domestic sub-portfolio was at 31 basis points as at 31 March 2015. In Corporates International, EaD totalled €21bn as at 31 March 2015, and risk density was 19 basis points. For details of developments in the Financial Institutions portfolio please see page 32.

Loan loss provisions in Mittelstandsbank were €35m and were therefore by €22m lower than the previous year's figure. The reduction was largely attributable to smaller loan loss provisions for new defaults.

Mittelstandsbank's default portfolio has been reduced by a total of €225m since 31 December 2014.

Default portfolio Mittelstandsbank | €m	31.3.2015	31.12.2014
Default volume	2,358	2,583
Loan loss provisions	1,279	1,429
GLLP	288	276
Collaterals	418	441
Coverage ratio excluding GLLP (%)	72	72
Coverage ratio including GLLP (%)	84	83
NPL ratio (%)	1.7	1.9

Central & Eastern Europe

The Central & Eastern Europe segment contains the Group's universal banking and direct banking activities in Central and Eastern Europe. The segment is represented by the mBank. It provides retail, corporate and investment banking services for customers in Poland, and retail banking services for customers in the Czech Republic and Slovakia. The Central & Eastern Europe segment's strategic focus lies on organic growth in Polish small and medium-sized businesses and private customer business in mBank's core markets.

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**28**	**163**	**59**

The EaD of the Central & Eastern Europe segment as at 31 March 2015 was slightly higher compared with end-2014, at €28bn. Risk density in this area was 59 basis points. The Swiss franc exposure was approximately €5bn. These are mainly mortgage-secured engagements with private customers.

The Central & Eastern Europe segment's loan loss provisions rose slightly by €2m to €23m.

The default volume increased by €202m compared with 31 December 2014.

Default portfolio Central & Eastern Europe | €m	31.3.2015	31.12.2014
Default volume	1,413	1,212
Loan loss provisions	655	604
GLLP	70	67
Collaterals	549	649
Coverage ratio excluding GLLP (%)	85	103
Coverage ratio including GLLP (%)	90	109
NPL ratio (%)	4.9	4.5

Corporates & Markets

This segment comprises the Group's business with multinationals, institutional customers and selected large corporate customers (Corporates) and its customer-driven capital market activities (Markets).

The regional focus of our activities is on Germany and Western Europe, which account for just under three-quarters of the exposure. North America accounted for around 15% at the end of March 2015 and EaD as at the end of March 2015 was €73bn, around €12bn above the figure as at end-December 2014.

Credit risk parameters as at 31.3.2015	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	27	94	35
Western Europe	27	63	24
Central and Eastern Europe	1	3	23
North America	11	12	11
Asia	3	5	14
Other	4	11	29
Corporates & Markets	**73**	**188**	**26**

Corporates & Markets provides its customers with long-term support in all financial matters, especially through its underwriting and issuances services (e.g. of equities, bonds and syndicated loans). Stringent guidelines and defined limits keep the underwriting risk for all product types under control. The positions that remain on the Bank's books through its activity as lead arranger or market maker are closely monitored from market and credit risk perspectives at both counterparty and portfolio level. The increasing momentum in the leveraged buyout market in particular is currently very challenging for credit risk management.

There is also a focus on close monitoring of counterparties (such as banks and broker dealers) in countries with higher risks, particularly in terms of backed trading activities. The aim is to continue supporting our customers in these countries and to focus on supporting highly flexible business. The strategy of Corporates & Markets with large corporate customers in these critical countries remains unchanged. Credit risk management is focusing in particular on the increasingly critical geopolitical situation in Russia and Ukraine at present.

While the new investments in the Structured Credit area amounted to €1.2bn in 2014, the volume increased during the first quarter of 2015 by further €0.4bn to stand at €1.6bn. Investments made since 2014 comprise the asset classes consumer (auto) ABS, UK-RMBS and CLOs, which securitise corporate loans in the USA and Europe. In general, we invest in bonds of senior tranches of securitisation transactions, the structures of which showed low losses or a moderate risk profile before, during and after the crisis.

During the first quarter of 2015 the complete Structured Credit portfolio increased to €8.2bn. At the same time, the risk values[1] remained stable at €2.4bn compared to year-end 2014. A large part of the portfolio is still made up of CDOs securitising corporate loans in the USA and Europe (CLOs) and US sub-prime RMBSs (CDOs on ABSs), and of other structured credit positions made up of total return swap positions. RMBSs are instruments that securitise private, largely European, real estate loans.

Loan loss provisions in the Corporates & Markets segment are strongly influenced by movements in individual exposures. The net release of loan loss provisions of €47m in the first quarter of 2015 was primarily due to the successful restructuring of a single engagement. Reversal of loan loss provisions was therefore €38m above the comparable figure of the previous year.

The default portfolio in the Corporates & Markets segment decreased slightly by €17m in the first quarter of 2015 compared with year-end 2014.

Default portfolio Corporates & Markets | €m	31.3.2015	31.12.2014
Default volume	955	972
Loan loss provisions	525	625
GLLP	64	56
Collaterals	153	3
Coverage ratio excluding GLLP (%)	71	65
Coverage ratio including GLLP (%)	78	70
NPL ratio (%)	1.3	1.6

Non-Core Assets

Commercial Real Estate (CRE), Deutsche Schiffsbank (DSB) and Public Finance are bundled in the Non-Core Assets run-off segment. The intention is that all these portfolios should be completely wound down over time.

EaD for the segment in the performing loan book totalled €76bn as at 31 March 2015, which is €2bn less than at the end of 2014.

Credit risk parameters as at 31.3.2015	Exposure at Default €bn	Expected loss €m	Risk density bp	CVaR €m
Commercial Real Estate	15	155	107	
Deutsche Schiffsbank	10	367	377	
Public Finance	52	96	19	
Non-Core Assets	**76**	**619**	**81**	**3,304**

Loan loss provisions in the Non-Core Assets segment stood at €97m, representing a reduction of €37m compared with the previous year.

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

	2015	2014				
Loan loss provisions | €m	**Q1**	**Total**	**Q4**	**Q3**	**Q2**	**Q1**
Commercial Real Estate	25	73	1	82	–72	62
Deutsche Schiffsbank	73	588	205	173	137	74
Public Finance	–1	–7	–2	–3	0	–2
Non-Core Assets	**97**	**654**	**204**	**251**	**65**	**134**

The default volume decreased further by €375m in the first quarter of 2015 compared with year-end 2014. This decline was predominantly attributable to repayments actively enforced by the Bank.

Default portfolio NCA category LaR | €m	**31.3.2015**	**31.12.2014**
Default volume	5,859	6,233
Loan loss provisions	2,146	2,196
GLLP	314	309
Collaterals	4,064	4,072
Coverage ratio excluding GLLP (%)	106	101
Coverage ratio including GLLP (%)	111	105
NPL ratio (%)	7.1	7.4

Commercial Real Estate

Holdings were further reduced in the first quarter of 2015, primarily at Hypothekenbank Frankfurt AG. The EaD decreased by €2bn to €15bn. The decline in exposure in the period under review is predominantly attributable to (partial) repayments of loans.

The economic recovery of the eurozone is very slow and heterogeneous. Growth is considerably lower than in the US. Also the German economy will grow faster this year than the rest of the eurozone. Nevertheless, our aim for 2015 is to coninue the value-preserving reduction strategy, with a focus on reducing the higher-risk sub-portfolios.

CRE portfolio by region EaD | €bn	**31.3.2015**	**31.12.2014**
Germany	8	10
Western Europe	4	4
Central and Eastern Europe	2	2
North America	0	0
Asien	0	0
Other	0	0
Commercial Real Estate	**15**	**17**

Compared to the first quarter of 2014, loan loss provisions in the Commercial Real Estate division were down, falling by €36m to the low level of €25m.

For 2015 we are expecting a moderately higher net risk provision than in the previous year, which benefited from exceptional circumstances.

The default portfolio for Commercial Real Estate was run down by €336m to €3bn compared with 31 December 2014. This reduction was driven by repayments actively enforced by the Bank.

Default portfolio CRE | €m	**31.3.2015**	**31.12.2014**
Default volume	2,999	3,335
Loan loss provisions	847	900
GLLP	87	80
Collaterals	2,497	2,523
Coverage ratio excluding GLLP (%)	111	103
Coverage ratio including GLLP (%)	114	105
NPL ratio (%)	17.1	16.7

Deutsche Schiffsbank

Compared to 31 December 2014, exposure to ship finance in the performing loan book increased from €9.2bn to €9.7bn despite our asset reduction strategy. The increase is only a result of a stronger US dollar rate which overcompensated the reduction.

Our portfolio is mainly made up of financings of the following three standard types of ship: container ships (€3bn), tankers (€3bn) and bulkers (€2bn). The rest of the portfolio consists of various special tonnages that are well diversified across the various ship segments.

The markets for container ships, bulkers and tankers continued to be dominated by excess capacity during the first quarter of 2015. However, tanker markets were stronger at last due to the high crude oil production. The markets for container ships showed increased rates for panamax and smaller container ships, while markets for post panamax ships developed poorly. This was mainly due to the increased handover of very big-sized container ships. The markets for bulkers were also weak, both in terms of charter rates and ship values. We do not expect a lasting market recovery across all asset classes before 2016. However, from the current point of view, container ships could show a slight and sustainable improvement. In line with our value-preserving reduction strategy we are continuing to steadily reduce risks in our existing portfolio.

Net loan loss provisions in the first quarter of 2015 in the Deutsche Schiffsbank division were in line with the previous year's level, at €73m.

The default portfolio as at 31 March 2015 was virtually unchanged on the level as at year-end 2014, at €2.9bn.

	31.3.2015				31.12.2014
Default portfolio DSB by ship type | €m	**Total**	**Container**	**Tanker**	**Bulker**	**Total**
Default volume	2,855	1,195	668	298	2,893
Loan loss provisions	1,300	589	144	132	1,296
GLLP	222	91	18	28	224
Collaterals	1,567	537	520	161	1,549
Coverage ratio excluding GLLP (%)	100	94	99	98	98
Coverage ratio including GLLP (%)	108	102	102	108	106
NPL ratio (%)	22.7	25.6	19.7	12.2	24.0

Public Finance

In its NCA segment, Commerzbank brings together a large part of its public finance business and secured and unsecured bond issues/loans from banks, held available particularly as substitute cover for Pfandbrief issues. The receivables and securities in the Public Finance portfolio are held in our subsidiaries Hypothekenbank Frankfurt and Erste Europäische Pfandbrief- und Kommunalkreditbank, among others. The management of the NCA Public Finance portfolio is divided more or less equally between the central segment Corporates & Markets as well as Group Treasury.

The borrowers in the Public Finance business in NCA (€44bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in NCA is accounted for by banks (€8bn EaD), with the focus likewise on Germany and Europe. Most of the bank portfolio comprises securities and loans which to a large extent are covered by guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The Public Finance division also includes the private finance initiative (PFI) portfolio. This business comprises the long-term financing of public sector facilities and service companies, such as hospitals and water utilities. Most of the PFI portfolio is secured, and in accordance with the NCA strategy is set to be wound down over time in a value-preserving manner.

The Public Finance portfolio in NCA was further run down by a total of €0.5bn in the first quarter of 2015.

Loan loss provisions in Public Finance were almost unchanged year on year at €–1m. 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.

The Public Finance default portfolio, at €4m, was almost unchanged compared with year-end 2014.

Further portfolio analyses

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

Corporates portfolio by sector

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

	31.3.2015			31.12.2014		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy/Environment	18	95	54	17	74	44
Transport/Tourism	14	28	20	13	26	21
Consumption	14	41	30	12	37	31
Wholesale	12	53	44	11	49	43
Basic materials/Metals	11	41	36	11	42	39
Technology/Electrical industry	10	26	26	9	26	28
Mechanical engineering	10	28	28	9	26	28
Services/Media	10	37	39	9	35	39
Automotive	9	31	34	8	29	36
Chemicals/Plastics	9	51	58	9	54	63
Construction	5	58	119	5	47	100
Pharma/Healthcare	5	11	24	4	10	23
Other	11	31	28	10	30	29
Total	**136**	**531**	**39**	**127**	**487**	**38**

Financial Institutions portfolio

As has been the case in previous quarters, when taking on new business in the Core Bank we give preference to clients with a good credit rating. Here we would highlight the trade finance activities performed on behalf of our corporate customers in Mittelstandsbank and capital market activities in Corporates & Markets. Risks have been further reduced in Public Finance business. We are closely monitoring risks in Eastern European business arising from the conflict between Russia and Ukraine and taking them into account by stepping up our monitoring and management of portfolios.

