COMMERZBANK
The bank at your side

Financial Statements and Management Report 2016

Commerzbank Aktiengesellschaft

Contents

Management report of Commerzbank Aktiengesellschaft

Structure and organisation

Commerzbank is one of Germany's leading banks for private and corporate customers, and an internationally active universal bank with locations spanning more than 50 countries. It has one of the densest branch networks of any private-sector bank in Germany. Commerzbank serves a total of over 17.5 million private and small-business customers and more than 60,000 corporate clients worldwide.

As part of its new strategy, Commerzbank is focusing its business activities on the two core segments "Private and Small-Business Customers" and "Corporate Clients", offering them a comprehensive portfolio of banking and capital market services. The run-off segment Asset & Capital Recovery (ACR) comprises – besides the Public Finance business – all non-strategic activities of commercial real estate and ship financing. Each segment is managed by a member of the Board of Managing Directors.

All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Development & Strategy, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and the central risk functions. The support functions are provided by Group Services. These include Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Center. The staff, management and support functions are combined in the Others and Consolidation division.

On the domestic market, Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main, from where it manages a nationwide branch network through which all customer groups are served. Its major German subsidiaries are comdirect bank AG and Commerz Real AG. Outside Germany, the Bank has 6 material subsidiaries, 23 operational foreign branches and 34 representative offices in more than 50 countries and is represented in all major financial centres, such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of the Bank's international activities is on Europe.

The financial year is the calendar year.

Corporate responsibility

The global community has set itself a new framework for sustainable development: the Sustainable Development Goals, which give equal consideration to economic, social and environmental factors. These were agreed by the General Assembly of the United Nations and apply to all countries, civil society and the private sector. Commerzbank also shares responsibility for helping to turn the Sustainable Development Goals into reality. We are confident that we can contribute to securing the future and increasing the value of the company by gearing the Bank's core services towards sustainable development.

We received significant recognition of this sustainable approach when we were added to the Stoxx Global ESG Leaders sustainability index in October 2016. Commerzbank is therefore included in this leading group of 300 companies from around the world, which stand out for the comprehensive way in which they tackle environmental, social and governance (ESG) issues. To qualify for the sustainability index, a company must belong to the top 25% of the underlying Stoxx Global 1800 Index for these criteria.

Ensuring integrity

The Commerzbank Group's values management is founded on clear, immovable values, which are laid down in the Code of Conduct. These include compliance with applicable national and foreign laws. Any employee who has demonstrably committed an offence must bear the consequences under criminal, employment or civil law. Commerzbank has tightened up its precautions in this regard once again: through its Global Anti Bribery and Corruption Policy (ABC Policy) approved by the Board of Managing Directors in 2016, the Bank is acting against bribery, the acceptance of advantages and other forms of corruption. It applies both within and outside the company, in relation to trade organisations, public officials and all people who have a relationship with the Bank. Special ABC training was developed to support employees in implementing the new policy. All employees and managers around the world were required to pass this mandatory annual training for the first time in autumn 2016. Business and functional units with heightened risk profiles and individuals at increased risk of bribery and corruption receive additional needs-based training.

Managing sustainability risks

Managing the reputational risks which result directly from environmental, social or ethical issues is part of the Group's overall risk strategy. Customer relationships, business activities and products where sustainability considerations play a major role are researched and analysed in depth and assessed according to a differentiated approach, which can result in rejection of business or the termination of a customer relationship. In 2016, Reputational Risk Management passed judgement on around 6,200 business enquiries (2015: over 5,400). The management of reputational risks covers all operational segments of Commerzbank as well as its material subsidiaries and is an integral element in new product development.

Commerzbank has also formulated binding positions and directives for selected topics, from agricultural commodities to hydroelectric power. The Bank's position on human rights – in which it breaks down how it fulfils its human rights responsibilities towards the various major stakeholder groups – was revised in 2016. In July 2016, the Board of Managing Directors of Commerzbank also passed a new coal guideline. This considers the main elements in the process chain, from coal extraction to coal-fired electricity generation. Commerzbank's decisions include a policy that it will no longer finance any new coal-fired power plants or coal mining projects. By issuing this guideline, we are engaging with our responsibility in connection with the risks associated with climate change and the energy transition. At the same time, we are continuing to support our customers in their strategic deliberations, to help them successfully master the particular challenges facing the energy sector.

Seizing opportunities for sustainability

Our contribution to turning the Sustainable Development Goals into reality is not limited to reducing potential negative impacts on our financial services. We develop and sell products and financial services that can serve as effective vehicles for promoting sustainable development. For example, interest in sustainable investments is continuing to rise. Alongside foundations and churches, increasing numbers of private customers also want to invest their money responsibly. Commerzbank offers them options including sustainable asset management, taking account of social, ethical and environmental considerations. The minimum investment volume was significantly reduced in 2016, in order to open this up to a larger base of customers. Those wanting to make their own equity investments sustainable can also obtain useful information from Commerzbank: since the start of 2016, stock recommendations for private customers have included the company's sustainability rating from the Oekom Research rating agency. Investment funds are another alternative. In this regard, Commerzbank is proud to have received a seal of approval from the "Forum Nachhaltige Geldanlagen" (FNG) in November 2016: the Commerzbank "Globale Aktien – Katholische Werte" fund meets the FNG's quality standards for sustainable investment in the German-speaking region.

Mitigating climate change

The two-degree target agreed at the Paris climate conference is a massive challenge for the global community. Under the banner of "green finance", scientists, businesses and politicians have been working together both nationally and internationally to develop the banking industry of the future. Commerzbank is involved in an array of initiatives, which from 2016 onwards have included the Sustainable Trade Working Group of the International Chamber of Commerce and the Green Finance Working Group within the Institute of International Finance.

Green finance is nothing new for Commerzbank: we have been making a significant contribution to financing renewable energy since the mid-1980s. In 2016, the Energy Competence Centre's loan portfolio totalled around €5.0bn (previous year: €5.1bn). In all, the wind farms, solar parks and bioenergy installations financed by Commerzbank up to the end of 2016 have avoided annual emissions of around 14 million tonnes of CO_2. That equates to around 9% of all CO_2 emissions saved in Germany from the use of renewable power in 2016.

Another example of how the Bank's core business can be linked to climate protection is green bonds. The proceeds from issuing these bonds are used to fund projects that are unambiguously sustainable, in areas such as renewable energy and energy efficiency. In 2016, Commerzbank supported five issuers with preparing such transactions and placing them on the international capital market. The total volume was just under €2.4bn.

It is part of our understanding of sustainability that we must also systematically minimise our own resource consumption. The Group Environmental Committee, chaired by Frank Annuscheit, a member of the Board of Managing Directors of Commerzbank, regularly defines rules and strategies for environmental protection within operations. These include Commerzbank's climate target of reducing greenhouse gas emissions by 70% versus 2007 level by 2020. The verification undertaken by the environmental experts DNV GL in May 2016 vouched that a 67% reduction had been achieved by the end of 2015. The remaining greenhouse gas emissions are offset on an ongoing basis through the purchase and cancellation of CO_2 certificates. Commerzbank's operations have thus been climate-neutral since 2015. In addition to the Commerzbank Aktiengesellschaft environmental management system introduced in Germany back in 2008, which meets the ISO 14001 standard, the Bank has also brought in an energy management system, which was certified according to ISO 50001 for the first time in May 2016.

In 2016, Commerzbank was for the second successive time named "Sector Leader Financials" for the Germany, Austria and Switzerland region by the international non-profit organisation CDP in recognition of its achievements in mitigating climate change within its own operations and in its core business. In all, the Bank achieved a score of A–, putting it in the top 15% in its sector.

Taking responsibility

Commerzbank's corporate responsibility does not end with its internal processes and activities, but extends along the entire value chain. When making decisions on external suppliers and service providers, sustainability criteria therefore also play an important role. The Sustainable Procurement Standard lays down binding guidelines for everyone involved in purchasing goods and services at Commerzbank. Commerzbank's suppliers and service providers are required to sign the "Integrity, the environment and social responsibility" clause, thereby undertaking to act with integrity in their business dealings. This includes respecting human and personal rights and abiding by social and environmental standards.

Strengthening civil society

As a member of the community, part of Commerzbank's remit is to positively influence its environment. We champion the common good through numerous cooperation and sponsorship projects, supporting volunteering by staff and the activities of various foundations. A determining event of last year was the arrival of large numbers of refugees in Germany. Commerzbank employees and customers dug deep into their pockets to help, donating around €65,000 to Johanniter International Assistance. The Board of Managing Directors doubled this amount, meaning that a total of €130,000 was handed over to support integration projects in Berlin, Düsseldorf, Frankfurt, Hamburg and Munich. In late summer 2016, Commerzbank also embarked on three years of support to help establish and expand the new "Kompass" programme from the "Joblinge" initiative, which seeks to help young refugees make their first steps into the labour market. Commerzbank's involvement is part of the "Wir zusammen" initiative of German business.

You can find further information, updated regularly, on Commerzbank's sustainable development activities on the online portal "Our responsibility" at www.nachhaltigkeit.commerzbank.com.

Our employees

Engaged and capable employees make a vital contribution to Commerzbank's success. Our HR activities ensure that our employees work where they can best deploy their talents in line with the needs of the Bank. Our aim is to create an attractive environment for our employees through our working conditions and development prospects. At the same time, we are addressing the demands posed by the Bank's new business model. Our corporate culture is centred around a shared leadership philosophy and our ComValues and Code of Conduct, which, especially during periods of change, are the key pillars supporting fair and competent interactions with colleagues and with our customers and business partners.

The number of employees at Commerzbank Aktiengesellschaft decreased by 1,673 (4.5%) year-on-year to 35,211 as at 31 December 2016.

HR supports the Bank's strategy process

Commerzbank presented its "Commerzbank 4.0" strategy in the year under review. Our new strategy calls for the systematic realignment of the Bank. HR work plays a key role in the successful implementation of the business model. While not the aim, headcount reduction is an unavoidable outcome of this transformation to "Commerzbank 4.0". HR is advising and supporting the Bank's segments with their change processes and providing assistance with committee negotiations. We will deploy all of our HR tools responsibly and professionally to ensure that the headcount reduction takes place in a socially responsible manner.

Providing direction and anchoring a "culture of integrity" for the long term

The implementation of our strategic objectives entails far-reaching changes in the Bank. We are supporting this in our HR activities by providing professional advice and assistance for managers and employees. Through our value-oriented and binding guidelines on management conduct in the Bank we are creating a uniform standard and supporting skilled and fair interactions between employees and managers. The ComValues and Code of Conduct on which our corporate culture is based mean we are well positioned to successfully implement the Bank's change process.

HR also plays a key role in implementing compliance measures. These range from the recruitment process to compliance training and the long-term anchoring of our Code of Conduct, thus helping to forge a "culture of integrity" in the Bank.

HR activities are geared to the Bank's objectives

HR activities are geared systematically to the Bank's strategic objectives and business model. Commerzbank redefined its HR policy guidelines in 2015 and restructured the HR division in the year under review to ensure it is fit for the future. The restructuring focused in particular on creating an efficient and customer-oriented organisation and working methods. For example, we have already standardised, digitalised and in some cases outsourced a large number of processes. Strategic HR planning also helps us examine medium- to long-term changes in staffing levels and requirements on a systematic and regular basis. Using model-based simulations we can propose management measures at an early stage to indicate how many employees and with what skills we need when and where in the Bank. HR thus helps ensure that the Bank remains competitive and fit for the future.

Identifying and utilising potential in the best possible way

The changing banking sector is also having an effect on the work environment. Life-long learning is the key to long-term success. In an industry marked by upheaval, we need employees who continuously review and expand their skills. With development-oriented procedures and individually customised training we are applying new approaches to the selection, appointment and development of managers and project managers. We have also created uniform Bank-wide standards for employee training and development in the form of the Competence Dialogue. Each employee meets with their line manager to consider the employee's specific competencies. This enables us to determine training and development needs at an early stage and develop and expand the competencies required by our employees. About 17,000 employees took part in the Competence Dialogue in the year under review to evaluate their professional fitness. We have thus laid the foundations for identifying and promoting potential in the best possible way.

Bank and employees are committed to stable pension provision

Occupational pension provision is a key pillar of our HR benefits. To safeguard provision despite the ongoing low interest rate environment, the members of the BVV (BVV Versicherungsverein des Bankgewerbes a. G. and BVV Versorgungskasse des Bankgewerbes e. V.) approved a reduction of the guaranteed interest rate on new contributions under old agreements in order to stabilise pension provision.

In the year under review, members on both the employer and the employee side at Commerzbank voted by a large majority to approve this measure. The Bank is compensating the resultant reduction in guaranteed pension entitlements in full, thereby affirming its commitment to ensuring stable pension provision for its employees.

A working environment free of prejudice creates acceptance and trust

Diversity is the cornerstone of our corporate culture and is an integral component of our HR work. We encourage the diversity and individual development of our employees, as we firmly believe that this also benefits us as a company. We want to maintain our clear position on these issues and anchor them even more strongly among our managers and employees.

To mark the tenth anniversary of the "Charta der Vielfalt e. V." (Diversity Charter) association, Commerzbank organised a diversity workshop in September of the year under review along with the fourth Diversity Day, featuring numerous campaigns and workshops on the topic of digitalisation for employees in Frankfurt.

A good work/life balance improves performance for the Bank

We want our employees to achieve the best possible balance between their professional and personal lives. This balance is becoming increasingly important for fathers as well. The Focus on Fathers network initiated by Commerzbank has been making an important contribution to equal opportunities in companies for many years. The number of fathers who take parental leave, work flexibly or work part-time is rising continuously. By way of example, 16.9% of fathers took an average of 2.2 months parental leave in the year under review alone. We believe that employees with a good work/life balance are more motivated and perform better. For this reason we support fathers and mothers with flexible working time models, opportunities to work from home and childcare services. We also offer information events and networking opportunities on these topics both within and outside the Bank.

Caring for family members is also important to us. With this in mind, Commerzbank in Germany offers a unique range of services for its employees and for many years has provided comprehensive assistance and services on the subject of care in cooperation with professional partners. In the year under review, Commerzbank employees had the opportunity to participate for the first time in a nationwide online seminar and pick up practical tips on caring for family members.

Women in management positions

As in the previous year, putting women in management positions was once again a key target for Commerzbank in 2016. The Bank was able to employ more women in management positions (29.8%) in the year under review than in 2015. Our aim is to further increase the proportion of women in management positions. We therefore pursue an approach whereby a position should be filled solely on the basis of an employee's qualifications and expertise.

Framework for healthy working

We firmly believe that employees only remain motivated and effective over the long term if they are in good physical, mental and social health. We therefore encourage our employees to work and live healthily through our holistic and sustainable approach to occupational health management. Our diverse offering covers topics including movement, nutrition, stress management and addiction prevention. For example, we gave our employees an incentive to get themselves moving by taking part in the Global Corporate Challenge (GCC) step challenge for the third time. Commerzbank's employees exceeded the target of covering at least 10,000 steps daily over a period of 100 days.

Not only the physical but also the psychological health of our employees is very important to us. Commerzbank employees experiencing difficulties in their professional or personal lives can seek expert advice through initiatives such as the Employee Assistance Programme (EAP). Social health is promoted through the roughly 160 company sports groups throughout Germany, with over 16,000 members taking part in more than 50 different sports.

Remuneration

As a result of the increased significance arising from greater regulation, remuneration of all employees below the level of the Board of Managing Directors is disclosed in a separate report (Remuneration Report pursuant to Section 16 of the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung)). This is published annually on the Commerzbank website at www.commerzbank.com.

Remuneration report

This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of the German Commercial Code (HGB).

Board of Managing Directors

Remuneration system for the Board of Managing Directors

The Supervisory Board ratified the current remuneration system for the members of the Board of Managing Directors in December 2014; it has been in force since 1 January 2015. It had become necessary to introduce a new system to bring the remuneration of the Board of Managing Directors into line with new and/or amended rules under the Capital Requirements Directive IV, the German Banking Act and the Remuneration Ordinance for Institutions. The system also needed to be simplified, so as to improve its transparency and its clarity in respect of success measurement. However, the components of the old system that had not been paid out in full by 1 January 2015 continue to be governed exclusively by the rules of that system, which is described in the 2014 Remuneration Report. At present this still applies to the long-term remuneration components (LTI components) from financial years 2013 and 2014.

Core elements of the current remuneration system The core elements of the remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. The appropriateness of the fixed basic annual salary and the variable remuneration is checked at regular two-yearly intervals. The 2015 Annual General Meeting approved the remuneration system and an upper limit for variable remuneration of 140% of fixed remuneration.

Fixed remuneration components The fixed remuneration components include the basic annual salary and non-monetary elements. The basic annual salary is €750 thousand for ordinary members of the Board of Managing Directors. The Chairman of the Board of Managing Directors receives 1.75 times this amount, i.e. €1,312,500. It is payable in 12 equal monthly instalments at the beginning of the month. The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions (accident insurance), as well as the tax thereon. Members are also entitled to company pension arrangements, which are set down in pension agreements and described in a separate section below.

Performance-related remuneration components (variable remuneration) The remuneration system provides for a uniform variable remuneration component linked to the achievement of targets set at the start of each financial year. The variable remuneration is determined by (i) EVA target achievement by the Commerzbank Group, (ii) target achievement by the department (segment and/or shared functions) for which the member of the Board of Managing Directors in question is responsible, and (iii) the achievement of individual performance targets. Goal achievement for the Group, the department and the individual performance can be between 0% and 200%; however, overall goal achievement from these three components is limited to 150%. The total goal achievement amount is arrived at by multiplying the overall goal achievement level by the target amount. The total goal achievement amount is therefore capped at a maximum of 150% of a member's target amount.

› **Target amount** The target amount for variable remuneration is €1,000,000 for the ordinary members of the Board of Managing Directors and €1,628,640 for the Chairman, based on goal achievement of 100%. The Supervisory Board may reduce the target amount if this is necessary to comply with the maximum ratio of fixed to variable remuneration. This can happen if non-monetary benefits or the service cost for the company pension arrangements for members of the Board of Managing Directors are reduced, as these are both included in the fixed remuneration.

› **Target setting** Before the beginning of each financial year, the Supervisory Board sets targets for the members of the Board of Managing Directors:

- **Company targets** The Supervisory Board sets targets for economic value added (EVA) or other measures that it may choose for the Group and the departments for which a member of the Board of Managing Directors in question is responsible and determines what level of target attainment corresponds to what percentage.

- **Individual targets** The Supervisory Board also sets specific individual quantitative and/or qualitative targets for the members of the Board of Managing Directors.

› **Target achievement** Following the end of each financial year, the Supervisory Board decides on the extent to which the targets were achieved. Measurement of target achievement for company targets is based 70% on the Group's business success and 30% on the results and target achievement of the department for which the member in question is responsible. These measurements are over a three-year period, with achievement of the company targets for the financial year in question given a 3/6 weighting, the previous year 2/6 and the year before that 1/6. As a transitional arrangement, financial year 2015 was based on that year alone; for financial year 2016 the weightings will be 2/3 for 2016 and 1/3 for 2015. This transitional arrangement will be applied analogously to new members joining the Board of Managing Directors after 1 January 2015. The results of the three-year achievement of the company targets are then multiplied by a factor of between 0.7 and 1.3, which is dependent on the achievement of the individual targets of the member of the Board of Managing Directors. 0.7 corresponds to individual target achievement of 0% (minimum), 1.0 to individual target achievement of 100% and 1.3 to individual target achievement of 200% (maximum). For intermediate figures, the Supervisory Board defines the factors in increments when setting the targets. Variable remuneration will only be applied if the Group achieves a profit before taxes and non-controlling interests according to IFRS.

The Supervisory Board may resolve to reduce or cancel the variable remuneration if necessary, for example to take account of the Bank's risk-bearing capacity or ability to ensure that it can maintain or rebuild sufficient capital or liquidity resources over the long term or to safeguard its ability to meet the capital buffer requirements of the German Banking Act. If predefined levels are not met, the Supervisory Board must cancel the variable remuneration. The Supervisory Board must also cancel the variable remuneration of a member of the Board of Managing Directors if said member has committed a serious breach of duty during the financial year in question up to the determination of target achievement.

› **Short Term Incentive (STI)** 40% of the variable remuneration takes the form of a Short Term Incentive. Entitlement to the STI arises upon determination by the Supervisory Board of the total target achievement amount for variable remuneration and its notification to the member of the Board of Managing Directors. Half of the component is payable in cash, the other half is payable after a 12-month waiting period, also in cash but share-based. This half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the STI was awarded.

› **Long Term Incentive (LTI)** The remaining 60% of the variable remuneration takes the form of a Long Term Incentive (LTI). Entitlement to the LTI arises only after the end of a five-year retention period and subject to a retrospective performance evaluation. The retrospective performance evaluation can result in the LTI being reduced or cancelled completely. This mainly applies when facts subsequently emerge which reveal that the original calculation of target achievement was incorrect or the Bank's capital adequacy has significantly deteriorated due to circumstances related to that financial year. This would also apply if there had been a significant failure in risk management in that financial year at Group level or in a department for which the member is responsible, or if the Bank's financial position at the time of the retrospective performance evaluation or at the end of the ensuing waiting period precludes payment. The LTI element resulting from the retrospective performance evaluation is payable half in cash and half after a further 12-month waiting period, also in cash but share-based. As with the share-based part of the STI, this half is linked to the performance of the Commerzbank share since the end of the financial year in respect of which the LTI was awarded. The share-based half of the LTI therefore reflects the performance of the Commerzbank share during the five-year retention period and the subsequent waiting period.

Remuneration for serving on the boards of affiliated companies
The remuneration accruing to an individual member of the Board of Managing Directors from serving on the boards of affiliated companies counts towards the total remuneration paid to that member of the Board of Managing Directors.

Pension provision

Rules for members of the Board of Managing Directors in office in 2011 The occupational pension scheme adopted in 2011 by the Supervisory Board for members of the Board of Managing Directors contains a contribution-based defined benefit for members of the Board of Managing Directors in office at the time.

Each member of the Board of Managing Directors receives a credit of a pension module to their pension account every year until the end of their appointment as such. The pension module for a calendar year is calculated by converting the relevant annual contribution into an entitlement to a retirement, disability and surviving dependants' pension. The pension account represents the retirement pension entitlement the member of the Board of Managing Directors has accrued. Since 2015, increases in the fixed annual salary only increase the pension module if resolved by the Supervisory Board.

Specifically, the member of the Board of Managing Directors is entitled to receive pension benefits in the form of a life-long pension when one of the following pensions is due:

- a retirement pension if employment ends on or after the Board member's 65th birthday, or
- an early retirement pension if employment ends on or after the Board member's 62nd birthday, or after the Board member has served at least 10 years on the Board of Managing Directors and has reached the age of 58, or has served at least 15 years on the Board of Managing Directors, or
- a disability pension if the Board member is permanently unable to work.

If a member of the Board of Managing Directors leaves the Bank before the pension benefits become due, any entitlement to vested benefits that they have already accrued is retained.

The monthly amount of the retirement pension is calculated as a twelfth of the amount in the pension account when the pension benefits start.

When calculating the early retirement pension, the pension will be reduced to reflect the fact that the payments are starting earlier.

If the disability pension is taken before the age of 55, the monthly amount is supplemented by an additional amount.

If they retire after reaching the age of 62, members of the Board of Managing Directors can elect to receive a lump-sum payment or nine annual instalments instead of an ongoing pension. In this case, the amount paid out is calculated using a capitalisation rate based on the age of the Board member.

Instead of their pension, members of the Board of Managing Directors will continue to receive their pro-rata basic salary for six months as a form of transitional pay if they leave the Board on or after their 62nd birthday or they are permanently unable to work. If a member of the Board of Managing Directors receives an early retirement pension and has not yet reached their 62nd birthday, earned income from other activities will be deducted from the pension entitlement at a rate of 50% until that age is reached.

The widow(er)'s pension is 66 2/3% of the pension entitlement of the member of the Board of Managing Directors. If no widow(er)'s pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting to 25% each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the widow(er)'s pension.

Rules for Board members who were appointed after the new provisions came into effect Pension provision for members of the Board of Managing Directors appointed after the new provisions came into effect was defined according to the Commerzbank capital plan for company pension benefits. Under this agreement, a retirement pension in the form of a capital payment is paid out if the member of the Board of Managing Directors leaves the Bank:

- on or after reaching the age of 65 (retirement capital), or
- on or after reaching the age of 62 (early retirement capital), or
- before their 62nd birthday because they are permanently unable to work.

If a member of the Board of Managing Directors leaves the Bank before any of these pension benefits become due, their entitlement to vested benefits is retained.

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system too, since 2015 increases in the fixed annual salary only increase the annual module if resolved by the Supervisory Board. Until the member of the Board of Managing Directors leaves, the annual modules are managed in a pension account. Upon reaching their 61st birthday, an additional 2.5% of the amount in the pension account at

31 December of the previous year is credited to the pension account of the member of the Board of Managing Directors on an annual basis until the pension benefits start to be paid out.

A contractually agreed portion of the annual contribution amounting to at least 93.7% is placed in investment funds and maintained in a virtual custody account.

The retirement capital or the early retirement capital will correspond to the amount in the virtual custody account or the amount in the pension account when the pension benefits start to be paid out, whichever is higher. Under these rules, the amount in the pension account represents the minimum capital payment, where the amount in the virtual custody account is less. As an alternative to the lump-sum payment, the member of the Board of Managing Directors may elect to receive a life-long pension.

For the first two months after the pension benefits become due, the member of the Board of Managing Directors will receive transitional pay of one-twelfth of their fixed basic annual salary per month.

If a member of the Board of Managing Directors dies before the pension benefits become due, their dependants are entitled to receive the dependants' capital, which corresponds to the amount in the virtual custody account on the value date or the sum of the amount in the pension account and any additional amount, whichever is higher. An additional amount is payable if, at the time when pension benefits became due through inability to work or at the time of death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached their 55th birthday. If the member of the Board of Managing Directors has elected for the pension option, in the event of the death of the member of the Board of Managing Directors as the prospective or current recipient of a pension, their dependant receives a widow(er)'s pension of 60 % of the current prospective pension entitlement or the pension instalment most recently paid.

The following table shows for active members of the Board of Managing Directors the annual pension entitlements at pensionable age of 62 on 31 December 2016, the corresponding actuarial net present values on 31 December 2016, the interest-rate-adjusted changes to the settlement amounts for 2016, and comparable amounts for the previous year:

€1.000		Pension entitlements projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements[1] As at 31.12.	Interest rate-adjusted changes in the settlement amount[1, 2]
Martin Zielke	2016	194	3,116	750
	2015	153	2,349	323
Martin Blessing[3]	2016	332	4,656	–186
	2015	324	4,779	–361
Frank Annuscheit	2016	202	3,139	367
	2015	180	2,742	100
Markus Beumer[4]	2016	187	2,374	–90
	2015	169	2,434	64
Dr. Marcus Chromik[5]	2016	23[6]	311	311
	2015	–	–	–
Stephan Engels	2016	95[6]	1,527	304
	2015	75[6]	1,204	302
Michael Mandel[7]	2016	13[6]	181	181
	2015	–	–	–
Michael Reuther	2016	236	4,179	434
	2015	214	3,685	116
Dr. Stefan Schmittmann[8]	2016	–	–	–
	2015	233	4,111	244
Total	**2016**		**19,483**	**2,071**
	2015		**21,304**	**788**

[1] The decline in the net present values and negative interest-rate-adjusted changes in the settlement amounts for Martin Blessing and Markus Beumer are due to the fact that they stepped down in 2016, triggering the release of some of the provisions for invalidity and early death.
[2] Pension commitments to members of the Board of Managing Directors changed in the previous year, so changes in salary are no longer employed when measuring the pension liabilities. This special effect reduced the interest-rate-adjusted changes in settlement amounts in the previous year, and even resulted in a negative amount in the case of Martin Blessing.
[3] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.
[4] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
[5] Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.

[6] Capital sum annuitised.
[7] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
[8] Dr. Stefan Schmittmann's term of office as a member of the Board of Managing Directors ended on 31 December 2015. The net present value of the pension entitlements he has accrued are shown in the notes under Pension obligations to former members of the Board of Managing Directors.

The assets backing these pension obligations have been transferred under a contractual trust arrangement to Commerzbank Pension-Trust e.V.

As at 31 December 2016, pension obligations for current members of the Commerzbank Aktiengesellschaft Board of Managing Directors on the reporting date totalled €19.5m (previous year: €21.3m).

Rules for termination of office If the term of office of a member of the Board of Managing Directors is effectively terminated, the following applies:

If the term of office of a member of the Board of Managing Directors ends prematurely, the employment contract usually expires six months later (linking clause). In this case, the Board member continues to receive the basic annual salary and variable remuneration – subject to Art. 615 sentence 2 of the German Civil Code (offsetting of remuneration otherwise acquired) – beyond the end of employment until the end of the original term of office. From the moment the term of office is ended, the average target achievement of the other members of the Board of Managing Directors for the year in question will be used for target achievement. The variable remuneration also remains subject to the rules of the remuneration system, including the retrospective performance evaluation.

If, in the case of premature termination of the term of office, the contract of employment ends for reasons other than the linking clause described above, the fixed basic annual salary will continue to be paid – on a pro-rata basis where applicable – until the end of the contract of employment. The variable remuneration communicated for financial years prior to the termination of the contract of employment remains unaffected. The variable remuneration for the final year in office is reduced on a pro-rata basis where applicable. In this case too, the variable remuneration also remains subject to the rules of the remuneration system, including the retrospective performance evaluation.

If the contract of employment is not extended upon expiry of the current term of office, without there being good cause within the meaning of Art. 626 of the German Civil Code, or if the contract of employment ends as a result of a linking clause as described above, the member of the Board of Managing Directors will continue to receive his or her basic annual salary for a period of six months after the end of the original term of office. This payment ceases as soon as the member of the Board of Managing Directors starts to receive pension payments.

In all these cases, the specified payments for the time after the effective termination of the term of office may not exceed two years' annual remuneration (cap)[1].

If upon termination of a term of office or non-extension of an appointment the conditions apply for extraordinary termination of the employment contract pursuant to Art. 626 of the German Civil Code, the member of the Board of Managing Directors will receive no variable remuneration for the last year of his/her term of office. The same applies where a member of the Board of Managing Directors resigns his/her mandate without good cause accepted by the Bank. In both these cases, the same applies to the fixed basic annual salary from the end of the month in which the term of office ends. If the term of office is terminated because of a serious breach of duty, the variable remuneration for the year in which the term of office ended and variable remuneration not yet paid out in respect of previous years shall not be payable.

Members of the Board of Managing Directors leaving in 2016
Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016. His contract of employment ended on 31 August 2016 as a result of a termination agreement. Following the end of his term of office he was entitled to the benefits agreed in his contract of employment for the period from 30 April 2016 to 31 August 2016. This included continued payment of remuneration for four months until the end of the employment contract and subsequently his pro rata annual basic salary for six months as transitional pay: the total amount was €1,094 thousand. Mr. Blessing waived his variable remuneration for the period May to August 2016.

Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016. The Bank has agreed a payment of €2,956 thousand (two-year cap amount), which is being paid to him in equal monthly instalments until 31 October 2018. Any other earnings from employment will be deducted from these payments. In consideration, Mr. Beumer has waived all contractual entitlements to continued remuneration from 1 November 2016 until the end of his original term of office. There is no change to the grant and settlement of STI and LTI entitlements for the period up to 31 October 2016, which are based on the existing regulations.

[1] The cap is twice the basic annual salary including company benefits (in particular the use of a company car with driver, security measures and insurance premiums (accident insurance)) plus the average variable compensation notified for the three previous financial years before termination of the term of office.

Other

No members of the Board of Managing Directors received payments or promises of payment from third parties in the year under review in respect of their work as a member of the Board of Managing Directors.

Summary

The Supervisory Board has approved the following total goal achievement amounts for the variable remuneration system in respect of financial year 2016:

€1,000	2016	2015
Martin Zielke	939[1]	800
Martin Blessing	369[2]	1,482
Frank Annuscheit	620	720
Markus Beumer	375[3]	670
Dr. Marcus Chromik	590[4]	–
Stephan Engels	628	720
Michael Mandel	380[5]	–
Michael Reuther	510	770
Dr. Stefan Schmittmann	–[6]	770

[1] Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.
[2] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.
[3] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
[4] Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.
[5] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
[6] Dr. Stefan Schmittmann's term of office as a member of the Board of Managing Directors ended on 31 December 2015.

Of the overall goal achievement amount, as described above 40% relates to the STI and 60% relates to the LTI, which is payable after the end of a five-year retention period and subject to a retrospective performance evaluation.

Remuneration of the individual members of the Board of Managing Directors for 2016, along with the comparative figures from 2015, is shown below in accordance with German reporting standard no. 17 (DRS 17):

Under DRS 17, payments only have to be disclosed if they have been granted on a legally binding basis. For both the cash components and the share-based components of the LTI, the grant only takes place once the retrospective performance evaluation has been carried out and the five-year retention period has expired. The retrospective performance evaluation for the LTI in respect of 2016 will thus not take place until the end of 2021. The cash components and share-based components of the LTI are therefore not included in the table.

However, for the purposes of DRS 17 the grant of the STI components takes place when they are determined by the Supervisory Board after the end of the financial year in question. The cash component of the STI for 2015 is shown at 20% of the total goal achievement amount. This corresponds to the payout sum. The share-based STI component is linked to the performance of the Commerzbank share. Under DRS 17, share-based payments have to be disclosed at the time the grant becomes legally binding, i.e. when they are determined by the Supervisory Board. As payout only takes place after the 12-month waiting period has expired and is dependent on the performance of the Commerzbank share, the table shows only theoretical values for these components, not the sums to be paid out. The payout sums are calculated by multiplying the number of virtual shares shown in the STI by the conversion price at the end of the waiting period.

The table also shows the non-share-based cash components of the 2013 LTI under the remuneration system in place up to financial year 2014, as these components only meet all the conditions necessary under DRS 17 after 31 December 2016. In line with the requirements of DRS 17, the share-based components of the 2013 LTI were disclosed in the Remuneration Report for 2013. They therefore do not have to be reported again here.

Remuneration of the individual members of the Board of Managing Directors

		Fixed components		Performance-related components				
€1,000				with short-term incentive			with long-term incentive[1]	Total remuneration under DRS 17[6]
		Basic salary	Other[2]	STI in cash[3]	STI in virtual shares[4]		LTI 2013 in cash[5]	
						Number of virtual shares in units		
Martin Zielke	2016[7]	1,125	118	188	208	26,831	73	**1,712**
	2015	750	102	160	102	15,937	0	**1,114**
Martin Blessing	2016[8]	438	101	74	82	10,548	0	**695**
	2015	1,313	112	296	189	29,524	0	**1,910**
Frank Annuscheit	2016	750	124	124	137	17,715	70	**1,205**
	2015	750	82	144	92	14,343	0	**1,068**
Markus Beumer	2016[9]	625	69	75	83	10,715	64	**916**
	2015	750	77	134	85	13,347	0	**1,046**
Dr. Marcus Chromik	2016[10]	750	84	118	130	16,858	–	**1,082**
	2015	–	–	–	–	–	–	**–**
Stephan Engels	2016	750	114	126	139	17,929	64	**1,193**
	2015	750	109	144	92	14,343	0	**1,095**
Michael Mandel	2016[11]	456	58	76	84	10,844	–	**674**
	2015	–	–	–	–	–	–	**–**
Michael Reuther	2016	750	125	102	113	14,572	70	**1,160**
	2015	750	104	154	98	15,339	0	**1,106**
Dr. Stefan Schmittmann	2016[12]	–	–	–	–	–	67	**67**
	2015	750	91	154	98	15,339	0	**1,093**
Total	**2016**	**5,644**	**793**	**883**	**976**	**126,012**	**408**	**8,704**
	2015	**5,813**	**677**	**1,186**	**756**	**118,172**	**0**	**8,432**

1 The performance-related components with long-term incentive effect are only granted once the Supervisory Board has completed the retrospective performance evaluation after the end of a five-year retention period. For 2016, that will mean in 2022.
2 The heading "Other" includes non-monetary benefits granted in 2016, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.
3 Payable in 2017 following determination of the total goal achievement amount for 2016.
4 Payable one year after payment of the STI in cash. The amounts shown represent the values at the time that the variable remuneration was determined in February 2017. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares is calculated using the share of the total goal achievement amount and the average Commerzbank share price during November and December 2016.
5 Under DRS 17, the LTI cash components for 2013 must be stated even after the end of the four-year period 2013–2016 and the approval of the annual financial statements for 2016. The share component and the cash element of the LTI share component to be disclosed here have a value of €0 in view of the performance of the Commerzbank share relative to its peers over the period in question. The disclosure therefore relates only to the cash element of the EVA component for the four-year period 2013–2016. Martin Blessing, former Chairman of the Board of Managing Directors, has waived his entire entitlement to variable remuneration for financial years 2012 and 2013.
6 The amounts to be disclosed as total remuneration in accordance with DRS 17 for financial year 2016 include only those components in respect of which the members of the Board of Managing Directors already have a legally binding entitlement. As such, the amounts to be disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2016, as there is no such entitlement until after the retrospective performance evaluation and the five-year retention period.
7 Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.
8 Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.
9 Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
10 Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.
11 Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
12 Dr. Stefan Schmittmann's term of office as a member of the Board of Managing Directors ended on 31 December 2015.

Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted loans with terms ranging from on demand up to a due date of 2051 and at interest rates ranging between 0.9% and 2.8%, and on amounts overdrawn in certain cases up to 15.0%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €5,001 thousand, compared with €4,930 thousand in the previous year. With the exception of rental guarantees, Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Board of Managing Directors in the year under review.

Details of remuneration of the Board of Managing Directors in accordance with the German Corporate Governance Code

Under 4.2.5 of the 5 May 2015 edition of the German Corporate Governance Code, which is fleshed out by means of model tables appended to the Code, the benefits granted (target figures or assumptions) in the year under review and the allocation made (actual payouts made for the reporting year) should be reported for each member of the Board of Managing Directors. The benefits and allocations should be broken down into fixed remuneration, fringe benefits, one-year and multi-year variable remuneration and service cost within the meaning of IAS 19.

