

COMMERZBANK

The bank at your side



Interim Report

as at 30 June 2017



Key figures

Income statement	1.1. – 30.6.2017	1.1. – 30.6.2016¹
Operating profit (€m)	515	633
Operating profit per share (€)	0.41	0.51
Pre-tax profit or loss (€m)	-292	593
Consolidated profit or loss ² (€m)	-406	384
Earnings per share (€)	-0.32	0.31
Operating return on equity based on CET1 ^{3,4} (%)	4.4	5.4
Return on equity of consolidated profit or loss ⁷ (%)	-3.1	3.0
Cost/income ratio in operating business (%)	80.3	78.8
Balance sheet	30.6.2017	31.12.2016
Total assets (€bn)	487.3	480.5
Risk-weighted assets (€bn)	178.8	190.5
Equity as shown in balance sheet (€bn)	29.4	29.6
Total capital as shown in balance sheet (€bn)	40.5	40.6
Regulatory key figures	30.6.2017	31.12.2016
Tier 1 capital ratio (%)	14.1	13.9
Common Equity Tier 1 ratio ⁵ (%)	13.9	13.9
Common Equity Tier 1 ratio ⁵ (fully phased-in; %)	13.0	12.3
Total capital ratio (%)	17.4	16.9
Leverage ratio (%)	5.1	5.4
Leverage ratio (fully phased-in, %)	4.6	4.8
Staff	30.6.2017	31.3.2017
Germany	36,399	36,584
Abroad	12,471	13,414
Total	48,870	49,998
Ratings⁶	30.6.2017	31.3.2017
Moody's Investors Service, New York	A2/Baa1/P-1	A2/Baa1/P-1
S&P Global, New York	A-/A-/A-2	A-/A-/A-2
Fitch Ratings, New York/London	A-/BBB+/F2	A-/BBB+/F2
Scope Ratings, Berlin	-/A/S-1	-/A/S-1

¹ Prior-year figures restated.

² Insofar as attributable to Commerzbank shareholders.

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

⁴ Annualised.

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

⁶ Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com).

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

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Performance highlights

1 January to 30 June 2017

Key statements

- Commerzbank continues to make good progress in implementing its “Commerzbank 4.0” strategy. The Bank has agreed on an outline reconciliation of interests and an outline social plan with the employee representative committees in Germany. The binding agreements form the basis for ensuring that the personnel reductions announced by the Bank in autumn 2016 as part of the “Commerzbank 4.0” strategy are handled as socially responsibly as possible. This allowed the declared restructuring expenses to be booked in full already in the first half of 2017.
- In the expected transformation year and in the wake of muted markets in the second quarter, operating profit for the first half of 2017 came to €515m and was lower than in the prior-year period. Consolidated loss attributable to Commerzbank shareholders was €–406m, versus a profit figure of €384m for the first six months of last year.
- Group loan loss provisions increased to €–362m, with ship financing in particular requiring provisioning; the NPL ratio was 1.5%. At €3,583m, operating expenses remained stable despite higher spending on strategic development.
- The Common Equity Tier 1 ratio (based on fully implemented Basel 3 regulations) was 13.0%; the leverage ratio was 4.6%.
- The operating return on equity was 4.4%, compared with 5.4% in the prior-year period. The return on tangible equity based on consolidated profit was 3.1%, compared with 3.0% in the prior-year period. The cost/income ratio rose slightly to 80.3%, compared with 78.8% in the prior-year period.

Development of Commerzbank shares

The international stock markets were dominated by a host of geopolitical events in the first six months of 2017, including the parliamentary elections in the Netherlands and France, the UK’s decision to leave the EU and political tensions in the Middle East and North Korea. A largely stable political situation, which had not necessarily been expected, and improved economic prospects in Europe contributed to a pleasing capital market performance characterised by very low volatility overall. Even the ongoing consolidation in the Italian banking sector, which has claimed a number of smaller institutions, was not perceived as system-critical by the market, nor did the first orderly winding down of a Spanish bank by European banking regulators had a significant impact. The European banking sector also benefited from growing expectations on higher interest rates and an increasingly solid economic recovery in the eurozone. Buoyed by the prospect of an early end of negative interest rates and growing confidence in the economic stabilisation within the eurozone, the EURO-STOXX Banks Index rose by some 11% in the first six months of 2017, while the Commerzbank share clearly outperformed the European banking sector with a gain of around 44%. This development was driven in particular by the fact that a possible increase in interest rates would have a positive impact on Commerzbank’s profitability due to the Bank’s high rate sensitivity.

Highlights of the Commerzbank share	1.1.–30.6.2017	1.1.–30.6.2016
Shares issued in million units (30.6.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	10.59	8.65
Low	6.97	5.65
Closing price (30.6.)	10.43	5.82
Daily trading volume ¹ in million units		
High	46.0	42.3
Low	5.4	3.2
Average	14.0	11.5
Index weighting in % (30.6.)		
DAX	1.2	0.8
EURO STOXX Banks	1.7	1.9
Earnings per share in €	-0.32	0.31
Book value per share ² in € (30.6.)	22.57	22.68
Net asset value per share ³ in € (30.6.)	21.45	21.13
Market value/Net asset value (30.6.)	0.49	0.28

¹ Total for German stock exchanges.

² Excluding non-controlling interests.

³ Excluding non-controlling interests and the cash flow hedge reserve and less goodwill.

Important business policy and staffing events in the second quarter of 2017

Change in the composition of the Supervisory Board

As proposed by the Supervisory Board, the Annual General Meeting on 3 May 2017 appointed Dr. Tobias Guldemann to the Supervisory Board of Commerzbank Aktiengesellschaft. Dr. Guldemann succeeded Prof. Dr. Ulrich Middelmann, who passed away in 2013 and had been replaced on the Supervisory Board by Dr. Roger Müller. The appointment of a successor marked the end of Dr. Müller's term of office; he returned to his role as substitute member.

Progress made with the implementation of the personnel reductions required under the "Commerzbank 4.0" strategy

Commerzbank published an ad-hoc release on 23 June in which it announced that negotiations with the employee representative committees concerning the implementation of the "Commerzbank 4.0" strategy were well advanced, and that based on this and subject to approval by the Group and Central Works Council, the Bank is set to book restructuring expenses of approximately €810m in the second quarter of 2017. The Bank had previously expected restructuring charges of €1.1bn in total. The lower restructuring expenses are due to the personnel reductions already implemented, staff turnover and expected efficiencies in staff transfers and replacements. On 13 July Commerzbank agreed an outline reconciliation of interests and an outline social plan with the employee representative committees in Germany. The binding agreements form the basis for ensuring that the personnel reductions announced by the Bank in autumn 2016 as part of the "Commerzbank 4.0" strategy are handled as socially responsibly as possible. Details of the personnel reductions in the individual Group divisions in Germany will be worked out, based on the agreements, over the upcoming months and set out in partial reconciliations of interest. The aim is to complete the negotiations by the end of this year.

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Economic conditions

Overall economic situation

The global economy gained further momentum in the first half of 2017. One contributing factor was the economic recovery in emerging markets. Even China, which continues to battle significant overcapacity, stabilised its economy.

The economic recovery continued in industrialised countries too. Although growth in the USA was relatively weak in the first quarter, as has been the case often in prior years, a look at the labour market shows that the US economy is still in very good condition: unemployment has fallen to 4.4%. Increasing competition for labour has caused a somewhat stronger pick-up in wage growth. Against this backdrop, the Federal Reserve decided to raise the target corridor for key interest rates by 25 basis points in both March and June; it now stands at 1.00%–1.25%.

In the eurozone, the economic recovery gained momentum in the first half of the year, with business sentiment improving to its highest level for several years. The eurozone economy received positive stimuli not only from global demand but also from the loose monetary policy of the European Central Bank (ECB), which seems to be gradually filtering through to the real economy after previously only having an impact in the form of rising prices on the financial and real estate markets.

The German economy maintained its high growth rate in the first half of the year, coupled with a further improvement in business sentiment. The ifo Business Climate Index, the key barometer of German business sentiment, rose to its highest level since German reunification. The strong economic growth was accompanied by another marked rise in employment. Unemployment has fallen to its lowest level for over 25 years.

Financial markets were once again dominated in the first half of 2017 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. The euro appreciated against the US dollar again towards the middle of the year, returning to its summer 2016 level of USD 1.14.

Earnings performance, assets and financial position

Income statement of the Commerzbank Group

Commerzbank posted an operating profit of €515m in the first half of 2017, after €633m in the prior year.

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

Net interest and trading income (including net income from hedge accounting) rose by 3.5% year-on-year to €2,707m overall. Net interest income for the period under review declined by €559m year-on-year to €2,121m, while net trading income (including net income from hedge accounting) was up €651m to €586m. In the Private and Small-Business Customers business segment, growing interest income in the domestic lending business thanks to rising portfolio volumes only partly offset the substantial drop in income from deposit business attributable to the climate of low and negative interest rates. Moreover, the prior-year figure was boosted by a special dividend of €44m. Net interest income at mBank increased through growth in the consumer credit business and rising contributions from the deposit business. In the Corporate Clients segment the Mittelstand division recorded a drop in demand for credit compared with the prior year, but benefited from ongoing solid demand for capital market solutions. The International Corporates division posted moderate growth in lending business year-on-year, while structured credit products recorded lower demand. The Equity Markets & Commodities division once again recorded stable customer activity and solid demand for capital market and investment products. The sharp year-on-year rise in net interest and trading income in the Asset & Capital Recovery business segment resulted from lower funding costs due to the portfolio reduction and a non-recurring income item. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

Net trading income for the period included positive measurement effects from both counterparty risks and the measurement of own liabilities of €26m, compared with €207m in the same period last year.

Further information on the composition of net interest and net trading income is given in the notes to the interim financial statements on pages 49 and 50.

Net commission income rose by 3.7% to €1,666m during the period under review as compared with the first half of last year. In the Private and Small-Business Customers business segment the increase in Germany levelled off during the year both for seasonal reasons and due to the recognition of customer acquisition costs. By contrast, mBank recorded a double-digit increase in many areas of private customer business as well as in business with corporate clients. The positive trend in income from capital market products in the Corporate Clients business segment was offset in particular by lower income from documentary business as a result of the strategic focusing in the Financial Institutions division and a drop in customer activity.

Net investment income in the first six months of 2017 was €65m, compared with €163m in the prior-year period. The figure for the first six months of 2016 included a non-recurring effect of €123m from the sale of the stake in Visa Europe Limited. Other net income was €7m for the period under review, compared with €116m a year earlier as a result of reversals of provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions was €-362m, €-27m higher than in the prior-year period. While provisioning requirements in the Corporate Clients segment fell, mainly due to lower provisioning needs for individual exposure, there was a rise in loan loss provisions in the Asset & Capital Recovery business segment in particular associated with ship financing.

Operating expenses in the period under review were €3,583m, on a par with the prior-year figure. Personnel costs were €1,827m, compared with €1,818m in the prior-year period. Other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, were €1,756m and thus also in line with the level seen in the first six months of 2016.

Restructuring expenses of €807m impacted on profit in the period under review. They were connected with the implementation of the "Commerzbank 4.0" strategy and the agreement reached with the employee representative committees in this regard on an outline reconciliation of interests and an outline social plan.

As a result of the developments described above, the Commerzbank Group posted a pre-tax loss of €-292m in the first six months of the current year, compared with a pre-tax profit of €593m in the same period of the prior year.

Tax expense for the reporting period was €69m, compared with €147m in the prior-year period. Consolidated loss after tax was €-361m, compared with a consolidated profit of €446m in the prior-year period. Net of non-controlling interests, a consolidated loss of €-406m was attributable to Commerzbank shareholders for the reporting period.

Operating profit per share came to €0.41, and earnings per share to €-0.32. The comparable figures in the prior-year period were €0.51 and €0.31 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 June 2017 were €487.3bn, 1.4% above the figure for year-end 2016.

The cash reserve increased by €19.5bn to €54.3bn. This increase compared with the end of 2016 was due in particular to larger deposits with central banks. Claims on banks were €64.1bn, up 9.6% on the year-end 2016 level. An increase in the volume of reverse repos and other claims was offset by a slight decline in cash collaterals. Claims on customers were €215.8bn, €3.0bn higher than the level at the end of 2016. The portfolio reduction in the Asset & Capital Recovery segment led to a decline in volumes, whereas customer claims in the operating segments grew. Total lending to customers and banks was €225.6bn as at the reporting date, in line with the level as at end-2016. While loans to banks fell by €2.1bn to €17.8bn, customer lending business was €207.7bn, almost 1.8% above the year-end 2016 level. As at the reporting date, trading assets totalled €77.5bn, a fall of 12.8% compared with year-end 2016. Holdings of equities, other equity-related securities and investment fund units decreased by €3.3bn, while positive fair values of financial derivatives, in particular interest-rate-related and currency-related derivative transactions, fell sharply, down €8.4bn compared with year-end 2016. Financial investments decreased compared with year-end 2016, down 13.7% to €60.6bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks stood at €76.1bn, €9.2bn above the end-2016 level. While repos and cash collateral increased by €1.1bn, sight deposits rose by €5.3bn and liabilities to central banks were up by €2.0bn. Liabilities to customers rose by 3.3% compared with year-end 2016 to €259.2bn, owing mainly to volume growth in deposits in the private business. Securitised liabilities were €35.3bn, €3.2bn lower than at year-end 2016. While bonds and notes issued fell slightly, down €1.1bn to €31.8bn – owing in particular to a lower volume of public-sector Pfandbriefe and other bonds and notes – money market instruments issued declined by €2.1bn to €3.5bn. Trading liabilities decreased in volume by €6.7bn overall to €64.9bn. This was mainly due to the fall in currency- and interest-rate-related derivative transactions, offset by an increase in other equity derivatives.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 30 June 2017 was €28.3bn, 1.0% below the figure for year-end 2016. This was due in particular to the decline in consolidated profit. As at the reporting date, the revaluation reserve stood at €–0.7bn. This was a fall of €–0.1bn, attributable in particular to the positive development of credit spreads on Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–0.9bn from equity compared with €–1.0bn at year-end 2016.

