

**COMMERZBANK**

The bank at your side



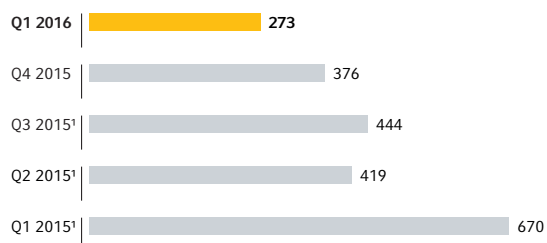
# Interim Report as at 31 March 2016



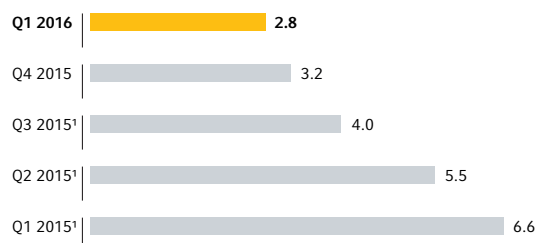
## Key figures

Income statement	1.1. – 31.3.2016	1.1. – 31.3.2015 <sup>1</sup>
Operating profit (€m)	273	670
Operating profit per share (€)	0.22	0.59
Pre-tax profit or loss (€m)	273	604
Consolidated profit or loss <sup>2</sup> (€m)	163	338
Earnings per share (€)	0.13	0.30
Operating return on equity <sup>4</sup> (%)	4.7	13.1
Cost/income ratio in operating business (%)	81.8	70.3
Return on equity of consolidated profit or loss <sup>2,3,4</sup> (%)	2.8	6.6
Balance sheet	31.3.2016	31.12.2015
Total assets (€bn)	535.8	532.6
Risk-weighted assets (€bn)	195.2	198.2
Equity as shown in balance sheet (€bn)	30.2	30.4
Total capital as shown in balance sheet (€bn)	42.4	42.3
Capital ratios	31.3.2016	31.12.2015
Tier 1 capital ratio (%)	13.6	13.8
Common Equity Tier 1 ratio <sup>5</sup> (%)	13.6	13.8
Common Equity Tier 1 ratio <sup>5</sup> (fully phased-in; %)	12.0	12.0
Total capital ratio (%)	16.9	16.5
Staff	31.3.2016	31.3.2015
Germany	38,287	39,352
Abroad	12,160	12,465
Total	50,447	51,817
Long/short-term rating	31.3.2016	31.3.2015
Moody's Investors Service, New York	Baa1/P-1	Baa1/P-2
Standard & Poor's, New York	BBB+/A-2	A-/A-2
Fitch Ratings, New York/London	BBB+/F2	A+/F1+

### Operating profit (€m)



### Return on equity of consolidated profit or loss<sup>2,3,4</sup> (%)



<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements.

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

<sup>3</sup> Annualised.

<sup>4</sup> The equity base is the average Common Equity Tier 1 (CET1) capital with full application of Basel 3.

<sup>5</sup> The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully phased-in basis anticipates full application of the new regulations.

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# Performance highlights

## 1 January to 31 March 2016

### Key statements

- In a difficult market environment, Commerzbank posted an operating profit of €273m and a net profit attributable to Commerzbank shareholders of €163m at Group level, compared with figures of €670m and €338m respectively in the prior-year period.
- Income down around 17% compared with the same quarter of the previous year as a result of the deteriorating interest rate environment and a weak start to the year for the capital markets.
- Loan loss provisions at Group level low at €148m – operating expenses in line with expectations at €1,893m.
- Asset & Capital Recovery saw further portfolio reduction of €1.0bn mainly in commercial real estate and ship financing – remaining portfolio (including problem loans) stands at around €17bn.
- Common Equity Tier 1 ratio (based on fully implemented Basel 3 regulations according to our interpretation) stable at 12.0%; leverage ratio 4.5%.
- Dividend accrual of €0.05 per share in Q1 2016 – in line with the previous year.
- The Commerzbank Group's main operating return ratios for the first three months of 2016 were significantly lower overall than in the comparable prior-year period. The operating return on equity was 4.7%, compared with 13.1% in the prior-year period. The return on equity based on consolidated profit was 2.8%, compared with 6.6% in the previous year. The operating return on tangible equity was 4.1%, compared with 10.9% in the prior-year period. As a result of the fall in operating income, the cost/income ratio climbed to 81.8%, compared with 70.3% in the prior-year period.

### Development of Commerzbank shares

In the first quarter of 2016, international stock markets continued to be driven by geopolitical issues such as events in the Middle East and the low oil price. The latest terrorist attacks in Europe, the Brexit debate and the European refugee crisis also created uncertainty in the capital markets.

This uncertainty was reflected in the weakness of bank stocks, which underperformed. Commerzbank's share price fell by 20.2% in the first three months of 2016, compared with a fall of 20.9% for the EURO-STOXX Banks Index over the same period. Apart from the factors mentioned above, the relatively poor performance of the banking sector in the first quarter was largely down to weak global economic forecasts, a very volatile capital market environment and the persistent challenges of the low interest rate environment. However, the strong figures reported by Commerzbank for 2015 led to clear outperformance following the release of the annual results on 12 February 2016.

Commerzbank's share price rose by 17.3% from that date, while the EURO-STOXX Banks Index gained only 5.4% in the same period. The Commerzbank share price closed the quarter at €7.64.

The daily turnover of Commerzbank shares – in terms of the number of shares traded – was up slightly year-on-year in the first three months of 2016. Commerzbank's market capitalisation stood at €9.6bn as at the end of the first quarter.

Highlights of the Commerzbank share	1.1.–31.3.2016	1.1.–31.3.2015
<b>Shares issued</b> in million units (31.3.)	1,252.4	1,138.5
<b>Xetra intraday prices</b> in €		
High	9.50	13.19
Low	6.21	10.31
Closing price (31.3.)	7.64	12.85
<b>Daily trading volume</b> <sup>1</sup> in million units		
High	36.4	26.1
Low	6.0	6.3
Average	11.9	11.6
<b>Index weighting</b> in % (31.3.)		
DAX	1.0	1.2
EURO STOXX Banks	2.2	2.1
<b>Earnings per share</b> in €	0.13	0.30
<b>Book value per share</b> <sup>2</sup> in € (31.3.)	23.32	23.88
<b>Net asset value per share</b> <sup>3</sup> in € (31.3.)	21.78	22.26
<b>Market value/Net asset value</b> (31.3.)	0.35	0.58

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

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

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

## Important business policy and staffing events in the first quarter of 2016

### Changes in the Board of Managing Directors of Commerzbank

At its meeting on 6 March 2016, the Supervisory Board of Commerzbank appointed Martin Zielke to succeed Martin Blessing as Chairman of the Board of Managing Directors of Commerzbank with effect from 1 May 2016.

Michael Mandel and Dr Bettina Orlopp were also appointed to the Board of Managing Directors. These appointments are still subject to regulatory approval.

Michael Mandel, currently the Divisional Board Member responsible for Private Customers, is expected to take over from Martin Zielke as the member of the Board of Managing Directors responsible for Commerzbank's Private Customer business segment. Bettina Orlopp is currently Divisional Board Member for Group Development and Strategy and will in future be responsible for the new Board portfolio Compliance, Human Resources and Legal. The new distribution of responsibilities is the Bank's response to the significant demands placed on Frank Annuschein, Chief Operating Officer and Labour Director, as a result of digitalisation, together with the steady increase in the time required to deal with Compliance and Legal issues. The appointment also further underlines the importance of a strong compliance culture. Ms Orlopp will fulfil her new duties in the capacity of Senior General Manager until her appointment to the Board of Managing Directors becomes effective. Until then, the distribution of responsibilities between the members of the Board of Managing Directors will remain unchanged.

# Interim Management Report

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## Business and overall conditions

### Overall economic situation

There has been no material change in overall economic performance in the first three months of the current year compared to the forecasts in the 2015 Annual Report.

## Earnings performance, assets and financial position

### Income statement of the Commerzbank Group

In the fourth quarter of 2015, Commerzbank Aktiengesellschaft successfully rolled out the Group Finance Architecture (GFA) programme to restructure the process and system architecture of the finance function. This led to retroactive adjustments to earnings. Detailed explanations about the changes are given in the interim financial statements on page 43 ff.

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

Net interest and trading income fell by around a third year-on-year to €1,344m. Net interest income for the reporting period declined by €95m year-on-year to €1,331m, while net trading income and net income from hedge accounting was down €547m to €13m. Lending volumes rose in Private Customers, especially real estate financing. While lending in Mittelstandsbank's division Mittelstand Germany remained stable, the Large Corporates & International division continued its positive growth path. However, net interest income from deposit business in Private Customers as well as Mittelstandsbank continued to be hit by the low level of market interest rates. A special dividend from EURO Kartensysteme GmbH led to an overall increase in net interest income in the Private Customers segment. In the Central & Eastern Europe segment, net interest income was up year-on-year. Volume growth had a positive impact on income performance.

Corporates & Markets posted a steep fall in net interest and trading income compared with the first three months of the previous year.

This was due in particular to caution on the part of clients in the light of market conditions. The decline in net interest income in Asset & Capital Recovery was attributable mainly due to non recurrence of a positive special effect in the prior year related to measures to restructure funding. Net trading income for the period includes positive measurement effects from both counterparty risks and the measurement of own liabilities of €145m, compared with €130m in the equivalent period last year. Further information on the composition of net interest and trading income is given in the notes to the interim financial statements on pages 47 and 48.

Net commission income in the reporting period declined by 10.3% to €821m compared with the corresponding period of the previous year. Severe equity market jitters in the first months of the current year and the resulting caution on the part of clients led to a fall in both transaction-driven and volume-based income. In Mittelstandsbank, global economic weakness, with its resulting adverse impact on foreign trade, was also reflected in lower net commission income. Income from currency hedging transactions also fell.

Net investment income in the first three months of 2016 was €32m, compared with €-128m in the year-earlier period. The negative result in the prior-year stemmed chiefly from write-downs on HETA Asset Resolution AG.

Other net income was €68m in the year under review, compared with €-2m the previous year. While in the prior-year period provisions in respect of legal and litigation risks were build up, those kinds of provisions were released on a net basis in the period under review.

The net allocation to loan loss provisions was €-148m, in line with the low level recorded in the year-earlier period.

Operating expenses in the reporting period were €1,893m, down 3.3% year-on-year. Personnel expenses were €930m, representing a year-on-year fall of €54m that was due in particular to lower variable remuneration components. Other operating expenses including depreciation on fixed assets and amortisation of other intangible assets came to €963m, in line with the level of the first three months of 2015.

As a result of the developments described above, the Commerzbank Group posted earnings before tax of €273m in the first three months of the current year, compared with €604m in the same period last year, which contained restructuring expenses in the amount of €66m.

Tax expense for the reporting period was €86m, compared with €237m in the prior-year period. Consolidated profit after tax was €187m, compared with €367m in the prior-year period. Net of non-controlling interests, a consolidated profit of €163m was attributable to Commerzbank shareholders for the period.

Operating earnings per share came to €0.22 and earnings per share to €0.13. The comparable figures in the prior-year period were €0.59 and €0.30 respectively.

## Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 March 2016 were €535.8bn, on a par with the figure for year-end 2015.

The cash reserve fell sharply, down €11.6bn to €17.0bn. This significant decline compared with the end of 2015 was due in particular to an increase in reverse repo transactions as an investment alternative given the further deterioration in central banks' deposit conditions. Claims on banks were €74.9bn, up €3.0bn compared with the end of the previous year. This was due to the growth in the volume of claims due on demand.

Claims on customers were €230.8bn, €8.1bn higher than the level at the end of the previous year. This growth in volume was principally the result of a rise in collateralised money market transactions as an increasingly attractive investment instrument. Total lending to customers and banks was €231.4bn as at the reporting date, in line with the level as at end-2015. While loans to banks fell slightly, down €0.6bn to €22.0bn, lending to customers rose to €209.4bn, a €1.7bn increase compared with the end of 2015. Trading assets at the reporting date were €118.3bn, representing a small increase of 3.2% compared with the end-2015 level. Holdings of equities, other equity-related securities and investment fund units fell by €0.5bn given the difficult market environment for equity products and the resulting caution among customers, while positive fair values of financial derivatives, in particular interest-rate-related derivative transactions, rose by €3.9bn compared with year-end 2015. Financial investments decreased slightly, down 1.8% to €80.5bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks rose by €6.2bn to €89.4bn. Most of the increase in volume was attributable to repos and cash collaterals and to growth in sight deposits. Liabilities to customers fell by 1.3% to €254.2bn compared with year-end 2015. This was due to lower volumes of time and sight deposits. Securitised liabilities were €38.3bn, €2.3bn lower than at year-end 2015.

The €1.8bn decline in bonds and notes issued to €33.9bn was due partly to a fall of €0.7bn in mortgage Pfandbriefe – which came mainly as a result of maturities at Hypothekenbank Frankfurt AG – and partly to a decrease of €1.1bn in public-sector Pfandbriefe. In addition, money market instruments issued fell by €0.5bn to €4.4bn. Trading liabilities rose slightly in volume, up €1.5bn overall to €88.0bn. This was mainly due to the rise in interest-rate-related derivatives transactions, only partly offset by a fall in short sales of bonds and equities.

## Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 31 March 2016 was €29.2bn, on a par with the figure for year-end 2015. Retained earnings were down €0.1bn on the end-2015 level, standing at €11.7bn. As at the reporting date, the revaluation reserve was unchanged at €–0.6bn. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–0.9bn from equity compared with €–0.8bn at year-end 2015.

Risk-weighted assets were €195.2bn as at 31 March 2016, slightly below the level of year-end 2015. The decline was due to reductions in credit risk, in particular as a result of exchange rate movements as well as capital relief effects from a new securitisation. Regulatory Tier 1 capital fell by around €0.8bn to €26.5bn compared with year-end 2015, chiefly as a result of the next stage in the Basel 3 phase-in. The Tier 1 ratio fell slightly to 13.6%. Common Equity Tier 1 capital was €26.5bn. Under Basel 3 phase-in rules, this is identical to Tier 1 capital. The total capital ratio was 16.9% on the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of fully implemented regulations according to our interpretation) was unchanged at 12.0% 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 5.0% (phase-in) or 4.5% (fully phased-in).

The Bank complies with all regulatory requirements. The reporting disclosures required by law include the consolidated profit attributable to Commerzbank shareholders and take into account a corresponding dividend accrual.



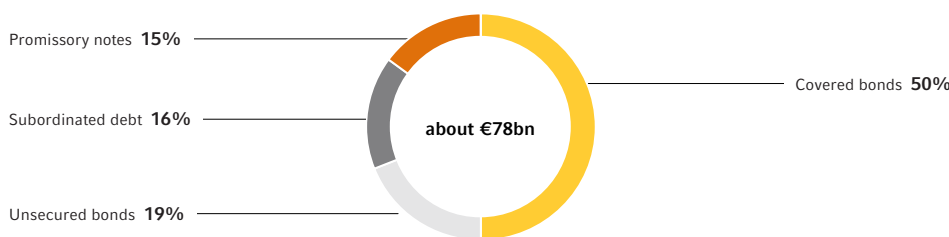
## Funding and liquidity

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<sup>1</sup>

As at 31 March 2016



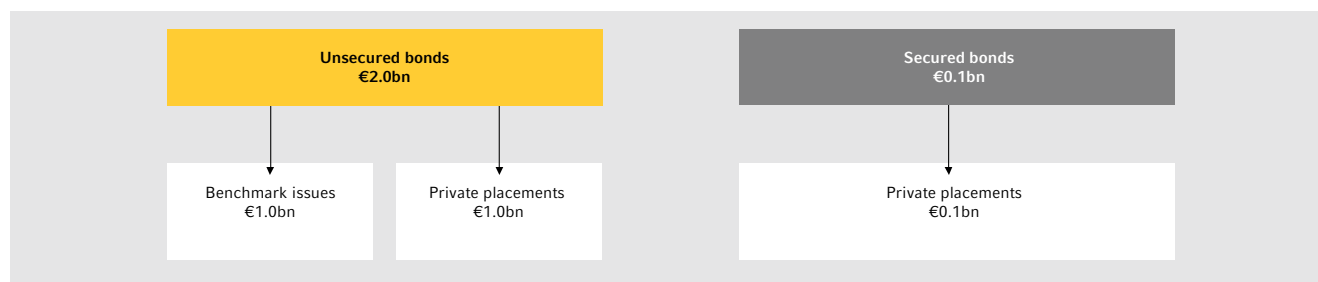
<sup>1</sup> Based on reported figures

The Commerzbank Group raised a total of €2.1bn in long-term funding on the capital market in the first quarter of 2016. In the collateralised area, the Polish subsidiary mBank issued private placements with a volume of €0.1bn. An unsecured benchmark subordinated bond with a volume of €1.0bn was issued in March. The issue had a term of ten years.

In addition, €1.0bn was taken out in private placements, including an USD400m subordinated bond with a 12-year term. The average term of all issues was around 10 years. Funding spreads remain at a low level.

### Group capital market funding in the first three months of 2016

Volume €2.1bn



Based on its internal liquidity model, which uses conservative assumptions, at the end of the quarter the Bank had available excess liquidity of €76.9bn in the maturity band for up to one day. Of this, €37.1bn is held in a separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. The Bank also holds €9.7bn 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 1.51, again significantly higher than the minimum regulatory requirement of 1.00. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

## Segment performance

The comments on the segments' results for the first three months of 2016 are based on the new segment structure described on pages 58 and 93 of the 2015 Annual Report. Further information

on this subject and on segment reporting in general can be found on page 51 ff. of the interim financial statements. Explanations regarding restatements of prior-year figures can be found on page 43 ff. of the interim financial statements.