The following tables implement these recommendations; however, for reasons of clarity, they are summarised in a single table for each member of the Board of Managing Directors.

In accordance with the Code, the remuneration components for financial years 2015 and 2016 are stated in the benefits table assuming 100% target achievement in each case. All values are considerably higher than the actual amounts currently expected. Entitlement to both LTI components arises only after the end of a five-year retention period and subject to a retrospective performance evaluation. As such, these components must not be stated in the DRS 17 table. However, the German Corporate Governance Code requires these components to be stated as though already granted in financial year 2016.

Martin Zielke
Chairman (since 1 May 2016)

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	1,125	1,125	1,125	750	1,125	750
Accessory considerations	118	118	118	102	118	102
Total	**1,243**	**1,243**	**1,243**	**852**	**1,243**	**852**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**160**
Multi-year variable remuneration[1, 2]	**1,420**	**0**	**2,130**	**800**	**357**	**161**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	161
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	96	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	284	0	426	–	188	–
STI 2016 in virtual shares (up to Q1/2018)[4]	284	0	426	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	73	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	426	0	639	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	426	0	639	–	–	–
Total	**2,663**	**1,243**	**3,373**	**1,852**	**1,600**	**1,173**
Pension cost[6]	833	833	833	588	833	588
Total remuneration	**3,496**	**2,076**	**4,206**	**2,440**	**2,433**	**1,761**

For footnotes see page 16.

(Continued)

Martin Blessing
Chairman, Central & Eastern Europe
(until 30 April 2016)

	Benefits granted				Allocation	
€1,000	**2016**	**Minimum value**	**Maximum value**	**2015**	**2016**	**2015**
Fixed remuneration	438	438	438	1,313	438	1,313
Accessory considerations	101	101	101	112	101	112
Total	**539**	**539**	**539**	**1,425**	**539**	**1,425**
One year variable remuneration[1]	**–**	**–**	**–**	**326**	**–**	**296**
Multi-year variable remuneration[1, 2]	**544**	**0**	**816**	**1,304**	**242**	**0**
STI 2013 in virtual shares (up to Q1/2015)[3]	–	–	–	–	–	0
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	168	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	326	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	109	0	164	–	74	–
STI 2016 in virtual shares (up to Q1/2018)[4]	109	0	164	–	–	–
LTI 2012 in cash (up to 31.12.2015)[3]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)[3]	–	–	–	–	0	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	489	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	489	–	–
LTI 2016 in cash (up to 31.12.2021)	163	0	244	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	163	0	244	–	–	–
Total	**1,083**	**539**	**1,355**	**3,055**	**781**	**1,721**
Pension cost[6]	171	171	171	–596	171	–596
Total remuneration	**1,254**	**710**	**1,526**	**2,459**	**952**	**1,125**

[1] In the cases of Dr. Marcus Chromik and Michael Mandel only, the one-year variable remuneration for 2016 includes the STI in cash, since for them the measurement period relates solely to 2016. For the other members of the Board of Managing Directors 2016 also includes the previous year, so these components are also shown under the multi-year variable remuneration. However, the measurement period for the STI 2015 in cash related solely to 2015 for all members.
[2] The terms of the LTI 2015 and LTI 2016 in virtual shares and the LTI cash components end on 31 December in each case. However, the German Corporate Governance Code requires the actual allocation in the following year to be stated for the respective financial year just ended. By contrast, the other virtual share components take account of share price performance up to shortly before the point of payment and as such can only be reported as an allocation for the year in which payment is made.
[3] Martin Blessing, former Chairman of the Board of Managing Directors, has waived all entitlement to variable remuneration for 2012 and 2013.
[4] The maximum amounts stated for the STI and LTI for 2016 in virtual shares have been calculated assuming a constant share price. These maximum amounts could theoretically be exceeded if the share price rises.
[5] The LTI components 2012 due upon approval of the annual financial statements for 2015 have a value of €0, as all members of the Board of Managing Directors waived their EVA-dependent STI and LTI components for 2012. The share component and the cash element of the LTI share component to be disclosed here have a value of €0 in view of the performance of the Commerzbank share relative to its peers over the period in question.
[6] Service cost within the meaning of IAS 19 is to be stated here.

(Continued)

Frank Annuscheit
Chief Operating Officer

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	750	750	750	750	750	750
Accessory considerations	124	124	124	82	124	82
Total	**874**	**874**	**874**	**832**	**874**	**832**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**144**
Multi-year variable remuneration[1, 2]	**1,000**	**0**	**1,500**	**800**	**294**	**151**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	151
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	100	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	200	0	300	–	124	–
STI 2016 in virtual shares (up to Q1/2018)[4]	200	0	300	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	70	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	300	0	450	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	300	0	450	–	–	–
Total	**1,874**	**874**	**2,374**	**1,832**	**1,168**	**1,127**
Pension cost[6]	454	454	454	199	454	199
Total remuneration	**2,328**	**1,328**	**2,828**	**2,031**	**1,622**	**1,326**

Markus Beumer
Mittelstandsbank (until 31 October 2016)

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	625	625	625	750	625	750
Accessory considerations	69	69	69	77	69	77
Total	**694**	**694**	**694**	**827**	**694**	**827**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**134**
Multi-year variable remuneration[1, 2]	**834**	**0**	**1,250**	**800**	**228**	**131**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	131
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	89	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	167	0	250	–	75	–
STI 2016 in virtual shares (up to Q1/2018)[4]	167	0	250	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	64	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	250	0	375	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	250	0	375	–	–	–
Total	**1,528**	**694**	**1,944**	**1,827**	**922**	**1,092**
Pension cost[6]	352	352	352	146	352	146
Total remuneration	**1,880**	**1,046**	**2,296**	**1,973**	**1,274**	**1,238**

For footnotes see page 16.

(Continued)

Dr. Marcus Chromik
Chief Risk Officer (since 1 January 2016)

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	750	750	750	–	750	–
Accessory considerations	84	84	84	–	84	–
Total	**834**	**834**	**834**	**–**	**834**	**–**
One year variable remuneration[1]	**200**	**0**	**300**	**–**	**118**	**–**
Multi-year variable remuneration[1, 2]	**800**	**0**	**1,200**	**–**	**–**	**–**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	–
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	–	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
STI 2016 in cash (see one-year variable remuneration)	–	–	–	–	–	–
STI 2016 in virtual shares (up to Q1/2018)[4]	200	0	300	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	–
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	–	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	–	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	–	–	–
LTI 2016 in cash (up to 31.12.2021)	300	0	450	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	300	0	450	–	–	–
Total	**1,834**	**834**	**2,334**	**–**	**952**	**–**
Pension cost[6]	306	306	306	–	306	–
Total remuneration	**2,140**	**1,140**	**2,640**	**–**	**1,258**	**–**

Stephan Engels
Chief Financial Officer

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	750	750	750	750	750	750
Accessory considerations	114	114	114	109	114	109
Total	**864**	**864**	**864**	**859**	**864**	**859**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**144**
Multi-year variable remuneration[1, 2]	**1,000**	**0**	**1,500**	**800**	**279**	**131**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	131
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	89	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	200	0	300	–	126	–
STI 2016 in virtual shares (up to Q1/2018)[4]	200	0	300	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	64	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	300	0	450	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	300	0	450	–	–	–
Total	**1,864**	**864**	**2,364**	**1,859**	**1,143**	**1,134**
Pension cost[6]	311	311	311	317	311	317
Total remuneration	**2,175**	**1,175**	**2,675**	**2,176**	**1,454**	**1,451**

For footnotes see page 16.

(Continued)

Michael Mandel
Private and Small-Business Customers (since 23 May 2016)

€1,000	Benefits granted 2016	Benefits granted Minimum value	Benefits granted Maximum value	Benefits granted 2015	Allocation 2016	Allocation 2015
Fixed remuneration	456	456	456	–	456	–
Accessory considerations	58	58	58	–	58	–
Total	**514**	**514**	**514**	**–**	**514**	**–**
One year variable remuneration[1]	**122**	**0**	**183**	**–**	**76**	**–**
Multi-year variable remuneration[1, 2]	**486**	**0**	**729**	**–**	**–**	**–**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	–
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	–	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
STI 2016 in cash (see one-year variable remuneration)	–	–	–	–	–	–
STI 2016 in virtual shares (up to Q1/2018)[4]	122	0	183	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	–
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	–	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	–	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	–	–	–
LTI 2016 in cash (up to 31.12.2021)	182	0	273	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	182	0	273	–	–	–
Total	**1,122**	**514**	**1,426**	**–**	**590**	**–**
Pension cost[6]	175	175	175	–	175	–
Total remuneration	**1,297**	**689**	**1,601**	**–**	**765**	**–**

Michael Reuther
Corporate Clients, Group Treasury

€1,000	Benefits granted 2016	Benefits granted Minimum value	Benefits granted Maximum value	Benefits granted 2015	Allocation 2016	Allocation 2015
Fixed remuneration	750	750	750	750	750	750
Accessory considerations	125	125	125	104	125	104
Total	**875**	**875**	**875**	**854**	**875**	**854**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**154**
Multi-year variable remuneration[1, 2]	**1,000**	**0**	**1,500**	**800**	**265**	**151**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	151
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	93	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	200	0	300	–	102	–
STI 2016 in virtual shares (up to Q1/2018)[4]	200	0	300	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	70	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	300	0	450	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)[4]	300	0	450	–	–	–
Total	**1,875**	**875**	**2,375**	**1,854**	**1,140**	**1,159**
Pension cost[6]	497	497	497	200	497	200
Total remuneration	**2,372**	**1,372**	**2,872**	**2,054**	**1,637**	**1,359**

For footnotes see page 16.

(Continued)

Dr. Stefan Schmittmann,
Chief Risk Officer (until 31 December 2015)

	Benefits granted				Allocation	
€1,000	2016	Minimum value	Maximum value	2015	2016	2015
Fixed remuneration	–	–	–	750	–	750
Accessory considerations	–	–	–	91	–	91
Total	**–**	**–**	**–**	**841**	**–**	**841**
One year variable remuneration[1]	**–**	**–**	**–**	**200**	**–**	**154**
Multi-year variable remuneration[1, 2]	**–**	**–**	**–**	**800**	**163**	**141**
STI 2013 in virtual shares (up to Q1/2015)	–	–	–	–	–	141
STI 2014 in virtual shares (up to Q1/2016)	–	–	–	–	96	–
STI 2015 in virtual shares (up to Q1/2017)	–	–	–	200	–	–
STI 2016 in cash (1.1.2015 up to 31.12.2016)	–	–	–	–	–	–
STI 2016 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2012 in cash (up to 31.12.2015)[5]	–	–	–	–	–	0
LTI 2012 in virtual shares (up to Q1/2017)	–	–	–	–	–	–
LTI 2013 in cash (up to 31.12.2016)	–	–	–	–	67	–
LTI 2013 in virtual shares (up to Q1/2018)	–	–	–	–	–	–
LTI 2014 in cash (up to 31.12.2017)	–	–	–	–	–	–
LTI 2014 in virtual shares (up to Q1/2019)	–	–	–	–	–	–
LTI 2015 in cash (up to 31.12.2020)	–	–	–	300	–	–
LTI 2015 in virtual shares (up to 31.12.2021)	–	–	–	300	–	–
LTI 2016 in cash (up to 31.12.2021)	–	–	–	–	–	–
LTI 2016 in virtual shares (up to 31.12.2022)	–	–	–	–	–	–
Total	**–**	**–**	**–**	**1,841**	**163**	**1,136**
Pension cost[6]	–	–	–	620	–	620
Total remuneration	**–**	**–**	**–**	**2,461**	**163**	**1,756**

For footnotes see page 16.

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2016

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the AGM on 20 April 2016. These provisions applied for the first time with effect from 1 January 2016. Under the new remuneration system, members of the Supervisory Board receive basic remuneration of €80 thousand for each financial year. The Chairman receives triple and the Deputy Chairman double this amount.

Members also receive an additional €30 thousand annually for sitting on either the Audit Committee or the Risk Committee. Members also receive an additional €20 thousand annually for sitting on any other committee of the Supervisory Board that meets at least once in the calendar year. The committee chairman receives double these amounts. Additional remuneration is paid for a maximum of three committee appointments, taking the figures for the three highest paid positions. Members of the Supervisory Board who only belonged to the Board or one of its committees for part of a financial year receive remuneration for that year reduced pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1.5 thousand for each meeting or conference call of the Supervisory Board or one of its committees. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year.

Commerzbank Aktiengesellschaft reimburses any expenses incurred by members of the Supervisory Board in the performance of their duties and any VAT due on remuneration or expenses. The Chairman of the Supervisory Board is provided with appropriate staffing and material support, and in particular is reimbursed for travel costs incurred as part of the representative duties arising from his position and requisite security measures.

Members of the Supervisory Board thus receive total net remuneration for financial year 2016 of €2,944.5 thousand (previous year: €2,019.3 thousand). Of this figure, the basic remuneration amounts to €1,840.0 thousand (previous year: €1,120.8 thousand, of which €201.0 thousand was variable remuneration) and remuneration for serving on committees is €716.0 thousand (previous year: €420.0 thousand). Attendance fees were €388.5 thousand (previous year: €478.5 thousand).

The remuneration is divided between the individual members of the Supervisory Board as follows:

€1.000		Basic remuneration	Remuneration for serving on committees[1]	Variable remuneration	Attendance fee	Total
Klaus-Peter Müller	2016	240.0	125.9	–	24.0	389.9
	2015	120.0	80.0	30.0	43.5	273.5
Uwe Tschäge	2016	160.0	60.0	–	22.5	242.5
	2015	80.0	40.0	18.0	36.0	174.0
Hans-Hermann Altenschmidt	2016	80.0	70.0	–	30.0	180.0
	2015	40.0	60.0	15.0	43.5	158.5
Dr. Nikolaus von Bomhard (until 30 April 2015)	2016	–	–	–	–	–
	2015	13.2	0.0	2.0	7.5	22.7
Gunnar de Buhr	2016	80.0	50.0	–	19.5	149.5
	2015	40.0	20.0	9.0	24.0	93.0
Stefan Burghardt	2016	80.0	20.0	–	16.5	116.5
	2015	40.0	0.0	6.0	15.0	61.0
Sabine Ursula Dietrich (since 30 April 2015)	2016	80.0	20.0	–	16.5	116.5
	2015	26.7	0	4.0	9.0	39.7
Karl-Heinz Flöther	2016	80.0	30.0	–	24.0	134.0
	2015	40.0	20.0	9.0	27.0	96.0
Dr. Markus Kerber	2016	80.0	70.0	–	16.5	166.5
	2015	40.0	60.0	15.0	34.5	149.5
Alexandra Krieger	2016	80.0	0.0	–	16.5	96.5
	2015	40.0	0.0	6.0	15.0	61.0
Oliver Leiberich	2016	80.0	0.0	–	16.5	96.5
	2015	40.0	0.0	6.0	16.5	62.5
Dr. Stephan Lippe	2016	80.0	30.0	–	19.5	129.5
	2015	40.0	20	9.0	21.0	90.0
Beate Mensch	2016	80.0	0.0	–	13.5	93.5
	2015	40.0	0.0	6.0	15.0	61.0
Anja Mikus (since 30 April 2015)	2016	80.0	24.8	–	16.5	121.3
	2015	26.7	0	4.0	9.0	39.7
Dr. Roger Müller	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	16.5	62.5
Dr. Helmut Perlet	2016	80.0	90.0	–	24.0	194.0
	2015	40.0	60.0	15.0	31.5	146.5
Barbara Priester	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	13.5	59.5
Mark Roach	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	15.0	61.0
Petra Schadeberg-Herrmann	2016	–	–	–	–	–
(until 30 April 2013)	2015	13.2	0.0	2.0	9.0	24.2
Margit Schoffer	2016	80.0	30.0	–	24.0	134.0
	2015	40.0	20.0	9.0	27.0	96.0
Nicholas Teller	2016	80.0	65.3	–	21.0	166.3
	2015	40.0	20	9.0	24	93.0
Dr. Gertrude Tumpel-Gugerell	2016	80.0	30.0	–	22.5	132.5
	2015	40.0	20.0	9.0	25.5	94.5
Total	**2016**	**1,840.0**	**716.0**	–	**388.5**	**2,944.5**
	2015	**919.8**	**420.0**	**201.0**	**478.5**	**2,019.3**

[1] The 2015 Remuneration Report showed basic remuneration together with remuneration for serving on committees in a single figure under "Fixed remuneration".

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2016. Accordingly, no additional remuneration was paid.

Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2043 and at interest rates ranging between 1.3% and 5.1%, and on amounts overdrawn in certain cases up to 15.9%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €2,713 thousand; in the previous year, the figure was €2,961 thousand. Commerzbank Aktiengesellschaft did not enter into any contingent liabilities in favour of members of the Supervisory Board in the year under review.

Other details

D&O liability insurance

There is a Directors and Officers (D&O) liability insurance policy for members of the Board of Managing Directors and the Supervisory Board. The excess for members of the Supervisory Board and the Board of Managing Directors is set at 10% of the claim up to a maximum of 150% of the fixed annual remuneration for all insurance claims made within a single year.

Purchase and sale of the Company's shares

Art. 19 of Regulation (EU) No 596/2014 on market abuse requires disclosure and notification of transactions by managers of listed companies and persons closely associated with them. Own transactions by such persons in shares or bonds issued by Commerzbank Aktiengesellschaft or in derivatives or other financial instruments based thereon must be disclosed if they exceed an aggregate volume of €5 thousand within a calendar year. This duty of disclosure applies to members of the Board of Managing Directors and the Supervisory Board.

The members of the Board of Managing Directors and Supervisory Board of Commerzbank and persons closely associated with them reported no manager's transactions in 2016.

Overall, the Board of Managing Directors and Supervisory Board together held no more than 1% of the issued shares and option rights of Commerzbank Aktiengesellschaft on 31 December 2016.

Details pursuant to Art. 289 of the German Commercial Code (HGB)

Details pursuant to Art. 289 (4) of the German Commercial Code and explanatory report

Share capital structure

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts.12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act (Aktiengesetz, AktG). The share capital of the company totalled €1,252,357,634.00 at the end of the financial year. It is divided into 1,252,357,634 no-par-value shares. The shares are issued in bearer form.

Appointment and replacement of the members of the Board of Managing Directors and amendments to the Articles of Association

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects the Supervisory Board defines the number of members on the Board of Managing Directors in accordance with Art. 6 (2) of the Articles of Association. If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority of the share capital represented at the date of resolution, a simple majority of the capital represented is adequate (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, provided such amendments affect merely the wording of an article with no change in substance, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

Powers of the Board of Managing Directors

The Board of Managing Directors, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €569,253,470.00 by issuing new shares under Art. 4 (3) (Authorised Capital 2015) of the Articles of Association applicable on 31 December 2016. The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular to increase the share capital for non-cash contributions.

Moreover, the Annual General Meeting on 30 April 2015 gave the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants, profit-sharing certificates or hybrid debt instruments (both with and without conversion or option rights or mandatory conversion) against a cash or non-cash contribution for a total nominal value of up to €13,600,000,000.00. Financial instruments can also be structured in such a way that they are recognised as Additional Tier 1 capital at the time of issue. Conditional capital of up to €569,253,470.00 is available to issue financial instruments according to Art. 4 (4) of the Articles of Association (Conditional Capital 2015). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular where the financial instruments are issued in exchange for non-cash contributions.

For details of the authorised capital and conditional capital, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Notes 31 and 32.

The authority of the Board of Managing Directors to increase share capital from authorised and conditional capital and to issue convertible bonds or bonds with warrants, profit-sharing certificates or hybrid debt instruments allows the Bank to respond appropriately and promptly to changed capital needs.

On 30 April 2015, the Annual General Meeting authorised the Board of Managing Directors to purchase and sell Commerzbank shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act, until 29 April 2020. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

Material agreements in the event of a change of control following a takeover bid

In the event of a change of control at Commerzbank, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market value, which can be determined on any stock exchange trading day. However, the possibility cannot be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's net assets, financial position and operating results could nevertheless be heavily impacted due to the Bank's potential payment obligations.

Equity holdings that exceed 10% of the voting rights

According to the notification of voting rights dated 4 June 2013, the Financial Market Stabilisation Fund holds a stake of 17.15% in the voting capital of Commerzbank Aktiengesellschaft. Provided that the voting rights remained unchanged, the Financial Market Stabilisation Fund holds a stake of approximately 15.6% in the voting capital of Commerzbank Aktiengesellschaft following the capital increase in April 2015.

There are no further facts that need to be declared under Art. 289 (4) of the German Commercial Code.

Details pursuant to Art. 289 (5) of the German Commercial Code (HGB)

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are integrated as regards their methodology and implementation, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on page 43 ff.

The objective of proper financial reporting is endangered if material information in the financial reporting is erroneous. It is irrelevant whether this is due to one single matter or a combination of several.

Risks to financial reporting may arise from errors in business processes. Fraudulent behaviour can also result in the inaccurate reporting of information. The Bank therefore has to ensure it minimises the risks of incorrect statement, measurement or presentation of financial reporting information.

The Commerzbank ICS seeks to provide sufficient certainty that it complies with the relevant legal requirements, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate. It is important to note that despite all measures the Bank may take, the ICS methods and procedures used cannot entirely rule out errors or fraud, and as such offer sufficient certainty but never absolute certainty.

Legal basis and guidelines

Art. 289 (5) of the German Commercial Code requires capital market-oriented companies to describe the material features of their ICS in the management report. Commerzbank follows the principles for bank-specific organisation of the internal control system set out in the Minimum Requirements for Risk Management (MaRisk).

The Bank's internal control system is structured in line with the internationally recognised framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Commerzbank derives the following objectives from this:

- that business processes be effective and efficient,
- that applicable laws and regulations be observed,
- and that financial reporting be reliable.

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standards of Auditing and Quality Control, No. 315, 2009 Edition (hereinafter referred to as ISA number 315).

Organisation

The written rules of procedure form a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements. These rules are defined as the transparent description, to be updated on an ongoing basis, of the organisational structure and processes of a company, including powers.

The governance framework, which is part of the written rules of procedure, sets uniform and binding minimum standards for all units with regard to their organisational structure in respect of maintaining documentation and keeping it updated. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the full Board of Managing Directors and ending with the individual approval authorities of each employee. The scope and structure of the governance framework follow both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the full Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and contains the following elements:

- Plan for allocating the business responsibilities for the full Board of Managing Directors
- Rules of procedure
- Organisational charts
- Business remits of the units
- Schedule of approval authorities

Where tasks in the Bank by their nature cannot be combined, they are organised into different areas applying the principle of separation of functions. Strict checks are also carried out using the dual-control principle to minimise risks in financial reporting.

In accordance with the Minimum Requirements for Risk Management (MaRisk), responsibility for implementing, executing, applying, refining and reviewing the Bank-wide ICS lies with the full Board of Managing Directors. The full Board of Managing Directors is responsible for structuring the Bank-wide ICS and demonstrating that it is appropriate, while the CFO is responsible for structuring the ICS for financial reporting and ensuring its effectiveness for this purpose. He is responsible for the design of the ICS through appropriate and effective control steps and for embedding these into the various processes. The full Board of Managing Directors is also responsible for ensuring that the parent company and Group financial statements are properly prepared.

The Supervisory Board is supported in its oversight of the financial reporting primarily by the Audit Committee set up for this purpose. It provides support in monitoring the accounting process and the effectiveness of the risk management system (especially the internal control system), compliance and internal audit. It also provides support in monitoring the performance of the annual audit, particularly with regard to the independence of the auditor and the services provided by the auditor. The Audit Committee also monitors prompt remediation of deficiencies identified by the auditor.

During the year, Group Audit reports to the Supervisory Board and its appointed committees about the work it has carried out and its material findings.

Group Finance (GM-F), which reports directly to the CFO, is responsible for ensuring that the financial statements are drawn up in compliance with the relevant laws and internal and external guidelines.

Within GM-F, Accounting and Controlling Policies & Guidelines is the department responsible for drawing up Group-wide accounting guidelines and communicating them over the intranet. Implementation of these accounting guidelines supports consistent and correct reporting across the Group.

GM-F is supported in producing financial statements by other Group divisions. Of particular importance here is Group Information Technology, which is responsible for providing and upgrading the accounting IT systems used.

Controls to minimise risk

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e. by means of organisation).

Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval, the separation of functions and by technical measures when issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

Monitoring by Group Audit

Group Audit (GM-A) provides auditing and advisory services for the Board of Managing Directors independently, objectively and in a risk-oriented manner so as to evaluate the compliance, security and cost-effectiveness of Commerzbank's business processes and flag up potential for optimisation. GM-A supports the Board of Managing Directors by evaluating the appropriateness and effectiveness of risk management, the internal control system and business processes in a systematic and targeted manner, providing support on key projects in an internal auditing capacity and issuing recommendations. In doing so, it contributes to the security of business processes and assets.

GM-A is directly accountable to the Board of Managing Directors and reports to that body. It performs its functions autonomously and independently. Particularly with regard to reporting and the assessment of audit results, GM-A is not subject to any directives. Based on MaRisk, its auditing activities, underpinned by the principle of risk-oriented auditing, extend to all of the Group's activities and processes, regardless of whether these take place within the Group or are outsourced. GM-A's activities complement the work of the subsidiaries' audit departments within the framework of Group risk management. The audit of the suitability and effectiveness of the ICS covers the risk management and controlling systems, reporting, IT systems and financial reporting. In performing its duties, GM-A has an unrestricted right to information.

GM-A promptly prepares a written report on each audit; recipients include the responsible members of the Board of Managing Directors. On the basis of these audit reports, GM-A oversees and documents the steps taken to remedy the deficiencies identified within the specified time. If such deficiencies are ignored, an escalation process comes into effect. In addition, GM-A prepares an annual report on the audits that it has carried out during the course of the financial year, the material deficiencies identified and the measures taken, and presents this report to the Board of Managing Directors.

The financial reporting process

The financial reporting procedures at Commerzbank are supported by IT systems integrated into each process. Since 2015, the financial statements of Commerzbank Aktiengesellschaft in Germany have been produced using the new financial architecture; this consists of a new financial data warehouse that provides a consistent repository of basic information, and standard SAP software for the financial function. The parent company in Germany therefore has a single solution using consistent financial data for financial statements under both IFRS and the German Commercial Code.

As part of the input process for financial reporting, all information relevant for drawing up the financial statements of Commerzbank Group under IFRS and Commerzbank Aktiengesellschaft under the German Commercial Code is submitted to GM-F by the reporting units (Commerzbank Aktiengesellschaft Germany, subsidiaries and foreign branches). Data is transmitted via an online data entry functionality directly into SAP EC-CS consolidation software, which has been adapted to the Bank's requirements. Subsidiaries generally submit IFRS data; German and foreign branches also submit data under the German Commercial Code. Data is automatically checked for consistency before transmission to GM-F. Once the plausibility checks have been successfully completed, the individual reports can be finalised. Further plausibility checks are carried out using this data in GM-F. After these checks have been successfully completed, the Commerzbank Aktiengesellschaft parent company financial statements are drawn up and all the necessary steps are taken to produce the consolidated Commerzbank Group financial statements. Drawing up the Group financial statements involves various individual steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

Segment reporting is done on a separate IT system. This involves reconciliation with the data from accounting.

Measures to further enhance the ICS as regards financial reporting

The ICS has been adapted to meet the needs of the Commerzbank Group as regards financial reporting, and it is further enhanced on an ongoing basis. To this end, the Control Environment Finance (CEF) has been permanently implemented at Group Finance. The CEF is based on the GM-F "process map". This is a top-down representation of all key processes, which is refined with descriptions of procedures and in which the risks in relation to the reliability of financial reporting are determined, applying the COSO framework. The Bank also follows the recommendations of ISA 315. This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

- Statements on types of business transaction: their occurrence, completeness, accuracy, allocation to the correct period and the correct account;
- Statements on account balances at the reporting date: availability, rights and obligations, completeness, measurement and allocation;
- Statements on presentation in the financial statements and on the notes to the financial statements: occurrence, rights and obligations, completeness, reporting and comprehensibility, accuracy and measurement.

Suitable controls are implemented to minimise the risks identified, and these in turn are also assigned to the ISA 315 categories and their various aspects. For the effectiveness of the ICS, it is the way the controls are structured into appropriate steps and embedded into each process, and the way they are performed at the operating level, that is the decisive factor in minimising risk.

In respect of financial reporting, the ICS is strengthened through regular assessment of the effectiveness and efficiency of key controls and regular checks on how controls are implemented.

This procedure ensures that risks are identified and minimised and that any faulty developments on the operational side are avoided.

Other

No material changes have been made to the financial reporting ICS since the reporting date.

Corporate governance report and details pursuant to Art. 289a of the German Commercial Code

Commerzbank has always attached great importance to corporate governance, in the sense of responsible and transparent management and control aimed at sustainable value creation. That is why we – the Board of Managing Directors and the Supervisory Board – expressly support the German Corporate Governance Code and the goals and objectives it pursues.

In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practised at Commerzbank. This report also includes the declaration on corporate governance in accordance with Art. 289a of the German Commercial Code.

Recommendations of the German Corporate Governance Code

The Bank declares every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explains which individual recommendations are not being implemented and the reasons why. This declaration of compliance by the Board of Managing Directors and the Supervisory Board is published on the Commerzbank website (www.commerzbank.com). There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2016.

Commerzbank complies with virtually all of the recommendations of the German Corporate Governance Code; it deviates from them in only a few points:

- Section 4.2.1 of the Code recommends that rules of procedure should regulate the activities of the Board of Managing Directors, including the allocation of responsibilities to its members. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. However, the Board of Managing Directors determines the allocation of duties among the individual Board members itself, outside of the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities. The Supervisory Board is informed of all changes, and is thus included in the process. The rules of procedure for the Board of Managing Directors and the specific responsibilities of the various members of the Board of Managing Directors are published on the Commerzbank website.
- According to section 4.2.3 (2) sentence 6 of the Code, the total remuneration of the members of the Board of Managing Directors and the upper limits on their variable remuneration components should be disclosed. The core elements of the Bank's remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. In respect of variable remuneration, the Supervisory Board after the end of a financial year calculates a total goal achievement amount based on predefined goals. This total goal achievement amount is capped at 1.4x fixed remuneration as calculated under the Remuneration Ordinance for Institutions. Up to 50% of this amount is paid in virtual Commerzbank shares, in respect of most of which a five-year retention period and a waiting period of a further 12 months normally apply. At the end of the waiting period, the value of the virtual Commerzbank shares is paid out in cash, subject to various checks to ensure sustainability. Changes in the share price over this period do not affect the number of virtual shares to be granted and thus change the amount to be paid out. There is no absolute upper limit on the latter amount. Under the concept behind the remuneration system, the members of the Board of Managing Directors are intended to bear the risk of the performance of the virtual shares after the calculation of the total goal achievement amount, as a long-term element of remuneration. It would not be appropriate to cap the scope to participate in positive share price performance, especially given that no floor applies if the price should fall.
- In relation to the remuneration of the Board of Managing Directors, section 4.2.3 (2) sentence 8 of the Code recommends that there should be no subsequent changes to goals or the parameters for determining the variable remuneration components. Under the German Stock Corporation Act, the Supervisory Board should agree the possibility to restrict the variable remuneration of the Board of Managing Directors in exceptional circumstances. It is entitled under this legislation to adjust the goals and other parameters for determining variable remuneration components in exceptional circumstances, to reasonably neutralise any positive or negative repercussions on the achievability of the goals; the cap on variable remuneration must be observed in all cases.
- Section 4.2.3 (3) of the Code recommends that in the case of pension commitments to members of the Board of Managing Directors, the Supervisory Board should define the intended benefit level – based on the length of their term of office – and the annual and long-term expense for the company arising therefrom. Pension provision for the Board of Managing Directors is based on a contribution-based defined benefit scheme that does not specify a particular level of benefits. Instead, each member of the Board of Managing Directors has an entitlement to an annual pension module, the amount of which is determined as a fixed percentage of that individual's basic annual salary. Increases to the fixed basic annual salary lead to an increase in the pension module only when expressly approved by the Supervisory Board. The way in which this percentage rate is defined – disregarding other actuarial factors – means that the ultimate level of a member of the Board of Managing Directors' earned pension entitlement depends solely on the length of their term of office on the Board of Managing Directors. The application of a fixed percentage rate of each member's basic annual salary gives the Supervisory Board a clear picture of the annual and long-term expense for the company. The actual annual expense for the company depends on actuarial factors. It is increasingly common business practice not to define an intended pension benefit but to instead switch to a contribution-based defined benefit scheme.
- Section 5.3.3 of the Code recommends that the Supervisory Board establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 of the German Banking Act, the nomination committee should support the Supervisory Board in identifying candidates to fill positions on bank management bodies. At Commerzbank, this task was formerly performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established Commerzbank practice of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank Supervisory Board's Nomination Committee are employee representatives.

- Section 5.4.1 (2) sentence 1 of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the specific situation at the company, take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified fixed limit on length of service on the Supervisory Board and diversity. The Supervisory Board of Commerzbank regularly sets specific targets for its compositions, taking into account the criteria listed in section 5.4.1 (2) sentence 1. However, it has not set a fixed limit on length of service on the Supervisory Board. The Supervisory Board takes the view that continued service frequently has to be decided in respect of the individual member: setting a fixed limit would result in an inappropriate restriction. Differing lengths of service among the individual members of the Supervisory Board can also offer advantages in terms of diversity.

Suggestions of the German Corporate Governance Code

Commerzbank also largely complies with the suggestions of the German Corporate Governance Code, deviating from them in only a few points:

- In a deviation from section 2.3.2, the proxy can only be reached up to the day prior to the Annual General Meeting. However, shareholders present or represented at the Annual General Meeting are able to give their proxy instructions at the meeting itself as well.
- In section 2.3.3, it is suggested that the Annual General Meeting be broadcast in its entirety on the internet. Commerzbank broadcasts the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. This liberates shareholders to discuss matters freely with the management, without a wide-scale public broadcast.

Board of Managing Directors

The Commerzbank Board of Managing Directors is responsible for independently managing the Bank in the Bank's best interest. In doing so, it must take into account the interests of shareholders, customers, employees and other stakeholders, with the objective of sustainable value creation. It develops the company's strategy, discusses it with the Supervisory Board and ensures its implementation. In addition, it sees that efficient risk management and risk control measures are in place. The Board of Managing Directors conducts Commerzbank's business activities in accordance with the law, the Articles of Association, its rules of procedure, internal guidelines and the relevant employment contracts. It cooperates on a basis of trust with Commerzbank's other corporate bodies and with employee representatives.

The composition of the Board of Managing Directors and the responsibilities of its individual members are presented on page 5 of the Group Annual Report. The work of the Board of Managing Directors is specified in greater detail in its rules of procedure, which may be viewed on Commerzbank's website www.commerzbank.com.

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the Remuneration Report on page 8 ff.

Supervisory Board

The Supervisory Board advises and supervises the Board of Managing Directors in its management of the Bank. It appoints and dismisses members of the Board of Managing Directors and, together with the Board of Managing Directors, ensures that there is long-term succession planning. The Supervisory Board conducts its business activities in accordance with legal requirements, the Articles of Association and its rules of procedure; it cooperates closely and on a basis of trust with the Board of Managing Directors.

The composition of the Supervisory Board and its committees is presented on pages 12 to 14 of the Group Annual Report. Details of the work of this committee, its structure and its control function can be found in the Report of the Supervisory Board on pages 6 to 11 of the Group Annual Report. Further details of how the Supervisory Board and its committees work can be found in the rules of procedure of the Supervisory Board, available online at www.commerzbank.com.

Section 5.4.1 (2) of the Code recommends that the Supervisory Board should set concrete objectives regarding its composition which, while taking into consideration the specific situation at the company, take into account the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board pursuant to section 5.4.2 of the Code, a specified age limit for members of the Supervisory Board, a specified fixed limit on length of service on the Supervisory Board and diversity. The Supervisory Board of Commerzbank has approved the following concrete objectives:

The composition of the Supervisory Board should be such that overall its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential given the activities of the Commerzbank Group. Emphasis should also be placed on appointing members with particular knowledge and experience of the application of accounting principles and internal control procedures.

The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable and consideration should be given to their commitment, personality, professionalism, integrity and independence. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in section 5.4.2 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft. Members of the Supervisory Board should not sit on the corporate bodies of or act as advisors to major competitors. A fixed age limit of 72 applies to members of the Supervisory Board. The Supervisory Board takes the objectives listed into account when proposing candidates to the Annual General Meeting for election.

The Supervisory Board considers diversity in its composition. The Supervisory Board of Commerzbank consists of 20 members. The aim is that there should always be at least one international representative on the Supervisory Board. The Supervisory Board also considers appropriate female representation when proposing candidates to the Annual General Meeting for election. As at 31 December 2016 there were seven female members on the Supervisory Board of Commerzbank Aktiengesellschaft, three of them representing the shareholders. The percentage of women on the Supervisory Board is therefore 35% at present. The Supervisory Board is keen to maintain this level, but as a minimum to meet the statutory requirement of at least 30% female representation. It must be borne in mind that the only way the Supervisory Board is able to influence its composition is by the candidates it proposes to the Annual General Meeting for election. The employee representatives on the Supervisory Board are also keen to at least maintain the current percentage of female representation among the employee representatives in the future.

In accordance with section 5.4.2 of the German Corporate Governance Code, the Supervisory Board has ascertained that it has, in its view, an appropriate number of independent members.

In accordance with section 5.6 of the German Corporate Governance Code, the Supervisory Board reviewed the efficiency of its work in 2016 as part of the assessment required under Art. 25d (11) nos. 3 and 4 of the German Banking Act. The results of the efficiency audit were presented to the plenary session for discussion. The members of the Supervisory Board believe that it works in an efficient manner and to a high standard. Suggestions from members of the Supervisory Board have been and continue to be taken into account for future activities.

