COMMERZBANK
The bank at your side

Interim Report as at 30 June 2016

Key figures

Income statement	1.1.–30.6.2016	1.1.–30.6.2015[1]
Operating profit (€m)	615	1,089
Operating profit per share (€)	0.49	0.93
Pre-tax profit or loss (€m)	575	1,023
Consolidated profit or loss[2] (€m)	372	645
Earnings per share (€)	0.30	0.55
Operating return on equity[4] (%)	5.3	10.2
Cost/income ratio in operating business (%)	79.1	70.8
Return on equity of consolidated profit or loss[2,3,4] (%)	3.2	6.0

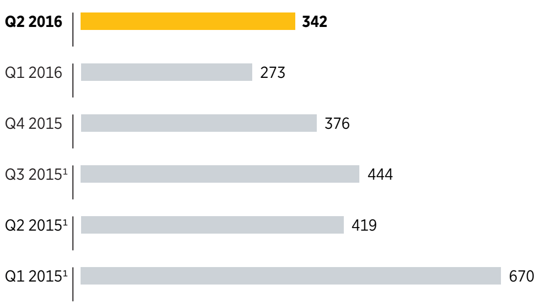
Balance sheet	30.6.2016	31.12.2015
Total assets (€bn)	532.6	532.6
Risk-weighted assets (€bn)	199.1	198.2
Equity as shown in balance sheet (€bn)	29.7	30.4
Total capital as shown in balance sheet (€bn)	42.1	42.2

Capital ratios	30.6.2016	31.12.2015
Tier 1 capital ratio (%)	13.2	13.8
Common Equity Tier 1 ratio[5] (%)	13.2	13.8
Common Equity Tier 1 ratio[5] (fully phased-in; %)	11.5	12.0
Total capital ratio (%)	16.4	16.5

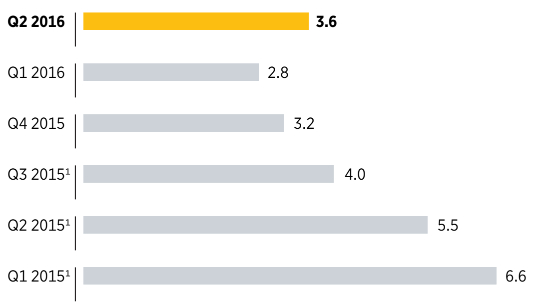
Staff	30.6.2016	30.6.2015
Germany	37,983	39,085
Abroad	12,051	12,527
Total	50,034	51,612

Long/short-term rating	30.6.2016	30.6.2015
Moody's Investors Service, New York	Baa1/P-1	Baa1/P-2
Standard & Poor's, New York	BBB+/A-2	BBB+/A-2
Fitch Ratings, New York/London	BBB+/F2	BBB/F2

Operating profit (€m)



Return on equity of consolidated profit or loss[2,3,4] (%)



[1] Prior-year figures restated due to the launch of a new IT system plus other restatements.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Annualised.
[4] The equity base is the average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[5] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully phased-in basis anticipates full application of the new regulations.

Contents

Performance highlights 1 January to 30 June 2016

Key statements

- In a persistently tough market environment, Commerzbank maintained its strong market position.
- In the first half of 2016, Commerzbank posted an operating profit of €615m and a net profit attributable to Commerzbank shareholders of €372m, compared with €1,089m and €645m in the prior-year period.
- Income before loan loss provisions was €4,545m (prior-year period: €5,221m). In particular the negative interest rate environment and customer caution as a result of the difficult macro-economic and geopolitical trend led to an in income decline of around 13%.
- Loan loss provisions at Group level remain low at €–335m; NPL ratio for problem loans very good at 1.5%. Operating expenses steady at €3,595m.
- Common Equity Tier 1 ratio (based on fully implemented Basel III regulations according to our interpretation) 11.5%; leverage ratio 4.4%. This includes a dividend accrual of €0.10 per share in the first half of 2016.
- The operating return on equity was 5.3%, compared with 10.2% in the prior-year period. The return on equity based on consolidated profit was 3.2%, compared with 6.0% in the previous year. The operating return on tangible equity fell to 4.6%, compared with 8.6% in the prior-year period. As a result of the fall in operating income, the cost/income ratio climbed to 79.1%, compared with 70.8% in the prior-year period.

Development of Commerzbank shares

In the first six months of 2016, political events such as the UK decision to leave the European Union and concerns over China's economic performance continued to dominate international stock market trading. Shares in the banking sector were also hurt by the expected negative impact on income from persistently low interest rates and uncertainties caused by the banking crisis in Italy. Profit forecasts for European banks were slashed as a result. The EURO-STOXX Banks Index lost 31.3% in the first six months of 2016. The Commerzbank share price fell 37.7%. Given the large volume of deposits and the current structural framework conditions in the German market, an above-average negative impact on earnings can be expected for Commerzbank.

Highlights of the Commerzbank share	**1.1.–30.6.2016**	**1.1.–30.6.2015**
Shares issued in million units (30.6.)	1,252.4	1,138.5
Xetra intraday prices in €		
High	8.65	13.39
Low	5.65	10.31
Closing price (30.6.)	5.82	11.47
Daily trading volume[1] in million units		
High	42.3	40.9
Low	3.2	4.3
Average	11.5	10.5
Index weighting in % (30.6.)		
DAX	0.8	1.4
EURO STOXX Banks	1.9	2.2
Earnings per share in €	0.30	0.55
Book value per share[2] in € (30.6.)	22.90	23.07
Net asset value per share[3] in € (30.6.)	21.35	21.58
Market value/Net asset value (30.6.)	0.27	0.53

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

Important business policy events in the second quarter of 2016

Commerzbank completes winding up of Hypothekenbank Frankfurt AG

In mid-May, Commerzbank completed the winding-up of its wholly-owned subsidiary Hypothekenbank Frankfurt AG (HF), formerly Eurohypo AG. HF's private customer, commercial real estate and public finance portfolios were transferred to Commerzbank Aktiengesellschaft. HF was transformed into the servicing company LSF Loan Solutions Frankfurt GmbH. LSF's task is to process and further reduce the portfolio of commercial real estate transferred to Commerzbank. It will do so on behalf of Commerzbank Aktiengesellschaft and as far as possible on its own responsibility. The headcount reduction in Eschborn necessitated by the winding-up of HF was carried out without any compulsory redundancies. With the transformation of HF into the servicer LSF, HF has relinquished its banking licence and Pfandbrief licence.

Following the transaction, all of HF's outstanding Pfandbriefe were transferred to Commerzbank Aktiengesellschaft. Large parts of HF AG's retail mortgage loans were transferred to the cover pool of Commerzbank Aktiengesellschaft. However, HF's commercial real estate loans earmarked for further reduction were not placed in the Commerzbank Aktiengesellschaft cover pool. With a view to ensuring the necessary excess cover, the legally required amount plus a sufficiently large buffer are held available to manage the cover pool. Mortgage Pfandbriefe and public-sector Pfandbriefe will also form an integral part of the long-term funding of Commerzbank Aktiengesellschaft in future.

Commerzbank restructures US business

Commerzbank decided at the end of June to restructure its business in the US, one of its most important international locations. Our US business is the competence centre for US corporate and institutional customers and for US subsidiaries of non-US customers. We will continue to offer US dollar loans, bonds, currency and other risk management products and ensure access to the capital market for our customers.

The restructuring will have a twofold impact on our US business, however. Firstly, we have outsourced the settlement and clearing of commercial US dollar payments for our customers that are not executed from the US to third-party banks. This will not result in any change for our customers who conduct US dollar payment transactions with Commerzbank, but it will enable us to reduce the complexity of our international payment transactions services. This decision is also a logical consequence of our efforts to streamline our global network of correspondent banks. Secondly, we have decided to stop offering certain products and services in the US, as they no longer form part of our local strategic offering for our US customers. This affects the securities lending business and structured financing solutions.

The planned restructuring in New York will lead to a headcount reduction in New York. This will primarily affect the back office support units, where around 100 posts will be made redundant. Job cuts in the front office will be in the low double digits. The reduction process is expected to be completed in 2018, with the majority of the redundancies taking place by the end of this year.

Commerzbank decides to further focus business strategy

Commerzbank has decided the exit the cum/cum business. This underscores the commitment to its position that all businesses must not only contribute to the real economy but also be socially acceptable. The bank is deliberately walking away from the corresponding contribution to earnings.

In addition, the streamlining of the correspondent banking network continued in the second quarter. The reduction in the number of correspondent banking relationships is the result of an ongoing review and optimisation of our business model. Apart from earnings, cost and risk issues, compliance standards also play an important role here. Our corporate customers can be confident that we still have a network of correspondent banks which spans the globe. We therefore remain in a position to accompany export and import focused SMEs in international trade in the world's key markets.

Interim Management Report

Economic conditions

Overall economic situation

Problems in emerging markets continue to drag on global economic performance. Seven years of cheap money had led to macroeconomic and financial excesses there, and the subsequent correction is hampering growth. The growth slowdown in China, which had been in evidence for a few years, thus continued despite bouts of optimism.

By contrast, developed country economies are continuing to recover from the crisis. In the US, the economic slump appears to be over. Monthly economic indicators show that economic growth in the second quarter picked up again to over 2%. The unemployment rate has fallen further to 4.9%, and increasing competition for labour has already brought slight upward pressure on wages. In the eurozone, the economy made a good start to 2016, with growth in the first quarter up 0.6% compared with the fourth quarter of 2015, although this was partly due to calendar effects and the mild winter weather. In the second quarter, economic growth is expected to have slowed again sharply. The economic recovery is gradually feeding through into the labour market, but at 10% the unemployment rate remains very high. This is likely to be the main reason why there has not yet been any increase in wage inflation in the eurozone. As the level of inflation remains far too low from a central bank point of view, the European Central Bank (ECB) further eased its monetary policy in March, cutting the deposit rate from -0.3% to -0.4%. At the same time, it increased the monthly volume of bonds bought under its asset purchase programme from €60bn to €80bn.

German economic growth was 0.7% quarter-on-quarter in the first three months of 2016, even slightly outpacing the other eurozone countries. However, here too only marginally positive growth is expected in the second quarter. The economy has recently been bolstered mainly by capital expenditure, the recovery in exports and both private household and public consumption.

The stock markets suffered in the first half of the year from a slew of uncertainties, while the bond markets profited from the flight to safety among investors. The yield on ten-year German government bonds dipped to –0.2%, a new historical low. Despite the opposing monetary policy paths on either side of the Atlantic, the euro largely held up against the dollar.

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 48 ff.

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

Net interest and trading income fell by around a quarter year-on-year to €2,618m. Net interest income for the reporting period declined by €329m year-on-year to €2,680m, while net trading income and net income from hedge accounting was down €535m to €–62m. Lending volumes rose in Private Customers, especially real estate financing, while remaining stable in Mittelstandsbank's Mittelstand Germany division and continuing their positive growth path in its Large Corporates & International division. However, net interest income from deposit business in both segments continued to be hit by the low level of market interest rates. In the Central & Eastern Europe segment, net interest income was up year-on-year, with the growth in business volume having a positive impact on income performance. Corporates & Markets posted a steep fall in net interest and trading income year-on-year. This was due in particular to caution on the part of clients in the light of market conditions and the resulting marked reduction in income from equity business. The decline in net interest income in the ACR segment was mainly attributable to the non-recurrence of a positive one-off effect in the prior year relating 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 €208m, compared with €218m 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 53 and 54.

Net commission income fell by 9.5% year-on-year in the first six months of 2016 to €1,602m. The highly volatile equity markets in the first half of 2016 created continuing uncertainty among market participants and corresponding caution on the part of clients in the Private Customers segment. A rise in volume-related income partially offset the fall in transaction-related income. The segment also recorded persistently strong demand for Commerzbank instalment loans. 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 six months of 2016 was €163m, compared with €–67m in the year-earlier period. The figure for the current year includes a one-off effect of €123m from the sale of the stake in Visa Europe Limited. The negative result in the previous year stemmed chiefly from write-downs on HETA Asset Resolution AG.

Other net income was €99m for the reporting period, compared with €5m a year earlier. The figure for the current year includes reversals of provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions was €–335m, down €103m on the corresponding year-earlier period. While Mittelstandsbank in particular recorded an increase in provisioning requirements, mainly in connection with individual exposures, there was a marked reduction in loan loss provisions in Asset & Capital Recovery.

Operating expenses in the reporting period were €3,595m, down 2.7% year-on-year. Personnel expenses were €1,818m, representing a year-on-year fall of €147m 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 €1,777m and were thus slightly above the level of the first six months of 2015.

Restructuring expenses of €40m impacted on profit in the period under review. These expenses relate mainly to the bundling of product and market expertise in London and New York and the optimisation of internal processes.

As a result of the developments described above, the Commerzbank Group posted earnings before taxes of €575m in the first half of the current year, compared with €1,023m in the same period last year.

Tax expense for the reporting period was €141m, compared with €325m in the prior-year period. Consolidated profit after tax was €434m, compared with €698m in the prior-year period. Net of non-controlling interests, a consolidated profit of €372m was attributable to Commerzbank shareholders for the period.

Operating earnings per share came to €0.49 and earnings per share to €0.30. In the prior-year period, the comparable figures were €0.93 and €0.55 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 June 2016 were €532.6bn, on a par with the figure for year-end 2015.

The cash reserve fell sharply, down €14.8bn to €13.7bn. This significant decline compared with the end of 2015 was due in particular to the further deterioration in deposit conditions with central banks. Claims on banks were €73.6bn, up 2.5% on the year-end 2015 level. This was due to the growth in the volume of claims due on demand.

Claims on customers were €224.2bn, €5.3bn 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 €232.8bn as at the reporting date, slightly above the level as at end-2015. While loans to banks fell slightly, down €1.0bn to €21.7bn, lending to customers rose to €211.1bn, a €3.3 bn increase compared with the end of 2015. Trading assets at the reporting date were €122.5bn, a rise of 6.8% compared with the end-2015 level. Holdings of equities, other equity-related securities and investment fund units fell by €0.8bn owing to 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 €6.6bn compared with year-end 2015. Financial investments decreased slightly, down 2.8% to €79.6bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks stood at €82.5bn, slightly below the end-2015 level. While repos and cash collateral rose by €6.8bn, sight deposits fell by €4.4bn in connection with the active reduction of deposits. Liabilities to customers fell by 2.0% to €252.5bn compared with year-end 2015. This was due to lower volumes of time and sight deposits, partly compensated by a rise in repos and cash collateral. Securitised liabilities were €37.2bn, €3.4bn lower than at year-end 2015. The €3.5bn decline in bonds and notes issued to €32.1bn was due partly to a fall of €1.8bn in mortgage Pfandbriefe and partly to a decrease of €1.3bn in public-sector Pfandbriefe. By contrast, money market instruments issued rose slightly by €0.1bn to €5.0bn. Trading liabilities were up €10.9bn overall to €97.4bn. This was mainly due to the rise in interest-rate-related derivatives transactions, only partly offset by a fall in other derivatives transactions.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 30 June 2016 was €28.7bn, slightly below the figure as at year-end 2015. Retained earnings were down €0.3bn on the end-2015 level, standing at €11.4bn. As at the reporting date, the revaluation reserve stood at €–0.9bn. This was an increase of €–0.3bn, attributable in particular to higher risk premiums on Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–1.2bn from equity compared with €–0.8bn at year-end 2015.