### Private Customers

€m	1.1.-31.3.2016	1.1.-31.3.2015 <sup>1</sup>	Change in %/%-points
Income before provisions	944	935	1.0
Loan loss provisions	-9	-14	-35.7
Operating expenses	744	764	-2.6
<b>Operating profit/loss</b>	<b>191</b>	<b>157</b>	<b>21.7</b>
Average capital employed	2,526	3,121	-19.1
Operating return on equity (%)	30.2	20.1	10.1
Cost/income ratio in operating business (%)	78.8	81.7	-2.9

<sup>1</sup> Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 43 ff.).

The Private Customers segment continued in the first quarter 2016 the positive trend of the previous financial year and was able to achieve a solid operating result. However, the headwinds from the adverse low interest rate environment increased significantly. Evidence of caution among our securities clients in light of the growing equity market volatility also had an impact on profitability.

In the period under review, income before loan loss provisions came to €944m, in line with the corresponding prior-year figure. Net interest income rose 7.2% to €475m. Income growth from very strong lending business, particularly in real estate financing, largely made up for weaker income from deposits. Net interest income for the first quarter of 2016 also includes a special dividend of €44m from EURO Kartensysteme GmbH. Net commission income was boosted by the above-average demand for Commerzbank instalment loans, which grew in volume by 44% compared with the prior-year period. At the same time, concerns

over the state of the global economy, which were a key reason for the equity markets' weak start to the year, drove down transaction-driven and volume-based income. Net commission income declined 9.7% to €427m. In addition, current net income from companies accounted for using the equity method included a positive asset revaluation effect of €22m at the subsidiary Commerz Real in line with its regular asset appraisal processes.

Loan loss provisions for private customer business were €-9m, down €5m on the prior-year period. Strict cost management led to a reduction in operating expenses, both on the personnel expenses and administrative expenses side, down by a total of €20m to €744m. This figure includes expenses of €16m for the European bank levy.

Overall, the Private Customers segment posted pre-tax profit of €191m in the first three months of 2016, which represents an increase of 21.7% on the same period of the previous year.

## Mittelstandsbank

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %/%-points
Income before provisions	706	807	-12.5
Loan loss provisions	-53	-24	.
Operating expenses	444	419	6.0
<b>Operating profit/loss</b>	<b>209</b>	<b>364</b>	<b>-42.6</b>
Average capital employed	8,114	8,441	-3.9
Operating return on equity (%)	10.3	17.2	-6.9
Cost/income ratio in operating business (%)	62.9	51.9	11.0

<sup>1</sup> Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 43 ff.).

Against the backdrop of persistently difficult market conditions, the Mittelstandsbank segment posted a solid operating profit in the first three months of 2016. This fall in profit was primarily the result of negative market interest rates and the rise in operating expenses due to increased regulatory requirements.

In the period under review, income before loan loss provisions fell 12.5% year-on-year to €706m. Net interest income was €438m, 10.4% below the level of the first three months of 2015. While lending volumes and thus the contribution to interest income was stable in the Mittelstand Germany, the Large Corporates & International division continued its positive growth path – at stable margins in both divisions. The contribution to interest income in Financial Institutions declined as a result of lower margins. Margins on deposits remain under pressure as a consequence of the low interest rate environment.

Net commission income fell by 10.0% year-on-year to €262m. This was mainly due to a decrease in documentary business against the backdrop of the weak global economy and its effect on

foreign trade. Income from currency hedging transactions also fell. Net trading income was hit mainly by a declining positive measurement effects from counterparty risks in derivatives business with our clients, standing at €-1m compared with €26m in the prior-year period.

Loan loss provisions for the first three months of 2016 were €-53m, thus remaining at a low level. The provisioning requirement in the reporting period was mainly in respect of additions to loan loss provisions for individual exposures. Operating expenses were €444m, up €25m on the prior-year figure. The 6.0% rise was mainly due to larger allocations to the European bank levy along with higher IT costs and expenses in connection with increased compliance requirements.

Overall, the Mittelstandsbank segment posted pre-tax profit of €209m in the first three months of 2016, which represents a decline of 42.6% compared with the same period of the previous year.

## Central & Eastern Europe

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %/%-points
Income before provisions	220	253	- 13.0
Loan loss provisions	- 13	- 23	- 43.5
Operating expenses	130	142	- 8.5
<b>Operating profit/loss</b>	<b>77</b>	<b>88</b>	<b>- 12.5</b>
Average capital employed	1,645	1,618	1.7
Operating return on equity (%)	18.7	21.8	- 3.0
Cost/income ratio in operating business (%)	59.1	56.1	3.0

<sup>1</sup> Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 43 ff.).

The Central & Eastern Europe segment, which is represented by mBank, achieved an income before loan loss provisions of €220m in the reporting period, down €33m year-on-year. However, the first quarter of 2015 included the one-off effect of €46m from the sale of the insurance business to the AXA Group. Adjusted for this effect, income was up €13m year-on-year in the first quarter of 2016. The increase was chiefly attributable to the 11.9% rise in net interest income compared with the first quarter of 2015, which was achieved despite the National Bank of Poland's ongoing low reference interest rate. Growth in the business volume had a positive impact on income performance. mBank also further increased its interest margin despite the last interest rate cut by the National Bank of Poland in March 2015, thanks in part to growth in sales of higher-margin products. Net commission income rose slightly by €2m year-on-year to €49m, with the cooperation with the AXA Group following the sale of the

insurance business reflected on this development. The constant acquisition of new customers and rising number of transactions is also helping to boost income. The number of mBank customers passed the five-million mark in the first quarter of 2016, an increase of around 374,000 customers year-on-year.

Loan loss provisions were down by nearly a half year-on-year in the first quarter of 2016 at €-13m. Operating expenses were €130m, down €12m year-on-year. The main reason for the decline was that in 2015 the entire costs of the deposit protection fund were recognised in the first quarter, whereas in the current year costs are being spread across the whole year. Poland's new bank tax on assets was introduced in February 2016 and increased costs by around €13m.

Overall, the Central & Eastern Europe segment posted pre-tax profit of €77m in the reporting period, which represents a decrease of 12.5% on the same period of the previous year.

## Corporates & Markets

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %/%-points
Income before provisions	475	681	- 30.2
Loan loss provisions	-5	47	.
Operating expenses	388	431	- 10.0
<b>Operating profit/loss</b>	<b>82</b>	<b>297</b>	<b>-72.4</b>
Average capital employed	3,654	4,069	- 10.2
Operating return on equity (%)	9.0	29.2	-20.2
Cost/income ratio in operating business (%)	81.7	63.3	18.4

<sup>1</sup> Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 43 ff.).

Given the highly volatile capital market environment, which coupled with falling commodities prices, the looming slowdown in China and uncertainty over US interest rate policy going forward led to marked caution among market participants, customers and investors, the operating result of the Corporates & Markets segment was down significantly year-on-year in the reporting period.

In the Advisory & Primary Markets division, primary market bonds business in particular made a steady contribution to income, while lower interest rates led to a decline in deposit business and thus affected commercial banking business. The combination of falling equity prices and a significant increase in volatility led to marked caution in customer business and lower trading volumes in the Equity Markets & Commodities division, which had enjoyed particularly strong support from a very favourable equity market in the previous year. In the Fixed Income & Currencies division, the lower level of customer activity was reflected in the hedging of currency and interest rate fluctuations. Trading in credit products performed well, while extraordinary income from the sale of bond positions following

successful restructuring also made a significant contribution to the result. Income in the Credit Portfolio Management division was stable overall despite the difficult market environment, after write-ups in the previous year created a high basis for comparison.

Income before loan loss provisions in the first three months of 2016 was €475m, down €206m on the prior-year period. Adjusted for measurement effects it was down by €171m. Net interest and trading income decreased by €243m to €341m, while net commission income decreased by €13m to €91m. The decline in income was attributable in particular to a considerably lower contribution from equity business.

After a net reversal of €47m in the previous year due to one-off effects in relation to settled legal disputes, loan loss provisions rose by €52m in the first quarter of 2016 to €-5m. Operating expenses declined by €43m year-on-year to €388m, due in particular to a fall in staff costs and lower expenses for the European bank levy.

Overall, the Corporates & Markets segment posted pre-tax profit of €82m in the reporting period, which represents a decrease of 66.8% on the same period of the previous year.

## Asset & Capital Recovery

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %/%-points
Income before provisions	-21	-19	10.5
Loan loss provisions	-70	-109	-35.8
Operating expenses	31	59	-47.5
<b>Operating profit/loss</b>	<b>-122</b>	<b>-187</b>	<b>-34.8</b>
Average capital employed	3,286	4,747	-30.8
Operating return on equity (%)	-14.9	-15.8	0.9
Cost/income ratio in operating business (%)	-147.6	-310.5	.

<sup>1</sup> Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 43 ff.).

Following the transfer of assets with good credit quality and low earnings volatility from the former Non-Core Assets (NCA) segment to various bank segments with effect from 1 January 2016, Asset & Capital Recovery (ACR) chiefly comprises more complex sub-portfolios with long maturities.

The negative operating income before loan loss provisions of €-21m is attributable to valuation effects to a large degree

The loan loss provisions of €-70m, after €-109m in the same quarter of the previous year, was solely attributable – and on a similar scale to the previous year – to ship financing. For commercial real estate financing loan loss provisions could be released in the amount of €5m.

Operating expenses fell almost half to €31m, reflecting the substantial reduction in the ACR portfolio compared with the previous year and considerable adjustment in employee capacities.

Overall, the ACR segment posted a pre-tax loss of €-122m in the reporting period, which represents an improvement of 39.9% on the same period of the previous year.

## Others and Consolidation

The Others and Consolidation segment reported a pre-tax loss of €-164m for the first quarter of 2016, compared with a loss of €-49m in the comparable prior-year period. The €115m decline was mainly due to the performance of Group Treasury, which was unable to repeat last year's very good result.

## Outlook and opportunities report

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

Our views regarding the expected development of the economic situation over the medium term have not changed substantially since our statements published in the 2015 Annual Report. The further expansion of ECB monetary policy in March has put even greater pressure on margins and profitability in the banking sector, however.

### Financial outlook for the Commerzbank Group

#### Planned financing measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be comparable to the volume for this year. When raising funds Commerzbank can also use secured instruments such as mortgage and public-sector Pfandbriefs. These give us stable access to long-term funding with cost advantages compared with unsecured sources of funding. Such issues are a key element of Commerzbank's funding mix. Commerzbank will continue to raise unsecured funding from the capital market in the future via public or private placements to meet demand from customers and further diversify the Bank's funding base. Owing to the reduction strategy, Hypothekbank Frankfurt AG no longer needs to raise funding from the capital market. By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure.

#### Planned investments

Commerzbank's current and planned investment activity is in line with its growth strategy. The Bank is targeting focused growth by adapting the business model to the new environment in the financial sector and investing in the earnings power of the core business. The Bank's investment plans have not changed significantly in the first three months of 2016 from the plans set out on pages 101 to 102 of the 2015 Annual Report.

#### Anticipated liquidity trends

In the first quarter of 2016, the eurozone money and capital markets were again characterised by the monetary policy measures implemented by the ECB to support the economic recovery in the eurozone.

The ECB is making an additional €60bn of liquidity available each month through the securities purchase programme, rising to €80bn each month from April. The excess liquidity in the system will therefore increase on an ongoing basis. In addition, in March 2016 the ECB cut its deposit facility rate by 0.1 percentage points to -0.4% and its main refinancing rate to 0%. Following on from last year's decision to extend the bond purchase programme to euro-denominated bonds issued by regions and local governments in the eurozone, it has now been further extended to include corporate bonds. The yield curve flattened in the first quarter of 2016, with long-term rates falling much more than at the short end due to the expansion of the ECB purchase programme. We anticipate ongoing downward pressure on 10-year rates over the rest of 2016. What happens at the short end will depend solely on the ECB's subsequent rate decisions. Political uncertainty in Spain and Portugal over forming their respective governments at the start of the year saw uncertainty return to European government bond markets. Spreads in southern European countries such as Portugal, Spain and Italy in particular widened significantly, while the core eurozone countries were only able to benefit to a limited extent. Creditors' willingness to compromise further on Greek debt remains an uncertainty factor. We therefore expect the volatility seen last year in credit spreads on southern European government bonds to continue. The already very narrow spreads on covered bonds also widened slightly. Given the constant demand from the ECB in connection with its bond purchase programme and the stable level of issuance activity overall, we still expect spreads to remain stable over the year 2016. Overall we expect secondary market liquidity on European bond markets to decline further as a result of the heavy activity by the ECB and the persistently negative yields on many government bonds.

We believe that the implementation of regulatory requirements, such as the liquidity coverage ratio (LCR) and the leverage ratio, is already priced into the market. 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 developed for more intensive trading in these collateral up/downgrades. The restrictive regulatory environment and ECB interest rate policy are having a severe limiting effect on turnover in the repo market. There was also a further fall in turnover in the final quarter of 2015 as banks carried out their year-end controlling.

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 that is well above internal limits and the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk. The Bank holds a liquidity reserve portfolio 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 debt instruments in the money and capital markets.

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

We fundamentally stand by what we said at the end of 2015 about the anticipated performance of the Commerzbank Group in 2016. Given the increased burden in relation with the ECB's further interest rate cut in March and the highly volatile global capital markets it has become more ambitious to reach the consolidated profit 2015.



# Interim Risk Report

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## Risk-oriented overall bank management

Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management, we normally distinguish between quantifiable and non-quantifiable types of risk. Quantifiable risks are those to which a value can normally be attached in financial statements or in regulatory capital requirements, while non-quantifiable risks include 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, Intensive Care, Market Risk Management as well as Risk Controlling and Capital Management. In all segments except the Asset & Capital Recovery (ACR) Segment, credit risk management is separated into a performing loan area and Intensive Care, while in ACR it has been merged into a single unit across all rating classes. All divisions have a direct reporting line to the CRO. The heads of these five risk management divisions together with the CRO make up the Risk Management Board within Group Management.

Further details on the risk management organisation within Commerzbank can be found in the Annual Report 2015.

### 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 2015 provides further details on the methodology used. The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2016. This included the regular updating of the economic capital model's risk parameters.

Risk-bearing capacity (RBC) is deemed to be assured as long as the RBC ratio is higher than 100%. In the first quarter of 2016, the RBC ratio was consistently above 100% and stood at 170% as at 31 March 2016. The decrease of the RBC ratio in comparison to December 2015 is mainly due to the regular update of the credit risk parameters as at the beginning of 2016 as well as market related developments in the Public Finance portfolio. Although the RBC ratio has fallen since 31 December 2015, it still remains at a high level.

Risk-bearing capacity Group   €bn	31.3.2016	31.12.2015
<b>Economic risk coverage potential<sup>1</sup></b>	<b>29</b>	<b>30</b>
<b>Economically required capital<sup>2</sup></b>	<b>17</b>	<b>15</b>
thereof for default risk	12	11
thereof for market risk	4	3
thereof for operational risk	2	2
thereof diversification effects	-2	-2
<b>RBC ratio<sup>3</sup></b>	<b>170%</b>	<b>193%</b>

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

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

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

## Default risk

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

### Commerzbank Group

Since the third quarter of 2012, Commerzbank has wound down all portfolios (including the non-performing loans – NPL) in Non-Core Assets (NCA) from €160bn to €63bn as at the end of 2015. Due to the success of the reduction in the NCA segment Commerzbank has set up a new segment structure in the first quarter of 2016 and has reorganised the allocation of capital. High-quality,

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low-risk portfolios in the value of about €8bn from commercial real estate financing and ship financing have been transferred to the Mittelstandsbank. The remaining mortgage loan portfolio of about €1.6bn was transferred to Private Customers. Group Treasury in the Others and Consolidation segment took over most of the Public Finance portfolio of about €35bn. Criteria for the transfer of assets was good credit quality, low earnings volatility and suitability for the liquidity portfolio. The remaining assets of around €17bn were transferred to the new Asset & Capital Recovery (ACR) segment.

In the following report the previous year's comparative figures have been adjusted to the new segment structure.

**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)<sup>1</sup>, loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.91% and a holding period of one year), risk-weighted assets and "all-in" for bulk risks.

The credit risk parameters in the rating levels 1.0 to 5.8 of Commerzbank Group are distributed as follows across all segments:

Credit risk parameters as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	104	156	15	1,326
Mittelstandsbank	147	401	27	4,469
Central & Eastern Europe	28	136	48	849
Corporates & Markets	59	222	38	1,885
Others and Consolidation <sup>1</sup>	91	108	12	2,493
Asset & Capital Recovery	16	485	313	905
<b>Group</b>	<b>444</b>	<b>1,509</b>	<b>34</b>	<b>11,926</b>

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

When broken down on the basis of PD ratings, 81% of the Group's portfolio is in the internal rating classes 1 and 2, which constitute the investment-grade area.

Rating breakdown as at 31.3.2016 EaD   %	1.0-1.8	2.0-2.8	3.0-3.8	4.0-4.8	5.0-5.8
Private Customers	37	51	10	2	1
Mittelstandsbank	13	59	22	5	1
Central & Eastern Europe	7	59	26	6	2
Corporates & Markets	41	46	9	2	2
Asset & Capital Recovery	5	53	8	14	20
<b>Group<sup>1</sup></b>	<b>30</b>	<b>51</b>	<b>14</b>	<b>3</b>	<b>2</b>

<sup>1</sup> Including Others and Consolidation.