Under Art. 3 (6) of the rules of procedure of the Supervisory Board, each member of the Supervisory Board must disclose any conflicts of interest. In the year under review there were a total of three instances where a member of the Supervisory Board disclosed a potential conflict of interest pursuant to section 5.5.2 of the German Corporate Governance Code in respect of proposed resolutions. As specified in Art. 3 (6) of the rules of procedure, the members of the Supervisory Board in question did not take part in the voting in these instances, nor were they involved in the preceding discussions.

Details of the remuneration paid to the members of the Supervisory Board are given in the Remuneration Report on page 20 ff.

Diversity

Within the scope of their respective responsibilities, the Board of Managing Directors and Supervisory Board of Commerzbank will ensure that greater attention is paid to diversity, and particularly to efforts to achieve an appropriate degree of female representation, in the composition of the Board of Managing Directors, appointments to managerial positions at the Bank and with respect to proposals for the election of members of the Supervisory Board (sections 4.1.5, 5.1.2 and 5.4.1 of the Code), as well as the composition of other committees.

Target percentages for the first and second levels of management Art. 76 (4) of the German Stock Corporation Act requires the Board of Managing Directors to set target percentages for female representation at the two levels of management below the Board of Managing Directors and a deadline for achieving these; under Art. 25 (1) of the Introductory Act of the German Stock Corporation Act this must be no later than 30 June 2017.

The Board of Managing Directors responded to this provision at an early stage and set out target percentages for the first and second levels of management at Commerzbank Aktiengesellschaft (in Germany) back in March 2015; these were the actual percentages at the end of December 2014. The target was 8.6% for the first management level and 14.6% for the second. The deadline set was 30 June 2017.

Commerzbank deliberately opted for these "conservative" percentages in order to meet the statutory requirement while still giving the Bank room for manoeuvre. It is an important objective for the Bank to further increase the number of women in leadership positions, regardless of what the law says.

As at 31 December 2016 the first management level below the Board of Managing Directors consisted of 33 people, of which 28 are currently male and 5 female. The percentage of women at the first level of management below the Board of Managing Directors as at 31 December 2016 was therefore 15.2%.

The second management level below the Board of Managing Directors consists of 370 people, of which 315 are male and 55 female. The percentage of women at the second level of management below the Board of Managing Directors as at 31 December 2016 was therefore 14.9%.

Target percentage at the level of the Board of Managing Directors With regard to the target percentage which has to be set for women on the Board of Managing Directors of Commerzbank Aktiengesellschaft, the Supervisory Board has set itself the objective of appointing women to the Board of Managing Directors. It is therefore scrutinising the measures taken by the Board of Managing Directors to increase the percentage of women at the first and second levels of management so the number of suitable female candidates is systematically expanded. The Supervisory Board of Commerzbank has set the target percentage for women on the Board of Managing Directors by 30 June 2017 at zero. In view of the current circumstances the Supervisory Board was unable to set a higher target for this timescale. This decision is also informed by our conviction that positions should be filled solely on the basis of qualification and expertise, regardless of gender.

The efforts made by the Board of Managing Directors and Supervisory Board to train up women to be qualified to serve on the Board of Managing Directors have been successful. On 6 March 2016 the Supervisory Board appointed Dr. Bettina Orlopp as a member of the Board of Managing Directors of Commerzbank. Dr. Orlopp was previously Divisional Board Member for Group Development and Strategy at Commerzbank. This appointment cannot take effect until approval is received from the European Central Bank, which is expected in November 2017. Until then, Dr. Orlopp will act as an Executive Board Member of Commerzbank. Once Dr. Orlopp's appointment has taken effect, the percentage of women on the Board of Managing Directors will be 14.3%.

Regardless of the legal requirements, boosting women's careers has been a very important topic at Commerzbank for many years. The Board of Managing Directors initiated the "Women in management positions" project in 2010. The aim is to ensure a strong management team for Commerzbank and harness all the talent available. In-depth analyses produced a detailed picture of the initial situation. Specific measures were then developed and implemented on this basis with the aim of increasing the proportion of women in management positions. The Board of Managing Directors is informed every six months of progress made in implementing these measures and changes in the number of women in management positions. The top management in all Bank segments is responsible for the sustainable implementation of the goals. The "Women in management positions" project has boosted the proportion of women in senior management positions in the Group to more than 29.8%.

In addition, Commerzbank is helping staff combine family life with a career by providing company-sponsored childcare, the "Keep in Touch" programme for staying in contact during parental leave and the "Comeback Plus" programme to help people return to work after parental leave. Commerzbank offers a comprehensive range of assistance with childcare, consisting of advice on childcare, arranging childcare places and financial allowances. The "Kids & Co." day care centre in Frankfurt for the children of employees has been open since 1 June 2005. "Kids & Co." has crèches (for children aged 9 weeks to 3 years), a kindergarten (age 3 to school entry) and an after-school club, which was introduced in 2011. Since 2010, staff have also been able to use crèches and kindergartens at a total of 23 different childcare facilities throughout Germany. Commerzbank Aktiengesellschaft makes a significant financial commitment to supporting these arrangements, and currently offers a total of around 300 childcare places. Emergency and holiday childcare is also available at 19 sites throughout the country.

Accounting

Accounting at the Commerzbank Group and Commerzbank Aktiengesellschaft gives a true and fair view of the net assets, financial position and earnings performance of the Group. The Group financial statements and Group Management Report are prepared in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of the German Commercial Code; the parent company financial statements and management report of Commerzbank Aktiengesellschaft are prepared in accordance with the provisions of the German Commercial Code. The Group financial statements and parent company financial statements are prepared by the Board of Managing Directors and approved and adopted by the Supervisory Board. The audit is performed by the auditor elected by the Annual General Meeting.

The management report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on page 43 ff of this Annual Report.

Shareholders and third parties receive additional information on the course of business during the financial year in the form of the semi-annual report as well as in two quarterly reports. These interim financial statements are also prepared in accordance with International Financial Reporting Standards (IFRS).

Shareholder relations, transparency and communication

The Annual General Meeting of shareholders takes place once a year. It decides upon the appropriation of distributable profit (if any) and approves the actions of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and any amendments to the Articles of Association. If necessary, it authorises the Board of Managing Directors to undertake capital-raising measures and approves the signing of profit and loss transfer agreements. Each share entitles the holder to one vote.

In 2015 the Board of Managing Directors and the Supervisory Board, as is permitted under Art. 120 (4) of the German Stock Corporation Act, gave the Annual General Meeting the opportunity to vote on the approval of the remuneration system for members of the Board of Managing Directors. The 2015 Annual General Meeting approved the principles of the variable remuneration system and the fixed basic annual salary for members of the Board of Managing Directors. The 2015 Annual General Meeting also voted on the ratio of variable to fixed annual remuneration for members of the Board of Managing Directors pursuant to Art. 25a (5) sentence 5 of the German Banking Act and approved an increase in the cap on variable annual remuneration for members of the Board of Managing Directors of Commerzbank to 140% of the respective fixed annual remuneration set from 2015 onwards.

The Bank's shareholders may submit recommendations or other statements by letter or e-mail, or may present them in person. The Bank's head office quality management unit is responsible for dealing with written communication. At the Annual General Meeting, the Board of Managing Directors or the Supervisory Board comment or reply directly. At the same time, shareholders may influence the course of the Annual General Meeting by means of countermotions or supplementary motions to the agenda. Shareholders may also apply for an Extraordinary General Meeting to be convened. The reports and documents required by law for the Annual General Meeting, including the Annual Report, may be downloaded from the internet, and the same applies to the agenda for the Annual General Meeting and any countermotions or supplementary motions.

Commerzbank informs the public – and consequently shareholders as well – about the Bank's financial position and earnings performance four times a year. Corporate news items that may affect the share price are also published in the form of ad hoc releases. This ensures that all shareholders are treated equally. The Board of Managing Directors reports on the annual financial statements and the quarterly results in press conferences and analysts' meetings. Commerzbank increasingly uses the possibilities offered by the internet for reporting purposes, offering a wealth of information about the Commerzbank Group at www.commerzbank.com. Materials including the Commerzbank Articles of Association and the rules of procedure of the Board of Managing Directors and the Supervisory Board are available online. The financial calendar for the current and the forthcoming year is also published in the Annual Report and on the internet. This contains the dates of all significant financial communications, notably the annual press conference and analyst conferences, and the date of the Annual General Meeting.

We feel an obligation to communicate openly and transparently with our shareholders and all other stakeholders. We intend to continue to meet this obligation in the future as well.

Business and overall conditions

Economic environment

In 2016, the global economy recorded the weakest growth it had seen since the financial market crisis in 2007/2008. Emerging markets continued to suffer from the correction of the macroeconomic and financial excesses caused by more than seven years of cheap funding conditions. This was particularly true for China, where the economy grew even more slowly in 2016 than in 2015. In commodity-producing countries, the recovery of commodity prices offered some relief.

In industrialised countries, economic growth decelerated markedly in 2016. In the USA growth was a full percentage point lower than in 2015 at 1.6%. However, this is still a good result in view of the long-term growth potential of their economy and the fact that the USA has almost achieved full employment. The unemployment rate fell back to the level seen before the deep recession of 2007–2009. Increasing competition for labour has caused a stronger pick-up in wage growth. Against this backdrop, the Federal Reserve decided in December 2016 to raise the target corridor for key interest rates by a further 25 basis points to 0.50%–0.75%.

Leaving aside Ireland, which recorded exorbitantly high growth of 26% in 2015, the economy in the eurozone grew slightly more rapidly in 2016 than 2015 at 1.7%. The economy was particularly bolstered by brisk private household and public-sector consumption. On the other hand, export growth declined markedly, due not only to weaker global demand. The price competitiveness of companies in the eurozone also worsened slightly once more. The effective external value of the euro has already regained half of its decline in early 2015. Thanks to solid growth, the situation on the labour market has continued to improve, with the unemployment rate falling from 10.5% at the end of 2015 to 9.6% in December 2016. However, this was not sufficient to generate a stronger increase in wages. In fact, wage inflation in the eurozone has remained weak. Accordingly, there was no change in the low underlying inflation in 2016. The core inflation rate, i.e. the year-on-year rate of the consumer price index excluding highly volatile food and energy prices, remained below 1%. The cautious inflation outlook prompted the ECB to cut its deposit rate once again and extend the bond purchase programme which was launched in 2015 until at least the end of 2017. However, from April onwards its monthly bond purchases will be reduced from €80bn to €60bn.

The German economy grew slightly more strongly in 2016 (1.9%) than it did in 2015 (1.7%). In view of the weaker global demand and the tighter supply of labour, this is a very decent result. Unemployment at year-end was 6.0%, the lowest level since German reunification. The economy was mainly bolstered by private household and public-sector consumption, but investments also increased. Stronger domestic demand more than offset the weaker increase in exports.

Financial markets were once again dominated in 2016 by the extremely loose monetary policies pursued by the leading central banks. Investors continued to be forced into riskier forms of investment such as equities, corporate bonds and the government bonds of periphery countries. At the same time, the global depreciation race continued, with many central banks seeking to weaken their currencies in order to stoke domestic inflation.

Sector environment

Global economic growth remained modest in 2016 despite the slight acceleration in the second half. Particularly in the first half of last year, security was paramount on the financial markets in the face of fears of a sharp decline in growth in China and other emerging markets. In the middle of 2016, the markets were dominated by the United Kingdom's referendum decision to leave the EU, and growing uncertainty about the effectiveness of the very expansive monetary policy led to repeated nervousness in the financial market environment. The outcome of the US presidential election, which took many observers by surprise, then affected the financial markets. The subsequent increase in yields reflected greater expectations of higher inflation and a more expansive fiscal policy in the USA. In spite of the outcome of the Italian constitutional referendum, the leading stock markets still experienced an agreeable end to a turbulent year thanks to the expansion of the European Central Bank's bond purchasing programme and the rise in the price of European bank stocks.

However, the risks to the global economy have not diminished. 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. While the banks' efforts to reduce solvency and liquidity risks were recognised, there were persistent fears about a sustained weakening of the profitability of the banking system in the eurozone and the ability of banks to generate profitable returns on interest-rate-based business.

It has become clear over recent years that political surprises have a significant impact on the performance of the global economy and financial markets, even if they are not reflected in the financial markets or the economy in the short term to the extent that was previously expected. In contrast to risks, uncertainties are much more difficult to predict and can affect the banking business to a particularly high degree if private economic operators reduce their demand for financial services due to uncertainty.

For example, global investment expenditure has recently grown much more slowly than before due to widespread uncertainties over growth. Last but not least, the importance of cyber-security was demonstrated once more in the year under review. The protection of data networks and appropriate staff training are an ongoing process which the banking sector must take very seriously, despite its already strong understanding of IT security.

Important staffing and business policy events

Commerzbank further reduced both risks and complexity in 2016. In addition to measures implemented to improve strategic focus, Hypothekenbank Frankfurt was wound up as planned and the international wealth management activities of our Luxembourg subsidiary were sold. The Bank also further strengthened its compliance function. There were some changes in personnel during the year, both within the Board of Managing Directors and as regards the position of Chairman of the Board of Managing Directors. The process of electing a new Chairman of the Supervisory Board in 2018 has already begun.

Changes on the Board of Managing Directors of Commerzbank

At its meeting on 6 March 2016, the Supervisory Board of Commerzbank appointed Martin Zielke to succeed Martin Blessing as Chairman of the Board of Managing Directors of Commerzbank with effect from 1 May 2016. Michael Mandel and Dr. Bettina Orlopp were also appointed to the Board of Managing Directors. The decision to appoint Dr. Bettina Orlopp is still subject to regulatory approval. Michael Mandel took over from Martin Zielke as the member of the Board of Managing Directors responsible for Commerzbanks's private customer business. Dr. Orlopp will in future be responsible for the new Board portfolio Compliance, Human Resources and Legal. The new distribution of responsibilities is the Bank's response to the significant demands placed on Frank Annuscheit, Chief Operating Officer and Labour Director, as a result of digitalisation, together with the steady increase in the time required to deal with compliance and legal issues. The appointment also further underlines the importance of a strong compliance culture. Dr. Orlopp will fulfil her new duties in the capacity of Executive Board Member until her appointment to the Board of Managing Directors becomes effective. Until then, the distribution of responsibilities between the members of the Board of Managing Directors will remain unchanged.

At its meeting at the end of September 2016 Commerzbank's Supervisory Board agreed to Markus Beumer's request to release him from his contract, which ran to 31 December 2020, as the member of the Board of Managing Directors of Commerzbank responsible for the Mittelstandsbank segment, with effect from 31 October 2016. Over the last nine years, as a board member, Markus Beumer has played an instrumental role in helping to further enhance Commerzbank's profile as a leading corporate bank in Germany and Europe. Michael Reuther has taken on the management of the Corporate Clients segment.

Dr. Stefan Schmittmann to succeed Klaus-Peter Müller as Chairman of the Supervisory Board from 2018

The Supervisory Board intends to propose to the Annual General Meeting (AGM) in May 2018 that Dr. Stefan Schmittmann be elected to the Supervisory Board as a shareholder representative. The AGM is also to be notified that Dr. Stefan Schmittmann will be put forward as a candidate for the position of Chairman of the Supervisory Board. Dr. Schmittmann stepped down from the Bank's Board of Managing Directors at the end of 2015, and would therefore observe the statutory cooling-off period of two years before joining the Supervisory Board.

Commerzbank's Supervisory Board furthermore intends to propose to the AGM in May 2017 that Dr. Tobias Guldimann be elected to the Supervisory Board as a shareholder representative. Dr. Roger Müller would step down from the Bank's Supervisory Board at the end of the 2017 AGM. Should Dr. Tobias Guldimann be elected to the Supervisory Board, the Supervisory Board plans to appoint him as a member of the Audit Committee for the duration of his term as a Supervisory Board member.

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 loans transferred to Commerzbank Aktiengesellschaft. 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'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 USA, 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 USA, 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 that location. 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 to exit the collateralised equity business even though it can produce tax advantages. 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 that has begun in early 2016 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.

Commerzbank strengthens compliance function

In 2016 the Bank identified key action areas for further strengthening the compliance function and addressed or initiated them in all divisions. More than €50m was invested in the compliance infrastructure. To develop a global and effective compliance organisation and a future-proof concept, the Global Financial Crime, Regional Compliance Americas and Global Strategy & Steering divisions were restructured and new units such as the Financial Crime Unit, Compliance Training, Compliance Reporting and Client Tax Compliance were implemented. These measures significantly strengthened the compliance function. This was driven not only by structural changes but also by the successful recruitment of additional compliance experts with external experience to work at head office and in foreign locations. This trend will be further consolidated by means of a short- and medium-term HR strategy. The Bank also continued to focus on ensuring the independence and quality of the compliance function. The independence of Group Compliance in respect of the segments is defined in the governance framework and assured through the rights of intervention of the Chief Compliance Officer. The establishment of compliance coordination units in the front office (first line of defence) was resolved and launched as part of the "three lines of defence" model implemented in the Bank. Another area of focus was on boosting a uniform compliance culture that is actively implemented within the entire Bank.

In addition to a binding code of conduct, this also involves various compliance training sessions, including "lessons learned" sessions, and improved communication from the Board of Managing Directors and management on compliance risk (tone from the top).

In its efforts to address the findings relating to the settlements with various US authorities the bank has dealt with the majority of the findings. The Bank also received the interim report of the monitor appointed by the New York State Department of Financial Services (DFS) as at 31 October 2016 and responded on 30 November 2016 with an action plan and a management oversight plan.

Commerzbank completes sale of international wealth management activities in Luxembourg

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.

Earnings performance, assets and financial position

Commerzbank faced a market environment for banks that remained difficult in 2016. Business performance was affected in particular by persistently low interest rates, volatile capital markets and a mood of caution among customers.

In 2016 Commerzbank completed the winding-up of its wholly-owned subsidiary Hypothekenbank Frankfurt AG (HF). The transaction impacted both the income statement and balance sheet of Commerzbank Aktiengesellschaft.

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.

Income statement

Commerzbank Aktiengesellschaft made a net profit of €1,494m in 2016, following a net profit of €1,693m in the previous year.

The changes in the individual earnings components are set out below.

Net interest income, which is the balance of interest income less interest expense – including current income from equities, equity holdings and holdings in affiliated companies – fell by 9.1% year-on-year to €4,766m. There was a rise of 15.1% in net interest income to €4,646m, as income from the cover assets backing pension liabilities increased while the interest expense for pension provisions declined. This reflected a legal change in the underlying interest rate from a 7-year to a 10-year average. At the same time there was a steep decline in interest and dividend income as a result of the strategic refocus in investment banking and lower realised gains on receivables and liabilities compared to the previous year.

At €2,464m, net commission income was 8.4% lower than in the previous year. In securities business with private customers, commissions fell due to the uncertain markets. There was also a decline in documentary and foreign business with corporate customers and in syndicated business.

Net trading income came to €–203m (previous year: €–191m).

The balance of other operating income and expenses for the reporting period rose to €84m, largely due to higher net reversals of provisions.

The cost of assuming subsidiaries' losses under profit and loss transfer agreements was €601m. This was only partially compensated by €265m of income from profit and loss transfer agreements, so the net expense from profit and loss transfer agreements in 2016 was €336m.

Operating expenses rose 1.4% to €5,496m. Personnel expenses rose 2.3% to €3,172m, primarily because pension expenses were higher. At €2,324m, other operating expenses were at the same level as in the previous year. Depreciation, amortisation and write-downs of intangible and fixed assets increased by 24.2% to €411m in the year under review. This rise was due to higher amortisation of intangible assets.

The net profit for the previous year included income from write-ups on receivables and certain securities and from reversals of provisions in lending business amounting to €846m; in contrast, the year under review contains write-downs and impairments on receivables and certain securities and allocations to provisions in lending business amounting to €–3,228m.

As a result of the income statement items described above, Commerzbank Aktiengesellschaft posted an operating loss of €–1,835m in 2016, compared with a profit of €2,051m in the previous year.

Extraordinary income of €3,697m was recorded in the period under review. This mainly resulted from an accretion gain arising from the migration of Hypothekenbank Frankfurt AG.

Tax expenses amounted to €368m for the year, compared with €232m in the previous year. The increase was almost entirely due to higher taxes on income and profit.

Commerzbank Aktiengesellschaft therefore made a net profit of €1,494m in 2016, after €1,693m in the previous year. Half of the net profit for the year under review, i.e. €747m, was allocated to Other retained earnings, leaving a net profit of €747m. Subject to the approval of the decision-making bodies, the net profit will be used to further strengthen retained earnings.

Balance sheet

Total assets of Commerzbank Aktiengesellschaft fell 2.4% or €9.5bn year-on-year to €391.6bn. In the year under review Commerzbank completed the winding-up of its wholly-owned subsidiary Hypothekenbank Frankfurt AG (HF). HF's private customer, commercial real estate and public finance portfolios were transferred to Commerzbank Aktiengesellschaft, resulting in various changes to items on the balance sheet, especially claims on customers, real estate financing, bonds and notes and Pfandbriefe in issue.

Within assets, the cash reserve rose sharply by €8.2bn to €30.6bn. This increase compared with the end of 2015 was due in particular to larger deposits with central banks. Claims on banks fell compared with the previous year, by €31.9bn to €55.5bn. This was the result of a significant drop in secured money market transactions in the form of reverse repos. This compared with claims on customers, which rose by €16.1bn compared with the previous year's level to €189.8bn. The main cause for this was the sharp €13.2bn rise in property and mortgage loans. Bonds and other fixed-income securities rose by €13.4bn to €44.3bn. The increase was due to larger holdings of bonds and notes as fixed assets. Trading assets recorded a volume of €54.5bn, compared with €67.7bn in the previous year. The decline was caused by the market values of financial derivatives and lower bonds and fixed interest securities. Holdings in affiliated companies were €8.0bn, on a par with the figure for year-end 2015.

On the liabilities side, liabilities to banks – especially in connection with the reduction in sight deposits and a decline in money market transactions – fell sharply by 16.9% to €74.5bn. Liabilities to customers were in line with the previous year at €211.1bn. Time and sight deposits were down €11.4bn in total, whereas registered Pfandbriefe posted an increase. Securitised liabilities were €36.0bn, €9.0bn higher than at the end of the previous year. This rise was mainly caused by an increase in Pfandbriefe issued.

Trading liabilities recorded a volume of €28.8bn, compared with €32.2bn in the previous year. The €3.3bn decline was the result of lower negative fair values for derivative transactions and trading liabilities. Subordinated liabilities totalled €10.1bn, €0.4bn higher year-on-year. At €0.1bn, profit-sharing certificates were €0.7bn lower year-on-year. Equity capital was 5.7% higher year-on-year at €22.3bn.

Off-balance-sheet liabilities rose overall year-on-year, with contingent liabilities slightly lower year-on-year at €33.4bn and irrevocable lending commitments up €6.6bn to €75.6bn.

Capital and reserves

Commerzbank Aktiengesellschaft's reported equity as at 31 December 2016 was €1.2bn higher compared with year-end 2015, at €22.3bn. The capital reserve was unchanged year-on-year at €17.2bn. Subscribed capital fell slightly to €1.7bn. Retained earnings were up €1.3bn on the end-2015 level, standing at €2.7bn.

Since 2007, the Bank has made use of the waiver rule of Art. 2a of the German Banking Act (KWG), which means it only reports risk-weighted assets and capital ratios for the financial institution group to the supervisory authority.

Risk-weighted assets were €190.5bn as at 31 December 2016, €7.7bn below the year-end 2015 level. The decline was mainly due to a reduction in risk assets from credit risk due to active portfolio management with increasing focus in the business, boosted by the relief effects from a securitisation. These effects were partly offset by rises in risk-weighted assets in the areas of market risk and operational risk.

Regulatory Tier 1 capital fell by around €0.8bn to €26.5bn compared with year-end 2015, chiefly as a result of the next stage in the Basel 3 phase-in. The Tier 1 ratio rose slightly to 13.9%. Common Equity Tier 1 capital was €26.5bn. Under Basel 3 phase-in rules, this is identical to Tier 1 capital. The total capital ratio was 16.9% on the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of fully implemented regulations according to our interpretation) was unchanged at 12.3% 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 5.4% (phase-in) or 4.8% (fully phased-in).

The Bank complies with all regulatory requirements. This information include the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

Summary of 2016 business position

In 2016 Commerzbank once again found itself in a difficult environment for banks, with continued low or negative interest rates. In addition, regulatory requirements for banks are continuing to weigh significantly on earnings. In this challenging environment we demonstrated last year the increased resilience of the Commerzbank business model and by growing customers, gaining market share and continuing to run down riskier non-core portfolios we laid the foundations for achieving sustainably higher profitability in the years to come.

Overall, the operating business performed solidly in 2016, despite various positive effects. From the Group perspective, it was not possible to entirely separate the operating income trend from the negative impact of the interest rate environment and customer caution in areas such as securities business and corporate financing, while another downturn in the shipping markets made it necessary to recognise more impairments.

In the Private and Small-Business Customers segment we reached and exceeded the targets set for the German private customer business in terms of customer growth, assets under custody (total credit, deposit and custody account volumes) and customer satisfaction. mBank also performed better than expected, with an improved interest rate margin largely making up for the negative impact of the introduction of the bank levy in Poland.

Activities in the Corporate Clients segment suffered from the low interest rate environment and declining customer activity in many areas during the period under review; as a result, contrary to expectations of a stable performance it was unable to match the previous year's level of operating income.

Commerzbank Aktiengesellschaft's overall net profit for the year was €1,494m, after €1,693m in the previous year. Profitability was therefore in line with what we had predicted for 2016.

Outlook and opportunities report

Future economic situation

The development of the global economy in 2017 will once again be determined by geopolitical risks as well as the economic development of emerging markets. The spotlight here remains on China, where inefficient state-owned companies have continued to invest strongly even though their profits have not increased. The investment is funded by the state-owned banks – at the expense of healthy private companies. This is likely to weaken the Chinese economy for many years. The 2017 outlook for other emerging markets also remains modest, however, as the increase in key interest rates in the USA also means the end of a decade of cheap money. Only those countries whose exports are dominated by commodities are likely to see an improvement in their economic situation, as they should benefit from the ongoing recovery in commodity prices.

We expect the US economy to grow by 2.3% in 2017. There is likely to be a renewed sharp increase in domestic demand, but the change of economic policy will not have any greater impact. It is highly unlikely that the tax cuts promised during the election campaign will be implemented in full, as that would trigger an excessively steep rise in the budget deficit. Furthermore, taxes would not fall until the second half of 2017 or early 2018. The planned infrastructure investments will probably also have only a limited impact on demand.

The US Federal Reserve is likely to raise key interest rates again in 2017 as the US economy is nearing full employment. Wages are already rising more quickly, pointing to higher inflation over the medium term.

Real gross domestic product Change from previous year	2016	2017[1]	2018[1]
USA	1.6%	2.3%	2.3%
Eurozone	1.7%	1.8%	1.6%
Germany	1.9%	1.6%	1.5%
Central and Eastern Europe	1.1%	1.9%	2.3%
Poland	2.8%	3.3%	2.8%

[1] The figures for 2017 and 2018 are all Commerzbank forecasts.

The eurozone economy is set to grow by 1.8% in 2017, slightly more strongly than in 2016, despite the unresolved problems in emerging markets. The ECB’s loose monetary policy is having an ever-greater impact on the real economy: the low interest rates are making the still high debt levels of many companies and households more sustainable. Unemployment will continue to fall thanks to the solid economic growth. However, this is unlikely to have much impact on weak wage inflation. This means that underlying inflation will also remain weak, although the energy price trend will push the average rate of inflation for 2017 to well over 1%. The UK’s vote in favour of leaving the EU will have no further impact on the eurozone economy. For one thing, it will probably be several years before the UK actually leaves. We also anticipate that it will ultimately conclude an agreement with the EU that minimises the economic disruption.

The German economy is set to grow slightly more slowly in 2017 (1.6%) than it did in 2016. However, this is due solely to the lower number of working days compared with 2016. The upturn is still being driven by consumption. Although wages will increase more slowly in real terms than in 2016 due to higher inflation, private consumption is likely to increase at a similar rate to the previous year thanks to the ongoing rise in employment. Beneath the gloss, however, there are increasing numbers of undesirable developments. Growth in the unit labour costs of German companies has been outpacing the rest of the eurozone for the last six years. And in the property market, low interest rates are driving up prices, especially in the major cities.

The US interest rate reversal and the continuation of the ECB’s expansive monetary policy will once again shape the financial markets in 2017. Yields on ten-year Bunds are likely to rise less than those on the equivalent US securities.

The DAX should climb in 2017, albeit with high volatility: its dividend yield of just under 3% looks attractive in light of the ECB's set-in-stone zero interest rate policy, and this gives scope for further rises in the price/earnings ratio.

There is unlikely to be any significant further weakening in the euro/dollar exchange rate in 2017, as the markets have already priced in a sufficient number of rate increases by the US Federal Reserve.

Exchange rates	31.12.2016	31.12.2017[1]	31.12.2018[1]
Euro/US-dollar	1.05	1.04	0.99
Euro/Sterling	0.85	0.87	0.85
Euro/Zloty	4.40	4.50	4.60

[1] The figures for 2017 and 2018 are all Commerzbank forecasts.

Future situation in the banking sector

Our views regarding the expected development of the banking sector over the medium term have not changed substantially since our statements published in the Interim Report as at 30 June 2016.

The persistently low interest rate environment and modest global economic growth are shaping the international banking environment. Increased political uncertainty in developed economies and ongoing fragility in emerging markets carry the danger of a very sudden reassessment of global risks leading to abrupt contagion effects. The markets appear to have largely priced in the USA's new economic and inflation picture already. Worries over the sustainability of high public and private debt levels keep flaring up and can increase banks' credit risks, which up to now have played a key role in stabilising earnings. Regulators are already showing concern over the volume of non-performing loans in certain eurozone countries. The low interest rate policy has impeded the clean-up of balance sheets in some countries, and the high debt levels will affect the eurozone economy for many years to come. The future course of global banking regulation has also become less certain following the US elections, while changes in the use of proprietary models to calculate capital requirements could have a negative impact on European banks and regulatory uncertainty due to the lack of international consensus may impair the functional capacity of the banking sector. There is therefore no imminent prospect of an "end to the era of regulation", as has occasionally been postulated in recent times.

As outlined above, political developments and events have become considerably more relevant for the banking sector. The financial and debt crises and growing geopolitical risks have now been joined by social trends such as disintegration and nationalism, which have the potential to repeatedly unsettle key financial sector customers such as (private and corporate) investors and exporters, particularly as they cast doubt on fundamental principles of economic policy – such as free global trade and European integration – and create disruptive risks.

There is also ongoing uncertainty on the markets regarding the capital adequacy and profitability of European banks. The focus remains on individual business models for sustainable profit generation and stress resistance in the low interest rate environment. One of the main challenges still facing banks is to adapt their business models – in view of ongoing overcapacity in some countries coupled with new technology-driven competitors – to the changed conditions, reduce costs and increase profitability. This means pushing ahead with the systematic modernisation of banking operations and making sufficient capacity available for digitalisation.

All in all, 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 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 and improved asset quality 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 limited scope for stabilising margins in the future due to the still low level of investments rates on new lending business – despite a slight increase in long-term yields and a slightly steeper yield curve – 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 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. While the plan for dealing with mortgage loans denominated in Swiss francs has eased the situation, we still expect the banking sector to come under pressure from the newly introduced bank levy and other potential measures to increase the government's influence.

The Polish economy has also been somewhat disappointing of late, which is primarily attributable to weaker capital spending due to factors such as lower inflows of funds from the EU. Foreign trade has also ceased to be a growth driver, however, while the impact of social transfers fell short of expectations. Although growth forecasts have been revised downwards, Poland remains on a solid growth path in 2017. The predicted economic growth should generally boost credit volumes, and the solid position of private households and the corporate sector will be reflected favourably in banks' risk costs.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business have changed markedly in the past few years. The pressure on profitability has increased significantly in respect of both earnings and costs. Whereas in the past, personal customer relationship management was a key element of banking, these days our customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. We are rising to these challenges with the strategic initiatives we have launched and in some cases already successfully implemented. But we face additional challenges from increasingly stringent regulatory requirements. With this in mind, the constant review of internal processes, structures and technical platforms to make ourselves leaner, more efficient and more customer-oriented is not a one-off project but an ongoing process that will occupy us over the coming years and should enable us to largely counteract the significantly tougher requirements.

The "Commerzbank 4.0" strategy announced in autumn 2016 has three main thrusts. Firstly, we are concentrating on businesses with clear competitive advantages and selling non-core activities. Secondly, we are transforming ourselves into a digital enterprise. And thirdly, we are simplifying the Bank's structure and thus boosting our efficiency. Our aim is to be the leading bank in Germany for private, small-business and corporate customers. We want to provide a modern and considered range of digital and personal services, close to the customer and offering fast and efficient processing.

The Bank will in future concentrate its customer activities in two strong sales segments – Private and Small-Business Customers and Corporate Clients.

By 2020 the Private and Small-Business Customers segment will become Germany's first truly digital multi-channel bank. The key elements of this are digital and analogue service offerings, new sales platforms and a differentiated branch concept. Our network of around 1,000 branches retains its vital central role, but we want to achieve faster growth by combining digital platform strategies with modern branch formats. The "ONE" sales application launched at the end of last year is a standardised technical platform for online and branch sales. Broad-based market coverage is assured through flagship branches focusing on advisory services and city branches that combine efficient customer service with a reduced infrastructure and lower operating costs. With the aim of gaining two million net new customers in the German market by 2020, the Bank is offering attractive products such as digital instalment loans and digital asset management and working with partners such as Tchibo, Amazon and Lufthansa. Small-business customers are handled in a separate business unit within the Private and Small-Business Customers segment. We combine strong expertise in private customer business with the credit know-how of Mittelstandsbank. New digital offerings coupled with a nationwide local presence will enable us to significantly increase our share of the business customer and smaller Mittelstand customer markets from 5% to 8%. The holistic advisory services take both business and private considerations into account.

The new Corporate Clients segment combines the Bank's traditional strengths in corporate banking – a national presence coupled with support for customers entering international markets, a unique relationship management model and a leading range of trade and export financing services – with the capital market know-how of our investment bank. We are thus creating the optimal framework for developing solutions tailored to the specific needs of larger companies. We will also leverage our expertise in Germany's key industries at a European level in order to better harness it for international growth. Our aim is to be the leading provider of hedging products for corporate customers and the number one debt house in Germany. We strive to ensure a uniformly high quality of advice worldwide. Corporate customer advisors in Germany not only coordinate the involvement of product specialists, they also work with the Bank's global client service teams. The multilingual relationship managers and specialists on the European desks in their global markets are in constant contact with corporate customer advisors in the domestic market.

We will transform the Bank into a digital enterprise across all segments. Over the next four years we will implement end-to-end digitalisation for 80% of relevant business processes. The digital campus will become the engine driving the Commerzbank transformation, testing and developing new, agile working methods and new forms of cooperation. For example, a standardised, cloud-based customer relationship management system for private, small-business and corporate customers is due to be launched in the second half of the year.

Commerzbank anticipates a capital market funding requirement of less than €10bn over the coming years. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments such as senior unsecured and Tier 2, Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. As such, Pfandbriefe are a key element of Commerzbank's funding mix. Issuance formats range from large-volume benchmark bonds to private placements.

Anticipated performance of Commerzbank Aktiengesellschaft

We expect the environment to remain very challenging in the current financial year and do not anticipate any significant relief from the interest rate environment. Although the successes we anticipate from "Commerzbank 4.0" are only scheduled to be apparent in the years that follow, we are aiming for better-quality income and earnings in 2017. With the management of operating expenses and risk remaining strict, the first milestones on the way to higher profitability should be reached.

As the Bank is managed via its segments, the information in the following sections of the outlook and opportunities report is geared towards the performance of the Commerzbank Group as a whole. We expect to see the following developments in 2017 in this regard:

Anticipated performance of individual earnings components

Strategic measures for 2017 include improving the loan/deposit ratio through rigorous deposit management and growing business in the PSBC and CC segments to counter what we believe will be continued headwinds for interest income due to extremely low market interest rates.

We will also seek to manage our risk-weighted assets more efficiently and expand business disproportionately in areas where earnings can be generated with lower capital requirements. A further area of focus is high-margin financing such as consumer loans, which Commerzbank is taking in its own books following the termination of the joint venture with BNP Paribas in the course of the year. While we once again anticipate good growth momentum in the Private and Small-Business Customers segment in Germany and at mBank, business with corporate customers is set to remain slow due to the ongoing comparatively low level of investment activity among companies and muted international trade flows. Excluding the balance of interest income from trading activities, we aim for a slight increase in net interest income overall.

The targeted slight increase in net commission income relates largely to growth in securities business. The aim is to further increase the share of volume-related income from mandate business and premium custody accounts and further reduce the sensitivity to market volatility in the future.

It is difficult to forecast net trading income because of the unpredictability of developments on the global financial markets. Commerzbank continues to apply its risk-oriented, customer-centric approach to ensure as stable a contribution as possible from this business.

Overall, net investment income and other operating income in the current financial year will be significantly below the very high level seen last year. The Bank benefited from significant one-off income in 2016, including write-ups on bonds of Heta Asset Resolution AG, gains on disposal of the stake in Visa Europe Limited and extraordinarily favourable conditions in the real estate business.

All in all, assuming no increase in interest rates we do not expect the positive performance of net interest and net commission income, the key drivers of income, to fully make up for the lack of non-recurring additional income in 2017. Total operating income is therefore likely to remain behind last year's level.

If the interest rate environment were to change, especially with a significant increase at the short end of the yield curve, income could rise significantly. At present, however, we attach only a low probability to this scenario.

In our view, Group loan loss provisions in 2017 will depend largely on the performance of the international shipping markets. We anticipate loan loss provisions of between €450m and €600m for shipping loans. We do not expect to see any improvement in the very difficult environment before the end of the year.

However, we anticipate that despite the challenging conditions we can continue reducing the portfolio in the ACR segment as we have done in previous years.

Given the cover ratio of 64% for problem loans in ship financing we see a further reduction in risk potential. Loan loss provisions in the PSBC and CC segments are likely to be at the same level as 2016.