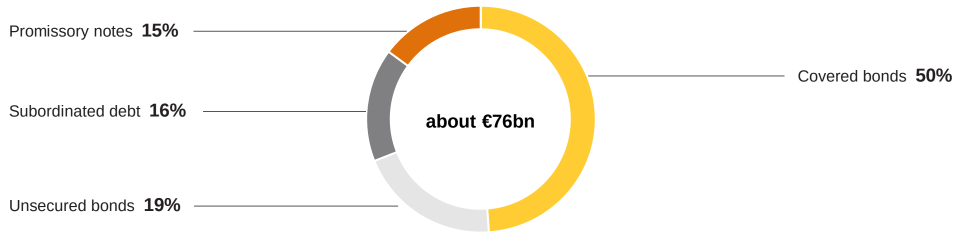
Risk-weighted assets were €199.1bn as at 30 June 2016, slightly above the level at year-end 2015. The increase was due to higher risk-weighted assets from operational risks due to the consideration of new external events factored in by external databases and higher market price risks. Exchange rate movements and capital relief effects from a new securitisation within credit risk partly made up for these effects. Regulatory Tier 1 capital fell by around €1.0bn to €26.3bn compared with year-end 2015, chiefly as a result of the next stage in the Basel 3 phase-in. The correspondent Tier 1 ratio fell to 13.2%. Common Equity Tier 1 capital was €26.3bn. Under Basel 3 phase-in rules, this is identical to Tier 1 capital. The total capital ratio was 16.4% on the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of the 2019 to be implemented regulations according to our interpretation) was unchanged at 11.5% 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 4.4% (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[1]
As at 30 June 2016



[1] Based on reported figures

The Commerzbank Group raised a total of €2.8bn in long-term funding on the capital market in the first half of 2016.

An unsecured benchmark subordinated bond with a volume of €1bn was issued in March. The issue had a term of ten years. In addition, €1.2bn was taken out in private placements, including a USD400m subordinated bond with a 12-year term.

In the collateralised area, a €500m mortgage Pfandbrief was issued. Of the total volume of the issue, 61% was placed in Germany. In addition, the Polish subsidiary mBank issued private placements with a volume of €0.1bn.

The average term of all issues was around 10 years. Funding spreads remain at a low level. Following the final winding-up of Hypothekenbank Frankfurt AG, the outstanding capital market issues were transferred to Commerzbank Aktiengesellschaft.

Group capital market funding in the first half of 2016
Volume €2.8bn

Based on its internal liquidity model, which uses conservative assumptions, at the end of the first half the Bank had available excess liquidity of €54.6bn in the maturity band for up to one day. Of this, €27.6bn 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 €8.6bn in its intraday liquidity reserve portfolio.

The regulatory liquidity requirements of the German Liquidity Regulation were met at all times in the reporting period. As at the reporting date, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.46, 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 six 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 57 ff. of the interim financial statements. Explanations regarding restatements of prior-year figures can be found on page 48 ff. of the interim financial statements.

Private Customers

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %/%-points
Income before provisions	1,869	1,875	–0.3
Loan loss provisions	–11	–38	–71.1
Operating expenses	1,487	1,510	–1.5
Operating profit/loss	**371**	**327**	**13.5**
Average capital employed	2,415	3,023	–20.1
Operating return on equity (%)	30.7	21.6	9.1
Cost/income ratio in operating business (%)	79.6	80.5	–1.0

[1] Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 48 ff.).

The Private Customers segment kept up the positive trend of the first three months in the second quarter of 2016 and posted a solid operating result for the first half. While the pressure on the income side caused by the unfavourable interest rate environment along with volatile equity markets increased further, one-time effects had a positive impact on earnings.

In the period under review, income before loan loss provisions came to €1,869m, in line with the corresponding prior-year figure. Net commission income fell slightly, down €12m to €904m. Income growth from the strong lending business, particularly in real estate financing, largely made up for weaker income from deposits.

The performance of net commission income in the first half of 2016 reflected persistently strong demand for Commerzbank instalment loans on the one hand, while continued stock market volatility had a significant impact on the other. The very subdued start to the year in the stock markets and the gathering momentum of the Brexit debate in the second quarter created continuing uncertainty among market participants and corresponding caution on the part of clients. A rise in volume-related income partially offset the fall in transaction-related income. Net commission income declined 7.9% overall to €842m.

Net investment income for the second quarter includes a one-off effect of €58m from the sale of the stake in Visa Europe Limited.

Loan loss provisions for private customer business were €–11m, down €27m on the prior-year period.

Operating expenses were €1,487m, €23m lower than in the same period the previous year. This was the result of strict cost management on personnel expenses and other operating expenses. Both this year's and the previous year's figures include expenses of €16m for the European bank levy.

Overall, the Private Customers segment posted pre-tax profit of €371m in the first six months of 2016, which represents an increase of 13.5% on the same period of the previous year.

Mittelstandsbank

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %/%-points
Income before provisions	1,393	1,563	–10.9
Loan loss provisions	–146	–79	84.8
Operating expenses	835	805	3.7
Operating profit/loss	**412**	**679**	**–39.3**
Average capital employed	8,025	8,397	–4.4
Operating return on equity (%)	10.3	16.2	–5.9
Cost/income ratio in operating business (%)	59.9	51.5	8.4

[1] Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 48 ff.).

Against the backdrop of persistently difficult market conditions, the Mittelstandsbank segment posted an operating profit of €412m in the first six months of 2016. The year-on-year fall was primarily the result of negative market interest rates, effects from the strategic focus in the Financial Institutions division and the rise in operating expenses due to increased regulatory requirements.

In the period under review, income before loan loss provisions fell 10.9% year-on-year to €1,393m. Net interest income was €898m, 6.7% below the level of the first six months of 2015. While lending volumes in Mittelstand Germany were largely stable with margins rising slightly, Large Corporates & International posted continued growth in lending. The contribution to net interest income from lending in Financial Institutions declined as a result of the lower margin. The reduction of the portfolio transferred from the ACR segment is, as expected, bringing a fall in net interest income from lending. Margins on deposits remain under pressure as a consequence of the negative interest rate environment.

Net commission income fell by 9.4% year-on-year to €503m. This was mainly due to a decrease in documentary business against the backdrop of the strategic focus in the Financial Institutions division and the generally weak global economy with its effect on foreign trade. Income from currency hedging transactions also fell. Net trading income was hit mainly by declining positive valuation effects from counterparty risks in derivatives business with our clients, standing at €–18m compared with €67m in the prior-year period.

Loan loss provisions for the first six months of 2016 were €–146m, a significantly higher level than in the same period the previous year. The provisioning requirement was mainly in respect of additions to loan loss provisions for individual exposures.

Operating expenses were €835m, up €30m on the prior-year figure. The 3.7% 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 €412m in the first six months of 2016, which represents a decline of 39.3% compared with the same period of the previous year.

Central & Eastern Europe

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %/%-points
Income before provisions	492	459	7.2
Loan loss provisions	–42	–47	–10.6
Operating expenses	264	255	3.5
Operating profit/loss	**186**	**157**	**18.5**
Average capital employed	1,651	1,665	–0.8
Operating return on equity (%)	22.5	18.9	3.6
Cost/income ratio in operating business (%)	53.7	55.6	–1.9

[1] Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 48 ff.).

The Central & Eastern Europe segment, which is represented by mBank, achieved an income before loan loss provisions of €492m in the reporting period, up €33m year-on-year. The depreciation of the zloty against the euro negatively affects mBank's contribution to earnings in 2016 compared with the previous year.

The result for the first half of 2016 included a positive one-off effect of €65m from the sale of the stake in Visa Europe Limited, while the result for the same period the previous year included a one-off effect of €46m from the sale of the insurance business to the AXA group. Adjusted for these effects and for currency translation effects, income in the first half of 2016 was up by around €36m compared with the same period the previous year. The currency-adjusted increase in operating income compared with the first half of 2015 was mainly due to the rise in net interest income by 16.9%. Against the backdrop of the Polish National Bank's persistently low reference interest rate, growth in the volume of business had a positive effect on income. 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 fell by €6m year-on-year to €97m, notably as a result of currency translation effects. While commission income from insurance business rose in the first half of 2016 as a result of the successful cooperation with the AXA following the sale of the insurance subsidiary, income from securities business fell owing to a deterioration in Polish market conditions. mBank continued to record strong customer growth in the second quarter of 2016, and by the end of the first half the number of customers had risen to 5.2 million. This represents growth of around 405,000 customers year-on-year.

Loan loss provisions were down slightly year-on-year in the first half of 2016 at €–42m.

Operating expenses rose €9m to €264m in the first six months of 2016. While the charge resulting from the new Polish banking tax introduced in February 2016 was around €33m, the contribution to the Polish depositor protection fund was lower than in the previous year, as these costs are now recognised according to a different method from that used in 2015. Adjusted for currency translation effects, operating expenses rose by €22m.

Overall, the Central & Eastern Europe segment posted pre-tax profit of €186m in the reporting period, which represents an increase of 18.5% on the same period of the previous year.

Corporates & Markets

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %/%-points
Income before provisions	912	1,221	−25.3
Loan loss provisions	7	36	−80.6
Operating expenses	718	784	−8.4
Operating profit/loss	**201**	**473**	**−57.5**
Average capital employed	3,735	4,200	−11.1
Operating return on equity (%)	10.8	22.5	−11.7
Cost/income ratio in operating business (%)	78.7	64.2	14.5

[1] Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 48 ff.).

The first six months of 2016 were shaped by a difficult capital market environment, with numerous geopolitical uncertainties and increasing concerns over global economic performance dominating international stock market trading. Not least, political tensions in Europe, which reached a peak on 23 June with the UK vote to exit the EU, led to caution in the capital market and heightened volatility – the factors responsible for the significantly weaker operating result in Corporates & Markets.

In the Advisory & Primary Markets division, primary market bonds business in particular made an important contribution to income, while lower interest rates led to a decline in income from deposit business and thus affected commercial banking business. In Equity Markets & Commodities, high volatility in the stock market led to a lot of uncertainty in customer business and a sharp fall in trading volumes. This was in contrast to the previous year, when the very benign stock market environment had provided support. The very high volatility in the global capital markets in the first half of 2016 also had an adverse impact on structured products business for institutional customers. The Bank also decided to restructure the securities lending and collateral management business to reflect the changed market conditions. In Fixed Income & Currencies, demand for currency hedging in customer business resulted in a important contribution to earnings, whereas fixed income and credit trading saw relatively subdued demand in light of the European Central Bank's monetary policy activities. Income performance in Credit Portfolio Management remained stable.

Income before loan loss provisions was €912m in the first six months of 2016, €309m below the previous year's figure. Net interest and trading income decreased by €316m to €685m, while net commission income decreased by €28m to €174m. The decline in income was attributable in particular to a considerably lower contribution from equity business.

There was a net release of €7m from loan loss provisions in the first half of 2016, compared with a net release of €36m the previous year.

Operating expenses fell €66m year-on-year to €718m, owing in part to lower expenses for the European bank levy.

For the first half of 2016, restructuring expenses were €12m and mainly related to the bundling of product and market expertise at the London and New York locations.

Overall, the Corporates & Markets segment posted pre-tax profit of €189m in the first half of 2016, representing a year-on-year decline of 55.3%.

Asset & Capital Recovery

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %/%-points
Income before provisions	–48	–95	–49.5
Loan loss provisions	–145	–249	–41.8
Operating expenses	63	107	–41.1
Operating profit/loss	**–256**	**–451**	**–43.2**
Average capital employed	3,375	4,618	–26.9
Operating return on equity (%)	–15.2	–19.5	4.3
Cost/income ratio in operating business (%)	–131.3	–112.6	–18.7

[1] Figures restated due to the launch of a new IT system plus other restatements (see interim financial statements page 48 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 €–48m is mainly attributable to valuation effects.

The loan loss provisions of €–145m, after €–249m in the first half of 2016, were solely attributable – and on a similar scale to the previous year – to ship financing. In commercial real estate financing, there was a net release of €31m from loan loss provisions, after net allocations were recognised in the same period the previous year.

Operating expenses fell sharply by 41.1% to €63m, reflecting the substantial year-on-year reduction in the ACR portfolio and significant adjustment in full-time equivalents.

Overall, the ACR segment posted a pre-tax result of €–256m in the reporting period, which represents an improvement of 45.2% on the same period of the previous year.

Others and Consolidation

An operating result of €–299m was recorded for the first half of 2016, compared with €–96m in the prior-year period. The €203m decline was mainly due to the performance of Group Treasury, which was unable to repeat last year's very good result. Taking into account restructuring expenses of €28m in connection with the optimisation of internal processes, Others and Consolidation recorded a pre-tax result of €–327m in the first half of 2016, compared with €–96m in the first half of 2015.

Outlook and opportunities report

Future economic situation

We expect the global economy to grow only moderately in the second half of the year. China is likely to remain the focus: the country faces tough economic times in the years ahead, as state-owned companies, which are suffering from significant overcapacity, have very high levels of debt. The state-owned banks are likely to keep many of these companies afloat, thus staving off a recession. However, these “zombie companies” will take resources away from the healthy businesses and undermine the economy as a whole for years to come.

In commodity-importing emerging markets, the expected recovery in commodity prices will also drag on economic growth in the second half of 2016. But the main damage to emerging markets will come from the end of a decade of cheap money, as interest rates in the US might increase. The only countries where the economic situation is likely to improve are those whose exports are made up mainly of commodities. In those countries, the commodity price recovery should provide a boost. Political uncertainties such as those in Turkey are another factor.

In the US, the economy is set to grow at an annualised rate of around 2% in the second half. However, owing to the weak first quarter, growth for 2016 as a whole is likely to be only 1.8%. The continuing economic upturn, a job situation approaching full employment and acceleration in wage growth that is taking shape point towards another Federal Reserve rate hike at the end of the year.

In the coming quarters, the eurozone economy is likely to maintain the moderate pace of growth seen in the first six months. The problems in emerging markets, the persistently high debt levels at many companies and private households and the Brexit shock, with the resulting uncertainty, are the factors likely to prevent any significant pick-up in growth momentum. Growth for the year as a whole is set to come in at 1.5%, as it did in 2015.

While the labour market situation is likely to ease further, unemployment, which remains at a high level, is set to hinder any pick-up in wage growth. Consequently, there is unlikely to be any change to the weak underlying price inflation.

The Germany economy is also unlikely to be faster in the second half that in the first six months of 2016. Unresolved problems in emerging markets are continuing to drag on German exports, and the currency market is a hindrance rather than a help.

In addition, companies' profit margins are under pressure from the pick-up in wage growth, so capital expenditure can be expected to remain sluggish. Household and public-sector consumption are still the main economic drivers. The former is benefiting from the healthy labour market, while the latter is being pushed up by spending as a result of the refugee crisis. Overall, the German economy is expected to growth by 1.5% in 2016.

The UK's vote in favour of leaving the EU has created turmoil in the financial markets. There could then be further financial market uncertainty in the autumn ahead of the projected Federal Reserve rate hike in the US. The DAX could stage a sustained recovery at the end of the year, if company results stop disappointing. The euro/US dollar exchange rate is likely to weaken in the months ahead, but there will no longer be any big movements of the kind seen in 2014.

Future situation in the banking sector

Our views regarding the expected development of the banking sector over the medium term have not fundamentally changed since the statements published in the Annual Report 2015.

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

The Eurosystem's expanded asset purchase programme is improving banks' liquidity position and financing conditions, but at the same time it is putting pressure on net interest margins and thus having a significant adverse impact on earnings. Meanwhile, the UK's exit from the European Union as a result of the referendum, along with the banking crisis in Italy, is creating uncertainty in the European financial markets.