Risk-weighted assets (phase-in) were €178.8bn as at 30 June 2017, €11.7bn below the year-end 2016 level. The decrease was largely attributable to a reduction in risk-weighted assets from credit risks through active portfolio management as well as positive impact from foreign currency movements. Risk-weighted assets from market risks and operational risks also fell. Regulatory Tier 1 capital fell by around €1.3bn to €25.2bn compared with year-end 2016, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio rose to 14.1% as a result of the reduction in risk-weighted assets. Common Equity Tier 1 capital was €24.8bn and the corresponding Common Equity Tier 1 ratio 13.9%. The total capital ratio was 17.4% on the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of full implementation of the Basel 3 regulations) was 13.0% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which compares Tier 1 capital with leverage exposure, was 5.0% (phase-in) or 4.6% (fully phased-in).

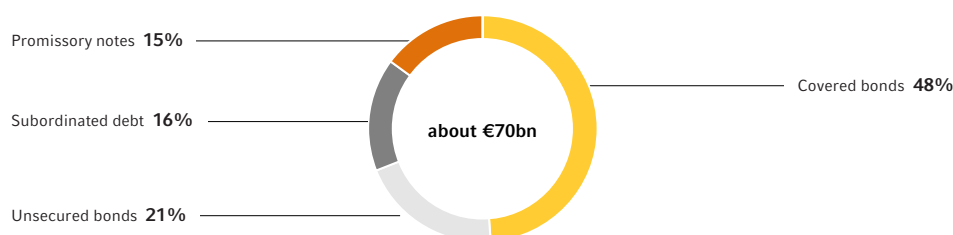
The Bank complies with all regulatory requirements.

Funding and liquidity

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

Capital market funding structure¹

As at 30 June 2017



¹ Based on reported figures.

The Commerzbank Group raised a total of €3.4bn in long-term funding on the capital market in the first half of 2017.

An unsecured benchmark subordinated bond with a volume of €500m was issued in the first quarter. The issue has a term of around ten years. For the first time the Bank placed a subordinated bond worth SGD 500m in the Asian market.

The issue has a term of ten years with an issuer call option after five years. Most investor demand (over 90%) came from Singapore investors. This further diversified the Commerzbank investor base. Commerzbank also issued a senior unsecured bond in May with a volume of €500m and a term of seven years.

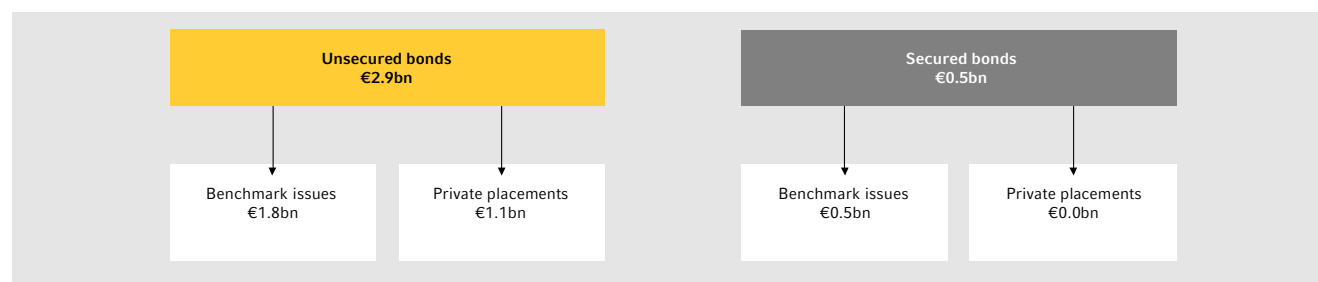
A further €1.1bn was raised in private placements. The Polish subsidiary mBank also issued a senior unsecured bond with a benchmark volume of CHF 200m and a term of six years.

In the collateralised area, a mortgage Pfandbrief with a six-year term was topped up by €500m, taking it to €1bn.

The average term of all issues was around eight years.

Group capital market funding in the first six months of 2017

Volume €3.4bn



As at the reporting date, the Bank had a liquidity reserve of €98.5bn in the form of highly liquid assets. The liquidity reserve portfolio consists of highly liquid assets and functions as a buffer in stress situations. This liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8.6bn as at the reporting date. The regulatory liquidity requirements of the German Liquidity Regulation were met at all times in the reporting period. As at the reporting date, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.47, again significantly higher than the minimum regulatory requirement of 1.00. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Segment performance

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

Further information on this subject and on segment reporting in general can be found on page 53 ff. of the interim financial statements. Explanations regarding adjustments of prior-year figures can be found on page 45 ff. of the interim financial statements.

Private and Small-Business Customers

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %/%-points
Income before loan loss provisions	2,279	2,427	-6.1
Loan loss provisions	-75	-65	15.4
Operating expenses	1,868	1,790	4.4
Operating profit/loss	336	572	-41.3
Average capital employed	4,002	4,172	-4.1
Operating return on equity (%)	16.8	27.4	-10.6
Cost/income ratio in operating business (%)	82.0	73.8	8.2

¹ Figures adjusted due to restatements (see page 45 ff. of the interim financial statements).

The Private and Small-Business Customers segment continued its operational growth in the first half of 2017 both in Germany and at mBank. Adjusted for non-recurring income items in the prior-year period, such as the special dividend from EURO Kartensysteme GmbH (EKS) and gains on the disposal of the stake in Visa Europe, income has risen slightly in the current year, and the earnings quality has improved as expected. In Germany, significant credit growth along with higher volume-related income from securities had a stabilising effect on income, despite a slight further exacerbation of the negative effects of low interest rates. At mBank, the positive income trend continued, supported by further significant growth in net new customers. Adjusted for the VISA effect in the previous year, the significant rise in income exceeded for the increased burden of the European bank levy introduced in Poland in 2017 and the Polish bank tax. Overall, operating profit in the segment fell by €236m to €336m.

At €2,279m in the period under review, total income before loan loss provisions was below the level of the previous year (€2,427m). Net interest income declined by €58m to €1,187m. The previous year's figure had been boosted by the special dividend of €44m from EKS. In the domestic lending business, growing interest income thanks to a rising portfolio volume only partly offset the substantial drop in income from the deposit business resulting

from low and negative interest rates. Net interest income at mBank increased as a result of growth in the consumer credit business and rising contributions from the deposit business. Net commission income improved significantly, up €62m year-on-year to €1,022m. While the increase in domestic business levelled off during the year both for seasonal reasons and due to the deferral of customer acquisition costs, mBank recorded a double-digit increase in many areas of the private customer as well as the corporate client business.

Loan loss provisions increased by €10m year-on-year to €-75m. Nevertheless, this figure still indicates that the quality of the credit portfolio is very good, both in Germany and at mBank.

Operating expenses were €1,868m, an increase of €78m year-on-year. A slight fall in personnel expenses was offset by a rise in other operating expenses and higher indirect operating expenses. Part of the increase is related to investments to expand the future income base. In addition, the increase in regulatory costs in Poland of €27m are a factor that can only be influenced to a limited extent. These costs are essentially driven by the European bank levy and the bank tax.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €336m in the first half of 2017, after €572m in the prior-year period.

Corporate Clients

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %/%-points
Income before loan loss provisions	2,043	2,240	-8.8
Loan loss provisions	-76	-128	-40.6
Operating expenses	1,465	1,512	-3.1
Operating profit/loss	502	600	-16.3
Average capital employed	10,839	11,708	-7.4
Operating return on equity (%)	9.3	10.2	-1.0
Cost/income ratio in operating business (%)	71.7	67.5	4.2

¹ Figures adjusted due to restatements (see page 45 ff. of the interim financial statements).

Due to the numerous geopolitical events and landmark elections in Europe, a difficult capital market environment and the challenges posed by low interest rates, the Corporate Clients segment reported a lower operating profit of €502m in the first six months of 2017, down from €600m in the corresponding prior-year period.

Compared with the first six months of 2016, the Mittelstand division recorded a drop in demand for credit compared with the previous year, but benefited from ongoing solid demand for capital market solutions. The International Corporates division posted moderate growth in lending business year-on-year, while structured credit products recorded lower demand. The strategic realignment of the Financial Institutions division carried out in 2016 to comply with stricter internal risk and compliance requirements brought about a reduction in the customer and income base compared with the first six months of the previous year, as expected. The Equity Markets & Commodities division once again recorded stable customer activity and solid demand for capital market and investment products.

In the period under review, income before loan loss provisions fell 8.8% year-on-year to €2,043m. Net interest and trading in-

come was €1,348m, down 11.2% year-on-year. Net commission income was €659m, in line with the prior-year period. The positive trend in income from capital market products was offset in particular by lower income from documentary business as a result of the strategic focusing in the Financial Institutions division and a drop in customer activity.

Loan loss provisions were €-76m in the first six months of 2017, a fall of €52m year-on-year. The lower provisioning requirements were related to the lower additions to loan provisions for individual exposures.

Operating expenses were €1,465m, down €47m on the prior-year figure, while spending on strategic development continued. The 3.1% decline was primarily attributable to strict cost management and lower personnel costs, enabling the Bank to offset higher regulatory expenses in particular.

Overall, the Corporate Clients segment posted a pre-tax profit of €502m in the first six months of 2017, which is a decrease of 14.6% year-on-year.

Asset & Capital Recovery

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %/%-points
Income before loan loss provisions	154	-42	.
Loan loss provisions	-211	-145	45.5
Operating expenses	58	64	-9.4
Operating profit/loss	-115	-251	-54.2
Average capital employed	3,139	3,382	-7.2
Operating return on equity (%)	-7.3	-14.8	7.5
Cost/income ratio in operating business (%)	37.7	.	.

¹ Figures adjusted due to restatements (see page 45 ff. of the interim financial statements).

Since the transfer of assets with good credit quality and low earnings volatility from the former Non-Core Assets (NCA) segment to various Bank segments with effect from 1 January 2016, the assets remaining in Asset & Capital Recovery (ACR) mainly comprise more complex sub-portfolios, some of which have very long maturities. There was a further reduction in assets in commercial real estate and ship financing in particular in the first six months of the year; the total volume (exposure at default including non-performing loans) for the first half of 2017 was €15.3bn, down €0.9bn compared with the end of 2016.

Income before loan loss provisions in the first six months of 2017 was €154m, compared with €-42m in the year-earlier period. This significant improvement was due to lower funding costs as a result of the ongoing reduction in the credit portfolio and, notably, to a one-off income item of €68 recorded in the first quarter. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

The loan loss provisions of €-211m, after €-145m in the first half of the previous year, were attributable exclusively to provisioning charges for ship financing.

In line with the reduction in the size of the portfolio, operating expenses were down by a further €6m to €58m.

Overall, the ACR segment posted a pre-tax loss of €-115m in the first half of 2017. The loss is thus €136m lower than in the same period of the previous year, a reduction of more than one half.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under Others comprises equity participations that are not assigned to business segments, overarching Group matters such as expenditure on regulatory fees and specific individual matters that cannot be allocated to the segments. The costs of the support functions, which are mainly charged to the segments, are also shown here. In addition Group Treasury, which also comes under Others, is taken into account as part of the cost allocation as an internal service provider. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. The costs of the staff and management functions are also mainly charged to the segments and shown here. Restructuring costs for support functions and staff and management functions are not included in this charging.

An operating result of €-208m was recorded for the first half of 2017, compared with €-288m in the prior-year period. One of the reasons for the positive €80m difference was the lower burden from the purchase price allocation associated with the acquisition of Dresdner Bank. Taking into account restructuring expenses of €807m in connection with the implementation of the headcount reduction as part of the “Commerzbank 4.0” strategy, Others and Consolidation recorded a pre-tax result of €-1,015m in the first half of 2017, compared with €-316m in the first half of 2016.

Outlook and opportunities report

Future economic situation

The prospects are good for a continued recovery of the global economy in the second half of 2017. Risks may only arise in connection with economic trends in emerging markets. The focus is on China, where increasing signs of a renewed slowdown in economic growth are observable. The measures taken by the Chinese government over the past year to dampen the market are having an effect: the rise in real estate prices appears to have stopped. As a consequence, China's vital construction industry is likely to experience weaker growth. Even the highly indebted state-owned companies will be unable to maintain their politically prescribed investment offensive over the long term. 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 recovery in commodity prices.

We expect a largely unchanged growth rate of around 2% in the USA in the second half of 2017. There has so far been no sign of the hoped-for momentum from financial policy: the wait goes on for the tax cuts promised during the election campaign. The planned infrastructure investments will also have only a limited impact on demand. Wages are set to continue increasing, pointing to higher inflation over the medium term. In view of this, the Federal Reserve will probably increase key interest rates by a further 25 basis points in December. In addition, from autumn onwards it is likely to stop fully reinvesting the funds it receives from maturing securities.

Within the eurozone, the economic recovery is likely to continue at the same pace for the time being. 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. This is likely to have only a minor impact on wage inflation, however, meaning that underlying inflation will also remain weak. The UK's vote in favour of leaving the EU will have no further impact on the eurozone economy. For one thing, it will still be some time before the UK actually leaves. We also anticipate that it will ultimately conclude an agreement with the EU that limits the economic disruption.

The German economy is likely to record continued respectable growth given its very good overall conditions. The upswing is still supported by consumption, which is benefiting from rising employment and solid wage increases. Further stimulus is provided by construction investment driven by the high demand for real estate. By contrast, there is no long-term change for the better with regard to capital expenditure, in part because companies' profit margins are under pressure from the pick-up in wage growth. We expect economic growth of 1.6% for 2017 as a whole, with this figure being pushed down slightly due to the lower number of working days compared with the previous year.