Operating expenses excluding restructuring expenses are budgeted to be at the previous year's level again in 2017. Continued efficiency improvements will be used to drive forward digitalisation in all areas of the Group and implement additional investment measures to boost future profitability. A higher degree of flexibility also helps cover regulatory costs such as bank levies, where we expect no relief until further notice. As far as the restructuring expenses totalling €1.1bn to permanently reduce the cost base to €6.5bn by 2020 are concerned, we assume that the progress of the committee discussions geared to implementing measures to reduce complexity and adjust capacity may have a substantial impact on the allocation of the expenses over the financial years 2017 and 2018.

Anticipated segment performance

In the Private and Small-Business Customers segment, the key aim is still to grow earnings by increasing customer numbers and business volumes. The systematic transformation to a multichannel bank with innovative branch and sales concepts and our pioneering role in the digitalisation of products and processes give us a competitive advantage that we expect to help us gain additional market share. We still see growth potential in lending business, with a focus on real estate financing and consumer loans, and from even stronger penetration of the existing customer base. We also expect greater efficiency gains through process optimisations such as the central "ONE" sales platform and the streamlining of the product range. mBank, which operates one of the most innovative direct banking platforms in its peer group, will further expand the corporate and private customer base that it has already increased significantly over the last few years and thus boost its operating income. Given the continuing uncertainty over which regulatory measures the Polish government will take regarding mortgage loans issued in foreign currencies, an increase in the cost base at our Polish subsidiary cannot be ruled out. Excluding the one-off income received in 2016 (which included the sale of the stake in Visa Europe Limited and real estate transactions) and on the basis of our expectations that loan loss provisions in lending business will remain relatively stable overall in 2017, the operating profit and operating return on equity in the Private and Small-Business Customers segment will increase. There is likely to be a slight drop in the cost/income ratio.

The Corporate Clients segment will exploit the improved market position secured by bundling the strengths of the former Mittelstandsbank and Corporates & Markets segments in order to expand its customer base in 2017. The focus will be on reinforcing its leading position in trade financing and extending its existing sector expertise in various key industries to new customer groups in Germany and the rest of Europe. The digital transformation of advisory and sales processes helps further strengthen customer relationships and achieve efficiency gains. As was the case in 2016, when the decision was taken to withdraw from securities lending and collateral management and to reduce the complexity of the bank portfolio in the Financial Institutions division, we will continue to examine the product portfolio in all business areas this year in terms of customer benefit and earnings potential and thereby assess suitability for our core business. Initial losses of income from terminated activities resulting in overall segment income likely falling slightly in 2017 must be seen against the potential for significant cost savings in the medium term. Given an interest rate, capital market and regulatory environment that remains challenging, we anticipate operating profit will at most equal the level of last year. This forecast is based on the assumption that there will be no material changes in loan loss provisions. The operating return on equity and cost/income ratio will therefore remain largely stable.

In the ACR run-off segment we are sticking to our target of further significant reductions in the portfolio across all business areas – shipping, commercial real estate financing and public finance – in a manner that preserves value. Current income will continue to fall accordingly. We believe the situation on the international shipping markets will remain difficult, and as a result we expect loan loss provisions in a range of between €450m and €600m. In an ongoing stress scenario, with charter rates in some cases not high enough to cover ship owners' costs, provisioning charges could thus reach the previous year's level again. Given the provisioning ratio achieved for problem loans and the further reduction in the loan portfolio, we are targeting the ambitious lower end of the range. Therefore, excluding measurement effects (which make up a substantial amount of total income but cannot be reliably forecast), we anticipate a similar operating loss to the previous year. The operating loss may be significantly higher in an adverse scenario with larger credit losses.

General statement on the outlook for the Group

The Bank will further strengthen its market position in 2017 and concentrate on implementing the "Commerzbank 4.0" strategy. The Core Tier 1 capital ratio ("fully phased in," i.e. based on our interpretation of all the rules to be implemented) should remain at least 12%, with capital, risk-weighted assets, investments and the income statement including restructuring expenses all balancing each other out. Against this backdrop and given that operating income is likely to be lower and costs stable, we anticipate a similar consolidated net profit to last year.

The return on equity will be slightly lower than last year due to the planned full retention of earnings and associated strengthening of the capital base. The cost/income ratio is set to be slightly higher. Were the interest rate scenario to be more positive, which is contrary to current expectations, the cost/income ratio would improve – especially if short-term rates rise. Economic value added should move on a comparable scale to return on equity.

Based on our current estimates, we again anticipate a net profit in Commerzbank Aktiengesellschaft's parent company financial statements in 2017.

The first "Commerzbank 4.0" strategy milestones will further strengthen the Bank's resilience to external influences, which has already improved significantly over the last few years. Nevertheless, there are numerous risk factors that could have a major but currently unquantifiable impact on the profit forecast for 2017 should events take an unfavourable turn. These include the very uncertain political situation in Europe and the USA, the consequences of which could have a significantly detrimental effect on the global economy. The strongly export-oriented German economy would be particularly hard hit by this in certain circumstances. Regulatory or legal influences and compliance requirements also still have the potential to bring about a deterioration in the overall conditions for banking business.

Other adverse factors that could also lead to greater volatility on the capital markets include geopolitical tensions in numerous parts of the world.

Risk report

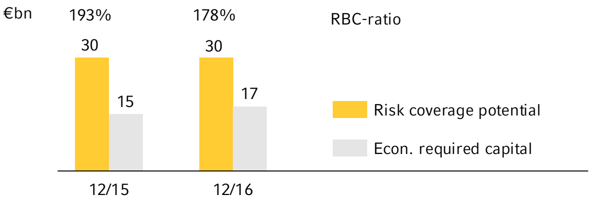
Risk reporting takes place according to the internal risk management of Commerzbank at the Group and segment level. The basis for this is formed by the financial figures according to IFRS as well as the key risk parameters according to the regulatory requirements.

Executive summary 2016

Solid capitalisation and high risk-bearing capacity ratio

- The risk coverage potential remained stable with €30bn.
- The risk-bearing capacity ratio was again on a high level at 178%.

Risk-bearing capacity

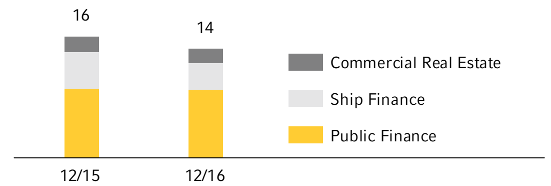


Ongoing exposure reduction in the Asset & Capital Recovery segment

- ACR exposure in the performing loan book totalled €14bn as at 31 December 2016 and was reduced by €1.9bn compared to December 2015.
- Ship Finance accounted for €1.5bn of the reduction.

EaD

€bn

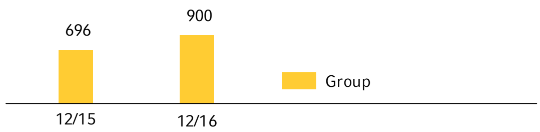


Loan loss provisions for the Group higher at €900m

- Loan loss provisions relating to the Group's lending business in fiscal year 2016 amounted to €900m.
- Main driver remained the ship finance portfolio.

Loan loss provisions

€m

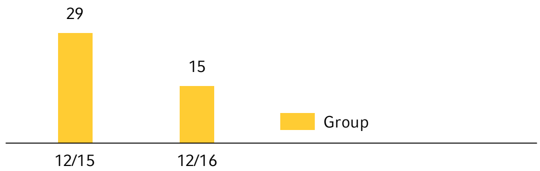


Market risk in the trading book fell in the course of 2016

- The VaR fell from €29m to €15m over the year.
- The decline was mainly caused by a defensive position in light of the political events in 2016 (Brexit, US presidential elections, referendum in Italy).

VaR

€m

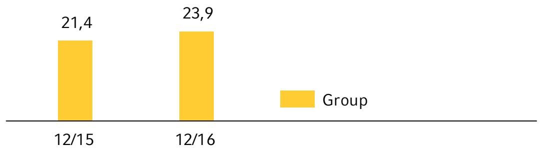


Operational risks increased year-on-year

- Risk-weighted assets from operational risks rose by €2.5bn to €23.9bn.
- The increase was caused by big external loss events.

Risk-weighted assets from operational risk

€bn



The following Risk Report is also part of the Management Report. Due to rounding, numbers and percentages may not add up precisely to the totals provided.

Risk-oriented overall bank management

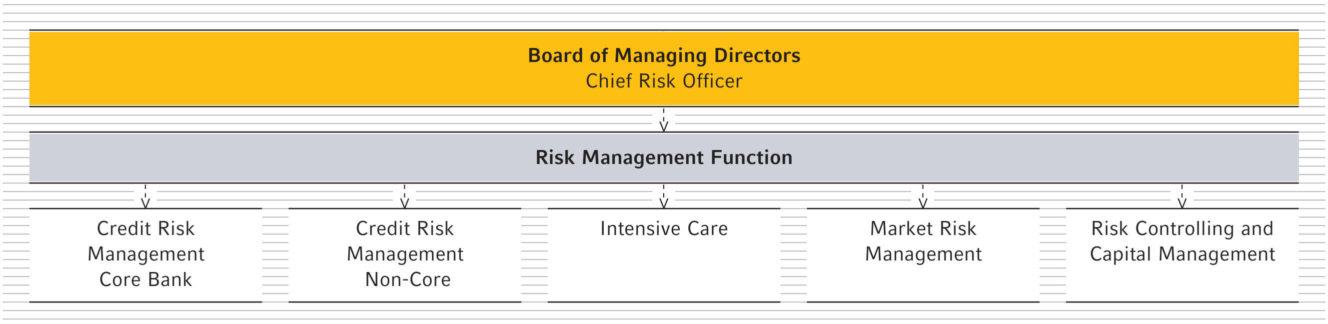
Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management, we normally distinguish between quantifiable and non-quantifiable types of risk. Quantifiable risks are those to which a value can normally be attached in financial statements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

Risk management organisation

Risk Management in Commerzbank is an overarching bank mission and follows the principle of the “three lines of defence”. Each unit (segments and functions) forms the first line of defence within its framework of operative responsibility. For credit, market and liquidity risk the responsibility for the second line of defence lies with the Chief Risk Officer (CRO). The CRO is responsible for implementing the Group’s risk policy guidelines laid down by the full Board of Managing Directors, and for the controlling of operational risks. For other risks (e.g. IT risks or legal risks) the responsibility for the second line of defence is located outside the risk function depending on the kind of risk. The third line of defence is made up of the internal audit.

The CRO is responsible for risk management and regularly reports to the full Board of Managing Directors and the Risk Committee of the Supervisory Board on the risk situation within the Group.

The responsibilities within the risk function are split between Credit Risk Management Core Bank, Credit Risk Management Non-Core, Intensive Care, Market Risk Management and 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.



The full Board of Managing Directors exclusively has responsibility for fundamental strategic decisions. The Board of Managing Directors has delegated operative risk management to committees. Under the relevant rules of procedure, these are the Group Credit Committee, the Group Market Risk Committee, the Group OpRisk Committee and the Group Strategic Risk Committee, which decides on risk issues of an overarching nature. The CRO chairs all these committees and has the right of veto. In addition, the CRO is a member of the Asset Liability Committee.

The tasks and competencies of the respective committees are described below:

The **Group Credit Committee** is the decision-making committee for operative credit risk management, comprising two representatives each from the back office and front office. The Group Credit Committee operates on the basis of the credit risk strategy. It takes decisions in line with the competencies delegated to it by the full Board of Managing Directors.

The **Group Market Risk Committee** monitors market risk throughout the Group and manages limit requirements in line with risk-bearing capacity. To do this, all market risks from the trading and banking book are analysed to identify risks early and for active risk management purposes. The focus here is on optimising the risk/return profile.

The **Group OpRisk Committee** (OpRiskCo) is responsible for managing operational risks within the Group and in this regard acts as the highest escalation and decision-making committee below the full Board of Managing Directors. The OpRiskCo also addresses all important regulatory issues that arise in connection with the management of operational risks and the implementation of the advanced measurement approach within the Group. In addition, it deals with standards on governance and assessing the functioning of the Internal Control System (ICS) within the Commerzbank Group.

The **Group Strategic Risk Committee** acts as the discussion and decision-making committee for all types of risk, and its main objective is to monitor and manage risks at portfolio level. This covers risk measurement, risk transparency and risk management.

The central **Asset Liability Committee** (ALCO) is the Commerzbank Group committee responsible for the Group-wide and integrated management of financial resources, namely capital, liquidity and balance sheet structure as well as interest surplus, in accordance with the regulatory framework. The central Asset Liability Committee monitors in particular the Group's risk-bearing capacity and, as such, plays an important part in the Internal Capital Adequacy Assessment Process (ICAAP).

The ALCO resolves the recovery plan (resolutions of the central ALCO are presented to the Board of Managing Directors for confirmation). In case of violation of a recovery plan indicator the ALCO plays a central role regarding the escalation, the estimation of the situation and the introduction of measures.

Moreover, risk issues are dealt with in the Supervisory Board's Risk Committee and in the Risk Management Board:

The **Supervisory Board's Risk Committee** is the Bank's highest risk committee. It comprises at least five Supervisory Board members. The Risk Committee's tasks include monitoring the risk management system and dealing with all risks, particularly with regard to market, credit and operational risk as well as reputational risk. The Risk Committee determines the type, scope, format and frequency of the information that must be presented to the Board of Managing Directors about strategy and risk.

The **Risk Management Board** deals with important current risk topics across all risk types as a discussion and decision-making committee within the risk function. In particular, it makes decisions on strategic and organisational developments for the risk function and is responsible for creating and maintaining a consistent risk culture.

The Chairman of the Board of Managing Directors (CEO) bears responsibility for controlling risks related to the Bank's business strategy, reputational risks and legal risks. The Chief Financial Officer (CFO) assumes responsibility for controlling compliance risk with particular regard to investor protection, insider trading guidelines and money laundering. The Chief Operating Officer (COO) is responsible for monitoring human resources and IT risks.

Risk strategy and risk management

The overall risk strategy, together with the business strategy, defines the strategic risk management guidelines for the development of Commerzbank's investment portfolio. Furthermore, the risk appetite is set as the maximum risk that the Bank is prepared and able to accept while following its business objectives without exposing itself to existential threats over and above the risks inherent in the business. The guiding idea is to ensure that the Group holds sufficient liquidity and capital. Based on these requirements, suitable limits for the risk resources capital and liquidity reserve available to the Group are defined. The overarching limits of the overall risk strategy are consistent with the recovery indicators of the recovery plan.

Banks' core functions as transformers of liquidity and risk result in inevitable threats that can in extreme cases endanger the continued existence of the institution. For Commerzbank, in view of its business model, these inherent existential threats include the default of Germany, Poland, one or more of the other major EU countries (France, Italy, Spain or the UK, although Brexit is not deemed to be a default) or the default of the USA. Others include a deep recession lasting several years with serious repercussions for the German economy, a bank run and the collapse of global clearing houses or the foreign exchange markets, possibly triggered by a cyber attack. In general, cyber risk is an accepted, inherent, existential risk for Commerzbank in the context of increasing digitalisation. These existential threats are taken on board deliberately in the pursuit of the business targets. It may be necessary to adjust the business model and hence the business and risk strategies in the medium and long term if the full Board of Managing Directors' assessment of these threats to Commerzbank changes substantially. To the extent that it is able to do so, Commerzbank makes early preparations in anticipation of forthcoming changes in regulatory requirements and accounting standards. Such changes and their (retrospective) interpretation may have lasting implications for – and even threaten the survival of – Commerzbank's business model. Commerzbank takes these "regulatory risks" into account because there are many cases where there is no option to mitigate or manage them.

The overall risk strategy covers all material risks to which Commerzbank is exposed. It is detailed further in the form of sub-risk strategies for the risk types which are material. These are then specified and made operational through policies, regulations and instructions/guidelines. By means of the risk inventory process – which is to be carried out annually or on an ad hoc basis as required – Commerzbank ensures that all risks of relevance to the Group are identified and their materiality is assessed. The assessment of the materiality of a risk is based on whether its occurrence could have a major direct or indirect impact on the Bank's risk-bearing capacity.

As part of the planning process, the Board of Managing Directors decides the extent to which the risk coverage potential of the Group should be utilised. On that basis, individual types of quantifiable risk contributing to the capital demand are limited in a second stage. A capital framework is allocated to the management-relevant units through the planning process. Compliance with limits and guidelines is monitored during the year, and management measures are put in place where required. In addition, further qualitative and quantitative early warning indicators are established in the overall risk strategy. Potential negative developments can be identified at an early stage with the help of these indicators.

One of the primary tasks of risk management is the avoidance of risk concentrations. These can arise from the synchronous movement of risk positions both within a single risk type (intra-risk concentrations) and across different risk types (inter-risk concentrations). The last one results from common risk drivers or from interactions between different risk drivers of different risk types.

By establishing adequate risk management and controlling processes, Commerzbank provides for the identification, assessment, management, monitoring and communication of substantial risks and related risk concentrations. Therefore it is ensured that all Commerzbank-specific risk concentrations are adequately taken into account. Stress tests are regularly used to ensure transparency regarding risk concentrations. Management is regularly informed about the results of the analyses so that the potential risk of losses can be avoided in good time.

Commerzbank has adopted a code of conduct that defines binding minimum standards for Commerzbank's corporate responsibility, its dealings with customers, business partners and colleagues, and its day-to-day business. It goes without saying that the Bank complies with relevant laws, regulatory requirements, industry standards and internal rules, and this therefore forms a particularly important part of its risk culture. It demands appropriate and courageous conduct in compliance with rules, and any failure to comply with rules is penalised.

The main pillar of the Bank's overall risk management and culture is the concept of "three lines of defence", which is a core element of the Corporate Charter. Under this "three lines of defence" principle, protecting against undesirable risks is an activity that is not restricted to the risk function. Each unit (segment or function) forms the first line of defence within its area of operational responsibility and is responsible for identifying and managing risks within it while complying with the prescribed risk standards and policies. For example, the front office forms the first line of defence in all business decisions and has to take risk aspects into account in reaching them. The second line of defence for each type of risk lays down standards for appropriate management of risks of that type, monitors this and ensures the application of such standards, and analyses and evaluates the risks. The risk function forms the second line of defence against credit and market risks associated with business decisions. Particularly for credit risk, this includes involvement in the credit decision process through means of a second vote. Units outside the risk function (e.g. Group Compliance and Group Finance) also operate as the second line of defence for certain risk types. The third line of defence is made up of the internal audit.

Risk ratios

Commerzbank uses a comprehensive system of ratios and procedures for measuring, managing and limiting various types of risk. The most important of these are listed below:

Economically required capital is the amount that corresponding to a high confidence level (currently 99.91% at Commerzbank) will cover unexpected losses arising from risk positions.

The **risk-bearing capacity ratio (RBC ratio)** indicates the excess coverage of the economically required capital by the risk coverage potential. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%.

Exposure at default (EaD) is the expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity in the event of default.

Expected loss (EL) measures the potential loss on a loan portfolio that can be expected within one year on the basis of historical loss data.

Risk density is the ratio of expected loss to exposure at default and thus represents the relative risk content of an exposure or a portfolio.

Value at risk (VaR) is a methodology for quantifying risk. It involves setting a holding period (such as one day) and a confidence level (such as 97.5%). The VaR value then denotes the relevant loss threshold that will not be exceeded within the holding period with a probability in line with the confidence level.

Credit value at risk (CVaR) is the economic capital requirement for credit risk with a confidence level of 99.91%. The term results from the application of the value at risk concept to credit risk measurement. Credit VaR is an estimate of the amount by which losses from credit risks could potentially exceed the expected loss within a single year, i.e. unexpected loss. The idea behind this approach is that expected loss simply represents the long-term average of lending losses, but this may vary (positively or negatively) from actual credit losses for the current business year.

In relation to bulk risk, the **"all-in" concept** comprises all customer credit lines approved by the Bank in their full amount – irrespective of the loan utilisation to date. It is independent of statistically modelled parameters to the greatest possible extent and comprises internal as well as external credit lines.

Risk-bearing capacity and stress testing

Risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's ICAAP. The purpose is to ensure that sufficient capital is held at all times.

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect 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 here by elements aimed at ensuring the institution's continuing existence (going concern perspective).

When determining the economically required capital, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they must be covered by the available economic capital to absorb unexpected losses (economic risk coverage potential). The quantification of the economic risk coverage potential is based on a differentiated view of the accounting values of assets and liabilities and involves economic valuations of certain balance sheet items.

The capital requirement for the risks taken is quantified using the internal economic capital model. When assessing the economic capital required, allowance is made for all the types of risk at the Commerzbank Group that are classified as material and quantifiable in the annual risk inventory. The economic risk approach therefore also comprises risk types that are not included in the regulatory requirements for banks' capital adequacy. The model also reflects diversification effects incorporating all types of risk. The confidence level of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-bearing capacity concept is internally consistent. The quantifiable risks in the economic capital model can be divided into default risk, market risk, operational risk and (although not shown separately in table 16 below) business risk, property value change risk, investment portfolio risk and reserve risk. Business risk is the risk of a loss resulting from discrepancies between actual income and expense and the respective budgeted figures. Business risk is considered as a deductible amount in risk coverage potential. Investment portfolio risk indicates the risk of an unexpected fall in the value of unlisted investments. Property value change risk is the risk of an unexpected fall in the value of owned property which is either already booked as an asset in the Group's balance sheet or which can be capitalised during the next twelve months by contractually assured obligations with option character (especially real estate). Reserve risk is the risk of additional charges being incurred on the portfolio of loans already in default through the creation of additional loan loss provisions. Allowance is made for this risk when considering risk-bearing capacity by means of a risk buffer. The results of the risk-bearing capacity analysis are shown using the risk-bearing capacity ratio (RBC ratio), indicating the excess of the risk coverage potential in relation to the economically required capital.

The risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In 2016, the RBC ratio was consistently above 100% and stood at 178% on 31 December 2016. The decrease in the RBC ratio compared with December 2015 is mainly due to the enhancements of the market risk methods as well as the market-related developments in the Public Finance portfolio. Although the RBC ratio has fallen since 31 December 2015, it still remains at a high level.

Risk-bearing capacity Group | €bn	31.12.2016	31.12.2015
Economic risk coverage potential[1]	**30**	**30**
Economically required capital[2]	**17**	**15**
thereof for default risk	11	11
thereof for market risk	5	3
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio[3]	**178%**	**193%**

[1] Including deductible amounts for business risk.
[2] Including property value change risk, risk of unlisted investments and reserve risk, which are not shown separately in the table.
[3] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

The risk-bearing capacity and stress testing concept is subject to an annual internal review and is refined on an ongoing basis. The development of the regulatory environment is also taken into account.

Commerzbank uses macroeconomic stress tests to review the risk-bearing capacity in the event of assumed adverse changes in the economic environment. The scenarios on which they are based take into account the interdependence in development between the real and financial economies and extend over a time horizon of at least two years. They are updated quarterly and approved by the Asset Liability Committee (ALCO). The scenarios describe an extraordinary but plausible adverse development in the economy, focusing in particular on portfolio priorities and business strategies of relevance to Commerzbank. The scenario simulation is run monthly using the input parameters of the economic capital requirements calculation for all material and quantifiable risk types. In addition to the capital required, the profit and loss calculation is also subjected to a stress test based on the macroeconomic scenarios. Based on this, changes in the risk coverage potential are simulated. Whereas the RBC ratio is embedded into Commerzbank's limit system, guidelines for risk-bearing capacity are set as an early warning system in the stressed environment. The ongoing monitoring of the limits and guidelines is a key part of internal reporting. Defined escalations are triggered if the limit is breached.

In addition to the regular stress tests, "reverse stress tests" are implemented annually at Group level. Unlike regular stress testing, the result of the simulation – a sustained threat to the Bank – is determined in advance. The aim of the analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potential and interactions of risk by identifying and assessing extreme scenarios and events. On this basis, for instance, action fields in risk management including the regular stress tests can be identified and taken into account in the ongoing development efforts.

In 2016, the risk-weighted assets resulting from Commerzbank's business activities decreased from €198bn to €191bn.

The table below gives an overview of the distribution of risk-weighted assets, broken down by segment and risk type:

Risk-weighted assets as at 31.12.2016 | €bn	Default risk	Market risk	Operational risk	Total
Private and Small-Business Customers	28	1	7	36
Corporate Clients	84	10	12	105
Others and Consolidation	22	4	3	29
Asset & Capital Recovery	13	5	2	21
Commercial Real Estate	2	0	2	4
Ship Finance	5	0	0	5
Public Finance	6	5	0	11
Group	**147**	**20**	**24**	**191**

Regulatory environment

With Basel 3, the Basel Committee on Banking Supervision published among other things comprehensive rules on the components of shareholders' equity and ratios as well as the management of liquidity risk. The Capital Requirements Directive and Regulation (CRD-IV) package of measures, constituting the European implementation of Basel 3, has been in force since 1 January 2014. The more stringent capital requirements will be phased in by 2019. Since then, numerous supplementary regulations have been published by the European Banking Authority (EBA) in particular, and these will now gradually enter into force in 2017 and in subsequent years. Commerzbank has prepared itself for the more stringent capital adequacy requirements by taking a number of steps.

In addition, under Basel 3 the leverage ratio is being introduced as a new and non-risk-sensitive debt ratio. Final calibration of the leverage ratio by the Basel Committee on Banking Supervision is intended to be completed in 2017, and the ratio is scheduled to become a minimum supervisory requirement under pillar 1 from 2018 onwards.

However, there has been a requirement to report the leverage ratio to the supervisory authority since the Capital Requirements Regulation (CRR) entered into force. Commerzbank has set its own leverage ratio targets and applies them in its capital management process.

The phasing in of capital buffers is a significant feature of the Basel 3 revision. The capital conservation buffer, the buffer for other systemically relevant institutions and the anti-cyclical capital buffer, which was set initially by BaFin at 0% for German exposure, apply from 1 January 2016 onwards. The buffer for other systemically relevant institutions was set by BaFin for Commerzbank at 0.5% for 2017.

Liquidity risk is to be monitored by means of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The LCR entered into force on 1 October 2015 and is binding on all European banks. The final version of the NSFR, approved by the Basel Committee in October 2014, is expected to enter into force on 1 January 2018. The NSFR is due to be transposed into European law as part of the Capital Requirements Regulation II (CRR II). Commerzbank is already calculating both ratios as part of its regulatory reporting processes, communicating them in its internal reporting and reporting them to the supervisory authority.

The principles for risk data aggregation and internal risk reporting in banks, published by the Basel Committee on Banking Supervision in early 2013, were implemented in prior years as part of a Group-wide project in Commerzbank. In the reporting year, the European Central Bank (ECB) started a thematic review of application of these principles by selected banks. This, together with the expected inclusion of the principles in the new MaRisk, may give rise to other activities. Synergies generated by it will be used for the Group-wide project, started in 2015, to implement "AnaCredit". This is a European Central Bank (ECB) initiative under which banks will in future be required to report a host of very detailed data on customers and loans. A first, partial report is to be submitted to the Bundesbank in the third or fourth quarter of 2017. The ECB's official initial stage begins on 31 March 2018; further stages may follow two years after the respective ECB decision.

The ECB, in its capacity as the supervisory authority for the eurozone banks directly subject to it, has conducted the Supervisory Review and Evaluation Process (SREP) and specified individual minimum capital requirements for each bank for 2017.

The EU Bank Recovery and Resolution Directive has been in force since mid-2014. It was transposed into German law in the form of the Bank Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz, SAG). Based on this law, the Financial Market Stabilisation Authority (FMSA), as the national resolution agency, took over responsibility for the drafting of resolution plans and the resolution of German banks with effect from 1 January 2015. Responsibility for the drafting of resolution plans and the resolution of at-risk banks supervised by the ECB was transferred to the Single Resolution Board (SRB) in Brussels with effect from 1 January 2016. At the same time, eurozone banks started to fund the Single Resolution Fund.

The Group-wide recovery plan was updated in 2016 to reflect the regulatory requirements. The recovery plan describes in detail for instance the courses of action and recovery potential available to the Bank in the event of a crisis and which specific recovery measures, in various stress scenarios, will enable the Bank to complete its recovery. As the European and German regulations and requirements are finalised, the Bank will further develop its recovery plan accordingly.

Commerzbank operates in markets subject to national and supranational regulation. In addition, it is subject to the overarching requirements imposed by accounting standards. Changes in regulatory requirements and accounting standards have significantly grown in frequency and materiality in recent years. They may have lasting implications for the financial industry in general and Commerzbank's business model in particular. Commerzbank participates actively and at an early stage in the consultation processes aimed at preparing for the constant changes in the operating environment. It also monitors and evaluates current developments as regards future regulatory projects. Specific examples of these at global level are the final standards for revising capital requirements for market risks now published by the Basel Committee on Banking Supervision and the work on finalising the rules on interest rate risks in the banking book and revising the framework for operational risks and credit risks, including the associated floor rules and disclosure requirements. At European level, Commerzbank will monitor the European Commission initiatives to introduce a European deposit insurance scheme and establish a capital markets union, and in particular the associated EU securitisation framework.

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.

Strategy and organisation

The credit risk strategy is the sub-risk strategy for default risks and is derived from the overall risk strategy. It is embedded in the ICAAP process of the Commerzbank Group and forms a link between the Bank's overall risk management across all risk types and the operationalisation of default risk management. The overriding aim is to ensure the adequate structural risk quality of the credit portfolio. To this end, the credit risk strategy defines the credit risk tolerance, specifies risk strategy priorities, provides an overview of the material credit risk management concepts and thereby plays an integral part in maintaining the Group's risk-bearing capacity. The credit risk strategy makes use of quantitative and qualitative management tools that give decision-makers clear guidance on both portfolio management and decisions in specific cases. Quantitative credit risk strategy guidelines limit risks with regard to poorer credit ratings and exposures with high loss-at-default contributions (concentration management) and for selected sub-portfolios. Detailed arrangements for operationalising the guidelines for selected sub-portfolios are set out in separate portfolio policies. In addition, qualitative management guidelines in the form of credit policies define the target business of the Bank. At the level of individual transactions, they regulate the transaction type with which the risk resources provided are to be used. These credit policies are firmly embedded in the credit process: transactions which do not meet the requirements are escalated through a fixed competence regulation.

The responsibilities are separated between the performing loan area on the one hand and Intensive Care on the other. Based hereupon, discrete back-office areas are responsible for operational credit risk management on a portfolio and an individual case basis.

All credit decisions in the performing loan area are risk/return decisions. The front and back office take joint responsibility for risk and return from an exposure, with the front office having primary responsibility for the return, and the back office for the risk. Accordingly, neither office can be overruled in its primary responsibility in the lending process.

Higher-risk Core Bank customers are handled by specialist Intensive Care areas. The customers are moved to these areas as soon as they meet defined criteria for assignment or mandatory transfer. The principal reasons for assignment to Intensive Care areas are criteria relating to number of days overdrawn, together with event-related criteria such as rating, third-party enforcement measures or credit fraud. Intensive Care decides on further action based on the circumstances of individual cases. Customers must be transferred to Intensive Care if they are in default (for example due to insolvency). This graduated approach ensures that higher-risk customers can continue to be managed promptly by specialists in a manner appropriate to the risks involved and in defined standardised processes.

In the ACR segment, by contrast, there is no separation of responsibilities between the performing loan area and Intensive Care. Credit risk management here has been merged into one unit across all rating classes.

The aim is to fully wind down all the assets grouped in this segment in a way that preserves value. To this end, EaD-based guidelines have been established and an asset management programme has been implemented. This is carried out through regular asset planning. The main aim here is to prioritise the winding down or reduction of those parts of the portfolio and individual loans for which the capital requirement is particularly high. Opportunities for selling sub-portfolios in a way that preserves value may also be used to free up capital as part of the systematic portfolio reduction. For business in Public Finance, the reduction is primarily through regular maturities of assets. Market opportunities that arise are used in a targeted way for the sale of individual assets.

Risk management

Commerzbank manages default risk using a comprehensive risk management system. The management framework comprises an organisational structure, methods and models, quantitative and qualitative management tools and regulations and processes. The risk management system ensures that the entire portfolio and the sub-portfolios, right down to individual exposure level, are managed consistently and thoroughly on a top-down basis.

The ratios and measures required for the operational process of risk management are based on overarching Group objectives. They are enhanced at downstream levels by sub-portfolio and product specifics. Risk-based credit approval regulations focus management attention in the highest decision-making bodies on issues such as risk concentrations or deviations from the risk strategy.

Operational credit risk management still aims to preserve the good portfolio quality achieved. It focuses on supporting growth in granular lending business and on limiting risks with regard to poorer credit ratings and exposures with high loss-at-default contributions (concentration management). The Bank also continually carries out checks of its credit processes to identify possible improvement measures. The concern is not only to provide staff with ongoing training and development, but also to reinforce a uniform risk culture throughout the Group and in particular to increase compliance awareness.

Commerzbank's rating and scoring methods, which are used for all key credit portfolios, form the basis for measuring default risks. Both the calibration of the probabilities of default assigned to individual counterparties or loans and the calculation of loss ratios are based on an analysis of historical data from the Commerzbank portfolio.

Country risk management is based on the definition of risk limits as well as country-specific strategies for achieving a desired target portfolio.

Back-office activities in domestic corporate customer business are organised by industry sector, which makes it possible to directly identify issues at sub-portfolio level and implement appropriate measures at individual loan level. This organisation by sector ensures the effectiveness and efficiency of preventative measures and enhances forecasting quality in respect of the development of risk.

Potential negative developments and constantly changing regulatory requirements make responsive credit portfolio management essential, and so ensuring that the credit portfolio is sufficiently flexible is another key action field in credit risk management. In addition, crisis events may pose a risk to the adequacy of the Bank's capital and liquidity resources and thereby to its risk-bearing capacity. Examples include exceptionally large government, bank and/or company defaults, but also extreme trends in sectors, currencies and commodity prices, as well as the impact of sanctions, war and terror. In a crisis, the Risk Mitigation Task Force (RMTF) will manage decisions flexibly in a coordinated, Group-wide process. As part of the process, emergency action plans will ensure that risk-mitigation measures, tailored to the type of risk, are implemented quickly and efficiently.

Management of economic capital commitment

Economic capital commitment is managed in order to ensure that the Commerzbank Group holds sufficient capital. With this object in view, all risk types in the overall risk strategy for economic risk capital are given limits on a Group-wide basis, with, in particular, a CVaR limit being specified. Due to the systematically restricted options for reducing default risk on a short-term basis, it is important to take account of expected trends (medium-term and long-term) in order to manage credit risk. For this reason, forecast values of credit risk parameters play a key role in ongoing management. At segment and business area level, changes to forecasts are monitored and adjustments made when necessary. There is no cascaded limit concept for credit risk below Group level, i.e. the Group credit limit is not allocated to segments or business areas.

Overview of management instruments and levels

	Risk strategies and policies	Limit and guideline systems	Portfolio monitoring and reporting	Structures of organisation and committees
Group	Overall risk strategy plus sub-risk strategies for significant risk types Establishment of a general risk understanding and creation of a uniform risk culture	Definition of Group limits (across all risk types) for capital and liquidity management Additional definition of guidelines as key points of the aspired target portfolio	Group Risk & Capital Monitor plus risk type specific Group formats (including flash reporting) Uniform, consolidated data repository as basis for Group reporting	Ensuring exchange of information and networking in committees that operate across all risk types Retaining qualified staff in line with progressive product innovation or regulatory adjustments
Sub-portfolios	Clear formulation of risk policy in guidelines (portfolios, asset classes, etc.) Differenciated credit authorities based on compliance of transactions with the Bank's risk policy	Performance metrics on level of risk categories and sub-portfolios Expansion of Group-wide performance metrics using sub-portfolio-specific indicators	Portfolio batches as per established portfolio calendar Asset quality review and analysis of High Attention Parts (HAP) Trigger monitoring with clear escalation and reporting lines	Interdisciplinary composition of segment committees Ensuring uniform economic opinions
Individual exposures	Rating-dependent and bulk-sensitive credit authority regulations with clear escalation processes	Limitation of bulk risk and uniform management according to model-independent all-in definition	Limit monitoring at individual exposure level Monthly report to the Board of Managing Directors on the development of bulk risks Review of individual customers/exposures resulting from asset quality review or HAP analyses	Deal team structures Institutionalized exchange within the risk function, also taking account of economic developments Sector-wise organization of domestic corporate business

Rating classification

The Commerzbank rating method comprises 25 rating classes for loans not in default (1.0 to 5.8) and five default classes (6.1 to 6.5). The Commerzbank master scale allocates a non-overlapping range of probabilities of default that are stable over time to each rating class. The rating methods are validated and recalibrated annually so that they reflect the latest projection based on all actual observed defaults. The default ranges assigned to the ratings are the same for all portfolios. This ensures internal comparability consistent with the master scale method. For the purpose of guidance, the Commerzbank master scale also shows external ratings as well as credit quality steps in accordance with Article 136 CRR. However, a direct reconciliation is not possible, because external ratings of different portfolios show fluctuating default rates from year to year.

The credit approval authorities of both individual staff and the committees (full Board of Managing Directors, credit committee, credit sub-committees) are graduated by a range of factors including size of exposure and rating class.