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 7% to North America. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and Western Europe. A main driver of the expected loss in the region "Other" is ship finance.

In view of the current geopolitical development, national economies as Russia, Ukraine and China are closely monitored. As at the end of the first quarter of 2016, the exposure in Russia was at €3.4bn, the exposure in Ukraine was at €0.1bn and in China it was at €4.6bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. Commerzbank's Italian sovereign exposure was at €10.8bn and the Spanish sovereign exposure was at €4.6bn as at the end of the first quarter of 2016.

Group portfolio by region as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	223	431	19
Western Europe	109	349	32
Central and Eastern Europe	38	186	48
North America	29	39	13
Asia	25	47	19
Other	20	457	229
<b>Group</b>	<b>444</b>	<b>1,509</b>	<b>34</b>

<sup>1</sup> Expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity in the event of default.

**Loan loss provisions** The Group's loan loss provisions in the first quarter of 2016 amounted to €148m and hence €10m less than the previous year's figure.

Loan loss provisions   €m	2016	2015				
	Q1	Total	Q4	Q3	Q2	Q1
Private Customers	9	27	-24	13	24	14
Mittelstandsbank	53	187	77	31	55	24
Central & Eastern Europe	13	97	22	28	24	23
Corporates & Markets	5	-36	-11	11	11	-47
Others and Consolidation	-2	60	-2	1	26	35
Asset & Capital Recovery	70	361	50	62	140	109
<b>Group</b>	<b>148</b>	<b>696</b>	<b>112</b>	<b>146</b>	<b>280</b>	<b>158</b>

As regards Group loan loss provisions, in the non-strategic sub-portfolios we expect further charges for ship financing. We still do not see any prospect of a general improvement in the environment here, with conditions very tough in some parts of the market. In the segments Corporates & Markets, Mittelstandsbank and Private Customers we expect significantly lower net releases of provisions, which already is recognisable in the first quarter's numbers. We therefore expect higher loan loss provisions in this area than in 2015. Overall, we expect Group loan loss provisions to rise moderately, but to remain at a still very low level by historical standards.

In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

**Default portfolio** The default portfolio stood at €6.8bn as at the end of the first quarter of 2016, a slight decrease of €0.3bn compared to the end of 2015.

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

Default portfolio Group   €m	31.3.2016	31.12.2015
Default volume	6,840	7,124
Loan loss provisions	3,251	3,371
GLLP	793	800
Collaterals	2,340	2,556
Coverage ratio excluding GLLP (%) <sup>1</sup>	82	83
Coverage ratio including GLLP (%) <sup>1</sup>	93	94
NPL ratio (%) <sup>2</sup>	1.5	1.6

<sup>1</sup> Coverage ratio: total of risk provisions, collateral (and GLLP) as a proportion of the default volume.

<sup>2</sup> NPL ratio: default volume (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

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.

### Private Customers

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

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 €64bn). We provide our business customers with credit in the form of individual loans with a volume of €15bn. 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 €9bn).

The first quarter saw continued growth in the Private Customer business, particularly in residential mortgage loans. Some of the increase resulted from the transfer of customers with good credit ratings, accounting for €1.6bn, from Non-Core Assets (NCA). Risk density was reduced from 16 basis points in December 2015 to 15 basis points.

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Credit risk parameters as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	59	62	11
Investment properties	5	5	9
Individual loans	15	34	23
Consumer and instalment loans/credit cards	9	20	22
Domestic subsidiaries	4	9	23
Other	12	26	21
<b>Private Customers</b>	<b>104</b>	<b>156</b>	<b>15</b>

Loan loss provisions for Private Customer business fell by €5m to €9m compared with the prior-year period and therefore remained at a very low level.

The default portfolio in the segment decreased by €24m compared with 31 December 2015.

Default portfolio Private Customers   €m	31.3.2016	31.12.2015
Default volume	633	657
Loan loss provisions	190	205
GLLP	90	90
Collaterals	329	324
Coverage ratio excluding GLLP (%)	82	81
Coverage ratio including GLLP (%)	96	94
NPL ratio (%)	0.6	0.6

### 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 - partially in cooperation with the Corporates and Markets segment - for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks.

Credit risk parameters as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	95	244	26
Corporates International	28	68	24
Financial Institutions	24	89	37
<b>Mittelstandsbank</b>	<b>147</b>	<b>401</b>	<b>27</b>

Standing at €147bn, the EaD in Mittelstandsbank remained virtually unchanged in the first quarter of 2016. The economic environment in Germany remains stable. Risk density in the Corporates Domestic area was 26 basis points as at 31 March 2016.

In Corporates International, EaD as at 31 March 2016 was €28bn, while the risk density was 24 basis points. For details of developments in the Financial Institutions portfolio please see page 24.

Loan loss provisions in Mittelstandsbank were €53m (previous year: €24m). The increase was largely attributable to larger loan loss provisions for new defaults.

The Mittelstandsbank's default portfolio increased marginally by €22m compared to the end of 2015.

Default portfolio Mittelstandsbank   €m	31.3.2016	31.12.2015
Default volume	2,377	2,355
Loan loss provisions	1,220	1,224
GLLP	303	306
Collaterals	379	415
Coverage ratio excluding GLLP (%)	67	70
Coverage ratio including GLLP (%)	80	83
NPL ratio (%)	1.6	1.6

### 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 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.

Credit risk parameters as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
<b>Central &amp; Eastern Europe</b>	<b>28</b>	<b>136</b>	<b>48</b>

The EaD of the Central & Eastern Europe segment as at 31 March 2016 was at €28bn, nearly unchanged compared to the end of 2015. Risk density in this area was 48 basis points. The Swiss franc exposure was about €4bn. These are mainly mortgage-secured engagements with private customers.

The Central & Eastern Europe segment's loan loss provisions fell to €13m, and virtually halved compared with the previous year.

The default volume remained nearly unchanged compared with 31 December 2015.

Default portfolio Central & Eastern Europe   €m	31.3.2016	31.12.2015
Default volume	1,116	1,123
Loan loss provisions	645	643
GLLP	67	67
Collaterals	389	393
Coverage ratio excluding GLLP (%)	93	92
Coverage ratio including GLLP (%)	99	98
NPL ratio (%)	3.8	3.8

### 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 69% of the total exposure. North America accounted for around 17% of the exposure as at the end of March 2016. Overall, EaD as at the end of March 2016 remained stable with €59bn compared to the figure as at the end of December 2015.

Credit risk parameters as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	16	58	35
Western Europe	25	110	44
Central and Eastern Europe	2	4	26
North America	10	18	18
Asia	3	4	12
Other	3	28	87
<b>Corporates &amp; Markets</b>	<b>59</b>	<b>222</b>	<b>38</b>

The volume of new investments in the Structured Credit area remained stable with €2.6bn during the first quarter of 2016 compared with year-end 2015. In general, we prefer to invest in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile.

In the first quarter of 2016, the volume of the entire Structured Credit portfolio decreased by €0.4bn to a total of €5.5bn (December 2015: €5.9bn) and risk values by €0.1bn to €1.6bn (December 2015: €1.7bn). A large part of the portfolio was made up of total return swap positions (€2.7bn) and of CDOs (€1.5bn), which securitise corporate loans in the USA and Europe (CLOs).

Loan loss provisions in the Corporates & Markets segment are strongly influenced by movements in individual exposures. In the first quarter of 2016, loan loss provisions were on a low level of €5m. The previous year's comparative value, with a net release of €47m, was primarily due to the successful restructuring of an individual exposure.

The default portfolio in the Corporates & Markets segment decreased by €46m in the first quarter of 2016 compared with year-end 2015.

Default portfolio Corporates & Markets   €m	31.3.2016	31.12.2015
Default volume	640	682
Loan loss provisions	456	464
GLLP	78	76
Collaterals	49	40
Coverage ratio excluding GLLP (%)	79	74
Coverage ratio including GLLP (%)	91	85
NPL ratio (%)	1.1	1.1

### Asset & Capital Recovery

The portfolios remaining in Commercial Real Estate (CRE), Deutsche Schiffsbank (DSB) and Public Finance after the resegmentation in the first quarter of 2016 are bundled in the Asset & Capital Recovery segment. These portfolios generally comprise complex financings that require special as well as individual and functional supervision. The intention is that all the portfolios in this segment should be completely wound down over time.

EaD for the segment in the performing loan book totalled €16bn as at 31 March 2016, €0.8bn less than at the end of 2015.

Credit risk parameters as at 31.3.2016	Exposure at Default €bn	Expected loss €m	Risk density bp	CVaR €m
Commercial Real Estate	2	63	319	
Deutsche Schiffsbank	5	388	860	
Public Finance	9	35	38	
<b>Asset &amp; Capital Recovery</b>	<b>16</b>	<b>485</b>	<b>313</b>	<b>905</b>

**Commercial Real Estate** The remaining portfolio slightly further reduced compared to 31 December 2015 from €2.1bn to €2.0bn. Striking developments in risk have not been noticed.

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

**Deutsche Schiffsbank** Compared to 31 December 2015, exposure to ship finance in the performing loan book was reduced in line with our reduction strategy by €0.5bn through sales of tankers.

Our portfolio is mainly made up of the following three standard types of ship: container ships (€2bn), tankers (€1bn) and bulkers (€1bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

We do not expect a lasting market recovery across all asset classes in the near term.

**Public Finance** In the first quarter, Commerzbank transferred around €35bn of EaD, representing a large proportion of the Public Finance assets left in the former NCA segment, to the Others and Consolidation segment (Group Treasury). The criteria for the transfer of assets were good credit quality, low earnings volatility and suitability for the Bank's liquidity portfolio. As a result, around €9bn worth of exposures, particularly more complex Public Finance exposures or those with long maturities are now in the new Asset & Capital Recovery (ACR) segment.

The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities, to local authorities in the UK (€4.5bn EaD), a private finance initiative (PFI) portfolio (€2.8bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.7bn EaD).

Loan loss provisions in the ACR segment stood at €70m, representing a reduction of €39m compared with the previous year. In the first quarter of 2016, €5m (net) of the loan loss provisions for the Commercial Real Estate division were released, a €30m reduction compared with the previous year. As at the reporting date, loan loss provisions in the Deutsche Schiffsbank division amounted to €74m, €10m less than the year-earlier figure. Here, it has to be considered that the portfolio was significantly reduced over the course of the year.

Write-downs on securities are generally not recognised in loan loss provisions but in net investment income.

Loan loss provisions   €m	2016	2015				
	Q1	Total	Q4	Q3	Q2	Q1
Commercial Real Estate	-5	36	-19	-10	40	25
Deutsche Schiffsbank	74	325	69	72	100	84
Public Finance	0	0	0	0	0	0
<b>Asset &amp; Capital Recovery</b>	<b>70</b>	<b>361</b>	<b>50</b>	<b>62</b>	<b>140</b>	<b>109</b>

The default volume decreased further by €229m in the first quarter of 2016 compared with year-end 2015. This decline is largely attributable to repayments actively enforced by the Bank. In the Public Finance area currently no default portfolio exists.

Default portfolio category LaR   €m	31.3.2016			31.12.2015		
	ACR	CRE	DSB	ACR	CRE	DSB
Default volume	1,971	959	1,012	2,200	1,038	1,160
Loan loss provisions	643	175	468	733	193	540
GLLP	253	49	202	262	45	213
Collaterals	1,193	723	470	1,383	780	604
Coverage ratio excluding GLLP (%) <sup>1</sup>	93	94	93	96	94	99
Coverage ratio including GLLP (%) <sup>1</sup>	106	99	113	108	98	117
NPL ratio (%) <sup>2</sup>	11.3	32.7	18.3	11.9	33.2	18.9

<sup>1</sup> Coverage ratio: total risk provisions, collateral (and GLLP) as a proportion of the default volume.

<sup>2</sup> NPL ratio: default volume (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

## Further portfolio analyses

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

### Corporates portfolio by sector

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

Corporates portfolio by sector as at 31.3.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	18	71	40
Consumption	15	54	37
Transport/Tourism	13	25	20
Wholesale	12	49	41
Basic materials/Metals	11	38	34
Technology/Electrical industry	11	27	25
Services/Media	10	79	78
Mechanical engineering	9	24	26
Automotive	9	22	24
Chemicals/Plastics	9	39	43
Pharma/Healthcare	6	14	25
Construction	5	18	37
Other	5	9	18
<b>Total</b>	<b>133</b>	<b>469</b>	<b>35</b>

### Financial Institutions portfolio

The focus remains on the trade finance activities that we carry out on behalf of our corporate customers in Mittelstandsbank and on capital market activities in Corporates & Markets.

We are keeping a close watch on the introduction of the bank resolution rules and their impact. In this context it is our strategy

to reduce exposures which in the case of bail-in could be retained for loss absorbance or to recapitalise the respective institution. Poor economic growth in many emerging markets means that the outlook there remains gloomy. We are responding with flexible portfolio management that is tailored to the individual situation of each country.

FI portfolio by region	31.3.2016			31.12.2015		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	6	6	11	5	6	12
Western Europe	20	40	20	20	46	23
Central and Eastern Europe	4	20	48	5	23	48
North America	2	3	14	2	3	17
Asia	12	32	27	13	36	28
Other	7	31	43	8	32	43
<b>Total</b>	<b>51</b>	<b>133</b>	<b>26</b>	<b>52</b>	<b>146</b>	<b>28</b>



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### Non-Bank Financial Institutions portfolio

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

We carry out new business in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

NBFI portfolio by region	31.3.2016			31.12.2015		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	23	14	16	23	14
Western Europe	15	45	30	15	48	33
Central and Eastern Europe	1	3	47	1	3	58
North America	8	10	12	8	5	6
Asia	1	2	17	1	2	16
Other	1	1	6	2	1	8
<b>Total</b>	<b>43</b>	<b>83</b>	<b>19</b>	<b>43</b>	<b>83</b>	<b>19</b>

### Originator positions

Commerzbank and Hypothekbank Frankfurt have in recent years securitised receivables from loans to the Bank's customers with a current volume of €6.1bn, primarily for capital management purposes. In the first quarter of 2016, Commerzbank launched CoSMO Finance III-2, a new synthetic securitisation transaction, mainly based on corporate receivables, with a volume of €2bn.

As at the reporting date 31 March 2016, risk exposures with a value of €5.7bn were retained. By far the largest portion of these exposures, in the amount of €5.6bn, is accounted for by senior tranches, which are nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume <sup>1</sup>			Total volume <sup>1</sup> 31.3.2016	Total volume <sup>1</sup> 31.12.2015
		Senior	Mezzanine	First loss piece		
Corporates	2025 – 2036	5.6	<0.1	0.1	6.1	4.1
RMBS	2048	0.0	0.0	0.0	<0.1	0.1
CMBS	2046	0.0	0.0	0.0	<0.1	<0.1
<b>Gesamt</b>		<b>5.6</b>	<b>&lt;0.1</b>	<b>0.1</b>	<b>6.1</b>	<b>4.2</b>

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

### Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables from customers in the Mittelstandsbank and Corporates & Markets segments, in particular 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). In the first quarter of 2016, the volume and risk values in the Silver Tower conduit slightly increased due to new business and at the end of March 2016 stood at €3.3bn, around €0.1bn above the figure as at 31 December 2015.

Liquidity risks from ABS transactions are modelled conservatively in the internal liquidity risk model. Firstly, a worst case assumption is made that Commerzbank has to take on the

funding of a major part of the purchase facilities provided to its special purpose vehicles within the scope of the Silver Tower conduit. Secondly, the Bank's holdings of securitisation transactions only qualify as liquid assets if they are eligible for rediscount at the European Central Bank. These positions are only included in the liquidity risk calculation after applying conservative discounts.

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Hypothekbank Frankfurt, which is being fully downsized, in the Public Finance area, along with trading book positions of Commerzbank AG in Germany.

In the first quarter of 2016, the volume decreased to €4.4bn (December 2015: €4.7bn) and the risk values decreased to €4.3bn (December 2015: €4.6bn).

## 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, e.g. in the case of trading book positions. However, for banking book positions they would be reflected in the revaluation reserve or in hidden liabilities/reserves.

### Risk management

A standardised value at risk model (historical simulation) incorporating all positions is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Annual Report 2015. In order to provide a consistent presentation in this report, all figures relating to the 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 €24m to €142m. The VaR for the trading book significantly rose in the first quarter of 2016, too. The main reason for this increase is higher volatility in the markets. This was itself triggered by market events such as strong interest rate and currency spread movements, which were reacting to expectations about the Central Bank's monetary policy and worries about worldwide growth. The stressed VaR (evaluation of the current position using fixed market data from a defined crisis period) was stable in the first quarter of 2016. Hence, market movement and not changes in the position was the leading driver for the VaR increase.

VaR contribution <sup>1</sup>   €m	31.3.2016	31.12.2015
<b>Overall book</b>	<b>142</b>	<b>118</b>
thereof trading book	41	29

<sup>1</sup> 99% confidence level, one-day holding period, equally weighted market data, 254 days' history.

## Trading book

The value at risk rose from €29m to €41m in the first quarter of 2016. Also, the mean at €33m was above the previous year's mean of €25m.

VaR of portfolios in the trading book <sup>1</sup>   €m	Q1 2016	2015
Minimum	23	17
Mean	33	25
Maximum	45	39
<b>VaR at end of reporting period</b>	<b>41</b>	<b>29</b>

<sup>1</sup> 99% confidence level, one-day holding period, equally weighted market data, 254 days' history.