	31.3.2015			31.12.2014		
FI portfolio by region[1]	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	11	7	6	11	6	5
Western Europe	24	53	23	26	54	21
Central and Eastern Europe	6	30	51	9	31	35
North America	2	2	12	2	2	9
Asia	13	39	29	13	37	29
Other	8	39	48	8	34	43
Total	**64**	**170**	**27**	**69**	**165**	**24**

[1] Excluding exceptional debtors.

Non-Bank Financial Institutions portfolio

In the Non-Bank Financial Institutions (NBFI) portfolio our focus is on attractive new business with clients with good credit ratings, which we carry out in the interests of our institutional customers. These are, on the whole, diversified insurance companies, asset managers and regulated funds, with a regional focus on clients in Germany and Western Europe.

	31.3.2015			31.12.2014		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	10	17	17	8	18	22
Western Europe	16	31	20	17	32	19
Central and Eastern Europe	1	5	74	1	6	88
North America	10	6	6	8	5	6
Asia	1	1	11	1	1	11
Other	1	2	12	1	3	21
Total	**39**	**63**	**16**	**37**	**65**	**18**

Originator positions

Commerzbank and Hypothekenbank Frankfurt have in recent years securitised receivables from loans to the Bank's customers with a current volume of €4.7bn, primarily for capital management purposes. Of these, risk exposures with a value of €4.3bn were retained as at 31 March 2015. By far the largest portion of these positions is accounted for by €4.1bn of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 31.3.2015**	**Total volume[1] 31.12.2014**
Corporates	2020–2036	3.6	0.1	< 0.1	4.1	4.1
Banks	2015–2021	0.4	< 0.1	< 0.1	0.5	0.4
RMBS	2048	< 0.1	< 0.1	< 0.1	0.1	< 0.1
CMBS	2046–2084	0.0	< 0.1	< 0.1	< 0.1	1.0
Total		**4.1**	**0.2**	**0.1**	**4.7**	**5.5**

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables from customers in the Mittelstandsbank and Corporates & Markets segments, mainly from trade and leasing. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). The volume and risk values in the Silver Tower conduit fell slightly by €0.1bn year on year in the first quarter of 2015, and as at 31 March 2015 stood at €3.3bn.

The other asset-backed exposures comprise mainly government-guaranteed ABSs issued by Hypothekenbank Frankfurt in the Public Finance area and trading book positions of Commerzbank Aktiengesellschaft. Due to new business of Commerzbank AG, the volume rose from €4.7bn to €5.0bn and the risk values rose from €4.5bn to €4.9bn compared with year-end 2014.

Market risk

Market risk is the risk of 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, for example 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 incorporating all positions is used for the internal management of market risk. The VaR quantifies the potential loss from financial instruments as a result of changed market conditions over a predefined time horizon and with a specific probability. For internal management purposes, a confidence level of 97.5% and a holding period of one day are assumed. The value at risk concept makes it possible to compare risks over a variety of business areas. It enables many positions to be aggregated, taking account of correlations between different assets. This ensures a consolidated view of the market risk at all times.

A ten-day holding period and confidence level of 99% are used for regulatory capital adequacy requirements. These assumptions meet the requirements of the Basel Committee and other international standards on the management of market risk. For certain evaluations, such as backtesting and disclosure, the VaR is also calculated on the basis of a one-day holding period. In order to provide for a consistent presentation of the risk parameters in this report, all figures relating to VaR are based on a confidence level of 99% and a holding period of one day.

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). The VaR for the overall book rose by €20m to €118m. One major reason for this increase is increased volatility on the markets. This is having a particular impact on the VaR in Corporates & Markets, Non-Core Assets and Mittelstandsbank.

VaR contribution[1] | €m	31.3.2015	31.12.2014
Overall book	**118**	**98**
thereof trading book	27	16

[1] 99% confidence level, holding period one day, equally-weighted market data, 254 days' history.

Trading book

The value at risk rose by €11m to €27m in the first quarter of 2015. This was attributable to increased volatility on the markets as well as the conversion of a market risk relevant interest swap position into a loan in the course of a restructuring measure. The conversion of the swap position resulted in a change of interest rate risk in Corporates & Markets, leading to a higher total VaR.

VaR of portfolios in the trading book[1] | €m	Q1 2015	2014
Minimum	17	11
Mean	20	15
Maximum	28	37
VaR at end of reporting period	**27**	**16**

[1] 99% confidence level, holding period one day, equally weighted market data, 254 days' history.

The market risk profile is diversified across all asset classes. The dominant asset classes are credit spread risks and foreign exchange risks, followed by interest rate risks. Interest rate risk also contains basis and inflation risk. Basis risk arises if, for example, positions are closed through hedging transactions with a different type of price setting than the underlying transaction.

The VaR trend in the first quarter of 2015 shows that the rise in the VaR is predominantly due to changes in credit spread, interest rate and foreign exchange risks. The other risk types remained stable in the first quarter of 2015.

VaR contribution by risk type in the trading book[1] | €m	31.3.2015	31.12.2014
Credit spreads	9	5
Interest rates	6	3
Equities	2	2
FX	8	5
Commodities	1	1
Total	**27**	**16**

[1] 99% confidence level, holding period one day, equally weighted market data, 254 days' history.

Further risk ratios are being calculated for regulatory capital adequacy. This includes in particular the calculation of stressed VaR. On the basis of the VaR method described above, stressed VaR evaluates the present position in the trading book by reference to market movements from a specified crisis period in the past. Stressed VaR on the reporting date was €34m, representing a decrease of €4m compared with year-end 2014. This was mainly due to changes in exposures in the Treasury and Corporates & Markets segments. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period was not changed in the course of the year.

In addition, the incremental risk charge and the equity event VaR ratios 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, so that the profits and losses result only from the price changes that occurred on the market. 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 resulting loss exceeds the VaR, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first quarter of 2015, we saw no negative outliers in the clean P&L and dirty P&L process. 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, share prices, exchange rates 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. In the first quarter of 2015, model adjustments were implemented that further improved the accuracy of risk measurement.

Banking book

The key drivers of market risk in the banking book are the credit spread risks in the area of Non-Core Assets – Public Finance, including the positions held by the subsidiaries Hypothekenbank Frankfurt and Erste Europäische Pfandbrief- und Kommunalkreditbank. We are continuing systematically with the downsizing strategy that we have followed rigorously in this area for many years. The Treasury portfolios with their credit spread risk, interest rate risk and basis risk also influence the market risk in the banking book.

In market risk management credit-spread risks in the banking and trading books are jointly managed. Credit spread sensitivities (1 basis point down shift) for all securities and derivative positions (excluding loans) rose from €63m at year-end 2014 to €70m in Q1 2015. This development was caused by the marked fall in interest rates and credit spreads, which pushed up market values in the bond portfolio and thus made credit spreads more sensitive. Changes in Treasury and Corporates & Markets exposures also led to higher credit spread sensitivities.

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.

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 and more years. Main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics. Equity, volatility and currency 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.

We first 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 so-called market liquidity factor. The market liquidity factor takes into account the hightened 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.

At the end of the first quarter of 2015, Commerzbank earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking book. Asset-backed securities, structured products and restructuring portfolios in particular have higher market liquidity risk.

Liquidity risk

In a narrower sense, Commerzbank defines liquidity risk as the risk that the Group will be unable to meet its daily payment obligations. In a broader sense, liquidity risk describes the risk that future payments cannot be funded to the full amount, in the required currency and 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.

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 annually. It 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 revised its liquidity risk framework in the last financial year, adapting it to current business and regulatory conditions. Important features of this included the introduction of a new methodology and parametrisation of the liquidity risk modelling, taking into account regulatory requirements and adjusted limits. The combination of modelling and limits resulted in the quantitative structuring of our liquidity risk tolerance, which is in line with the overall risk strategy.

The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities. Thereby the liquidity gap profile follows a multi-level concept. The levels 1 to 5 include deterministic and modelled cash flows of existing business while planned new business is considered in the calculus on levels 6 and 7. Limitation occurs on level 5.

Based on the new methodology of the liquidity gap profile, management mechanisms such as recovery and early warning indicators are being limited and monitored, correspondingly.

Hard limits are defined for the time horizon of up to one year, although for time horizons of over a year there are review triggers to limit the liquidity risk in line with our funding capacity. The Group limits are broken down into individual currencies and Group units.

In the first quarter of financial year 2015, Commerzbank's internal liquidity risk ratios, including the regulatory liquidity coverage ratio (LCR), were always within the limits set by the Board of Managing Directors. The same is true for compliance with the survival period calculation set down by MaRisk and with the external regulatory German Liquidity Regulation; at the end of the quarter, the liquidity ratio stood at 1.37.

Significant factors in liquidity risk tolerance 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.

In order to ensure that it functions as a buffer in stress situations, the liquidity reserve portfolio is maintained and monitored separately by the Treasury. The liquidity reserve portfolio is funded in line with liquidity risk tolerance in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

Based on its internal liquidity model, which uses conservative assumptions, at the end of the period the Bank had available excess liquidity of up to €89.2bn in the maturity band for up to one day. Of this, €45.8bn is held in a separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and ensure solvency at all times. When simulating the existing exposures under the current model assumptions, a liquidity shortage would only occur after five years, whereas the limitation of the internal model would already allow for a term transformation position in the maturity band of over one year.

In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €10.6bn as at the reporting date.

The main liquidity risk drivers underlying the stress scenario 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. The internal liquidity risk model is complemented by the regular analysis of additional inverse stress scenarios.

Operational risks

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 reputational or strategic 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.

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

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets (RWA) for operational risks on this basis amounted to €23.1bn at the end of the first quarter of 2015 (31 December 2014: €21.6bn), while economically required capital was €1.9bn (31 December 2014: €1.8bn).

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

	31.3.2015		31.12.2014	
€bn	RWA	ErC	RWA	ErC
Private Customers	6.9	0.6	9.0	0.8
Mittelstandsbank	3.8	0.3	3.3	0.3
Central & Eastern Europe	0.8	0.1	0.4	0.0
Corporates & Markets	5.7	0.5	4.7	0.4
Non-Core Assets	2.0	0.1	1.3	0.1
Others and Consolidation	3.9	0.3	2.9	0.2
Group	**23.1**	**1.9**	**21.6**	**1.8**

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

Other risks

In mid-March 2015 Commerzbank reached settlements with various US authorities regarding breaches of US sanctions and anti-money laundering provisions. Commerzbank cooperated for several years with the US authorities and the authorities in New York and provided them with extensive documentation and results of various internal investigations.

Over the past few years, the Bank has improved its Compliance function and implemented some initial measures to rectify shortcomings. This was the basis for the agreement reached with the US authorities. The agreement also provides for a probation period of three years. For more information on the agreement reached, please see the section "Important business policy events in the first quarter of 2015" in the Interim Management Report and in Note 24 to the Interim Financial Statements (Provisions).

In terms of all other risks, there were no significant changes in the first quarter of 2015 compared with the position reported in detail in the Annual Report 2014.

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 in particular in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations; however, stress testing is not feasible for all imaginable scenarios. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

Interim Financial Statements

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Interest income		2,987	2,994	– 0.2
Interest expenses		1,489	1,864	– 20.1
Net interest income	(1)	1,498	1,130	32.6
Loan loss provisions	(2)	– 158	– 238	– 33.6
Net interest income after loan loss provisions		1,340	892	50.2
Commission income		1,067	956	11.6
Commission expenses		167	141	18.4
Net commission income	(3)	900	815	10.4
Net trading income	(4)	590	422	39.8
Net income from hedge accounting		– 71	– 14	.
Net trading income and net income from hedge accounting		519	408	27.2
Net investment income	(5)	– 128	– 38	.
Current net income from companies accounted for using the equity method		14	13	7.7
Other net income	(6)	– 21	– 68	– 69.1
Operating expenses	(7)	1,939	1,698	14.2
Restructuring expenses	(8)	66	–	.
Pre-tax profit or loss		**619**	**324**	**91.0**
Taxes on income	(9)	218	95	.
Consolidated profit or loss		**401**	**229**	**75.1**
Consolidated profit or loss attributable to non-controlling interests		35	29	20.7
Consolidated profit or loss attributable to Commerzbank shareholders		366	200	83.0

Earnings per share | €	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Earnings per share	0.32	0.18	77.8

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.