Trends on the financial markets over the next few months are set to be driven chiefly by the ECB. If it becomes clear that the ECB will keep interest rates low for longer than the market expects, the euro will probably give up some of its gains against the US dollar. The yields on ten-year Bunds are set to remain at the current level of 0.5% until the end of the year. The DAX is benefiting from the fact that analysts are raising their corporate earnings forecasts in view of the solid economic growth. Prices have risen sharply in the first half of the year, however, and are thus vulnerable to an interim correction.

Future situation in the banking sector

Our views regarding the expected development of the banking sector over the medium term have not changed significantly since the statements published in the Annual Report 2016.

Some key asset classes, bank stocks among them, recorded significantly higher valuations in the first six months of the current year, but the banking environment is still shaped by low interest rates and the relatively moderate pace of global economic growth. Financial market participants have seen an apparent drop in the information value of political signals, meaning that of late they have paid less attention to political risks. On the whole, however, political developments and events are no less significant for the banking sector despite the surprisingly good economic performance in the eurozone in the first six months of the current year. 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.

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There is also ongoing uncertainty on the markets regarding the capital adequacy and especially 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.

Financial outlook for the Commerzbank Group

Planned funding measures

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

By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure.

Planned investments

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

Anticipated liquidity trends

In the second quarter of 2017 the eurozone money and capital markets were again characterised by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone and prevent deflationary trends.

The ECB made an additional €60bn of liquidity available each month up to the end of June 2017 through the securities purchase programme. At the press conference following the ECB meeting in early June 2017 the ECB reaffirmed that the purchase programme would continue until December 2017 or even longer if necessary. Excess liquidity continued to rise to around €1,600bn as at the end of June 2017. We expect a further increase in excess liquidity in the eurozone due to the continuation of the purchase programme until at least the end of 2017. The translation into demand for credit will remain modest.

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

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

Our business planning is done such that a liquidity cushion can be maintained commensurate with the prevailing market conditions and related uncertainties. This is supported by the Bank's stable franchise in private and corporate customer business and its continued access to secured and unsecured debt instruments in the money and capital markets.

Anticipated performance of the Commerzbank Group

We largely stand by the guidance we gave at the end of 2016 regarding the anticipated performance of the Commerzbank Group.

There is a change in our forecasts resulting from the situation in the ongoing negotiations between the Board of Managing Directors and employee representative committees over the implementation of the "Commerzbank 4.0" strategy. Owing to the agreement reached in mid-July on an outline reconciliation of interests and an outline social plan, Commerzbank has already, in the second quarter of 2017, booked the full expense for the implementation of the headcount reduction. The restructuring expenses of €807m will therefore impact in full the result for the 2017 financial year.

There is also a clarification regarding our expectations for loan loss provisions. Our view that credit quality within the Group will further improve is reflected in our updated expectation that the lower end of the previously assumed range for risk costs to cover total credit risk in the Asset & Capital Recovery segment of between €450m and €600m should be sufficient. We also expect that, including the allowances that are likely to be necessary for the two core segments Private and Small-Business Customers and Corporate Clients, the Group's total loan loss provisions will be in the region of around €800m at year end. This includes possible provisioning requirements arising from the consumer loan business, which, as announced, Commerzbank is taking onto its own books.

Overall, we currently expect a slightly positive consolidated result for the 2017 financial year.

We aim for a Common Equity Tier 1 capital ratio (fully phased-in) of around 12.5% including IFRS 9 impact effective 1 January 2018.

Interim Risk Report

The Interim Risk Report is a separate reporting section in the Interim Report. It forms part of the Interim Management Report.

Interim Risk Report

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Risk-oriented overall bank management

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

Risk management organisation

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

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

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

Risk-bearing capacity and stress testing

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

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unordinated lenders. This objective should be achieved even in the

event of extraordinarily high losses from an unlikely extreme event. The gone concern analysis is supplemented here by elements aimed at ensuring the institution's continuing existence (going concern perspective).

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

The monitoring and management by means of risk-bearing capacity is carried out monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In the first half of 2017, the RBC ratio was consistently above 100% and stood at 207% as at 30 June 2017. The increase in the RBC ratio compared to December 2016 is mainly due to the decline in market risk because of lower market volatilities and the active portfolio management of credit risks. The RBC ratio remains at a high level.

Risk-bearing capacity Group I €bn	30.6.2017	31.12.2016
Economic risk coverage potential¹	29	30
Economically required capital²	14	17
thereof for default risk	10	11
thereof for market risk ³	3	5
thereof for operational risk	2	2
thereof diversification effects	-2	-2
RBC-ratio⁴	207%	178%

¹ Including deductible amounts for business risk.

² Including property value change risk, risk of unlisted investments and reserve risk.

³ Including deposit model risk.

⁴ RBC ratio = economic risk coverage potential/economically required capital.

Default risk

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

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Commerzbank Group

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

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

The credit risk parameters in the rating classes 1.0 to 5.8 are as follows as at 30 June 2017:

Credit risk parameters as at 30.6.2017	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	149	322	22	2,299
Corporate Clients	197	506	26	5,615
Others and Consolidation ¹	75	66	9	1,598
Asset & Capital Recovery	13	284	214	745
Group	434	1,178	27	10,256

¹ Mainly Treasury liquidity portfolios.

When broken down on the basis of PD ratings, 83% of the Group’s portfolio is in the internal rating classes 1 and 2, which constitute the investment-grade area.

Rating breakdown as at 30.6.2017 EaD %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private and Small-Business Customers	33	50	13	3	1
Corporate Clients	24	56	15	3	2
Others and Consolidation	48	47	5	0	0
Asset & Capital Recovery	4	62	6	11	17
Group	31	52	12	3	2

The regional breakdown of the exposure corresponds to the Bank’s strategic direction and reflects the main areas of its global business activities. Around half of the Bank’s exposure relates to Germany, another third to other countries in Europe and 7% to North America and Asia, respectively. 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 the other European countries. A main driver of the expected loss in the region “Other” is ship financing.

Group portfolio by region as at 30.6.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	220	396	18
Western Europe	100	157	16
Central and Eastern Europe	40	186	47
North America	30	82	28
Asia	29	38	13
Other	16	319	205
Group	434	1,178	27

In view of the current geopolitical development, national economies as Russia, Ukraine, Turkey and China are closely monitored. As at the end of the second quarter of 2017, exposure to Russia was €2.4bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.2bn and exposure to China was €4.4bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the second quarter of 2017, Commerzbank’s Italian sovereign exposure was €9.1bn, while its Spanish sovereign exposure was €1.7bn.

Loan loss provisions The Group’s loan loss provisions in the first half-year of 2017 amounted to €362m. Compared to the reference period 2016 this represents an increase of €27m, which was due to the higher loan loss provisions for ship financing particularly in the first quarter of the year.

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

Loan loss provisions €m	2017			2016					
	Q1-Q2	Q2	Q1	Total	Q4	Q3	Q1-Q2	Q2	Q1
Private and Small-Business Customers	75	42	33	119	14	40	65	42	23
Corporate Clients	76	33	43	185	-30	87	128	72	56
Others and Consolidation	0	0	0	-3	-1	1	-3	-2	-1
Asset & Capital Recovery	211	92	119	599	307	147	145	75	70
Group	362	167	195	900	290	275	335	187	148

For the whole year 2017 we expect loan loss provisions of around €800m of which from today's perspective about €450m will be allocated to the ACR segment. In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

Default portfolio The default portfolio decreased by €0.4bn in the first half-year of 2017.

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

Default portfolio Group €m	30.6.2017	31.12.2016
Default portfolio	6,504	6,914
SLLP ¹	3,093	3,243
GLLP ²	603	673
Collaterals	2,091	2,256
Coverage Ratio excluding GLLP (%) ³	80	80
Coverage Ratio including GLLP (%) ³	89	89
NPL ratio (%) ⁴	1.5	1.6

¹ Specific loan loss provision.

² General loan loss provision.

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

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

Private and Small-Business Customers segment

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €72bn). 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 and credit cards, to a total of €10bn). The portfolio's expansion in the first half-year was largely the result of consistent growth in residential mortgage loans.

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

Credit risk parameters as at 30.6.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	89	110	12
Business Customers	25	60	24
comdirect bank	4	8	22
Commerz Real	0	3	63
mBank	30	141	46
Private and Small-Business Customers	149	322	22

In the first half-year of 2017 loan loss provisions in the Private and Small-Business Customers segment remained with €75m at a low level. The rise of €10m compared to the first half-year of 2016 was mainly driven by specific cases in the Corporate Banking of the mBank. Here, it has to be considered that loan loss provisions in this area were significantly low in the first half of 2016, due to releases.

The default portfolio in the segment decreased by €66m to €1,671m compared with 31 December 2016.

Default portfolio Private and Small-Business Customers €m	30.6.2017	31.12.2016
Default portfolio	1,671	1,737
SLLP	847	834
GLLP	160	155
Collaterals	615	675
Coverage ratio excluding GLLP (%)	87	87
Coverage ratio including GLLP (%)	97	96
NPL ratio (%)	1.1	1.2

Corporate Clients segment

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

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

Credit risk parameters as at 30.6.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	79	177	22
International Corporates	66	118	18
Financial Institutions	35	118	34
Equity Markets & Commodities	4	4	10
Other	13	90	69
Corporate Clients	197	506	26

The EaD of the Corporate Clients segment increased from €195bn to €197bn compared to 31 December of the previous year. Risk density in this area remained stable at 26 basis points.

The German economy performed well in the first half of 2017, with business sentiment at a record high. In addition, the first six months of 2017 were dominated in part by political uncertainty, although this did not have a major impact on our credit portfolio.

For details of developments in the Financial Institutions portfolio, please see page 23.

Due to an ongoing robust economic overall environment, loan loss provisions in the Corporate Clients segment in the first half-year of 2017 was with €76m once more significantly below the previous year's figure of €128m.

The default portfolio in the segment decreased considerably as well by €522m compared with 31 December 2016.

Default portfolio Corporate Clients €m	30.6.2017	31.12.2016
Default portfolio	2,841	3,363
SLLP	1,438	1,563
GLLP	312	323
Collaterals	443	780
Coverage ratio excluding GLLP (%)	66	70
Coverage ratio including GLLP (%)	77	79
NPL ratio (%)	1.4	1.7

Asset & Capital Recovery segment

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

EaD for the segment in the performing portfolio totalled €13bn as at 30 June 2017, which means a decrease by €1.1bn compared to prior year-end.

Credit risk parameters as at 30.6.2017	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	1	26	197
Ship Finance	2	206	839
Public Finance	10	52	55
Asset & Capital Recovery	13	284	214

Commercial Real Estate Due to redemptions and repayments the portfolio has further declined. There were no major developments on the risk side. Compared with 31 December 2016 risk density increased by 23 to 197 basis points. The default portfolio remained nearly unchanged with €0.6bn.

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

Ship Finance Compared with 31 December 2016, exposure to ship finance in the performing portfolio was reduced by €1.1bn in line with our reduction strategy, while default portfolio increased by €0.2bn.

Overall our portfolio is mainly made up of the following three standard types of ship: container ships (€1.4bn), tankers (€0.8bn) and bulkers (€0.9bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

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

Public Finance The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€4.4bn EaD), a private finance initiative (PFI) portfolio (€3.7bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.4bn EaD).

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

Loan loss provisions €m	2017			2016					
	Q1-Q2	Q2	Q1	Total	Q4	Q3	Q1-Q2	Q2	Q1
Commercial Real Estate	0	-3	3	42	68	5	-31	-26	-5
Ship Finance	212	96	116	559	240	146	173	99	74
Public Finance	0	0	0	-1	0	-4	3	3	0
Asset & Capital Recovery	211	92	119	599	307	147	145	75	70

Loan loss provisions in the ACR segment stood at €211m in the first half of 2017, representing a rise of €66m compared with the corresponding previous year's value. Loan loss provisions were completely attributable to the shipping portfolio.

Default portfolio ACR €m	30.6.2017			31.12.2016		
	ACR	CRE	SF	ACR	CRE	SF
Default portfolio	1,983	555	1,428	1,805	562	1,243
SLLP	797	146	650	838	210	628
GLLP	128	11	116	192	20	172
Collaterals	1,034	357	676	800	334	466
Coverage ratio excluding GLLP (%)	92	91	93	91	97	88
Coverage ratio including GLLP (%)	99	93	101	101	101	102
NPL ratio (%)	13.0	29.9	36.8	11.2	22.7	26.2

Further portfolio analyses

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

Corporates portfolio by sector

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

Corporates portfolio by sector as at 30.6.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	17	34	20
Consumption	15	39	26
Technology/Electrical industry	12	27	22
Wholesale	12	39	34
Transport/Tourism	11	27	24
Basic materials/Metals	10	36	37
Chemicals/Plastics	9	37	39
Mechanical engineering	9	23	26
Services/Media	9	23	26
Automotive	9	19	21
Pharmaceutical/Healthcare	5	15	29
Construction	5	12	26
Other	5	15	28
Total	128	347	27

Financial Institutions portfolio

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

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

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

FI portfolio by region	30.6.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	5	10	6	6	11
Western Europe	15	15	10	17	21	12
Central and Eastern Europe	5	18	38	5	21	43
North America	2	3	15	2	3	15
Asia	10	26	26	10	27	27
Other	5	24	44	6	36	58
Total	42	91	22	46	114	25

Non-Bank Financial Institutions portfolio

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

We carry out new business with NBFIs, partly in light of regulatory requirements (clearing via central counterparties) and

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

The increase in expected loss in North America is due to the recovery of a written-down engagement in the Public Finance hedging business.

NBFI portfolio by region	30.6.2017			31.12.2016		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	24	14	17	26	15
Western Europe	14	25	17	12	24	20
Central and Eastern Europe	1	5	61	1	4	65
North America	7	43	60	8	10	14
Asia	1	1	10	1	1	11
Other	1	2	19	1	1	14
Total	41	99	24	39	67	17

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €7.6bn, primarily for capital management purposes. Last quarter, Commerzbank also issued CoCo III-1, a new synthetic securitisation transaction with a volume of €1.5bn. The transaction's underlyings are claims on European companies.