Commerzbank master scale

Commerzbank AG rating	PD and EL mid-point %	PD and EL range %	S&P scale		Credit quality steps in accordance with Article 136 CRR[1]	
1.0	0	0	AAA	AAA	I	Investment grade
1.2	0.01	0–0.02				
1.4	0.02	0.02–0.03	AA+	AA		
1.6	0.04	0.03–0.05	AA, AA–		II	
1.8	0.07	0.05–0.08	A+, A	A		
2.0	0.11	0.08–0.13	A–			
2.2	0.17	0.13–0.21	BBB+	BBB	III	
2.4	0.26	0.21–0.31	BBB			
2.6	0.39	0.31–0.47				
2.8	0.57	0.47–0.68	BBB–			
3.0	0.81	0.68–0.96	BB+	BB	IV	Non-investment grade
3.2	1.14	0.96–1.34	BB			
3.4	1.56	1.34–1.81				
3.6	2.10	1.81–2.40	BB–			
3.8	2.74	2.40–3.10	B+	B	V	
4.0	3.50	3.10–3.90				
4.2	4.35	3.90–4.86	B			
4.4	5.42	4.86–6.04				
4.6	6.74	6.04–7.52				
4.8	8.39	7.52–9.35	B–			
5.0	10.43	9.35–11.64				
5.2	12.98	11.64–14.48	CCC+, CCC, CCC–, CC, C	CCC, CC, C	VI	
5.4	16.15	14.48–18.01				
5.6	20.09	18.01–22.41				
5.8	47.34	22.41–99.99				
6.1		>90 days past due				
6.2		Imminent insolvency				
6.3	100	Restructuring with recapitalisation	D			Default
6.4		Termination without insolvency				
6.5		Insolvency				

[1] CRR = Capital Requirements Regulation (EU) No 575/2013.

Management of risk concentrations

The avoidance of risk concentrations is a core strategy of risk management. Risk concentrations are actively managed in order to identify at an early stage and contain the increased potential for loss in the synchronous movement of risk positions. In addition to exposure-related credit risk concentrations (bulk risks), default risk also includes country and sector concentrations. Segment-specific features are taken into account here.

A uniform definition based on "all-in" is used to manage bulk risk. The all-in concept comprises all customer credit lines approved by the Bank in their full amount – irrespective of the loan utilisation to date.

Management and the Supervisory Board's Risk Committee are regularly informed about the results of the analyses.

Risk mitigation

As at 31 December 2016, the collateral taken into account in Group risk management totalled €96.7bn for positions in the performing book and €2.3bn for positions in the default portfolio. The collateral mainly relates to mortgages on owner-occupied and buy-to-let residential property and on commercial properties and various forms of guarantees. The ship finance portfolio is mostly backed by ship mortgages.

Commerzbank Group

Due to the success of the reduction in the former Non-Core Assets (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 former Mittelstandsbank segment. The remaining mortgage loan portfolio of around €2bn was transferred to former Private Customers segment. Group Treasury in the Others and Consolidation segment took over most of the Public Finance portfolio of about €36bn. The criteria for the transfer of assets were good credit quality, low earnings volatility and suitability for the liquidity portfolio. The remaining assets of originally around €18bn were transferred to the new Asset & Capital Recovery (ACR) segment.

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

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

Credit risk parameters The credit risk parameters in the Commerzbank Group are distributed in the rating classes 1.0 to 5.8 over the segments as follows:

Credit risk parameters as at 31.12.2016	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	140	300	21	2,171
Corporate Clients	195	548	28	5,897
Others and Consolidation	81	103	13	1,974
Asset & Capital Recovery	14	343	239	797
Group	**431**	**1,294**	**30**	**10,839**

When broken down on the basis of PD ratings, 80% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

Rating breakdown as at 31.12.2016 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private and Small-Business Customers	33	50	13	3	1
Corporate Clients	21	57	17	4	2
Others and Consolidation	54	42	4	0	0
Asset & Capital Recovery	4	58	8	16	15
Group	**30**	**52**	**13**	**3**	**2**

The Group's country risk calculation records both transfer risks and region-specific event risks defined by political and economic events which impact on the individual economic entities of a country. Country risks are managed on the basis of defined credit risk and transfer risk limits at country level. Country exposures which are significant for Commerzbank due to their size, and exposures in countries in which Commerzbank holds significant investments in comparison to the GDP of those countries are handled by the Strategic Risk Committee on a separate basis.

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities.

Group portfolio by region as at 31.12.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	220	403	18
Western Europe	99	224	23
Central and Eastern Europe	38	165	43
North America	30	52	17
Asia	26	41	16
Other	16	409	249
Group	**431**	**1,294**	**30**

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, Turkey and China are closely monitored. As at the end of the fourth quarter of 2016, exposure to Russia was €2.9bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.2bn and exposure to China was €3.9bn.

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 fourth quarter of 2016, Commerzbank's Italian sovereign exposure was €9.5bn, while its Spanish sovereign exposure was €3.6bn.

Loan loss provisions Loan loss provisions relating to the Group's lending business in 2016 amounted to €900m. This figure includes a one-off charge of €28m net arising from the regular annual update of risk parameters. Loan loss provisions were €204m above the previous year's level.

The anticipated year-on-year increase in loan loss provisions is due to the ongoing difficult environment for ship financing. We expect additional loan loss provisions to also be required in 2017. At the same time, reversals of loan loss provisions in the Corporate Clients portfolio, which remained significant in 2016, will continue to reduce. Loan loss provisions for 2017 in the Private and Small-Business Customers and Corporate Clients segments are likely to be at the same level as in 2016. We anticipate loan loss provisions of between €450m and €600m for ship financing. In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

Loan loss provisions | €m	2016	2015
Private and Small-Business Customers	119	167
Corporate Clients	185	108
Others and Consolidation	–3	60
Asset & Capital Recovery	599	361
Group	**900**	**696**

Default portfolio The default portfolio stood at €6.9bn as at the end of 2016, representing an overall decrease of €0.2bn compared with the previous year.

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

Default portfolio Group | €m	31.12.2016	31.12.2015
Default volume	6,914	7,124
SLLP	3,243	3,371
GLLP	673	800
Collaterals	2,256	2,556
Coverage ratio excluding GLLP (%)[1]	80	83
Coverage ratio including GLLP (%)[1]	89	94
NPL ratio (%)[2]	1.6	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).

The default portfolio is divided into five classes based on the nature of the default:

- Rating class 6.1: Over 90 days past due.
- Rating classes 6.2/6.3: Imminent insolvency, or the Bank is assisting in financial rescue/restructuring measures at the customer with restructuring contributions.
- Rating classes 6.4/6.5: The Bank recalls the loan and the customer has become insolvent respectively.

The table below shows the breakdown of the default portfolio based on the five default classes:

Rating classification as at 31.12.2016 | €m	6.1	6.2/6.3	6.4/6.5	Group
Default volume	685	3,116	3,112	6,914
SLLP	162	1,389	1,692	3,243
Collaterals	423	965	868	2,256
Coverage ratio excl. GLLP (%)	85	76	82	80

Overdrafts in the performing loan book In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, IT-based management of overdrafts starts on the first day the account is overdrawn. The table below shows overdrafts outside the default portfolio based on the exposure at default as at end of December 2016.

EaD €m	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Private and Small-Business Customers	618	57	27	2	703
Corporate Clients	1,733	46	62	1	1,842
Asset & Capital Recovery	554	2	17	0	573
Group[1]	**2,998**	**105**	**106**	**3**	**3,211**

[1] Including Others and Consolidation.

Private and Small-Business Customers segment

The Private and Small-Business Customers segment comprises the activities of Private Customers, Small-Business Customers, comdirect bank and Commerz Real. mBank is shown with the Private and Small-Business Customers segment. Private Customers includes Commerzbank's branch business in Germany for private customers as well as Wealth Management. Small-Business Customers contains business customers and small corporate customers.

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €67bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €18bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans, credit cards, to a total of €9bn). The portfolio's expansion in 2016 was largely the result of consistent growth in residential mortgage loans.

The year-on-year decline in risk density by 3 basis points to 21 basis points was mainly due to Private Customers and mBank.

Credit risk parameters as at 31.12.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	84	106	13
Business Customers	24	61	26
comdirect bank	3	7	23
Commerz Real	1	2	39
mBank	29	124	42
Private and Small-Business Customers	**140**	**300**	**21**

Loan loss provisions in the Private and Small-Business Customers segment further fell by €48m year-on-year to €119m. The historically low loan loss provisions for the Private Customers segment were the driver for this reduction as well as a by €15m lower loan loss provisions of mBank.

Along the lines of the positive development of the loan loss provisions the default volume in the segment decreased by €226m to €1,737m compared with 31 December 2015.

Default portfolio Private and Small-Business Customers | €m	31.12.2016	31.12.2015
Default volume	1,737	1,963
SLLP	834	945
GLLP	155	168
Collaterals	675	736
Coverage ratio excluding GLLP (%)	87	86
Coverage ratio including GLLP (%)	96	94
NPL ratio (%)	1.2	1.5

Corporate Clients segment

This segment comprises the Group's activities with mid-size corporate clients, the public sector, institutional customers and multinationals. The segment is also responsible for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The regional focus of our activities is Germany and the rest of western Europe.

The Group's customer-driven capital markets activities remain within this segment.

Credit risk parameters as at 31.12.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	85	192	23
International Corporates	65	129	20
Financial Institutions	30	129	43
Equity Markets & Commodities	4	4	10
Other	11	94	86
Corporate Clients	**195**	**548**	**28**

The EaD of the Corporate Clients segment decreased from €205bn to €195bn compared to 31 December of the previous year. Risk density was 28 basis points.

The economic environment in Germany remains stable. However, 2016 was dominated in part by greater political uncertainty, particularly with the referendum in the UK on whether the country should leave the EU and with the US presidential elections. The heightened uncertainty was reflected in market price volatility, which was severe in some cases but did not have a major impact on our credit portfolio.

For details of developments in the Financial Institutions portfolio, please see page 109.

Loan loss provisions in the Corporate Clients segment were still at a low level with €185m although significantly higher than the previous year's figure of €108m which was largely affected by reversals of loan loss provisions.

The default volume of the segment increased by €511m compared to the end of 2015. The rise was mainly due to the default of a few large individual customers.

Default portfolio Corporate Clients | €m	31.12.2016	31.12.2015
Default volume	3,363	2,852
SLLP	1,563	1,592
GLLP	323	371
Collaterals	780	429
Coverage ratio excluding GLLP (%)	70	71
Coverage ratio including GLLP (%)	79	84
NPL ratio (%)	1.7	1.4

At the end of December 2016, the volume of new investments entered into since 2014 in the Structured Credit area was slightly below the year-end 2015 level, at €2.4bn overall. In general, we have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile.

During 2016, the volume of the Structured Credit positions, which were already in the portfolio prior to 2014, decreased by €3.5bn to a total of €2.4bn (December 2015: €5.9bn) and risk values[1] by €0.7bn to €1.0bn (December 2015: €1.7bn). As before, a large part of the portfolio was made up of CDOs (€1.2bn). Total return swap positions with a volume of €2.8bn matured in 2016 and were repaid in full.

Asset & Capital Recovery segment

After the re-segmentation in the first quarter of 2016 the Asset & Capital Recovery segment comprises positions of the portfolios in the areas of Commercial Real Estate (CRE) and Ship Finance (SF) and complex financings from the Public Finance area. The intention is that all the portfolios in this segment should be completely wound down over time.

EaD for the segment in the performing loan book totalled €14bn as at 31 December 2016, €1.9bn lower than at the end of 2015.

Credit risk parameters as at 31.12.2016	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	2	33	174
Ship Finance	4	288	820
Public Finance	9	22	24
Asset & Capital Recovery	**14**	**343**	**239**

Commercial Real Estate The portfolio further decreased due to redemptions and repayments. Due to recoveries in the default portfolio the perfoming portfolio decreased only minimally to €1.9bn. There were no major developments on the risk side. Risk density fell to 174 basis points.

Stable market conditions are expected for the short to medium term.

Ship Finance Compared with 31 December 2015, ship finance exposure in the performing loan book was reduced by €1.5bn in line with our reduction strategy.

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

[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.

Public Finance The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€4.7bn 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).

The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in Europe and the USA.

Loan loss provisions I €m	2016	2015
Commercial Real Estate	42	36
Ship Finance	559	325
Public Finance	– 1	0
Asset & Capital Recovery	**599**	**361**

Loan loss provisions in the ACR segment stood at €599m, representing a rise of €238m compared with the previous year. The rise was almost completely due to the shipping portfolio. Ongoing declining charter rates, the decreasing liquidity of the ship owners and limited resaleability led to new defaults as well as to need for higher loan loss provisions for already defaulted engagements. A comprehensive and sustainable improvement of the difficult environment is not expected for 2017 either.

Despite further inflows in the ship finance portfolio, the default volume decreased further by €394m in 2016 compared with 2015. The fall was mainly due to recoveries and repayments in the Commercial Real Estate area.

	31.12.2016			31.12.2015		
Default portfolio ACR I €m	**ACR**	**CRE**	**SF**	**ACR**	**CRE**	**SF**
Default volume	1,805	562	1,243	2,199	1,038	1,160
SLLP	838	210	628	733	193	540
GLLP	192	20	172	262	45	213
Collaterals	800	334	466	1,390	787	604
Coverage ratio excluding GLLP (%)	91	97	88	97	94	99
Coverage ratio including GLLP (%)	101	101	102	108	99	117
NPL ratio (%)	11.2	22.7	26.2	11.9	33.0	18.9

Further portfolio analyses

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

Corporates portfolio by sector

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

Corporates portfolio by sector as at 31.12.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	17	38	22
Consumption	15	40	27
Technology/Electrical industry	12	26	22
Transport/Tourism	12	27	22
Wholesale	12	40	34
Basic materials/Metals	11	38	36
Chemicals/Plastics	10	39	39
Mechanical engineering	10	31	32
Services/Media	9	30	32
Automotive	9	21	23
Pharmaceutical/Healthcare	5	13	25
Construction	5	15	34
Other	5	6	12
Total	**131**	**364**	**28**

Financial Institutions portfolio

The focus remains – after the reduction in the number of our correspondent banks – on the trade finance activities that we carry out on behalf of our corporate clients and on capital market activities.

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

We are keeping a close eye on developments in some emerging markets with individual issues such as recessions, embargoes or certain dependencies on the price of oil, and have responded with flexible portfolio management that is tailored to the individual situation of each country.

Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

	31.12.2016			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	6	6	11	5	6	12
Western Europe	17	21	12	20	46	23
Central and Eastern Europe	5	21	43	5	23	48
North America	2	3	15	2	3	17
Asia	10	27	27	13	36	28
Other	6	36	58	8	32	43
Total	**46**	**114**	**25**	**52**	**146**	**28**

Non-Bank Financial Institutions portfolio

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

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

NBFI portfolio by region	31.12.2016			31.12.2015		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	26	15	16	23	14
Western Europe	12	24	20	15	48	33
Central and Eastern Europe	1	4	65	1	3	58
North America	8	10	14	8	5	6
Asia	1	1	11	1	2	16
Other	1	1	14	2	1	8
Total	**39**	**67**	**17**	**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 31 December 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.

Securitisation pool €bn	Maturity	Commerzbank volume[1] Senior	Mezzanine	First loss piece	Total volume[1] 31.12.2016	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, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). The volume and risk values in the Silver Tower conduit increased sharply by €0.9bn year-on-year in 2016, due to new deals and increases in existing transactions, and as at 31 December 2016 stood at €4.1bn.

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 2016, the volume was €5.3bn (December 2015: €4.7bn) and risk values were €5.2bn (December 2015: €4.6bn), both slightly up year-on-year.

Forbearance portfolio

In 2013 the European Banking Authority (EBA) introduced a new definition of "forbearance". The EBA's definition of forbearance comprises two requirements, which have to be met concurrently: The debtor is in financial difficulties and the measures of the bank to help the debtor include concessions to the debtor that the bank would not have agreed to under different circumstances. This definition applies irrespective of whether the debtor is in the performing or the non-performing portfolio. Examples of concessions include deferrals, increases in limits or loans and waivers in connection with restructuring.

The definition of forbearance applies independently from whether the debtor is in the performing or the non-performing portfolio. Whereas in the non-performing portfolio a high LLP coverage is ensured by GLLP as well as by SLLP, for engagements in the performing portfolio only GLLP is used. The result is a significantly lower LLP coverage for the forbearance portfolio than for the default portfolio.

The forbearance portfolio is already completely included in the previous representations of the performing book and the default portfolio.

The following table shows the total forbearance portfolio of Commerzbank on the basis of the EBA definition as well as the loan loss provision for these positions:

Forbearance portfolio by segment as at 31.12.2016	Forborne exposure €m	Loan loss allowance[1] €m	LLP coverage ratio %
Private and Small-Business Customers	1,126	129	11
Corporate Clients	3,923	524	13
Asset & Capital Recovery	2,633	495	19
Group	**7,682**	**1,148**	**15**

[1] SLLP and GLLP.

The forbearance portfolio by region is as follows:

Forbearance portfolio by region as at 31.12.2016	Forborne exposure €m	Loan loss allowance €m	LLP coverage ratio %
Germany	4,680	546	12
Western Europe	1,681	382	23
Central and Eastern Europe	589	154	26
North America	25	<1	0
Asia	72	15	21
Other	635	50	8
Group	**7,682**	**1,148**	**15**

In addition to the loan loss provisions in the amount of €1,148m, the risks of the forbearance portfolio are covered by collateral in the amount of €1,731m.

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are reflected in the revaluation reserve or in hidden liabilities/reserves.

Strategy and organisation

Commerzbank's market risk strategy is derived from its overall risk strategy and the business strategies of the individual segments. It sets targets for market risk management in relation to Commerzbank's main business activities. The core market risk management tasks are the identification of all key market risks and drivers of market risk for the Group and the independent measurement and evaluation of these. The results and estimates serve as the basis for risk/return-oriented management.

The Board of Managing Directors of Commerzbank is responsible for ensuring the effective management of market risk throughout the Commerzbank Group. Specific levels of authority and responsibility in relation to market risk management have been assigned to the appropriate market risk committees.

Within the Bank, various market risk committees have been established. In these, segment representatives, along with representatives from the risk function and finance area, discuss current risk positioning issues and decide on appropriate action. Chaired by the risk function, the Group Market Risk Committee, which meets monthly, deals with the Commerzbank Group's market risk position. Discussions centre on the monthly market risk report which is also presented to the Board of Managing Directors for their consideration. The report summarises the latest developments on financial markets, the Bank's positioning and subsequent risk ratios. The Segment Market Risk Committee, which focuses on the trading-intensive Corporate Clients and Treasury areas, meets once a week. This committee also manages market risks arising from non-core activities (Asset & Capital Recovery).

The risk management process involves the identification, measurement, management and monitoring of risks and reporting on them. It is the responsibility in functional terms of market risk management, which is independent of trading activities. Central market risk management is complemented by decentralised market risk management units at segment level and for regional units and subsidiaries. The close integration of central and local risk management with the business units means that the risk management process starts in the trading areas themselves. The trading units are responsible in particular for the active management of market risk positions, e.g. reduction measures or hedging.

Risk management

Commerzbank uses a wide range of quantitative and qualitative tools to manage and monitor market risk. Quantitative limits for sensitivities, value at risk, stress tests, scenario analyses and ratios on economic capital limit the market risk. Our comprehensive rulebook, in the form of market risk policies and guidelines as well as restrictions on portfolio structure, new products, maturities and minimum ratings, establishes the qualitative framework for market risk management. The market risk strategy lays down the weighting of figures in each segment by reference to their relevance. Thereby allowance is made for the varying impact of the parameters for the management of the segments in line with the business strategy.

Market risk is managed internally at Group level, segment level and in the segment's reporting units. A comprehensive internal limit system broken down to portfolio level is implemented and forms a core part of internal market risk management.

The quantitative and qualitative factors limiting market price risk are determined by the market risk committees by reference to the Group's management of economic capital. The utilisation of these limits, together with the relevant net income figures, is reported daily to the Board of Managing Directors and the responsible heads of the Group divisions. Based on qualitative analyses and quantitative ratios, the market risk function identifies potential future risks, anticipates potential financial losses in collaboration with the finance function, and draws up proposals for further action, which are discussed with the market units. Voting on the proposed measures or risk positions takes place in the above-mentioned market risk committees and is subsequently submitted to the Board of Managing Directors for approval.

Risk concentrations are restricted directly with specific limits or are indirectly avoided, for example, using stress test limits. In addition, the combination of various conventional risk measures (e.g. VaR, sensitivities) ensures the appropriate management of concentration risks. Furthermore, risk drivers are analysed on a regular basis in order to identify concentrations. The risk management of existing concentrations is also reviewed using situation-driven analyses and, where necessary, supplemented by targeted measures, such as limits.

Any limits that are breached are handled in a separate escalation procedure. After a limit breach has been identified, the front office and risk units design measures to bring the respective portfolio back within the limit. If the limit breach cannot be remedied within a few days, it will be escalated by the market risk function to the next hierarchical level.

Regulatory risk measures that are not included in economic risk-bearing capacity are limited and managed separately. These include, for example, stressed VaR and incremental risk charge (IRC).

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 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.

At year end, the VaR for the overall book had fallen by €33m to €85m. The VaR of the trading book also fell over the year, from €29m to €15m. The decline was mainly caused by a defensive position in light of the political events in 2016 (Brexit, US presidential elections, referendum in Italy).

VaR contribution | €m	**31.12.2016**	**31.12.2015**
Overall book	**85**	**118**
thereof trading book	15	29

Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients and Treasury divisions.

The VaR fell from €29m to €15m over the year.

VaR of portfolios in the trading book | €m	**2016**	**2015**
Minimum	14	17
Mean	30	25
Maximum	46	39
VaR at end of reporting period	**15**	**29**

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

The VaR trend in 2016 shows a marked decrease in foreign exchange risks. Interest rate and equity price risks declined moderately. Credit spread and commodity risks remained stable in 2016.

VaR contribution by risk type in the trading book | €m	31.12.2016	31.12.2015
Credit spreads	5	6
Interest rates	3	4
Equities	2	4
FX	4	14
Commodities	1	1
Total	**15**	**29**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and is adjusted where necessary. The crisis observation period was changed in the course of the year. This caused a sharp rise in stressed VaR, from €27m at the end of 2015 to €48m at the reporting date.

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions.

The reliability of the internal model is monitored by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The process draws a distinction between "clean P&L" and "dirty P&L" backtesting. In the former, exactly the same positions in the income statement are used as were used for calculating the VaR. This means that the profits and losses solely result from changes in market prices. In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are included. If the loss actually calculated exceeds the loss forecast from the VaR estimate, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In 2016, we saw three negative clean P&L outliers and one negative dirty P&L outlier. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

The VaR and stress test models are validated regularly. The identification and elimination of model weaknesses are of particular importance. Against this background, in 2016 regulatory and internal model adjustments were implemented as well as an application for a model change to further improve the accuracy of risk measurement was sent to the supervisory authority. This was especially due to a changed market environment for interest rates and volatilities.

In November 2016, a new division was created to bundle validation activities for risk models for all risk types.

Banking book

The key drivers of market risk in the banking book are the Treasury portfolios, with their credit spread, interest rate and basis risks, and the area of Asset & Capital Recovery (ACR) – Public Finance, along with the positions held by the subsidiaries Commerzbank Finance & Covered Bond S.A. and LSF Loan Solutions Frankfurt GmbH.

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) fell modestly by €4m by the end of 2016, reaching €50m as at the reporting date.

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 €2,120m, while the −200 basis points scenario would result in a potential loss of €558m as at 31 December 2016. Commerzbank does not therefore need to be classified as a bank with higher interest rate risk as the negative changes in present value account for less than 20% of regulatory capital. These figures include the exposures of Commerzbank Aktiengesellschaft and significant subsidiaries.

Pension fund risk is also part of market risk in the banking book. Our pension fund portfolio comprises a well-diversified investment section and the section of insurance-related liabilities. The duration of the liabilities is extremely long (cash outflows modelled over almost 90 years) and the main portion of the overall portfolio's present value risk is in maturities of 15 years and over. Main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics. Equity, volatility and foreign exchange risk also need to be taken into consideration. Diversification effects between individual risks reduce the overall risk. The extremely long maturities of these liabilities represent the greatest challenge, particularly for hedging credit spread risk. This is because there is insufficient liquidity in the market for corresponding hedging products.

Market liquidity risk

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

The first step is to create a realistic downsizing profile for each portfolio on the basis of its product and risk strategies and an assessment of the market. This enables portfolios to be classified in terms of their convertibility into cash using a "market liquidity factor". The market liquidity factor takes into account the heightened volatility of portfolio value resulting from the extended holding period for risk positions in line with the portfolio's downsizing profile. The market risk of every portfolio is then evaluated based on a one-year view and weighted with the market liquidity factor.

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

Liquidity risk

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

Strategy and organisation

The Board of Managing Directors adopts the business strategy and the Bank's risk tolerance, which is associated with it. Liquidity risk tolerance is then operationalised by defining the liquidity reserve period and the limit framework. In order to ensure an appropriate liquidity risk management process, the Board of Managing Directors delegates certain competences and responsibilities in connection with the Group-wide liquidity risk strategy to the Risk and Treasury functions.

The central Asset Liability Committee (ALCO) is responsible for limiting, analysing and monitoring liquidity risk and for strategic liquidity positioning. ALCO is supported by various sub-committees in this.

Risk management

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. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

The Bank has established early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity.

Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures.

In the event of a liquidity crisis, the emergency plan provides for various measures for different types of crisis that can be launched by the central ALCO. The emergency plan forms an integral part of Commerzbank's recovery plan and is updated at least once a year, whereas the individual liquidity emergency measures are checked regularly during the year for plausibility. The emergency plan also defines a clear allocation of responsibilities for the processes to be followed in emergency situations and gives details of any action that may need to be taken.

Liquidity risk model

A key component of liquidity risk management is the daily calculation of the liquidity gap profile. The liquidity gap profile shows the deterministic or stochastic inflows and outflows expected in the future on a given reporting date and across all portfolios. This forms the basis for calculating liquidity requirements or excess liquidity per maturity band. This also includes modelling the proportion of customer deposits that will be permanently available, known as the core deposit base.

The liquidity gap profile is also used to set the issuance strategy of the Commerzbank Group, which is operationalised by the Group Treasury division. Group Finance is responsible for calculating and allocating liquidity costs on the basis of the liquidity gap profile, which are then incorporated in the management of the segments' business activities.

Based on the liquidity gap profile, management mechanisms such as recovery and early warning indicators are limited and monitored accordingly. The liquidity gap profile is limited in all maturity bands. The Group limits are broken down into individual Group units and currencies. The internal liquidity risk model is complemented by the regular analysis of additional adverse, reverse and historic stress scenarios.

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the stricter requirements of the Minimum Requirements for Risk Management (MaRisk). Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the full Board of Managing Directors.

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates a market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, extensions of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets.

As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – deterministic and modelled cash flows in existing business on one hand, extensions on the other.

The table below shows the liquidity gap profile after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at 31 December 2016, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €18.5bn and €21.6bn respectively.

Net liquidity in the stress scenario | €bn		31.12.2016
Idiosyncratic scenario	1 month	23.0
	3 months	27.5
Market-wide scenario	1 month	26.6
	3 months	29.9
Combined scenario	1 month	18.5
	3 months	21.6

Liquidity reserves

Significant factors in the liquidity risk appetite include the reserve period, the size of the liquidity reserve portfolio held to compensate for unexpected short-term liquidity outflows, and the limits in the various maturity bands. As the liquidity reserve portfolio consists of highly liquid assets, it functions as a buffer in stress situations. The liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors.

As at the reporting date, the Bank had a liquidity reserve of €80.0bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. The Bank also operates an intraday liquidity reserve portfolio, which amounted to €8.4bn as at the reporting date.

The liquidity reserves in the form of highly liquid assets consists of the following three components:

- Level 1 contains cash holdings, withdrawable deposits at central banks, assets of central governments, regional and local governments, public-sector entities, multilateral development banks and international organisations, banks with state guarantees, qualifying units or equities of undertakings for collective investment (UCIs) with level 1 assets, excluding extremely high quality covered bonds, as underlyings, covered bonds (min. rating AA–, min. issue volume €500m, min. overcollateralisation 2%).
- Level 2A contains assets of central governments, central banks, regional and local governments, public-sector entities (with a 20% risk weighting); also covered bonds (not contained in Level 1), corporate bonds (min. rating AA–, min. volume €250m, max. original maturity 10 years), qualifying units or equities of UCIs with level 2A assets as underlyings.
- Level 2B contains equities (from main indices), corporate bonds (min. rating BBB–, min. volume €250m, max. original maturity 10 years), qualifying units or equities of UCIs with corporate bonds (credit quality steps 2/3), equities (major equity index) or non-interest bearing assets (held by banks for religious reasons) (credit quality steps 3-5) as underlyings.

Liquidity reserves from highly liquid assets | €bn	31.12.2016
Exposure of highly liquid assets	80.0
thereof Level 1	64.6
thereof Level 2A	13.6
thereof Level 2B	1.8

Liquidity ratios

In 2016, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the external regulatory German Liquidity Regulation; at the end of the year, the liquidity ratio under the German Liquidity Regulation stood at 1.52.

The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards. At the start of the new financial year 2017, the ratio to be complied with is 80%. Commerzbank significantly exceeded the stipulated minimum ratio of 70% on every reporting date in 2016, meaning that its LCR remained very comfortably in excess of minimum statutory requirements last year.

Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes legal risks; it does not cover strategic or reputational risks. Given its high economic significance, compliance risk is managed as a separate risk type. In line with the CRR, however, losses from compliance risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

Strategy and organisation

Within Commerzbank, OpRisk and governance issues of the Internal Control System (ICS) are closely connected in terms of both organisational structure and methodology and are continuously being enhanced. This is because many OpRisk cases are closely linked with failures in the control mechanisms. A properly functioning ICS thereby helps to reduce or avoid losses from operational risks and thus to lower the amount of capital required to cover operational risks in the medium to long term. Conversely, the operational risk management systems enable the ICS to adapt itself consistently to them. The reinforcement of the ICS structure is an essential aspect of the pro-active reduction or prevention of operational risks.

Chaired by the CRO, the Group OpRisk Committee meets four times a year and deals with the management of operational risks within the Commerzbank Group. It also acts as the escalation and decision-making committee for key OpRisk topics that span all areas. The Management Boards and/or the Segment Committees with responsibility for operational risk deal with the management of operational risk in the relevant units. They analyse OpRisk issues that affect them, such as loss events, and define subsequent measures or recommend action.

Commerzbank's OpRisk strategy is approved on an annual basis by the full Board of Managing Directors after it has been discussed and voted upon in the Group OpRisk Committee. The OpRisk strategy describes the risk profile, key elements of the desired risk culture, its management framework and measures to be taken by Commerzbank to manage operational risk.

As such, OpRisk management is based on three consecutive levels (three lines of defence) which, when taken together, are crucial for reaching the given strategic aims.

Risk management

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

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS back-testing 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.

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets from operational risks on this basis amounted to €23.9bn at the end of 2016 (31 December 2015: €21.4bn), while economically required capital was €2.0bn (31 December 2015: €1.8bn).

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

	31.12.2016		31.12.2015	
€bn	RWA	ErC	RWA	ErC
Private and Small-Business Customers	7.0	0.6	7.6	0.6
Corporate Clients	11.7	1.0	7.7	0.6
Others and Consolidation	3.3	0.3	3.9	0.3
Asset & Capital Recovery	1.9	0.2	2.2	0.2
Group	**23.9**	**2.0**	**21.4**	**1.8**

The total charge for OpRisk events at the end of 2016 was around €36m (full-year 2015: €130m). The events were dominated by losses in the categories "Process related" and "External fraud".

OpRisk events[1] | €m	31.12.2016	31.12.2015
Internal fraud	1	1
External fraud	26	– 1
Damages and IT failure	1	9
Products and business practices	– 21	90
Process related	29	45
HR related	0	– 14
Group	**36**	**130**

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

A structured, centralised and decentralised reporting system ensures that the management of the Bank and its segments, members of the OpRisk Committees and the supervisory bodies are informed regularly, promptly and fully about operational risk. OpRisk reports are produced quarterly. They contain changes in OpRisk losses, the segments' main loss events, current risk analyses, changes in the capital requirement and the status of measures implemented. Operational risks are also part of the regular risk reporting process to the full Board of Managing Directors and to the Risk Committee of the Supervisory Board.

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. The following risk types except model risk are outside the responsibility of the CRO.

Legal risk

According to the CRR, legal risk falls within the definition of operational risk. It primarily arises for the Commerzbank Group when the Bank's claims cannot be enforced for legal reasons or when claims can be made against the Bank because the underlying law was not observed or has changed since a transaction was concluded.

The operation of banking and financial services transactions that are subject to regulatory provisions may also result in legal risk. This risk may also take the form of orders or sanctions issued or imposed by one or more authorities whose supervision Commerzbank is subject to anywhere in the world. Legal risk also arises in realised losses or provisions due to or in connection with court cases brought against Commerzbank (passive proceedings). Cases brought by Commerzbank (active proceedings) generally represent a credit risk rather than an operational risk, so the risk of loss is already taken into account through write-downs. However, the costs of legal action (court and lawyers' costs) for active proceedings are classified as legal risk.

Organisation Within Commerzbank, the functional management of legal risk throughout the Group is the responsibility of Group Legal.

All legal staff at the various Group Legal locations including the foreign branches as well as the legal staff of the legal departments of the domestic and foreign subsidiaries are as legal risk managers operationally responsible for the identification and management of the Group-wide legal risk within Commerzbank.

Risk management The task of the Group's legal risk managers is to detect legal risks and all losses potentially resulting from them at an early stage, to highlight possible solutions that might avoid or minimise such losses, and to play an active part in reaching decisions concerning legal risks. They must ensure that they are always up to date with all legal changes or new findings within their area of responsibility and inform the business units affected about the impact on legal risk and any action that needs to be taken as a result.

The legal risk managers are responsible for arranging or adjusting legal provisions and look after and monitor new and ongoing court proceedings.

In the case of passive proceedings provisions are recognised on the basis of the risk assessment carried out by the responsible legal risk manager. The expected risk of loss for proceedings generally corresponds to the size of the provisions to be recognised. To estimate the expected loss, the amount that the Bank would reasonably have to pay to settle the dispute at the current point in time should be calculated after each significant stage in the proceedings. In the case of active proceedings provisions are usually only recognised for the expected court and lawyers' costs.

Group Legal provides information about all major court proceedings and risk trends in the quarterly Legal Risk Report. This report is sent to the Bank's management and Supervisory Board, the supervisory authority and the OpRisk Committee.

Current developments Commerzbank 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 as well as to legal conditions, which may render them more restrictive, in private customer 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.

Regulatory authorities and governmental institutions in various countries, where Commerzbank and its subsidiaries are or have been active, have been investigating irregularities regarding foreign exchange rate fixings and the foreign exchange business in general in the last couple of years. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the company with requests for information and brought one case. Commerzbank is cooperating fully with these bodies and is also looking into the relevant matters on the basis of its own comprehensive investigations. The possibility of financial consequences arising from some of these matters cannot be ruled out; however, it is not yet possible to make more precise statements in that regard.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date ("cum-ex transactions"). Commerzbank is cooperating fully with the authorities. It had already initiated a forensic analysis of cum-ex transactions at the end of 2015 which is still ongoing.

In December 2016, the tax authority issued an amended decision to Commerzbank regarding the offsetting of capital gains taxes and the solidarity surcharge with respect to "cum-cum transactions" for the year 2009. Commerzbank lodged an appeal against the tax credit thus refused, which has yet to be decided. The tax authority granted a request based on this legal opinion that enforcement be suspended.

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

Compliance risk

As part of its code of conduct, Commerzbank has defined binding minimum standards for Commerzbank's corporate responsibility, its dealings with customers and business partners, as well as its colleagues with each other, which have a material impact on day-to-day business. It goes without saying that the Bank complies with relevant laws, regulatory requirements, industry standards and internal rules, and this therefore forms an important part of its risk culture.

The risk that may arise from the failure to adhere to key legal regulations and requirements is referred to as compliance risk. It includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance as well as fraud and corruption.

Commerzbank does not tolerate breaches of applicable laws, rules and regulations. It will not pursue deals where it knows or suspects that the business activities will lead to illegal behaviour. As such, it will not enter into transactions with people or companies who deliberately take part in illegal activities.

To prevent compliance risks, Commerzbank has implemented hedging systems and controls for its transactions, customers, products and processes. These procedures for ensuring compliance with material legal provisions and requirements are referred to in their entirety as a compliance management system. Commerzbank's compliance management system is based on international market standards and the regulatory requirements in the various countries which are relevant for Commerzbank's business activities. To take account of Commerzbank-specific characteristics, individual compliance standards for Commerzbank are derived from this standard.

Under this "three lines of defence" principle, protecting against undesirable compliance risks is an activity that is not restricted to the compliance function (Group Compliance). Instead, the organisational control and monitoring elements are aligned in three sequential levels. Commerzbank has established an extensive compliance committee structure encompassing committees within the compliance function and cross-segment committees.

Commerzbank is constantly developing its compliance management system in order to meet its responsibilities and cope with the growing complexity and increasing regulatory requirements, thereby enabling it to secure its long-term business success. In this context, the full Board of Managing Directors has launched a global Compliance Change Management Programme to drive a stronger compliance culture within Commerzbank that goes beyond its business-related compliance requirements.

In March 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions and undertook to implement additional measures to improve compliance-relevant processes The settlement also includes a three-year period of good conduct.

Based on the settlements, the Bank has engaged an independent monitor, selected by the New York State Department of Financial Services (DFS) at its sole discretion. The monitor's mandate is to conduct a comprehensive review of Commerzbank's compliance standards, as measured against the requirements of the Office of Foreign Assets Control (OFAC), the Bank Secrecy Act (BSA) and anti-money laundering laws, where these pertain to or affect the activities of its New York branch. The Bank is cooperating fully with the monitor. This includes, inter alia, granting it immediate access to relevant bank data, documents and employees and supporting its work to the best of its abilities. In light of the experiences of other banks, it cannot be totally ruled out that Commerzbank will be subject to further measures during the period of good conduct and from the activities of the monitor.

Reputational risk

Reputational risk is the risk that stakeholders may lose confidence in Commerzbank or that its reputation may be damaged as a result of negative events in its business activities. Commerzbank's stakeholder groups include in particular the public and the media, non-governmental organisations and its customers. In the present-day competitive environment, a company's reputation is becoming more and more important. One of the factors determining it is the Bank's handling of sustainability considerations in its core business (intrinsic reputational risks). Companies are judged not only on the basis of people's personal experiences of them, but also of reports reaching the public, especially through the media. Reputational risk therefore goes hand in hand with communication risk.