Condensed statement of comprehensive income

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Consolidated profit or loss	401	229	75.1
Change from remeasurement of defined benefit plans not recognised in income statement	–97	–190	–48.9
Change from non-current assets and disposal groups held for sale not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	–	.
Items not recyclable through profit or loss	**–97**	**–190**	**–48.9**
Change in revaluation reserve			
Reclassified to income statement	–26	3	.
Change in value not recognised in income statement	503	139	.
Change in cash flow hedge reserve			
Reclassified to income statement	22	36	–38.9
Change in value not recognised in income statement	–8	4	.
Change in currency translation reserve			
Reclassified to income statement	–	–1	–100.0
Change in value not recognised in income statement	349	–23	.
Change from non-current assets and disposal groups held for sale			
Reclassified to income statement	–1	–	.
Change in value not recognised in income statement	0	–	.
Change in companies accounted for using the equity method	12	0	.
Items recyclable through profit or loss	**851**	**158**	**.**
Other comprehensive income	**754**	**–32**	**.**
Total comprehensive income	**1,155**	**197**	**.**
Comprehensive income attributable to non-controlling interests	79	27	.
Comprehensive income attributable to Commerzbank shareholders	1,076	170	.

The breakdown of other comprehensive income for the first three months of 2015 was as follows:

Other comprehensive income | €m	1.1.–31.3.2015			1.1.–31.3.2014		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	– 119	22	– 97	– 289	99	– 190
of which companies accounted for using the equity method	0	–	0	–	–	–
of which non-current assets and disposal groups held for sale	–	–	–	–	–	–
Change in revaluation reserve	592	– 115	477	208	– 66	142
Change in cash flow hedge reserve	23	– 9	14	57	– 17	40
Change in currency translation reserve	350	– 1	349	– 24	–	– 24
Change from non-current assets and disposal groups held for sale	– 1	–	– 1	–	–	–
Change in companies accounted for using the equity method	12	–	12	0	–	0
Other comprehensive income	**857**	**– 103**	**754**	**– 48**	**16**	**– 32**

Income statement (by quarter)

€m	2015	2014			
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	1,498	1,376	1,495	1,606	1,130
Loan loss provisions	–158	–308	–341	–257	–238
Net interest income after loan loss provisions	1,340	1,068	1,154	1,349	892
Net commission income	900	809	799	782	815
Net trading income	590	60	79	–184	422
Net income from hedge accounting	–71	5	21	4	–14
Net trading income and net income from hedge accounting	519	65	100	–180	408
Net investment income	–128	64	15	41	–38
Current net income from companies accounted for using the equity method	14	2	19	10	13
Other net income	–21	–469	–22	–18	–68
Operating expenses	1,939	1,779	1,722	1,727	1,698
Restructuring expenses	66	61	–	–	–
Pre-tax profit or loss	**619**	**–301**	**343**	**257**	**324**
Taxes on income	218	–67	93	132	95
Consolidated profit or loss	**401**	**–234**	**250**	**125**	**229**
Consolidated profit or loss attributable to non-controlling interests	35	27	25	25	29
Consolidated profit or loss attributable to Commerzbank shareholders	366	–261	225	100	200

Balance sheet

Assets | €m	Notes	31.3.2015	31.12.2014	Change in %
Cash reserve		6,362	4,897	29.9
Claims on banks	(11,13,14)	86,256	80,036	7.8
of which pledged as collateral		–	–	.
Claims on customers	(12,13,14)	237,031	232,867	1.8
of which pledged as collateral		–	–	.
Value adjustment portfolio fair value hedges		470	415	13.3
Positive fair values of derivative hedging instruments		4,514	4,456	1.3
Trading assets	(15)	165,559	130,343	27.0
of which pledged as collateral		14,708	5,532	.
Financial investments	(16)	90,514	90,358	0.2
of which pledged as collateral		779	569	36.9
Holdings in companies accounted for using the equity method		706	677	4.3
Intangible assets	(17)	3,344	3,330	0.4
Fixed assets	(18)	1,913	1,916	−0.2
Investment properties		608	620	−1.9
Non-current assets and disposal groups held for sale		263	421	−37.5
Current tax assets		716	716	0.0
Deferred tax assets		3,168	3,358	−5.7
Other assets	(19)	3,828	3,199	19.7
Total		**605,252**	**557,609**	**8.5**

Liabilities and equity I €m	**Notes**	**31.3.2015**	**31.12.2014**	**Change in %**
Liabilities to banks	(20)	105,425	99,443	6.0
Liabilities to customers	(21)	261,342	248,977	5.0
Securitised liabilities	(22)	48,099	48,813	−1.5
Value adjustment portfolio fair value hedges		1,347	1,278	5.4
Negative fair values of derivative hedging instruments		10,558	9,355	12.9
Trading liabilities	(23)	123,953	97,163	27.6
Provisions	(24)	4,257	5,251	−18.9
Current tax liabilities		289	239	20.9
Deferred tax liabilities		151	131	15.3
Liabilities from disposal groups held for sale		80	142	−43.7
Other liabilities	(25)	9,177	7,499	22.4
Subordinated debt instruments	(26)	12,445	12,358	0.7
Equity		28,129	26,960	4.3
Subscribed capital		1,139	1,139	0.0
Capital reserve		15,928	15,928	0.0
Retained earnings		10,670	10,383	2.8
Other reserves		−590	−1,396	−57.7
Total before non-controlling interests		27,147	26,054	4.2
Non-controlling interests		982	906	8.4
Total		**605,252**	**557,609**	**8.5**

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 1.1.2014	**1,139**	**15,928**	**10,660**	**−1,195**	**−357**	**−192**	**25,983**	**950**	**26,933**
Total comprehensive income	–	–	−301	238	111	−1	47	108	155
Consolidated profit or loss			264				264	106	370
Change from remeasurement of defined benefit plans			−565				−565	−1	−566
Change in revaluation reserve				238			238	24	262
Change in cash flow hedge reserve					111		111		111
Change in currency translation reserve						−5	−5	−21	−26
Change from non-current assets and disposal groups held for sale						−1	−1		−1
Change in companies accounted for using the equity method						5	5		5
Dividend paid on silent participations							–		–
Dividend paid on shares							–	−62	−62
Reverse stock split							–		–
Capital increases							–		–
Withdrawal from retained earnings							–		–
Decrease in silent participations							–		–
Changes in ownership interests			−5				−5	−89	−94
Other changes[1]			29				29	−1	28
Equity as at 31.12.2014	**1,139**	**15,928**	**10,383**	**−957**	**−246**	**−193**	**26,054**	**906**	**26,960**

[1] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2014	**1,139**	**15,928**	**10,383**	**–957**	**–246**	**–193**	**26,054**	**906**	**26,960**
Total comprehensive income	–	–	270	468	14	324	1,076	79	1,155
Consolidated profit or loss			366				366	35	401
Change from remeasurement of defined benefit plans			–96				–96	–1	–97
Change in revaluation reserve				468			468	9	477
Change in cash flow hedge reserve					14		14		14
Change in currency translation reserve[1]						313	313	36	349
Change from non-current assets and disposal groups held for sale						–1	–1		–1
Change in companies accounted for using the equity method						12	12		12
Dividend paid on silent participations							–		–
Dividend paid on shares							–		–
Reverse stock split							–		–
Capital increases							–		–
Withdrawal from retained earnings							–		–
Decrease in silent participations							–		–
Changes in ownership interests							–		–
Other changes[2]			17				17	–3	14
Equity as at 31.3.2015	**1,139**	**15,928**	**10,670**	**–489**	**–232**	**131**	**27,147**	**982**	**28,129**

[1] Including changes in the group of consolidated companies.
[2] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

As at 31 March 2015, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was €1,139m and was divided into 1,138,506,941 no-par-value shares (accounting value per share of €1.00). The average number of ordinary shares in issue was 1,138,506,941 (31 March 2014: 1,138,506,941).

On 27 April 2015 Commerzbank Aktiengesellschaft announced in an ad hoc disclosure that it would increase its share capital by 113,850,693 new shares from authorised capital with shareholders' subscription rights excluded. The shares were placed with institutional investors on 28 April 2015 by means of an accelerated bookbuilding process and have full dividend rights for the current financial year. The issue price was €12.10 per share and led to an increase of €113m in subscribed capital and €1,264m in the capital reserve.

There was no impact on the other reserves from assets and disposal groups held for sale as at 31 March 2015.

In the first quarter of 2015 there were no effects from the purchase of additional shares in already consolidated companies and no material effects from the disposal of shares in subsidiaries that continue to be consolidated.

For information: Statement of changes in equity from 1 January to 31 March 2014

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 1.1.2014	**1,139**	**15,928**	**10,660**	**−1,195**	**−357**	**−192**	**25,983**	**950**	**26,933**
Total comprehensive income	–	–	10	142	40	−22	170	27	197
Consolidated profit or loss			200				200	29	229
Change from emeasurement of defined benefit plans			−190				−190		−190
Change in revaluation reserve				142			142		142
Change in cash flow hedge reserve					40		40		40
Change in currency translation reserve						−22	−22	−2	−24
Change from non-current assets and disposal groups held for sale							–		–
Change in companies accounted for using the equity method							–		–
Dividend paid on silent participations							–		–
Dividend paid on shares							–	−52	−52
Reverse stock split							–		–
Capital increases							–		–
Withdrawal from retained earnings							–		–
Decrease in silent participations							–		–
Changes in ownership interests			1				1	−29	−28
Other changes[1]			2			1	3	−2	1
Equity as at 31.3.2014	**1,139**	**15,928**	**10,673**	**−1,053**	**−317**	**−213**	**26,157**	**894**	**27,051**

[1] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

Cash flow statement (condensed version)

€m	2015	2014[1]
Cash and cash equivalents as at 1.1.	**4,897**	**12,397**
Net cash from operating activities	1,710	−3,501
Net cash from investing activities	−290	−797
Net cash from financing activities	−166	−171
Total net cash	**1,254**	**−4,469**
Effects from exchange rate changes	246	12
Effects from non-controlling interests	−35	−29
Cash and cash equivalents as at 31.3.	**6,362**	**7,911**

[1] Prior-year figures restated.

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.

Selected notes

General information

Accounting policies

The interim financial statements of the Commerzbank Group as at 31 March 2015 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), together with 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 International Financial Reporting Interpretations Committee (IFRIC). This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

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 2015. The reporting currency of the Group financial statements is the euro. 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.

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 2014 (see page 158 ff. of our 2014 Annual Report). These financial statements take into account the standards and interpretations that must be applied in the EU from 1 January 2015 (revised IAS 19 and amendments arising from the IASB's annual improvement process for the 2010 to 2012 and 2011 to 2013 cycles), which had no material impact on the Commerzbank Group financial statements.

The impact of the new and revised standards (IAS 1, 16, 27, 28, 38 and 41 and IFRS 9, 10, 11, 12, 14 and 15) and interpretations whose application is not yet mandatory on the Group’s accounting and measurement practices is set out below.

The IASB published an extensively revised new version of IFRS 9 in July 2014. IFRS 9 replaces the previous standard governing the accounting treatment of financial instruments (IAS 39). IFRS 9 contains new rules for classifying financial instruments on the assets side of the balance sheet and also changes the regulations on the accounting treatment of expected default risk (provisions). The EU Commission started the process for implementing it into European law in December 2014 and has asked the European Financial Reporting Advisory Group (EFRAG) for its opinion. Based on the information available so far, the process of adoption may be completed by the end of 2015. Due to the long timespan until the likely date on which the standard will enter into force (1 January 2018) and the uncertainties still present and the potential scope for interpretation it is not yet possible to reliably quantify the impact.