As at the reporting date 30 June 2017, risk exposures with a value of €7.1bn were retained. By far the largest portion of these positions is accounted for by €7.0bn of senior tranches, which are nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume ¹			Total volume ¹ 30.6.2017	Total volume ¹ 31.12.2016
		Senior	Mezzanine	First loss piece		
Corporates	2025–2036	7.0	<0.1	0.1	7.6	6.1
Total		7.0	<0.1	0.1	7.6	6.1

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). In the first half of 2017, the volume and risk values in the Silver Tower conduit remained stable. They stood at €4.1bn as at the end of June 2017 and were unchanged compared to 31 December 2016.

Liquidity risks from ABS transactions are modelled conservatively in the internal liquidity risk model. Firstly, a worst-case assumption is made that Commerzbank has to take on the funding of a major part of the purchase facilities provided to its special purpose vehicles within the scope of the Silver Tower conduit. Secondly, the Bank's holdings of securitisation transactions only qualify as liquid assets if they are eligible for rediscount at the European Central Bank. These positions are only included in the liquidity risk calculation after applying conservative discounts.

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. Over the first half of 2017, the volume fell to €4.7bn (December 2016: €5.3bn), as did risk values, to €4.5bn (December 2016: €5.2bn).

Market risk

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

Risk management

A standardised value at risk model (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Group Risk Report 2016. In order to provide a consistent presentation in this report, all figures relating to the VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254 days' history.

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

By the end of the first half year, the VaR for the overall book had fallen by €21m to €64m due to lower market volatility. The VaR of the trading book fell slightly since the beginning of the year, from €15m to €14m.

VaR contribution €m	30.6.2017	31.12.2016
Overall book	64	85
thereof trading book	14	15

Trading book

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

The comparison of the mean and extreme values shows that the variations of the VaR in the first half of 2017 are significantly below those in 2016.

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VaR of portfolios in the trading book €m	Q1-Q2 2017	2016
Minimum	12	14
Mean	16	30
Maximum	25	46
VaR at end of reporting period	14	15

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

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

VaR contribution by risk type in the trading book €m	30.6.2017	31.12.2016
Credit spreads	2	5
Interest rates	5	3
Equities	2	2
FX	4	4
Commodities	1	1
Total	14	15

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. Stressed VaR fell in the first half of 2017 from €48m at end-2016 to €27m at the reporting date, due to position changes in the Corporate Clients segment and the business area Treasury.

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

The reliability of the internal model is monitored by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The process draws a distinction between “clean P&L” and “dirty P&L” backtesting. In the former,

exactly the same positions in the income statement are used as were used for calculating the VaR. This means that the profits and losses result only from changes in market prices. In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are included. If the loss actually calculated exceeds the loss forecast from the VaR estimate, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first half of 2017, we saw one negative clean P&L outlier and no negative dirty P&L outlier. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

The VaR and stress test models are validated regularly. The identification and elimination of model weaknesses are of particular importance in this. Against this background, regulatory and internal model adjustments were implemented in the first half year of 2017 to further improve the accuracy of risk measurement.

Banking book

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

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 from €50m to €46m in the course of the year.

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 was a potential loss of €2,583m, while that of the -200 basis points scenario was a potential loss of €340m, both as at 30 June 2017. Therefore, Commerzbank does not need to be classified as a bank with higher interest rate risk as the negative changes in present value in each case account for less than 20% of regulatory capital.

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

Market liquidity risk

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

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

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

Liquidity risk

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

Risk management

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

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

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

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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.

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 the one hand and the inclusion of prolongations on the other.

The table below shows the liquidity gap profile after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at 30 June 2017, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €16.0bn and €18.1bn respectively.

Net liquidity in the stress scenario €bn		30.6.2017
Idiosyncratic scenario	1 month	21.4
	3 months	26.0
Market-wide scenario	1 month	24.7
	3 months	26.9
Combined scenario	1 month	16.0
	3 months	18.1

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 €98.5bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8.6bn as at the reporting date.

Liquidity reserves from highly liquid assets €bn	30.6.2017
Highly liquid assets	98.5
of which level 1	85.9
of which level 2A	10.8
of which level 2B	1.9

Liquidity ratios

In the first half of financial year 2017, Commerzbank's internal liquidity risk ratios, including the regulatory liquidity coverage ratio (LCR), were at all times within the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the external regulatory German Liquidity Regulation; at the end of the first half, the liquidity ratio under the German Liquidity Regulation stood at 1.47.

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 was 80%.

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

Operational risk

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

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €20.5bn at the end of the first half of 2017 (31 December 2016: €23.9bn), while economically required capital was €1.7bn (31 December 2016: €2.0bn).

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

The total charge for OpRisk events at the end of the first half of 2017 was around €33m (full-year 2016: €36m). The events were dominated by losses in the categories "Process related" and "Products and business practices".

OpRisk events ¹ €m	30.6.2017	31.12.2016
Internal fraud	1	1
External fraud	4	26
Damages and IT failure	0	1
Products and business practices	13	-21
Process related	14	29
HR related	1	0
Group	33	36

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

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. In the following details of legal risk, compliance risk and human resources risk are shown. As regards all other risks, there were no significant changes in the first half-year of 2017 compared with the position reported in the Group Risk Report 2016.

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

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

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

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

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authority addressed the treatment of "cum-cum" transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the business item in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Based on the findings of the general analyses already conducted for cum-cum transactions, the Bank concluded that the legal structuring applied to the equity transactions it engaged in overall was appropriate under Article 42 AO, and there is hardly any likelihood that evidence of abuse of law will be found. Consequently, no provisions were formed for financial charges from the offsetting of capital gains taxes subsequently called into question. However, it cannot be completely excluded that as developments unfold, for example in connection with assessments made by the tax authorities and fiscal courts, this conclusion could alter. For these reasons, a sufficiently reliable estimate of the financial effects is not possible at the present time.

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.

Further information on legal proceedings may be found in Note (25) regarding provisions and Note (29) regarding contingent liabilities and irrevocable lending commitments in the Group Financial Statements.

Compliance risk In March 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions and undertook to implement additional measures to improve compliance-relevant processes, as reported in the Group Risk Report 2016. The settlement also includes a three-year period of good conduct. In light of the experiences of other banks, it cannot be totally ruled out that Commerzbank will be subject to further measures during the period of good conduct and from the activities of the monitor.

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

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.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Interest income		4,545	5,136	-11.5
Interest expenses		2,424	2,456	-1.3
Net interest income	(1)	2,121	2,680	-20.9
Loan loss provisions	(2)	-362	-335	8.1
Net interest income after loan loss provisions		1,759	2,345	-25.0
Commission income		2,038	1,917	6.3
Commission expenses		372	311	19.6
Net commission income	(3)	1,666	1,606	3.7
Net trading income	(4)	675	-8	.
Net income from hedge accounting		-89	-57	56.1
Net trading income and net income from hedge accounting		586	-65	.
Net investment income	(5)	65	163	-60.1
Current net income from companies accounted for using the equity method		15	63	-76.2
Other net income	(6)	7	116	-94.0
Operating expenses	(7)	3,583	3,595	-0.3
Impairments on goodwill and other intangible assets		-	-	.
Restructuring expenses	(8)	807	40	.
Pre-tax profit or loss		-292	593	.
Taxes on income	(9)	69	147	-53.1
Consolidated profit or loss		-361	446	.
Consolidated profit or loss attributable to non-controlling interests		45	62	-27.4
Consolidated profit or loss attributable to Commerzbank shareholders		-406	384	.

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

Earnings per share €	1.1.–30.6.2017	1.1.–30.6.2016	Change in %
Earnings per share	-0.32	0.31	.

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

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

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Condensed statement of comprehensive income

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Consolidated profit or loss	–361	446	.
Change from remeasurement of own credit risk not recognised in the income statement ²	–81	–	.
Change from remeasurement of defined benefit plans not recognised in income statement	178	–388	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	97	–388	.
Change in revaluation reserve			
Reclassified to income statement	–80	–162	–50.6
Change in value not recognised in income statement	155	–75	.
Change in cash flow hedge reserve			
Reclassified to income statement	17	31	–45.2
Change in value not recognised in income statement	6	–5	.
Change in currency translation reserve			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	22	–176	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–2	–89	–97.8
Change in companies accounted for using the equity method	–2	–1	100.0
Items recyclable through profit or loss	116	–477	.
Other comprehensive income	213	–865	.
Total comprehensive income	–148	–419	–64.7
Comprehensive income attributable to non-controlling interests	92	5	.
Comprehensive income attributable to Commerzbank shareholders	–240	–424	–43.4

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

2. Quartal €m	1.4.–30.6.2017	1.4–30.6.2016 ¹	Change in %
Consolidated profit or loss	-612	253	.
Change from remeasurement of own credit risk not recognised in the income statement ²	-63	-	.
Change from remeasurement of defined benefit plans not recognised in income statement	274	-138	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	-	-	.
Change in companies accounted for using the equity method	0	-	.
Items not recyclable through profit or loss	211	-138	.
Change in revaluation reserve			
Reclassified to income statement	-49	-128	-61.7
Change in value not recognised in income statement	167	-66	.
Change in cash flow hedge reserve			
Reclassified to income statement	8	13	-38.5
Change in value not recognised in income statement	2	-2	.
Change in currency translation reserve			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-113	-93	21.5
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	3	-98	.
Change in companies accounted for using the equity method	-3	1	.
Items recyclable through profit or loss	15	-373	.
Other comprehensive income	226	-511	.
Total comprehensive income	-386	-258	49.6
Comprehensive income attributable to non-controlling interests	29	-25	.
Comprehensive income attributable to Commerzbank shareholders	-415	-233	78.1

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

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

Other comprehensive income €m	1.1.-30.6.2017			1.1-30.6.2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk ¹	-84	3	-81	-	-	-
Change from remeasurement of defined benefit plans	255	-77	178	-566	178	-388
of which companies accounted for using the equity method	0	-	0	0	-	0
of which non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in revaluation reserve	85	-10	75	-152	-85	-237
Change in cash flow hedge reserve	32	-9	23	41	-15	26
Change in currency translation reserve	21	1	22	-183	7	-176
Change from non-current assets held for sale and disposal groups	-2	0	-2	-96	7	-89
Change in companies accounted for using the equity method	-2	-	-2	-1	0	-1
Other comprehensive income	305	-92	213	-957	92	-865

¹ Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

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

Other comprehensive income €m	1.4-30.6.2017			1.4-30.6.2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk ¹	-65	2	-63	-	-	-
Change from remeasurement of defined benefit plans	399	-125	274	-196	58	-138
of which companies accounted for using the equity method	0	-	0	0	-	0
of which non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in revaluation reserve	142	-24	118	-104	-90	-194
Change in cash flow hedge reserve	15	-5	10	18	-7	11
Change in currency translation reserve	-114	1	-113	-101	8	-93
Change from non-current assets held for sale and disposal groups	3	0	3	-109	11	-98
Change in companies accounted for using the equity method	-3	-	-3	1	-	1
Other comprehensive income	377	-151	226	-491	-20	-511

¹ Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

Income statement (by quarter)

€m	2017		2016			
	2 nd quarter	1 st quarter ²	4 th quarter ¹	3 rd quarter ¹	2 nd quarter ¹	1 st quarter ¹
Net interest income	1,039	1,082	1,256	1,141	1,349	1,331
Loan loss provisions	-167	-195	-290	-275	-187	-148
Net interest income after loan loss provisions	872	887	966	866	1,162	1,183
Net commission income	779	887	825	781	783	823
Net trading income	259	416	28	337	-75	67
Net income from hedge accounting	-55	-34	-7	27	-2	-55
Net trading income and net income from hedge accounting	204	382	21	364	-77	12
Net investment income	34	31	87	94	131	32
Current net income from companies accounted for using the equity method	8	7	8	79	14	49
Other net income	4	3	202	-22	40	76
Operating expenses	1,718	1,865	1,772	1,733	1,702	1,893
Impairments on goodwill and other intangible assets	-	-	-	627	-	-
Restructuring expenses	807	-	32	57	40	-
Pre-tax profit or loss	-624	332	305	-255	311	282
Taxes on income	-12	81	100	14	58	89
Consolidated profit or loss	-612	251	205	-269	253	193
Consolidated profit or loss attributable to non-controlling interests	25	20	22	19	38	24
Consolidated profit or loss attributable to Commerzbank shareholders	-637	231	183	-288	215	169

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

Balance sheet

Assets €m	Notes	30.6.2017	31.12.2016	Change in %
Cash reserve		54,273	34,802	55.9
Claims on banks	(11,13,14)	64,123	58,529	9.6
of which pledged as collateral		–	–	.
Claims on customers	(12,13,14)	215,803	212,848	1.4
of which pledged as collateral		–	–	.
Value adjustment on portfolio fair value hedges		142	310	–54.2
Positive fair values of derivative hedging instruments		1,615	2,075	–22.2
Trading assets	(15)	77,505	88,862	–12.8
of which pledged as collateral		4,645	1,917	.
Financial investments	(16)	60,589	70,180	–13.7
of which pledged as collateral		5,405	3,175	70.2
Holdings in companies accounted for using the equity method		175	180	–2.8
Intangible assets	(17)	3,125	3,047	2.6
Fixed assets	(18)	1,626	1,723	–5.6
Investment properties		16	16	0.0
Non-current assets held for sale and assets of disposal groups	(19)	1,265	1,188	6.5
Current tax assets		839	629	33.4
Deferred tax assets		3,012	3,049	–1.2
Other assets	(20)	3,152	3,012	4.6
Total		487,260	480,450	1.4