The eurozone banking sector is still in the middle of a long-term structural transformation triggered by the crisis of the last few years. The focus remains on individual business models for sustainable profit generation and stress resistance in an ongoing low interest rate environment.

As a result, big banks – particularly German ones – are stubbornly trading at a huge discount to their book value. The stronger capital base is offset by reductions in implicit government guarantees, stricter rules on resolution and greater creditor loss participation. A further reduction in leverage exposure levels, improved asset quality and better operating profitability in an increasingly digitalised and automated industry are still essential if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

The pressure on the banking sector has increased as a result of regulation, structural transformation and competition; reducing this is made even more difficult by the increasingly limited scope for stabilising margins due to the very low level of interest rates and the uncertainty of achieving additional relief by further reducing loan loss provisions. The increased use of internal and alternative external funding sources, together with still relatively weak capital expenditure activity, will prevent a significant revival in lending business with corporate customers. Foreign business is only likely to gain limited momentum, as global trade growth this year is sluggish. In private customer business, stimulus in Germany is coming mainly from the record-high level of employment and the still good prospects for real estate lending. However, the pressure to adapt and keep down costs in lending business is higher than it has been for a long time.

The outlook for banking in Poland has been dampened by the change of (economic) policy, even though the economic situation remains good. Because of the bank levy introduced in February, along with other potential legal and regulatory initiatives, including the conversion of mortgage loans denominated in Swiss francs into zloty, we expect the banking sector to come under significant pressure. In this connection, too, the uncertainty over Poland's status as a "safe haven" in central Europe has recently increased.

The predicted economic growth should generally boost credit volumes, however, and the improving position of private households and the corporate sector will be reflected in banks' risk costs.

Thanks to higher disposable income, the main growth drivers are set to include deposits and loans in the Private Customers segment, while lending business with corporate customers is also expected to increase income.

Financial outlook for the Commerzbank Group

Planned funding 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 Pfandbriefe. 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. 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 six months of 2016 from the plans set out on pages 101 to 102 of the 2015 Annual Report.

Anticipated liquidity trends

In the second quarter of 2016, activity in the eurozone money and capital markets was once again shaped by the monetary policy measures that the ECB implemented to support the economic recovery in the eurozone.

The ECB has made an additional €60bn of liquidity available each month through the securities purchase programme, rising to €80bn each month from April. In addition, at the end of June 2016 the ECB launched a new series of targeted longer-term refinancing operations, TLTRO II. This will make a further net amount of around €30bn available to the banking sector and will even give banks participating in TLTRO II an option of borrowing at a negative rate of interest, depending on lending performance. The excess liquidity in the system will therefore increase on an ongoing basis.

The yield curve flattened in the second quarter of 2016, with long-term rates falling much more than at the short end due to the expansion of the ECB purchase programme. The vote for Brexit led to an additional flattening of the yield curve. 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. The uncertainty in the European market for government bonds continues, and has been exacerbated by the Brexit vote. It is leading to flight into safe investments such as German government bonds. Yields on German government bonds up to 15 years are already in negative territory. Meanwhile, the political uncertainty in Spain and the banking crisis in Italy are leading to further widening in credit spreads. We therefore expect to see heightened volatility in credit spreads on southern European government bonds, as has been the case in recent quarters.

Covered bonds continue to trade on very narrow spreads. Given the constant demand from the ECB in connection with its asset purchase programme, we think it is likely spreads for this asset class will continue moving sideways in 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 still having a severe limiting effect on turnover in the repo market. The ECB's asset purchase programme is leading to an even greater shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is severely restricted.

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

In recent years, Commerzbank has invested significantly in further developing its business model, thus considerably strengthening its ability to cope with an economic, interest rate and capital market environment that is likely to remain just as challenging in the second half of the year. This is particularly evident in private customer business, where a significantly strengthened market position is being reflected in steady market share gains. At the same time, Commerzbank is consolidating its already strong standing in business with SMEs. Its risk profile is also significantly improved.

In this connection, the bulk of the non-strategic loan portfolios with a high level of risk have been reduced in recent years, and the proportion of problem loans has been reduced to an extremely low level compared with competitors. This year, too, we expect loan loss provision expenses to be far below the historical average, despite the lacklustre economic outlook.

Over the remaining months of the current year we will continue to pursue our strategy of expanding market share in the private customer business and reinforcing our leading competitive position in Mittelstandsbank. This should preserve the Bank's very good risk profile. At the same time, however, loan loss provisions are likely to rise moderatly due to lower net reversals and ongoing difficult shipping markets. The interest rate environment and persistent customer caution in view of the geopolitical uncertainties will continue to weigh on income despite growth. We therefore expect that operating earnings and consolidated net profit for the full year 2016 will be lower than the previous year.

With a Tier 1 Equity ratio of 11.5%, well above last year's 10.5%, we meet all regulatory requirements and are appropriately capitalised for our business and risk profile. It remains our aim to keep the Basel 3 Tier 1 ratio ("fully phased-in", i.e. based on our interpretation of the regulatory requirements as fully implemented) above the SREP requirement. This forecast does not rule out temporary fluctuations over time.

Interim Risk Report

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

Risk-oriented overall bank management

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

Risk management organisation

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

The risk management organisation comprises Credit Risk Management Core Bank, Credit Risk Management Non-Core, Intensive Care, Market Risk Management as well as Risk Controlling and Capital Management. In all segments except for Asset & Capital Recovery (ACR), credit risk management is separated into a performing loan area and Intensive Care, while in ACR it has been merged into a single unit across all rating classes. All divisions have a direct reporting line to the CRO. The heads of these risk management divisions together with the CRO make up the Risk Management Board within Group Management.

Further details on the risk management organisation within Commerzbank can be found in the Annual Report 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 half-year of 2016, the RBC ratio was consistently above 100% and stood at 165% as at 30 June 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	30.6.2016	31.12.2015
Economic risk coverage potential[1]	**29**	**30**
Economically required capital[2]	**18**	**15**
thereof for default risk	12	11
thereof for market risk	4	3
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio[3]	**165%**	**193%**

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

Default risk

Default risk 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, 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. The criteria for the transfer of assets were 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)[1], loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.91% and a holding period of one year), risk-weighted assets and "all-in" for bulk 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 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	106	155	15	1,357
Mittelstandsbank	150	432	29	4,620
Central & Eastern Europe	28	139	49	928
Corporates & Markets	60	211	35	1,766
Others and Consolidation[1]	85	130	15	2,365
Asset & Capital Recovery	16	491	316	868
Group	**445**	**1,558**	**35**	**11,904**

[1] 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 30.6.2016 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	9	2	1
Mittelstandsbank	14	58	21	5	2
Central & Eastern Europe	6	60	26	5	2
Corporates & Markets	44	44	9	2	2
Asset & Capital Recovery	4	53	8	15	19
Group[1]	**31**	**50**	**14**	**3**	**2**

[1] 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 second quarter of 2016, exposure to Russia was €3.5bn, exposure to Ukraine was €0.1bn and exposure to China was €4.6bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the second quarter of 2016, Commerzbank's Italian sovereign exposure was at €10.8bn and its Spanish sovereign exposure was at €4.9bn.

Group portfolio by region as at 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	225	430	19
Western Europe	109	340	31
Central/Eastern Europe	39	183	47
North America	31	62	20
Asia	21	43	20
Other	20	500	250
Group	**445**	**1,558**	**35**

[1] Expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity at default.

Loan loss provisions The Group's loan loss provisions in the first half-year of 2016 amounted to €335m, €103m lower than the previous year's figure.

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

	2016			2015					
Loan loss provisions | €m	**Q1-Q2**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q1-Q2**	**Q2**	**Q1**
Private Customers	11	2	9	27	–24	13	38	24	14
Mittelstandsbank	146	93	53	187	77	31	79	55	24
Central & Eastern Europe	42	29	13	97	22	28	47	24	23
Corporates & Markets	–7	–12	5	–36	–11	11	–36	11	–47
Others and Consolidation	–2	0	–2	60	–2	1	61	26	35
Asset & Capital Recovery	145	75	70	361	50	62	249	140	109
Group	**335**	**187**	**148**	**696**	**112**	**146**	**438**	**280**	**158**

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. We therefore expect higher loan loss provisions in this area than in 2015. Overall, we continue to 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 €6.5bn as at the end of the second quarter of 2016, representing a slight decrease of €0.6bn compared to the end of 2015.

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

Default portfolio Group | €m	**30.6.2016**	**31.12.2015**
Default volume	6,540	7,124
Loan loss provisions	3,203	3,371
GLLP	754	800
Collaterals	2,111	2,556
Coverage ratio excluding GLLP (%)[1]	81	83
Coverage ratio including GLLP (%)[1]	93	94
NPL ratio (%)[2]	1.4	1.6

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

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 €65bn). 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 second quarter saw continued growth in the Private Customer business, particularly in residential mortgage loans. Risk density in this area remained stable at 15 basis points.

Credit risk parameters as at 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	60	64	11
Investment properties	5	4	8
Individual loans	15	35	24
Consumer and instalment loans/credit cards	9	20	21
Domestic subsidiaries	4	9	24
Other	13	24	18
Private Customers	**106**	**155**	**15**

Loan loss provisions in the Private Customer business fell by €27m year-on-year to €11m.

The default volume in the segment decreased by €52m compared with 31 December 2015.

Default portfolio Private Customers | €m	30.6.2016	31.12.2015
Default volume	604	657
Loan loss provisions	183	205
GLLP	90	90
Collaterals	305	324
Coverage ratio excluding GLLP (%)	81	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 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	95	242	25
Corporates International	29	99	34
Financial Institutions	26	92	36
Mittelstandsbank	**150**	**432**	**29**

In the first half-year of 2016 the EaD in Mittelstandsbank increased from €140bn to €150bn. The economic environment in Germany remains stable. Risk density in the Corporates Domestic area was 25 basis points as at 30 June 2016.

In Corporates International, EaD as at 30 June 2016 was €29bn, while the risk density was 34 basis points. The increase of the risk density compared to year-end 2015 was caused by the rating deterioration of one single case. For details of developments in the Financial Institutions portfolio please see page 28.

Loan loss provisions in Mittelstandsbank were €146m (previous year: €79m). The increase was largely attributable to larger loan loss provisions for new defaults.

The Mittelstandsbank's default volume was unchanged compared with the end of 2015.

Default portfolio Mittelstandsbank | €m	30.6.2016	31.12.2015
Default volume	2,355	2,355
Loan loss provisions	1,259	1,224
GLLP	303	306
Collaterals	362	415
Coverage ratio excluding GLLP (%)	69	70
Coverage ratio including GLLP (%)	82	83
NPL ratio (%)	1.5	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 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**28**	**139**	**49**

The EaD of the Central & Eastern Europe segment as at 30 June 2016 was €28bn, virtually unchanged compared with the end of 2015. Risk density in this area was 49 basis points. The Swiss franc exposure was 4.8bn Swiss francs, mainly in the form of mortgage-secured engagements with private customers.

Loan loss provisions in the Central & Eastern Europe segment were €42m (previous year: €47m).

The default volume decreased by €8m compared with 31 December 2015.

Default portfolio Central & Eastern Europe | €m	30.6.2016	31.12.2015
Default volume	1,115	1,123
Loan loss provisions	642	643
GLLP	65	67
Collaterals	411	393
Coverage ratio excluding GLLP (%)	94	92
Coverage ratio including GLLP (%)	100	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 70% of the total exposure. North America accounted for around 17% of the exposure as at the end of June 2016. Overall, EaD as at the end of June 2016 remained stable with €60bn compared to the figure as at the end of December 2015.

Credit risk parameters as at 30.6.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	18	54	30
Western Europe	23	100	43
Central and Eastern Europe	1	3	25
North America	10	16	15
Asia	3	3	11
Other	4	34	94
Corporates & Markets	**60**	**211**	**35**

The volume of existing new investments in the Structured Credit area in the second quarter of 2016 remained stable compared with year-end 2015, at €2.7bn overall. 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 half-year of 2016, the volume of the Structured Credit portfolio decreased by €0.6bn to a total of €5.3bn (December 2015: €5.9bn) and risk values[1] by €0.3bn to €1.4bn (December 2015: €1.7bn). A large part of the portfolio was made up of total return swap positions (€2.6bn) and of CDOs (€1.3bn), 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 half-year of 2016, with a net release of €7m, these were on a low level.

The default volume in the Corporates & Markets segment decreased by €59m in the first half-year of 2016 compared with year-end 2015.

Default portfolio Corporates & Markets | €m	30.6.2016	31.12.2015
Default volume	623	682
Loan loss provisions	450	464
GLLP	70	76
Collaterals	58	40
Coverage ratio excluding GLLP (%)	82	74
Coverage ratio including GLLP (%)	93	85
NPL ratio (%)	1.0	1.1

Asset & Capital Recovery

After the resegmentation in the first quarter of 2016 the Asset & Capital Recovery segment comprises the complex financings of the portfolios in the areas Commercial Real Estate (CRE), Deutsche Schiffsbank (DSB) and Public Finance. 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 30 June 2016, €0.8bn less than at the end of 2015.

Credit risk parameters as at 30.6.2016	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	2	69	311
Deutsche Schiffsbank	4	389	924
Public Finance	9	34	37
Asset & Capital Recovery	**16**	**491**	**316**

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

Commercial Real Estate Due to recoveries in the default portfolio and despite redemptions and repayments, the CRE-portfolio standing at €2.2bn remained nearly unchanged compared with 31 December 2015. There were no major developments on the risk side.

Deutsche Schiffsbank Compared with 31 December 2015, ship finance exposure in the performing loan book was reduced by €0.8bn in line with our reduction strategy, in particular through sales of tankers.

Our portfolio is mainly made up of the following three standard types of ship: container ships (€1.5bn), 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 (€4.9bn EaD), a private finance initiative (PFI) portfolio (€2.7bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.6bn EaD).

Loan loss provisions in the ACR segment stood at €145m, representing a reduction of €104m compared with the same period of the previous year. The Commercial Real Estate division recorded a net release of €31m, a €96m reduction compared with the previous year. Loan loss provisions in the Deutsche Schiffsbank division were €173m as at the reporting date, in line with the previous year's level.

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

	2016			2015					
Loan loss provisions I €m	**Q1-Q2**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**Q1-Q2**	**Q2**	**Q1**
Commercial Real Estate	– 31	– 26	– 5	36	– 19	– 10	65	40	25
Deutsche Schiffsbank	173	99	74	325	69	72	184	100	84
Public Finance	3	3	0	0	0	0	0	0	0
Asset & Capital Recovery	**145**	**75**	**70**	**361**	**50**	**62**	**249**	**140**	**109**

The default volume decreased further by €369m in the first half-year of 2016 compared with year-end 2015. The fall was mainly due to repayments. In the Public Finance area currently no default portfolio exists.

	30.6.2016			31.12.2015		
Default portfolio category LaR I €m	**ACR**	**CRE**	**DSB**	**ACR**	**CRE**	**DSB**
Default volume	1,831	606	1,225	2,200	1,038	1,160
Loan loss provisions	662	135	527	733	193	540
GLLP	224	38	182	262	45	213
Collaterals	975	339	635	1,383	780	604
Coverage ratio excluding GLLP (%)[1]	89	78	95	96	94	99
Coverage ratio including GLLP (%)[1]	102	84	110	108	98	117
NPL ratio (%)[2]	10.5	21.6	22.6	11.9	33.2	18.9

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

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 30.6.2016	Exposure at Default €bn	Expected Loss €m	Risk density bp
Energy supply/Waste management	18	46	26
Consumption	15	49	33
Transport/Tourism	12	25	21
Wholesale	12	48	40
Basic materials/Metals	11	36	33
Technology/Electrical industry	11	26	25
Mechanical engineering	10	29	29
Services/Media	10	72	73
Chemicals/Plastics	10	39	41
Automotive	9	23	24
Pharma/Healthcare	6	13	22
Construction	5	17	35
Other	6	10	17
Total	**133**	**432**	**32**

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, our strategy is to reduce exposure which in the case of a bail-in could be retained for loss absorption 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.