IFRS 15, which has not yet been adopted by the EU, 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, service agreements and significant judgements and estimates. We are currently reviewing the impact on the Commerzbank Group financial statements.

We do not expect any significant effects on the Group financial statements from the other standards and interpretations whose application is not yet mandatory (including the changes from the IASB's annual improvement process), which are set out below. The amended standard IAS 1 contains amendments with regard to materiality, aggregation and the ordering of notes to the financial statements. The amended standards IAS 16 and 38 clarify the acceptable methods of depreciation and amortisation of tangible and intangible assets. The amendments to the standards IAS 16 and 41 relate to the accounting treatment of what are known as bearer plants. The amendments to IAS 27 permit the use of the equity method for holdings in subsidiaries, joint ventures and associates in separate IFRS financial statements and therefore do not apply to the Commerzbank Group financial statements. The amendments to the IAS 28 and IFRS 10 standards 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 amended standard IFRS 11 requires both the initial acquisition of an interest in a joint operation, and the acquisition of additional interest, to be accounted for in accordance with the principles of IFRS 3 and other applicable IFRSs as long as they do not contradict the provisions of IFRS 11. A further amendment to the standards IFRS 10 and 12 and IAS 28 relates to the application of the consolidation exception for investment entities. IFRS 14, which only applies to those adopting IFRS for the first time and is therefore not relevant for the Commerzbank Group, deals with the treatment of regulatory deferral account balances recognised in previous GAAP financial statements. Changes from the IASB's annual improvement cycle 2012 to 2014 were published in September 2014, consisting mainly of clarifications of definitions and minor changes in recognition, measurement and reporting of transactions.

Consolidated companies

The following companies were consolidated for the first time as at 31 March 2015:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
COCO Finance II–2 Ltd., Dublin, Ireland	–	–	171.7	171.7
ComStage LevDAX® x2 UCITS ETF, Luxembourg, Luxembourg	93.0	34.0	35.8	5.7
ComStage MSCI Italy TRN UCITS ETF, Luxembourg, Luxembourg	99.8	21.5	22.5	1.3
ComStage MSCI Spain TRN UCITS ETF, Luxembourg, Luxembourg	99.5	21.5	22.4	1.5
ComStage ShortMDAX TR UCITS ETF, Luxembourg, Luxembourg	95.0	44.7	46.6	−2.8
MS "SCHUMANN" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	98.0	–	–	–
MS "TSCHAIKOWSKY" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	98.0	–	–	–

The first-time consolidations listed above are entities that were newly formed or else exceeded our materiality limits for consolidation. In the case of additional purchases we apply the provisions of IFRS 3 as soon as we have control of the acquired company. The first-time consolidations did not give rise to any goodwill. Negative differences are reported in the income statement as at the date of acquisition in accordance with IFRS 3.34.

The following companies were sold or permanently fell below our materiality threshold for consolidation:

- Disposals
  - BRE Ubeczpieczenia Towarzystwo Ubezpieczen i Reasekuracji S.A., Warsaw, Poland
  - Transfinance a.s., Prague, Czech Republic
- Entities that have permanently fallen below our materiality threshold for consolidation
  - gr Grundstücks GmbH Objekt Corvus, Eschborn, Germany
  - NAVALIS Schiffsbetriebsgesellschaft mbH & Co MS "NEDLLOYD JULIANA" KG, Hamburg, Germany
  - Space Park GmbH & Co. KG, Frankfurt am Main, Germany

The following companies were merged with Commerzbank Group consolidated companies:

- BRE Agent Ubezpieczeniowy Sp. z.o.o., Warsaw, Poland
- BRE Ubezpieczenia Sp. z.o.o., Warsaw, Poland
- Westend Grundstücksgesellschaft mbH, Eschborn, Germany
- Wohnbau-Beteiligungsgesellschaft mbH, Frankfurt, Germany

In the first quarter of 2015 Apartamenty Molo Rybackie Sp. z o.o., Gdynia, Poland was added to the group of companies accounted for using the equity method. RECAP/Commerz AMW Investment, L.P. - New York, USA ceased to be accounted for using the equity method in the first quarter of 2015.

Avolo Aviation GmbH & Co. KG, Karlsruhe, is held for sale in the Private Customers segment. Fund units are also held for sale in this segment. Until the definitive transfer of the holdings, we measure non-current assets held for sale in accordance with IFRS 5 and report them separately in the relevant balance sheet items.

Notes to the income statement

(1) Net interest income

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Interest income	2,987	2,994	−0.2
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	180	210	−14.3
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	2,240	2,415	−7.2
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	57	148	−61.5
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	186	105	77.1
Prepayment penalty fees	29	34	−14.7
Gains on the sale of loans and receivables and repurchase of liabilities	241	37	.
Dividends from securities	27	26	3.8
Current net income from equity holdings and non-consolidated subsidiaries	3	1	.
Current income from properties held for sale and from investment properties	24	18	33.3
Other interest income	–	–	.
Interest expenses	1,489	1,864	−20.1
Interest expense on subordinated debt instruments and on securitised and other liabilities	1,280	1,517	−15.6
Interest expenses from applying the fair value option	83	190	−56.3
Interest expenses on securitised liabilities held for trading	29	27	7.4
Loss on the sale of loans and receivables and repurchase of liabilities	54	27	.
Current expenses from properties held for sale and from investment properties	11	12	−8.3
Other interest expense	32	91	−64.8
Total	**1,498**	**1,130**	**32.6**

The unwinding effect for the period 1 January to 31 March 2015 was €13m (previous year: €25m).

Other interest expense also includes net interest expense for pensions. Net interest from derivatives (banking and trading book) is recognised in other interest income or other interest expense, depending on the net balance.

(2) Loan loss provisions

The breakdown of loan loss provisions in the income statement was as follows:

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Allocation to loan loss provisions[1]	–561	–667	–15.9
Reversals of loan loss provisions[1]	416	445	–6.5
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	–13	–16	–18.8
Total	**–158**	**–238**	**–33.6**

[1] Gross figures (e.g. migrations between different types of provisions are not netted off).

(3) Net commission income

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Securities transactions	264	230	14.8
Asset management	51	45	13.3
Payment transactions and foreign business	348	312	11.5
Real estate lending business	8	12	–33.3
Guarantees	55	57	–3.5
Net income from syndicated business	84	67	25.4
Intermediary business	48	43	11.6
Fiduciary transactions	1	2	–50.0
Other	41	47	–12.8
Total[1]	**900**	**815**	**10.4**

[1] Of which commission expense: €167m (previous year: €141m).

(4) Net trading income

We have split net trading income into two components:

- Net trading gain or loss (this includes trading in securities, promissory note loans, 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 (including changes in the fair value of related derivatives).

All financial instruments held for trading purposes are measured at fair value. Fair value is derived both from quoted market prices and internal pricing models (primarily net present value and option pricing models). Interest rate and cross-currency interest rate derivatives are measured taking account of the fixing frequency for variable payments.

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Net trading gain or loss[1]	605	470	28.7
Net gain or loss from applying the fair value option	–15	–48	–68.8
Total	**590**	**422**	**39.8**

[1] 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 remeasurement 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.–31.3.2015	1.1.–31.3.2014	Change in %
Net gain or loss from interest-bearing business	**–176**	**–32**	**.**
In the available-for-sale category	36	–6	.
Gain on disposals (including reclassification from revaluation reserve)	41	17	.
Loss on disposals (including reclassification from revaluation reserve)	–2	–20	–90.0
Net remeasurement gain or loss	–3	–3	0.0
In the loans and receivables category	–212	–26	.
Gains on disposals	7	3	.
Loss on disposals	–20	–13	53.8
Net remeasurement gain or loss[1]	–199	–16	.
Net gain or loss on equity instruments	**48**	**–6**	**.**
In the available-for-sale category	1	–	.
Gain on disposals (including reclassification from revaluation reserve)	1	4	–75.0
Loss on disposals (including reclassification from revaluation reserve)	–	–4	–100.0
In the available-for-sale category, measured at acquisition cost	47	5	.
Net remeasurement gain or loss	–	–	.
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	–	–11	–100.0
Total	**–128**	**–38**	**.**

[1] Includes reversals of €2m of portfolio valuation allowances for reclassified securities (previous year: allocation of €13m)

The net gain or loss from interest-bearing business was dominated in the first quarter of 2015 by the impairment of our exposure to HETA ASSET RESOLUTION AG. The net income from equity instruments mainly comprised the net gain generated on the disposal of BRE Ubeczpieczenia Towarzystwo Ubezpieczen i Reasekuracji S.A., Warsaw.

(6) Other net income

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Other material items of expense	**51**	**168**	**–69.6**
Allocations to provisions	22	125	–82.4
Operating lease expenses	25	30	–16.7
Income from building and architects' services	–	2	.
Hire-purchase expenses and sublease expenses	3	3	0.0
Expenses from investment properties	1	3	–66.7
Expenses from non-current assets held for sale	–	–	.
Expenses from disposal of fixed assets	–	5	.
Other material items of income	**80**	**99**	**–19.2**
Reversals of provisions	24	42	–42.9
Operating lease income	40	36	11.1
Income from insurance business	6	5	20.0
Income from building and architects' services	–	2	.
Hire-purchase income and sublease income	7	8	–12.5
Income from investment properties	–	–	.
Income from non-current assets held for sale	–	5	.
Income from disposal of fixed assets	3	1	.
Balance of exchange rate movements	–38	–1	.
Balance of sundry tax income/expenses	–6	–6	0.0
Balance of sundry other income/expenses	–6	8	.
Other net income	**–21**	**–68**	**–69.1**

(7) Operating expenses

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Personnel expenses	984	976	0.8
Administrative expenses	843	619	36.2
Depreciation/amortisation of fixed assets and other intangible assets	112	103	8.7
Total	**1,939**	**1,698**	**14.2**

(8) Restructuring expenses

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Expenses for restructuring measures introduced	66	–	.
Total	**66**	**–**	**.**

The restructuring expenses of €66m in the first quarter of 2015 related to the realignment of the Corporate Markets division in London, the creation of global centres of competence and the reorganisation of our operations in Luxembourg. The aim of these measures is to reduce costs by moving activities to alternative locations while maintaining comparable quality. The cost reductions largely relate to personnel expenses.

(9) Taxes on income

Group tax expense was €218m as at 31 March 2015. With pre-tax profit of €619m the Group's effective tax rate was therefore 35.2% (Group income tax rate: 31,23%). Group tax expense derived mainly from current tax expenses of the mBank sub-group, comdirect bank and Commerzbank Aktiengesellschaft in Germany and Luxembourg for the current year. The remeasurement of deferred tax assets on tax loss carryforwards as a result of the restrictions imposed by the UK government on the offsetting of tax loss carryforwards against future profits was one of the main items that pushed up the tax rate.

(10) 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. In accordance with this standard, segment information must be prepared on the basis of the internal reporting information that is evaluated by the chief operating decision maker to assess the performance of the operating segments and make decisions regarding 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 covers five operating segments 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 divided up on the basis of distinctions between products, services and/or customer target groups. Minor modifications in the segments' business models led to slight adjustments in the business responsibilities.

- The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. The Private Customers division combines the classic branch business with retail and corporate customers and private banking. The dense national network of local branches offers a full service range of banking products including loan, deposit, securities, payment and pension products. Wealth Management provides services to wealthy clients in Germany and abroad and also contains the Group's portfolio management activities. The focus is on services such as securities and portfolio management, credit management and loans and real estate management. We also provide advice on trust and inheritance issues and corporate investments. Moreover, this segment includes Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The joint venture Commerz Finanz, which is focused on consumer lending, is managed centrally by the Private Customers segment and also reports its results there. Since 1 July 2012 the private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt has been part of the Private Customers division. The Direct Banking division comprises the activities of the comdirect bank Group. The B2B (ebase) and B2C businesses (comdirect) contained in Direct Banking provide standardised, primarily internet-based advisory and service offerings for customers. Commerz Real has been a division of the Private Customers segment since July 2012 (except for the warehouse section). Its products range from open-ended real estate funds (hausinvest) to closed-end funds in real estate, aircraft, ships and renewable energy, institutional investments and structured investments as well as equipment leasing.
- The Mittelstandsbank segment is divided into the three Group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. Our comprehensive service offering includes payments and cash management solutions, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. In the Corporate Banking & International division we concentrate on serving corporate groups with revenues of over €500m (except for multinational corporates, which are handled by Client Relationship Management within the Corporates & Markets segment). Smaller groups with a strong capital market affinity are also serviced by this division. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. In selected core markets we also

provide services to small and medium-sized customers in their local business, even when it has no connections with Germany. The Corporate Banking & International division also contains the competence centre for customers from the energy sector. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance services. Financial Institutions uses a global network of correspondent banks, together with business relationships in emerging markets, to support the Group's financing and processing of foreign trade activities on behalf of all Commerzbank Group customers throughout the world, and thus supports other Group divisions of the Bank in their international strategies.