The market risk profile is diversified across all risk classes. The dominant risk classes are foreign exchange and credit spread risks. These are followed by interest rate and equity risk. To a lower extent, the VaR is influenced by commodity and inflation risk. The risk type interest rates 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 development in VaR in the first quarter of 2016 shows a significant increase in credit spread risks. Strong market fluctuations in credit spreads were effective in particular in the corporate bond portfolio and the respective index positions. Also, foreign exchange and equity risk moderately increased. Commodities and interest rate risk remained stable in the period under review.

VaR contribution by risk type in the trading book <sup>1</sup>   €m	31.3.2016	31.12.2015
Credit spreads	14	6
Interest rates	4	4
Equities	5	4
FX	17	14
Commodities	1	1
<b>Total</b>	<b>41</b>	<b>29</b>

<sup>1</sup> 99% confidence level, one-day holding period, equally weighted market data, 254 days' history.

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Further risk ratios are calculated for regulatory capital adequacy. This includes in particular the calculation of stressed VaR. On the basis of the VaR method, stressed VaR measures the present position in the trading book by reference to market movements from a specified crisis period in the past. Stressed VaR was almost unchanged at €27m as at the reporting date. 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 are used to calculate profit and losses as were used for calculating the VaR. This means that the profits and losses solely result from changes in market prices. In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are included. If the loss actually calculated exceeds the loss forecast from the VaR estimate, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first quarter of 2016, we saw two negative outliers in the clean P&L approach and none in the dirty P&L approach. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

The VaR and stress test models are validated regularly and checked for adequacy. In the first quarter of 2016, model adjustments were implemented that helped to further improve 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 Asset & Capital Recovery (ACR) – Public Finance, including the positions held by Hypothekbank Frankfurt and Commerzbank Finance & Covered Bond S.A. In addition, the Treasury portfolios with their credit spread risk, interest rate risk and basis risk influence the market risk in the banking book.

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) stood unchanged at €54m at the end of the first quarter of 2016. Most credit spread sensitivities relate to securities positions classified as loans and receivables (LaR). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the Banking Directive, the Federal Financial Supervisory Authority has prescribed two uniform, sudden and unexpected changes in interest rates (+/-200 basis points) to be used by all banks. The banks have to report on the results of this stress test every quarter.

On the basis of the interest rate shift of +200 basis points a potential loss of €2,147m and based on the downshift of -200 basis points a potential loss of €508m would occur as at 31 March 2016.

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

## Market liquidity risk

In measuring economic capital adequacy, Commerzbank also takes account of market liquidity risk. This is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market. Further details on the methodology used are given in the Annual Report 2015.

As at the end of the first quarter 2016, Commerzbank had earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking book. Asset-backed securities and structured products in particular have a higher market liquidity risk.

## Liquidity risk

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

## Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Additional information on this subject can be found in the section "Funding and Liquidity" in the Interim Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

The Bank has established recovery and 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 Asset Liability Committee. 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

The setting of liquidity risk modelling parameters taking regulatory requirements into account and the adjustment of limits are described in Commerzbank's liquidity risk framework. The combination of modelling and limits provides the basis for quantifying 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.

Based on the liquidity gap profile, management mechanisms such as recovery and early warning indicators are being limited and monitored accordingly. The liquidity gap profile is limited for all maturity bands up to 30 years, whereat the daily controls focus on the short-term maturity bands up to 1 year. The Group limits are broken down into individual currencies and Group units.

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In the first quarter of 2016, Commerzbank's internal as "recovery indicators" defined liquidity risk ratios, including the regulatory liquidity coverage ratio (LCR), were at all times within the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the external regulatory German Liquidity Regulation; at the end of the first quarter, the liquidity ratio stood at 1.51.

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 reporting period the Bank had available excess liquidity of up to €76.9bn in the maturity band for up to one day. Of this amount, €37.1bn was held in a separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. When simulating the existing exposures under the current model assumptions, a liquidity shortage would only occur after more than 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 €9.7bn 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 stress scenarios.

The LCR was adopted by the European Union as part of the "delegated act" on 17 January 2015 and became binding on all European banks with effect from 1 October 2015. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards. Until then, the ratio will be 60% from October 2015, 70% in 2016 and 80% in 2017.

Commerzbank significantly exceeded the stipulated minimum ratio on every reporting date in the first quarter of 2016, meaning that its LCR remains comfortably in excess of minimum statutory requirements.

## 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. Given its heightened economic significance, compliance risk is managed as a separate risk type by Commerzbank's compliance function. In line with the CRR, however, losses from compliance risks are still incorporated into the model for determining regulatory and economic capital for operational risks.

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €22.2bn at the end of the first quarter of 2016, while economically required capital was €1.8bn.

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

The total relief at the end of the first quarter of 2016 for OpRisk events was €-5.7m (full year 2015: charge of €130m). The events were dominantly affected by reversals of provisions in the "Products and business practices" category.

OpRisk events <sup>1</sup>   €m	31.3.2016	31.12.2015
Internal fraud	0	1
External fraud	2	-1
Damages and IT failure	0	9
Products and business practices	-13	90
Process related	5	45
HR related	0	-14
<b>Group</b>	<b>-6</b>	<b>130</b>

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

## Other risks

As regards all other risks, there were no significant changes in the first quarter of 2016 compared with the position reported in the Annual Report 2015.

**Disclaimer** Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, models

cannot cover all the influencing factors that have an impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

# Interim Financial Statements

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## Statement of comprehensive income

### Income Statement

€m	Notes	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Interest income		2,576	2,918	-11.7
Interest expenses		1,245	1,492	-16.6
Net interest income	(1)	1,331	1,426	-6.7
Loan loss provisions	(2)	-148	-158	-6.3
Net interest income after loan loss provisions		1,183	1,268	-6.7
Commission income		972	1,067	-8.9
Commission expenses		151	152	-0.7
Net commission income	(3)	821	915	-10.3
Net trading income	(4)	68	631	-89.2
Net income from hedge accounting		-55	-71	-22.5
Net trading income and net income from hedge accounting		13	560	-97.7
Net investment income	(5)	32	-128	.
Current net income from companies accounted for using the equity method		49	14	.
Other net income	(6)	68	-2	.
Operating expenses	(7)	1,893	1,957	-3.3
Restructuring expenses	(8)	-	66	-100.0
<b>Pre-tax profit or loss</b>		<b>273</b>	<b>604</b>	<b>-54.8</b>
Taxes on income	(9)	86	237	-63.7
<b>Consolidated profit or loss</b>		<b>187</b>	<b>367</b>	<b>-49.0</b>
Consolidated profit or loss attributable to non-controlling interests		24	29	-17.2
Consolidated profit or loss attributable to Commerzbank shareholders		163	338	-51.8

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

Earnings per share   €	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Earnings per share	0.13	0.30	-56.7

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

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 out-

standing in the current year or comparable prior-year period. The figure for diluted earnings was therefore identical to the undiluted figure.



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## Condensed statement of comprehensive income

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Consolidated profit or loss	187	367	-49.0
Change from remeasurement of defined benefit plans not recognised in income statement	-250	-97	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	-	-	.
Change in companies accounted for using the equity method	0	0	.
<b>Items not recyclable through profit or loss</b>	<b>-250</b>	<b>-97</b>	<b>.</b>
Change in revaluation reserve			
Reclassified to income statement	-34	-26	30.8
Change in value not recognised in income statement	-9	503	.
Change in cash flow hedge reserve			
Reclassified to income statement	18	22	-18.2
Change in value not recognised in income statement	-3	-8	-62.5
Change in currency translation reserve			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-83	349	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	-	-1	-100.0
Change in value not recognised in income statement	9	0	.
Change in companies accounted for using the equity method	-2	12	.
<b>Items recyclable through profit or loss</b>	<b>-104</b>	<b>851</b>	<b>.</b>
<b>Other comprehensive income</b>	<b>-354</b>	<b>754</b>	<b>.</b>
<b>Total comprehensive income</b>	<b>-167</b>	<b>1,121</b>	<b>.</b>
Comprehensive income attributable to non-controlling interests	30	73	-58.9
Comprehensive income attributable to Commerzbank shareholders	-197	1,048	.

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

The breakdown of other comprehensive income for the first quarter of 2016 was as follows:

Other comprehensive income   €m	1.1.–31.3.2016			1.1.–31.3.2015 <sup>1</sup>		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	-370	120	-250	-119	22	-97
of which companies accounted for using the equity method	0	-	0	0	-	0
of which non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in revaluation reserve	-48	5	-43	592	-115	477
Change in cash flow hedge reserve	23	-8	15	23	-9	14
Change in currency translation reserve	-82	-1	-83	350	-1	349
Change from non-current assets held for sale and disposal groups	13	-4	9	-1	-	-1
Change in companies accounted for using the equity method	-2	-	-2	12	-	12
<b>Other comprehensive income</b>	<b>-466</b>	<b>112</b>	<b>-354</b>	<b>857</b>	<b>-103</b>	<b>754</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

## Income statement (by quarter)

€m	2016	2015			
	1 <sup>st</sup> quarter	4 <sup>th</sup> quarter <sup>1</sup>	3 <sup>rd</sup> quarter <sup>1</sup>	2 <sup>nd</sup> quarter <sup>1</sup>	1 <sup>st</sup> quarter <sup>1</sup>
Net interest income	1,331	1,543	1,176	1,582	1,426
Loan loss provisions	-148	-112	-146	-280	-158
Net interest income after loan loss provisions	1,183	1,431	1,030	1,302	1,268
Net commission income	821	829	825	855	915
Net trading income	68	-264	296	-104	631
Net income from hedge accounting	-55	-4	-2	17	-71
Net trading income and net income from hedge accounting	13	-268	294	-87	560
Net investment income	32	99	-39	61	-128
Current net income from companies accounted for using the equity method	49	36	15	17	14
Other net income	68	-7	38	8	-2
Operating expenses	1,893	1,744	1,719	1,737	1,957
Restructuring expenses	-	20	28	-	66
<b>Pre-tax profit or loss</b>	<b>273</b>	<b>356</b>	<b>416</b>	<b>419</b>	<b>604</b>
Taxes on income	86	138	155	88	237
<b>Consolidated profit or loss</b>	<b>187</b>	<b>218</b>	<b>261</b>	<b>331</b>	<b>367</b>
Consolidated profit or loss attributable to non-controlling interests	24	31	31	24	29
Consolidated profit or loss attributable to Commerzbank shareholders	163	187	230	307	338

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

## Balance sheet

Assets   €m	Notes	31.3.2016	31.12.2015	Change in %
Cash reserve		16,955	28,509	-40.5
Claims on banks	(11,13,14)	74,841	71,810	4.2
of which pledged as collateral		-	-	.
Claims on customers	(12,13,14)	227,051	218,875	3.7
of which pledged as collateral		-	-	.
Value adjustment on portfolio fair value hedges		477	284	68.0
Positive fair values of derivative hedging instruments		3,475	3,031	14.6
Trading assets	(15)	118,307	114,684	3.2
of which pledged as collateral		4,121	2,876	43.3
Financial investments	(16)	80,466	81,939	-1.8
of which pledged as collateral		600	508	18.1
Holdings in companies accounted for using the equity method		776	735	5.6
Intangible assets	(17)	3,544	3,525	0.5
Fixed assets	(18)	1,374	1,437	-4.4
Investment properties		108	106	1.9
Non-current assets held for sale and assets of disposal groups		748	846	-11.6
Current tax assets		532	512	3.9
Deferred tax assets		2,907	2,836	2.5
Other assets	(19)	4,263	3,512	21.4
<b>Total</b>		<b>535,824</b>	<b>532,641</b>	<b>0.6</b>

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Liabilities and equity   €m	Notes	31.3.2016	31.12.2015	Change in %
Liabilities to banks	(20)	89,378	83,154	7.5
Liabilities to customers	(21)	254,156	257,615	-1.3
Securitised liabilities	(22)	38,301	40,605	-5.7
Value adjustment on portfolio fair value hedges		1,358	1,137	19.4
Negative fair values of derivative hedging instruments		6,858	7,406	-7.4
Trading liabilities	(23)	87,968	86,443	1.8
Provisions	(24)	3,557	3,326	6.9
Current tax liabilities		390	401	-2.7
Deferred tax liabilities		118	106	11.3
Liabilities of disposal groups		1,062	1,073	-1.0
Other liabilities	(25)	10,232	9,110	12.3
Subordinated debt instruments	(26)	12,205	11,858	2.9
Equity		30,241	30,407	-0.5
Subscribed capital		1,252	1,252	.
Capital reserve		17,192	17,192	.
Retained earnings		11,652	11,740	-0.7
Other reserves		-891	-781	14.1
Total before non-controlling interests		29,205	29,403	-0.7
Non-controlling interests		1,036	1,004	3.2
<b>Total</b>		<b>535,824</b>	<b>532,641</b>	<b>0.6</b>

## 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			
<b>Equity as at 31.12.2014</b>	<b>1,139</b>	<b>15,928</b>	<b>10,383</b>	<b>- 957</b>	<b>- 246</b>	<b>- 193</b>	<b>26,054</b>	<b>906</b>	<b>26,960</b>
Change due to retrospective adjustments <sup>1</sup>			79	- 6	-	-	73	-	73
<b>Equity as at 1.1.2015</b>	<b>1,139</b>	<b>15,928</b>	<b>10,462</b>	<b>- 963</b>	<b>- 246</b>	<b>- 193</b>	<b>26,127</b>	<b>906</b>	<b>27,033</b>
Total comprehensive income	-	-	1,273	366	87	168	1,894	118	2,012
Consolidated profit or loss			1,062				1,062	115	1,177
Change from remeasurement of defined benefit plans			211				211	1	212
Change in revaluation reserve				432			432	1	433
Change in cash flow hedge reserve					87		87	-	87
Change in currency translation reserve						161	161	1	162
Change from non-current assets held for sale and disposal groups				- 66		- 1	- 67	-	- 67
Change in companies accounted for using the equity method						8	8	-	8
Dividend paid on shares							-	- 11	- 11
Capital increases	113	1,264	- 5				1,372	-	1,372
Withdrawal from retained earnings							-	-	-
Changes in ownership interests			- 1				- 1	- 2	- 3
Other changes <sup>2</sup>			11				11	- 7	4
<b>Equity as at 31.12.2015</b>	<b>1,252</b>	<b>17,192</b>	<b>11,740</b>	<b>- 597</b>	<b>- 159</b>	<b>- 25</b>	<b>29,403</b>	<b>1,004</b>	<b>30,407</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

<sup>2</sup> 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.

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€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			
<b>Equity as at 31.12.2015</b>	<b>1,252</b>	<b>17,192</b>	<b>11,740</b>	<b>-597</b>	<b>-159</b>	<b>-25</b>	<b>29,403</b>	<b>1,004</b>	<b>30,407</b>
Total comprehensive income	-	-	-87	-39	15	-86	-197	30	-167
Consolidated profit or loss			163				163	24	187
Change from remeasurement of defined benefit plans			-250				-250	-	-250
Change in revaluation reserve				-46			-46	3	-43
Change in cash flow hedge reserve					15		15	-	15
Change in currency translation reserve <sup>1</sup>						-84	-84	1	-83
Change from non-current assets held for sale and disposal groups				7			7	2	9
Change in companies accounted for using the equity method						-2	-2	-	-2
Dividend paid on shares							-	-	-
Capital increases							-	-	-
Withdrawal from retained earnings							-	-	-
Changes in ownership interests							-	-	-
Other changes <sup>2</sup>			-1				-1	2	1
<b>Equity as at 31.3.2016</b>	<b>1,252</b>	<b>17,192</b>	<b>11,652</b>	<b>-636</b>	<b>-144</b>	<b>-111</b>	<b>29,205</b>	<b>1,036</b>	<b>30,241</b>

<sup>1</sup> Including changes in the group of consolidated companies. The change in the current financial year is mainly due to the currencies US dollar, Polish zloty, British pound and the Russian rouble.

<sup>2</sup> 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 2016, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was €1,252m and was divided into 1,252,357,634 no-par-value shares (accounting value per share of €1.00). The average number of ordinary shares in issue was 1,252,357,634 (31 March 2015: 1,138,506,941).

There was no impact on the other reserves from assets and disposal groups held for sale as at 31 March 2016.

In the first three months of 2016 there was no material impact from the purchase of additional shares in already consolidated companies or the disposal of shares in subsidiaries that continue to be consolidated.