	30.6.2016			31.12.2015		
FI portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	12	21	5	6	12
Western Europe	19	36	19	20	46	23
Central and Eastern Europe	4	20	47	5	23	48
North America	2	7	33	2	3	17
Asia	12	30	26	13	36	28
Other	7	37	53	8	32	43
Total	**50**	**142**	**28**	**52**	**146**	**28**

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.

	30.6.2016			31.12.2015		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	17	26	16	16	23	14
Western Europe	14	41	29	15	48	33
Central and Eastern Europe	1	4	63	1	3	58
North America	8	11	14	8	5	6
Asia	1	2	16	1	2	16
Other	1	1	7	2	1	8
Total	**43**	**86**	**20**	**43**	**83**	**19**

Originator positions

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

As at the reporting date 30 June 2016, risk exposures with a value of €5.7bn were retained. By far the largest portion of these positions is accounted for by €5.6bn of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 30.6.2016**	**Total volume[1] 31.12.2015**
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
Total		5.6	<0.1	0.1	6.1	4.2

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables from customers in the Mittelstandsbank and Corporates & Markets segments, 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 half-year of 2016, the volume and risk values in the Silver Tower conduit increased due to new business and increases of existing transactions. They stood at €3.7bn as at the end of June 2016, around €0.5bn 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 Commerzbank AG in Germany. In the first half-year of 2016, the volume was €5.3bn (December 2015: €4.7bn) and risk values were €5.1bn (December 2015: €4.6bn), both slightly increased compared with end-2015.

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 that are relevant for market risk is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability.. Further details on the methodology used are given in the Annual Report 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%, a holding period of one day, equally weighted market data and a 254 days' history.

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. For regulatory purposes, additional stand-alone management of the trading book is carried out (in accordance with regulatory requirements, including currency and commodity risks in the banking book).

In the first half-year of 2016 the VaR for the overall book rose by €27m to €145m. The VaR for the trading book rose significantly, 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 a reaction to expectations about the central banks' monetary policy, worries about global growth and the referendum on UK's exit from the European Union (Brexit). The stressed VaR (evaluation of the current positioning using fixed market data from a defined crisis period) was stable in the first half-year of 2016. This shows that market movements, rather than changes in positioning, were the leading driver for the VaR increase.

VaR contribution | €m	30.6.2016	31.12.2015
Overall book	**145**	**118**
thereof trading book	38	29

Trading book

The value at risk rose from €29m to €38m in the first half of the year. The average was also up on the previous year's figure at €37m compared with €25m.

VaR of portfolios in the trading book | €m	Q1-Q2 2016	2015
Minimum	28	17
Mean	37	25
Maximum	46	39
VaR at end of reporting period	**38**	**29**

The market risk profile is diversified across all risk classes. The dominant risk classes are foreign exchange and credit spread risks, followed by interest rate and equity price risks. To a lesser extent, value at risk is also affected by commodity and inflation risks. 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 half-year of 2016 shows a significant increase in credit spread risks. Strong market fluctuations in credit spreads affected in particular 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 | €m	30.6.2016	31.12.2015
Credit spreads	12	6
Interest rates	6	4
Equities	3	4
FX	16	14
Commodities	1	1
Total	**38**	**29**

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 half-year 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 half-year 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 Treasury portfolios, with their credit spread, interest rate and basis risks, and the area of Asset & Capital Recovery (ACR) – Public Finance, along with the positions held by the subsidiaries Commerzbank Finance & Covered Bond S.A. and LSF Loan Solutions Frankfurt GmbH.

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) stood nearly unchanged at €52m at the end of the first half-year 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, which have to report on the results of this stress test every quarter.

The outcome of the +200 basis points scenario would be a potential loss of €1,828m, while the –200 basis points scenario would result in a potential loss of €753m as at 30 June 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 half-year of 2016, Commerzbank had earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking books. Asset-backed securities and structured products in particular have a higher market liquidity risk.

Liquidity risk

We define liquidity risk in a narrower sense as the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. In a broader sense, liquidity risk describes the risk that future payments cannot be funded 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 group 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, whereas 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.

In the first half-year of 2016, Commerzbank's liquidity risk ratios defined internally as "recovery indicators", 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 quarter, the liquidity ratio stood at 1.46.

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 Group Treasury. The liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

Based on its internal liquidity model, which uses conservative assumptions, at the end of the reporting period the Bank had available excess liquidity of €54.6bn in the maturity band for up to one day. Of this amount, €27.6bn was held in the 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 three 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 €8.6bn.

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 half-year 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 strategic or reputational 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 €24.3bn at the end of the first half-year of 2016. The increase of €2.9bn is due to the consideration of new external events in the model. The economically required capital was €2.0bn.

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

At the end of the first half-year of 2016 the total charge for OpRisk events was €3.9m (full year 2015: charge of €130m). The events were dominantly affected by an increase of provisions in the "External fraud" category but also by reversals of provisions in the "Products and business practices" category.

OpRisk events[1] | €m	30.6.2016	31.12.2015
Internal fraud	0	1
External fraud	22	−1
Damages and IT failure	1	9
Products and business practices	−28	90
Process related	9	45
HR related	0	−14
Group	**4**	**130**

[1] Losses incurred and provisions, less OpRisk-based income and repayments.

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. In the following details of Legal risk are shown. As regards all other risks, there were no significant changes in the first half-year of 2016 compared with the position reported in the Annual Report 2015.

Legal risk Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, and cases brought by shareholders and other investors as well as investigations by US authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, in private customers business and elsewhere, may result in more claims being brought against Commerzbank or its subsidiaries. In most of these court cases, claimants are asking for the payment of compensation or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures.

Some of these cases could also have an impact on the reputation of Commerzbank and of its subsidiaries. The Group builds up reserves for such proceedings if liabilities are likely to result from them and the amounts to which the Group is likely to be liable can be sufficiently accurately determined. As there are considerable uncertainties as to how such proceedings will develop, the possibility cannot be excluded that some of the reserves created for them prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is also true in the case of legal proceedings for which the Group did not consider it necessary to create reserves. The eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cash flow in a specified reporting period; in the worst case it cannot be fully ruled out that the liabilities that might result from them may also have a significant impact on Commerzbank's earnings performance, assets and financial position.

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

Statement of comprehensive income

Income statement

€m	Notes	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %
Interest income		5,189	6,325	–18.0
Interest expenses		2,509	3,316	–24.3
Net interest income	(1)	2,680	3,009	–10.9
Loan loss provisions	(2)	–335	–438	–23.5
Net interest income after loan loss provisions		2,345	2,571	–8.8
Commission income		1,917	2,084	–8.0
Commission expenses		315	314	0.3
Net commission income	(3)	1,602	1,770	–9.5
Net trading income	(4)	–5	527	.
Net income from hedge accounting		–57	–54	5.6
Net trading income and net income from hedge accounting		–62	473	.
Net investment income	(5)	163	–67	.
Current net income from companies accounted for using the equity method		63	31	.
Other net income	(6)	99	5	.
Operating expenses	(7)	3,595	3,694	–2.7
Restructuring expenses	(8)	40	66	–39.4
Pre-tax profit or loss		**575**	**1,023**	**–43.8**
Taxes on income	(9)	141	325	–56.6
Consolidated profit or loss		**434**	**698**	**–37.8**
Consolidated profit or loss attributable to non-controlling interests		62	53	17.0
Consolidated profit or loss attributable to Commerzbank shareholders		372	645	–42.3

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Earnings per share | €	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %
Earnings per share	0.30	0.55	–45.5

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 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 outstanding in the current year or comparable prior-year period. The figure for diluted earnings was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %
Consolidated profit or loss	434	698	–37.8
Change from remeasurement of defined benefit plans not recognised in income statement	–388	271	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**–388**	**271**	**.**
Change in revaluation reserve			
Reclassified to income statement	–162	–52	.
Change in value not recognised in income statement	–75	268	.
Change in cash flow hedge reserve			
Reclassified to income statement	31	44	–29.5
Change in value not recognised in income statement	–5	–1	.
Change in currency translation reserve			
Reclassified to income statement	–	7	–100.0
Change in value not recognised in income statement	–176	225	.
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	–89	0	.
Change in companies accounted for using the equity method	–1	12	.
Items recyclable through profit or loss	**–477**	**502**	**.**
Other comprehensive income	**–865**	**773**	**.**
Total comprehensive income	**–431**	**1,471**	**.**
Comprehensive income attributable to non-controlling interests	5	55	–90.9
Comprehensive income attributable to Commerzbank shareholders	–436	1,416	.

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The condensed statement of comprehensive income for the second quarter was as follows:

2nd quarter | Mio. €	1.4.–30.6.2016	1.4.–30.6.2015[1]	Change in %
Consolidated profit or loss	247	331	–25.4
Change from remeasurement of defined benefit plans not recognised in income statement	–138	368	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**–138**	**368**	**.**
Change in revaluation reserve			
Reclassified to income statement	–128	–26	.
Change in value not recognised in income statement	–66	–235	–71.9
Change in cash flow hedge reserve			
Reclassified to income statement	13	22	–40.9
Change in value not recognised in income statement	–2	7	.
Change in currency translation reserve			
Reclassified to income statement	–	7	–100.0
Change in value not recognised in income statement	–93	–124	–25.0
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–98	–	.
Change in companies accounted for using the equity method	1	–	.
Items recyclable through profit or loss	**–373**	**–349**	**6.9**
Other comprehensive income	**–511**	**19**	**.**
Total comprehensive income	**–264**	**350**	**.**
Comprehensive income attributable to non-controlling interests	–25	–18	38.9
Comprehensive income attributable to Commerzbank shareholders	–239	368	.

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

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

Other comprehensive income | €m	1.1.–30.6.2016			1.1.-30.6.2015[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–566	178	–388	409	–138	271
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	–152	–85	–237	240	–24	216
Change in cash flow hedge reserve	41	–15	26	62	–19	43
Change in currency translation reserve	–183	7	–176	233	–1	232
Change from non-current assets held for sale and disposal groups	–96	7	–89	–1	–	–1
Change in companies accounted for using the equity method	–1	–	–1	12	–	12
Other comprehensive income	**–957**	**92**	**–865**	**955**	**–182**	**773**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Other comprehensive income for the second quarter broke down as follows:

Other comprehensive income | €m	1.4.–30.6.2016			1.4.–30.6.2015[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–196	58	–138	528	–160	368
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	–104	–90	–194	–352	91	–261
Change in cash flow hedge reserve	18	–7	11	39	–10	29
Change in currency translation reserve	–101	8	–93	–117	–	–117
Change from non-current assets held for sale and disposal groups	–109	11	–98	–	–	–
Change in companies accounted for using the equity method	1	–	1	0	–	0
Other comprehensive income	**–491**	**–20**	**–511**	**98**	**–79**	**19**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Income statement (by quarter)

€m	2016		2015			
	2nd quarter	1st quarter	4th quarter[1]	3rd quarter[1]	2nd quarter[1]	1st quarter[1]
Net interest income	1,349	1,331	1,543	1,175	1,583	1,426
Loan loss provisions	−187	−148	−112	−146	−280	−158
Net interest income after loan loss provisions	1,162	1,183	1,431	1,029	1,303	1,268
Net commission income	781	821	829	825	855	915
Net trading income	−73	68	−264	296	−104	631
Net income from hedge accounting	−2	−55	−4	−2	17	−71
Net trading income and net income from hedge accounting	−75	13	−268	294	−87	560
Net investment income	131	32	99	−39	61	−128
Current net income from companies accounted for using the equity method	14	49	36	15	17	14
Other net income	31	68	−7	39	7	−2
Operating expenses	1,702	1,893	1,744	1,719	1,737	1,957
Restructuring expenses	40	–	20	28	–	66
Pre-tax profit or loss	**302**	**273**	**356**	**416**	**419**	**604**
Taxes on income	55	86	138	155	88	237
Consolidated profit or loss	**247**	**187**	**218**	**261**	**331**	**367**
Consolidated profit or loss attributable to non-controlling interests	38	24	31	31	24	29
Consolidated profit or loss attributable to Commerzbank shareholders	209	163	187	230	307	338

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Balance sheet

Assets | €m	**Notes**	**30.6.2016**	**31.12.2015**[1]	**Change in %**
Cash reserve		13,701	28,509	−51.9
Claims on banks	(11,13,14)	73,613	71,810	2.5
of which pledged as collateral		–	–	.
Claims on customers	(12,13,14)	224,207	218,875	2.4
of which pledged as collateral		–	–	.
Value adjustment on portfolio fair value hedges		628	284	.
Positive fair values of derivative hedging instruments		3,352	3,031	10.6
Trading assets	(15)	122,464	114,684	6.8
of which pledged as collateral		5,454	2,876	89.6
Financial investments	(16)	79,616	81,939	−2.8
of which pledged as collateral		2,057	508	.
Holdings in companies accounted for using the equity method		780	735	6.1
Intangible assets	(17)	3,553	3,525	0.8
Fixed assets	(18)	2,207	2,294	−3.8
Investment properties		109	106	2.8
Non-current assets held for sale and assets of disposal groups		1,006	846	18.9
Current tax assets		606	512	18.4
Deferred tax assets		2,861	2,836	0.9
Other assets	(19)	3,899	2,655	46.9
Total		**532,602**	**532,641**	**0.0**

[1] Prior-year figures restated due to reclassification of leased equipment from other assets to fixed assets.

Liabilities and equity | €m	**Notes**	**30.6.2016**	**31.12.2015**[1]	**Change in %**
Liabilities to banks	(20)	82,494	83,154	−0.8
Liabilities to customers	(21)	252,478	257,615	−2.0
Securitised liabilities	(22)	37,233	40,605	−8.3
Value adjustment on portfolio fair value hedges		1,455	1,137	28.0
Negative fair values of derivative hedging instruments		4,777	7,406	−35.5
Trading liabilities	(23)	97,355	86,443	12.6
Provisions	(24)	3,507	3,326	5.4
Current tax liabilities		402	401	0.2
Deferred tax liabilities		27	106	−74.5
Liabilities of disposal groups		1,343	1,073	25.2
Other liabilities	(25)	9,481	9,150	3.6
Subordinated debt instruments	(26)	12,368	11,858	4.3
Equity		29,682	30,367	−2.3
Subscribed capital		1,252	1,252	.
Capital reserve		17,192	17,192	.
Retained earnings		11,441	11,700	−2.2
Other reserves		−1,202	−781	53.9
Total before non-controlling interests		28,683	29,363	−2.3
Non-controlling interests		999	1,004	−0.5
Total		**532,602**	**532,641**	**0.0**

[1] Prior-year figures restated retrospectively (see page 48 ff.).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2014	**1,139**	**15,928**	**10,383**	**–957**	**–246**	**–193**	**26,054**	**906**	**26,960**
Change due to retrospective adjustments[1]			39	–6	–	–	33	–	33
Equity as at 1.1.2015	**1,139**	**15,928**	**10,422**	**–963**	**–246**	**–193**	**26,087**	**906**	**26,993**
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[2]			11				11	–7	4
Equity as at 31.12.2015	**1,252**	**17,192**	**11,700**	**–597**	**–159**	**–25**	**29,363**	**1,004**	**30,367**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
[2] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, change in treasury shares and change in derivatives on own equity instruments.