- The Central & Eastern Europe (CEE) segment comprises the universal banking and direct banking activities in this region during the reporting period. It includes in particular our Polish subsidiary mBank, which offers banking products for corporate customers as well as financial services for private customers in Poland, the Czech Republic and Slovakia.
- Corporates & Markets consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity and commodity-related financial products. Fixed Income & Currencies handles trading and sales of interest rate, credit and currency instruments. Corporate Finance provides arrangement and advisory services for equity, debt and hybrid instruments, securitisation solutions and mergers & acquisitions. Credit Portfolio Management is responsible for actively managing the counterparty risks arising from the lending and trading transactions of Corporates & Markets on a uniform global basis. The assets transferred from the Portfolio Restructuring Unit are also wound down in this Group division in a value-preserving manner. Corporates & Markets also houses Client Relationship Management, which is responsible for servicing German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public sector customers.
- The Non-Core Assets (NCA) segment groups together the results from the Commercial Real Estate, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions. Commercial Real Estate belongs almost entirely, and Public Finance predominantly, to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft. The DSB division contains the ship financing business of the Commerzbank Group, including all ship financing activities of the former Deutsche Schiffsbank Aktiengesellschaft. The NCA segment also comprises the warehouse assets of Commerz Real Aktiengesellschaft.
- 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 costs for Group-wide projects, effects resulting from the purchase price allocation in connection with the Dresdner Bank takeover, specific individual matters that cannot be allocated to the segments, and Group Treasury. The costs of the service units, which – except for restructuring costs – are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. Also shown here are the costs of the Group management units, which – except for restructuring costs – are also mainly charged to the segments.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as 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. 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.

The return on equity is calculated as the ratio of profit (both operating and pre-tax) to average capital employed. It shows the return on the capital employed in a given segment. In addition to the usual key performance indicators, we are for the first time reporting the operating return on equity less goodwill and other intangible assets, which is increasingly becoming a source of interest for investors. 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 in 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 segment-specific equity holdings allocated to each segment 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, IFRS capital is shown, which is used to calculate the return on equity. The adjustment of average capital employed to IFRS capital is carried out in Others and Consolidation. Against the backdrop of increased capital adequacy requirements the capital requirement for risk-weighted assets assumed for segment reporting purposes is 10% from 2015. The prior-year figures have been restated accordingly. As a result of the continuing reduction in the NCA segment's portfolio part of the capital allocation reported there, which was originally required by the EBA for the risks of EU government bonds, was given back to the core bank in the first quarter of 2014. We also report assets as well as liabilities and equity for the individual segments. Due to our business model the segment balance sheet only balances out at Group level.

The segment reporting of the Commerzbank Group shows the segments' pre-tax profit or loss. To reflect the impact on earnings of specific tax-related transactions in the Corporates & Markets segment, the net interest income of Corporates & Markets 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 expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of goodwill 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.

The carrying amounts of companies accounted for using the equity method were €706m (previous year: €684m) and were divided over the segments as follows: Private Customers €428m (previous year: €417m), Mittelstandsbank €100m (previous year: €104m), Corporates & Markets €58m (previous year: €49m), Non-Core Assets €39m (previous year: €46m) and Others and Consolidation €81m (previous year: €68m).

The tables below contain information on the segments as at 31 March 2015 and on the comparative figures for the previous financial year.

1.1.–31.3.2015 €m	**Private Customers**	**Mittel-standsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Non-Core Assets**	**Others and Consoli-dation**	**Group**
Net interest income	435	443	135	350	149	– 14	1,498
Loan loss provisions	– 13	– 35	– 23	47	– 97	– 37	– 158
Net interest income after loan loss provisions	422	408	112	397	52	– 51	1,340
Net commission income	459	292	47	102	5	– 5	900
Net trading income and net income from hedge accounting	–	29	20	221	157	92	519
Net investment income	1	1	47	2	– 203	24	– 128
Current net income from companies accounted for using the equity method	14	–	–	2	– 2	–	14
Other net income	5	– 2	5	– 11	10	– 28	– 21
Income before loan loss provisions	*914*	*763*	*254*	*666*	*116*	*69*	*2,782*
Income after loan loss provisions	*901*	*728*	*231*	*713*	*19*	*32*	*2,624*
Operating expenses	740	383	115	413	105	183	1,939
Operating profit or loss	**161**	**345**	**116**	**300**	**– 86**	**– 151**	**685**
Restructuring expenses	–	–	–	50	16	–	66
Pre-tax profit or loss	**161**	**345**	**116**	**250**	**– 102**	**– 151**	**619**
Assets	**74,150**	**91,487**	**30,182**	**222,391**	**100,303**	**86,739**	**605,252**
Liabilities and equity	**100,702**	**141,181**	**25,093**	**193,601**	**52,898**	**91,777**	**605,252**
Average capital employed	**4,144**	**8,191**	**1,843**	**4,624**	**7,559**	**1,163**	**27,524**
Operating return on equity[1] (%)	**15.5**	**16.8**	**25.2**	**26.0**	**– 4.6**		**10.0**
Operating return on tangible equity (%)	**22.4**	**18.7**	**30.7**	**26.8**	**– 4.6**		**11.2**
Cost/income ratio in operating business (%)	**81.0**	**50.2**	**45.3**	**62.0**	**90.5**		**69.7**
Return on equity of pre-tax profit or loss[1] (%)	**15.5**	**16.8**	**25.2**	**21.6**	**– 5.4**		**9.0**
Staff (average headcount)	15,638	5,909	8,053	1,922	490	17,804	49,816

[1] Annualised.

1.1.–31.3.2014 €m	**Private Customers**	**Mittel-standsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Non-Core Assets**	**Others and Consoli-dation**	**Group**
Net interest income	449	439	132	146	59	–95	1,130
Loan loss provisions	–36	–57	–21	9	–134	1	–238
Net interest income after loan loss provisions	413	382	111	155	–75	–94	892
Net commission income	407	275	57	76	5	–5	815
Net trading income and net income from hedge accounting	1	4	24	318	60	1	408
Net investment income	2	–2	2	–5	–88	53	–38
Current net income from companies accounted for using the equity method	9	1	–	2	–	1	13
Other net income	5	2	9	4	5	–93	–68
Income before loan loss provisions	*873*	*719*	*224*	*541*	*41*	*–138*	*2,260*
Income after loan loss provisions	*837*	*662*	*203*	*550*	*–93*	*–137*	*2,022*
Operating expenses	726	322	105	336	81	128	1,698
Operating profit or loss	**111**	**340**	**98**	**214**	**–174**	**–265**	**324**
Restructuring expenses	–	–	–	–	–	–	–
Pre-tax profit or loss	**111**	**340**	**98**	**214**	**–174**	**–265**	**324**
Assets	**68,846**	**83,007**	**25,882**	**197,665**	**115,299**	**83,564**	**574,263**
Liabilities and equity	**94,241**	**130,042**	**21,079**	**182,333**	**57,025**	**89,543**	**574,263**
Average capital employed	**4,266**	**7,335**	**1,693**	**4,552**	**8,514**	**717**	**27,077**
Operating return on equity[1] (%)	**10.4**	**18.5**	**23.2**	**18.8**	**–8.2**		**4.8**
Operating return on tangible equity (%)	**14.9**	**20.9**	**28.7**	**19.5**	**–8.2**		**5.4**
Cost/income ratio in operating business (%)	**83.2**	**44.8**	**46.9**	**62.1**	**197.6**		**75.1**
Return on equity of pre-tax profit or loss[1] (%)	**10.4**	**18.5**	**23.2**	**18.8**	**–8.2**		**4.8**
Staff (average headcount)	16,032	5,748	7,642	1,957	611	17,919	49,909

[1] Annualised.

Details for Others and Consolidation:

€m	1.1.–31.3.2015			1.1.–31.3.2014		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	–7	–7	–14	–86	–9	–95
Loan loss provisions	–37	–	–37	1	–	1
Net interest income after loan loss provisions	–44	–7	–51	–85	–9	–94
Net commission income	–4	–1	–5	–3	–2	–5
Net trading income and net income from hedge accounting	93	–1	92	–2	3	1
Net investment income	29	–5	24	–12	65	53
Current net income from companies accounted for using the equity method	–	–	–	1	–	1
Other net income	–25	–3	–28	–89	–4	–93
Income before loan loss provisions	*86*	*–17*	*69*	*–191*	*53*	*–138*
Income after loan loss provisions	*49*	*–17*	*32*	*–190*	*53*	*–137*
Operating expenses	190	–7	183	134	–6	128
Operating profit or loss	**–141**	**–10**	**–151**	**–324**	**59**	**–265**
Restructuring expenses	–	–	–	–	–	–
Pre-tax profit or loss	**–141**	**–10**	**–151**	**–324**	**59**	**–265**
Assets	86,739	–	**86,739**	83,564	–	**83,564**
Liabilities and equity	91,777	–	**91,777**	89,543	–	**89,543**

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 are shown in Consolidation.
- The pre-tax equivalent of tax-related transactions allocated to net interest income in the Corporates & Markets segment is eliminated again under Consolidation.
- Net remeasurement gains or losses on own bonds and shares incurred in the segments are eliminated under Consolidation.
- Other consolidation effects from intragroup transactions are also reported here.

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

1.1.–31.3.2015 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	756	693	78	– 29	–	1,498
Loan loss provisions	– 120	– 43	5		–	– 158
Net interest income after loan loss provisions	636	650	83	– 29	–	1,340
Net commission income	739	129	15	17	–	900
Net trading income and net income from hedge accounting	444	–	– 47	122	–	519
Net investment income	– 148	20	–	–	–	– 128
Current net income from companies accounted for using the equity method	12	1	1	–	–	14
Other net income	– 21	13	– 10	– 3	–	– 21
Income before loan loss provisions	*1,782*	*856*	*37*	*107*	–	*2,782*
Income after loan loss provisions	*1,662*	*813*	*42*	*107*	–	*2,624*
Operating expenses	1,523	345	35	36	–	1,939
Operating profit or loss	**139**	**468**	**7**	**71**	**–**	**685**
Credit-risk-weighted assets	**115,764**	**53,926**	**4,138**	**3,051**	**–**	**176,879**

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

1.1.–31.3.2014 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	788	298	18	26	–	1,130
Loan loss provisions	– 162	– 72	– 3	– 1	–	– 238
Net interest income after loan loss provisions	626	226	15	25	–	892
Net commission income	670	121	9	15	–	815
Net trading income and net income from hedge accounting	89	297	– 8	30	–	408
Net investment income	– 36	– 6	4	–	–	– 38
Current net income from companies accounted for using the equity method	11	1	1	–	–	13
Other net income	– 85	13	4	–	–	– 68
Income before loan loss provisions	*1,437*	*724*	*28*	*71*	–	*2,260*
Income after loan loss provisions	*1,275*	*652*	*25*	*70*	–	*2,022*
Operating expenses	1,314	321	33	30	–	1,698
Operating profit or loss	**– 39**	**331**	**– 8**	**40**	**–**	**324**
Credit-risk-weighted assets	**115,559**	**50,836**	**3,205**	**3,463**	**–**	**173,063**

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

Notes to the balance sheet

(11) Claims on banks

€m	31.3.2015	31.12.2014	Change in %
Due on demand	44,702	29,070	53.8
With a residual term	41,669	51,078	−18.4
up to three months	25,215	22,944	9.9
over three months to one year	9,857	22,164	−55.5
over one year to five years	6,191	5,587	10.8
more than 5 years	406	383	6.0
Total	**86,371**	**80,148**	**7.8**
of which reverse repos and cash collaterals	51,554	48,096	7.2
of which relate to the category:			
Loans and receivables	58,665	52,458	11.8
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	27,706	27,690	0.1

Claims on banks after deduction of loan loss provisions amounted to €86,256m (previous year: €80,036m).