## For information: Statement of changes in equity from 1 January to 31 March 2015

€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			
<b>Equity as at 31.12.2014</b>	<b>1,139</b>	<b>15,928</b>	<b>10,383</b>	<b>-957</b>	<b>-246</b>	<b>-193</b>	<b>26,054</b>	<b>906</b>	<b>26,960</b>
Change due to retrospective adjustments <sup>1</sup>			79	-6	-	-	73	-	73
<b>Equity as at 1.1.2015</b>	<b>1,139</b>	<b>15,928</b>	<b>10,462</b>	<b>-963</b>	<b>-246</b>	<b>-193</b>	<b>26,127</b>	<b>906</b>	<b>27,033</b>
Total comprehensive income	-	-	242	468	14	324	1,048	73	1,121
Consolidated profit or loss			338				338	29	367
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						313	313	36	349
Change from non-current assets held for sale and disposal groups						-1	-1	-	-1
Change in companies accounted for using the equity method						12	12	-	12
Dividend paid on shares							-	-	-
Capital increases							-	-	-
Withdrawal from retained earnings							-	-	-
Decrease in silent participations							-	-	-
Changes in ownership interests							-	-	-
Other changes <sup>2</sup>			17			-	17	-3	14
<b>Equity as at 31.3.2015</b>	<b>1,139</b>	<b>15,928</b>	<b>10,721</b>	<b>-495</b>	<b>-232</b>	<b>131</b>	<b>27,192</b>	<b>976</b>	<b>28,168</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

<sup>2</sup> 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	2016	2015 <sup>1</sup>
<b>Cash and cash equivalents as at 1.1.</b>	<b>28,509</b>	<b>4,897</b>
Net cash from operating activities	- 12,840	1,704
Net cash from investing activities	1,323	- 290
Net cash from financing activities	257	- 166
<b>Total net cash</b>	<b>- 11,260</b>	<b>1,248</b>
Effects from exchange rate changes	- 270	246
Effects from non-controlling interests	- 24	- 29
<b>Cash and cash equivalents as at 31.3.</b>	<b>16,955</b>	<b>6,362</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

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

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### General information

#### Accounting policies

The Commerzbank Group has its headquarter in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register of the District Court of Frankfurt am Main with the registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 31 March 2016 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

#### Application of new and revised standards

We have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2015 (see page 158 ff. of our 2015 Annual Report). These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2016 (IAS 1, 16, 27, 38 and 41 and IFRS 11, plus amendments arising from the IASB's annual improvement process for the 2012 to 2014 cycle), which had no material impact on the Commerzbank Group financial statements.

The impact of the new and revised standards (IAS 7, 12 and 28 and IFRS 9, 10, 12, 14, 15 and 16) 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 Financial Instruments in July 2014. IFRS 9 replaces the previous standard for 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. All financial assets must initially be measured at fair value with the remeasurement effects taken through profit or loss. A different subsequent measurement is only permitted for a debt instrument on the assets side if it is included in a portfolio that operates under

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 2016. 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.

a "hold" or "hold and sell" business model. Moreover, the financial instrument in question may only have cash flows that are payments of principal and interest on the principal amount outstanding. IFRS 9 contains wide-ranging regulations and examples providing further details on these rules. Irrespective of this a financial instrument may still be measured at fair value if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

As before, a fair value option also exists for financial liabilities. However, gains or losses deriving from a change in own credit risk are no longer reported through profit or loss, but instead in other comprehensive income (revaluation reserve), unless this would create or enlarge an accounting mismatch in profit or loss.

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

must be recognised for the full lifetime expected credit losses. If an instrument is in default, a provision must be recognised for the lifetime expected loss on the basis of the estimated cash flows that can still be expected. The EU Commission started the process of implementing the new standard into European law in December 2014 and has asked the European Financial Reporting Advisory Group (EFRAG) for its opinion. The standard is expected to be transposed into EU law in the first half of 2016 and to become effective for EU companies for financial years beginning on or after 1 January 2018. Due to the continuing uncertainties and the potential scope for interpretation it is not yet possible to quantify the impact of IFRS 9 reliably.

The new standard IFRS 16, Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4 and SIC-15 and SIC-27. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over 12 months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessees will in future recognise a right-of-use asset and a lease liability. As under the current provisions of IAS 17, lessors will be required to classify each lease as either an operating lease or a finance lease. IFRS 16 adopts the criteria of IAS 17 for this classification. IFRS 16 also contains further provisions on recognition, on the information in the notes and on sale- and leaseback transactions. The new standard will enter into force for financial years beginning on or after 1 January 2019. We are currently reviewing the impact on the Commerzbank Group.

## Changes in presentation

The new IT system launched by Commerzbank Aktiengesellschaft in Germany in the fourth quarter of 2015 led to the retrospective restatement of prior-year data. The 2015 annual report contains a detailed list of the restatements on pages 161 ff.

This gave rise to the following changes in the first quarter of 2015 compared with the previous presentation:

- The measurement of trading securities has now been split into interest-like amortisation components and ongoing price changes. The amortisation components are now reported in interest income or expenses instead of being reported together

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 amendments to the standard IAS 7 Statement of Cash Flows have been published within the Disclosure Initiative. The aim is to improve the information on an entity's liabilities arising from financing activities.

Amendments to IAS 12 clarify the recognition of deferred tax assets for unrealised losses.

The amendments to the standards IAS 28 and IFRS 10 published in September 2014 mean that unrealised gains or losses from transactions with an associate or joint venture are recognised if assets that constitute a business are sold or contributed to the associate or joint venture. A further amendment to IFRS 10 and 12 as well as IAS 28 published in December 2014 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.

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, performance obligations and significant judgements and estimates.

with ongoing price changes in net trading income. The reclassification from net interest income to net trading income amounted to €29m for the first quarter of 2015 (net balance of €30m reduction in interest income and €1m reduction in interest expenses). This reclassification within the income statement had no impact on consolidated profit, the balance sheet or earnings per share.

- Discounts and premiums on securities and promissory note loans held outside the trading book are now amortised using the effective interest rate method, rather than in a straight line as previously. Interest expenses were €1m higher in the first

quarter of 2015 and interest income was €1m lower. Consolidated profit was therefore reduced by €2m, which translated into a reduction in earnings per share by less than €0.01.

- Interest income and expenses from Commerzbank's own banking book issues which are unsold or have been repurchased are also now reported on a net basis. Until now these have been reported gross as interest income and interest expenses. This resulted in a reduction in interest income and expenses by €8m each in the first quarter of 2015. There was no impact on consolidated profit, the balance sheet or earnings per share.
- Loan arrangement fees and commitment interest as well as commissions paid are now incorporated in the effective interest rate when loans are made instead of being recognised immediately through profit or loss as previously. Interest income was reduced by €6m and commission expense by €15m in the first quarter of 2015. After deducting taxes on income of €1m, consolidated profit was €8m higher. This translated into a rise in earnings per share by €0.01.
- The reporting of payments in connection with credit derivatives within the income statement was corrected. Interest expenses and net trading income both rose by €16m in the first quarter of 2015. Thus, there was no impact on consolidated profit, the balance sheet or earnings per share.

In the past Commerzbank initially consolidated certain own issues which had been bought by one of its subsidiaries in equity. The differential arising from lower carrying amounts of the relevant issues on the part of Commerzbank was derecognised in financial year 2015 by means of a retrospective restatement. The impact of associated hedging derivatives on profit or loss was also taken into account. Securitised liabilities rose by €4m as at 31 March 2015, with net trading income falling by the same amount. Consolidated profit for the first quarter of 2015 fell by €4m as a result and earnings per share were reduced by less than €0.01.

Since the fourth quarter of 2015 we have been reporting the Bank's contributions to the German statutory deposit insurance scheme in a revised form for the contribution years up to 2015. The entire expense for the contribution year of 1 October to 30 September of the following year has been recognised in full in the fourth quarter (instead of quarterly as previously), as the payment obligation was based solely on whether the Bank held a

banking licence on 1 October. Operating expenses were reduced by €6m in the first quarter of 2015. After deducting taxes on income of €1m, consolidated profit was €5m higher and earnings per share increased by less than €0.01. Under the new contribution rules the expense will be recognised on a quarterly basis from the 2016 contribution year onwards.

In accordance with IFRIC 21 we are reporting the Bank's contributions to the Polish statutory deposit insurance scheme in a revised form for the 2015 contribution year. Unlike the German scheme, the entire expense for the calendar year, which corresponds to the contribution year, has been recognised in full in the first quarter (instead of quarterly as previously), as the payment obligation was based solely on whether the Bank held a banking licence on 1 January. Operating expenses increased by €24m in the first quarter of 2015. After deducting a positive effect of €5m from taxes on income, consolidated profit was reduced by €19m. The consolidated profit attributable to non-controlling interests was reduced by €6m and the consolidated profit attributable to Commerzbank shareholders by €13m. Earnings per share fell by €0.02 as a result. Under the new contribution rules the expense will be recognised on a quarterly basis from the 2016 contribution year onwards.

A correction of a calculation error also gave rise to a restatement in financial year 2015. Taxes on income were €22m higher for the first quarter of 2015 as a result, and consolidated profit fell by the same amount. Earnings per share fell by €0.02.

Current income and expenses from properties held for sale and from investment properties are now reported in other net income rather than in interest income or expenses as done previously. This reduced interest income by €24m and interest expenses by €5m in the first quarter of 2015, with other net income therefore rising by €19m. Thus, there was no impact on consolidated profit, the balance sheet or earnings per share.

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The tables below summarise the impact of the main restatements on the income statement and equity as at 31 March 2015:

€m	Original Group financial statements 1.1.- 31.3.2015	Adjust- ment	Restated Group financial statements 1.1.- 31.3.2015
Interest income	2,987	-69	2,918
Interest expenses	1,489	3	1,492
Net interest income	1,498	-72	1,426
Commission income	1,067	-	1,067
Commission expenses	167	-15	152
Net commission income	900	15	915
Net trading income	590	41	631
Other net income	-21	19	-2
Operating expenses	1,939	18	1,957
<b>Pre-tax profit or loss</b>	<b>619</b>	<b>-15</b>	<b>604</b>
Taxes on income	218	19	237
<b>Consolidated profit or loss</b>	<b>401</b>	<b>-34</b>	<b>367</b>
Consolidated profit or loss attributable to non-controlling interests	35	-6	29
Consolidated profit or loss attributable to Commerzbank shareholders	366	-28	338

€m	Original Group financial statements 1.1.- 31.3.2015	Adjust- ment	Restated Group financial statements 1.1.- 31.3.2015
Equity	28,129	39	28,168
of which retained earnings	10,670	51	10,721
of which other reserves	-590	-6	-596
Non-controlling interests	982	-6	976

Total assets were €3,649m higher as at 31 March 2015 as a result of the restatements.

## Consolidated companies

The following companies were consolidated for the first time as at 31 March 2016:

Name of company	Equity share and voting rights %	Acquisition cost	Assets	Liabilities
		€m	€m	€m
Commerz Transaction Services Logistic GmbH, Magdeburg, Germany	100.0	1.6	2.8	1.2
CommerzVentures GmbH, Frankfurt am Main, Germany	100.0	24.4	25.2	0.8
Kira Vermögensverwaltungsgesellschaft mbH, Munich, Germany	100.0	306.4	445.6	139.2

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. There were no negative differences during the period under review.

The following companies were sold or liquidated or are no longer consolidated for other reasons:

- Disposals
  - Number X Bologna S.r.l., Milan, Italy
- Liquidations
  - CoSMO Finance II- 2 Ltd., Dublin, Ireland
- Entity that permanently fell below our materiality threshold for consolidation:
  - Number X Real Estate GmbH, Eschborn, Germany

The following company was merged with a Commerzbank Group consolidated company:

- OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Luna KG, Grünwald, Germany

## Report on events after the reporting period

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

COMUNITHY Immobilien GmbH, Düsseldorf, Germany ceased to be accounted for using the equity method in the first quarter of 2016.

In December 2015 we decided to sell the international wealth management activities of our 100% subsidiary Commerzbank International S.A. Luxembourg in the Private Customers segment. The transaction is still subject to approval by the supervisory authorities.

AVOLO Aviation GmbH & Co. Geschlossene Investment KG, Karlsruhe, Germany is also classified as held for sale in the Private Customers segment. Furthermore certain Fund units are held for sale in this segment.

The Commerzbank Group is also planning to sell an investment relating to the credit card business in the Private Customers and Central & Eastern Europe segments. The transaction is expected to be completed in 2016 and may still be subject to change, particularly as regards the expected selling price, until the completion date.

## Notes to the income statement

### (1) Net interest income

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Interest income	2,576	2,918	-11.7
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	151	180	-16.1
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	1,972	2,233	-11.7
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	65	57	14.0
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	82	148	-44.6
Prepayment penalty fees	26	29	-10.3
Gains on the sale of loans and receivables and repurchase of liabilities	9	241	-96.3
Dividends from securities	10	27	-63.0
Current net income from equity holdings and non-consolidated subsidiaries	53	3	.
Other interest income	208	-	.
Interest expenses	1,245	1,492	-16.6
Interest expenses on subordinated debt instruments and on securitised and other liabilities	1,055	1,279	-17.5
Interest expenses from applying the fair value option	87	83	4.8
Interest expenses on securitised liabilities held for trading	28	28	0.0
Loss on the sale of loans and receivables and repurchase of liabilities	8	54	-85.2
Other interest expense	67	48	39.6
<b>Total</b>	<b>1,331</b>	<b>1,426</b>	<b>-6.7</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

The unwinding effect for commitments which have been terminated and impaired commercial real estate loans amounted to €7m for 1 January to 31 March 2016 (previous year: €13m).

Other interest expense includes, among other items, net interest expense for pensions and negative interest from financial instruments held as assets (1 January to 31 March 2016: €64m).

Other interest income includes negative interest from financial instruments held as liabilities (1 January to 31 March 2016: €42m) among other items. 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.–31.3.2016	1.1.–31.3.2015	Change in %
Allocation to loan loss provisions <sup>1</sup>	-376	-561	-33.0
Reversals of loan loss provisions <sup>1</sup>	220	416	-47.1
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	8	-13	.
<b>Total</b>	<b>-148</b>	<b>-158</b>	<b>-6.3</b>

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

## (3) Net commission income

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Securities transactions	219	264	-17.0
Asset management	51	51	0.0
Payment transactions and foreign business	315	348	-9.5
Real estate lending business	3	8	-62.5
Guarantees	55	55	0.0
Net income from syndicated business	78	84	-7.1
Intermediary business	61	63	-3.2
Fiduciary transactions	2	1	100.0
Other	37	41	-9.8
<b>Total<sup>2</sup></b>	<b>821</b>	<b>915</b>	<b>-10.3</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

<sup>2</sup> Of which commission income €972m (previous year: €1,067m) and commission expense: €151m (previous year: €152m).

## (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.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Net trading gain or loss <sup>2</sup>	57	646	-91.2
Net gain or loss from applying the fair value option	11	-15	.
<b>Total</b>	<b>68</b>	<b>631</b>	<b>-89.2</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

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



## (5) Net investment income

Net investment income contains gains or losses on the disposal and 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.–31.3.2016	1.1.–31.3.2015	Change in %
<b>Net gain or loss from interest-bearing business</b>	<b>2</b>	<b>-176</b>	<b>.</b>
In the available-for-sale category	1	36	-97.2
Gain on disposals (including reclassification from revaluation reserve)	7	41	-82.9
Loss on disposals (including reclassification from revaluation reserve)	-7	-2	.
Net remeasurement gain or loss	1	-3	.
In the loans and receivables category	1	-212	.
Gains on disposals	4	7	-42.9
Loss on disposals	-3	-20	-85.0
Net remeasurement gain or loss <sup>1</sup>	-	-199	-100.0
<b>Net gain or loss on equity instruments</b>	<b>30</b>	<b>48</b>	<b>-37.5</b>
In the available-for-sale category	34	1	.
Gain on disposals (including reclassification from revaluation reserve)	34	1	.
Loss on disposals (including reclassification from revaluation reserve)	-	-	.
In the available-for-sale category, measured at acquisition cost	-1	47	.
Net remeasurement gain or loss	-3	-	.
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	-	-	.
<b>Total</b>	<b>32</b>	<b>-128</b>	<b>.</b>

<sup>1</sup> Includes reversals of €3m of portfolio valuation allowances for reclassified securities (previous year: reversals of €2m).

**(6) Other net income**

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
<b>Other material items of expense</b>	<b>66</b>	<b>56</b>	<b>17.9</b>
Allocations to provisions	23	22	4.5
Operating lease expenses	29	25	16.0
Expenses arising from building and architects' services	8	–	.
Hire-purchase expenses and sublease expenses	3	3	0.0
Expenses from investment properties	2	6	–66.7
Expenses from non-current assets held for sale	1	–	.
Expenses from disposal of fixed assets	–	–	.
<b>Other material items of income</b>	<b>124</b>	<b>104</b>	<b>19.2</b>
Reversals of provisions	46	24	91.7
Operating lease income	43	40	7.5
Income from insurance business	–	6	.
Income from building and architects' services	–	–	.
Hire-purchase income and sublease income	6	7	–14.3
Income from investment properties	2	24	–91.7
Income from non-current assets held for sale	6	–	.
Income from disposal of fixed assets	21	3	.
Balance of exchange rate changes	2	–38	.
Balance of sundry tax income/expenses	–5	–6	–16.7
Balance of sundry other income/expenses	13	–6	.
<b>Other net income</b>	<b>68</b>	<b>–2</b>	<b>.</b>

<sup>1</sup> Prior-year figures restated due to a change in the reporting of current income and expenses from properties held for sale or from investment properties respectively (see page 44).

**(7) Operating expenses**

€m	1.1.–31.3.2016	1.1.–31.3.2015 <sup>1</sup>	Change in %
Personnel expenses	930	984	–5.5
Administrative expenses	797	861	–7.4
Depreciation/amortisation of fixed assets and other intangible assets	166	112	48.2
<b>Total</b>	<b>1,893</b>	<b>1,957</b>	<b>–3.3</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

The administrative expenses include €156m for bank levy in the current financial year.

**(8) Restructuring expenses**

€m	1.1.–31.3.2016	1.1.–31.3.2015	Change in %
Expenses for restructuring measures introduced	–	66	–100.0
<b>Total</b>	<b>–</b>	<b>66</b>	<b>–100.0</b>

The restructuring expenses in the prior year related to the realignment of the Corporates & Markets division in London, the creation of global centres of competence and the reorganisation of our operations in Luxembourg.