Strategy and organisation All employees and managers have a fundamental duty to protect and reinforce Commerzbank's good reputation as a material element of its enterprise value. The segments and significant subsidiaries bear direct responsibility for reputational risk resulting from their particular business activity. The Reputational Risk Management department is part of the central Group Communications division of the Commerzbank Group and focuses on intrinsic reputational risk that may directly lead to reputational damage for stakeholder groups. It maintains close links with the relevant market units. Management of intrinsic reputational risk is the responsibility of the Chairman of the Board of Managing Directors. It is a component of Commerzbank's overall risk strategy. Its task is to identify, evaluate and address intrinsic reputational risk in systematic processes at an early stage and suggest or implement appropriate measures (early warning function).

Risk management Managing intrinsic reputational risk means identifying potential environmental, social and ethical risks at an early stage and reacting to them in order to reduce any potential communication risk or even preventing it completely. Intrinsic reputational risk is managed by means of a qualitative approach. As part of a structured process, transactions, products and customer relationships in connection with sensitive areas are assessed with reference to environmental, social and ethical risks on a qualitative five-point scale. Depending on the outcome they may be assessed unfavourably, have conditions imposed on them, or even be rejected outright.

The sensitive areas regularly and comprehensively analysed in Reputational Risk Management include armaments exports and transactions, products and customer relationships relating to power generation and commodities extraction. Commerzbank's attitude towards these areas is laid down in positions and guidelines that are binding for all employees. Commerzbank's Reputational Risk Management department regularly observes and analyses new environmental, ethical and social issues and forwards them to the relevant parts of the Bank. The reputational risks identified and addressed by the department are incorporated into the quarterly report on non-quantifiable risks prepared for the Supervisory Board's Risk Committee and the quarterly report on major and high reputational risks prepared for the CFO and the responsible segment boards.

IT risk

IT risk is a form of operational risk. Our internal definition of IT risk includes risks to the security of information processed in our systems in terms of meeting the four IT protection targets set out below:

Confidentiality: Information is confidential if it is not accessible to, or capable of being reconstructed by, unauthorised persons, business processes or IT systems.

Integrity: Information possesses integrity if it has not been modified or destroyed by any unauthorised means. An information-processing system (IT system) possesses integrity if it can perform its intended functions without hindrance and free of unauthorised manipulations, whether deliberate or accidental.

Traceability: Actions and technologies applied to information are traceable if they themselves and their source can be traced back without any ambiguity.

Availability: Information is available if it is always capable of being used to a predefined extent by authorised persons, business processes and IT systems when it is required.

Commerzbank attaches great importance to the protection and security of its own information, of that entrusted to it by customers, and of the business processes and systems used to process it. They form a permanent core element in our IT strategy. The processing of information is based increasingly on information technologies. As such, our IT security requirements are at the heart of information security management. IT security requirements are based on the IT protection targets referred to above and are set down in policies and procedural instructions.

IT risks are identified, evaluated and regularly reviewed as part of IT governance processes. IT risk is covered in the quarterly IT risk report. Information security is also established as a principal objective for our internal control system.

The most important IT risks are also evaluated as part of operational risk management through risk scenarios and considered in the Bank's RWA calculation. This includes the risk of a breakdown of critical IT, the risk of externals attacking the systems or data of the Bank (cyber crime and advanced persistent threat (APT)[1] scenarios), the theft of corporate data or the default of service providers and vendors.

Given the major importance of IT security to Commerzbank, it is continually further developed and improved by means of strategic projects. We have taken into account the significance of the "human" factor in IT security and cyber security by introducing additional training and awareness-raising measures, which we will push ahead with in 2017. In 2016 we also launched a comprehensive analysis of the Bank's internal control system, with the aim of ensuring that the internal control system takes all cyber risks into account.

Human resources risk

Human resources risk falls within the definition of operational risk referred to in the Capital Requirements Regulation (CRR). The internal, management-oriented interpretation of this definition at Commerzbank includes the following elements in human resources risk:

Adjustment risk: We offer selected internal and external training, continuing education and change programmes to ensure that the level of employee qualifications keeps pace with the current state of developments, structural changes are supported accordingly and our employees can fulfil their duties and responsibilities.

Motivation risk: Employee surveys enable us to respond as quickly as possible to potential changes in our employees' level of corporate loyalty and to initiate adequate measures.

Departure risk: We take great care to ensure that the absence or departure of employees does not result in long-term disruptions to our operations. We also monitor staff turnover on a regular basis from both a quantitative and a qualitative perspective.

Supply risk: Our quantitative and qualitative staffing aims to ensure that internal operating requirements, business activities and Commerzbank's strategy can be implemented.

Employees are a key resource for Commerzbank. Our success is based on the specialist knowledge, skills, abilities and motivation of our employees. Human resources risk is systematically managed by Group Human Resources with the aim of identifying, assessing and managing risks as early as possible, for instance by applying selected personnel tools. The Board of Managing Directors is regularly informed about human resources risk. In addition, systematic and strategic personnel planning helps to put the management of medium- and long-term human resources risks on a more professional footing. Since mid-2016 we have been introducing strategic personnel planning throughout the Bank based on the pilot projects completed by the end of 2015.

Overall, the Bank will continue to monitor human resources risk. There is a risk of the human resources risk situation deteriorating due to the impending structural changes under the Commerzbank 4.0 strategy. Change and organisational measures have already been initiated to counter human resources risk.

[1] An advanced persistent threat is a special form of cyber attack. The intention of an APT attack is to remain undetected for as long as possible in order to steal sensitive information (internet espionage) or cause other types of damage over a longer period.

Business strategy risk

Business strategy risk is the medium- to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example as a result of changes in market conditions or the inadequate implementation of the Group strategy.

Group strategy is developed further in a process that takes into account both external and internal factors. On the basis of these factors, the full Board of Managing Directors sets out a sustainable business strategy describing the major business activities and steps required to meet the targets. To ensure proper implementation of the Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and the segments.

Responsibility for strategic corporate management lies with the full Board of Managing Directors. Specific business policy decisions (acquisition and sale of equity holdings representing > 1% of Commerzbank AG's regulatory equity capital) also require the authorisation of the Supervisory Board's Risk Committee. All major investments are subject to careful review by the full Board of Managing Directors.

Model risk

Model risk is the risk of incorrect management decisions based upon an inaccurate depiction of reality by the models used. With regard to the causes of model risk we distinguish between model risk from exceeding model boundaries and model risk from model errors (manual errors in model development/implementation). Corresponding to the focus of the Group risk strategy to ensure that the Bank is adequately capitalised, the models for assessing risk-bearing capacity (capital requirements according to Pillars 1 and 2 of the Basel framework) are central for risk management.

The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of model reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management requirements relating to model validation and model changes are established.

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.

Income statement of Commerzbank Aktiengesellschaft for the period from 1 January to 31 December 2016

€m				2016	2015
Interest income from					
a) Lending and money market transactions	7,376				7,963
less negative interest from money market transactions	348				–209
		7,028			7,754
b) Fixed-income securities and debt register claims		922			706
			7,951		8,460
Interest expenses					
Interest expenses from banking business		–3,591			–4,534
less positive interest from banking business		286			111
			–3,305		–4,423
				4,646	**4,037**
Current income from					
a) Equities and other non-fixed-income securities			3		2
b) Equity holdings			61		119
c) Holdings in affiliated companies			56		212
				120	**333**
Income from profit-pooling and from partial or full profit-transfer agreements				**265**	**300**
Commission income			3,067		3,342
Commission expenses			–603		–651
				2,464	**2,691**
Net trading income/expense				**–203**	**–191**
of which release as defined by Art. 340 e (4) sentence 2 no. 1 of HGB	–				216
Other operating income				**451**	**331**
General administrative expenses					
a) Personnel expense					
aa) Wages and salaries		–2,591			–2,733
ab) Compulsory social-security contributions, expenses forpensions and other employee benefits		–581			–367
of which for pensions	–193				34
			–3,172		–3,100
b) Other administrative expenses			–2,324		–2,321
				–5,496	**–5,421**
Depreciation, amortisation and write-downs of intangible and fixed assets				**–411**	**–331**
Other operating expenses				**–367**	**–330**
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business				**–3,228**	**–**
Income from write-ups on loans and certain securities and from the release of provisions in lending business				**–**	**846**
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**–**	**–154**
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets				**525**	**–**
Expenses from the transfer of losses				**–601**	**–60**
Profit or loss on ordinary activities				**–1,835**	**2,051**
Extraordinary income			3,867		–
Extraordinary expenses			–170		–126
Profit or loss on extraordinary activities				**3,697**	**–126**
Taxes on income			–334		–199
Other taxes			–34		–33
				–368	–232
Net profit				**1,494**	**1,693**
Transfer to retained earnings				–747	–846
Distributable profit				**747**	**847**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2016

Assets | €m				31.12.2016	31.12.2015
Cash reserve					
a) Cash on hand			1,169		1,077
b) Balances with central banks			29,452		21,325
of which with Deutsche Bundesbank		16,212			14,860
				30,621	**22,402**
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks					
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers			341		3,232
				341	**3,232**
Claims on banks					
a) Payable on demand			7,612		8,250
b) Other claims			47,888		79,188
of which public-sector loans		172			175
				55,500	**87,438**
Claims on customers				**189,833**	**173,730**
of which secured by mortgages on real estate		46,750			36,035
secured by mortgages on ships		2,481			4,260
public-sector loans		12,271			7,285
Bonds and other fixed-income securities					
a) Money market instruments		–			25
of which rediscountable at Deutsche Bundesbank	–				25
			–		25
b) Bonds and notes					
ba) Issued by public-sector borrowers		25,267			14,639
of which rediscountable at Deutsche Bundesbank	19,512				13,944
bb) Issued by other borrowers		18,335			16,304
of which rediscountable at Deutsche Bundesbank	13,668				13,355
			43,602		30,943
c) Own bonds			744		7
Nominal amount €741m					
				44,346	**30,975**

Assets | €m				31.12.2016	31.12.2015
Equities and other non-fixed-income securities				**244**	**288**
Trading assets				**54,455**	**67,747**
Equity holdings				**452**	**380**
of which	investments in banks	305			305
	investments in financial services companies	5			1
Holdings in affiliated companies				**7,964**	**8,075**
of which	investments in banks	2,844			2,509
	investments in financial services companies	297			581
Fiduciary assets				**857**	**1,131**
of which	loans at third-party risk	422			482
Intangible assets					
a) Proprietary intellectual property rights and similar rights and assets			866		721
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets			291		265
				1,157	**986**
Fixed assets				**534**	**553**
Other assets				**3,333**	**2,777**
Accrued and deferred items					
a) From issuing and lending business			210		235
b) Other			281		351
				491	**586**
Excess of plan assets over liabilities				**1,422**	**742**
Total assets				**391,550**	**401,042**

Balance sheet of Commerzbank Aktiengesellschaft as at 31 December 2016

Liabilities and shareholders' equity | €m			31.12.2016	31.12.2015
Liabilities to banks				
a) Payable on demand		19,489		27,729
b) With agreed term or notice period		55,014		61,944
of which issued registered mortgage Pfandbriefe	322			–
issued registered public Pfandbriefe	801			–
issued registered ship Pfandbriefe	39			29
			74,503	**89,673**
Liabilities to customers				
a) Savings deposits				
aa) With agreed notice period of three months	7,161			6,905
ab) With agreed notice period of more than three months	20			47
		7,181		6,952
b) Other liabilities				
ba) Payable on demand	133,056			136,447
bb) With agreed term or notice period	70,886			67,297
		203,942		203,744
of which issued registered mortgage Pfandbriefe	3,685			–
issued registered public Pfandbriefe	7,347			833
issued registered ship Pfandbriefe	1,067			1,261
			211,123	**210,696**
Securitised liabilities				
a) Bonds and notes issued		30,655		22,053
aa) Mortgage Pfandbriefe	10,958			4,158
ab) Public Pfandbriefe	3,109			1,073
ac) Ship Pfandbriefe	10			112
ad) Other bonds	16,578			16,710
b) Other securitised liabilities		5,373		4,930
ba) Money market instruments	5,329			4,883
bb) Own acceptances and promissory notes outstanding	44			47
			36,028	**26,983**
Trading liabilities			**28,837**	**32,183**
Fiduciary liabilities			**857**	**1,131**
of which loans at third-party risk	422			482
Other liabilities			**4,190**	**5,448**
Accrued and deferred items				
a) From issuing and lending business		16		19
b) Other		499		673
			515	**692**

Liabilities and shareholders' equity | €m				31.12.2016	31.12.2015
Provisions					
a) Provisions for pensions and similar commitments			49		37
b) Provisions for taxes			529		361
c) Other provisions			2,424		2,282
				3,002	**2,680**
Subordinated liabilities				**10,099**	**9,699**
Profit-sharing certificates outstanding				**105**	**767**
of which maturing in less than two years		25			662
Fund for general banking risks				**–**	**–**
of which allocation pursuant to Art. 340e (4) HGB		–			–
Equity					
a) Subscribed capital					
aa) Share capital	1,252				1,252
Treasury shares	–				–
(conditional capital €569m)		1,252			1,252
ab) Silent participations		448			491
			1,700		1,743
b) Capital reserve			17,192		17,192
c) Retained earnings[1]			2,652		1,308
d) Distributable profit			747		847
				22,291	**21,090**
Liabilities and shareholders' equity				**391,550**	**401,042**
1. Contingent liabilities					
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers			2		7
b) Liabilities from guarantees and indemnity agreements			33,442		35,368
				33,444	**35,375**
2. Other commitments					
a) Irrevocable lending commitments				**75,554**	**68,985**

[1] Other retained earnings only.

Notes

General information

(1) Basis of preparation

Commerzbank Aktiengesellschaft is headquartered in Frankfurt am Main and is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The financial statements of Commerzbank Aktiengesellschaft as at 31 December 2016 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG) and the German Pfandbrief Act (Pfandbriefgesetz, PfandBG). In order to appropriately reflect the universal nature of Commerzbank Aktiengesellschaft's banking business, the structuring rules for Pfandbrief banks were taken into account by including „Of which" sub-headings under the relevant items. In order to make the financial statements clearer, we have expanded the details of mortgages on ships and of ship Pfandbriefe.

In addition to the financial statements – consisting of the income statement, the balance sheet and the notes – a management report has been prepared in accordance with Art. 289 HGB.

Unless otherwise indicated, all amounts are shown in millions of euros. In the income statement and balance sheet, 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.

In the notes on Pfandbriefe, the amounts in millions of euro are quoted to one decimal place. Small differences may occur in totals and percentage figures due to rounding.

(2) Accounting and measurement policies

The cash reserve is stated at nominal value. Debt issued by public-sector borrowers is shown at net present value. Claims on banks and customers are reported at amortised cost, less any valuation allowances that have been recognised. Commissions paid or other ancillary costs are added to the acquisition cost of claims, while fees received are the main deduction. Differences between acquisition cost and the nominal amount are recognised in net interest income over the life of the claim at a constant effective interest rate.

Loan loss provisions are calculated for all on-balance-sheet claims and off-balance-sheet transactions at individual transaction level or on a portfolio basis using internal parameters and models. In doing so we distinguish between significant and non-significant exposures. Provision is also made for country risks in these calculations. The level of the provision for each individual default risk is based on the difference between the carrying amount of the claim and the net present value of the expected future cash inflows on the claim, calculated using the discounted cash flow method and allowing for any collateral held. General loan loss provisions are estimated using models. The increase in net present value due to the decreased discounting effect over time is shown under interest income in the income statement.

Securities in the liquidity reserve are shown according to the rules for current assets at the lower of acquisition cost or fair value with the strict lower-of-cost-or-market value principle applied, unless they are reported as a hedge relationship. Securities held as fixed assets are treated in accordance with the modified lower-of-cost-or-market principle.

Equity holdings and holdings in affiliated companies are carried at amortised cost, in accordance with the rules for fixed assets. If the impairment of a holding is expected to be permanent, the carrying amount of the asset is written down. If the reasons for an impairment cease to exist, the asset is written up to a maximum of the amortised cost.

Write-downs and valuation allowances are shown net of write-ups in the income statement. In the case of securities in the liquidity reserve, they are reported under write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business. Securities held as long-term investments are reported under write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets.

We use derivative financial instruments both to hedge the fair value of positions and for trading purposes and measure them individually as at the reporting date. Hedge relationships including derivative hedging transactions are recognised in accordance with the principles of Art. 254 HGB. We predominantly use the gross hedge presentation method for the hedge accounting of micro hedges in the liquidity reserve, with the net hedge presentation method used for a small number of selected portfolios. The underlying and hedging transactions in micro hedges on the liabilities side and portfolio hedges are accounted for using the net hedge presentation method, with the gross hedge presentation method used for one selected portfolio. Internal transactions are accounted for using the arm's length principle.

We measure the trading portfolio at fair value minus a risk charge in accordance with Art. 340 e (3) HGB. In accordance with Art. 255 (4) HGB the fair value corresponds to the market price. For listed products, market prices are used; for unlisted products, comparable prices and indicative prices from pricing service providers or other banks are used. The risk discount is calculated on the basis of the regulatory value-at-risk approach in such a way that the anticipated maximum loss from the trading books will not be exceeded with a 99% probability over a holding period of 10 days. A historical observation period of one year is used. The value-at-risk is calculated centrally for the entire portfolio and deducted from trading assets on the balance sheet. If an addition to the fund for general banking risks is required in the reporting year in accordance with Art. 340 e (4) HGB, this is deducted from net trading income. In accordance with Art. 340 e (4) sentence 2 no. 1 HGB we reverse the fund for general banking risks wholly or in part to offset a net trading expense. Variation margins payable and due on exchange-traded derivatives are reported on a net basis within other assets and other liabilities.

Commerzbank Aktiengesellschaft offsets positive and negative fair values and the associated margin payments (cash collateral) of OTC derivatives with both central counterparties and non-central counterparties in the trading portfolio. In order for offsetting to be carried out with non-central counterparties, a framework agreement must be in place containing an enforceable credit support annex with the daily exchange of cash collateral and only insignificant residual credit or liquidity risk. In a first step, positive fair values of derivative financial instruments are offset against negative fair values. In a second step, margin payments relating to the fair values – contained within liabilities to banks – are offset against positive fair values of derivative financial instruments. Moreover, collateral paid – which is contained in the claims on banks item – is offset against negative fair values of derivative financial instruments. The amounts thus offset from the margins and fair values are reported in the trading assets or liabilities on a net basis.

The fair value of securities and derivative financial instruments is based either on prices available on a market or valuation models. If fair value cannot be determined, the acquisition cost is used in accordance with Art. 255 (4) HGB. If mathematical valuation models are used to determine fair value, we use parameters available on the market as far as possible (for example yield curves, volatilities and spreads), including further discounts and premiums to take into account risk, liquidity, funding and administrative costs and the cost of capital.

The fair value of derivative financial instruments is closely linked to the performance of the underlying instruments. The underlying instruments for derivatives are, in particular, shares, bonds, foreign currencies, precious metals and commodities as well as indices and interest rates. Future expected fluctuations in value of the underlying and the term of the derivative itself also have an impact on the fair value.

Where no market prices are available on an active market, fair value is determined by various methods, including valuation models. Both the valuation models selected and the parameters used depend on the individual product and are in line with market standards.

As far as possible, forward transactions are concluded to cover interest rate, exchange rate and market price fluctuations. The fair value for forward transactions and swaps is determined using discounted cash flow methodology based on the yield curve for the relevant currency.

Standardised and digital options are generally priced using the Black-Scholes model. Binomial approaches and Monte Carlo simulations are used for more complex options. Monte Carlo simulations are also used for other structured derivatives.

For non-exchange-traded derivatives held in the trading portfolio, counterparty default risk is accounted for by recognising credit valuation adjustments (CVA), with Commerzbank Aktiengesellschaft's non-performance risk accounted for by recognising debit valuation adjustments (DVA). In the case of funding valuation adjustments (FVA), the funding costs or benefits of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. The FVA takes account of the funding risk of Commerzbank Aktiengesellschaft. In order to determine fair value, CVAs, DVAs and FVAs are based on observable market data (for example credit default swap spreads) where available. For liabilities in the trading portfolio the Bank's own credit spread is also accounted for at fair value. Changes in the fair value of the trading portfolio are netted and shown in net trading income. Own issues which have been bought back in the trading portfolio and own bonds are shown net where there is no longer a debt outstanding.

Repurchase agreements are stated in accordance with the regulations of Art. 340 b HGB. Securities lent continue to be recognised on the balance sheet of Commerzbank Aktiengesellschaft as the title is retained, while securities borrowed are not recognised on the balance sheet. Claims and liabilities from repos and reverse repos with central counterparties are offset and reported on a net basis.

Acquired intangible assets and fixed assets are stated at acquisition or production cost, less depreciation if applicable. The depreciation rates are based on the useful economic life of the asset. If an asset is expected to be permanently impaired, it is written down to the impaired value.

Intangible assets developed in-house are recognised at the value of development costs incurred. Low-value assets are recognised in accordance with the relevant local tax simplification rules.

Liabilities are stated at their settlement amount. Premiums and discounts are reported as accrued liabilities and deferred income or accrued income and deferred charges respectively and are recognised over their life in net interest income at a constant effective interest rate. Non-current discounted liabilities (zero bonds) are recognised at net present value.

Pension provisions are calculated annually by independent actuaries using the projected unit credit method. The calculation parameters can be found in the note on provisions. Plan assets to cover pension obligations are measured at fair value and netted against the provisions created for this purpose in accordance with Art. 246 (2) sentence 2 HGB. In the case of obligations for age-related short-time working, the plan assets are netted against the payment arrears in accordance with the IDW (Institute of Public Auditors in Germany) pronouncement RS HFA3. If an asset surplus arises from offsetting plan assets against the provisions for pensions and obligations for age-related short-time working, this is shown on the balance sheet under excess of plan assets over liabilities. The contribution required for provisions for pensions under Art. 67 (1) EGHGB will be provided no later than 31 December 2024.

Provisions for taxes and other provisions are recognised at the settlement amount estimated as necessary using reasonable commercial judgement; provisions with a residual term of more than one year are discounted to their present value.

Interest-rate-based financial instruments held outside the trading book are tested annually in their entirety for an excess liability using a net present value-based approach. As in previous years, this valuation did not give rise to any need to establish a provision for impending losses.

Net interest from derivatives (including negative interest from the banking and trading book) is recognised in interest income or interest expense, depending on the net balance. We report negative interest on financial instruments held as assets and positive interest on financial instruments held as liabilities as deductions in interest income and interest expenses respectively.

Commerzbank Aktiengesellschaft publishes quarterly disclosures in accordance with Art. 28 PfandBG on mortgage Pfandbriefe, public Pfandbriefe and ship Pfandbriefe on its website.

Deferred taxes are recognised for temporary differences between the accounting values of assets, debts and accrued and deferred items and their tax values, as well as for tax loss carryforwards. Deferred tax liabilities arising from the differences between the accounting and tax value of trading liabilities, liabilities to customers, securitised liabilities, other liabilities and intangible assets were netted against deferred tax assets arising from differences between the accounting and tax value of loan loss provisions, trading assets, claims on customers, fixed assets, equities and other non-fixed-income securities, pension provisions and tax loss carryforwards. Deferred tax assets remaining after this netting process are not reported, in accordance with the option set out in Art. 274 (1) sentence 2 HGB.

Commerzbank Aktiengesellschaft values the deferred taxes on the basis of the tax rates applying to each individual entity. The income tax rate of the domestic entities is 31.5% (previous year: 31.4%). This is made up of the German corporate income tax rate of 15.0%, plus the solidarity surcharge of 5.5% and an average rate of 15.7% for trade tax. Deferred taxes in the foreign branches are measured using the tax rates applicable in these countries, which range from 12% to 46%.

(3) Currency translation

We translate assets and liabilities and income and expenses denominated in foreign currencies and pending spot market transactions at the spot mid-rate on the balance sheet date. This also applies to the translation of the principal amounts in cross-currency swaps outside the trading book. By way of exception, gains and losses in foreign currency are translated into euro immediately on realisation, so that their level is then fixed. Exchange rate fluctuations are reported in the currency translation result. Currency-related forward transactions in the trading book are measured at fair value. Due to the special cover in the same currency, profits and losses from currency translation are recognised through profit or loss.

(4) Changes in accounting policies

The changes applicable to Commerzbank Aktiengesellschaft pursuant to the German Accounting Directive Implementation Act (Bilanzrichtlinie-Umsetzungsgesetz, BilRUG) have been implemented. This did not result in changes in the accounting and measurement methods, but only in some additional information in the notes.

In accordance with amended Art. 253 (6) sentence 3 of the German Commercial Code (HGB), the difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations is recognised in the non-distributable amounts.

(5) Hypothekenbank Frankfurt Aktiengesellschaft

In May 2016, Hypothekenbank Frankfurt Aktiengesellschaft was largely wound up and subsequently transformed into the servicing company LSF Loan Solutions Frankfurt GmbH.

In particular, receivables from customers of €19.3bn and bonds and other fixed-income securities worth €19.8bn were transferred from the Hypothekenbank Frankfurt Aktiengesellschaft at the moment of migration. In addition, Pfandbriefe with a nominal value of €20.9bn were transferred to Commerzbank Aktiengesellschaft.

(6) Report on events after the reporting period

There have been no events of particular significance since the end of 2016.

Notes to the income statement

(7) Breakdown of revenues by geographic markets

€m	2016	2015
Europe including Germany	11,220	12,263
America	216	328
Asia	153	194
Total	**11,589**	**12,785**

The total amount includes the items interest income, current income from equities and other non-fixed-income securities, equity holdings, holdings in affiliated companies, commission income and other operating income. As in the previous year, there was a net expense in the trading volume.

(8) Auditors' fee

We have exercised the option permitted by Art. 285 (17) HGB to report the auditors' fee in the Group financial statements.

(9) Other operating income and expenses

Other operating income of €451m (previous year: €331m) primarily consisted of €232m (previous year: €179m) from the release of provisions. We posted no income from currency translation in 2016, while in the prior year we reported income from currency translation of €2m. Other operating expenses of €367m (previous year: €330m) included €65m (previous year: €102m) in allocations to provisions for litigation and recourse risks and currency translation expense of €14m (previous year: €38m).

(10) Non-periodic income and expenses

Non-periodic income includes sale proceeds from the disposal of fixed assets of €18m and retroactive credits from the use of buildings of €4m. €152m of non-periodic income from releases of various provisions is included in other operating income. €72m was set aside in provisions in 2016 for potential risks associated with tax audits. In addition, €46m was set aside in provisions for a disputed foreign withholding tax claim. A provision of €40m was recognised in 2016 for a potential liability risk arising from tax deductions in previous years.

(11) Extraordinary income

There was extraordinary income of €3,867m in 2016 from the winding up of Hypothekenbank Frankfurt. Extraordinary expenses include allocations to provisions for restructuring of €124m (previous year: €80m) and the required allocation to pension provisions pursuant to Art. 67 (1) sentence 1 EGHGB of €46m (previous year: €46m).

(12) Administrative and agency services

The following material administrative and agency services were provided for third parties:

- Custody account administration
- Agency services for insurance and home loan savings plans
- Asset management
- Management of fiduciary assets
- Securities commission business
- Processing of payment transactions
- Agency services for mortgage loans

Notes to the balance sheet

(13) Maturity structure of claims and liabilities

€m	31.12.2016	31.12.2015
Other claims on banks	**47,888**	**79,188**
with a residual term of		
less than three months	25,788	37,983
over three months up to one year	11,087	26,152
over one year up to five years	10,198	12,718
over five years	815	2,335
Claims on customers	**189,833**	**173,730**
with an indefinite term	17,191	18,327
with a residual term of		
less than three months	28,126	28,508
over three months up to one year	19,987	18,449
over one year up to five years	56,598	49,178
over five years	67,931	59,268

€m	31.12.2016	31.12.2015
Liabilities to banks		
with an agreed term or notice period	**55,014**	**61,944**
with a residual term of		
less than three months	17,305	21,884
over three months up to one year	7,428	8,179
over one year up to five years	19,018	19,431
over five years	11,263	12,450
Savings deposits		
with an agreed notice period of more than three months	**20**	**47**
with a residual term of		
over three months up to one year	20	42
over one year up to five years	–	5
Other liabilities to customers		
with an agreed term or notice period	**70,886**	**67,297**
with a residual term of		
less than three months	24,474	28,608
over three months up to one year	24,659	24,560
over one year up to five years	8,654	7,240
over five years	13,099	6,889
Other securitised liabilities	**5,373**	**4,930**
with a residual term of		
less than three months	2,022	2,891
over three months up to one year	3,348	2,036
over one year up to five years	3	3
over five years	–	–

Of the €30,655m (previous year: €22,053m) of bonds and notes issued within securitised liabilities, €5,435m will fall due in 2017.

(14) Cover assets for bonds issued by the Bank

€m	31.12.2016	31.12.2015
Claims on banks	1,082	254
Claims on customers	27,904	12,884
Bonds and other fixed-income securities	4,951	439
Total	**33,937**	**13,577**

(15) Securities

As at 31 December 2016 the breakdown of marketable securities was as follows:

	Listed on a stock exchange		Not listed	
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Bonds and other fixed-income securities	41,903	29,863	2,443	1,112
Equities and other non-fixed-income securities	–	–	207	266
Equity holdings	2	–	–	29
Holdings in affiliated companies	2,377	2,380	–	–

Of the bonds and other fixed-income securities amounting to €44,346m (previous year: €30,975m), €5,985m will fall due in 2017.

The bonds and other fixed-income securities include bonds from the wound-up Hypothekenbank Frankfurt Aktiengesellschaft. Write-downs pursuant to Art. 253 (3) sentence 5 HGB of €777m in accordance with the modified lower-of-cost-or-market principle were not applied, as the impairments are only of a temporary nature.

In 2016, Commerzbank Aktiengesellschaft disposed of bonds in the liquidity portfolio, generating income of €286m. In the previous year, we closed free derivatives in the liquidity portfolio, generating income of €547m.

A write-down of €146m (previous year: €204m) to our holdings in affiliated companies was not carried out, as the Bank does not intend to sell these securities and they are not permanently impaired.

(16) Trading securities

The criteria laid down within the Bank for the inclusion of financial instruments in the trading portfolio did not change during the financial year.

In the previous year, pursuant to Art. 340 e (4) sentence 2 no. 1 HGB we released the fund for general banking risks amounting to €216m in its entirety in order to offset part of a net trading expense.

€m	31.12.2016	31.12.2015
Trading assets	**54,455**	**67,747**
Derivative financial instruments	25,083	26,499
Claims	2,777	1,618
Bonds and other fixed-income securities	5,978	11,805
Equities and other non-fixed-income securities	20,677	27,910
Risk charge value at risk	–60	–85

€m	31.12.2016	31.12.2015
Trading liabilities	**28,837**	**32,183**
Derivative financial instruments	23,078	23,805
Liabilities	5,759	8,378

(17) Hedge relationships

To balance contrary changes in value, micro and portfolio hedge relationships are created to hedge the resultant risks, with both the gross and net hedge presentation methods being used.

In the gross hedge presentation method the effective and ineffective portions of the contrary changes in the underlying and hedging transactions are recognised in income. This method is used for securities in the liquidity reserve, where the general risk of a change in interest rates is hedged. Interest-rate-induced changes in the value of the securities are almost entirely compensated by the change in the value of the associated hedges. The prospective and retrospective effectiveness of the hedge relationships is demonstrated using regression analysis. The average term to maturity of these hedge relationships is three years (previous year: four years).

Moreover, portfolio hedge relationships have been created for liabilities to customers. These hedges are completely offset by being combined into a hedge relationship with assets with embedded equity risks. The effectiveness of the portfolio hedge relationships for equity risks is measured using the dollar offset method. These hedge relationships are payable on demand.

In the net hedge presentation method, contrary changes in the underlying and hedging transactions are not recognised in income. For a small number of selected portfolios in the liquidity reserve, hedge relationships are accounted for on the basis of the net hedge presentation method. In this method, interest rate-related changes in the value of the securities are hedged in full, while non-interest-rate-related changes are reported in income. The effectiveness of the interest rate hedges is measured on the basis of a portfolio-based value-at-risk approach. The average term to maturity of these hedge relationships is four years (previous year: six years). In the case of one portfolio the effectiveness is demonstrated by analysing interest rate sensitivity. The average term of this portfolio is one half year (previous year: one year).

The effectiveness of hedge relationships for own issues in the non-trading portfolio is measured using a simplified test based on a portfolio-based sensitivity analysis or a qualitative comparison of the characteristics of the hedged transaction and the hedging instrument. The average term to maturity of these hedge relationships is five years (previous year: five years).

The changes in value of the underlying transactions which are offset by contrary changes in the hedging transactions within effective hedge relationships correspond to the level of the hedged risk. The table below shows the assets and liabilities included in hedge relationships:

	Book values		Nominal values		Level of hedged risk	
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Securities of liquidity reserve	21,597	25,476	21,007	24,491	−630	−614
Issues of non-trading portfolio	71,983	52,740	73,718	53,526	−5,913	−2,425
Liabilities to customers	6,128	7,604	6,128	7,604	575	−730

(18) Relationships with affiliated companies and equity holdings

	Affiliated companies		Equity holdings	
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Claims on banks	9,802	33,247	3,158	10
Claims on customers	10,287	11,818	491	624
Bonds and other fixed-income securities	217	242	–	1
Trading assets excluding derivative financial instruments	782	854	46	53
Liabilities to banks	15,924	20,981	7	20
Liabilities to customers	2,710	3,587	515	978
Securitised liabilities	781	647	–	–
Trading liabilities excluding derivative financial instruments	–	–	3	3
Subordinated liabilities	1,073	1,035	–	–

(19) Fiduciary transactions

€m	31.12.2016	31.12.2015
Claims on banks	7	7
Claims on customers	415	475
Other fiduciary assets	435	649
Fiduciary assets	**857**	**1,131**
of which loans at third-party risk	422	482
Liabilities to banks	9	11
Liabilities to customers	413	471
Other fiduciary liabilities	435	649
Fiduciary liabilities	**857**	**1,131**
of which loans at third-party risk	422	482

(20) Changes in book value of fixed assets

€m	Intangible assets	Fixed assets	Securities held as fixed assets	Equity holdings[1]	Holdings in affiliated companies[1]
Cost of acquisition/production as at 1.1.2016	**2,019**	**1,895**	**864**		
Additions	479	108	27,589		
Disposals	68	165	9,908		
Transfers	5	–4	–437		
Exchange rate changes	–11	–10	287		
Cost of acquisition/production as at 31.12.2016	**2,424**	**1,824**	**18,395**		
Cumulative write-downs as at 1.1.2016[2]	**1,033**	**1,342**	**585**		
Write-downs in 2016	306	105	7		
Additions	–	–	–		
Disposals	66	144	9		
Transfers	4	–3	–447		
Exchange rate changes	–10	–10	–76		
Cumulative write-downs as at 31.12.2016	**1,267**	**1,290**	**60**		
of which write-ups	–	–	1		
Residual book values as at 31.12.2016	**1,157**	**534**	**18,335**	**452**	**7,964**

[1] Use was made of the option to present an aggregate figure pursuant to Art. 34 (3) RechKredV.
[2] Pursuant to amendment of law in 2016 (Art. 284 (3) no. 3 of HGB).

Of the land and buildings with an overall book value of €179m (previous year: €196m), properties amounting to €168m (previous year: €182m) are used by Commerzbank Aktiengesellschaft. Office furniture and equipment amounting to €355m (previous year: €357m) was included in the fixed assets. As at 31 December 2016 development costs of €866m (previous year: €721m) for intangible assets developed in-house were capitalised. Commerzbank Aktiengesellschaft does not undertake research in connection with the in-house development of intangible assets.

(21) Other assets

Other assets of €3,333m (previous year: €2,777m) primarily contained claims on tax authorities of €692m (previous year: €608m), precious metals in the non-trading portfolio of €357m (previous year: €289m), and deferred interest on non-trading derivatives of €340m (previous year: €183m), amounts owed under profit transfer agreements of €265m (previous year: €300m) and margin due on exchange-traded futures transactions of €154m (previous year: €620m).

(22) Subordinated assets

€m	31.12.2016	31.12.2015
Claims on banks	55,500	87,438
of which subordinated	623	617
Claims on customers	189,833	173,730
of which subordinated	681	713
Bonds and other fixed-income securities	44,346	30,975
a) Bonds and notes issued by other borrowers	43,602	16,304
of which subordinated	7	1
b) Own bonds	744	7
of which subordinated	6	7
Equities and other non-fixed-income securities	244	288
of which subordinated	–	–
Trading assets	54,455	67,747
of which subordinated	96	324
Total subordinated assets	**1,413**	**1,662**

(23) Repurchase agreements

As at 31 December 2016 the carrying amount recorded in the balance sheet for assets transferred under repurchase agreements amounted to €3,937m (previous year: €2,746m).

(24) The Bank's foreign currency position

As at 31 December 2016, the Bank had €112,099m (previous year: €153,751m) in foreign currency assets and €75,771m (previous year: €104,119m) in foreign currency liabilities.

(25) Collateral pledged for own liabilities

€m	31.12.2016	31.12.2015
Liabilities to banks	41,576	42,686
Liabilities to customers	4,434	3,001
Securitised liabilities	500	500
Total	**46,510**	**46,187**

Bonds issued by the Bank to the value of €955m (previous year: €960m) are backed by collateral which, although legally sold, remains under the beneficial ownership of Commerzbank Aktiengesellschaft.

(26) Other liabilities

Other liabilities of €4,190m (previous year: €5,448m) included liabilities attributable to film funds of €1,184m (previous year: €1,334m), amounts owed under profit transfer agreements of €601m (previous year: €60m), accrued and deferred interest on non-trading derivatives of €260m (previous year: €88m) and liabilities to tax authorities of €163m (previous year: €153m).