(12) Claims on customers

€m	31.3.2015	31.12.2014	Change in %
With an indefinite residual term	29,876	26,368	13.3
With a residual term	212,604	212,162	0.2
up to three months	36,316	37,407	−2.9
over three months to one year	24,128	25,732	−6.2
over one year to five years	67,174	65,371	2.8
more than 5 years	84,986	83,652	1.6
Total	**242,480**	**238,530**	**1.7**
of which reverse repos and cash collaterals	22,705	22,886	−0.8
of which relate to the category:			
Loans and receivables	225,666	219,565	2.8
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	16,814	18,965	−11.3

Claims on customers after deduction of loan loss provisions amounted to €237,031m (previous year: €232,867m).

(13) Total lending

€m	31.3.2015	31.12.2014	Change in %
Loans to banks	23,960	25,203	−4.9
Loans to customers	219,782	215,650	1.9
Total	**243,742**	**240,853**	**1.2**

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.

(14) Loan loss provision

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	2015	2014	Change in %
As at 1.1.	**6,013**	**7,019**	**−14.3**
Allocations	561	667	−15.9
Disposals	1,102	723	52.4
Utilisation	686	278	.
Reversals	416	445	−6.5
Changes in the group of consolidated companies	−3	–	.
Exchange rate changes/reclassifications/unwinding	332	−94	.
As at 31.3.	**5,801**	**6,869**	**−15.5**

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 €158m (31 March 2014: €238m) (see Note 2).

Loan loss provisions | €m	31.3.2015	31.12.2014	Change in %
Specific valuation allowances	4,852	5,079	−4.5
Portfolio valuation allowances	712	696	2.3
Provisions for on-balance-sheet loan losses	**5,564**	**5,775**	**−3.7**
Specific loan loss provisions	108	111	−2.7
Portfolio loan loss provisions	129	127	1.6
Provisions for off-balance sheet loan losses	**237**	**238**	**−0.4**
Total	**5,801**	**6,013**	**−3.5**

For claims on banks, loan loss provisions amounted to €115m (previous year: €112m) and for claims on customers to €5,449m (previous year: €5,663m).

(15) Trading assets

The Group's trading activities include trading in:

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

Other assets held for trading comprise positive fair values of loans for syndication as well as loans and money market trading transactions.

All the items in the trading portfolio are reported at fair value.

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

€m	31.3.2015	31.12.2014	Change in %
Bonds, notes and other interest-rate-related securities	23,067	14,059	64.1
Promissory note loans	1,121	1,102	1.7
Shares, other equity-related securities and units in investment funds	35,203	24,936	41.2
Positive fair values of derivative financial instruments	105,156	89,315	17.7
Currency-related derivative transactions	24,255	16,707	45.2
Interest-rate-related derivative transactions	74,489	66,587	11.9
Other derivative transactions	6,412	6,021	6.5
Other trading assets	1,012	931	8.7
Total	**165,559**	**130,343**	**27.0**

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €2,270m in equity derivatives (previous year: €2,083m) and €1,972m in credit derivatives (previous year: €1,712m).

(16) 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 companies not accounted for using the equity method and jointly controlled entities) and holdings in non-consolidated subsidiaries.

€m	31.3.2015	31.12.2014	Change in %
Bonds, notes and other interest-rate-related securities[1]	89,012	89,076	−0.1
Shares, other equity-related securities and units in investment funds	1,038	993	4.5
Equity holdings	326	177	84.2
Holdings in non-consolidated subsidiaries	138	112	23.2
Total	**90,514**	**90,358**	**0.2**
of which relate to the category:			
Loans and receivables[1]	44,350	45,154	−1.8
Available-for-sale financial assets	43,601	42,756	2.0
of which measured at amortised cost	347	309	12.3
At fair value through profit or loss (fair value option)	2,563	2,448	4.7

[1] Reduced by portfolio valuation allowances for reclassified securities of €39m (previous year: €41m).

As at 31 March 2015 the financial investments included €347m (previous year: €309m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at 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 its press release of 13 October 2008, the IASB issued an amendment to IAS 39 relating to the reclassification of financial instruments. In accordance with the amendment, securities in the Public Finance portfolio for which there was no active market were reclassified from the IAS 39 available-for-sale financial assets category to the IAS 39 loans and receivables category in the financial years 2008 and 2009. The fair value at the date of reclassification was recognised as the new carrying amount of these securities.

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €−0.5bn as at 31 March 2015 (previous year: €−0.5bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €−2.4bn (previous year: €−2.7bn) as at 31 March 2015; the carrying amount of these portfolios on the balance sheet date was €41.8bn (previous year: €42.7bn) and fair value was €39.1bn (previous year: €39.5bn).

(17) Intangible assets

€m	31.3.2015	31.12.2014	Change in %
Goodwill	2,076	2,076	0.0
Other intangible assets	1,268	1,254	1.1
Customer relationships	345	355	–2.8
In-house developed software	626	616	1.6
Other	297	283	4.9
Total	**3,344**	**3,330**	**0.4**

(18) Fixed assets

€m	31.3.2015	31.12.2014	Change in %
Land and buildings and other fixed assets	1,456	1,457	–0.1
Office furniture and equipment	457	459	–0.4
Total	**1,913**	**1,916**	**–0.2**

(19) Other assets

€m	31.3.2015	31.12.2014	Change in %
Collection items	11	17	–35.3
Precious metals	226	177	27.7
Leased equipment	864	795	8.7
Accrued and deferred items	409	219	86.8
Initial/variation margins receivable	190	194	–2.1
Defined benefit assets	359	342	5.0
Other assets	1,769	1,455	21.6
Total	**3,828**	**3,199**	**19.7**

(20) Liabilities to banks

€m	31.3.2015	31.12.2014	Change in %
Due on demand	48,228	43,629	10.5
With a residual term	57,197	55,814	2.5
up to three months	25,913	24,850	4.3
over three months to one year	6,169	5,824	5.9
over one year to five years	13,948	14,040	–0.7
more than 5 years	11,167	11,100	0.6
Total	**105,425**	**99,443**	**6.0**
of which repos und cash collaterals	31,817	33,410	–4.8
of which relate to the category:			
Liabilities measured at amortised cost	77,265	72,893	6.0
At fair value through profit or loss (fair value option)	28,160	26,550	6.1

(21) Liabilities to customers

€m	31.3.2015	31.12.2014	Change in %
Savings deposits	6,813	6,760	0.8
With an agreed period of notice of			
three months	6,762	6,701	0.9
over three months	51	59	−13.6
Other liabilities to customers	254,529	242,217	5.1
Due on demand	155,384	151,727	2.4
With a residual term	99,145	90,490	9.6
up to three months	37,384	33,814	10.6
over three months to one year	26,427	20,482	29.0
over one year to five years	12,691	13,336	−4.8
more than 5 years	22,643	22,858	−0.9
Total	**261,342**	**248,977**	**5.0**
of which repos und cash collaterals	22,448	20,204	11.1
of which relate to the category:			
Liabilities measured at amortised cost	237,093	225,906	5.0
At fair value through profit or loss (fair value option)	24,249	23,071	5.1

(22) Securitised liabilities

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

€m	31.3.2015	31.12.2014	Change in %
Bonds and notes issued	41,686	45,664	−8.7
of which Mortgage Pfandbriefe	13,504	13,973	−3.4
Public Pfandbriefe	11,981	13,353	−10.3
Money market instruments issued	6,361	3,136	.
Own acceptances and promissory notes outstanding	52	13	.
Total	**48,099**	**48,813**	**−1.5**
of which relate to the category:			
Liabilities measured at amortised cost	46,650	47,346	−1.5
At fair value through profit or loss (fair value option)	1,449	1,467	−1.2

Residual maturities of securitised liabilities | €m	31.3.2015	31.12.2014	Change in %
Due on demand	–	–	.
With a residual term	48,099	48,813	–1.5
up to three months	4,819	5,031	–4.2
over three months to one year	11,976	10,245	16.9
over one year to five years	22,625	24,888	–9.1
more than 5 years	8,679	8,649	0.3
Total	**48,099**	**48,813**	**–1.5**

In the first three months of 2015, material new issues with a total volume of €5.5bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.8bn and the volume of bonds maturing to €5.5bn.

(23) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify for hedge accounting as well as lending commitments with negative fair values. Own issues in the trading book and delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	31.3.2015	31.12.2014	Change in %
Currency-related derivative transactions	27,470	18,637	47.4
Interest-rate-related derivative transactions	71,832	63,648	12.9
Other derivative transactions	8,397	6,616	26.9
Certificates and other notes issued	6,330	5,271	20.1
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	9,924	2,991	.
Total	**123,953**	**97,163**	**27.6**

Other derivative transactions consisted mainly of €5,151m in equity derivatives (previous year: €3,736m) and €2,676m in credit derivatives (previous year: €2,327m)

(24) Provisions

€m	31.3.2015	31.12.2014	Change in %
Provisions for pensions and similar commitments	1,645	1,590	3.5
Other provisions	2,612	3,661	–28.7
Total	**4,257**	**5,251**	**–18.9**

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 178 ff. of our 2014 Annual Report). The actuarial assumptions underlying these obligations at 31 March 2015 were a discount rate of 1.6% (previous year: 2.3%), a change in salaries of 2.5% (previous year: 2.5%) and an adjustment to pensions of 1.5% (previous year: 1.8%).

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. Provisions have been recognised for legal proceedings and recourse claims relating to the following matters among others, although we have not set out the provision amounts in detail so as not to influence the outcome of the various proceedings. The provisions should cover the costs expected according to our judgement as at balance sheet date:

- 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. The Group is currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are mainly active in the area of investment advisory within the Private 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 demanding 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 contract terms for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees.
- Former employees of the Dresdner Bank Group have instigated lawsuits in Germany and at various locations abroad against group companies to recover variable remuneration which was either not paid or not paid in the amount to which the employee was supposedly entitled for the 2008 financial year. The majority of these cases have already been legally decided in the courts. The rulings which resulted varied according to jurisdiction and the specifics of the respective case; in some instances the Bank prevailed and in others the Bank was ordered to pay.
- In the past few years the Commerzbank Group has sold a number of subsidiaries and equity holdings in Germany and abroad as well as some major properties. These contracts contain guarantees, certain indemnities and some 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 non-cash capital contribution. The appeal court in the case decided in April 2014 that the transfer of the properties by way of a non-cash capital contribution was invalid. The Commerzbank subsidiary is appealing this decision.
- A subsidiary of Commerzbank was involved in two South American banks which are meanwhile being liquidated. 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 duties 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 US 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 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 Aktiengesellschaft was sued as part of a consortium by a customer in the course of his bankruptcy proceedings in the US. 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 has submitted an application for a summary judgement.
- Commerzbank has been sued by a customer's fidelity insurer in connection with foreign payment transactions which were allegedly not authorised by the customer. The Bank received notice of the action in November 2014. Commerzbank will defend itself against the action.
- 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. A hearing date is planned for 2015.
- 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.

At the beginning of 2010 Commerzbank was requested by the US authorities to carry out an internal investigation of breaches by the Group of US sanctions regulations and to work closely with the US authorities in conducting this investigation. The US authorities also investigated whether Commerzbank infringed US anti-money laundering regulations. Commerzbank has cooperated with the US authorities for several years and provided them with detailed documentation and the findings of various internal investigations. After the US Department of Justice decided in October 2014 to pursue a combined settlement of the two cases, an agreement was reached with the US authorities on the breaches of sanctions and anti-money laundering regulations at the beginning of March 2015. As part of this settlement Commerzbank has agreed to pay a total of US $ 1,452m. Provisions have been recognised for this amount. Commerzbank also has wide-ranging obligations under the agreement, particularly in relation to cooperation with the US authorities and the improvement of the Bank's compliance processes. The settlement also includes a deferred prosecution agreement covering a period of three years.