## (9) Taxes on income

Group tax expense was €86m as at 31 March 2016. With pre-tax profit of €273m the Group's effective tax rate was therefore 31.5% (Group income tax rate: 31,23%). Group tax expense derived mainly from current tax expenses of the mBank sub-group,

comdirect bank AG and Commerzbank Aktiengesellschaft in Germany and Luxembourg for the current year. The non-deductibility of the banking levy for tax purposes was one of the main items that raised 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. Following IAS 8, retrospective restatements of the income statement and the balance sheet have been allocated to the segments in the segment reporting in line with their responsibility (see page 43 ff.). The warehouse assets of Commerz Real (except for the shipping portfolio), which had previously been part of the Non-Core Assets (NCA) segment, were reallocated to the Private Customers segment with effect from 1 October 2015. The prior-year data was not restated for materiality reasons. Commerzbank set up a new segment structure and reorganised its allocation of capital in the first quarter of 2016. The NCA segment was dissolved as a result of the successful winding down of its portfolio. High quality, low-risk portfolios were transferred from commercial real estate, ship financing and public finance to the Private Customers and Mittelstandsbank segments and to Group Treasury in the Others & Consolidation segment. The remaining assets were combined into the new Asset & Capital Recovery (ACR). The Bank also reorganised the Others & Consolidation segment and transferred a number of components of its income statement to the operating segments. The capital management and allocation approach was also changed and switched to regulatory capital (Common Equity Tier 1) with full application of the Basel 3 capital rules. In accordance with this change the return on capital of the operating segments is calculated on the basis of a capital requirement of 11% of risk-weighted assets with full application of Basel 3. A capital

requirement of 15% of risk-weighted assets on a fully phased-in basis is applied to the ACR segment. The prior-year figures have been restated to reflect the changes in the first quarter of 2016.

- Commerzbank has a dual-brand strategy in the Private Customer segment. The Private Customers segment comprises the Private Customers division with the branch network under the Commerzbank brand and the Direct Banking division under the comdirect bank AG brand. The asset manager Commerz Real AG is the third division within the Private Customers segment. The branch bank in Germany serves private, business and domestic wealth management customers in five sub-regions. It concentrates on the four key competences of investment, particularly securities and asset management, lending with a focus on mortgages and consumer loans, payments and pensions. International wealth management customers are looked after by International Wealth Management (IWM). The sales channels comprise firstly the branches, which form a comprehensive branch network. Secondly, Commerzbank has been systematically investing in expanding its digital platform since 2013 and has steadily developed the functionality of its online banking portal. The Bank is also continuing to invest in mobile banking as an integral part of the multi-channel approach in the bank's private customer business. The Private Customers coordination unit is responsible for the development and management of the branch bank. This department is also responsible for Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. Commerz Finanz GmbH, the joint venture with BNP Paribas focused on consumer lending, is managed centrally by the Private Customers coordination unit as well and reports its results there. The private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt Aktiengesellschaft is also part of the Private Customers division. The Direct Banking division includes both B2B (ebase) and B2C businesses (comdirect) and provide standardised, primarily internet-based advisory and service offerings for customers. The Commerz Real AG is a further division of the Private Customers segment (excluding the shipping portfolio). Its product range comprises open-ended real estate funds (hausinvest), asset structuring of investment products for private and institutional

investors (real estate, infrastructure including tankers, aircraft, rolling stock and renewable energy), asset structuring of financing products and 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 revenue of over €500m (except for multinational corporates that are handled by Advisory & Primary Markets within the Corporates & Markets segment). Smaller groups with a strong capital market affinity are also serviced by this division. We broadened our core markets to Europe in 2015. This is a further step towards strengthening our market position in Europe by supporting our customers as a strategic partner. Moreover, we have established the centre of competence for customers from the energy sector and since April 2015 a further centre of competence for corporate customer real estate, which makes our expertise in commercial real estate finance available to our corporate customer base. By doing so the Mittelstandsbank is rigorously pursuing its strategy as a full-service provider for its corporate customers in Germany, with a clear focus on financing the real economy. 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 ensures that we are a reliable partner for our customers at all times via a global correspondent banking network. We cover the entire value chain of Commerzbank's corporate customers.
- 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 covers three 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. Advisory & Primary Markets covers arrangement and advisory services for equity, hybrid and debt instruments, securitisation solutions, mergers & acquisitions and handles German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public-sector customers. 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.
- The Asset & Capital Recovery (ACR) brings together the remaining former Non-Core Assets portions of the Commercial Real Estate, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions, which have not been transferred to other segments. Only non-impaired assets with high internal valuations were transferred to the other segments. ACR largely comprises complex sub-portfolios with long maturities which do not meet, or only partly meet, the criteria listed above (i.e. non-impaired assets with high internal valuations). The assets of Commercial Real Estate and Public Finance not included in the other segments belong predominantly to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft. The DSB division comprises the ship finance activities of the Commerzbank Group and remains in the ACR segment. It also contains the ship financing business of the former Deutsche Schiffsbank AG. The ACR segment also comprises the shipping portfolio of the warehouse assets of Commerz Real.
- The Others and Consolidation segment contains the income and expenses which are not attributable to the business

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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. Improvements in methodology and more granular cost allocation processes led to the allocation of previously unallocated costs to the segments in the first quarter of 2016. In addition the role of Group Treasury as an internal service provider was taken into account as part of the cost allocation. The prior-year figures have been restated accordingly. 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. 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, Common Equity Tier 1

(CET1) capital on a fully phased-in basis is shown, which is used to calculate the return on equity. The reconciliation of average capital employed to CET1 capital is carried out in Others and Consolidation. Against the backdrop of increased capital adequacy requirements the fully phased-in capital requirement for risk-weighted assets is 11% for the operating segments and 15% for the ACR segment from 2016. The prior-year figures have been restated accordingly. 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 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 €776m (previous year: €706m) and were divided over the segments as follows: Private Customers €538m (previous year: €428m), Mittelstandsbank €107m (previous year: €100m), Central & Eastern Europe €2m (previous year: –), Corporates & Markets €128m (previous year: €133m) and Asset & Capital Recovery €1m (previous year: €45m).

The tables below contain information on the segments as at 31 March 2016 and on the comparative figures for the prior-year period.

1.1.–31.3.2016 €m	Private Customers	Mittel- standsbank	Central & Eastern Europe	Corporates & Markets	Asset & Capital Recovery	Others and Consoli- dation	Group
Net interest income	475	438	150	348	-1	-79	1,331
Loan loss provisions	-9	-53	-13	-5	-70	2	-148
Net interest income after loan loss provisions	466	385	137	343	-71	-77	1,183
Net commission income	427	262	49	91	-	-8	821
Net trading income and net income from hedge accounting	-1	-1	15	-7	-30	37	13
Net investment income	1	-	-2	29	-1	5	32
Current net income from companies accounted for using the equity method	38	5	-	6	-	-	49
Other net income	4	2	8	8	11	35	68
<i>Income before loan loss provisions</i>	<i>944</i>	<i>706</i>	<i>220</i>	<i>475</i>	<i>-21</i>	<i>-10</i>	<i>2,314</i>
<i>Income after loan loss provisions</i>	<i>935</i>	<i>653</i>	<i>207</i>	<i>470</i>	<i>-91</i>	<i>-8</i>	<i>2,166</i>
Operating expenses	744	444	130	388	31	156	1,893
<b>Operating profit or loss</b>	<b>191</b>	<b>209</b>	<b>77</b>	<b>82</b>	<b>-122</b>	<b>-164</b>	<b>273</b>
Restructuring expenses	-	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>191</b>	<b>209</b>	<b>77</b>	<b>82</b>	<b>-122</b>	<b>-164</b>	<b>273</b>
<b>Assets</b>	<b>81,949</b>	<b>96,359</b>	<b>29,023</b>	<b>164,624</b>	<b>21,285</b>	<b>142,584</b>	<b>535,824</b>
<b>Liabilities and equity</b>	<b>105,236</b>	<b>145,120</b>	<b>24,787</b>	<b>131,544</b>	<b>15,105</b>	<b>114,032</b>	<b>535,824</b>
<b>Average capital employed<sup>1</sup></b>	<b>2,526</b>	<b>8,114</b>	<b>1,645</b>	<b>3,654</b>	<b>3,286</b>	<b>4,255</b>	<b>23,480</b>
<b>Operating return on equity<sup>1</sup> (%)</b>	<b>30.2</b>	<b>10.3</b>	<b>18.7</b>	<b>9.0</b>	<b>-14.9</b>		<b>4.7</b>
<b>Cost/income ratio in operating business (%)</b>	<b>78.8</b>	<b>62.9</b>	<b>59.1</b>	<b>81.7</b>			<b>81.8</b>
<b>Return on equity of pre-tax profit or loss<sup>2</sup> (%)</b>	<b>30.2</b>	<b>10.3</b>	<b>18.7</b>	<b>9.0</b>	<b>-14.9</b>		<b>4.7</b>
Staff (average headcount)	15,347	5,692	8,210	1,911	274	17,711	49,145

<sup>1</sup> Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation. The figures for average CET1 capital with full application of Basel 3 include the consolidated profit attributable to Commerzbank shareholders that is available for recapitalisation.

<sup>2</sup> Annualised.

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1.1.–31.3.2015 <sup>1</sup> €m	Private Customers	Mittel- standsbank	Central & Eastern Europe	Corporates & Markets	Asset & Capital Recovery	Others and Consoli- dation	Group
Net interest income	443	489	134	355	107	-102	1,426
Loan loss provisions	-14	-24	-23	47	-109	-35	-158
Net interest income after loan loss provisions	429	465	111	402	-2	-137	1,268
Net commission income	473	291	47	104	6	-6	915
Net trading income and net income from hedge accounting	-	26	20	229	47	238	560
Net investment income	1	1	47	2	-207	28	-128
Current net income from companies accounted for using the equity method	14	-	-	2	-2	-	14
Other net income	4	-	5	-11	30	-30	-2
<i>Income before loan loss provisions</i>	<i>935</i>	<i>807</i>	<i>253</i>	<i>681</i>	<i>-19</i>	<i>128</i>	<i>2,785</i>
<i>Income after loan loss provisions</i>	<i>921</i>	<i>783</i>	<i>230</i>	<i>728</i>	<i>-128</i>	<i>93</i>	<i>2,627</i>
Operating expenses	764	419	142	431	59	142	1,957
<b>Operating profit or loss</b>	<b>157</b>	<b>364</b>	<b>88</b>	<b>297</b>	<b>-187</b>	<b>-49</b>	<b>670</b>
Restructuring expenses	-	-	-	50	16	-	66
<b>Pre-tax profit or loss</b>	<b>157</b>	<b>364</b>	<b>88</b>	<b>247</b>	<b>-203</b>	<b>-49</b>	<b>604</b>
<b>Assets</b>	<b>76,303</b>	<b>101,090</b>	<b>30,158</b>	<b>225,917</b>	<b>27,951</b>	<b>147,482</b>	<b>608,901</b>
<b>Liabilities and equity</b>	<b>100,747</b>	<b>142,670</b>	<b>25,319</b>	<b>197,293</b>	<b>15,002</b>	<b>127,870</b>	<b>608,901</b>
<b>Average capital employed<sup>2</sup></b>	<b>3,121</b>	<b>8,441</b>	<b>1,618</b>	<b>4,069</b>	<b>4,747</b>	<b>-1,612</b>	<b>20,384</b>
<b>Operating return on equity<sup>2</sup> (%)</b>	<b>20.1</b>	<b>17.2</b>	<b>21.8</b>	<b>29.2</b>	<b>-15.8</b>		<b>13.1</b>
<b>Cost/income ratio in operating business (%)</b>	<b>81.7</b>	<b>51.9</b>	<b>56.1</b>	<b>63.3</b>			<b>70.3</b>
<b>Return on equity of pre-tax profit or loss<sup>3</sup> (%)</b>	<b>20.1</b>	<b>17.2</b>	<b>21.8</b>	<b>24.3</b>	<b>-17.1</b>		<b>11.9</b>
Staff (average headcount)	15,638	5,909	8,045	1,922	445	17,857	49,816

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.) and the structural changes of segments.

<sup>2</sup> Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation. The figures for average CET1 capital with full application of Basel 3 include the consolidated profit attributable to Commerzbank shareholders that is available for recapitalisation.

<sup>3</sup> Annualised.

## Details for Others and Consolidation:

€m	1.1.–31.3.2016			1.1.–31.3.2015 <sup>1</sup>		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	-6	-73	-79	-97	-5	-102
Loan loss provisions	2	-	2	-35	-	-35
Net interest income after loan loss provisions	-4	-73	-77	-132	-5	-137
Net commission income	-7	-1	-8	-5	-1	-6
Net trading income and net income from hedge accounting	28	9	37	239	-1	238
Net investment income	-	5	5	33	-5	28
Current net income from companies accounted for using the equity method	-	-	-	-	-	-
Other net income	37	-2	35	-27	-3	-30
<i>Income before loan loss provisions</i>	<i>52</i>	<i>-62</i>	<i>-10</i>	<i>143</i>	<i>-15</i>	<i>128</i>
<i>Income after loan loss provisions</i>	<i>54</i>	<i>-62</i>	<i>-8</i>	<i>108</i>	<i>-15</i>	<i>93</i>
Operating expenses	162	-6	156	149	-7	142
<b>Operating profit or loss</b>	<b>-108</b>	<b>-56</b>	<b>-164</b>	<b>-41</b>	<b>-8</b>	<b>-49</b>
Restructuring expenses	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>-108</b>	<b>-56</b>	<b>-164</b>	<b>-41</b>	<b>-8</b>	<b>-49</b>
<b>Assets</b>	<b>142,584</b>	<b>-</b>	<b>142,584</b>	<b>147,482</b>	<b>-</b>	<b>147,482</b>
<b>Liabilities and equity</b>	<b>113,917</b>	<b>115</b>	<b>114,032</b>	<b>127,870</b>	<b>-</b>	<b>127,870</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.) and the structural changes of segments.

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.
- 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.



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

1.1.–31.3.2016 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	748	426	94	63	–	1,331
Loan loss provisions	–108	–30	3	–13	–	–148
Net interest income after loan loss provisions	640	396	97	50	–	1,183
Net commission income	685	117	11	8	–	821
Net trading income and net income from hedge accounting	39	61	–78	–9	–	13
Net investment income	41	–9	–	–	–	32
Current net income from companies accounted for using the equity method	43	5	1	–	–	49
Other net income	57	14	–1	–2	–	68
<i>Income before loan loss provisions</i>	<i>1,613</i>	<i>614</i>	<i>27</i>	<i>60</i>	<i>–</i>	<i>2,314</i>
<i>Income after loan loss provisions</i>	<i>1,505</i>	<i>584</i>	<i>30</i>	<i>47</i>	<i>–</i>	<i>2,166</i>
Operating expenses	1,499	324	33	37	–	1,893
<b>Operating profit or loss</b>	<b>6</b>	<b>260</b>	<b>–3</b>	<b>10</b>	<b>–</b>	<b>273</b>
<b>Credit-risk-weighted assets</b>	<b>93,311</b>	<b>54,095</b>	<b>4,292</b>	<b>3,044</b>	<b>–</b>	<b>154,742</b>

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

1.1.–31.3.2015 <sup>1</sup> €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	686	690	79	–29	–	1,426
Loan loss provisions	–120	–43	5	–	–	–158
Net interest income after loan loss provisions	566	647	84	–29	–	1,268
Net commission income	754	129	15	17	–	915
Net trading income and net income from hedge accounting	485	–	–47	122	–	560
Net investment income	–148	20	–	–	–	–128
Current net income from companies accounted for using the equity method	12	1	1	–	–	14
Other net income	–2	13	–10	–3	–	–2
<i>Income before loan loss provisions</i>	<i>1,787</i>	<i>853</i>	<i>38</i>	<i>107</i>	<i>–</i>	<i>2,785</i>
<i>Income after loan loss provisions</i>	<i>1,667</i>	<i>810</i>	<i>43</i>	<i>107</i>	<i>–</i>	<i>2,627</i>
Operating expenses	1,517	369	35	36	–	1,957
<b>Operating profit or loss</b>	<b>150</b>	<b>441</b>	<b>8</b>	<b>71</b>	<b>–</b>	<b>670</b>
<b>Credit-risk-weighted assets</b>	<b>115,764</b>	<b>53,926</b>	<b>4,138</b>	<b>3,051</b>	<b>–</b>	<b>176,879</b>

<sup>1</sup> Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 43 ff.).

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	31.3.2016	31.12.2015	Change in %
Due on demand	28,201	23,553	19.7
With a residual term	46,741	48,341	-3.3
up to three months	24,649	25,122	-1.9
over three months to one year	15,192	15,891	-4.4
over one year to five years	6,356	6,855	-7.3
over five years	544	473	15.0
<b>Total</b>	<b>74,942</b>	<b>71,894</b>	<b>4.2</b>
of which reverse repos and cash collaterals	44,043	43,774	0.6
of which relate to the category:			
Loans and receivables	51,095	49,274	3.7
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	23,847	22,620	5.4

Claims on banks after deduction of loan loss provisions amounted to €74,841m (previous year: €71,810m).

### (12) Claims on customers

€m	31.3.2016	31.12.2015	Change in %
With an indefinite residual term	25,325	23,778	6.5
With a residual term	205,474	198,959	3.3
up to three months	31,355	29,472	6.4
over three months to one year	26,874	23,666	13.6
over one year to five years	65,947	64,810	1.8
over five years	81,298	81,011	0.4
<b>Total</b>	<b>230,799</b>	<b>222,737</b>	<b>3.6</b>
of which reverse repos and cash collaterals	21,367	14,980	42.6
of which relate to the category:			
Loans and receivables	213,712	211,350	1.1
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	17,087	11,387	50.1

Claims on customers after deduction of loan loss provisions amounted to €227,051m (previous year: €218,875m).