€m	Sub-scribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	**1,252**	**17,192**	**11,700**	**–597**	**–159**	**–25**	**29,363**	**1,004**	**30,367**
Total comprehensive income	–	–	–15	–304	26	–143	–436	5	–431
Consolidated profit or loss			372				372	62	434
Change from remeasurement of defined benefit plans			–387				–387	–1	–388
Change in revaluation reserve				–234			–234	–3	–237
Change in cash flow hedge reserve					26		26	–	26
Change in currency translation reserve[1]						–142	–142	–34	–176
Change from non-current assets held for sale and disposal groups				–70			–70	–19	–89
Change in companies accounted for using the equity method						–1	–1	–	–1
Dividend paid on shares			–250				–250	–11	–261
Capital increases							–	–	–
Withdrawal from retained earnings							–	–	–
Changes in ownership interests			9				9	–	9
Other changes[2]			–3				–3	1	–2
Equity as at 30.6.2016	**1,252**	**17,192**	**11,441**	**–901**	**–133**	**–168**	**28,683**	**999**	**29,682**

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

As at 30 June 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 (30 June 2015 1,171,035,710).

There was no notable impact on the other reserves from assets and disposal groups held for sale as at 30 June 2016.

The change in ownership interests of €9m in the first six months of 2016 resulted from the purchase of additional shares in an already consolidated company. There was no effect from the disposal of shares in companies that continue to be consolidated.

For information: Statement of changes in equity from 1 January to 30 June 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			
Equity as at 31.12.2014	**1,139**	**15,928**	**10,383**	**–957**	**–246**	**–193**	**26,054**	**906**	**26,960**
Change due to retrospective adjustments[1]			39	–6	–	–	33	–	33
Equity as at 1.1.2015	**1,139**	**15,928**	**10,422**	**–963**	**–246**	**–193**	**26,087**	**906**	**26,993**
Total comprehensive income	–	–	915	230	43	228	1,416	55	1,471
Consolidated profit or loss			645				645	53	698
Change from remeasurement of defined benefit plans			270				270	1	271
Change in revaluation reserve				230			230	–14	216
Change in cash flow hedge reserve					43		43	–	43
Change in currency translation reserve						217	217	15	232
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							–	–11	–11
Capital increases	113	1,264	–5				1,372	–	1,372
Withdrawal from retained earnings							–	–	–
Decrease in silent participations							–	–	–
Changes in ownership interests							–	–4	–4
Other changes[2]			23			–	23	–5	18
Equity as at 30.6.2015	**1,252**	**17,192**	**11,355**	**–733**	**–203**	**35**	**28,898**	**941**	**29,839**

1 Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
2 If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, change in treasury shares and change in derivatives on own equity instruments.

Cash flow statement (condensed version)

€m	2016	2015[1]
Cash and cash equivalents as at 1.1.	**28,509**	**4,897**
Net cash from operating activities	– 16,970	15,311
Net cash from investing activities	2,121	5,936
Net cash from financing activities	283	1,188
Total net cash	**– 14,566**	**22,435**
Effects from exchange rate changes	– 180	155
Effects from non-controlling interests	– 62	– 53
Cash and cash equivalents as at 30.6.	**13,701**	**27,434**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 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

General information

Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 30 June 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.

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 30 June 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.

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 will replace 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 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 guidance and examples to assist in applying 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, 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 disclosures and on sale- and lease-back 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.

We do not expect any significant effects on the Group financial statements from the other standards and interpretations set out below whose application is not yet mandatory (including the changes from the IASB's annual improvement process).

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.

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 six months 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 with ongoing price changes in net trading income. The reclassification from net interest income to net trading income amounted to €39m in the first half of 2015 (net balance of €54m reduction in interest income and €15m 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 €2m higher in the first six months of 2015 and interest income was €3m lower. After deducting a positive effect of €1m from taxes on income, consolidated profit was €4m lower and earnings per share were reduced 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 €13m each in the first half 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 €12m and commission expense by €31m in the first half of 2015. After deducting taxes on income of €3m, consolidated profit rose by €16m and retained earnings were €1m higher due to deferred taxes. 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 €80m in the first half 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 fell by €7m as at 30 June 2015, while net trading income increased by the same amount. After deducting taxes on income of €1m, consolidated profit was €6m higher in the first half of 2015. This translated into a rise in earnings per share by €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 fell by €14m in the first half of 2015. After deducting taxes on income of €2m, consolidated profit was €12m higher and earnings per share increased by €0.01. Under the new contribution rules the expense has been recognised on a quarterly basis as of the 2016 contribution year.

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, is recognised in full in the first half of the year (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 rose by €16m in the first half of 2015. After deducting a positive effect of €3m from taxes on income, consolidated profit was reduced by €13m. The consolidated profit attributable to non-controlling interests was reduced by €4m and the consolidated profit attributable to Commerzbank shareholders by €9m. Earnings per share fell by €0.01 as a result. Under the new contribution rules the expense has been recognised on a quarterly basis since the 2016 contribution year.

A correction of a calculation error and other errors gave rise to a retrospective restatement in financial year 2015.

- As a result taxes on income were €22m higher in the first six months of 2015 and consolidated profit fell by the same amount. This reduced earnings per share by €0.02.
- As at 1 January 2015 retained earnings fell by €40m and current tax liabilities rose by the same amount. Thus, there was no impact on consolidated profit and earnings per share.

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 €42m and interest expenses by €7m in the first half of 2015 and other net income therefore rose by €35m. Thus, there was no impact on consolidated profit, the balance sheet or earnings per share.

The tables below summarise the main restatements in the income statement and equity as at 30 June 2015:

€m	Original Group financial statements 1.1.-30.6.2015	Adjustment	Restated Group financial statements 1.1.-30.6.2015
Interest income	6,448	–123	6,325
Interest expenses	3,269	47	3,316
Net interest income	3,179	–170	3,009
Commission income	2,084	–	2,084
Commission expenses	345	–31	314
Net commission income	1,739	31	1,770
Net trading income	401	126	527
Other net income	–29	34	5
Operating expenses	3,692	2	3,694
Pre-tax profit or loss	**1,004**	**19**	**1,023**
Taxes on income	301	24	325
Consolidated profit or loss	**703**	**–5**	**698**
Consolidated profit or loss attributable to non-controlling interests	57	–4	53
Consolidated profit or loss attributable to Commerzbank shareholders	646	–1	645

€m	Original Group financial statements 1.1.-30.6.2015	Adjustment	Restated Group financial statements 1.1.-30.6.2015
Equity	29,810	29	29,839
of which retained earnings	11,316	39	11,355
of which other reserves	–895	–6	–901
Non-controlling interests	945	–4	941

Total assets rose by €3,536m as at 30 June 2015 as a result of the restatements.

Consolidated companies

The following companies were consolidated for the first time as at 30 June 2016:

Name of company	Equity share and voting rights %	Acquisition cost €m	Assets €m	Liabilities €m
Commerz Transaction Services Logistics GmbH, Magdeburg, Germany	100.0	1.6	2.8	1.2
CommerzVentures Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany	99.5	21.9	22.0	–
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
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG, Grünwald, Germany	100.0	–	26.8	25.8

The first-time consolidations listed above are entities that were newly formed or purchased 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
  - Hurley Investments No.3 Limited, George Town, Cayman Islands
  - Thurlaston Finance Limited, George Town, Cayman Islands
  - Yarra Finance Limited, George Town, Cayman Islands

- Entities that permanently fell below our materiality threshold for consolidation:
  - Dresdner Kleinwort do Brasil Limitada, Rio de Janeiro, Brazil
  - Dresdner Kleinwort Wasserstein Securities (India) Private Limited, Mumbai, India
  - EHY Real Estate Fund I, LLC, Wilmington, Delaware, USA
  - Eurohypo Capital Funding LLC II, Wilmington, Delaware, USA
  - Eurohypo Capital Funding Trust II, Wilmington, Delaware, USA
  - Groningen Urban Invest B.V., Amsterdam, Netherlands
  - Netherlands Urban Invest B.V., Amsterdam, Netherlands
  - Number X Real Estate GmbH, Eschborn, Germany
  - Urban Invest Holding GmbH, Eschborn, Germany
  - WebTek Software Private Limited, Bangalore, India

The following companies were merged with a Commerzbank Group consolidated company:
- Dom Maklerski mBanku S.A., Warsaw, Poland
- OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Luna KG, Grünwald, Germany
- mWealth Management S.A., Warsaw, Poland

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 was approved by the supervisory authorities and completed on 4 July 2016. The financial impact of the transaction will be reported in the third quarter.

Also classified as held for sale in the Private Customers segment is AVOLO Aviation GmbH & Co. Geschlossene Investment KG, Karlsruhe, Germany.

Furthermore, certain Fund units are held for sale in this segment.

An investment relating to the credit card business was sold in the Private Customers and Central & Eastern Europe segments in the first half of 2016.

A portfolio of mortgage loans from the Corporates & Markets segment was reclassified as held for sale in April 2016.

Report on events after the reporting period

Commerzbank completed the sale of Commerzbank International S.A., Luxembourg, announced in December 2015, to Julius Baer on 4 July 2016. Included in the sale are customer portfolios, the transfer of staff and a corresponding IT platform.

On 18 July 2016 comdirect bank AG experienced a fault in a software update which was corrected within a few hours. The fault led to login errors, as a result of which some customers were able to view other customers' account data. Up to the time of the preparation of the interim financial statements as at 30 June 2016 this event had no impact on the Group's net assets, financial position and results of operations.

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

Notes to the income statement

(1) Net interest income

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %
Interest income	5,189	6,325	–18.0
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	373	405	–7.9
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	3,786	4,353	–13.0
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	113	162	–30.2
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	462	934	–50.5
Prepayment penalty fees	59	62	–4.8
Gains on the sale of loans and receivables and repurchase of liabilities	34	269	–87.4
Dividends from securities	35	66	–47.0
Current net income from equity holdings and non-consolidated subsidiaries	65	17	.
Other interest income	262	56	.
Interest expenses	2,509	3,316	–24.3
Interest expenses on subordinated debt instruments and on securitised and other liabilities	2,046	2,461	–16.9
Interest expenses from applying the fair value option	214	212	0.9
Interest expenses on securitised liabilities held for trading	54	41	31.7
Loss on the sale of loans and receivables and repurchase of liabilities	41	62	–33.9
Other interest expense	154	540	–71.5
Total	**2,680**	**3,009**	**–10.9**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The unwinding effect for commitments which have been terminated and impaired commercial real estate loans amounted to €11m for 1 January to 30 June 2016 (previous year: €21m).

Other interest expense includes, among other items, net interest expense for pensions and negative interest from financial instruments held as assets (1 January to 30 June 2016: €146m; previous year: €162m). Other interest income includes negative interest from financial instruments held as liabilities (1 January to 30 June 2016: €104m; previous year: €56m). 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.–30.6.2016	1.1.–30.6.2015	Change in %
Allocation to loan loss provisions[1]	–738	–1,180	–37.5
Reversals of loan loss provisions[1]	403	775	–48.0
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	0	–33	–100.0
Total	**–335**	**–438**	**–23.5**

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

(3) Net commission income

€m	1.1.–30.6.2016	1.1.–31.6.2015[1]	Change in %
Securities transactions	426	500	–14.8
Asset management	108	95	13.7
Payment transactions and foreign business	615	675	–8.9
Real estate lending business	7	19	–63.2
Guarantees	101	108	–6.5
Net income from syndicated business	148	160	–7.5
Intermediary business	122	128	–4.7
Fiduciary transactions	4	4	0.0
Other	71	81	–12.3
Total[2]	**1,602**	**1,770**	**–9.5**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
[2] Of which commission income €1,917m (previous year: €2,084m) and commission expense €315m (previous year: €314m).

(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.–30.6.2016	1.1.–31.6.2015[1]	Change in %
Net trading gain or loss[2]	–78	579	.
Net gain or loss from applying the fair value option	73	–52	.
Total	**–5**	**527**	**.**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
[2] 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.–30.6.2016	1.1.–30.6.2015	Change in %
Net gain or loss from interest-bearing business	**5**	**–105**	**.**
In the available-for-sale category	10	73	–86.3
Gain on disposals (including reclassification from revaluation reserve)	20	89	–77.5
Loss on disposals (including reclassification from revaluation reserve)	–11	–17	–35.3
Net remeasurement gain or loss	1	1	0.0
In the loans and receivables category	–5	–178	–97.2
Gains on disposals	19	17	11.8
Loss on disposals	–20	–18	11.1
Net remeasurement gain or loss[1]	–4	–177	–97.7
Net gain or loss on equity instruments	**158**	**38**	**.**
In the available-for-sale category	160	3	.
Gain on disposals (including reclassification from revaluation reserve)	160	3	.
Loss on disposals (including reclassification from revaluation reserve)	–	–	.
In the available-for-sale category, measured at acquisition cost	–	48	–100.0
Net remeasurement gain or loss	–2	–13	–84.6
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	–	–	.
Total	**163**	**–67**	**.**

[1] Includes reversals of €2m of portfolio valuation allowances for reclassified securities (previous year: reversals of €7m).

(6) Other net income

€m	1.1.–30.6.2016	1.1.–31.6.2015[1]	Change in %
Other material items of expense	**135**	**163**	**–17.2**
Allocations to provisions	54	45	20.0
Operating lease expenses	59	52	13.5
Expenses arising from building and architects' services	14	1	.
Hire-purchase expenses and sublease expenses	5	5	0.0
Expenses from investment properties	1	16	–93.8
Expenses from non-current assets held for sale	1	43	–97.7
Expenses from disposal of fixed assets	1	1	0.0
Other material items of income	**254**	**225**	**12.9**
Reversals of provisions	122	76	60.5
Operating lease income	87	80	8.7
Income from insurance business	–	6	.
Income from building and architects' services	1	1	0.0
Hire-purchase income and sublease income	12	15	–20.0
Income from investment properties	5	44	–88.6
Income from non-current assets held for sale	6	–	.
Income from disposal of fixed assets	21	3	.
Balance of exchange rate changes	2	–29	.
Balance of sundry tax income/expenses	–30	–12	.
Balance of sundry other income/expenses	8	–16	.
Other net income	**99**	**5**	**.**

[1] Prior-year figures restated due to a change in the reporting of current income and expenses from properties held for sale and investment properties (see page 49).

(7) Operating expenses

€m	1.1.–30.6.2016	1.1.–30.6.2015[1]	Change in %
Personnel expenses	1,818	1,965	–7.5
Administrative expenses	1,477	1,494	–1.1
Depreciation/amortisation of fixed assets and other intangible assets	300	235	27.7
Total	**3,595**	**3,694**	**–2.7**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The administrative expenses include €188m for bank levy in the current financial year.