Liabilities and equity €m	Notes	30.6.2017	31.12.2016 ¹	Change in %
Liabilities to banks	(21)	76,133	66,948	13.7
Liabilities to customers	(22)	259,241	250,920	3.3
Securitised liabilities	(23)	35,258	38,494	-8.4
Value adjustment on portfolio fair value hedges		666	1,001	-33.5
Negative fair values of derivative hedging instruments		2,400	3,080	-22.1
Trading liabilities	(24)	64,945	71,644	-9.4
Provisions	(25)	3,695	3,436	7.5
Current tax liabilities		568	627	-9.4
Deferred tax liabilities		53	49	8.2
Liabilities of disposal groups		14	-	.
Other liabilities	(26)	3,836	3,695	3.8
Subordinated debt instruments	(27)	11,076	10,969	1.0
Equity		29,375	29,587	-0.7
Subscribed capital		1,252	1,252	0.0
Capital reserve		17,192	17,192	0.0
Retained earnings		10,770	11,131	-3.2
Other reserves		-946	-1,015	-6.8
Total before non-controlling interests		28,268	28,560	-1.0
Non-controlling interests		1,107	1,027	7.8
Total		487,260	480,450	1.4

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings ¹	Other reserves			Total before non-controlling interests ¹	Non-controlling interests	Equity ¹
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	1,252	17,192	11,458	-597	-159	-25	29,121	1,004	30,125
Change due to retrospective adjustments			-53				-53		-53
Equity as at 1.1.2016	1,252	17,192	11,405	-597	-159	-25	29,068	1,004	30,072
Total comprehensive income	-	-	-99	-184	62	-112	-333	32	-301
Consolidated profit or loss			279				279	103	382
Change from remeasurement of own credit risk			-				-	-	-
Change from remeasurement of defined benefit plans			-378				-378	-1	-379
Change in revaluation reserve				-114			-114	-21	-135
Change in cash flow hedge reserve					62		62	0	62
Change in currency translation reserve						-113	-113	-30	-143
Change from non-current assets held for sale and disposal groups				-70			-70	-19	-89
Change in companies accounted for using the equity method						1	1	-	1
Dividend paid on shares			-250				-250	-13	-263
Changes in ownership interests			6				6	2	8
Other changes			69				69	2	71
Equity as at 31.12.2016	1,252	17,192	11,131	-781	-97	-137	28,560	1,027	29,587

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
 The comparable figures have been adjusted with retroactive effect from 1 January 2017.

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

€m	Subscribed capital	Capital reserve	Retained earnings ¹	Other reserves			Total before non-controlling interests ¹	Non-controlling interests	Equity ¹
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2016	1,252	17,192	11,131	-781	-97	-137	28,560	1,027	29,587
Total comprehensive income	-	-	-309	66	23	-20	-240	92	-148
Consolidated profit or loss			-406				-406	45	-361
Change from remeasurement of own credit risk			-81				-81	-	-81
Change from remeasurement of defined benefit plans			178				178	-	178
Change in revaluation reserve				68			68	7	75
Change in cash flow hedge reserve					23		23	0	23
Change in currency translation reserve						-18	-18	40	22
Change from non-current assets held for sale and disposal groups				-2			-2	-	-2
Change in companies accounted for using the equity method						-2	-2	-	-2
Dividend paid on shares							-	-8	-8
Changes in ownership interests			-6				-6	-6	-12
Other changes			-46				-46	2	-44
Equity as at 30.6.2017	1,252	17,192	10,770	-715	-74	-157	28,268	1,107	29,375

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

As at 30 June 2017, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was unchanged from 31 December 2016 at €1,252m and was divided into 1,252,357,634 no-par-value shares (accounting value per share of €1.00).

As at 30 June 2017 there was no material impact on the other reserves from assets and disposal groups held for sale.

The main changes in the currency translation reserve in the current financial year are due to the US dollar, Polish zloty, British pound and Russian rouble.

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

The changes in ownership interests of €-12m in the first six months of 2017 resulted from the purchase of additional shares in a company that was already consolidated.

For information: Statement of changes in equity from 1 January to 30 June 2016

€m	Subscribed capital	Capital reserve	Retained earnings ¹	Other reserves			Total before non-controlling interests ¹	Non-controlling interests	Equity ¹
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	1,252	17,192	11,458	-597	-159	-25	29,121	1,004	30,125
Change due to retrospective adjustments			-53				-53		-53
Equity as at 1.1.2016	1,252	17,192	11,405	-597	-159	-25	29,068	1,004	30,072
Total comprehensive income	-	-	-3	-304	26	-143	-424	5	-419
Consolidated profit or loss			384				384	62	446
Change from remeasurement of own credit risk			-				-	-	-
Change from remeasurement of defined benefit plans			-387				-387	-1	-388
Change in revaluation reserve				-234			-234	-3	-237
Change in cash flow hedge reserve					26		26	0	26
Change in currency translation reserve						-142	-142	-34	-176
Change from non-current assets held for sale and disposal groups				-70			-70	-19	-89
Change in companies accounted for using the equity method						-1	-1	-	-1
Dividend paid on shares			-250				-250	-11	-261
Changes in ownership interests			9				9	-	9
Other changes			-3				-3	1	-2
Equity as at 30.6.2016	1,252	17,192	11,158	-901	-133	-168	28,400	999	29,399

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Adjustment due to early application of IFRS 9 regarding own credit risk (see page 46).

The comparable figures have been adjusted with retroactive effect from 1 January 2017.

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

Cash flow statement (condensed version)

€m	2017	2016
Cash and cash equivalents as at 1.1.	34,802	28,509
Net cash from operating activities	10,216	-16,970
Net cash from investing activities	9,695	2,121
Net cash from financing activities	-308	283
Total net cash	19,603	-14,566
Effects from exchange rate changes	-87	-180
Effects from non-controlling interests	-45	-62
Cash and cash equivalents as at 30.6.	54,273	13,701

The cash flow statement shows the changes in cash and cash equivalents for the Commerzbank Group. These correspond to the cash reserve item in the balance sheet and consist of cash on hand, balances with central banks and debt issues of public-sector borrowers.

With regard to the Commerzbank Group, the cash flow statement is not very informative. For us, the cash flow statement replaces neither liquidity planning nor financial planning, nor is it employed as a management tool. The restatement of the prior-year figures had no effect on the cash flow statement.

Selected notes

General information

Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 30 June 2017 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

Application of new and revised standards

We have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2016, with the exception of the early partial application of the amendment to IFRS 9 as mentioned (see page 136 ff. of the 2016 Group financial report). These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2017 (IFRS 14); this had no material impact on the Commerzbank Group financial statements.

The new and revised standards (IAS 28 and 40 and IFRS 2, 4, 9, 10, 15 and 16) and interpretations (IFRIC Interpretations 22 and 23) for which application is not yet mandatory impacted the Group's accounting and measurement practices as set out below.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014. It was transposed into European law in November 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018, but earlier application is also possible. The previous standard for the accounting treatment of financial instruments (IAS 39) will largely be replaced.

IFRS 9 contains new rules for classifying and measuring financial instruments. In general, all financial assets must be measured

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we predominantly used financial statements prepared as at 30 June 2017. The Group Financial Statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes, amounts rounded down to €0m and zero items are both indicated by a dash.

at fair value. The remeasurement effects are taken through profit or loss. A different measurement is permitted for a debt instrument on the assets side only if it is included in a portfolio that operates under a "hold" or "hold and sell" business model and the financial instrument in question as a rule has only cash flows that are payments of principal and interest on the principal amount outstanding (SPPI criterion). However, measurement at fair value also remains possible in these cases if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

The classification and measurement of financial liabilities are nearly unchanged from the current provisions of IAS 39. As before, a fair value option also exists for financial liabilities under certain circumstances. However, gains or losses deriving from a change in own credit risk are no longer reported through profit and loss, but instead in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss. The Commerzbank Group has already applied this portion of the new IFRS 9 as at 30 June 2017. The comparable figures as of 31 March 2017 were adjusted retroactively (see adjustments page 45 f.).

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

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

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

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

effects of the change will only be able to be determined reliably and definitively during the second half of 2017.

As a preview of the Group financial statements as at 31 December 2017 we would like to point out that we will make structural changes to the reporting of items in the balance sheet and income statement. In the future, our reporting will focus on the respective valuation categories. As at 31 December 2017, the reporting will be based on the valuation categories under IAS 39, and from 1 January 2018 on the valuation categories to be applied under IFRS 9.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over twelve months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessee will in future recognise a right-of-use asset and a lease liability, which represents the obligation to make the lease payments. IFRS 16 adopts the criteria of IAS 17 for the classification of finance and operating leases by the lessor. The standard also contains further provisions on recognition, on the information in the notes and on sale-and-leaseback transactions. IFRS 16 will become effective for financial years beginning on or after 1 January 2019, subject to the endorsement of the EU. Based on our knowledge as of today, we anticipate that the application of IFRS 16 will result in minor reporting changes in the income statement and an increase in total assets by a low-to-mid single-digit billion amount.

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

IFRS 15 Revenue from Contracts with Customers introduces a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC Interpretations 13, 15 and 18, and SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. It was transposed into European law in October 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018.

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

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

The clarification in IAS 40 Investment Properties relates to the classification of properties if their usage changes. The previous list was supplemented with the comment that the list is not exhaustive. It becomes effective for EU companies for financial years beginning on or after 1 January 2018.

The interpretation set out in IFRIC 22 Foreign Currency Transactions and Advance Consideration stipulates that the exchange rate prevailing on the date an advance consideration is received or paid is applicable to transactions in foreign currency. This interpretation is to be applied from 1 January 2018.

Changes in presentation

Errors that were corrected last year led to the retrospective restatement of prior-year data. The 2016 Group financial statements contain a detailed list of the restatements on pages 139 ff. This gave rise to the following changes in the first six months of 2016 compared with the previous presentation:

- We corrected the accounting treatment of limited partner shares, which are reported as liabilities attributable to non-controlling interests, for two property companies included in the Group financial statements as subsidiaries. For the first half of 2016, other expenses were reduced by €20m and other liabilities fell by an equivalent amount. Moreover, taxes on income were €6m higher and deferred tax assets fell by the same amount. Consolidated profit therefore increased by €14m and earnings per share by €0.01.
- In sale-and-leaseback transactions (operating lease), any differential between the purchase price of the property and its fair value must be amortised over the life of the contract. Two

The interpretation set out in IFRIC 23 Uncertainty over Income Tax Treatments fills the gap in the regulations under IAS 12.5 with regard to the measurement and recognition of uncertain tax assets and liabilities. This interpretation must be applied from 1 January 2019; early application is permitted.

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

In May 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which governs the recognition, measurement and reporting of insurance contracts. This standard presentation will create greater comparability and boost transparency of insurance contracts around the world. It becomes effective for EU companies for financial years beginning on or after 1 January 2021. IFRS 17 therefore replaces the current standard IFRS 4. It has not yet been transposed into European law.

- transactions were restated retrospectively, as the original purchase prices corresponded to fair value and the transactions were therefore conducted at market terms. We therefore brought the underlying fair value into line with the purchase price. For the first six months of 2016, other income decreased by €2m and other liabilities increased by an equivalent amount. Consolidated profit was therefore €2m lower, which translated into a reduction in earnings per share by less than €0.00.
- Gains and losses on finance leases are now reported on a net basis in interest income or expense, as appropriate. Previously, the lease payments received (less any amounts passed on to the lessee) were in part reported in interest income and the carrying amount of the asset was derecognised through interest expense. Interest income and expense were thus each reduced by €53m in the first half of 2016. There was no impact on consolidated profit, the balance sheet or the earnings per share.

- The Commerzbank Group corrected an error by retrospectively deconsolidating as at 30 June 2016 sechs exchange-traded funds (ETFs) that had been previously consolidated. This correction was necessary because control had been permanently relinquished. In the first half of 2016, commission expenses fell by €4m, net trading income by €3m and other income by €1m. In addition, claims on banks were reduced by €1m and trading assets increased by €154m. Furthermore, liabilities to customers increased by €960m and trading liabilities by €55m, and other liabilities were reduced by €862m. Thus, there was no impact on consolidated profit or earnings per share.

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

1 January 2016 retained earnings were reduced by €53m and current tax liabilities increased by the same amount. Thus, there was no impact on consolidated profit or earnings per share.

In addition, the prior-year figures in Note 32 have been restated.

The Commerzbank Group has already applied part of IFRS 9 retrospectively as at 1 January 2017. Gains or losses deriving from own credit risk are therefore no longer reported through profit and loss, but instead directly in retained earnings. This means the income statement will be less volatile in the future. As at 31 March 2017, retained earnings net of current tax trading liabilities totaling €4m decreased by €14m. Net trading income increased by €18m, and taxes on income and profit by €6m. Consolidated profit therefore rose by €12m and earnings per share by €0.01.

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The tables below show the impact of the main restatements for the first six months of 2016 on the income statement and the balance sheet as at 30 June 2016 and the balance sheet as at 31 December 2016:

Income statement €m	Original Group financial statements 1.1.–30.6.2016	Adjustment	Restated Group financial statements 1.1.–30.6.2016
Interest income	5,189	–53	5,136
Interest expenses	2,509	–53	2,456
Net interest income	2,680	–	2,680
Commission income	1,917	–	1,917
Commission expenses	315	–4	311
Net commission income	1,602	4	1,606
Net trading income and net income from hedge accounting	–62	–3	–65
Other net income	99	17	116
Pre-tax profit or loss	575	18	593
Taxes on income	141	6	147
Consolidated profit or loss	434	12	446
Consolidated profit or loss attributable to non-controlling interests	62	–	62
Consolidated profit or loss attributable to Commerzbank shareholders	372	12	384

Balance sheet €m	Original Group financial statements 1.1.–30.6.2016	Adjustment	Restated Group financial statements 1.1.–30.6.2016
Equity	29,682	–323	29,359
of which retained earnings	11,441	–323	11,118
Total assets	532,602	207	532,809

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

Consolidated companies

On 3 April 2017, our subsidiary comdirect bank Aktiengesellschaft, Quickborn, acquired from Boursorama S.A. a 100 % interest in onvista Aktiengesellschaft in Frankfurt/Main and its affiliated companies. Onvista operates an established online platform for brokerage transactions as well as a financial information portal in Germany. The purchase price, which totalled €40m, was comprised of €42m in cash and a claim from a purchase price adjustment in the amount of €2m. With the purchase of the onvista Group, cash and cash equivalents amounting to €421m were acquired. Onvista bank GmbH has meanwhile been merged with comdirect bank Aktiengesellschaft. As at the reporting date on 30 June 2017, the group of consolidated companies thus included onvista Aktiengesellschaft, Frankfurt/Main, as well as onvista media GmbH, Frankfurt/Main.