### (13) Total lending

€m	31.3.2016	31.12.2015	Change in %
Loans to banks	21,975	22,617	-2.8
Loans to customers	209,431	207,757	0.8
<b>Total</b>	<b>231,406</b>	<b>230,374</b>	<b>0.4</b>

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

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

### (14) Loan loss provisions

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

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

Development of provisioning   €m	2016	2015	Change in %
<b>As at 1.1.</b>	<b>4,192</b>	<b>6,013</b>	<b>-30.3</b>
Allocations	376	561	-33.0
Disposals	468	1,102	-57.5
Utilisation	248	686	-63.8
Reversals	220	416	-47.1
Changes in consolidated companies	-	-3	-100.0
Exchange rate changes/reclassifications/unwinding	-34	332	.
<b>As at 31.3.</b>	<b>4,066</b>	<b>5,801</b>	<b>-29.9</b>

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €148m (31 March 2015: €158m) (see Note 2).

Loan loss provisions   €m	31.3.2016	31.12.2015	Change in %
Specific valuation allowances	3,183	3,282	-3.0
Portfolio valuation allowances	666	664	0.3
<b>Provisions for on-balance-sheet loan losses</b>	<b>3,849</b>	<b>3,946</b>	<b>-2.5</b>
Specific loan loss provisions	89	110	-19.1
Portfolio loan loss provisions	128	136	-5.9
<b>Provisions for off-balance-sheet loan losses</b>	<b>217</b>	<b>246</b>	<b>-11.8</b>
<b>Total</b>	<b>4,066</b>	<b>4,192</b>	<b>-3.0</b>

For claims on banks, loan loss provisions amounted to €101m (previous year: €84m) and for claims on customers to €3,748m (previous year: €3,862m).

**(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	31.3.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities	10,339	9,150	13.0
Promissory note loans	762	1,084	-29.7
Shares, other equity-related securities and units in investment funds	25,947	26,410	-1.8
Positive fair values of derivative financial instruments	80,562	76,711	5.0
Interest-rate-related derivative transactions	59,745	56,088	6.5
Currency-related derivative transactions	15,262	15,174	0.6
Other derivative transactions	5,555	5,449	1.9
Other trading assets	697	1,329	-47.6
<b>Total</b>	<b>118,307</b>	<b>114,684</b>	<b>3.2</b>

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €1,958m in equity derivatives (previous year: €1,450m) and €1,675m in credit derivatives (previous year: €1,650m).

## (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 associated companies and jointly controlled entities not accounted for using the equity method due to immateriality) and holdings in non-consolidated subsidiaries.

€m	31.3.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities <sup>1</sup>	79,401	80,798	-1.7
Shares, other equity-related securities and units in investment funds	719	746	-3.6
Equity holdings	199	232	-14.2
Holdings in non-consolidated subsidiaries	147	163	-9.8
<b>Total</b>	<b>80,466</b>	<b>81,939</b>	<b>-1.8</b>
of which relate to the category:			
Loans and receivables <sup>1</sup>	34,893	36,486	-4.4
Available-for-sale financial assets	44,757	43,026	4.0
of which measured at amortised cost	330	307	7.5
At fair value through profit or loss (fair value option)	816	2,427	-66.4

<sup>1</sup> Reduced by portfolio valuation allowances for reclassified securities of €37m (previous year: €40m).

As at 31 March 2016 the financial investments included €330m (previous year: €307m) 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.

The revaluation reserve after deferred taxes for the securities reclassified from the available-for-sale financial assets category to

the loans and receivables category in 2008 and 2009 was €-0.4bn as at 31 March 2016 (previous year: €-0.5bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €-2.7bn (previous year: €-2.3bn) as at 31 March 2016; the carrying amount of these portfolios on the balance sheet date was €33.0bn (previous year: €34.4bn) and fair value was €29.7bn (previous year: €31.8bn).

**(17) Intangible assets**

€m	31.3.2016	31.12.2015	Change in %
Goodwill	2,076	2,076	0.0
Other intangible assets	1,468	1,449	1.3
Customer relationships	305	315	-3.2
In-house developed software	764	738	3.5
Purchased software	380	377	0.8
Other	19	19	0.0
<b>Total</b>	<b>3,544</b>	<b>3,525</b>	<b>0.5</b>

**(18) Fixed assets**

€m	31.3.2016	31.12.2015	Change in %
Land and buildings	907	958	-5.3
Office furniture and equipment	467	479	-2.5
<b>Total</b>	<b>1,374</b>	<b>1,437</b>	<b>-4.4</b>

**(19) Other assets**

€m	31.3.2016	31.12.2015	Change in %
Collection items	18	18	0.0
Precious metals	460	339	35.7
Leased equipment	822	857	-4.1
Accrued and deferred items	290	200	45.0
Initial/variation margins receivables	1,131	757	49.4
Defined benefit assets recognised	425	448	-5.1
Other assets	1,117	893	25.1
<b>Total</b>	<b>4,263</b>	<b>3,512</b>	<b>21.4</b>

**(20) Liabilities to banks**

€m	31.3.2016	31.12.2015	Change in %
Due on demand	46,007	34,516	33.3
With a residual term	43,371	48,638	-10.8
up to three months	12,046	19,257	-37.4
over three months to one year	7,146	5,454	31.0
over one year to five years	12,689	13,341	-4.9
over five years	11,490	10,586	8.5
<b>Total</b>	<b>89,378</b>	<b>83,154</b>	<b>7.5</b>
of which repos and cash collaterals	21,792	18,076	20.6
of which relate to the category:			
Liabilities measured at amortised cost	72,109	69,595	3.6
At fair value through profit or loss (fair value option)	17,269	13,559	27.4

## (21) Liabilities to customers

€m	31.3.2016	31.12.2015	Change in %
Savings deposits	6,995	6,961	0.5
With an agreed period of notice of			
three months	6,991	6,906	1.2
over three months	4	55	-92.7
Other liabilities to customers	247,161	250,654	-1.4
Due on demand	156,312	158,846	-1.6
With a residual term	90,849	91,808	-1.0
up to three months	30,873	32,337	-4.5
over three months to one year	27,255	27,347	-0.3
over one year to five years	13,293	12,921	2.9
over five years	19,428	19,203	1.2
<b>Total</b>	<b>254,156</b>	<b>257,615</b>	<b>-1.3</b>
of which repos and cash collaterals	11,174	8,479	31.8
of which relate to the category:			
Liabilities measured at amortised cost	243,680	248,803	-2.1
At fair value through profit or loss (fair value option)	10,476	8,812	18.9

## (22) Securitised liabilities

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

€m	31.3.2016	31.12.2015	Change in %
Bonds and notes issued	33,857	35,614	-4.9
of which mortgage Pfandbriefe	10,398	11,091	-6.2
public Pfandbriefe	8,090	9,233	-12.4
Money market instruments issued	4,403	4,944	-10.9
Own acceptances and promissory notes outstanding	41	47	-12.8
<b>Total</b>	<b>38,301</b>	<b>40,605</b>	<b>-5.7</b>
of which relate to the category:			
Liabilities measured at amortised cost	37,042	39,280	-5.7
At fair value through profit or loss (fair value option)	1,259	1,325	-5.0

Residual maturities of securitised liabilities   €m	31.3.2016	31.12.2015	Change in %
Due on demand	–	–	.
With a residual term	38,301	40,605	–5.7
up to three months	3,888	5,010	–22.4
over three months to one year	8,544	7,925	7.8
over one year to five years	18,169	19,693	–7.7
over five years	7,700	7,977	–3.5
<b>Total</b>	<b>38,301</b>	<b>40,605</b>	<b>–5.7</b>

In the first three months of 2016, material new issues with a total volume of €3.2bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.6bn and the volume of bonds maturing to €4.5bn.

### (23) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify 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	31.3.2016	31.12.2015	Change in %
Negative fair values of derivative financial instruments	78,328	75,994	3.1
Interest-rate-related derivative transactions	56,490	51,138	10.5
Currency-related derivative transactions	16,801	17,739	–5.3
Other derivative transactions	5,037	7,117	–29.2
Certificates and other notes issued	4,697	5,011	–6.3
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	4,943	5,438	–9.1
<b>Total</b>	<b>87,968</b>	<b>86,443</b>	<b>1.8</b>

Other derivative transactions consisted mainly of €2,427m in equity derivatives (previous year: €4,378m) and €2,270m in credit derivatives (previous year: €2,294m).



## (24) Provisions

€m	31.3.2016	31.12.2015	Change in %
Provisions for pensions and similar commitments	1,317	1,034	27.4
Other provisions	2,240	2,292	-2.3
<b>Total</b>	<b>3,557</b>	<b>3,326</b>	<b>6.9</b>

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 182 ff. of our 2015 Annual Report). The actuarial assumptions underlying these obligations at 31 March 2016 were a discount rate of 2.0% (previous year: 2.6%), a change in salaries of 2.5% (previous year: 2.5%) and an adjustment to pensions of 1.5% (previous year: 1.5%).

In case of legal proceedings for which provisions need to be recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at balance sheet date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are 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 preformulated contract terms for consumer loans were invalid,

a large number of customers have lodged claims with Commerzbank for repayment of the processing fees.

- 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 capital contribution in kind. The appeal court decided in April 2014 that the transfer of the properties by way of a capital contribution in kind was invalid. The Commerzbank subsidiary appealed this ruling. The appeal was rejected in August 2015 and a drawdown of the provision is therefore likely. Adequate provision has been made for this outcome.
- 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 submitted an application for a summary judgement. In December 2015 the application by the banking consortium was upheld and the customer's suit was rejected. The customer has lodged an appeal.
- 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. The case is ongoing.
- 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 2016.

- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent mis-selling of derivative transactions. The subsidiary has defended itself against the claim.
- Commerzbank was sued in January 2016 for repayment of an insurance payout from credit default insurance on loans sold by Commerzbank. The Bank will defend itself against the action.

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 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 in mid-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. After they begin their work, the monitor appointed by US banking regulators will incur costs for the Bank. The settlement also includes a deferred prosecution agreement covering a period of three years.

## (25) Other liabilities

€m	31.3.2016	31.12.2015	Change in %
Liabilities attributable to film funds	1,249	1,334	-6.4
Liabilities attributable to non-controlling interests	5,354	5,521	-3.0
Accrued and deferred items	401	374	7.2
Variation margins payable	722	528	36.7
Other liabilities	2,506	1,353	85.2
<b>Total</b>	<b>10,232</b>	<b>9,110</b>	<b>12.3</b>

## (26) Subordinated debt instruments

€m	31.3.2016	31.12.2015	Change in %
Subordinated debt instruments	12,139	11,804	2.8
Accrued interest, including discounts <sup>1</sup>	-839	-751	11.7
Remeasurement effects	905	805	12.4
<b>Total</b>	<b>12,205</b>	<b>11,858</b>	<b>2.9</b>
of which relate to the category:			
Liabilities measured at amortised cost	12,191	11,846	2.9
At fair value through profit or loss (fair value option)	14	12	16.7

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

In the first quarter of 2016 the volume of subordinated debt instruments maturing amounted to €0.9bn, repayments were €0.6bn and new issues €1.4bn.

## 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 (currently used) and a fully phased-in basis.

Position   €m	31.3.2016 <sup>1</sup> Phase-in	31.12.2015 Phase-in	31.3.2016 <sup>1</sup> Fully phased-in	31.12.2015 Fully phased-in
<b>Equity as shown in balance sheet</b>	<b>30,241</b>	<b>30,407</b>	<b>30,241</b>	<b>30,407</b>
Effect from debit valuation adjustments	-181	-96	-301	-240
Correction to revaluation reserve	512	511	-	-
Correction to cash flow hedge reserve	144	159	144	159
Correction to phase-in (IAS 19)	527	640	-	-
Correction to non-controlling interests (minority)	-257	-230	-394	-505
Goodwill	-2,088	-2,088	-2,088	-2,088
Intangible assets	-1,140	-1,126	-1,140	-1,126
Surplus in plan assets	-216	-155	-361	-387
Deferred tax assets from loss carryforwards	-236	-180	-393	-451
Shortfall due to expected loss	-481	-463	-602	-661
Prudential valuation	-421	-376	-421	-376
Own shares	-26	-18	-37	-35
First loss positions from securitisations	-277	-300	-277	-300
Advance payment risks	-	-1	-	-1
Deduction of offset components of additional core capital (AT 1)	995	1,008	-	-
Deferred tax assets from temporary differences which exceed the 10% threshold	-124	-	-479	-316
Accrued dividends	-313	-250	-313	-250
Others and rounding	-163	-139	-162	-139
<b>Common Equity Tier 1</b>	<b>26,496</b>	<b>27,303</b>	<b>23,417</b>	<b>23,691</b>
<b>Additional Tier 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital</b>	<b>26,496</b>	<b>27,303</b>	<b>23,417</b>	<b>23,691</b>
<b>Tier 2 capital</b>	<b>6,587</b>	<b>5,500</b>	<b>6,548</b>	<b>5,421</b>
<b>Equity</b>	<b>33,083</b>	<b>32,803</b>	<b>29,965</b>	<b>29,112</b>
<b>Risk-weighted assets</b>	<b>195,204</b>	<b>198,232</b>	<b>194,523</b>	<b>197,442</b>
of which: Credit risk	154,742	159,407	154,061	158,617
of which: Market risk <sup>2</sup>	18,286	17,427	18,286	17,427
of which: Operational risk	22,176	21,398	22,176	21,398
<b>Common Equity Tier 1 ratio (%)</b>	<b>13.6</b>	<b>13.8</b>	<b>12.0</b>	<b>12.0</b>
<b>Tier 1 ratio (%)</b>	<b>13.6</b>	<b>13.8</b>	<b>12.0</b>	<b>12.0</b>
<b>Total capital ratio (%)</b>	<b>16.9</b>	<b>16.5</b>	<b>15.4</b>	<b>14.7</b>

<sup>1</sup> Preliminary figures (including retainable interim profit).

<sup>2</sup> 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 leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calcu-

lated is laid down by regulators. The leverage ratio at the end of the first quarter of 2016 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)	31.3.2016	31.12.2015	Change in %
Leverage exposure "phase-in" (€m)	527,008	531,531	-0.9
Leverage exposure "fully phased-in" (€m)	525,060	529,201	-0.8
Leverage ratio "phase-in" (%)	5.0	5.1	
Leverage ratio "fully phased-in" (%)	4.5	4.5	

## (28) Contingent liabilities and irrevocable lending commitments

€m	31.3.2016	31.12.2015	Change in %
Contingent liabilities	34,337	37,159	-7.6
from rediscounted bills of exchange credited to borrowers	5	7	-28.6
from guarantees and indemnity agreements	34,278	37,108	-7.6
from other commitments	54	44	22.7
Irrevocable lending commitments	69,635	72,213	-3.6

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

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

In addition to the credit facilities listed above, the Commerzbank Group 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 2016 the contingent liability for legal risks amounted to €471m (previous year: €507m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the

management of its accounts. The Bank believes the claims are unfounded.

- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants are appealing this decision.
- Following the sale of the stake in the Public Joint-Stock Company "Bank Forum", Kiev, Ukraine (Bank Forum) in 2012, the purchasers raised claims under the contract of sale 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. The arbitration proceedings are ongoing.

- 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 now been rejected on appeal.

## (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 2016 totalled €75,028m (previous year: €63,666m). On the assets side, €73,127m of this

was attributable to positive fair values and €1,901m to variation margins received. Netting on the liabilities side involved negative fair values of €74,179m and liabilities for variation margin payments of €849m.

31.3.2016 €m	Nominal amount by residual term						Fair values	
	due on demand	up to 3 months	over 3 months to 1 year	over 1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions	21	259,606	188,116	159,694	103,606	711,043	15,262	16,801
Interest-based forward transactions	5	302,914	1,005,801	883,591	1,016,911	3,209,222	136,347	137,527
Other forward transactions	1,274	57,124	63,217	101,356	16,633	239,604	5,555	5,037
<b>Total</b>	<b>1,300</b>	<b>619,644</b>	<b>1,257,134</b>	<b>1,144,641</b>	<b>1,137,150</b>	<b>4,159,869</b>	<b>157,164</b>	<b>159,365</b>
<i>of which exchange-traded</i>	–	36,269	51,802	18,159	4,828	111,058		
<b>Net position in the balance sheet</b>							<b>84,037</b>	<b>85,186</b>

31.12.2015 €m	Nominal amount by residual term						Fair values	
	due on demand	up to 3 months	over 3 months to 1 year	over 1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions	16	286,608	194,786	174,297	117,042	772,749	15,174	17,740
Interest-based forward transactions	8	299,957	1,053,532	908,239	1,075,474	3,337,210	121,084	121,577
Other forward transactions	1,635	51,221	69,494	94,480	12,394	229,224	5,449	7,117
<b>Total</b>	<b>1,659</b>	<b>637,786</b>	<b>1,317,812</b>	<b>1,177,016</b>	<b>1,204,910</b>	<b>4,339,183</b>	<b>141,707</b>	<b>146,434</b>
<i>of which exchange-traded</i>	–	36,553	51,478	16,394	6,867	111,292		
<b>Net position in the balance sheet</b>							<b>79,742</b>	<b>83,400</b>

### (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 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 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 or use identical input but 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 equity instruments are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.

- Structured instruments are securities that combine features of fixed income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable return based on the performance of an underlying asset, with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly as each instrument is individually customised and therefore the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign exchange, interest rate, credit and fund products.