(8) Restructuring expenses

€m	1.1.–30.6.2016	1.1.–30.6.2015	Change in %
Expenses for restructuring measures introduced	40	66	–39.4
Total	**40**	**66**	**–39.4**

The restructuring expenses of €40m in the first two quarters of financial year 2016 related to the realignment of the Corporates & Markets business in London and New York and the restructuring of the back office units in Germany. The restructuring expenses in the prior year related to the realignment of Corporates & Markets 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 €141m as at 30 June 2016. With pre-tax profit of €575m the Group's effective tax rate was therefore 25% (Group income tax rate: 31.42%). Group tax expense derived mainly from current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft in 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 balance sheet have been allocated to the segments in segment reporting in line with their responsibilities (see page 48 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 segment (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 Aktiengesellschaft brand. The asset manager Commerz Real Aktiengesellschaft 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 four key competences: 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 multichannel 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. Following the final winding-up of the former Hypothekenbank Frankfurt Aktiengesellschaft on 13 May 2016, the private real estate portion of its private customer portfolio, which had already been included in the results of the Commerbank Group's Private Customers division, was transferred to Commerzbank Aktiengesellschaft. The transfer had no impact on Group consolidated profit. The Direct Banking division includes both B2B (ebase) and B2C businesses (comdirect) and provides standardised, primarily internet-based, advisory and service offerings for customers. Commerz Real 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 consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity- and commodity-related financial products. Fixed Income & Currencies handles trading and sales of interest rate, credit and currency instruments. Advisory & Primary Markets covers arrangement and advisory services for equity, hybrid and debt instruments, securitisation solutions and 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 segment (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 commercial real estate and public finance assets not included in the other segments belonged predominantly to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft until 13 May 2016. Commerzbank completed the winding-up of its 100% subsidiary Hypothekenbank Frankfurt Aktiengesellschaft (HF), formerly Eurohypo Aktiengesellschaft, on 13 May 2016. HF's commercial real estate and public finance portfolios, which were already included in the results of the ACR segment, were transferred to Commerzbank 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 Aktiengessellschaft. 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 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. 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 €780m (previous year: €693m) and were divided over the segments as follows: Private Customers €546m (previous year: €421m), Mittelstandsbank €107m (previous year: €103m), Central & Eastern Europe €2m (previous year: €–m), Corporates & Markets €124m (previous year: €125m) and Asset & Capital Recovery €1m (previous year: €44m).

The tables below contain information on the segments as at 30 June 2016 and on the comparative figures for the prior-year period.

1.1.–30.6.2016 €m	**Private Customers**	**Mittel-standsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Asset & Capital Recovery**	**Others and Consoli-dation**	**Group**
Net interest income	904	898	296	915	–52	–281	2,680
Loan loss provisions	–11	–146	–42	7	–145	2	–335
Net interest income after loan loss provisions	893	752	254	922	–197	–279	2,345
Net commission income	842	503	97	174	2	–16	1,602
Net trading income and net income from hedge accounting	–1	–18	28	–230	–6	165	–62
Net investment income	59	1	63	29	–3	14	163
Current net income from companies accounted for using the equity method	50	6	–	7	–	–	63
Other net income	15	3	8	17	11	45	99
Income before loan loss provisions	*1,869*	*1,393*	*492*	*912*	*–48*	*–73*	*4,545*
Income after loan loss provisions	*1,858*	*1,247*	*450*	*919*	*–193*	*–71*	*4,210*
Operating expenses	1,487	835	264	718	63	228	3,595
Operating profit or loss	**371**	**412**	**186**	**201**	**–256**	**–299**	**615**
Restructuring expenses	–	–	–	12	–	28	40
Pre-tax profit or loss	**371**	**412**	**186**	**189**	**–256**	**–327**	**575**
Assets	**84,224**	**97,183**	**29,080**	**168,279**	**30,429**	**123,407**	**532,602**
Liabilities and equity	**107,170**	**128,039**	**24,782**	**138,443**	**22,768**	**111,400**	**532,602**
Average capital employed[1]	**2,415**	**8,025**	**1,651**	**3,735**	**3,375**	**4,077**	**23,278**
Operating return on equity[2] **(%)**	**30.7**	**10.3**	**22.5**	**10.8**	**–15.2**		**5.3**
Cost/income ratio in operating business (%)	**79.6**	**59.9**	**53.7**	**78.7**	**.**		**79.1**
Return on equity of pre-tax profit or loss[2] **(%)**	**30.7**	**10.3**	**22.5**	**10.1**	**–15.2**		**4.9**
Staff (average headcount)	15,295	5,684	8,174	1,890	61	17,895	48,999

[1] 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.
[2] Annualised.

1.1.–30.6.2015[1] €m	Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	916	963	266	948	149	−233	3,009
Loan loss provisions	−38	−79	−47	36	−249	−61	−438
Net interest income after loan loss provisions	878	884	219	984	−100	−294	2,571
Net commission income	914	555	103	202	12	−16	1,770
Net trading income and net income from hedge accounting	1	67	35	53	−53	370	473
Net investment income	2	−11	48	7	−201	88	−67
Current net income from companies accounted for using the equity method	25	2	–	9	−2	−3	31
Other net income	17	−13	7	2	–	−8	5
Income before loan loss provisions	*1,875*	*1,563*	*459*	*1,221*	*−95*	*198*	*5,221*
Income after loan loss provisions	*1,837*	*1,484*	*412*	*1,257*	*−344*	*137*	*4,783*
Operating expenses	1,510	805	255	784	107	233	3,694
Operating profit or loss	**327**	**679**	**157**	**473**	**−451**	**−96**	**1,089**
Restructuring expenses	–	–	–	50	16	–	66
Pre-tax profit or loss	**327**	**679**	**157**	**423**	**−467**	**−96**	**1,023**
Assets	**78,239**	**98,408**	**28,904**	**182,966**	**24,581**	**151,460**	**564,558**
Liabilities and equity	**102,613**	**143,732**	**23,933**	**158,773**	**14,210**	**121,297**	**564,558**
Average capital employed[2]	**3,023**	**8,397**	**1,665**	**4,200**	**4,618**	**−520**	**21,383**
Operating return on equity[3] (%)	**21.6**	**16.2**	**18.9**	**22.5**	**−19.5**		**10.2**
Cost/income ratio in operating business (%)	**80.5**	**51.5**	**55.6**	**64.2**	**.**		**70.8**
Return on equity of pre-tax profit or loss[3] (%)	**21.6**	**16.2**	**18.9**	**20.1**	**−20.2**		**9.6**
Staff (average headcount)	15,612	5,887	8,096	1,927	71	18,187	49,780

1 Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.) and the change in the structure of the segments.
2 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.
3 Annualised.

Details for Others and Consolidation:

€m	1.1.–30.6.2016			1.1.–30.6.2015[1]		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consoli-dation
Net interest income	–123	–158	–281	–183	–50	–233
Loan loss provisions	2	–	2	–61	–	–61
Net interest income after loan loss provisions	–121	–158	–279	–244	–50	–294
Net commission income	–14	–2	–16	–13	–3	–16
Net trading income and net income from hedge accounting	136	29	165	348	22	370
Net investment income	26	–12	14	70	18	88
Current net income from companies accounted for using the equity method	–	–	–	–3	–	–3
Other net income	53	–8	45	–4	–4	–8
Income before loan loss provisions	*78*	*–151*	*–73*	*215*	*–17*	*198*
Income after loan loss provisions	*80*	*–151*	*–71*	*154*	*–17*	*137*
Operating expenses	243	–15	228	246	–13	233
Operating profit or loss	**–163**	**–136**	**–299**	**–92**	**–4**	**–96**
Restructuring expenses	25	3	28	–	–	–
Pre-tax profit or loss	**–188**	**–139**	**–327**	**–92**	**–4**	**–96**
Assets	**123,179**	**228**	**123,407**	**151,460**	**–**	**151,460**
Liabilities and equity	**111,273**	**127**	**111,400**	**121,297**	**–**	**121,297**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.) and the change in the structure of the 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.

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.–30.6.2016 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	1,801	694	91	94	–	2,680
Loan loss provisions	–264	–62	4	–13	–	–335
Net interest income after loan loss provisions	1,537	632	95	81	–	2,345
Net commission income	1,348	218	20	16	–	1,602
Net trading income and net income from hedge accounting	–190	171	–60	17	–	–62
Net investment income	40	120	3	–	–	163
Current net income from companies accounted for using the equity method	56	5	2	–	–	63
Other net income	61	38	1	–1	–	99
Income before loan loss provisions	*3,116*	*1,246*	*57*	*126*	–	*4,545*
Income after loan loss provisions	*2,852*	*1,184*	*61*	*113*	–	*4,210*
Operating expenses	2,806	657	59	73	–	3,595
Operating profit or loss	**46**	**527**	**2**	**40**	**–**	**615**
Credit-risk-weighted assets	**98,939**	**49,536**	**3,846**	**3,141**	–	**155,462**

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

1.1.–30.6.2015[1] €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	1,575	1,242	248	–56	–	3,009
Loan loss provisions	–264	–184	6	4	–	–438
Net interest income after loan loss provisions	1,311	1,058	254	–52	–	2,571
Net commission income	1,460	254	26	30	–	1,770
Net trading income and net income from hedge accounting	507	–53	–196	215	–	473
Net investment income	–85	17	–	1	–	–67
Current net income from companies accounted for using the equity method	23	3	2	3	–	31
Other net income	–14	40	–16	–5	–	5
Income before loan loss provisions	*3,466*	*1,503*	*64*	*188*	–	*5,221*
Income after loan loss provisions	*3,202*	*1,319*	*70*	*192*	–	*4,783*
Operating expenses	2,875	686	64	69	–	3,694
Operating profit or loss	**327**	**633**	**6**	**123**	**–**	**1,089**
Credit-risk-weighted assets	**110,318**	**54,569**	**4,058**	**3,350**	–	**172,295**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 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	30.6.2016	31.12.2015	Change in %
Due on demand	30,055	23,553	27.6
With a residual term	43,642	48,341	−9.7
up to three months	20,656	25,122	−17.8
over three months to one year	15,875	15,891	−0.1
over one year to five years	6,611	6,855	−3.6
over five years	500	473	5.7
Total	**73,697**	**71,894**	**2.5**
of which reverse repos and cash collaterals	42,818	43,774	−2.2
of which relate to the category:			
Loans and receivables	54,294	49,274	10.2
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	19,403	22,620	−14.2

Claims on banks after deduction of loan loss provisions amounted to €73,613m (previous year: €71,810m).

(12) Claims on customers

€m	30.6.2016	31.12.2015	Change in %
With an indefinite residual term	27,923	23,778	17.4
With a residual term	199,956	198,959	0.5
up to three months	27,634	29,472	−6.2
over three months to one year	24,321	23,666	2.8
over one year to five years	63,162	64,810	−2.5
over five years	84,839	81,011	4.7
Total	**227,879**	**222,737**	**2.3**
of which reverse repos and cash collaterals	16,773	14,980	12.0
of which relate to the category:			
Loans and receivables	212,914	211,350	0.7
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	14,965	11,387	31.4

Claims on customers after deduction of loan loss provisions amounted to €224,207m (previous year: €218,875m).

(13) Total lending

€m	30.6.2016	31.12.2015	Change in %
Loans to banks	21,662	22,617	–4.2
Loans to customers	211,106	207,757	1.6
Total	**232,768**	**230,374**	**1.0**

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 %
As at 1.1.	**4,192**	**6,013**	**–30.3**
Allocations	738	1,180	–37.5
Disposals	938	2,056	–54.4
Utilisation	535	1,281	–58.2
Reversals	403	775	–48.0
Changes in consolidated companies	–	–12	–100.0
Exchange rate changes/reclassifications/unwinding	–13	–243	–94.7
As at 30.6.	**3,979**	**4,882**	**–18.5**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in provisions of €335m (30 June 2015: €438m) (see Note 2).

Loan loss provisions | €m	30.6.2016	31.12.2015	Change in %
Specific valuation allowances	3,140	3,282	–4.3
Portfolio valuation allowances	616	664	–7.2
Provisions for on-balance-sheet loan losses	**3,756**	**3,946**	**–4.8**
Specific loan loss provisions	85	110	–22.7
Portfolio loan loss provisions	138	136	1.5
Provisions for off-balance-sheet loan losses	**223**	**246**	**–9.3**
Total	**3,979**	**4,192**	**–5.1**

For claims on banks, loan loss provisions amounted to €84m (previous year: €84m) and for claims on customers to €3,672m (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 as well as 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	30.6.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities	12,153	9,150	32.8
Promissory note loans and other claims	1,052	1,542	−31.8
Shares, other equity-related securities and units in investment funds	25,618	26,410	−3.0
Positive fair values of derivative financial instruments	83,288	76,711	8.6
Interest-rate-related derivative transactions	62,944	56,088	12.2
Currency-related derivative transactions	15,003	15,174	−1.1
Other derivative transactions	5,341	5,449	−2.0
Other trading assets	353	871	−59.5
Total	**122,464**	**114,684**	**6.8**

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €2,168m in equity derivatives (previous year: €1,450m) and €1,900m 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 associates not accounted for using the equity method for materiality reasons and jointly controlled entities) and holdings in non-consolidated subsidiaries.

€m	30.6.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities[1]	78,469	80,798	−2.9
Shares, other equity-related securities and units in investment funds	726	746	−2.7
Equity holdings	221	232	−4.7
Holdings in non-consolidated subsidiaries	200	163	22.7
Total	**79,616**	**81,939**	**−2.8**
of which relate to the category:			
Loans and receivables[1]	34,562	36,486	−5.3
Available-for-sale financial assets	44,171	43,026	2.7
of which measured at amortised cost	302	307	−1.6
At fair value through profit or loss (fair value option)	883	2,427	−63.6

[1] Reduced by portfolio valuation allowances for reclassified securities of €38m (previous year: €40m).

As at 30 June 2016 the financial investments included €302m (previous year: €307m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

Financial instruments with a carrying amount of €1m were derecognised in the first two quarters of 2016 (previous year: €99m). This resulted in net income of €4m (previous year: €1m).

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 €−0.5bn as at 30 June 2016 (previous year: €−0.5bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €−2.8bn (previous year: €−2.3bn) as at 30 June 2016; the carrying amount of these portfolios on the balance sheet date was €32.7bn (previous year: €34.4bn) and fair value was €29.4bn (previous year: €31.8bn).

(17) Intangible assets

€m	30.6.2016	31.12.2015	Change in %
Goodwill	2,076	2,076	0.0
Other intangible assets	1,477	1,449	1.9
Customer relationships	295	315	−6.3
In-house developed software	790	738	7.0
Purchased software	374	377	−0.8
Other	18	19	−5.3
Total	**3,553**	**3,525**	**0.8**

(18) Fixed assets

€m	30.6.2016	31.12.2015	Change in %
Land and buildings	923	958	−3.7
Office furniture and equipment	448	479	−6.5
Leased equipment [1]	836	857	−2.5
Total	**2,207**	**2,294**	**−3.8**

[1] The prior year was restated to include leased equipment, which had previously been reported under other assets.

(19) Other assets

€m	30.6.2016	31.12.2015[1]	Change in %
Collection items	17	18	−5.6
Precious metals	565	339	66.7
Accrued and deferred items	268	200	34.0
Initial/variation margins receivables	1,326	757	75.2
Defined benefit assets recognised	478	448	6.7
Other assets	1,245	893	39.4
Total	**3,899**	**2,655**	**46.9**

[1] The prior year was restated to exclude leased equipment, which is now reported under fixed assets.