(27) Provisions

a) Provisions for pensions and similar commitments

Pension provisions are calculated on the basis of actuarial principles using an average discount rate, set by the Deutsche Bundesbank, over ten years, applying the projected unit credit method on the basis of the Heubeck 2005 G mortality tables. The discount rate used is based on the information published by the Deutsche Bundesbank as at 31 December 2016. From 2016 onwards, in accordance with Art. 253 (6) sentence 1 HGB, provisions for pension obligations will be discounted with the average annual interest over ten years (31 December 2016: 4.01%) instead of seven years at 3.24% (previous year: 3.89%). The resulting difference as at 31 December 2016 was €663m, thus increasing the non-distributable amounts.

This assumes an expected general salary and wage increase including assumed career trends of 2.50% per annum (previous year: 2.50% per annum), and we have set an interest rate of 1.60% per annum (previous year: 1.50% per annum) for pension increases. An increase of 2.00% per annum (previous year: 2.00% per annum) is assumed for the income threshold for assessing social security contributions. At year-end, the shortfall due to unrecognised pension obligations within the meaning of Art. 28 (2) EGHGB amounted to €12m (previous year: €23m).

In accordance with the option under Art. 67 (1) sentence 1 EGHGB, Commerzbank Aktiengesellschaft is increasing the provisions for the difference which has arisen due to the change in pension valuations following the German Accounting Law Modernisation Act (BilMoG) from 1 January 2010 on a pro rata basis, resulting in a deficit of €175m (previous year: €221m).

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension obligations are netted against the provisions created for this purpose. As at 31 December 2016, the following values were recorded for these items before offsetting:

€m	31.12.2016	31.12.2015
Fair value of the plan assets	6,411	5,705
Amount to be paid	5,336	5,327

In accordance with Art. 246 (2) sentence 2 HGB, changes in the value of the plan assets are netted against the time value of money effects from the remeasurement of the pension obligation. Prior to offsetting, the imputed interest expense for provisions for pen sions which are safeguarded by plan assets amounted to €110m (previous year: €706m). Prior to offsetting, income from plan assets amounted to €657m. In contrast, €135m was reported in expenditure before offsetting in the previous year.

The historic cost of the plan assets amounted to €5,553m (previous year: €5,274m). The plan assets are mainly invested in special funds focusing on fixed-income securities, equities and derivatives.

b) Other provisions
Other provisions largely consist of provisions for litigation and recourse risks. They also include provisions for personnel-related matters, including restructuring, age-related short-time working and early retirement. The restructuring provisions for the planned adjustment of personnel capacities amounted to €387m (previous year: €364m). The plan assets to cover obligations for age-related short-time working of €149m (previous year: €196m) were offset against the settlement amount of €25m (previous year: €53m) created for this purpose. Prior to offsetting, the imputed interest expense for provisions for age-related short-time working covered by plan assets amounted to €2m (previous year: €5m). Prior to offsetting, income from plan assets amounted to €1m, as compared to an expense of €3m reported in the previous year. The historic cost of the plan assets for age-related short-time working amounted to €143m (previous year: €195m). The expense from imputed interest on other provisions amounted to €29m for the financial year (previous year: €45m) and is reported under interest expense in accordance with Art. 277 (5) HGB.

(28) Subordinated liabilities

Subordinated liabilities, which amount to €10,099m (previous year: €9,699 m) may not, in the event of insolvency or winding-up, be repaid until the claims of all non-subordinated creditors have been satisfied. There is no obligation to repay the liabilities or right to claim interest until this condition has been met.

The obligations arising from the bonds and notes are subordinated obligations of the issuer which rank pari passu with all the issuer's other subordinated liabilities. The bearer may not put bonds and notes. The terms and conditions for subordinated liabilities apply. Conversion into equity or another form of debt is not stipulated in the contractual agreements.

In the financial year, interest paid on subordinated liabilities amounted to €598m (previous year: €578m). The following borrowings exceeded 10% of the subordinated liabilities as at 31 December 2016:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Due date
DE000CB83CE3	EUR	1,254	6.38	22.3.2019
DE000CB83CF0	EUR	1,250	7.75	16.3.2021

(29) Profit-sharing certificates

Under the conditions of the profit-sharing certificates, the servicing of interest and repayment claims arising from the profit-sharing rights is linked to the Bank's net profit (not dividend payments). In the event of insolvency, claims arising from profit-sharing certificates are subordinate to all other non-subordinated creditors, but rank above shareholders. The table below shows the outstanding profit-sharing certificates at the end of the 2016 financial year:

German securities identification no. (WKN)	Currency	€m	Interest rate %	Maturing on 31.12.
Profit-sharing certificate WKN A0D4TQ9	EUR	50	4.7	2020
Profit-sharing certificate WKN A0HGNA3	EUR	30	4.7	2020
Registered profit-sharing certificate WKN 901008000A	EUR	10	5.38	2017
Registered profit-sharing certificate WKN 901008000B	EUR	10	5.38	2017
Registered profit-sharing certificate WKN 901008100	EUR	5	5.37	2017
Total		**105**		

(30) Equity

€	31.12.2016		31.12.2015	
Equity		**22,291,209,085.61**		**21,090,187,238.43**
a) Subscribed capital		1,700,742,634.00		1,743,742,634.00
Share capital	1,252,357,634.00		1,252,357,634.00	
Silent participations	448,385,000.00		491,385,000.00	
b) Capital reserve		17,191,685,851.77		17,191,685,851.77
Retained earnings		2,651,533,912.85		1,308,081,435.32
d) Distributable profit		747,246,686.99		846,677,317.34

a) Subscribed capital

As at 31 December 2016, the share capital of Commerzbank Aktiengesellschaft amounted to €1,252,357,634.00 and was divided into 1,252,357,634 no-par-value shares, each with an accounting par value of €1.00.

On the reporting date the silent participations of HT1 Funding GmbH of €415,885,000.00 and a number of other silent participations totalling €32,500,000.00 remained in place. Silent participations amounting to €43,000,000.00 were repaid in 2016.

b) Capital reserve

In the capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft shares are also recognised here. The capital reserve as at 31 December 2016 remained unchanged compared with the previous year at €17,191,685,851.77.

c) Retained earnings

€	
As at 31.12.2015	**1,308,081,435.32**
Allocation to retained earnings	1,343,452,477.53
of which addition from distributable profit of prior year	596,205,790.54
As at 31.12.2016	**2,651,533,912.85**

The retained earnings of Commerzbank Aktiengesellschaft consist of other retained earnings.

At the Annual General Meeting to be held on 3 May 2017, shareholders will vote on a proposal that the net profit for 2016 be allocated to retained earnings.

(31) Authorised capital

Date of AGM resolution | €	Original authorised capital	Remaining authorised capital	Date of expiry	Pursuant to the articles of association
2015	569,253,470	569,253,470	29.4.2020	Art. 4 (3)
As at 31.12.2015	**569,253,470**	**569,253,470**		
As at 31.12.2016	**569,253,470**	**569,253,470**		

The conditions for capital increases from authorised capital as at 31 December 2016 are stipulated in the Articles of Association of Commerzbank Aktiengesellschaft dated 24 May 2016.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until 29 April 2020 through the issuance of new shares with no par value in exchange for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of € 569,253,470.00 (Authorised Capital 2015 in accordance with Art. 4 (3) of the Articles of Association). In principle, shareholders shall be offered subscription rights; the statutory subscription right may also be granted in such manner that the new shares are underwritten by one or more banks or enterprises equivalent to a bank pursuant to Art. 186 (5) sen tence 1 Stock Corporation Act under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude subscription rights, with the approval of the

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation; majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;
- in order to increase the share capital in exchange for contributions in kind;
- in the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of subscription rights pursuant to Art. 203 (1) and Art. 186 (3) sentence 4 Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective, or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2015, while excluding shareholders' subscription rights in accordance with Art. 71 (1) no. 8 sentence 5, and Art. 186 (3) sentence 4 Stock Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2015, while excluding subscription rights subject to appropriate application of Art. 186 (3) sentence 4 Stock Corporation Act.

The proportional amount of the share capital attributable to those shares issued in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right must not, in aggregate, exceed 20% of the share capital of the Company existing at the time when the General Meeting adopts the resolution. Regarding the above limit, those shares shall be taken into account which are issued or sold subject to ex clusion of the subscription right during the term of this authorisation under another authorisation, or on which financial instruments with conversion or option rights or obligations are based which are issued subject to exclusion of the subscription right of the share holders during the term of the authorisation under another authorisation. Moreover, if shares are issued to members of the Board of Managing Directors, members of the management or employees of the Company or its group companies within the meaning of Art. 18 (1) Stock Corporation Act in exchange for cash or contributions in kind with exclusion of the shareholders' subscription right, the pro rata amount of the share capital attributable to such shares must not, in aggregate, exceed 5% of the share capital of the Company existing at the time when the General Meeting adopts the resolution. When determining this limit, shares shall also be taken into account which are issued or sold during the term of this authorisation under another authorisation with the exclusion of subscription rights to members of the Board of Managing Directors, members of the management or employees of the Company or of its group companies within the meaning of Art. 18 (1) Stock Corporation Act.

The Board of Managing Directors is authorised to determine the further details of the capital increase and its implementation.

€	Remaining authorised capital 31.12.2015	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2016
Total	**569,253,470**	**–**	**–**	**–**	**569,253,470**

(32) Conditional capital

€	Conditional capital 31.12.2015	Added in financial year	Used in financial year	Expired in financial year	Conditional capital 31.12.2016	Of which used conditional capital	Of which still available
Total	**569,253,470**	**–**	**–**	**–**	**569,253,470**	**–**	**569,253,470**

As resolved at the Annual General Meeting of 30 April 2015, the Company's share capital shall be conditionally increased by up to € 569,253,470.00 divided into up to 569,253,470 bearer shares with no par value (Conditional Capital 2015). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit participation rights, convertible hybrid bonds, or warrants attached to bonds or profit-sharing certificates, with warrants issued or guaranteed until 29 April 2020 by the Company (or by companies in which the Company directly or indirectly holds a majority interest [Group companies as defined in Art. 18 (1) Stock Corporation Act]) on the basis of the authorisation resolved at the Annual General Meeting dated 30 April 2015 (Authorisation 2015), exercise their conversion/option rights or fulfil their related conversion or option obligations, or the Company utilizes its right to provide alternative performance, and other forms of settlement are not chosen. The new shares are issued at the option or conversion price, as the case may be, to be determined in accordance with the Authorisation 2015. The new shares will be entitled to dividend payments from the start of the fiscal year in which they are issued through the exercise of either conversion or option rights, or through the fulfilment of the related conversion or option obligations; as far as legally permissible, the Board of Managing Directors may, with the approval of the Supervisory Board, determine the dividend right in respect of new shares in derogation of Art. 60 (2) Stock Corporation Act, even for a fiscal year already ended.

The Board of Managing Directors is authorised to determine the further details concerning the implementation of the conditional capital increase.

(33) Non-distributable amounts

The table below shows the non-distributable amounts as at 31 December 2016.

€m	31.12.2016	31.12.2015
In-house developed intangible assets	866	721
Difference arising from the capitalisation of plan assets at fair value	864	431
Difference between an average 10-year and 7-year market interest rate for the discounting of provisions for pension obligations[1]	663	n.a.
Non-distributable amount	**2,393**	**1,152**

[1] Pursuant to amendment of law in 2016 (Art. 253 (6) sentence 3 HGB).

(34) Significant shareholder voting rights

As at 31 December 2016, Commerzbank Aktiengesellschaft had received the following notifications of voting rights in accordance with Art. 21 (1) of the German Securities Trading Act (WpHG):

Company required to report	Registered office	Total[1] %	Report date
Federal Republic of Germany	Berlin	15.60	4.6.2013
BlackRock Inc.	Wilmington, Delaware, USA	4.71	10.8.2016
Deutsche Bank Aktiengesellschaft	Frankfurt/Main	3.44	10.6.2016
The Capital Group Companies, Inc.	Los Angeles	3.25	25.8.2016

[1] Voting rights held directly and indirectly.

(35) Treasury shares

The AGM on 30 April 2015 authorised Commerzbank Aktiengesellschaft to purchase and sell its treasury shares for the purpose of securities trading, pursuant to Art. 71 (1) no. 7 German Stock Corporation Act. This authorisation is valid until 29 April 2020. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. Together with the Company's treasury shares purchased for other reasons and held by Commerzbank Aktiengesellschaft or attributable to it pursuant to Articles 71a ff. of the German Stock Corporation Act, the shares purchased on the basis of this authorisation may at no time exceed 10% of the share capital of Commerzbank Aktiengesellschaft. The lowest price at which own shares are purchased may not be more than 10% lower than the average share price (closing auction prices of the Commerzbank share in the Xetra trading system or a comparable successor system to Xetra on the Frankfurt Stock Exchange) on the three trading days preceding the purchase. Treasury shares may not be purchased at prices more than 10% higher than this level (excluding ancillary costs).

No treasury shares were acquired during the financial year and Commerzbank Aktiengesellschaft held no treasury shares as at the reporting date. Customers pledged 4,550,953 treasury shares as collateral (previous year: 3,831,424 treasury shares).

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Financial Market Stabilisation Authority (FMSA), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital (except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party) or no. 7 of the German Stock Corporation Act).

Other notes

(36) Off-balance-sheet transactions

a) Contingent liabilities

€m	31.12.2016	31.12.2015
Contingent liabilities from rediscounted bills of exchange credited to borrowers	2	7
Liabilities from guarantees and indemnity agreements[1]	33,442	35,368
Other guarantees	25,780	25,871
Letters of credit	4,989	6,648
Credit guarantees	2,673	2,849
Total	**33,444**	**35,375**

[1] See also note 36 d) letters of comfort.

Contingent liabilities from guarantees and indemnity agreements are mainly related to retail banking with customers which generates commission income. Commerzbank Aktiengesellschaft runs the risk that a claim will be made under its contractual obligations due to the deteriorating credit quality of the borrower. Credit risks are reflected in the balance sheet by creating provisions. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters. These parameters are in line with EU Regulation 575/2013, which implements the supervisory regulations of the Basel 3 regulatory framework at European level.

b) Other commitments

€m	31.12.2016	31.12.2015
Irrevocable lending commitments	**75,554**	**68,985**
Loans to customers	72,917	65,906
Loans to banks	1,235	1,192
Acceptance credits and letters of credit	1,402	1,887

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are reported outside the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges securitisations of the Bank's own receivables as well as of customers' receivables portfolios via special purpose entities. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase, or the securitised paper can no longer be sold on the market as planned.

c) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet as title in these transactions remains with the lender. Securities lent out therefore continue to be recognised in the balance sheet. If we lend securities which we have previously borrowed, this does not give rise to a liability provided this lending transaction is secured with cash collaterals or high quality collateral in the form of securities. The risk arising from these transactions is the hedging risk. It can be defined as the difference between the fair value of the underlying securities and the value of the collateral that we have provided to others or which has been provided to us. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. At the reporting date, the fair value of securities lent amounted to €11,279m (previous year: €19,002m), while the fair value of securities borrowed amounted to €32,690m (previous year: €47,493m). As part of these securities transactions, collateral for securities lent amounted to €12,198m (previous year: €20,015m) and that for securities borrowed to €27,033m (previous year: €46,944m).

d) Other financial commitments

In the context of operating lease agreements where Commerzbank Aktiengesellschaft is the lessee, economic ownership is retained by the lessor and is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at 31 December 2016, existing commitments from rental, tenancy and leasing agreements amounted to €2,309m for the following years (previous year: €2,370m), of which €229m relates to affiliated companies (previous year: €854m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €38m on the reporting date (previous year: €38m).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

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

Securities with a book value of €8,871m (previous year: €6,726m) have been deposited as collateral to meet obligations to futures and options exchanges and clearing houses.

Commerzbank Aktiengesellschaft has given an undertaking to the Polish Financial Supervision Authority that it will provide its affiliated companies mBank S.A., Warsaw and mBank Hipoteczny S.A., Warsaw with sufficient liquidity and capital to ensure that they are in a position to meet their financial obligations at all times.

In respect of the subsidiaries listed below and included in the Group financial statements, Commerzbank Aktiengesellschaft is obliged to ensure that, except in the case of political risks, they are able to meet their contractual liabilities ("letter of comfort").

Name	Registered office
comdirect bank Aktiengesellschaft	Quickborn
Commerzbank (Eurasija) SAO	Moscow
Commerzbank Brasil S.A. – Banco Múltiplo	São Paulo
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank Finance & Covered Bond S.A. (formerly: Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxembourg)[1]	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
LSF Loan Solutions Frankfurt GmbH (formerly: Hypothekenbank Frankfurt AG)	Eschborn

[1] The letter of comfort is extinguished with the completion of the sale of Commerzbank International S.A.
The fulfilment of this condition subsequent is hereby announced with the aim of Europe-wide circulation.

(37) Forward transactions

As at 31 December 2016, forward transactions entered into by Commerzbank Aktiengesellschaft could be broken down as follows:

€m	Nominal values	Fair value	
		Positive	Negative
Foreign-currency-based forward transactions			
OTC products	651,317	15,113	18,505
Foreign exchange spot and forward contracts	311,894	4,731	5,911
Interest rate and currency swaps	285,296	9,033	11,358
Currency call options	23,443	1,317	–
Currency put options	29,180	–	1,168
Other foreign exchange contracts	1,504	32	68
Exchange-traded products	1,087	–	–
Currency futures	141	–	–
Currency options	946	–	–
Total	**652,404**	**15,113**	**18,505**
of which trading securities	648,546	14,885	17,868
Interest-based forward transactions			
OTC products	2,706,287	105,001	103,207
Forward rate agreements	395,327	41	35
Interest rate swaps	2,018,375	87,929	88,516
Interest rate call options	32,528	1,077	–
Interest rate put options	38,414	–	1,107
Other interest rate contracts	221,643	15,954	13,549
Exchange-traded products	174,775	–	–
Interest rate futures	159,914	–	–
Interest rate options	14,861	–	–
Total	**2,881,062**	**105,001**	**103,207**
of which trading securities	2,858,880	102,581	101,371
Other forward transactions			
OTC products	152,289	3,954	4,943
Structured equity/index products	32,990	666	854
Equity call options	17,353	1,033	–
Equity put options	32,266	–	1,262
Credit derivatives	61,867	1,493	2,219
Precious metal contracts	2,653	93	119
Other transactions	5,160	669	489
Exchange-traded products	79,361	–	–
Equity futures	15,205	–	–
Equity options	57,606	–	–
Other futures	6,502	–	–
Other options	48	–	–
Total	**231,650**	**3,954**	**4,943**
of which trading securities	229,723	3,780	4,906
Total pending forward transactions			
OTC products	3,509,893	124,068	126,655
Exchange-traded products	255,223	–	–
Total		**124,068**	**126,655**
Net position		**27,904**	**25,589**
of which trading securities		25,083	23,078

The total effect of netting amounted to €108,151m as at 31 December 2016 (previous year: €125,600m). On the assets side, this included positive fair values of €96,163m (previous year: €115,761m), claims on banks of €9,725m (previous year: €8,138m) and other assets of €2,264m (previous year: €1,701m). On the liabilities side, negative fair values of €101,067m (previous year: €116,445m), liabilities to banks of €4,141m (previous year: €8,524m) and other liabilities of €2,943m (previous year: €631m) were netted.

In accordance with Art. 249 (1) HGB, a provision for impending losses for derivative financial instruments in the non-trading portfolio was created in the amount of €661m (previous year: €240m).

(38) Employees

On average over the year, Commerzbank Aktiengesellschaft had 34,778 employees (previous year: 35,955 employees). The figures for full-time equivalent staff include part-time staff with their time actually worked.

The average time worked by part-time staff was 64% (previous year: 63%). Part-time staff is included in full in the number of employees. The number of employees does not include trainees.

	2016			2015		
	Total	male	female	Total	male	female
Full-time equivalent	**31,552**	**15,805**	**15,747**	**32,648**	**16,439**	**16,209**
in Germany	28,367	13,815	14,552	29,169	14,205	14,964
outside Germany	3,185	1,990	1,195	3,479	2,234	1,245
Employees (number)	**34,778**	**17,386**	**17,392**	**35,955**	**18,062**	**17,893**
in Germany	31,527	15,354	16,173	32,393	15,775	16,618
outside Germany	3,251	2,032	1,219	3,562	2,287	1,275
Trainees	**996**	**513**	**483**	**1,418**	**741**	**677**

(39) Remuneration and loans to board members

A detailed description of the remuneration system as well as individual remuneration details for the members of the Board of Managing Directors and the members of the Supervisory Board are provided in the remuneration report (p. 8 ff.). Excluding the interest-rate-adjusted change in the net present value of pension entitlements of the member of the Board of Managing Directors included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board in accordance with Art. 285 no. 9 HGB was as follows:

€1.000	31.12.2016	31.12.2015
Board of Managing Directors	8,704	8,432
Supervisory Board	2,945	2,019
Total	**11,649**	**10,451**

Remuneration of the Board of Managing Directors includes standard non-monetary benefits (chiefly use of company cars and insurance) plus the tax due on these.

Board of Managing Directors. The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred in their entirety to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

The net present value of pension entitlements for active members of the Board of Managing Directors as at 31 December 2016 was €19,483 thousand (previous year: €21,304 thousand). The amounts are calculated considering the current term of office of the individual board members and assuming none of the board members will collect a pension before reaching the age of 62 (except in a potential case of incapacity to work) and that they will remain on the Board until such time.

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the 2016 financial year came to €8,847 thousand (previous year: €7,938 thousand). The pension liabilities for these persons amounted to €78,350 thousand (previous year: €77,708 thousand). Payments to former board members of merged companies and their surviving dependants were €12,404 thousand (previous year: €12,407 thousand). There were also outstanding pension obligations to these persons, which amounted to €138,723 thousand (previous year: €145,174 thousand). Commerzbank Aktiengesellschaft has recognised provisions for all of the above pension obligations.

Supervisory Board. Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration for the 2016 financial year of €2,945 thousand (previous year: €2,019 thousand). Of this figure, the fixed remuneration and remuneration for committee memberships amounted to €2,556 thousand (previous year: €1,541 thousand) and attendance fees to €389 thousand (previous year: €478 thousand). Attendance fees were paid for participating in the meetings of the Supervisory Board and its seven committees (Presiding, Remuneration, Audit, Risk, Nomination, Conciliation and Social Welfare Committees) which met in the year under review. The value added tax (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by the Bank. No value added tax was payable for members of the Supervisory Board resident outside Germany.

The Board of Managing Directors and the Supervisory Board. The members of the Board of Managing Directors and Supervisory Board held no more than 1% in total of the issued shares and option rights of Commerzbank Aktiengesellschaft as at 31 December 2016 (previous year: no more than 1%).

Security for the cash advances and loans to members of the Board of Managing Directors and the Supervisory Board is provided on normal market terms, if necessary through land charges or rights of lien. Claims on members of the Board of Managing Directors as at 31 December 2016 amounted to €5,001 thousand (previous year: €4,930 thousand) and those on members of the Supervisory Board to €2,713 thousand (previous year: €2,961 thousand).

(40) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 German Stock Corporation Act (Aktiengesetz). It forms part of the corporate governance declaration and has been published on the internet (www.commerzbank.de).

(41) Investment funds

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The data for the fair value therefore correspond to the carrying amount. In some cases restrictions may apply to daily redemptions. There were distributions of €4m on disclosable units in index funds in the previous year. The table below shows the value of domestic and foreign investment funds in which Commerzbank Aktiengesellschaft had holdings of more than 10% as at 31 December 2016 by category:

€m	31.12.2016	31.12.2015
Index funds	540	1,745
Balanced funds	589	656
Bonds and other fixed-income funds	437	420
Equities and equity funds	27	38
Funds held through equity participations	–	5
Total	**1,593**	**2,864**

(42) Mortgage Pfandbriefe

Commerzbank Aktiengesellschaft publishes quarterly disclosures on mortgage Pfandbriefe, public Pfandbriefe and ship Pfandbriefe on its website in accordance with Art. 28 PfandBG.

€m	31.12.2016[1]			31.12.2015		
Cover calculation mortgage Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[2]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[2]**
Liabilities to be covered	14,775.8	16,181.5	13,593.9	4,150.0	4,255.5	4,014.6
of which Pfandbriefe outstanding	14,775.8	16,181.5	13,593.9	4,150.0	4,255.5	4,014.6
of which derivatives	–	–	–	–	–	–
Cover assets	18,752.6	21,074.5	16,247.8	8,678.8	9,850.8	9,274.8
of which cover loans	18,232.6	20,551.1	15,729.8	8,533.8	9,683.8	9,110.6
of which cover assets Art. 19 (1) No. 1, 2, 3 PfandBG	520.0	523.4	518.0	145.0	167.0	164.1
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			2,653.9			5,260.1
Loss from currency stress test			–			–
Cover surplus	**3,976.7**	**4,893.0**	**2,653.9**	**4,528.8**	**5,595.3**	**5,260.1**

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).
[2] Risk-adjusted net present value including currency stress test.

€m	31.12.2016[1]	31.12.2015
Mortgage Pfandbriefe outstanding with a residual term of		
up to 6 months	404.3	–
over 6 months up to 12 months	730.6	–
over 12 months up to 18 months	1,066.0	–
over 18 months up to 2 years	76.0	–
over 2 years up to 3 years	3,435.8	–
over 3 years up to 4 years	1,237.4	1,000.0
over 4 years up to 5 years	721.7	1,000.0
over 5 years up to 10 years	6,702.0	2,150.0
over 10 years	402.0	–
Total	**14,775.8**	**4,150.0**
Cover assets mortgage Pfandbriefe with a residual fixed interest period of		
up to 6 months	690.8	154.9
over 6 months up to 12 months	712.6	175.7
over 12 months up to 18 months	739.8	204.2
over 18 months up to 2 years	716.6	175.0
over 2 years up to 3 years	1,536.4	581.0
over 3 years up to 4 years	1,922.8	561.5
over 4 years up to 5 years	1,660.6	546.1
over 5 years up to 10 years	10,049.5	6,000.9
over 10 years	723.4	279.3
Total	**18,752.6**	**8,678.8**

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Other cover assets | €m	31.12.2016[1]	31.12.2015
Equalisation claims as defined by Art. 19 (1) no. 1 Pfandbriefgesetz		
Germany	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 2 Pfandbriefgesetz		
Germany	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**–**	**–**
Loans as defined by Art. 19 (1) no. 3 Pfandbriefgesetz		
Germany	520.0	145.0
Total	**520.0**	**145.0**
Total	**520.0**	**145.0**

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Size categories | €m	31.12.2016[1]	31.12.2015
Up to €0.3m	15,207.6	7,110.7
over €0.3m up to €1m	2,291.1	1,106.1
over €1m up to €10m	610.7	290.0
over €10m	123.1	27.0
Total	**18,232.6**	**8,533.8**

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Mortgage Pfandbriefe by country and type of use | €m	31.12.2016[1]		31.12.2015	
Germany	**Commercial**	**Residential**	**Commercial**	**Residential**
Flats	–	4,355.1	–	2,054.4
Single family house	–	11,278.5	–	5,471.7
Multi-dwellings	–	2,321.7	–	1,007.3
Office buildings	51.5	–	0.1	–
Retail buildings	193.0	–	0.2	–
Industrial buildings	0.9	–	–	–
Other commercially used real estate	31.7	–	0.0	–
Unfinished new buildings not yet generating income	–	0.1	–	0.0
Building sites	0.0	0.0	–	0.0
Total	**277.1**	**17,955.5**	**0.3**	**8,533.5**

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Foreign currency | €m	31.12.2016[1]	31.12.2015
Net present value	–	–

Interest structure | %	31.12.2016[1]	31.12.2015
Share of fixed-income cover assets	97.2	99.8
Share of fixed-income Pfandbriefe	98.3	100.0

Limit breaches | €m	31.12.2016[1]	31.12.2015
Total amount of loans that exceed the limits defined by Art. 13 (1) PfandBG	–	–
Total amount of loans that exceed the limits defined by Art. 19 (1) PfandBG	–	–

Other structural data	31.12.2016[1]	31.12.2015
Average age of the loans weighted by value, in years (seasoning)	5.3	2.3
Average weighted loan-to-value ratio in %	52.4	55.3

Payments in arrear Germany | €m	31.12.2016[1]	31.12.2015
Total payments overdue by at least 90 days	–	0.1
Total amount of interest in arrears	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

[1] Including mortgage Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Foreclosure sales

There were no foreclosure sales in 2016. No foreclosures are currently pending.

Acquisition of properties

No properties were acquired as a loss prevention measure in 2016.

(43) Public Pfandbriefe

€m	31.12.2016[1]			31.12.2015		
Cover calculation public Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value[2]**	**Nominal value**	**Net present value**	**Risk-adjusted net present value[2]**
Liabilities to be covered	11,080.4	14,217.4	14,056.5	1,881.5	2,218.5	2,323.7
of which Pfandbriefe outstanding	11,080.4	14,217.4	14,056.5	1,881.5	2,218.5	2,323.7
of which derivatives	–	–	–	–	–	–
Cover assets	12,799.2	15,842.1	15,487.3	2,263.2	2,492.6	2,475.2
of which cover loans	723.6	754.3	746.1	961.3	999.7	999.5
of which cover assets Art. 20 (1) PfandBG	12,451.7	15,480.1	15,125.3	2,263.2	2,492.6	2,475.2
of which cover assets Art. 20 (2) PfandBG	347.5	362.0	362.0	–	–	–
of which derivatives	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			1,624.7			198.4
Loss from currency stress test			–193.9			–46.9
Cover surplus	**1,718.7**	**1,624.7**	**1,430.8**	**381.7**	**274.1**	**151.5**

1 Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).
2 Risk-adjusted net present value including currency stress test.

€m	31.12.2016[1]	31.12.2015
Public Pfandbriefe outstanding with a residual term of		
up to 6 months	486.8	33.0
over 6 months up to 12 months	720.7	10.0
over 12 months up to 18 months	640.2	–
over 18 months up to 2 years	422.2	85.5
over 2 years up to 3 years	1,998.3	510.0
over 3 years up to 4 years	1,005.7	550.0
over 4 years up to 5 years	336.8	42.0
over 5 years up to 10 years	2,582.3	235.5
over 10 years	2,887.6	415.5
Total	**11,080.4**	**1,881.5**
Cover assets public Pfandbriefe with a residual fixed interest period of		
up to 6 months	817.9	128.4
over 6 months up to 12 months	1,076.4	147.2
over 12 months up to 18 months	819.9	97.0
over 18 months up to 2 years	707.7	267.7
over 2 years up to 3 years	652.9	632.5
over 3 years up to 4 years	983.8	367.4
over 4 years up to 5 years	362.2	170.2
over 5 years up to 10 years	2,473.6	254.1
over 10 years	4,904.7	198.6
Total	**12,799.2**	**2,263.2**

1 Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Other cover assets | €m	31.12.2016[1]	31.12.2015
Equalisation claims as defined by Art. 20 (2) no. 1 Pfandbriefgesetz		
Germany	–	–
Total	**–**	**–**
Equalisation claims as defined by Art. 20 (2) no. 2 Pfandbriefgesetz		
Germany	247.5	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Netherlands	100.0	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Total	**347.5**	**–**
Total	**347.5**	**–**

[1] Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Size categories | €m	31.12.2016[1]	31.12.2015
up to €10m	119.0	19.5
over €10m up to €100m	2,256.5	581.4
over €100m	10,076.2	1,662.3
Total	**12,451.7**	**2,263.2**

[1] Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Foreign currency | €m	31.12.2016[1]	31.12.2015
Net present value in Australian dollars	–	–
Net present value in Canadian dollars	40.3	–
Net present value in Swiss francs	664.1	149.0
Net present value in British pounds	566.5	–
Net present value in Japanese yen	–	–
Net present value in Norwegian crowns	–	–
Net present value in US dollars	384.4	88.6

Interest structure | %	31.12.2016[1]	31.12.2015
Share of fixed-income cover assets	68.1	40.2
Share of fixed-income Pfandbriefe	84.1	97.6

Limit breaches | €m	31.12.2016[1]	31.12.2015
Total amount of loans that exceed the limits defined by Art. 20 (2) PfandBG	–	–

Payments in arrear | €m	31.12.2016[1]	31.12.2015
Total payments overdue by at least 90 days	–	–
Total amount of these receivables where the arrears represent at least 5% of the receivable concerned	–	–

[1] Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

Registered office of borrowers or guarantors | €m	31.12.2016[1]	31.12.2015
Total	**12,451.7**	**2,421.2**
of which borrowers have a registered office in		
Countries	**1,708.3**	**120.3**
Germany	306.8	120.3
Great Britain/North Ireland/Channel Islands/Isle of Man	347.5	–
Iceland	97.4	–
Italy	43.0	–
Canada	16.3	–
Austria	622.3	–
Portugal	275.0	–
Regional authorities	**5,820.7**	**1,060.8**
Belgium	–	69.0
Germany	4,087.0	709.6
France including Monaco	52.9	48.8
Italy	520.1	–
Japan	42.0	–
Canada	67.7	–
Switzerland	754.3	138.4
Spain	296.7	95.0
Local authorities	**1,355.8**	**12.0**
Germany	83.1	–
Estonia	6.9	–
Finland	89.6	–
France including Monaco	26.2	12.0
Great Britain/North Ireland/Channel Islands/Isle of Man	7.6	–
Iceland	26.9	–
Italy	478.3	–
Canada	38.8	–
Switzerland	126.6	–
USA	471.9	–
Other borrowers with a registered office in	**1,837.8**	**108.8**
Belgium	–	25.0
Germany	458.3	25.0
France including Monaco	380.8	–
Austria	812.0	49.0
Switzerland	100.0	–
Supranational organisations	5.9	9.8
USA	80.9	–
Total	**10,722.5**	**1,301.8**
of which guarantors have a registered office in		
Countries	**749.1**	**961.3**
Germany	749.1	961.3
of which receivables from export credit agencies	723.6	961.3
Regional authorities	**124.0**	**n.a.**
Germany	–	n.a.
Belgium	124.0	n.a.
Local authorities	**–**	n.a.
Germany	–	n.a.
Other borrowers	**856.0**	n.a.
Germany	856.0	n.a.
Total	**1,729.1**	**961.3**
Other cover assets as defined by Art. 20 (2) Pfandbriefgesetz	**347.5**	**–**
Total	**12,799.2**	**1,301.8**

[1] Including public Pfandbriefe issued by the former Hypothekenbank Frankfurt Aktiengesellschaft (see note 5).

(44) Ship Pfandbriefe

€m	31.12.2016			31.12.2015		
Cover calculation ship Pfandbriefe	**Nominal value**	**Net present value**	**Risk-adjusted net present value**	**Nominal value**	**Net present value**	**Risk-adjusted net present value**
Liabilities to be covered	1,135.4	1,290.9	1,281.2	1,496.6	1,694.5	1,694.9
of which Pfandbriefe outstanding	1,095.3	1,243.5	1,233.4	1,377.3	1,574.4	1,573.5
of which derivatives[1]	40.2	47.4	47.8	119.4	120.1	121.4
Cover assets	1,687.8	1,767.5	1,767.2	1,898.7	1,992.7	1,996.2
of which cover loans	1,407.8	1,475.7	1,478.9	1,823.7	1,917.5	1,920.9
of which cover assets as defined by Art. 26 (1) no. 2, 3, 4 PfandBG	280.0	291.8	288.3	75.0	75.3	75.3
of which derivatives[1]	–	–	–	–	–	–
Risk-adjusted net present value after interest rate stress test			486.0			301.3
Loss from currency stress test			– 168.8			– 142.0
Cover surplus	**552.3**	**476.6**	**317.2**	**402.1**	**298.3**	**159.3**

[1] Exclusively to hedge currency risks.

€m	31.12.2016	31.12.2015
Ship Pfandbriefe outstanding with a residual term of		
up to 6 months	260.0	133.2
over 6 months up to 12 months	140.0	96.9
over 12 months up to 18 months	18.0	260.0
over 18 months up to 2 years	30.0	140.0
over 2 years up to 3 years	121.2	78.0
over 3 years up to 4 years	187.5	121.2
over 4 years up to 5 years	153.5	187.5
over 5 years up to 10 years	179.9	310.9
over 10 years	5.2	49.6
Total	**1,095.3**	**1,377.3**
Cover assets ship Pfandbriefe with a residual fixed interest period of		
up to 6 months	1,482.8	1,898.7
over 6 months up to 12 months	165.0	–
over 12 months up to 18 months	40.0	–
Total	**1,687.8**	**1,898.7**

Other cover assets | €m	31.12.2016	31.12.2015
Germany		
Equalisation claims as defined by Art. 26 (1) no. 2 Pfandbriefgesetz	–	–
Loans as defined by Art. 26 (1) no. 3 Pfandbriefgesetz	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 Pfandbriefgesetz	115.0	75.0
Portugal		
Equalisation claims as defined by Art. 26 (1) no. 2 Pfandbriefgesetz	–	–
Loans as defined by Art. 26 (1) no. 3 Pfandbriefgesetz	–	–
of which covered bonds as defined by Art. 129 of EU Regulation 575/2013	–	–
Loans as defined by Art. 26 (1) no. 4 Pfandbriefgesetz	165.0	–
Total	**280.0**	**75.0**

Size categories | €m	31.12.2016	31.12.2015
Up to €0.5m	1.0	2.2
over €0.5m up to €5m	355.0	433.5
More than €5m	1,051.8	1,388.0
Total	**1,407.8**	**1,823.7**

Country in which the mortgaged vessel or vessel under construction is registered | €m	31.12.2016	31.12.2015
Ocean going vessels	**1,407.8**	**1,823.7**
Antigua and Barbuda	5.4	6.1
Bahamas	61.2	99.2
Germany	737.0	805.3
Gibraltar	0.7	0.9
Greece	76.7	115.3
Great Britain	11.7	20.7
Hong Kong	31.2	55.1
Isle of Man	47.4	54.9
Liberia	95.3	138.1
Malta	114.5	186.2
Marshall Islands	109.1	188.0
Netherlands	17.8	26.8
Norway	7.6	20.0
Panama	23.2	29.1
Singapore	13.0	14.3
Turkey	5.6	6.6
Cyprus	50.4	57.1
Inland waterway vessels	**–**	**–**
Total	**1,407.8**	**1,823.7**

Foreign currency | €m	31.12.2016	31.12.2015
Net present value in Swiss francs	9.4	13.9
Net present value in Japanese yen	38.7	43.3
Net present value in US dollars	826.9	715.2
Total	**875.0**	**772.4**

Interest structure | %	31.12.2016	31.12.2015
Share of fixed-income cover assets	0.3	0.7
Share of fixed-income Pfandbriefe	89.0	87.8

Limit breaches | €m	31.12.2016	31.12.2015
Total amount of loans that exceed the limits defined by Art. 26 (1) PfandBG	–	–

Foreclosure sales

There were no foreclosure sales in 2016. No foreclosures are currently pending.