#### **Fair value hierarchy**

Under IFRS 13, financial instruments carried at fair value are assigned to the three levels of the fair value hierarchy as follows:

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques which rely on observable market parameters.
- Level 3: Financial instruments where valuation techniques are used that incorporate at least one material input for which there is insufficient observable market data and where at least this input has a more than insignificant impact on the fair value.



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

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

Financial assets   €bn		31.3.2016				31.12.2015			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	23.8	–	23.8	–	22.6	–	22.6
Claims on customers	At fair value through profit or loss	–	16.7	0.4	17.1	–	11.0	0.4	11.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	3.5	–	3.5	–	3.0	–	3.0
Trading assets	Held for trading	30.9	82.1	5.3	118.3	30.0	79.3	5.4	114.7
	of which positive fair values from derivatives	–	76.5	4.1	80.6	–	72.3	4.4	76.7
Financial investments	At fair value through profit or loss	0.5	0.3	–	0.8	1.7	0.6	0.1	2.4
	Available-for-sale financial assets	38.0	6.3	0.1	44.4	32.0	10.6	0.1	42.7
Non-current assets held for sale and assets of disposal groups	Available-for-sale financial assets	0.1	–	0.1	0.2	0.1	–	0.1	0.2
<b>Total</b>		<b>69.5</b>	<b>132.7</b>	<b>5.9</b>	<b>208.1</b>	<b>63.8</b>	<b>127.1</b>	<b>6.1</b>	<b>197.0</b>

Financial liabilities   €bn		31.3.2016				31.12.2015			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	17.3	–	17.3	–	13.6	–	13.6
Liabilities to customers	At fair value through profit or loss	–	10.5	–	10.5	–	8.8	–	8.8
Securitised liabilities	At fair value through profit or loss	1.3	–	–	1.3	1.3	–	–	1.3
Negative fair values of derivative hedging instruments	Hedge accounting	–	6.9	–	6.9	–	7.4	–	7.4
Trading liabilities	Held for trading	9.1	76.1	2.8	88.0	9.8	73.6	3.0	86.4
	of which negative fair values from derivatives	–	75.5	2.8	78.3	–	73.1	2.9	76.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Total</b>		<b>10.4</b>	<b>110.8</b>	<b>2.8</b>	<b>124.0</b>	<b>11.1</b>	<b>103.4</b>	<b>3.0</b>	<b>117.5</b>

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 2016, as quoted market prices were no longer available. These involved €0.3bn of available-for-sale securities and €0.1bn of securities held for trading. €0.1bn of bonds for which the fair value option is applied were reclassified.

Opposite reclassifications from Level 2 to Level 1 were made for €4.8bn of available-for-sale securities and €0.1bn of securities held for trading, as quoted market prices became available again.

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	
<b>Fair value as at 1.1.2015</b>	<b>451</b>	<b>5,147</b>	<b>3,919</b>	<b>2</b>	<b>124</b>	<b>5,724</b>
Changes in consolidated companies	-	-	-	-	-	-
Gains or losses recognised in income statement during the period	-	46	131	-8	-3	35
of which unrealised gains/losses	-	176	183	-8	-	168
Gains or losses recognised in revaluation reserve	-	-	-	-	-3	-3
Purchases	1	48	-	50	3	102
Sales	-	-216	-157	-	-282	-498
Issues	-	-	-	-	-	-
Redemptions	-	-130	-59	-33	-17	-180
Reclassifications to Level 3	-	621	586	544	318	1,483
Reclassifications from Level 3	-24	-143	-66	-505	-9	-681
<b>Fair value as at 31.12.2015</b>	<b>428</b>	<b>5,373</b>	<b>4,354</b>	<b>50</b>	<b>131</b>	<b>5,982</b>
Changes in consolidated companies	-	-	-	-	-	-
Gains or losses recognised in income statement during the period	-13	54	118	-	2	43
of which unrealised gains/losses	-13	92	133	-	-	79
Gains or losses recognised in revaluation reserve	-	-	-	-	-16	-16
Purchases	-	211	-	-	-	211
Sales	-	-24	-	-	-	-24
Issues	-	-	-	-	-	-
Redemptions	-	-13	-12	-	-44	-57
Reclassifications to Level 3	-	12	-	-	-	12
Reclassifications from Level 3	-	-343	-329	-1	-6	-350
<b>Fair value as at 31.3.2016</b>	<b>415</b>	<b>5,270</b>	<b>4,131</b>	<b>49</b>	<b>67</b>	<b>5,801</b>

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

In the first quarter of 2016 positive fair values from derivatives of €0.3bn were reclassified to Level 2 as observable market parameters became available again. An equity holding in a credit card company which was reclassified to non-current assets held for sale and disposal groups as at 31 December 2015 gave rise to

an unrealised gain of €13m in the first quarter. A revaluation reserve of €110m before deferred taxes has been reported for this holding.

Financial liabilities €m	Trading liabilities		Total
	Held for trading	of which negative fair values from derivatives Held for trading	
<b>Fair value as at 1.1.2015</b>	<b>2,535</b>	<b>2,533</b>	<b>2,535</b>
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	79	79	79
of which unrealised gains/losses	86	86	86
Purchases	38	38	38
Sales	–10	–9	–10
Issues	–	–	–
Redemptions	–76	–76	–76
Reclassifications to Level 3	666	644	666
Reclassifications from Level 3	–282	–278	–282
<b>Fair value as at 31.12.2015</b>	<b>2,950</b>	<b>2,931</b>	<b>2,950</b>
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	90	87	90
of which unrealised gains/losses	92	92	92
Purchases	–	–	–
Sales	16	16	16
Issues	–	–	–
Redemptions	–	–	–
Reclassifications to Level 3	–	–	–
Reclassifications from Level 3	–243	–224	–243
<b>Fair value as at 31.3.2016</b>	<b>2,813</b>	<b>2,810</b>	<b>2,813</b>

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

### 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

In the first quarter of 2016 there was one reclassification to Level 2 of €0.2bn for negative fair values from derivatives.

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

32	Statement of comprehensive income
36	Balance sheet
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41	Cash flow statement
42	Selected notes

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. 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 40.0%.

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 (including an equity holding in a credit card company which was reclassified to non-current assets held for sale and disposal groups):

€m		31.3.2016			31.3.2016	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
<b>Derivatives</b>		<b>4,131</b>	<b>2,810</b>			
Equity-related transactions	Discounted cash flow model	137	65	IRR (%)	1	4
	Discounted cash flow model	–	–	Price (%)	90	110
Credit derivatives	Discounted cash flow model	3,967	2,558	Credit spread (bps)	100	500
				Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	27	187	IR-FX correlation (%)	–39	51
Other transactions		–	–			
<b>Securities</b>		<b>1,743</b>	<b>–</b>			
Interest-rate-related transactions	Discounted cash flow model	1,743	–	Credit spread (bps)	100	500
of which ABS	Discounted cash flow model	1,436	–	Credit spread (bps)	100	500
Equity-related transactions		–	–			
<b>Loans</b>	Price-based	<b>37</b>	<b>3</b>	Price (%)	90	110
<b>Total</b>		<b>5,911</b>	<b>2,813</b>			

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	2016		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
<b>Derivatives</b>	<b>70</b>	<b>–64</b>	
Equity-related transactions	26	–25	IRR, price based
Credit derivatives	34	–31	Credit spread, recovery rate
Interest-rate-related transactions	10	–8	Correlation
Other transactions	–	–	
<b>Securities</b>	<b>31</b>	<b>–20</b>	
Interest-rate-related transactions	31	–20	Price
of which ABS	26	–15	Discount yield, recovery rate, credit spread
Equity-related transactions	–	–	
<b>Loans</b>	<b>4</b>	<b>–4</b>	Price

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of 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
<b>Balance as at 1.1.2015</b>	–	1	1
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–	–
<b>Balance as at 31.12.2015</b>	–	5	5
Allocations not recognised in income statement	–	3	3
Reversals recognised in income statement	–	–	–
<b>Balance as at 31.3.2016</b>	–	8	8

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.

### Fair value balance sheet

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

€bn	Fair value		Carrying amount		Difference	
	31.3.2016	31.12.2015	31.3.2016	31.12.2015	31.3.2016	31.12.2015
<b>Assets</b>						
Cash reserve	17.0	28.5	17.0	28.5	–	–
Claims on banks	74.9	71.8	74.8	71.8	0.1	–
Claims on customers	228.0	219.3	227.1	218.9	0.9	0.4
Value adjustment on portfolio fair value hedges <sup>1</sup>	–	–	0.5	0.3	–0.5	–0.3
Positive fair values of derivative hedging instruments	3.5	3.0	3.5	3.0	–	–
Trading assets	118.3	114.7	118.3	114.7	–	–
Financial investments	77.2	79.2	80.5	81.9	–3.3	–2.7
Non-current assets held for sale and assets of disposal groups	0.5	0.5	0.5	0.5	–	–
<b>Liabilities</b>						
Liabilities to banks	89.4	83.2	89.4	83.2	–	–
Liabilities to customers	254.5	258.0	254.2	257.6	0.3	0.4
Securitised liabilities	41.1	42.8	38.3	40.6	2.8	2.2
Value adjustment on portfolio fair value hedges <sup>1</sup>	–	–	1.4	1.1	–1.4	–1.1
Negative fair values of derivative hedging instruments	6.9	7.4	6.9	7.4	–	–
Trading liabilities	88.0	86.4	88.0	86.4	–	–
Liabilities of disposal groups	1.1	1.1	1.1	1.1	–	–
Subordinated debt instruments	12.4	12.6	12.2	11.9	0.2	0.7

<sup>1</sup> 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 <sup>1</sup> in €1,000	Percentage of share capital
Balance as at 31.3.2016	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 31.3.2016	4,224,288	4,224	0.34
Shares acquired during the current financial year	–	–	–
Shares disposed of during the current financial year	–	–	–

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



### (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, joint ventures, associated 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.

However, besides the stake held by the German federal government, other factors (including membership of the supervisory board) which could allow a shareholder to exert a significant influence on Commerzbank Aktiengesellschaft also need to be taken into account. As a result the German federal government and entities controlled by it constitute related parties as defined by IAS 24.

In the 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	31.3.2016	31.12.2015	Change in %
Claims on banks	9	10	-10.0
Claims on customers	1,074	1,094	-1.8
Trading assets	114	64	78.1
Financial investments	57	52	9.6
Other assets	57	19	.
<b>Total</b>	<b>1,311</b>	<b>1,239</b>	<b>5.8</b>
Liabilities to banks	24	12	100.0
Liabilities to customers	695	691	0.6
Trading liabilities	-	-	.
Subordinated debt instruments	258	255	1.2
Other liabilities	19	22	-13.6
<b>Total</b>	<b>996</b>	<b>980</b>	<b>1.6</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	210	209	0.5
Guarantees and collaterals received	5	5	0.0

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.–31.3.2016	1.1.–31.3.2015	Change in %
<b>Income</b>			
Interest income	57	24	.
Commission income	44	31	41.9
Gains or losses on disposals and remeasurement	5	–	.
Others	–	–	.
<b>Expenses</b>			
Interest expenses	6	9	–33.3
Commission expenses	–	–	.
Operating expenses	21	19	10.5
Write-downs/impairments	3	–	.
Others	3	1	.

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. The

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

€m	31.3.2016	31.12.2015	Change in %
Cash reserve	6,034	16,089	–62.5
Claims on banks	162	151	7.3
Claims on customers	1,629	1,261	29.2
Trading assets	1,225	928	32.0
Financial investments	3,536	3,402	3.9
<b>Total</b>	<b>12,586</b>	<b>21,831</b>	<b>–42.3</b>
Liabilities to banks	12,804	12,190	5.0
Liabilities to customers	81	87	–6.9
Trading liabilities	1,033	1,293	–20.1
<b>Total</b>	<b>13,918</b>	<b>13,570</b>	<b>2.6</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	290	289	0.3
Guarantees and collaterals received	–	–	.

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

€m	1.1.–31.3.2016	1.1.–31.3.2015	Change in %
<b>Income</b>			
Interest income	47	53	- 11.3
Commission income	1	-	.
Gains or losses on disposals and remeasurement	34	-8	.
<b>Expenses</b>			
Interest expenses	27	25	8.0
Net loan loss provisions	-	8	- 100.0
Commission expenses	-	-	.
Operating expenses	-	-	.
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	31.3.2016		31.12.2015	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	45,998	157,164	45,049	141,707
Book values not eligible for netting	5,422	6,008	3,830	7,784
a) Gross amount of financial instruments I and II	40,576	151,156	41,219	133,923
b) Amount netted in the balance sheet for financial instruments I <sup>1</sup>	9,047	73,127	12,992	61,965
c) Net amount of financial instruments I and II = a) – b)	31,529	78,029	28,227	71,958
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 <sup>2</sup>	1,954	56,819	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) <sup>3</sup>				
Non-cash collaterals <sup>4</sup>	23,464	1,802	20,663	1,618
Cash collaterals	22	13,082	65	11,338
<b>e) Net amount of financial instruments I and II = c) – d)</b>	<b>6,089</b>	<b>6,326</b>	<b>6,716</b>	<b>6,523</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	4,054	234	4,718	101
<b>g) Net amount of financial instruments I and II = e) – f)</b>	<b>2,035</b>	<b>6,092</b>	<b>1,998</b>	<b>6,422</b>

<sup>1</sup> Of which for positive fair values €849m (previous year: €631m) is attributable to margins.

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

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

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

Liabilities   €m	31.3.2016		31.12.2015	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	21,207	159,365	21,515	146,434
Book values not eligible for netting	122	3,544	265	5,690
a) Gross amount of financial instruments I and II	21,085	155,821	21,250	140,744
b) Amount netted in the balance sheet for financial instruments I <sup>1</sup>	9,047	74,179	12,991	63,034
c) Net amount of financial instruments I and II = a) – b)	12,038	81,642	8,259	77,710
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 <sup>2</sup>	1,954	56,819	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) <sup>3</sup>				
Non-cash collaterals <sup>4</sup>	9,914	2,358	7,196	2,566
Cash collaterals	15	18,336	17	18,884
<b>e) Net amount of financial instruments I and II = c) – d)</b>	<b>155</b>	<b>4,129</b>	<b>263</b>	<b>3,781</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	106	234	236	101
<b>g) Net amount of financial instruments I and II = e) – f)</b>	<b>49</b>	<b>3,895</b>	<b>27</b>	<b>3,680</b>

<sup>1</sup> Of which for negative fair values €1,901m (previous year: €1,701m) is attributable to margins.

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

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

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

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## Boards of Commerzbank Aktiengesellschaft

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### Supervisory Board

**Klaus-Peter Müller**  
Chairman

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

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

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

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

**Sabine U. Dietrich**

**Karl-Heinz Flöther**

**Dr. Markus Kerber**

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

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

**Dr. Stefan Lippe**

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

**Anja Mikus**

**Dr. Roger Müller**

**Dr. Helmut Perlet**

**Barbara Priester**<sup>1</sup>

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

**Margit Schoffer**<sup>1</sup>

**Nicholas Teller**

**Dr. Gertrude Tumpel-Gugerell**

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

### Boards of Managing Directors

**Martin Blessing**  
Chairman  
(until 30 April 2016)

**Martin Zielke**  
Chairman  
(since 1 May 2016)

**Frank Annuscheit**

**Markus Beumer**

**Dr. Marcus Chromik**  
(since 1 January 2016)

**Stephan Engels**

**Michael Reuther**

Frankfurt am Main, 28 April 2016  
The Board of Managing Directors



Martin Blessing



Frank Annuscheit



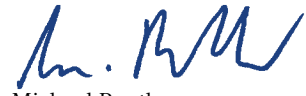
Markus Beumer



Marcus Chromik



Stephan Engels



Michael Reuther



Martin Zielke

## Review report

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### 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 2016 which are part of the quarterly financial report pursuant to § (Article) 37w 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, 29 April 2016

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Helge Olsson  
Wirtschaftsprüferin  
(German Public Auditor)

Martin Alt  
Wirtschaftsprüfer  
(German Public Auditor)

## Significant subsidiaris and associates

Germany	Abroad
comdirect bank AG, Quickborn	Commerzbank (Eurasija) SAO, Moscow
Commerz Finanz GmbH, Munich	Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerz Real AG, Eschborn	Commerzbank International S.A., Luxembourg <sup>1</sup>
Hypotheckenbank Frankfurt AG, Eschborn	Commerzbank Zrt., Budapest
	Commerz Markets LLC, New York
	mBank S.A., Warsaw

<sup>1</sup> The company was disposed in the fourth quarter 2015 - the closing is still pending.

### Operative foreign branches

Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Ostrava (office), Paris, Plzeň (office), Prague, Shanghai, Singapore, Tianjin, Tokyo, Vienna, Zurich

### Representative Offices and Financial Institutions Desks

Abidjan, Addis Ababa, Almaty, Ashgabat, Baghdad, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Bucharest, Buenos Aires, Cairo, Caracas, Dhaka, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Luanda, Melbourne, Milan (FI Desk), Minsk, Moscow, Mumbai, New York (FI Desk), Novosibirsk, Panama City, Santiago de Chile, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Zagreb

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

## Disclaimer

### Reservation regarding forward-looking statements

This interim report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

### Cover

Lena Kuske, Manager of a  
Commerzbank branch in Hamburg



**2016/2017 Financial calendar**

2 August 2016	Interim Report as at 30 June 2016
4 November 2016	Interim Report as at 30 September 2016
End-March 2017	Annual Report 2016
Early-May 2017	Interim Report as at 31 March 2017

**Commerzbank AG**

Head Office  
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