The purchase price allocation performed at the acquisition date resulted in other intangible assets of €23m and deferred tax liabilities of €7m. The other intangible assets are derived from the customer base of the former onvista bank GmbH, internally produced software, the portal onvista.de, the brand name and from a favourable contract.

The acquisition resulted in goodwill in the amount of €1m, which was recognised through profit and loss in the income statement under other net income. This goodwill is primarily attributable to the conservative valuations for companies from the financial services sector that prevailed in the market environment at the date of the acquisition.

In the period from the date of the acquisition on 3 April 2017 until 30 June 2017, the acquired company contributed €1m, including the effects from the purchase price allocation, to the

consolidated net profit of the Commerzbank Group. If the initial consolidation had taken place as at 1 January 2017, the contribution to consolidated net profit would have been less than €0m. These figures were determined solely for comparison purposes based on estimates. They do not provide information about actual operating results or future results.

The following table shows the acquired assets and assumed liabilities recognised in the balance sheet as at the acquisition date.

€m	3.4.2017
Cash reserve	421
Claims on banks	147
Claims on customers	72
Financial investments	97
Intangible assets	24
Fixed assets	1
Other assets	2
Total of identified assets	763
Liabilities to banks	5
Liabilities to customers	700
Provisions	4
Deferred tax liabilities	7
Other liabilities	6
Total of identified liabilities	722
Net asset value	41
purchase price/consideration	40
Goodwill	1

Report on events after the reporting period

Commerzbank and BNP Paribas have agreed to divide the jointly controlled entity Commerz Finanz GmbH, Munich, Germany, into two operating units. Commerzbank will integrate the instalment loan business allocated to it from Commerz Finanz GmbH into its own systems. We expect this merger to positively affect the income statement and slightly increase total assets.

On 13 July 2017, we finalised the announced sale of the interest in the precious metal processor Argor-Heraeus SA, Mendrisio,

Switzerland. The effects on profit and loss from this sale will be shown in the income statement in the third quarter of 2017.

On 26 July 2017, we finalised the announced sale of the interest in the credit card service provider Concardis GmbH, Eschborn, Germany. The gain on disposal will be shown in the income statement in the third quarter of 2017.

Notes to the income statement

(1) Net interest income

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Interest income	4,545	5,136	-11.5
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	333	373	-10.7
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	3,456	3,722	-7.1
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	154	113	36.3
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	253	463	-45.4
Prepayment penalty fees	54	59	-8.5
Gains on the sale of loans and receivables and repurchase of liabilities	7	34	-79.4
Dividends from securities	39	34	14.7
Current net income from equity holdings and non-consolidated subsidiaries	15	65	-76.9
Positive interest from financial instruments held as liabilities	224	104	.
Unwinding	10	11	-9.1
Other interest income	-	158	-100.0
Interest expenses	2,424	2,456	-1.3
Interest expenses on subordinated debt instruments and on securitised and other liabilities	1,701	1,993	-14.7
Interest expenses from applying the fair value option	174	214	-18.7
Interest expenses on securitised liabilities held for trading	81	54	50.0
Loss on the sale of loans and receivables and repurchase of liabilities	27	41	-34.1
Negative interest from financial instruments held as assets	281	146	92.5
Other interest expense	160	8	.
Total	2,121	2,680	-20.9

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

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

(2) Loan loss provisions

€m	1.1.–30.6.2017	1.1.–30.6.2016	Change in %
Allocation to loan loss provisions ¹	-782	-738	6.0
Reversals of loan loss provisions ¹	476	403	18.1
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	-56	-	.
Total	-362	-335	8.1

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

(3) Net commission income

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Securities transactions	469	426	10.1
Asset management	142	118	20.3
Payment transactions and foreign business	629	615	2.3
Guarantees	95	101	-5.9
Net income from syndicated business	155	148	4.7
Intermediary business	88	122	-27.9
Fiduciary transactions	5	4	25.0
Other income	83	72	15.3
Total	1,666	1,606	3.7

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

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

(4) Net trading income

Net trading income is comprised of two components:

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

- Net gain or loss from applying the fair value option.

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

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Net trading gain or loss	712	-81	.
Net gain or loss from applying the fair value option	-37	73	.
Total	675	-8	.

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

(5) Net investment income

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

€m	1.1.–30.6.2017	1.1.–30.6.2016	Change in %
Net gain or loss from interest-bearing business	57	5	.
In the available-for-sale category	70	10	.
Gain on disposals (including reclassification from revaluation reserve)	75	20	.
Loss on disposals (including reclassification from revaluation reserve)	-17	-11	54.5
Net remeasurement gain or loss	12	1	.
In the loans and receivables category	-13	-5	.
Gains on disposals	4	19	-78.9
Loss on disposals	-11	-20	-45.0
Net remeasurement gain or loss	-6	-4	50.0
Net gain or loss on equity instruments	8	158	-94.9
In the available-for-sale category	14	160	-91.3
Gain on disposals (including reclassification from revaluation reserve)	17	160	-89.4
Loss on disposals (including reclassification from revaluation reserve)	-3	-	.
In the available-for-sale category measured at acquisition cost	-3	-	.
Net remeasurement gain or loss	-2	-2	0.0
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	-1	-	.
Total	65	163	-60.1

The net remeasurement gain or loss in the loans and receivables category includes reversals of portfolio valuation allowances amounting to €1m (previous year: reversal of €2m) for reclassified securities.

(6) Other net income

€m	1.1.–30.6.2017	1.1.–30.6.2016 ¹	Change in %
Other material items of expense	156	142	9.9
Allocations to provisions	61	54	13.0
Operating lease expenses	59	59	0.0
Expenses arising from building and architects' services	15	14	7.1
Hire-purchase expenses and sublease expenses	2	5	-60.0
Expenses from investment properties	-	1	.
Expenses from non-current assets held for sale	-	1	.
Expenses from disposal of fixed assets	2	1	100.0
Expenses from FX rate differences	17	7	
Other material items of income	184	263	-30.0
Reversals of provisions	67	122	-45.1
Operating lease income	94	87	8.0
Income from building and architects' services	1	1	0.0
Hire-purchase income and sublease income	4	12	-66.7
Income from investment properties	1	5	-80.0
Income from non-current assets held for sale	-	6	.
Income from disposal of fixed assets	7	21	-66.7
Income from FX rate differences	10	9	11.1
Balance of sundry tax income/expenses	-31	-30	3.3
Balance of sundry other income/expenses	10	25	-60.0
Other net income	7	116	-94.0

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

(7) Operating expenses

€m	1.1.–30.6.2017	1.1.–30.6.2016	Change in %
Personnel expenses	1,827	1,818	0.5
Administrative expenses	1,468	1,477	-0.6
Depreciation/amortisation of fixed assets and other intangible assets	288	300	-4.0
Total	3,583	3,595	-0.3

In the current financial year, administrative expenses include €186m for bank levies (previous year: €155 m) and €43m for Polish bank tax (previous year: €33 m).

(8) Restructuring expenses

€m	1.1.–30.6.2017	1.1.–30.6.2016	Change in %
Expenses for restructuring measures introduced	807	40	.
Total	807	40	.

The restructuring expenses in the first six months of 2017 in the amount of €807m are connected with the implementation of the Commerzbank 4.0 strategy in Germany and abroad.

The restructuring expenses in the previous year were related to the restructuring of various back office units in Germany and the realignment of the Corporate Clients segment in London and New York.

(9) Taxes on income

Group tax expense was €69m as at 30 June 2017. With pre-tax profit of €-292m the Group's effective tax rate was -23.6% (Group income tax rate: 31.5%). Group tax expense mainly comprised the current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft in London for the reporting period. This tax expense, combined with negative pre-tax profit due largely to the restructuring provi-

sions, resulted in a negative tax rate. The change in the deferred tax assets of Commerzbank Aktiengesellschaft in Germany was one of the main items that raised the tax rate.

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

(10) Segment reporting

Segment reporting reflects the results of the operating segments within the Commerzbank Group. The segment information below is based on IFRS 8 Operating Segments, which applies the management approach. The segment information is prepared on the basis of internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and determining the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting addresses the three business segments which we established as at 30 September 2016: Private and Small-Business Customers, Corporate Clients and Asset & Capital Recovery, plus the Others and Consolidation segment. The prior-year figures have been restated accordingly. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. A modification to the business model of the Corporate Clients segment in the first quarter of 2017 led to minor changes in business responsibilities; tasks related to loan administration were transferred to the support functions. The prior-year figures have been restated accordingly. Further information on the segments is provided in the management report section of this interim report.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, current net income from companies accounted for using the equity method and other net income less operating expenses. The operating profit does not include impairments of goodwill and other intangible assets and restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit or loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. To reflect the impact on earnings of specific tax-related transactions in the Corporate Clients segment, the net interest income of the Corporate Clients segment includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation. When showing the elimination of intragroup profits from intragroup transactions in segment reporting the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments and expresses the relationship of operating expenses to income before loan loss provisions.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. The average capital employed in the segments is calculated based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The cal-

culatation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments on both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at market prices or at full cost.

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The tables below contain information on the segments as at 30 June 2017 and on the comparative figures for the prior-year period.

1.1.–30.6.2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,187	905	150	-121	2,121
Loan loss provisions	-75	-76	-211	-	-362
Net interest income after loan loss provisions	1,112	829	-61	-121	1,759
Net commission income	1,022	659	1	-16	1,666
Net trading income and net income from hedge accounting	39	443	-16	120	586
Net investment income	6	12	1	46	65
Current net income from companies accounted for using the equity method	2	14	-	-1	15
Other net income	23	10	18	-44	7
<i>Income before loan loss provisions</i>	<i>2,279</i>	<i>2,043</i>	<i>154</i>	<i>-16</i>	<i>4,460</i>
<i>Income after loan loss provisions</i>	<i>2,204</i>	<i>1,967</i>	<i>-57</i>	<i>-16</i>	<i>4,098</i>
Operating expenses	1,868	1,465	58	192	3,583
Operating profit or loss	336	502	-115	-208	515
Impairments on goodwill and other intangible assets	-	-	-	-	-
Restructuring expenses	-	-	-	807	807
Pre-tax profit or loss	336	502	-115	-1,015	-292
Assets	123,025	198,170	25,291	140,774	487,260
Liabilities and equity	147,775	229,070	17,043	93,372	487,260
Carrying amount of companies accounted for using the equity method	4	170	1	-	175
Average capital employed¹	4,002	10,839	3,139	5,420	23,400
Operating return on equity² (%)	16.8	9.3	-7.3	.	4.4
Cost/income ratio in operating business (%)	82.0	71.7	37.7	.	80.3

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

² Annualised.

1.1.–30.6.2016 ¹ €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,245	1,769	-46	-288	2,680
Loan loss provisions	-65	-128	-145	3	-335
Net interest income after loan loss provisions	1,180	1,641	-191	-285	2,345
Net commission income	960	660	1	-15	1,606
Net trading income and net income from hedge accounting	27	-251	-6	165	-65
Net investment income	122	30	-3	14	163
Current net income from companies accounted for using the equity method	50	13	-	-	63
Other net income	23	19	12	62	116
<i>Income before loan loss provisions</i>	<i>2,427</i>	<i>2,240</i>	<i>-42</i>	<i>-62</i>	<i>4,563</i>
<i>Income after loan loss provisions</i>	<i>2,362</i>	<i>2,112</i>	<i>-187</i>	<i>-59</i>	<i>4,228</i>
Operating expenses	1,790	1,512	64	229	3,595
Operating profit or loss	572	600	-251	-288	633
Impairments on goodwill and other intangible assets	-	-	-	-	-
Restructuring expenses	-	12	-	28	40
Pre-tax profit or loss	572	588	-251	-316	593
Assets	115,166	263,921	30,494	123,228	532,809
Liabilities	136,827	262,196	22,677	111,109	532,809
Carrying amount of companies accounted for using the equity method	548	231	1	-	780
Average capital employed²	4,172	11,708	3,382	4,016	23,278
Operating return on equity³ (%)	27.4	10.2	-14.8	.	5.4
Cost/income ratio in operating business (%)	73.8	67.5	.	.	78.8

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

² Average CET1 capital with full application of Basel 3.

³ Reconciliation carried out in Others & Consolidation.

³ Annualised.

Details for Others and Consolidation:

€m	1.1.–30.6.2017			1.1.–30.6.2016 ¹		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	-136	15	-121	-130	-158	-288
Loan loss provisions	-	-	-	3	-	3
Net interest income after loan loss provisions	-136	15	-121	-127	-158	-285
Net commission income	-14	-2	-16	-13	-2	-15
Net trading income and net income from hedge accounting	95	25	120	136	29	165
Net investment income	51	-5	46	26	-12	14
Current net income from companies accounted for using the equity method	-1	-	-1	-	-	-
Other net income	-33	-11	-44	70	-8	62
Income before loan loss provisions	-38	22	-16	89	-151	-62
Income after loan loss provisions	-38	22	-16	92	-151	-59
Operating expenses	210	-18	192	244	-15	229
Operating profit or loss	-248	40	-208	-152	-136	-288
Impairments on goodwill and other intangible assets	-	-	-	-	-	-
Restructuring expenses	807	-	807	25	3	28
Pre-tax profit or loss	-1,055	40	-1,015	-177	-139	-316
Assets	140,455	319	140,774	123,000	228	123,228
Liabilities and equity	93,082	290	93,372	110,983	126	111,109

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

Under Consolidation we report consolidation and reconciliation items between the results of the segments and the Others category on the one hand and the Group financial statements on the other. This includes the following items, among others:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments.
- Other consolidation effects from intragroup transactions.