(20) Liabilities to banks

€m	30.6.2016	31.12.2015	Change in %
Due on demand	31,989	34,516	–7.3
With a residual term	50,505	48,638	3.8
up to three months	21,230	19,257	10.2
over three months to one year	6,281	5,454	15.2
over one year to five years	11,264	13,341	–15.6
over five years	11,730	10,586	10.8
Total	**82,494**	**83,154**	**–0.8**
of which repos and cash collaterals	24,894	18,076	37.7
of which relate to the category:			
Liabilities measured at amortised cost	64,655	69,595	–7.1
At fair value through profit or loss (fair value option)	17,839	13,559	31.6

(21) Liabilities to customers

€m	30.6.2016	31.12.2015	Change in %
Savings deposits	7,039	6,961	1.1
With an agreed period of notice of			
three months	7,035	6,906	1.9
over three months	4	55	–92.7
Other liabilities to customers	245,439	250,654	–2.1
Due on demand	159,036	158,846	0.1
With a residual term	86,403	91,808	–5.9
up to three months	30,366	32,337	–6.1
over three months to one year	24,882	27,347	–9.0
over one year to five years	12,299	12,921	–4.8
over five years	18,856	19,203	–1.8
Total	**252,478**	**257,615**	**–2.0**
of which repos and cash collaterals	12,120	8,479	42.9
of which relate to the category:			
Liabilities measured at amortised cost	241,318	248,803	–3.0
At fair value through profit or loss (fair value option)	11,160	8,812	26.6

(22) Securitised liabilities

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

€m	30.6.2016	31.12.2015	Change in %
Bonds and notes issued	32,140	35,614	−9.8
of which mortgage Pfandbriefe	9,273	11,091	−16.4
public Pfandbriefe	7,894	9,233	−14.5
Money market instruments issued	5,047	4,944	2.1
Own acceptances and promissory notes outstanding	46	47	−2.1
Total	**37,233**	**40,605**	**−8.3**
of which relate to the category:			
Liabilities measured at amortised cost	36,036	39,280	−8.3
At fair value through profit or loss (fair value option)	1,197	1,325	−9.7

Residual maturities of securitised liabilities | €m	30.6.2016	31.12.2015	Change in %
Due on demand	–	–	.
With a residual term	37,233	40,605	−8.3
up to three months	2,448	5,010	−51.1
over three months to one year	9,031	7,925	14.0
over one year to five years	18,045	19,693	−8.4
over five years	7,709	7,977	−3.4
Total	**37,233**	**40,605**	**−8.3**

In the first six months of 2016, material new issues with a total volume of €4.7bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.9bn and the volume of bonds maturing to €7.3bn.

(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	30.6.2016	31.12.2015	Change in %
Negative fair values of derivative financial instruments	84,996	75,994	11.8
Interest-rate-related derivative transactions	62,556	51,138	22.3
Currency-related derivative transactions	17,237	17,739	−2.8
Other derivative transactions	5,203	7,117	−26.9
Certificates and other notes issued	4,793	5,011	−4.4
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	7,566	5,438	39.1
Total	**97,355**	**86,443**	**12.6**

Other derivative transactions consisted mainly of €2,376m in equity derivatives (previous year: €4,378m) and €2,445m in credit derivatives (previous year: €2,294m).

(24) Provisions

€m	30.6.2016	31.12.2015	Change in %
Provisions for pensions and similar commitments	1,508	1,034	45.8
Other provisions	1,999	2,292	–12.8
Total	**3,507**	**3,326**	**5.4**

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 30 June 2016 were a discount rate of 1.7% (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 misselling 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 dollar 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. Once 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	30.6.2016	31.12.2015[1]	Change in %
Liabilities attributable to film funds	1,169	1,334	−12.4
Liabilities attributable to non-controlling interests	5,591	5,521	1.3
Accrued and deferred items	375	374	0.3
Variation margins payable	478	528	−9.5
Other liabilities	1,868	1,393	34.1
Total	**9,481**	**9,150**	**3.6**

[1] Prior year figures restated retrospectively (see page 49).

(26) Subordinated debt instruments

€m	30.6.2016	31.12.2015	Change in %
Subordinated debt instruments	12,135	11,804	2.8
Accrued interest, including discounts[1]	−785	−751	4.5
Remeasurement effects	1,018	805	26.5
Total	**12,368**	**11,858**	**4.3**
of which relate to the category:			
Liabilities measured at amortised cost	12,354	11,846	4.3
At fair value through profit or loss (fair value option)	14	12	16.7

[1] Including the impact of the adjustment of fair values of subordinated debt instruments at the date of acquisition of Dresdner Bank.

In the first six months of 2016 the volume of subordinated debt instruments maturing amounted to €1.5bn, repayments were €0.8bn and new issues were €2.3bn.

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	30.6.2016[1] Phase-in	31.12.2015 Phase-in	30.6.2016[1] Fully phased-in	31.12.2015 Fully phased-in
Equity as shown in balance sheet	**29,682**	**30,407**	**29,682**	**30,407**
Effect from debit valuation adjustments	–207	–96	–345	–240
Correction to revaluation reserve	726	511	–	–
Correction to cash flow hedge reserve	133	159	133	159
Correction to phase-in (IAS 19)	582	640	–	–
Correction to non-controlling interests (minority)	–227	–230	–362	–505
Goodwill	–2,088	–2,088	–2,088	–2,088
Intangible assets	–1,140	–1,126	–1,140	–1,126
Surplus in plan assets	–244	–155	–406	–387
Deferred tax assets from loss carryforwards	–246	–180	–409	–451
Shortfall due to expected loss	–623	–463	–778	–661
Prudential valuation	–380	–376	–380	–376
Own shares	–28	–18	–41	–35
First loss positions from securitisations	–265	–300	–265	–300
Advance payment risks	–	–1	–	–1
Deduction of offset components of additional core capital (AT 1)	1,004	1,008	–	–
Deferred tax assets from temporary differences which exceed the 10% threshold	–111	–	–493	–316
Accrued dividends	–125	–250	–125	–250
Others and rounding	–140	–139	–140	–139
Common Equity Tier 1	**26,303**	**27,303**	**22,843**	**23,691**
Additional Tier 1	**–**	**–**	**–**	**–**
Tier 1 capital	**26,303**	**27,303**	**22,843**	**23,691**
Tier 2 capital	**6,249**	**5,500**	**6,270**	**5,421**
Equity	**32,552**	**32,803**	**29,113**	**29,112**
Risk-weighted assets	**199,070**	**198,232**	**198,300**	**197,442**
of which: Credit risk	155,462	159,407	154,692	158,617
of which: Market risk[2]	19,281	17,427	19,281	17,427
of which: Operational risk	24,327	21,398	24,327	21,398
Common Equity Tier 1 ratio (%)	**13.2**	**13.8**	**11.5**	**12.0**
Tier 1 ratio (%)	**13.2**	**13.8**	**11.5**	**12.0**
Total capital ratio (%)	**16.4**	**16.5**	**14.7**	**14.7**

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

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

Avoiding the risk of excessive leverage is an integral part of Commerzbank's management of its balance sheet. Commerzbank has set up a quantitative and qualitative framework to monitor and manage the leverage ratio in line with the requirements of CRD IV/ CRR.

Group Finance is responsible for quantifying the leverage ratio on the basis of regulatory requirements and provides regulators with quarterly reports.

Commerzbank has set an internal target for the leverage ratio which supplements the targets for the risk-based capital ratios. The segments are actively involved in managing the leverage ratio via segment-specific guidelines for their leverage ratio exposure.

Developments in the segment-specific leverage ratio exposures relative to the guidelines is monitored monthly. Group Finance reports regularly to the Central Asset Liability Committee (ALCO) and the Board on leverage ratio levels and segment exposures as well as on the main drivers of the ratio and any changes in them.

In addition to ex-post analyses of the leverage ratio, forecasts of developments in the leverage ratio exposures are included in the internal planning process (MYP) and reviewed regularly in forecasting exercises between the annual review dates.

Key decisions on management and monitoring of the leverage ratio are taken by ALCO, subject to confirmation by the Board of Managing Directors.

	Applicable amounts (in €m)
Summary reconciliation of accounting assets and leverage ratio exposures	**30.6.2016**
Total assets as per published group financial statements	532,602
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	1,158
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429 (13) of Regulation (EU) No. 575/2013)	–
Adjustments for derivative financial instruments	–60,148
Adjustments for securities financing transactions (SFT)	2,720
Adjustments for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	49,216
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	–
(Adjustments for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	–
Other adjustments	
Phase-in	–3,658
Fully phased-in	–5,979
Leverage ratio total exposure measure	
Phase-in	**521,890**
Fully phased-in	**519,569**

Leverage ratio common disclosure	CRR leverage ratio exposures
m€	**30.6.2016**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	409,473
(Asset amounts deducted in determining Tier 1 capital)	
Phase-in	– 3,891
Fully phased-in	– 6,212
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
Phase-in	405,582
Fully phased-in	403,261
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	16,898
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	22,077
Exposure determined under Original Exposure Method	–
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 19,188
(Exempted CCP leg of client-cleared trade exposure)	– 1,295
Adjusted effective notional amount of written credit derivatives	32,379
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	– 24,307
Total derivative exposures	26,564

Leverage ratio common disclosure (continuation)	**CRR leverage ratio exposures**
m€	**30.6.2016**
Securities financing transaction (SFT) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	53,097
(Netted amounts of cash payables and cash receivables of gross SFT assets)	–15,289
Counterparty credit risk exposure for SFT assets	2,720
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No. 575/2013	–
Agent transaction exposures	–
(Exempted CCP leg of client-cleared SFT exposure)	–
Total securities financing transaction exposures (SFTs)	40,528
Other off-balance-sheet exposures	
Off-balance-sheet exposures at gross notional amount	160,752
(Adjustments for conversion to credit equivalent amounts)	–111,536
Total other off-balance-sheet exposures	49,216
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance-sheet))	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance-sheet))	–
Capital and total exposures	
Tier 1 capital	
Phase-in	26,303
Fully phased-in	22,843
Leverage ratio total exposure measure	
Phase-in	521,890
Fully phased-in	519,569
Leverage ratio	
Phase-in (%)	**5.0**
Fully phased-in (%)	**4.4**
Choice on transitional (phase-in) arrangements and amount of derecognised fiduciary items	
Choice on transitional (phase-in) arrangements for the definition of the capital measure	Phase-in und Fully phased-in
Phase-in	0
Fully phased-in	0
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	–

Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
m€	30.6.2016
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	409,473
Trading book exposures	67,669
Banking book exposures, of which:	341,804
Covered bonds	6,356
Exposures treated as sovereigns	58,871
Exposures to regional governments, MDBs, international organisations and PSEs not treated as sovereigns	27,543
Institutions	30,320
Secured by mortgages of immovable properties	58,734
Retail exposures	38,016
Corporate	86,483
Exposures in default	3,624
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	31,857

The leverage ratio based on the CRR phase-in rules was 5.0% as at 30 June 2016 (31 March 2016: 5.0%). The leverage ratio with full phasing-in of the revised CRR rules stood at 4.4%, compared with 4.5% as at 31 March 2016. The improvement in the leverage ratio reflected an increase in regulatory Tier 1 capital combined with a simultaneous reduction in leverage ratio exposures. As at the reporting date the leverage ratio exposure was €521.9bn (phase-in) and €519.6bn (fully phased-in), compared with €527.0bn (phase-in) and €525.1bn (fully phased-in) as at 31 March 2016. This resulted primarily from a decline in securities financing transactions and other assets.

(28) Contingent liabilities and irrevocable lending commitments

€m	30.6.2016	31.12.2015	Change in %
Contingent liabilities	33,917	37,159	−8.7
from rediscounted bills of exchange credited to borrowers	3	7	−57.1
from guarantees and indemnity agreements	33,850	37,066	−8.7
from other commitments	64	86	−25.6
Irrevocable lending commitments	71,396	72,213	−1.1

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

The contingent liabilities 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 30 June 2016 the contingent liability for legal risks amounted to €356m (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 divestment of its stake in the Ukrainian Public Joint Stock Company "Bank Forum", Kiev, Ukraine (Bank Forum) completed in 2012, the acquirers made claims under the sale and purchase agreement and challenged the sale and purchase agreement as such on grounds of bad faith. The parties conducted arbitration proceedings based on the contractual arbitration agreements. The acquirers were seeking the declaration of the invalidity of the sale and purchase agreement, unwinding of the purchase, repayment of purchase price instalments and reimbursement for any damages incurred by them in this connection. Commerzbank disputed these allegations and asserted claims arising from outstanding payments and guarantees vis-à-vis the acquirers and the guarantor's securing of the purchase price. On 13 June 2016, the parties requested the arbitral tribunal in the ICC arbitration to issue a final award by consent. According to the award, the parties have withdrawn all their claims and counterclaims in this arbitration and the arbitration is terminated.
- 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.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. Commerzbank will defend itself against the action.
- Commerzbank is currently involved in several legal disputes with the guarantor of a ship finance loan. As the borrower did not fulfil their payment obligation on the due date, Commerzbank launched a lawsuit in London and moved to hold the guarantor liable under the guarantee. The guarantor in turn has applied to a court in Piraeus, Greece for a negative finding that it does not owe Commerzbank any amount for the borrower under the guarantee. Finally, in May 2016 the guarantor and the shipping company jointly sued Commerzbank in Piraeus for damages. They are claiming they suffered a loss as a result of the attachment of a tanker by Commerzbank in 2014 and the subsequent sale of the ship on the open market. The cases are ongoing.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in their view was wrongly paid to Commerzbank. They are also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's claim. Commerzbank will defend itself against the action.
- Supervisors and other relevant authorities in a number of countries have been investigating market manipulation and irregularities relating to foreign exchange fixings and the foreign exchange market in general for some time.

(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 30 June 2016 totalled €84,206m (previous year: €63,666m). On the assets side, €81,422m of this was attributable to positive fair values and €2,784m to variation margins received. Netting on the liabilities side involved negative fair values of €82,812m and liabilities for variation margin payments of €1,394m.

	Nominal amount by residual term						Fair values	
30.6.2016 €m	**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	278,784	176,164	151,447	94,426	700,837	15,003	17,237
Interest-based forward transactions	9	297,133	797,070	920,725	1,065,081	3,080,018	147,718	150,145
Other forward transactions	1,258	66,306	67,327	99,523	11,341	245,755	5,341	5,203
Total	**1,283**	**642,223**	**1,040,561**	**1,171,695**	**1,170,848**	**4,026,610**	**168,062**	**172,585**
of which exchange-traded	–	*39,710*	*48,672*	*19,086*	*7,492*	*114,960*		
Net position in the balance sheet							**86,640**	**89,773**

	Nominal amount by residual term						Fair values	
31.12.2015 €m	**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
Total	**1,659**	**637,786**	**1,317,812**	**1,177,016**	**1,204,910**	**4,339,183**	**141,707**	**146,434**
of which exchange-traded	–	*36,553*	*51,478*	*16,394*	*6,867*	*111,292*		
Net position in the balance sheet							**79,742**	**83,400**

(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 Group Finance. The models, inputs and resulting fair values are reviewed regularly by Senior Management and the risk function.

The fair values which can be realised at a later date 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 and 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		30.6.2016				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	–	19.4	–	19.4	–	22.6	–	22.6
Claims on customers	At fair value through profit or loss	–	14.7	0.3	15.0	–	11.0	0.4	11.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	3.4	–	3.4	–	3.0	–	3.0
Trading assets	Held for trading	31.7	85.5	5.3	122.5	30.0	79.3	5.4	114.7
of which positive fair values from derivatives		–	78.9	4.4	83.3	–	72.3	4.4	76.7
Financial investments	At fair value through profit or loss	0.5	0.3	0.1	0.9	1.7	0.6	0.1	2.4
	Available-for-sale financial assets	36.5	7.3	0.1	43.9	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	0.1	–	0.1	0.2
Total		**68.7**	**130.6**	**5.9**	**205.2**	**63.8**	**127.1**	**6.1**	**197.0**

Financial liabilities | €bn		30.6.2016				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	–	17.8	–	17.8	–	13.6	–	13.6
Liabilities to customers	At fair value through profit or loss	–	11.2	–	11.2	–	8.8	–	8.8
Securitised liabilities	At fair value through profit or loss	1.2	–	–	1.2	1.3	–	–	1.3
Negative fair values of derivative hedging instruments	Hedge accounting	–	4.8	–	4.8	–	7.4	–	7.4
Trading liabilities	Held for trading	11.8	82.5	3.1	97.4	9.8	73.6	3.0	86.4
of which negative fair values from derivatives		–	81.9	3.1	85.0	–	73.1	2.9	76.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**13.0**	**116.3**	**3.1**	**132.4**	**11.1**	**103.4**	**3.0**	**117.5**

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 second quarter of 2016, as quoted market prices were no longer available. These involved €0.6bn of available-for-sale securities and €0.1bn of securities held for trading. Opposite reclassifications from Level 2 to Level 1 were made for €0.2bn of available-for-sale securities and €0.1bn of securities held for trading, as quoted market prices became available again.