(25) Other liabilities

€m	31.3.2015	31.12.2014	Change in %
Liabilities attributable to film funds	1,474	1,470	0.3
Liabilities attributable to non-controlling interests	5,268	3,965	32.9
Accrued and deferred items	382	388	– 1.5
Variation margins payable	181	138	31.2
Other liabilities	1,872	1,538	21.7
Total	**9,177**	**7,499**	**22.4**

(26) Subordinated debt instruments

€m	31.3.2015	31.12.2014	Change in %
Subordinated debt instruments	12,791	12,635	1.2
Accrued interest, including discounts	– 1,160	– 1,010	14.9
Remeasurement effects	814	733	11.1
Total	**12,445**	**12,358**	**0.7**
of which relate to the category:			
Liabilities measured at amortised cost	12,437	12,350	0.7
At fair value through profit or loss (fair value option)	8	8	0.0

In the first three months of 2015 the volume of bonds maturing amounted to €0.2bn. Other than this there were no material changes.

Other notes

(27) Capital requirements and leverage ratio

The table below with the composition of the Commerzbank Group's capital shows the figures on both a phase-in basis (i.e. the currently applicable regulations) and a fully loaded basis.

Position | €m	31.3.2015[1] phase-in	31.12.2014 phase-in	31.3.2015[1] fully loaded	31.12.2014 fully loaded
Equity as shown in balance sheet	**28,129**	**26,960**	**28,129**	**26,960**
Effect from debit valuation adjustments	–87	–38	–219	–188
Correction to revaluation reserve	474	906	–	–
Correction to cash flow hedge reserve	232	246	232	246
Correction to phase-in (IAS 19)	824	1,022	–	–
Non-controlling interests (minority)	–243	–135	–446	–426
Goodwill	–2,090	–2,090	–2,090	–2,090
Intangible assets	–982	–969	–982	–969
Surplus in plan assets	–120	–57	–299	–283
Deferred tax assets from loss carryforwards	–189	–128	–473	–639
Shortfall due to expected loss	–640	–496	–914	–827
Prudential Valuation	–458	–469	–458	–469
Own shares	–26	–17	–59	–68
First loss positions from securitisations	–341	–360	–341	–360
Advance payment risks	–	–	–	–
Deduction of offset components of additional core capital (AT 1)	1,018	935	–	–
Deferred tax assets from temporary differences which exceed the 10% threshold	–172	–89	–771	–886
Others and rounding	–181	–98	–181	–99
Core Tier 1	**25,148**	**25,123**	**21,128**	**19,902**
Additional Tier 1	**–**	**–**	**–**	**–**
Tier 1 capital	**25,148**	**25,123**	**21,128**	**19,902**
Tier 2 capital	**6,458**	**6,353**	**6,314**	**6,404**
Equity	**31,606**	**31,476**	**27,442**	**26,306**
Risk-weighted assets	**222,402**	**215,178**	**221,547**	**214,072**
Core Tier 1 ratio (%)	**11.3**	**11.7**	**9.5**	**9.3**
Total capital ratio (%)	**14.2**	**14.6**	**12.4**	**12.3**

[1] Preliminary figures as at 31 March 2015 (including retainable interim profit).

The table below shows the current risk-weighted assets, the capital amounts and capital ratios:

Mio. €	31.3.2015[1]	31.12.2014	Change in %
Credit risk	176,879	173,563	1.9
Market risk[2]	22,470	20,055	12.0
Operational risk	23,053	21,560	6.9
Total	**222,402**	**215,178**	**3.4**
Common Equity Tier 1	25,148	25,123	
Tier 1 capital	25,148	25,123	
Total capital	31,606	31,476	
Core Tier 1 ratio (%)	11.3	11.7	
Tier 1 ratio (%)	11.3	11.7	
Total capital ratio (%)	14.2	14.6	

[1] Preliminary figures as at 31 March 2015 (including retainable interim profit).
[2] Including capital adequacy requirements for credit valuation adjustment risks.

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive debt levels. 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 at the end of the first quarter of 2015 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)	31.3.2015
Leverage exposure "phase-in" (€m)	579,676
Leverage exposure "fully loaded" (€m)	576,877
Leverage ratio "phase-in" (as at end of quarter; %)	4.3
Leverage ratio "fully loaded" (as at end of quarter; %)	3.7

(28) Contingent liabilities and irrevocable lending commitments

€m	31.3.2015	31.12.2014	Change in %
Contingent liabilities	37,351	37,147	0.5
from rediscounted bills of exchange credited to borrowers	7	7	0.0
from guarantees and indemnity agreements	37,271	37,069	0.5
from other commitments	73	71	2.8
Irrevocable lending commitments	65,281	59,850	9.1

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

In addition to the credit facilities listed above, the Commerzbank Group can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised. A reliable assessment either of the date on which the risk will materialise or of potential reimbursements is impossible. Depending on the outcome of the legal proceedings, the estimate of our risk of loss may be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not materialise and therefore the amounts are not representative of the actual future losses. As at 31 March 2015 the contingent liability for legal risks amounted to €1,038m (previous year: €992m) and related to the following material issues:

- As a result of the insolvency of its counterparty Commerzbank terminated the ISDA Master Agreement between the counterparties in 2008, which led to the close-out of a large number of transactions. In May 2013 Commerzbank received an alternative dispute resolution (ADR) notice concerning the calculation of the close-out values for some of these transactions. In the subsequent mediation procedure the demands of the parties were so far apart that the Bank rejected the proposed compromise. However, following prolonged compromise negotiations all of the settlements sought by the Bank, with one exception, were successfully concluded in March 2015. Negotiations on the outstanding settlement are continuing.
- 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 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 are appealing this decision.
- Commerzbank has been sued for damages for allegedly invalidly taking in pledge and realising globally certificated stocks. The suit was rejected in the court of first instance in 2010. The appeal was rejected in 2013. As leave to appeal again was denied, the plaintiff has since launched a complaint against denial of leave to appeal at the German Federal Court of Justice.
- Following the sale of the stake in the Public Joint-Stock Company "Bank Forum", Kiev, Ukraine (Bank Forum) in 2012, Commerzbank was contacted by the purchasers raising claims under the contract of sale and alleging that the contract of sale was invalid as a result of fraud. The parties are currently engaged in arbitration on the basis of the arbitration clauses in the contract. The purchasers are demanding that the contract of sale should be declared invalid, the sale reversed and the instalments paid towards the purchase price reimbursed, together with compensation for the losses they have sustained. Commerzbank rejects these demands and has lodged claims against the purchasers for the payment of the remainder of the purchase price and against the guarantor of the purchase price under the guarantee. Commerzbank has now submitted its statement of defence to the court of arbitration.
- The Commerzbank Group held an equity holding in a company which was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were taken against the Commerzbank Group for repayment of the proceeds it received for the sale of its stake. Two of these suits have been rejected but are currently going through the appeals process.

(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 2015 totalled €96,328m (previous year: 98,917m). On the assets side, €93,953m of this was attributable to positive fair values and €2,375m to variation margins received. Netting on the liabilities side involved negative fair values of €95,466m and liabilities for variation margin payments of €862m.

	Nominal amount by residual term						Fair values	
31.3.2015 €m	**due on demand**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	4	251,657	162,720	204,405	127,332	746,118	24,255	27,668
Interest-based forward transactions	6	407,121	1,411,218	992,042	1,137,240	3,947,627	172,956	177,658
Other forward transactions	1,852	75,280	70,826	122,516	25,422	295,896	6,412	8,397
Total	**1,862**	**734,058**	**1,644,764**	**1,318,963**	**1,289,994**	**4,989,641**	**203,623**	**213,723**
of which exchange-traded	*–*	*50,578*	*63,582*	*28,065*	*8,732*	*150,957*		
Net position in the balance sheet							**109,670**	**118,257**

	Nominal amount by residual term						Fair values	
31.12.2014 €m	**due on demand**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	4	249,095	148,242	191,380	122,093	710,814	17,185	18,808
Interest-based forward transactions	6	512,331	1,223,260	1,072,946	1,222,229	4,030,772	166,939	171,169
Other forward transactions	1,796	53,869	66,884	111,164	17,619	251,332	6,021	6,615
Total	**1,806**	**815,295**	**1,438,386**	**1,375,490**	**1,361,941**	**4,992,918**	**190,145**	**196,592**
of which exchange-traded	*–*	*38,557*	*57,378*	*20,003*	*4,147*	*120,085*		
Net position in the balance sheet							**93,771**	**98,256**

(30) Fair value and fair value hierarchy 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 certain 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, at fair value through profit or loss includes derivatives, instruments held for trading and instruments designated at fair value.

Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction. The 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 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 those 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 procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the finance function. The models, inputs and resulting fair values are reviewed regularly by Senior Management and the Risk function.

The fair values which can be realised at a later date can 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:

- Listed derivatives are valued at the bid or offer price available on active markets. In some cases, theoretical prices may also be used. 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 to different degrees. These models are regularly calibrated to recent market prices.

  Input parameters for these models are derived, where 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 equities 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 some 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 active markets.
- 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.
- 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 tables below the financial instruments reported in the balance sheet at fair value are grouped by balance sheet item and valuation category. 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).

Financial assets | €bn		31.3.2015				31.12.2014			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	27.7	–	27.7	–	27.7	–	27.7
Claims on customers	At fair value through profit or loss	–	16.4	0.4	16.8	–	18.5	0.5	19.0
Positive fair values of derivative hedging instruments	Hedge accounting	–	4.5	–	4.5	–	4.5	–	4.5
Trading assets	Held for trading	54.5	105.6	5.5	165.6	32.5	92.7	5.1	130.3
of which positive fair values from derivatives		–	101.0	4.2	105.2	–	85.4	3.9	89.3
Financial investments	At fair value through profit or loss	1.4	1.1	0.1	2.6	2.4	–	–	2.4
	Available-for-sale financial assets	38.7	4.5	0.1	43.3	37.9	4.5	0.1	42.5
Total		**94.6**	**159.8**	**6.1**	**260.5**	**72.8**	**147.9**	**5.7**	**226.4**

Financial liabilities | €bn		31.3.2015				31.12.2014			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	28.2	–	28.2	–	26.6	–	26.6
Liabilities to customers	At fair value through profit or loss	–	24.2	–	24.2	–	23.1	–	23.1
Securitised liabilities	At fair value through profit or loss	1.4	–	–	1.4	1.5	–	–	1.5
Negative fair values of derivative hedging instruments	Hedge accounting	–	10.6	–	10.6	–	9.4	–	9.4
Trading liabilities	Held for trading	15.7	105.5	2.8	124.0	7.8	86.9	2.5	97.2
of which negative fair values from derivatives		–	104.9	2.8	107.7	–	86.3	2.5	88.8
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**17.1**	**168.5**	**2.8**	**188.4**	**9.3**	**146.0**	**2.5**	**157.8**

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 2015, as there were no listed market prices available. This involved €1.9bn in available-for-sale bonds and receivables, while €1.6bn was reclassified from bonds and receivables held for trading. €1.1bn of bonds to which the fair value option is applied were also reclassified, along with held for trading liabilities of €0.3bn. Opposite reclassifications were made from Level 2 to Level 1 for €1.3bn of available-for-sale bonds, as quoted market prices became available again.

€4.1bn of bonds held for trading and held for trading liabilities of €0.2bn were also reclassified from Level 2 to Level 1. The reclassifications were determined on the basis of the holdings on 31 December 2014. 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 customers	Trading assets	of which positive fair values from derivatives	Financial investments		Total
	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	
Fair value as at 1.1.2014	**284**	**1,813**	**775**	**25**	**59**	**2,181**
Changes in the group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–2	194	169	–	–	192
of which unrealised gains/losses	–2	206	180	–	–	204
Gains or losses recognised in revaluation reserve	–	–	–	–	–1	–1
Purchases	–	251	7	–	89	340
Sales	–	–225	–152	–	–	–225
Issues	–	–	–	–	–	–
Redemptions	–	–13	–10	–28	–	–41
Reclassifications to Level 3	184	3,376	3,161	11	289	3,860
Reclassifications from Level 3	–15	–249	–31	–6	–312	–582
Fair value as at 31.12.2014	**451**	**5,147**	**3,919**	**2**	**124**	**5,724**
Changes in the group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	18	440	340	–5	–	453
of which unrealised gains/losses	18	445	342	–5	–	458
Gains or losses recognised in revaluation reserve	–	–	–	–	–2	–2
Purchases	–	32	1	50	3	85
Sales	–	–44	–	–32	–	–76
Issues	–	–	–	–	–	–
Redemptions	–	–30	–5	–15	–3	–48
Reclassifications to Level 3		17	–	50	282	349
Reclassifications from Level 3	–19	–73	–6	–	–280	–372
Fair value as at 31.3.2015	**450**	**5,489**	**4,249**	**50**	**124**	**6,113**

The unrealised gains or losses on financial instruments held for trading purposes (trading assets and derivatives) are part of the net trading income. The 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.