The breakdown of the results by geographical region, which is mainly based on the location of the branch or group entity (geographical markets), was as follows:

1.1.–30.6.2017 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	1,445	619	20	37	–	2,121
Loan loss provisions	–286	–77	–2	3	–	–362
Net interest income after loan loss provisions	1,159	542	18	40	–	1,759
Net commission income	1,398	242	21	5	–	1,666
Net trading income and net income from hedge accounting	156	360	9	61	–	586
Net investment income	61	4	–	–	–	65
Current net income from companies accounted for using the equity method	13	–	2	–	–	15
Other net income	–26	17	17	–1	–	7
<i>Income before loan loss provisions</i>	<i>3,047</i>	<i>1,242</i>	<i>69</i>	<i>102</i>	<i>–</i>	<i>4,460</i>
<i>Income after loan loss provisions</i>	<i>2,761</i>	<i>1,165</i>	<i>67</i>	<i>105</i>	<i>–</i>	<i>4,098</i>
Operating expenses	2,781	660	66	76	–	3,583
Operating profit or loss	–20	505	1	29	–	515
Credit-risk-weighted assets	86,918	46,251	4,050	4,124	–	141,343

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

1.1.–30.6.2016 ¹ €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	1,801	694	91	94	–	2,680
Loan loss provisions	–264	–62	4	–13	–	–335
Net interest income after loan loss provisions	1,537	632	95	81	–	2,345
Net commission income	1,348	222	20	16	–	1,606
Net trading income and net income from hedge accounting	–177	155	–60	17	–	–65
Net investment income	40	120	3	–	–	163
Current net income from companies accounted for using the equity method	56	5	2	–	–	63
Other net income	79	37	1	–1	–	116
<i>Income before loan loss provisions</i>	<i>3,147</i>	<i>1,233</i>	<i>57</i>	<i>126</i>	<i>–</i>	<i>4,563</i>
<i>Income after loan loss provisions</i>	<i>2,883</i>	<i>1,171</i>	<i>61</i>	<i>113</i>	<i>–</i>	<i>4,228</i>
Operating expenses	2,807	656	59	73	–	3,595
Operating profit or loss	76	515	2	40	–	633
Credit-risk-weighted assets	98,939	49,536	3,846	3,141	–	155,462

¹ Prior-year figures adjusted due to restatements (see page 45 ff.).

Credit risk-weighted assets are shown for the geographical segments rather than non-current assets. In accordance with IFRS 8.32, Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and ser-

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

Notes to the balance sheet

(11) Claims on banks

€m	30.6.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	35,772	33,395	7.1
Claims from money market transactions	2,038	1,662	22.6
Promissory note loans	814	1,241	-34.4
Other claims	25,564	22,290	14.7
Total	64,188	58,588	9.6
of which relate to the category:			
Loans and receivables	39,739	43,033	-7.7
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	24,449	15,555	57.2

Claims on banks after deduction of loan loss provisions amounted to €64,123m (previous year: €58,529m).

(12) Claims on customers

€m	30.6.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	11,529	12,362	-6.7
Claims from money market transactions	785	522	50.4
Promissory note loans	12,508	13,290	-5.9
Construction and ship financing	93,465	92,994	0.5
Other claims	100,981	97,350	3.7
Total	219,268	216,518	1.3
of which relate to the category:			
Loans and receivables	210,733	208,095	1.3
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	8,535	8,423	1.3

Claims on customers after deduction of loan loss provisions amounted to €215,803m (previous year: €212,848m).

(13) Total lending

€m	30.6.2017	31.12.2016	Change in %
Loans to banks	17,818	19,894	-10.4
Loans to customers	207,739	204,156	1.8
Total	225,557	224,050	0.7

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

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

(14) Loan loss provisions

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

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

Development of provisioning €m	2017	2016	Change in %
As at 1.1.	3,934	4,192	-6.2
Allocations	783	738	6.1
Disposals	942	938	0.4
Utilisation	466	535	-12.9
Reversals	476	403	18.1
Changes in consolidated companies	-	-	.
Exchange rate changes/reclassifications/unwinding	-58	-13	.
As at 30.6.	3,717	3,979	-6.6

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €362m (previous year: €335m) (see Note 2).

Loan loss provisions €m	30.6.2017	31.12.2016	Change in %
Specific valuation allowances	3,055	3,186	-4.1
Portfolio valuation allowances	475	543	-12.5
Provisions for on-balance-sheet loan losses	3,530	3,729	-5.3
Specific loan loss provisions	60	76	-21.1
Portfolio loan loss provisions	127	129	-1.6
Provisions for off-balance-sheet loan losses	187	205	-8.8
Total	3,717	3,934	-5.5

For claims on banks, loan loss provisions amounted to €65m (previous year: €59m) and for claims on customers to €3,465m (previous year: €3,670m).

(15) Trading assets

The Group's trading activities include trading in:

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

The positive fair values also include derivative financial instruments which are used for hedging purposes but that cannot be used as hedging instruments in hedge accounting.

€m	30.6.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities	5,428	4,361	24.5
Promissory note loans and other claims	780	1,044	-25.3
Shares, other equity-related securities and units in investment funds	17,361	20,642	-15.9
Positive fair values of derivative financial instruments	53,827	62,205	-13.5
Interest-rate-related derivative transactions	36,344	42,551	-14.6
Currency-related derivative transactions	11,858	15,049	-21.2
Equity derivatives	3,626	2,328	
Credit derivatives	1,270	1,489	
Other derivative transactions	729	788	-7.5
Other trading assets	109	610	-82.1
Total	77,505	88,862	-12.8

(16) Financial investments

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

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

€m	30.6.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities ¹	59,674	69,094	-13.6
Shares, other equity-related securities and units in investment funds	547	712	-23.2
Equity holdings	222	222	0.0
Holdings in non-consolidated subsidiaries	146	152	-3.9
Total	60,589	70,180	-13.7
of which relate to the category:			
Loans and receivables ¹	25,382	29,698	-14.5
Available-for-sale financial assets	34,419	39,635	-13.2
of which measured at amortised cost	159	188	307
At fair value through profit or loss (fair value option)	788	847	-7.0

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

As at 30 June 2017, the financial investments included €159m (previous year: €188m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited

companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

In the first six months of 2017, equity-related financial instruments with a carrying amount of €32m (previous year: €6m) measured at amortised cost were derecognised from the category of available-for-sale financial assets. This had no impact on net income (previous year: €7m).

The revaluation reserve after deferred taxes for the securities reclassified from the available-for-sale financial assets category to the loans and receivables category in the 2008 and 2009 financial

years was €–0.3bn as at 30 June 2017 (previous year: €–0.4bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €–1.8bn as at 30 June 2017 (previous year: €–2.2bn); the carrying amount of these portfolios on the balance sheet date was €24.0bn (previous year: €28.0bn); the fair value was €21.8bn (previous year: €25.3bn).

(17) Intangible assets

€m	30.6.2017	31.12.2016	Change in %
Goodwill	1,484	1,484	0.0
Other intangible assets	1,641	1,563	5.0
Customer relationships	234	241	–2.9
Brand names	5	–	.
In-house developed software	972	882	10.2
Purchased software	413	423	–2.4
Other	17	17	0.0
Total	3,125	3,047	2.6

The acquisition of onvista Aktiengesellschaft resulted in an addition for the brand name in the amount of €5m as at 30 June 2017.

(18) Fixed assets

€m	30.6.2017	31.12.2016	Change in %
Land and buildings	431	443	–2.7
Office furniture and equipment	460	477	–3.6
Leased equipment	735	803	–8.5
Total	1,626	1,723	–5.6

(19) Non-current assets and disposal groups held for sale and liabilities from disposal groups held for sale

€m	30.6.2017	31.12.2016	Change in %
Financial investments	94	94	0.0
Fixed assets	124	520	–76.2
Other asset items	1,047	574	82.4
Total	1,265	1,188	6.5

In all cases of non-current assets and disposal groups held for sale, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in 2017.

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The sale of an investment relating to the credit card business in the Private and Small-Business Customers segment was concluded. The transaction has been completed on 26. July 2017. The derecognition is expected in the third quarter of 2017. In addition, the contract with the business partner was concluded in July 2017 concerning a holding involved in the instalment loan business, the disposal of which will result in the simultaneous acquisition of assets derived from banking business. The closing of the transaction will take place during the third quarter of 2017. Furthermore, a decision was made in June 2017 to sell holdings in the fully consolidated subsidiary mLocum S.A. Łódź, Poland, as part of the Private and Small-Business Customers segment. The transaction remains subject to regulatory approval and changes may take place prior to the closing.

In the Corporate Clients segment a purchase agreement was concluded in the second quarter of 2017 for an investment relating to the precious metals processing sector. This transaction closed on 13 July 2017. In addition, loans from the Corporate Clients segment were reclassified as assets held for sale as at 31 March 2017. The transaction closing took place in the second quarter of 2017, the loans were derecognised. Additionally, properties held as fixed assets and investment properties were classified as non-current assets held for sale as at 30 June 2017.

The liabilities from disposal groups held for sale as at 30 June 2017 contain the €14m in liabilities of mLocum S.A., Łódź, Poland, which were reclassified because of the planned sale. No other liabilities are included here.

(20) Other assets

€m	30.6.2017	31.12.2016	Change in %
Collection items	14	11	27.3
Precious metals	109	357	-69.5
Accrued and deferred items	315	236	33.5
Initial/variation margins receivables	1,102	857	28.6
Defined benefit assets recognised	453	443	2.3
Other assets	1,159	1,108	4.6
Total	3,152	3,012	4.6

(21) Liabilities to banks

€m	30.6.2017	31.12.2016	Change in %
Repos and cash collaterals	19,260	18,171	6.0
Liabilities from money market transactions	17,525	15,051	16.4
Other liabilities	39,348	33,726	16.7
Total	76,133	66,948	13.7
of which relate to the category:			
Liabilities measured at amortised cost	64,451	56,155	14.8
At fair value through profit or loss (fair value option)	11,682	10,793	8.2

(22) Liabilities to customers

€m	30.6.2017	31.12.2016	Change in %
Repos and cash collaterals	7,567	7,047	7.4
Liabilities from money market transactions	43,258	46,985	-7.9
Savings deposits	7,370	7,189	2.5
Other liabilities	201,046	189,699	6.0
Total	259,241	250,920	3.3
of which relate to the category:			
Liabilities measured at amortised cost	252,837	244,655	3.3
At fair value through profit or loss (fair value option)	6,404	6,265	2.2

(23) Securitised liabilities

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

Securitised liabilities contained mortgage Pfandbriefe of €11,987m (previous year: €11,857m) and public-sector Pfandbriefe of €4,476m (previous year: €5,203m).

€m	30.6.2017	31.12.2016	Change in %
Bonds and notes issued	31,782	32,884	-3.4
Money market instruments issued	3,472	5,566	-37.6
Own acceptances and promissory notes outstanding	4	44	-90.9
Total	35,258	38,494	-8.4
of which relate to the category:			
Liabilities measured at amortised cost	34,169	37,481	-8.8
At fair value through profit or loss (fair value option)	1,089	1,013	7.5

In the first six months of 2017, material new issues with a total volume of €5.5bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.3bn and the volume of bonds maturing to €7.5bn.

(24) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments which are used for hedging purposes, but that do not qualify as hedging instruments for hedge accounting purposes.

Own issues in the trading book and delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	30.6.2017	31.12.2016	Change in %
Certificates and other notes issued	5,684	4,828	17.7
Delivery commitments arising from short sales of securities	5,154	864	.
Negative fair values of derivative financial instruments	54,107	65,952	-18.0
Interest-rate-related derivative transactions	35,549	42,117	-15.6
Currency-related derivative transactions	11,972	18,561	-35.5
Equity derivatives	4,492	2,437	84.3
Credit derivatives	1,726	2,225	-22.4
Other derivative transactions	368	612	-39.9
Total	64,945	71,644	-9.4

(25) Provisions

€m	30.6.2017	31.12.2016	Change in %
Provisions for pensions and similar commitments	1,002	1,356	-26.1
Other provisions	2,693	2,080	29.5
Total	3,695	3,436	7.5

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 204 ff. of our 2016 Group financial statements). The actuarial assumptions underlying these obligations at 30 June 2017 were: a discount rate of 2.1% (previous year: 1.8%), a change in salaries of 2.5%, which was unchanged on the previous year, and an adjustment to pensions of 1.6%.

Other provisions consisted primarily of restructuring provisions and provisions for personnel-related matters. The provisions created for restructuring purposes amounted to €1,134m (previous year: €425m). We expect these provisions to be utilised in the period from 2017 to 2020.

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

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).