Moreover, €0.1bn of liabilities held for trading were reclassified from Level 1 to Level 2 in the second quarter of 2016, as quoted market prices were no longer available. The reclassifications were determined on the basis of the holdings on 31 March 2016. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

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

Financial assets €m	Claims on customers	Trading assets	of which positive fair values from derivatives	Financial investments		Total
	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	
Fair value as at 1.1.2015	**451**	**5,147**	**3,919**	**2**	**124**	**5,724**
Changes in consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–	46	131	–8	–3	35
of which unrealised gains or 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
Fair value as at 31.12.2015	**428**	**5,373**	**4,354**	**50**	**131**	**5,982**
Changes in consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–18	291	345	–	–	273
of which unrealised gains or losses	–17	312	365	–	–	295
Gains or losses recognised in revaluation reserve	–	–	–	–	–3	–3
Purchases	–	211	–	–	1	212
Sales	–	–58	–	–		–58
Issues	–	–	–	–	–	–
Redemptions	–	–188	–14	–	–44	–232
Reclassifications to Level 3	6	34	1	4	28	72
Reclassifications from Level 3	–	–339	–332	–1	–10	–350
Transfers into Non-current assets held for sale and assets of disposal groups	–103	–	–	–	–	–103
Fair value as at 30.6.2016	**313**	**5,324**	**4,354**	**53**	**103**	**5,793**

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 two quarters of 2016 €0.3bn of positive fair values from derivatives 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 was sold in the first half of 2016. This led to the realisation through profit or loss of unrealised gains of €123m before tax previously recognised in the revaluation reserve. Preference shares acquired in the course of the transaction had a carrying amount of €27m as at 30 June 2016 and are reported in Level 3. This gave rise to a negative revaluation reserve of €1m before tax.

A loan portfolio of €103m previously measured at fair value was reclassified to non-current assets and disposal groups held for sale due to the existence of a sale agreement for the portfolio.

Financial liabilities €m	**Trading liabilities**	**of which negative fair values from derivatives**	**Total**
	Held for trading	**Held for trading**	
Fair value as at 1.1.2015	**2,535**	**2,533**	**2,535**
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	79	79	79
of which unrealised gains or 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
Fair value as at 31.12.2015	**2,950**	**2,931**	**2,950**
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	290	290	290
of which unrealised gains or losses	298	298	298
Purchases	–	–	–
Sales	34	31	34
Issues	–	–	–
Redemptions	–7	–7	–7
Reclassifications to Level 3	117	105	117
Reclassifications from Level 3	–243	–237	–243
Fair value as at 30.6.2016	**3,141**	**3,113**	**3,141**

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

There was one reclassification of €0.2bn of negative fair values from derivatives to Level 2 in the first six months of 2016.

Sensitivity analysis

Where the value of financial instruments is based on unobservable input parameters (Level 3), the precise level of these parameters at the balance sheet date may be derived from a range of reasonable possible alternatives at the discretion of management. In preparing the Group financial statements, appropriate levels for these unobservable input parameters are chosen which are consistent with existing market evidence and in line with the Group's valuation control approach.

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (Level 3). Interdependencies frequently exist between the parameters used to determine Level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value.

Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for Level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

The main unobservable input parameters for Level 3 and the key related factors may be summarised as follows:

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all cash flows from an instrument equal to zero. For bonds, the IRR depends, for example, upon the current bond price, the nominal value and the duration.
- Equity correlation:
  Correlation is a measure of how two instruments move in relation to each other. Correlation is expressed as the correlation coefficient, which ranges between −1 and +1.

  Many popular equity derivative products involve several underlying reference assets (equity basket correlation). The performance is determined by taking the average of the baskets; locking in at certain time intervals the best (or worst) performers; or picking the best (or worst) performer at maturity.

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

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

  The inputs needed to value an equity quanto swap are the correlation between the underlying index and the FX forward rate, the volatility of the underlying index, the volatility of the FX forward rate and maturity.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Discount yield:
  Discount yield is a measure of a bond's percentage return. Discount yield is most frequently used to calculate the yield on short-term bonds and treasury bills sold at a discount. This yield calculation uses the convention of a 30-day month and 360-day year. The inputs required to determine the discount yield are the par value, purchase price and the number of days to maturity.
- Credit correlation:
  Credit derivative products such as collateralised debt obligations (CDOs), CDS indices, such as iTraxx and CDX, and First-to-default (FTD) basket swaps all derive their value from an underlying portfolio of credit exposures.

  Correlation is a key determinant in the pricing of FTD swaps. Default correlation assumptions can have a significant impact on the distribution of losses experienced by a credit portfolio. It is the loss distribution that captures the default characteristics of a portfolio of credits and ultimately determines the pricing of the FTD swaps.

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

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

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

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

- Interest rate-forex (IR-FX) correlation:
The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding payments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies.

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

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

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

- Recovery rates, survival and default probabilities:
Supply and demand as well as the arbitrage relationship with asset swaps tends to be the dominant factor driving pricing of credit default swaps. Models for pricing default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows in a default swap. The model inputs are credit spreads and recovery rates. 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		30.6.2016			30.6.2016	
	Valuation technique	Assets	Liabil-ities	Significant unobservable input parameters	Range	
Derivatives		**4,354**	**3,113**			
Equity-related transactions	Discounted cash flow model	137	193	IRR (%)	–	4
	Discounted cash flow model	–	–	Price (%)	90	110
Credit derivatives	Discounted cash flow model	4,183	2,727	Credit spread (bps)	100	500
				Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	34	193	IR-FX correlation (%)	–36	51
Other transactions		–	–			
Securities		**1,505**	**28**			
Interest-rate-related transactions	Discounted cash flow model	1,505	28	Credit spread (bps)	100	500
of which ABS	Discounted cash flow model	1,425	3	Credit spread (bps)	100	500
Equity-related transactions		–	–			
Loans	Price-based	38	–	Price (%)	90	110
Total		**5,897**	**3,141**			

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		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**43**	**–42**	
Equity-related transactions	14	–14	IRR, price based
Credit derivatives	20	–20	Credit spread, recovery rate
Interest-rate-related transactions	9	–8	Correlation
Other transactions	–	–	
Securities	**49**	**–26**	
Interest-rate-related transactions	49	–26	Price
of which ABS	44	–21	Discount yield, recovery rate, credit spread
Equity-related transactions	–	–	
Loans	**4**	**–4**	Price

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of this range. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by between 1 and 10% as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

Day-One Profit or Loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the transaction price. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but pro rata over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in net trading income. A cumulated difference between transaction price and model valuation is calculated for the Level 3 items in all categories. Material impacts only result from financial instruments held for trading; the development was as follows:

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
Balance as at 1.1.2015	**–**	**1**	**1**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–	–
Balance as at 31.12.2015	**–**	**5**	**5**
Allocations not recognised in income statement	–	3	3
Reversals recognised in income statement	–	2	2
Balance as at 30.6.2016	**–**	**6**	**6**

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:

	Fair value		Carrying amount		Difference	
€bn	30.6.2016	31.12.2015	30.6.2016	31.12.2015	30.6.2016	31.12.2015
Assets						
Cash reserve	13.7	28.5	13.7	28.5	–	–
Claims on banks	73.6	71.8	73.6	71.8	–	–
Claims on customers	225.2	219.3	224.2	218.9	1.0	0.4
Value adjustment on portfolio fair value hedges[1]	–	–	0.6	0.3	−0.6	−0.3
Positive fair values of derivative hedging instruments	3.4	3.0	3.4	3.0	–	–
Trading assets	122.5	114.7	122.5	114.7	–	–
Financial investments	76.1	79.2	79.6	81.9	−3.5	−2.7
Non-current assets held for sale and assets of disposal groups	0.1	0.5	0.1	0.5	–	–
Liabilities						
Liabilities to banks	82.5	83.2	82.5	83.2	–	–
Liabilities to customers	252.9	258.0	252.5	257.6	0.4	0.4
Securitised liabilities	39.9	42.8	37.2	40.6	2.7	2.2
Value adjustment on portfolio fair value hedges[1]	–	–	1.5	1.1	−1.5	−1.1
Negative fair values of derivative hedging instruments	4.8	7.4	4.8	7.4	–	–
Trading liabilities	97.4	86.4	97.4	86.4	–	–
Liabilities of disposal groups	1.3	1.1	1.3	1.1	–	–
Subordinated debt instruments	12.7	12.6	12.4	11.9	0.3	0.7

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

(31) Treasury shares

	Number of shares in units	Accounting par value[1] in €1,000	Percentage of share capital
Balance as at 30.6.2016	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 30.6.2016	4,546,642	4,547	0.36
Shares acquired during the current financial year	–	–	–
Shares disposed of during the current financial year	–	–	–

[1] Accounting par value per share €1.00

(32) Related party transactions

As part of its normal business Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies 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 who were active during the reporting period.

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

In the 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	30.6.2016	31.12.2015	Change in %
Claims on banks	8	10	−20.0
Claims on customers	938	1,094	−14.3
Trading assets	98	64	53.1
Financial investments	61	52	17.3
Other assets	118	19	.
Total	**1,223**	**1,239**	**−1.3**
Liabilities to banks	5	12	−58.3
Liabilities to customers	497	691	−28.1
Trading liabilities	2	–	.
Subordinated debt instruments	261	255	2.4
Other liabilities	17	22	−22.7
Total	**782**	**980**	**−20.2**
Off-balance-sheet items			
Guarantees and collaterals granted	199	209	−4.8
Guarantees and collaterals received	4	5	−20.0

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.–30.6.2016	1.1.–30.6.2015	Change in %
Income			
Interest income	78	54	44.4
Commission income	92	69	33.3
Gains or losses on disposals and remeasurement	–	–	.
Others	–	1	– 100.0
Expenses			
Interest expenses	12	19	– 36.8
Commission expenses	–	1	– 100.0
Operating expenses	43	45	– 4.4
Gains or losses on disposals and remeasurement	11	–	.
Write-downs/impairments	–	–	.
Others	5	4	25.0

The Commerzbank Group conducts transactions with federal government-controlled entities and agencies as part of its ordinary business activities on standard market terms and conditions. The table below sets out the assets and liabilities relating to trans actions with federal agencies:

€m	30.6.2016	31.12.2015	Change in %
Cash reserve	6,126	16,089	– 61.9
Claims on banks	147	151	– 2.6
Claims on customers	1,329	1,261	5.4
Trading assets	2,233	928	.
Financial investments	3,582	3,402	5.3
Total	**13,417**	**21,831**	**– 38.5**
Liabilities to banks	12,480	12,190	2.4
Liabilities to customers	228	87	.
Trading liabilities	3,393	1,293	.
Total	**16,101**	**13,570**	**18.7**
Off-balance-sheet items			
Guarantees and collaterals granted	265	289	– 8.3
Guarantees and collaterals received	–	–	.

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

€m	1.1.–30.6.2016	1.1.–30.6.2015	Change in %
Income			
Interest income	69	80	−13.8
Commission income	1	2	−50.0
Gains or losses on disposals and remeasurement	35	17	.
Expenses			
Interest expenses	23	47	−51.1
Net loan loss provisions	–	–	.
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).

The contractual netting agreements entered into by the Commerzbank Group are accounted for in accordance with IFRS rules. The ruling of the German Federal Court of Justice of 9 June 2016 on the invalidity of parts of the German master agreement did not have any impact on the accounting treatment of netting agreements following the issuance of a general administrative act by the Federal Financial Supervisory Authority (BaFin) on 9 June 2016.

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	**30.6.2016**		**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	46,532	168,062	45,049	141,707
Book values not eligible for netting	5,615	5,527	3,830	7,784
a) Gross amount of financial instruments I and II	40,917	162,535	41,219	133,923
b) Amount netted in the balance sheet for financial instruments I[1]	15,290	81,422	12,992	61,965
c) Net amount of financial instruments I and II = a) – b)	25,627	81,113	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[2]	1,631	59,427	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	18,174	1,780	20,663	1,618
Cash collaterals	18	12,709	65	11,338
e) Net amount of financial instruments I and II = c) – d)	**5,804**	**7,197**	**6,716**	**6,523**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	5,759	658	4,718	101
g) Net amount of financial instruments I and II = e) – f)	**45**	**6,539**	**1,998**	**6,422**

1 Of which for positive fair values €1,394m (previous year: €631m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of securities.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	**30.6.2016**		**31.12.2015**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	32,799	172,585	21,515	146,434
Book values not eligible for netting	411	3,101	265	5,690
a) Gross amount of financial instruments I and II	32,388	169,484	21,250	140,744
b) Amount netted in the balance sheet for financial instruments I[1]	15,290	82,812	12,991	63,034
c) Net amount of financial instruments I and II = a) – b)	17,098	86,672	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[2]	1,631	59,427	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	11,121	2,427	7,196	2,566
Cash collaterals	5	20,239	17	18,884
e) Net amount of financial instruments I and II = c) – d)	**4,341**	**4,579**	**263**	**3,781**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	4,269	658	236	101
g) Net amount of financial instruments I and II = e) – f)	**72**	**3,921**	**27**	**3,680**

1 Of which for negative fair values €2,784m (previous year: €1,701m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of securities.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

Hans-Hermann Altenschmidt[1]

Gunnar de Buhr[1]

Stefan Burghardt[1]

Sabine U. Dietrich

Karl-Heinz Flöther

Dr. Markus Kerber

Alexandra Krieger[1]

Oliver Leiberich[1]

Dr. Stefan Lippe

Beate Mensch[1]

Anja Mikus

Dr. Roger Müller

Dr. Helmut Perlet

Barbara Priester[1]

Mark Roach[1]

Margit Schoffer[1]

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman
(since 1 May.2016)

Martin Blessing
Chairman
(until 30 April 2016)

Frank Annuscheit

Markus Beumer

Dr. Marcus Chromik
(since 1 January 2016)

Stephan Engels

Michael Mandel
(since 23 May 2016)

Michael Reuther

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we confirm that the consolidated interim Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the interim Group management report provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Frankfurt am Main, 29 July 2016
The Board of Managing Directors

Martin Zielke

Frank Annuscheit

Markus Beumer

Marcus Chromik

Stephan Engels

Michael Mandel

Michael Reuther

Review report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 June 2016 which are part of the half-year 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 July 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helge Olsson	Martin Alt
Wirtschaftsprüferin (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

Significant subsidiaris and associates

Germany
comdirect bank AG, Quickborn
Commerz Finanz GmbH, Munich
Commerz Real AG, Eschborn

Abroad
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerzbank International S.A., Luxembourg[1]
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
mBank S.A., Warsaw

[1] The company was disposed in the fourth quarter 2015 – the closing took place on 4 July 2016.

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	
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
Early-August 2017	Interim Report as at 30 June 2017
Early-November 2017	Interim Report as at 30 September 2017

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