There were no significant reclassifications into or out of Level 3 in the first quarter of 2015.

Financial liabilities €m	Trading liabilities Held for trading	of which negative fair values from derivatives Held for trading	Total
Fair value as at 1.1.2014	**633**	**528**	**633**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	28	28	28
of which unrealised gains/losses	– 2	– 2	– 2
Purchases	45	45	45
Sales	– 7	–	– 7
Issues	–	–	–
Redemptions	– 17	– 17	– 17
Reclassifications to Level 3	2,088	2,030	2,088
Reclassifications from Level 3	– 235	– 81	– 235
Fair value as at 31.12.2014	**2,535**	**2,533**	**2,535**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	278	278	278
of which unrealised gains/losses	264	264	264
Purchases	25	25	25
Sales	– 1	–	– 1
Issues	–	–	–
Redemptions	– 1	– 1	– 1
Reclassifications to Level 3	14	4	14
Reclassifications from Level 3	– 34	– 27	– 34
Fair value as at 31.3.2015	**2,816**	**2,812**	**2,816**

The unrealised gains or losses on financial instruments held for trading purposes (trading liabilities and derivatives) are part of the net trading income.

There were no significant reclassifications into or out of Level 3 in the first quarter of 2015.

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 cash flows from an instrument equal to zero. For bonds, the IRR depends, for example, upon 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), 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 low correlation, the assets are virtually independent. 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 exotics 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 factor driving pricing of credit default swaps. Models for pricing 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 in a 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.

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

€m		31.3.2015			31.3.2015	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameter	Range	
Derivatives		**4,250**	**2,812**			
Equity-related transactions	Discounted cash flow model	217	186	IRR (%)	3.0	3.2
Credit derivatives	Discounted cash flow model	3,934	2,431	Credit spread (bps)	100	500
				Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	99	195	IR-FX correlation (%)	−29	69
Other transactions		–	–			
Securities		**1,814**	**1**			
Interest-rate-related transactions	Price based model	1,814	1	Price (%)	–	100
of which ABS	Price based model	1,752	–	Price (%)	–	228
Equity-related transactions		–	–			
Loans	Price based model	**51**	–	Price (%)	95	100
Total		**6,115**	**2,813**			

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in the 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	2015		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**62**	**−64**	
Equity-related transactions	20	−19	IRR
Credit derivatives	37	−40	Credit spread, recovery rate
Interest-rate-related transactions	5	−5	Correlation
Other transactions	–	–	
Securities	**126**	**−93**	
Interest-rate-related transactions	126	−93	Price
of which ABS	49	−16	Discount yield, recovery rate, credit spread
Equity-related transactions	–		
Loans	**5**	**−5**	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 this range. 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
Balance as at 1.1.2014	**–**	**1**	**1**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–	–
Balance as at 31.12.2014	**–**	**1**	**1**
Allocations not recognised in income statement	–	1	1
Reversals recognised in income statement	–	1	1
Balance as at 31.3.2015	**–**	**1**	**1**

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 (Level 1). 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, subordinated liabilities and hybrid capital is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, the own credit spread and capital costs, are taken into account in determining fair value.

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

	Fair value		Carrying amount		Difference	
€bn	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Assets						
Cash reserve	6.4	4.9	6.4	4.9	–	–
Claims on banks	86.3	80.0	86.3	80.0	–	–
Claims on customers	239.6	235.7	237.0	232.9	2.6	2.8
Value adjustment portfolio fair value hedges[1]	0.0	0.0	0.5	0.4	−0.5	−0.4
Positive fair values of derivative hedging instruments	4.5	4.5	4.5	4.5	–	–
Trading assets	165.6	130.3	165.6	130.3	–	–
Financial investments	87.8	87.3	90.5	90.4	−2.7	−3.1
Non-current assets and disposal groups held for sale	0.1	0.2	0.1	0.2	–	–
Liabilities						
Liabilities to banks	105.4	99.4	105.4	99.4	–	–
Liabilities to customers	262.0	249.5	261.3	249.0	0.7	0.5
Securitised liabilities	51.5	52.0	48.1	48.8	3.4	3.2
Value adjustment portfolio fair value hedges[1]	0.0	0.0	1.3	1.3	−1.3	−1.3
Negative fair values of derivative hedging instruments	10.6	9.4	10.6	9.4	–	–
Trading liabilities	124.0	97.2	124.0	97.2	–	–
Liabilities from disposal groups held for sale	0.1	0.1	0.1	0.1	–	–
Subordinated debt instruments	13.2	13.1	12.4	12.4	0.8	0.7

[1] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

(31) Treasury shares

	Number of shares in units	Accounting par value[1] in €1,000	Percentage of share capital
Balance as at 31.3.2015	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 31.3.2015	3,491,609	3,492	0.31
Shares acquired during the current financial year	–	–	
Shares disposed of during the current financial year	–	–	

[1] Accounting par value per share €1.00.

(32) Related party transactions

As part of its normal business activities, the Commerzbank Group does business with related parties. These include subsidiaries that are controlled but not consolidated for reasons of materiality, companies accounted for using the equity method, 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. Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board.

Besides the size of the stake held by the German federal government as guarantor of the Financial Market Stabilisation Authority (FMSA), which administers the Financial Market Stabilisation Fund (SoFFin), 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 continue to constitute related parties as defined by IAS 24.

In the tables below 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	31.3.2015	31.12.2014	Change in %
Claims on banks	28	41	−31.7
Claims on customers	1,196	1,118	7.0
Trading assets	7	13	−46.2
Financial investments	44	40	10.0
Other assets	53	51	3.9
Total	**1,328**	**1,263**	**5.1**
Liabilities to banks	4	–	.
Liabilities to customers	745	665	12.0
Trading liabilities	–	3	−100.0
Subordinated debt instruments	399	394	1.3
Other liabilities	24	26	−7.7
Total	**1,172**	**1,088**	**7.7**
Off-balance-sheet items			
Guarantees and collaterals granted	116	220	−47.3
Guarantees and collaterals received	5	6	−16.7

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.–31.3.2015	1.1.–31.3.2014	Change in %
Income			
Interest income	24	24	0.0
Commission income	31	17	82.4
Gains on disposals and remeasurement	–	1	–100.0
Others	–	–	.
Expenses			
Interest expenses	9	12	–25.0
Commission expenses	–	–	.
Operating expenses	19	18	3.4
Write-downs/impairments	–	11	–100.0
Others	1	4	–75.0

The Commerzbank Group conducts transactions with federal government-controlled entities and agencies as part of its ordinary business activities on standard market terms and conditions. Assets and liabilities and off-balance-sheet items in connection with federal government-controlled entities changed as follows:

€m	31.3.2015	31.12.2014	Change in %
Cash reserve	1,803	247	.
Claims on banks	163	154	5.8
Claims on customers	1,440	1,438	0.1
Trading assets	6,907	970	.
Financial investments	3,498	3,484	0.4
Total	**13,811**	**6,293**	**.**
Liabilities to banks	12,190	13,255	–8.0
Liabilities to customers	209	89	.
Trading liabilities	3,801	845	.
Total	**16,200**	**14,189**	**14.2**
Off-balance-sheet items			
Guarantees and collaterals granted	229	242	–5.4
Guarantees and collaterals received	–	–	.

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

€m	1.1.–31.3.2015	1.1.–31.3.2014	Change in %
Income			
Interest income	53	96	−44.8
Commission income	–	–	.
Gains on disposals and remeasurement	–	2	−100.0
Expenses			
Interest expenses	25	74	−66.2
Net loan loss provisions	8	11	−27.3
Commission expenses	–	–	.
Operating expenses	8	–	.
Write-downs/impairments	–	–	.

(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
- are 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) and to positive and negative fair values of derivatives. The balance sheet netting pertains to transactions with central counterparties.

Assets | €m	**31.3.2015**		**31.12.2014**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	58,104	203,623	52,874	190,145
Book values not eligible for netting	5,851	10,033	5,588	8,430
a) Gross amount of financial instruments I & II	52,253	193,590	47,286	181,715
b) Amount netted in the balance sheet for financial instruments I[1]	25,258	93,953	15,036	96,374
c) Net amount of financial instruments I & II = a) – b)	26,995	99,637	32,250	85,341
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2]	1,918	73,501	1,793	63,067
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b)[3]				
Non-cash collaterals[4]	11,105	2,456	15,950	2,043
Cash collaterals	26	12,514	16	10,738
e) Net amount of financial instruments I & II = c) – d)	**13,946**	**11,166**	**14,491**	**9,493**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	13,867	815	14,479	664
g) Net amount of financial instruments I & II = e) – f)	**79**	**10,351**	**12**	**8,829**

1 Of which for positive fair values €862m (previous year: €581m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of collateral.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	**31.3.2015**		**31.12.2014**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	54,446	213,723	49,883	196,592
Book values not eligible for netting	1,986	8,084	1,123	6,284
a) Gross amount of financial instruments I & II	52,460	205,639	48,760	190,308
b) Amount netted in the balance sheet for financial instruments I[1]	25,258	95,466	15,036	98,336
c) Net amount of financial instruments I & II = a) – b)	27,202	110,173	33,724	91,972
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2]	1,918	73,501	1,793	63,067
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b)[3]				
Non-cash collaterals[4]	22,745	3,750	17,804	2,165
Cash collaterals	14	26,129	3	22,058
e) Net amount of financial instruments I & II = c) – d)	**2,525**	**6,793**	**14,124**	**4,682**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	2,518	815	14,072	664
g) Net amount of financial instruments I & II = e) – f)	**7**	**5,978**	**52**	**4,018**

1 Of which for negative fair values €2,375m (previous year: €2,543m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of collateral.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

Hans-Hermann Altenschmidt[1]

Dr. Nikolaus von Bomhard
(until 30.4.2015)

Gunnar de Buhr[1]

Stefan Burghardt[1]

Sabine U. Dietrich
(since 30.4.2015)

Karl-Heinz Flöther

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Alexandra Krieger[1]

Oliver Leiberich[1]

Dr. Stefan Lippe

Beate Mensch[1]

Anja Mikus
(since 30.4.2015)

Dr. Roger Müller

Dr. Helmut Perlet

Barbara Priester[1]

Mark Roach[1]

Petra Schadeberg-Herrmann
(until 30.4.2015)

Margit Schoffer[1]

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Blessing
Chairman

Frank Annuscheit

Markus Beumer

Stephan Engels

Michael Reuther

Dr. Stefan Schmittmann

Martin Zielke

Frankfurt am Main, 4 May 2015
The Board of Managing Directors

Martin Blessing

Frank Annuscheit

Markus Beumer

Stephan Engels

Michael Reuther

Stefan Schmittmann

Martin Zielke

Review report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 31 March 2015 which are part of the quarterly financial report pursuant to § (Article) 37 x para. 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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). 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, 5 May 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt	Caroline Gass
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

Significant subsidiaries and associates

Germany
Atlas Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main
comdirect bank AG, Quickborn
Commerz Real AG, Eschborn
Hypothekenbank Frankfurt AG, Eschborn

Abroad
Commerzbank (Eurasija) SAO, Moscow
Commerzbank International S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg, Luxembourg
mBank S.A., Warsaw

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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, Riga, Santiago de Chile, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Tripoli, 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.

Cover
German Football Association (DFB),
Hofgarten, Munich

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2015/2016 Financial calendar	
3 August 2015	Interim Report as at 30 June 2015
2 November 2015	Interim Report as at 30 September 2015
End-March 2016	Annual Report 2015
Early-May 2016	Interim Report as at 31 March 2015

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