Acquisition of ships or of ships under construction

As in the previous year, Commerzbank Aktiengesellschaft did not acquire any ships as a loss prevention measure. Two ships were acquired in 2015 by Hanseatic Ship Asset Management GmbH, which was sold in the previous year.

Payments in arrears

The nominal value of the loan receivables used to cover for ship Pfandbriefe was €1,407.8m (previous year: €1,823.7m). This does not include arrears of principal and interest, as principal payments cease to be included in the cover calculation and interest is not treated as a cover asset after the due date.

Payments in arrears in excess of the cover amount stood at €17.1m (previous year: €21.3m). Receivables where the arrears represented at least 5% of the receivable concerned amounted to €63.4m in total (previous year: €98.5m).

(45) Holdings in affiliated and other companies

We provide the following information pursuant to Art. 271 no. 1, Art. 285 no. 11 and 11 a HGB. Footnotes and comments on the tables below appear at the end of this note.

a) Affiliated companies

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	61	5	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	35	4	
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	100.0	EUR	–1	–79	1)
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	24	2	
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	25	–6	
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	24	1	
ALISETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	25	–1	
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	3,825	–	a)
Atlas Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	314,317	–	a)
BDH Development Sp. z o.o.	Lódz, Poland	100.0	PLN	97,323	–4,650	
Bridge Re Limited	Hamilton, Bermuda	100.0	USD	424	140	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	100.0	EUR	6,137	–	a)
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	100.0	EUR	55,307	5,233	
CERI International Sp. z o.o.	Lódz, Poland	100.0	PLN	33,499	10,286	
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	100.0	EUR	1,175	–	a)
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	81.3	EUR	410,595	56,488	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0	EUR	3,232	1,225	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0	USD	27,982	1,167	
Commerz Bankenholding Nova GmbH	Frankfurt/Main, Germany	100.0	EUR	1,416,644	–	a)
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	100.0	EUR	89	–	a)
Commerz Direktservice GmbH	Duisburg, Germany	100.0	EUR	1,178	–	a)
Commerz Equipment Leasing Limited	London, United Kingdom	100.0	GBP	0	0	
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	100.0	EUR	7,215	3,516	
Commerz Grundbesitz Beteiligungs–gesellschaft mbH & Co. KG	Frankfurt/Main, Germany	90.0	EUR	13,159	777	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	486	32	
Commerz Pearl Limited	London, United Kingdom	100.0	GBP	20	3	
Commerz Property GmbH & Co. Hamburg KG	Frankfurt/Main, Germany	100.0	EUR	4,559	1,343	
Commerz Real AG	Eschborn, Germany	100.0	EUR	408,015	–	a)
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	25	–	a)
Commerz Real Baumanagement GmbH	Düsseldorf, Germany	100.0	EUR	4,238	–	a)
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	151	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	100.0	EUR	21,677	–	a)
Commerz Real Kapitalverwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	100.0	EUR	5,310	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0	EUR	26	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	100.0	EUR	10,576	326	

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerz Services Holding GmbH	Frankfurt/Main, Germany	100,0	EUR	14 929	–	a)
Commerz Systems GmbH	Eschborn, Germany	100.0	EUR	6,464	–	a)
Commerzbank (Eurasija) AO	Moscow, Russia	100.0	RUB	9,712,473	2,997,684	2)
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0	USD	1,938	46	
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main, Germany	100.0	EUR	183,000	–	a)
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo, Brazil	97.5	BRL	35,545	–15,270	
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0	GBP	0	0	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	100.0	EUR	677,793	79,386	3)
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	785	–15	
Commerzbank Finance BV	Amsterdam, Netherlands	100.0	EUR	1,231	64	
Commerzbank Finance Limited	London, United Kingdom	100.0	GBP	216,702	11,425	
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0	GBP	15,398	58,866	
Commerzbank Holdings France	Paris, France	100.0	EUR	77,669	–2,087	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	462,597	–	a)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	100.0	EUR	2,312,110	–	a)
Commerzbank Leasing 4 S.e.n.c.	Luxembourg, Luxembourg	100.0	GBP	45	–7	
Commerzbank Leasing 5 S.e.n.c.	Luxembourg, Luxembourg	100.0	GBP	61	36	
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	98	1	
Commerzbank Leasing December (1) Limited	London, United Kingdom	100.0	GBP	345	–10	
Commerzbank Leasing December (12) Limited	London, United Kingdom	100.0	GBP	584	2	
Commerzbank Leasing December (13) Limited	London, United Kingdom	100.0	GBP	0	0	
Commerzbank Leasing December (26) Limited	London, United Kingdom	100.0	GBP	0	0	
Commerzbank Leasing December (3) Limited	London, United Kingdom	100.0	GBP	764	–83	
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0	GBP	15,202	17,004	
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	1,249	129	
Commerzbank Leasing March (3) Limited	London, United Kingdom	100.0	GBP	243	99	
Commerzbank Leasing September (5) Limited	London, United Kingdom	100.0	GBP	193	68	
Commerzbank Securities Ltd	London, United Kingdom	100.0	GBP	10	0	
Commerzbank Securities Nominees Limited	London, United Kingdom	100.0	GBP	0	0	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	336	2	
Commerzbank Zrt.	Budapest, Hungary	100.0	HUF	26,261,000	–434,000	
CommerzFactoring GmbH	Mainz, Germany	50.1	EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	99.4	EUR	–	–	4)
CommerzVentures GmbH	Frankfurt/Main, Germany	100.0	EUR	20,205	–1,916	
ComTS Finance GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	5) a)
ComTS Logistics GmbH	Magdeburg, Germany	100.0	EUR	1,550	–	6) a)
ComTS Mitte GmbH	Erfurt, Germany	100.0	EUR	2,714	–	7) a)
ComTS Nord GmbH	Magdeburg, Germany	100.0	EUR	1,492	–	8) a)
ComTS Ost GmbH	Halle (Saale), Germany	100.0	EUR	1,550	–	9) a)
ComTS West GmbH	Hamm, Germany	100.0	EUR	1,256	–	10) a)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Frankfurt Neue Mainzer Straße KG	Düsseldorf, Germany	94.9	EUR	6,211	14,412	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	100.0	EUR	510	–1,270	
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,748	42	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0	JPY	18,641	–75	

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Dresdner Kleinwort & Co. Holdings, Inc.	Wilmington, Delaware, USA	100.0	USD	65,928	–13,958	
Dresdner Kleinwort Capital Inc.	Wilmington, Delaware, USA	100.0	USD	11,711	6	
Dresdner Kleinwort Finance Inc.	Wilmington, Delaware, USA	100.0	USD	3,426	62	
Dresdner Kleinwort Flags Inc.	Wilmington, Delaware, USA	100.0	USD	140,478	–1	
Dresdner Kleinwort Holdings II, Inc.	Wilmington, Delaware, USA	100.0	USD	1,965	188	
Dresdner Kleinwort LLC	Wilmington, Delaware, USA	100.0	USD	34,163	1	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	736,977	4,456	
Dresdner Kleinwort Moon LLC	Wilmington, Delaware, USA	100.0	USD	18,982	–3,599	
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0	GBP	0	–2	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	100.0	EUR	32,109	–	a)
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	25	–	a)
Entertainment Asset Holdings C.V.	Amsterdam, Netherlands	58.2	USD	72	3	
Entertainment Asset Holdings GP B.V.	Amsterdam, Netherlands	100.0	EUR	0	0	
Eschborn Capital LLC	Wilmington, Delaware, USA	100.0	USD	8,279	–964	
European Bank for Financial Services GmbH (ebase)	Aschheim, Germany	100.0	EUR	33,310	–	a)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	26	–	a)
Felix (CI) Limited	George Town, Cayman Islands	100.0	GBP	26	0	
Film Library Holdings LLC	Wilmington, Delaware, USA	51.0	USD	36,246	–4,645	
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	31	0	
Garbary Sp. z o.o.	Poznan, Poland	100.0	PLN	41,977	1,326	
Greene Elm Trading II LLC	Wilmington, Delaware, USA	100.0	USD	10,219	171	
Greene Elm Trading III LLC	Wilmington, Delaware, USA	100.0	USD	10,701	183	
Greene Elm Trading V LLC	Wilmington, Delaware, USA	100.0	USD	9,492	161	
Greene Elm Trading VI LLC	Wilmington, Delaware, USA	100.0	USD	11,573	185	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	100.0	USD	15,444	378	
Gresham Leasing March (1) Limited	London, United Kingdom	100.0	GBP	100	0	
Gresham Leasing March (2) Limited	London, United Kingdom	100.0	GBP	2,465	46	
Herradura Ltd	London, United Kingdom	100.0	GBP	5	0	
Kira Vermögensverwaltungsgesellschaft mbH	Munich, Germany	100.0	EUR	74,830	–	11) a)
Kommanditgesellschaft MS “CPO ALICANTE” Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	18,552	371	
Kommanditgesellschaft MS “CPO ANCONA” Offen Reederei GmbH & Co.	Hamburg, Germany	77.6	EUR	30,868	–3,534	
Kommanditgesellschaft MS “CPO BILBAO” Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	17,087	106	
Kommanditgesellschaft MS “CPO MARSEILLE” Offen Reederei GmbH & Co.	Hamburg, Germany	77.6	EUR	27,144	–4,158	
Kommanditgesellschaft MS “CPO PALERMO” Offen Reederei GmbH & Co.	Hamburg, Germany	73.9	EUR	42,994	–3,481	
Kommanditgesellschaft MS “CPO TOULON” Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	26,093	–3,527	
Kommanditgesellschaft MS “CPO VALENCIA” Offen Reederei GmbH & Co.	Hamburg, Germany	90.0	EUR	18,080	60	
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	100.0	EUR	5,662	–	12) a)
Marylebone Commercial Finance (2)	London, United Kingdom	100.0	GBP	0	0	
mBank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	764,459	17,877	
mBank S.A.	Warsaw, Poland	69.4	PLN	10,789,893	1,155,226	
mCentrum Operacji Sp. z o.o.	Aleksandrów Lódzki, Poland	100.0	PLN	34,862	–996	
MERKUR Grundstücks GmbH	Frankfurt/Main, Germany	100.0	EUR	8,732	–	a)
mFaktoring S.A.	Warschau, Poland	100.0	PLN	88,177	–27,124	

Name	Registered Office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000	
mFinance France S.A.	Paris, France	100.0	EUR	432	−97	
mFinanse S.A.	Lódz, Poland	100.0	PLN	70,659	192,878	13)
mLeasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	232,066	43,715	
mLocum S.A.	Lódz, Poland	80.0	PLN	148,601	14,540	
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg, Germany	100.0	EUR	11,977	23,417	
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	90.0	EUR	10	−67	
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	11,176	–	a)
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	85.0	EUR	−828	−76	
Pisces Nominees Limited	London, United Kingdom	100.0	GBP	0	0	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0	EUR	8,964	398	
Rood Nominees Limited	London, United Kingdom	100.0	GBP	0	0	
Rook Finance LLC	Wilmington, Delaware, USA	100.0	USD	92,074	240	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0	EUR	5,811	–	a)
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf, Germany	100.0	EUR	304	–	a)
Sterling Energy II LLC	Wilmington, Delaware, USA	100.0	USD	74,278	−5,039	
Sterling Energy LLC	Wilmington, Delaware, USA	100.0	USD	134,717	−545	
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	100.0	PLN	648	−138	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0	EUR	22,778	–	a)
Twins Financing LLC	Dover, Delaware, USA	60.0	USD	464	3,465	
Watling Leasing March (1)	London, United Kingdom	100.0	GBP	0	0	
Wilmots Leasing AB	Stockholm, Sweden	100.0	SEK	563	−322	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	100.0	EUR	−18,901	−1,180	

b) Associated companies

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6	EUR	196,932	16,035
Argor-Heraeus S.A.	Mendrisio, Switzerland	32.7	CHF	116,242	15,477
Capital Investment Trust Corporation	Taipeh, Taiwan	24.0	TWD	3,169,045	408,100
Commerz Finanz GmbH	Munich, Germany	49.9	EUR	562,829	30,784
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0	EUR	87,287	9,945
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0	USD	76,904	11,188
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8	EUR	79,061	−38,471
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0	EUR	6,462	1,343
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	25.0	EUR	2,883	2,858

c) Jointly controlled entities

Name	Registered office	Share of capital held %	Currency	Equity* 1,000	Net profit or loss* 1,000
Delphi I LLC	Wilmington, Delaware, USA	33.3	EUR	−491,719	−18,691
FV Holding S.A.	Brussels, Belgium	60.0	EUR	1,309	−46

d) Special purpose entities

Name	Registered office	Share of capital held %	Currency	Equity* 1,000
LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	100.0	EUR	−7,198

e) Equity holdings in permanently-linked companies

Name	Registered Office	Share of capital held %	
Alma Atlas Investments Limited	Lathom / Near Ormskirk, Lancashire, United Kingdom	12.0	
BBB Bürgschaftsbank zu Berlin-Brandenburg GmbH	Berlin, Germany	10.7	
BGG Bayerische Garantiegesellschaft mbH für mittelständische Beteiligungen	Munich, Germany	5.3	
Bilendo GmbH	Munich, Germany	9.7	
BTG Beteiligungsgesellschaft Hamburg mbH	Hamburg, Germany	13.3	
Bürgschaftsbank Brandenburg GmbH	Potsdam, Germany	10.8	
Bürgschaftsbank Bremen GmbH	Bremen, Germany	8.3	
Bürgschaftsbank Mecklenburg-Vorpommern GmbH	Schwerin, Germany	12.0	
Bürgschaftsbank Sachsen GmbH	Dresden, Germany	10.6	
Bürgschaftsbank Sachsen-Anhalt GmbH	Magdeburg, Germany	10.4	
Bürgschaftsbank Schleswig-Holstein Gesellschaft mit beschränkter Haftung	Kiel, Germany	5.6	
Bürgschaftsbank Thüringen GmbH	Erfurt, Germany	12.3	
Bürgschaftsgemeinschaft Hamburg GmbH	Hamburg, Germany	17.8	
ByeBuy Global Operations GmbH	Berlin, Germany	6.0	
Decentralized Mobile Applications Limited	Tel Aviv-Yafo, Israel	7.7	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	8.1	
GetSafe GmbH	Heidelberg, Germany	6.2	14)
Gini GmbH	Munich, Germany	13.4	
Interessengemeinschaft Frankfurter Kreditinstitute GmbH	Frankfurt/Main, Germany	16.9	
iwoca Limited	London, United Kingdom	5.5	
Kreditgarantiegemeinschaft des Hotel- und Gaststättengewerbes in Bayern GmbH	Munich, Germany	9.7	
Kreditgarantiegemeinschaft in Baden-Württemberg Verwaltungs-GmbH	Stuttgart, Germany	6.5	
LiquidityMatch LLC	Wilmington, Delaware, USA	14.3	
Mambu GmbH	Berlin, Germany	9.3	
Marqeta, Inc.	City of Dover, USA	5.2	
MBG Mittelständische Beteiligungsgesellschaft Rheinland-Pfalz mbH	Mainz, Germany	9.8	
MBG Mittelständische Beteiligungsgesellschaft Schleswig-Holstein mbH	Kiel, Germany	7.3	
Mittelständische Beteiligungsgesellschaft Berlin-Brandenburg GmbH	Potsdam, Germany	18.2	
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH	Schwerin, Germany	18.4	
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH	Hannover, Germany	12.4	
Mittelständische Beteiligungsgesellschaft Sachsen mbH	Dresden, Germany	16.4	
Mittelständische Beteiligungsgesellschaft Sachsen-Anhalt (MBG) mbH	Magdeburg, Germany	17.5	
Mittelständische Beteiligungsgesellschaft Thüringen mbH	Erfurt, Germany	16.5	
Mittelstandsfonds Schleswig-Holstein GmbH	Kiel, Germany	9.2	
Neptune Networks Limited	London, United Kingdom	6.3	
Niedersächsische Bürgschaftsbank (NBB) GmbH	Hannover, Germany	5.6	
paydirekt GmbH	Frankfurt/Main, Germany	11.1	
Perspecteev S.A.S.	Paris, France	9.2	15)
Pinova GmbH & Co. Beteiligungs 2 KG	Munich, Germany	19.6	
Retresco GmbH	Berlin, Germany	5.2	
Saarländische Kapitalbeteiligungsgesellschaft mbH	Saarbrücken, Germany	8.4	
TRAXPAY AG	Cologne, Germany	8.0	
True Sale International GmbH	Frankfurt/Main, Germany	23.1	

f) Investments in large corporations where the investment exceeds 5% of the voting rights

Name	Registered Office	Share of capital held %	Voting Rights %	
Concardis GmbH	Eschborn, Germany	13.9	13.9	16)
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main, Germany	13.9	13.9	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen, Germany	7.1	7.1	
SCHUFA Holding AG	Wiesbaden, Germany	17.9	17.9	

Footnotes	
1)	Renamed: from ACCOMO Hotel HafenCity GmbH & Co. Geschlossene Investment KG to ACCOMO Hotel HafenCity GmbH & Co. KG
2)	Renamed: from Commerzbank (Eurasija) SAO to Commerzbank (Eurasija) AO
3)	Renamed: from Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg to Commerzbank Finance & Covered Bond S.A.
4)	Renamed: from CommerzVentures Beteiligungs GmbH & Co. KG i.Gr. to CommerzVentures Beteiligungs GmbH & Co. KG
5)	Renamed: from Commerz Transaction Services Finance GmbH to ComTS Finance GmbH
6)	Renamed: from Commerz Transaction Services Logistics GmbH to ComTS Logistics GmbH
7)	Renamed: from Commerz Transaction Services Mitte GmbH to ComTS Mitte GmbH
8)	Renamed: from Commerz Transaction Services Nord GmbH to ComTS Nord GmbH
9)	Renamed: from Commerz Transaction Services Ost GmbH to ComTS Ost GmbH
10)	Renamed: from Commerz Transaction Services West GmbH to ComTS West GmbH
11)	Renamed: from KMP Invest GmbH to Kira Vermögensverwaltungsgesellschaft mbH
12)	Renamed: from Hypothekenbank Frankfurt AG to LSF Loan Solutions Frankfurt GmbH
13)	Renamed: from Aspiro S.A. to mFinanse S.A.
14)	Renamed: from Plan Forward GmbH to GetSafe GmbH
15)	Renamed: from Perspect to Perspecteev S.A.S.
16)	Renamed: from ConCardis Gesellschaft mit beschränkter Haftung to Concardis GmbH

Comments and Explanations	
a)	Control or profit transfer agreement
*	Financial figures as of last year's annual report
No disclosures persuant to Art. 285 no. 11 a of the German Commercial Code (HGB) are provided due to their minor significance as defined in Art. 286 (3) no. 1 HGB.	

Foreign exchange rates for €1 as at 31.12.2016		
Brazil	BRL	3.4305
United Kingdom	GBP	0.8562
Japan	JPY	123.4000
Poland	PLN	4.4103
Russia	RUB	64.3000
Sweden	SEK	9.5525
Switzerland	CHF	1.0739
Taiwan	TWD	34.1631
Hungary	HUF	309.8300
USA	USD	1.0541

(46) Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats on similar bodies in Germany and abroad

Martin Zielke

a) comdirect bank Aktiengesellschaft[1]
Chairman
(until 12.5.2016)

Commerz Real AG[1]
Chairman
(until 30.4.2016)

b) Commerz Real Investmentgesellschaft mbH[1]
Chairman
(until 30.4.2016)

Commerz Ventures GmbH[1]
Chairman
(since 1.5.2016)

mBank S.A.[1]
Deputy Chairman
(until 15.12.2016)

Martin Blessing
(until 30.4.2016)

b) CommerzVentures GmbH[1]
Chairman

mBank S.A.[1]

Frank Annuscheit

a) BVV Versicherungsverein des Bankgewerbes a.G.
Deputy Chairman

comdirect bank Aktiengesellschaft[1]
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e.V.
Deputy Chairman

Commerz Services Holding GmbH[1]
Chairman

Markus Beumer
(until 31.10.2016)

a) ABB AG

b) DAW SE

Dr. Marcus Chromik
(since 1.1.2016)

b) mBank S.A.[1]

Stephan Engels

a) Hypothekenbank Frankfurt AG[1]
Deputy Chairman
(until 23.5.2016)

b) CommerzVentures GmbH[1]
Deputy Chairman

EIS Einlagensicherungsbank GmbH
(since 13.5.2016)

mBank S.A.[1]
Deputy Chairman

Michael Mandel
(since 23.5.2016)

a) comdirect bank Aktiengesellschaft[1]
Chairman
(since 12.5.2016)

Commerz Real AG[1]
Deputy Chairman

SCHUFA Holding AG

b) Commerz Real Investmentgesellschaft mbH[1]
Deputy Chairman

mBank S.A.[1]

Michael Reuther

a) RWE Power AG
(until 15.6.2016)

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)

b) Seats on similar bodies in Germany and abroad

Klaus-Peter Müller

a) Fresenius Management SE

Fresenius SE & Co. KGaA

b) Parker Hannifin Corporation, Cleveland

Uwe Tschäge

– –

Hans-Hermann Altenschmidt

a) BVV Pensionsfonds des Bankgewerbes AG
(until 23.6.2016)

BVV Versicherungsverein des Bankgewerbes a.G.
(until 23.6.2016)

b) BVV Versorgungskasse des Bankgewerbes e.V.
(until 23.6.2016)

Heike Anscheit
(since 1.1.2017)
– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG
(since 24.6.2016)

BVV Versicherungsverein des Bankgewerbes a.G.
(since 24.6.2016)

b) BVV Versorgungskasse des Bankgewerbes e.V.
(since 24.6.2016)

Stefan Burghardt
– –

[1] Group mandate.

Sabine U. Dietrich
– –

Stefan Jennes
(since 1.2.2017)
– –

Karl-Heinz Flöther

a) Deutsche Börse AG, Frankfurt/Main

Dr. Markus Kerber

a) KfW-Bankengruppe

b) Computershare Limited, Melbourne

Alexandra Krieger

a) AbbVie Komplementär GmbH

Evonik Resource Efficiency GmbH

Oliver Leiberich
– –

Dr. Stefan Lippe

b) Acqupart Holding AG, Zug
Deputy Chairman

AXA S.A., Paris

Celsius Pro AG, Zurich
Chairman

Yes Europe AG, Lachen
Chairman

Beate Mensch

a) Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich

Anja Mikus
– –

Dr. Roger Müller
– –

Dr. Helmut Perlet

a) Allianz SE
Chairman

GEA GROUP AG
Chairman (since 20.4.2016)

Barbara Priester
(until 31.12.2016)
– –

Mark Roach
– –

Margit Schoffer
(until 31.1.2017)
– –

Nicholas Teller

b) Air Berlin PLC & Co. Luftverkehrs-KG
(until 30.6.2016)

Dr. Gertrude Tumpel-Gugerell

b) Finanzmarktbeteiligung Aktiengesellschaft des Bundes, Vienna

Österreichische Bundesbahnen Holding AG, Vienna

OMV Aktiengesellschaft, Vienna

Vienna Insurance Group AG, Vienna

Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a (4), no. 1, of the German Commercial Code (HGB)

Andreas Böger
Düsseldorfer Hypothekenbank Aktiengesellschaft
(since 1.1.2017)

Volker Ergler
Stadtwerke Viernheim GmbH

Gerold Fahr
Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick
Borgers SE & Co. KGaA

Jörg van Geffen
Häfen und Güterverkehr Köln AG

Sven Gohlke
Bombardier Transportation GmbH

Andrea Habermann
Delta Direkt Lebensversicherung Aktiengesellschaft München

Jochen H. Ihler
Hüttenwerke Krupp Mannesmann GmbH

Marcus König
Städtische Werke Nürnberg Gesellschaft mit beschränkter Haftung

VAG Verkehrs-Aktiengesellschaft

Fredun Mazaheri
Düsseldorfer Hypothekenbank Aktiengesellschaft
(until 31.12.2016)

Dr. Annette Messemer
K+S Aktiengesellschaft

Stefan Nodewald
SCHWÄLBCHEN MOLKEREI Jakob Berz Aktiengesellschaft

Dr. Bettina Orlopp
Commerz Real AG[1]

Roman Schmidt
Commerz Real AG[1]

Sabine Schmittroth
comdirect bank Aktiengesellschaft[1]

Commerz Real AG[1]

Dr. Jochen Sutor
Commerz Real AG[1]

Rupert Winter
Klinikum Burgenlandkreis GmbH
Deputy Chairman
(until 31.12.2016)

Benedikt Winzen
Wohnstätte Krefeld, Wohnungs-Aktiengesellschaft

[1] Group mandate.

(47) Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman
Employee of Commerzbank Aktiengesellschaft

Hans-Hermann Altenschmidt[1]
Employee of Commerzbank Aktiengesellschaft

Heike Anscheit[1]
(since 1.1.2017)
Employee of Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Employee of Commerzbank Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstand Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former member of the Management Board of BP Europe SE

Karl-Heinz Flöther
Independent management consultant

Stefan Jennes[1]
(since 1.2.2017)
Employee of Commerzbank Aktiengesellschaft

Dr. Markus Kerber
Chief Executive Director of the Federal Association of German Industry (Bundesverband der Deutschen Industrie)

Alexandra Krieger[1]
Head Business Administration/Corporate Strategy Industrial Union Mining, Chemical and Energy

Oliver Leiberich[1]
Employee of Commerzbank Aktiengesellschaft

Dr. Stefan Lippe
Former President of the Company Management of Swiss Re AG

Beate Mensch[1]
Trade Union Secretary
ver.di Region of the Federal State Hessen (Vereinte Dienstleistungsgewerkschaft ver.di)
Organisational development

Anja Mikus
Managing Director
Chief Investment Officer
Arabesque (Germany) GmbH

Dr. Roger Müller
General Counsel
Deutsche Börse AG

Dr. Helmut Perlet
Chairman of the Supervisory Board
Allianz SE

Barbara Priester[1]
(until 31.12.2016)
Employee of Commerzbank Aktiengesellschaft

Mark Roach[1]
Trade Union Secretary
ver.di National Administration

Margit Schoffer[1]
(until 31.1.2017)
Employee of Commerzbank Aktiengesellschaft

Nicholas Teller
Chairman of the Advisory Board
E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell
Former member of the Executive Board of the European Central Bank

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman
(since 1.5.2016)

Martin Blessing
Chairman
(until 30.4.2016)

Frank Annuscheit

Markus Beumer
(until 31.10.2016)

Dr. Marcus Chromik
(since 1.1.2016)

Stephan Engels

Michael Mandel
(since 23.5.2016)

Michael Reuther

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt/Main, 21 February 2017
The Board of Managing Directors

Martin Zielke

Frank Annuscheit

Marcus Chromik

Stephan Engels

Michael Mandel

Michael Reuther

Independent Auditor's Report[1]

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the Audit of the Annual Financial Statements

Audit Opinion on the Annual Financial Statements

We have audited the annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet as at December 31, 2016, and the income statement for the financial year from January 1, to December 31, 2016, and notes to the financial statements, including the accounting and measurement methods presented therein.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company in accordance with (German) principles of proper accounting as at December 31, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the annual financial statements.

Basis for Audit Opinion on the Annual Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our report. We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, to December 31, 2016. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. **Valuation of ship financing activities**
2. **Valuation of trading related financial instruments**
3. **Transfer of assets and liabilities of Hypothekenbank Frankfurt AG**
4. **Audit of provisions required in the context of the "Commerzbank 4.0" strategy**
5. **Tax refund claims resulting from trades settled on or near the dividend date**

Our presentation of these key audit matters has been structured as follows:

a) Matter and issue
b) Audit approach and findings
c) Reference to further information

1. Valuation of ship financing activities

a) COMMERZBANK Aktiengesellschaft also conducts ship-financing activities. During the reporting period, due to the continued deterioration of the market environment this business area was the main cause for the increase in provisions, with the result being that the ship financing business had a considerable impact on the annual financial statements and, in particular, the results of operations of the Company. In connection with the accounting, the valuation of these receivables regularly requires the use of estimates, particularly of future charter rates. Given that these valuation parameters have a significant influence on the recognition and amount of any provisions, which may become necessary and these provisions are subject to considerable uncertainties to that extent, this matter was of particular importance during our audit.

[1] Translation of the independent auditors' report issued in German language on the consolidated financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft. The German language statements are decisive.

b) During our audit, we first evaluated the effectiveness of the Company's relevant internal control system with respect to the valuation of ship financing activities. In this connection, we also considered the respective business organisation, IT systems and valuation models. In addition, we assessed the valuation of ship financing activities, including the appropriateness of estimates, based on a risk-oriented sample, in which we, among other things, evaluated the correct application of the valuation models and the appropriateness of the future charter rates and additional input factors used. To that end, we also involved our specialists in the fields of IT audits, mathematical finance and the valuation of ships. The valuation parameters and assumptions used by management of COMMERZBANK Aktiengesellschaft for the valuation of the ship financing portfolio fall within an reasonable range.

c) COMMERZBANK Aktiengesellschaft's disclosures on the accounting for loan loss provisions, which also include the valuation of ship financing activities, are provided in note 2 within the notes to the financial statements.

2. Valuation of trading related financial instruments

a) COMMERZBANK Aktiengesellschaft conducts trading in securities and derivatives according to MaRisk, which it reports in the annual financial statements in the trading book, in the liquidity reserve as well as under noncurrent assets. For the purposes of accounting and disclosure within the notes, the Company determines the fair value for these financial instruments. These instruments are valued in the trading division and are then verified by the finance function independent of the trading division. Fair value is determined by the price established for the financial instrument in an active market (mark to market principle). If no market prices are available, valuation is based on quoted prices for similar instruments in active markets. In cases where no quoted prices are available for identical or similar financial instruments, fair value is established with the aid of valuation models which use observable market parameters to the maximum extent possible (mark to model). If insufficient recent observable market data is available to establish fair value, parameters, which are not observable on the market, will be used in the valuation models. These parameters may include data derived by approximation from historical data.

In addition, for OTC derivatives the Company also calculates valuation adjustments for counterparty risk and funding cost. Financial instruments, which are valued, based on models are therefore subject to increased valuation uncertainties and wider reasonable ranges. This applies in particular to complex financial instruments and the use of unobservable parameters. Therefore, the model based valuation of financial instruments, including valuation adjustments for counterparty risk and funding cost, was of particular importance during our audit.

b) In the course of our audit, we particularly analysed the financial instruments valued using models, with the focus being on instruments, which were subject to increased valuation uncertainties. We then evaluated the appropriateness and effectiveness of the relevant internal control system of the Company relating to the valuation of these financial instruments, and satisfied ourselves in particular of the appropriateness and effectiveness of the control measures implemented by the Company with respect to the independent price verification and model validation. With the assistance of our quantitative specialists, we carried out an assessment of the suitability of the respective valuation models and the inputs used for selected classes of assets. In addition, we carried out a separate, independent valuation of portfolios of OTC derivatives as of the balance sheet date. We examined the methods applied to calculate valuation adjustments for counterparty risk and funding cost for OTC derivatives as to their suitability for determining an appropriate fair value. The valuation methods and assumptions used by management fall within a reasonable range.

c) Further information on the valuation of trading related financial instruments is contained in notes 2, 15, 16, 17 and 37 within the notes to the financial statements.

3. Transfer of assets and liabilities of Hypothekenbank Frankfurt AG

a) In financial year 2016, in connection with the portfolio reduction in the real estate and public finance business, large portions of assets and liabilities were transferred from Hypothekenbank Frankfurt AG to COMMERZBANK Aktiengesellschaft. Hypothekenbank Frankfurt AG was then reorganised as a service provider, which has been involved in the operational processing of various portions of the portfolios transferred to COMMERZBANK Aktiengesellschaft after the transfer. This intra-Group transaction necessitated large-scale migrations affecting the data processing systems and various organisational and operational changes. In addition, this resulted in complex accounting issues under commercial and tax law. Therefore, this matter was in our view of particular importance for our audit.

b) In the context of a project-related audit and the audit of the 2016 annual financial statements, we performed a variety of audit procedures in relation to the propriety of the accounting in accordance with commercial law, the implications under tax law and the IT migration. Among other things, we examined the measurement and transfer of assets and liabilities. In doing so, we involved specialist from our national office for national accounting and further specialists from the areas of tax law, corporate law and IT audits. The proper treatment of the transaction in the appended annual financial statements is sufficiently documented and were understood by us.

c) The Company's disclosures pertaining to the transaction are contained in notes 5, 11, 15, 18, 42 and 43 within the notes to the financial statements.

4. Audit of provisions required in the context of the "Commerzbank 4.0" strategy

a) COMMERZBANK Aktiengesellschaft unveiled its new "Commerzbank 4.0" strategic program in financial year 2016. Under the new strategy, the Company will focus on its core business and has modified its objectives and planning accordingly. The Company has announced that it would reduce costs through staff reductions of approximately 9,600 FTEs gross. If the necessary recognition criteria have been met, this gives rise to the necessity to recognise a provision for restructuring. In its assessment of the matter, the Company concluded that the recognition criteria were not met as at December 31, 2016, and accordingly did not recognise any restructuring provisions. From our point of view, this matter is of particular importance, as the accounting of restructuring provisions is to a large extent based on estimates and assumptions made by management.

b) In accordance with § 249 Abs. 1 Satz 1 HGB, provisions must be recognised for uncertain liabilities. In this context, an external legal or economic obligation has to be existent, which was caused during the financial year, and there must be a various assumption that the provisions will be utilised. Within our audit, we assessed whether the necessary recognition criteria were met. To that end, we obtained the relevant evidence from Company's management. Our assessment was also based on the status of the negotiations between the management and employee representatives. We were able to satisfy ourselves that the matter and the estimates and assumptions made by management based on which the restructuring provisions were not recognised were sufficiently documented and substantiated.

c) The Company's disclosures pertaining to the provisions are contained in notes 2 and 27 within the notes to the financial statements.

5. Tax refund claims resulting from trades settled on or near the dividend date

a) COMMERZBANK Aktiengesellschaft received dividends from trades settled in assessment periods not yet subject to limitation for assessment and payment and claimed tax credits and tax refunds (together: tax claims) for the dividend withholding tax levied thereon as. There is the risk that the tax claims resulting from such transactions do not legally accrue to the Company. Given that the non-recognition of tax claims can have a material influence on the Company's financial position and financial performance, we consider these matters to be of particular importance.

b) Based on the (separate) tax certificates issued by COMMERZBANK Aktiengesellschaft and an analysis of the data from the trading and settlement systems used, we have evaluated the amount of tax claims in relation to trades delivered over the dividend date. Furthermore, we examined whether the Company traded shares "back and forth" over the dividend date with identical market participants on the buy and sell side and the extent to which acquired shares were used in the course of further trades or financing business. Additionally, we examined whether there are any indications of specific agreements relating to short selling with regard to trades settled post the dividend date. Based on the information available to us, the current interpretation of the law and the statements made by the tax authorities, we were able to satisfy ourselves that the estimates made by management with respect to the accounting treatment of a possible non-recognition of asserted tax refund claims were sufficiently documented in detail and substantiated.

c) The Company's disclosures pertaining to the possible non-recognition of asserted tax refund claims are contained in notes 29, 69 and 86 within the notes to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB as well as
- other parts of the annual report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statement

Management is responsible for the preparation of the annual financial statements, which comply with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. Furthermore, management is responsible for such internal control as management determines in accordance with (German) principles of proper accounting is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless this conflicts with legal and actual circumstances.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the annual financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or the management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Company in accordance with (German) principles of proper accounting.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the annual financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Management Report

Audit Opinion on the Management Report

We have audited the management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the financial year from January 1, to December 31, 2016.

In our opinion, based on the findings of our audit, the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, the management report is consistent with the annual financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the management report.

Basis for Audit Opinion on the Management Report

We conducted our audit of the management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Management Report

Management is responsible for the preparation of the management report, which as a whole provides a suitable view of the Company's position, is consistent with the annual financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a management report in accordance with the applicable German legal requirements and to provide sufficient and appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the management report.

Auditor's Responsibilities for the Audit of the Management Report

Our objective is to obtain reasonable assurance about whether the management report as a whole provides a suitable view of the Company's position as well as, in all material respects, is consistent with the annual financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the management report.

As part of an audit, we examine the management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the management report is integrated into the audit of the annual financial statements.
- We obtain an understanding of the policies and procedures(systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).
- We perform audit procedures on the prospective information presented by management in the management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the management report; our audit opinion covers the management report as a whole.

Responsible auditor

The auditor responsible for the audit is Helge Olsson.

Frankfurt/Main, 22 February 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Clemens Koch sgd.	Helge Olsson
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Significant subsidiaris and associates

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

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

Disclaimer

Reservation regarding forward-looking statements
This Financial Statements and Management 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.

The German version of this Financial Statements and Management Report is the authoritative version and only the German version of the Management Report and the Financial Statements were audited by the auditors.

References made to persons in the masculine for reasons of readability apply equally in the feminine.

2017/2018 Financial calendar	
3 May 2017	Annual General Meeting
9 May 2017	Interim Report as at 31 March 2017
2 August 2017	Interim Report as at 30 June 2017
9 November 2017	Interim Report as at 30 September 2017
End-March 2018	Annual Report 2017

Commerzbank AG
Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

Postal address
60261 Frankfurt am Main
Tel. +49 69 136-20
info@commerzbank.com

Investor Relations
Tel. +49 69 136-21331
Fax +49 69 136-29492
ir@commerzbank.com

The Group annual report
(in accordance with the International
Financial Reporting Standards)
appears in German and English.