- Following a ruling by the German Federal Court of Justice in October 2014 that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. Commerzbank anticipates the recovery of the corresponding charges by its customers.
- Commerzbank is exposed to claims from customers owing to “cancellation joker” (“Widerrufsjoker”) issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 would lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- In the past few years, Commerzbank and its subsidiaries have sold a number of subsidiaries and equity holdings in Germany and abroad as well as some major properties. These contracts contain guarantees and certain indemnities and financial commitments and could lead to claims being raised against the Commerzbank Group. In some cases, complaints have been filed claiming failure to honour the agreements in question.
- In connection with the acquisition of an equity stake by a Commerzbank subsidiary, the vendor took the case to court disputing the way in which the share price had been determined through the transfer of properties by way of a capital contribution in kind. The appeal court decided in April 2014 that the transfer of the properties by way of a capital contribution in kind was invalid. The Commerzbank subsidiary appealed this ruling. The appeal was rejected in August 2015 and a drawdown of the provision is therefore likely. Adequate provision has been made for this outcome.
- A subsidiary of Commerzbank was involved in two South American banks which in the meantime have gone into liquidation. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and in some cases Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks’ supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition, the company’s insolvency administrator has raised recourse claims against the company arising from its joint liability and for other legal reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. Should the claimants win their appeal in the higher courts, Commerzbank expects that recourse claims against other members of the consortium and third parties will be possible based on the contractual agreements.
- In July 2005, Commerzbank was sued as part of a consortium by a customer in the course of his bankruptcy proceedings in the USA. The customer had repaid a loan in full as guarantor for his subsidiary and claimed that various repayments were invalid because he was evidently insolvent at the date the loan was granted. Two attempts at out-of-court mediation were unsuccessful. After the quashing of the ruling of the court of first instance, pre-trial discovery was held before the district court in March 2015. Following these proceedings the banking consortium submitted an application for a summary judgement. In December 2015 the application by the banking consortium was upheld and the customer’s suit was rejected. The customer has lodged an appeal. In June 2017, the appeal court confirmed the decision by the court of first instance in favour of the respondent banks. A motion for the case to be re-heard by the US Supreme Court as the final legal instance was rejected. The proceedings have thus been concluded.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. The case is ongoing.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent mis-selling of derivative transactions. The subsidiary has defended itself against the claim.

(26) Other liabilities

€m	30.6.2017	31.12.2016	Change in %
Liabilities attributable to film funds	1,184	1,184	0.0
Liabilities attributable to non-controlling interests	67	169	-60.4
Accrued and deferred items	296	322	-8.1
Variation margins payable	843	725	16.3
Other liabilities	1,446	1,295	11.7
Total	3,836	3,695	3.8

(27) Subordinated debt instruments

€m	30.6.2017	31.12.2016	Change in %
Subordinated debt instruments	11,090	10,866	2.1
Accrued interest, including discounts ¹	-722	-664	8.7
Remeasurement effects	708	767	-7.7
Total	11,076	10,969	1.0
of which relate to the category:			
Liabilities measured at amortised cost	11,063	10,955	1.0
At fair value through profit or loss (fair value option)	13	14	-7.1

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

In the first six months of 2017, the volume of subordinated debt instruments maturing amounted to €0.9bn, repayments were €0.2bn and new issues were €1.5bn.

Other notes

(28) Capital requirements and leverage ratio

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

Position €m	30.6.2017 Phase-in	31.12.2016 Phase-in	30.6.2017 Fully phased-in	31.12.2016 Fully phased-in
Equity as shown in balance sheet	29,375	29,640	29,375	29,640
Effect from debit valuation adjustments	-146	-177	-182	-295
Correction to revaluation reserve	144	313	-	-
Correction to cash flow hedge reserve	74	97	74	97
Correction to phase-in (IAS 19)	254	578	-	-
Correction to non-controlling interests (minority)	-398	-258	-468	-426
Goodwill	-1,496	-1,496	-1,496	-1,496
Intangible assets	-1,257	-1,206	-1,257	-1,206
Surplus in plan assets	-311	-231	-388	-385
Deferred tax assets from loss carryforwards	-490	-297	-613	-494
Shortfall due to expected loss	-684	-420	-760	-525
Prudential valuation	-276	-367	-276	-367
Direct, indirect and synthetic positions of the bank in own Tier 1 instruments	-44	-33	-53	-51
First loss positions from securitisations	-244	-301	-244	-301
Advance payment risks	-	-1	-	-1
Allocation of components from additional core capital (AT 1)	627	1,066	-	-
Deferred tax assets from temporary differences which exceed the 10% threshold	-261	-166	-468	-548
Accrued dividends	-	-	-	-
Others and rounding	-98	-247	-99	-247
Common Equity Tier 1 (CET1)¹	24,769	26,494	23,145	23,395
Additional Tier 1	407	-	-	-
Tier 1 capital	25,176	26,494	23,145	23,395
Tier 2 capital	5,987	5,677	5,978	5,691
Equity	31,163	32,171	29,123	29,086
Risk-weighted assets	178,818	190,527	178,464	189,848
of which: Credit risk ³	141,343	146,880	140,989	146,201
of which: Market risk ^{2,3}	16,926	19,768	16,926	19,768
of which: Operational risk	20,549	23,879	20,549	23,879
Common Equity Tier 1 ratio (%)	13.9	13.9	13.0	12.3
Tier 1 ratio (%)	14.1	13.9	13.0	12.3
Total capital ratio (%)	17.4	16.9	16.3	15.3

¹ This information includes only the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

² Includes credit valuation adjustment risk.

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

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. The main changes compared to 31 December 2016 relate to phase-in capital and arise from the impact of the Basel 3 transi-

tional provisions. The increase in the capital ratios over the previous year is primarily the result of the decrease in risk-weighted assets.

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The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid down by regulators. The leverage ratio at the end of 2016 was calculated on the basis of the CRR as revised in January 2015. As a non-risk sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

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

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

Commerzbank has set an internal target for the leverage ratio which supplements the targets for the risk-based capital ratios.

Segments actively get involved in the steering of the leverage ratio by segment specific targets for their leverage ratio exposure.

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

In addition to ex-post analyses of the leverage ratio, projections of future development of the leverage exposure and of the ratio are integrated into the internal planning process (MYP) and reviewed regularly in forecasting exercises between the annual review dates. Furthermore, Group Finance monitors anticipated changes in regulatory requirements and performs impact analyses of such changes on the leverage ratio. Moreover, the development of the ratio is analysed with respect to adverse macroeconomic trends and is considered in the recovery planning process.

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

Summary reconciliation of accounting assets and leverage ratio exposures	Applicable amounts
€m	30.6.2017
Total assets as per published group financial statements	487,260
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-347
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	-
Adjustments for derivative financial instruments	-36,406
Adjustments for securities financing transactions (SFT)	2,353
Adjustments for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	52,931
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No. 575/2013)	-
(Adjustments for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No. 575/2013)	-
Other adjustments	
Phase-in	-4,642
Fully phased-in	-5,532
Leverage ratio total exposure measure	
Phase-in	501,149
Fully phased-in	500,259

Leverage ratio common disclosure	CRR leverage ratio exposures
€m	30.6.2017
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	398,605
(Asset amounts deducted in determining Tier 1 capital)	
Phase-in	–4,316
Fully phased-in	–5,206
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
Phase-in	394,289
Fully phased-in	393,399
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	10,140
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	21,221
Exposure determined under Original Exposure Method	–
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–15,359
(Exempted CCP leg of client-cleared trade exposure)	–1,976
Adjusted effective notional amount of written credit derivatives	23,886
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–18,876
Total derivative exposures	19,036

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Leverage ratio common disclosure (continuation)	CRR leverage ratio exposures
€m	30.6.2017
Securities financing transaction (SFT) exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	51,182
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-18,642
Counterparty credit risk exposure for SFT assets	2,353
Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No. 575/2013	-
Agent transaction exposures	-
(Exempted CCP leg of client-cleared SFT exposure)	-
Total securities financing transaction exposures (SFTs)	34,893
Other off-balance-sheet exposures	
Off-balance-sheet exposures at gross notional amount	170,693
(Adjustments for conversion to credit equivalent amounts)	-117,762
Other off-balance-sheet exposures	52,931
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No. 575/2013 (on- and off-balance-sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance sheet))	-
Capital and total exposure measure	
Tier 1 capital	
Phase-in	25,176
Fully phased-in	23,145
Leverage ratio total exposure measure	
Phase-in	501,149
Fully phased-in	500,259
Leverage ratio	
Phase-in (%)	5.0
Fully phased-in (%)	4.6
Choice on transitional (phase-in) arrangements and amount of derecognised fiduciary items	
Choice on transitional (phase-in) arrangements for the definition of the capital measure	Phase-in and Fully phased-in
Phase-in	0
Fully phased-in	0
Amount of derecognised fiduciary items in accordance with Article 429 (13) of Regulation (EU) No 575/2013	-

Split-up of on-balance-sheet exposures (excluding derivatives, SFTs and exempted exposures)	CRR leverage ratio exposures
€m	30.6.2017
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	398,605
Trading book exposures	40,080
Banking book exposures, of which:	358,525
Covered bonds	5,185
Exposures treated as sovereigns	95,879
Exposures to regional governments, MDBs, international organisations and PSEs not treated as sovereigns	14,005
Institutions	27,103
Secured by mortgages of immovable properties	62,314
Retail exposures	40,035
Corporate	77,502
Exposures in default	3,471
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	33,031

The leverage ratio based on the CRR phase-in rules was 5,0% as at 30 June 2017 (31 March 2017: 5,1%). The leverage ratio with full phasing-in of the revised CRR rules stood at 4,6%, compared with 4,6% as at 31 March 2017. The fully phased-in leverage ratio remained stable due to almost unchanged leverage ratio exposure and Tier 1 capital under fully phased-in rules. The phase-in Lever-

age Ratio decreased marginally due to a slight decrease of regulatory Tier 1 capital under phase-in rules. As at the reporting date the leverage ratio exposure was €501,1bn (phase-in) and €500,3bn (fully phased-in), compared with €502,8bn (phase-in) and €501,8bn (fully phased-in) in the prior quarter.

(29) Contingent liabilities and irrevocable lending commitments

€m	30.6.2017	31.12.2016	Change in %
Contingent liabilities	34,851	34,997	-0.4
from rediscounted bills of exchange credited to borrowers	2	2	0.0
from guarantees and indemnity agreements	34,771	34,917	-0.4
from other commitments	78	78	0.0
Irrevocable lending commitments	80,940	78,245	3.4

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

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

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which

reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or of any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, the large majority of contingent liabilities for legal risks is unlikely to ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 30 June 2017, the contingent liabilities for legal and tax risks

amounted to €561m (previous year: €544m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal on point of law against the judgement of the appellate court of May 2016. A decision on the appeal is expected in the course of this year.
- Commerzbank held an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against the Commerzbank Group and others for repayment of the proceeds it received from the sale of its stake. Two of these suits were rejected on appeal. Whether the appeal will be upheld on review has not yet been decided. A third suit has in the meantime been dismissed, in favour of the banking consortium. This decision is being appealed.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. Commerzbank will defend itself against the action.
- Commerzbank is currently involved in several legal disputes with the guarantor of a ship finance loan. As the borrower did not fulfil its payment obligation on the due date, Commerzbank launched a lawsuit in London and moved to hold the guarantor liable under the guarantee. The guarantor in turn applied to a court in Piraeus, Greece, for a negative finding that it does not owe Commerzbank any amount for the borrower under the guarantee. Finally, in May 2016 the guarantor and the shipping company jointly sued Commerzbank in Piraeus for damages. They are claiming they suffered a loss as a result of the attach-

ment of a tanker by Commerzbank in 2014 and the subsequent sale of the ship on the open market. The claim for damages was partly withdrawn in September 2016. The cases are ongoing.

- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank will defend itself against the action.
- Supervisory authorities and other relevant authorities in a number of countries have been investigating market manipulation and irregularities in connection with exchange rate fixing and the foreign exchange market in general for some time.

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

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authority addressed the treatment of "cum-cum" transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the business item in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Based on the findings of the general analyses already conducted for cum-cum transactions, the Bank concluded that the legal structuring applied to the equity transactions it engaged in overall was appropriate under Article 42 AO, and there is hardly any likelihood that evidence of abuse of law will be found. Consequently, no provisions were formed for financial charges from the offsetting of capital gains taxes subsequently called into question. However, it cannot be completely excluded that as developments unfold, for example in connection with assessments made by the tax authorities and fiscal courts, this conclusion could alter. For these reasons, a sufficiently reliable estimate of the financial effects is not possible at the present time.

(30) Derivative transactions

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

The netting volume as at 30 June 2017 totalled €56,061m (previous year: €62,814m). On the assets side, €53,695m (previous

year: €60,544m) of this was attributable to positive fair values and €2,366m (previous year: €2,270m) to variation margins received. Netting on the liabilities side involved negative fair values of €52,079m (previous year: €59,868m) and liabilities for variation margin payments of €3,982m (previous year: €2,946m).

(31) Maturities of liabilities

In the maturity breakdown, we show the residual terms of financial instruments that are subject to contractual maturities on the basis of undiscounted cash flows. Derivative liabilities are reported on the basis of their fair values in the relevant maturity range. In the case of interest-rate-related derivatives, interest payments also occur in the maturity ranges before final maturity, due to interest

payment obligations. The residual term is defined as the period between the balance sheet date and the contractual maturity date of the financial instruments. In the case of financial instruments which are paid in stages, the residual term of each payment stage has been used.

30.6.2017		Residual terms			
€m	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	
Liabilities to banks	50,772	3,855	8,326	12,282	
Liabilities to customers	215,386	15,304	10,350	16,784	
Securitised liabilities	3,628	5,408	11,360	6,508	
Trading liabilities	1,189	2,548	990	113	
Derivatives	2,701	5,081	13,404	31,363	
Subordinated debt instruments	569	1,538	2,414	3,557	
Financial guarantees	2,162	–	–	–	
Irrevocable lending commitments	80,940	–	–	–	
Total	357,347	33,734	46,844	70,607	

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

(32) Information on the fair value hierarchies of financial instruments measured at fair value

Measurement of financial instruments

Under IAS 39, all financial instruments are initially recognised at fair value; financial instruments that are not classified as at fair value through profit or loss are recognised at fair value plus transaction costs. Subsequently, those financial instruments that are classified as at fair value through profit or loss and available-for-sale financial assets are measured at fair value on an ongoing basis. For this purpose, financial instruments classified at fair value through profit or loss include derivatives, instruments held for trading and instruments designated for measurement at fair value. Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction. The fair value of a liability also reflects own credit risk. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same. The most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy Level 1). An active market is one in which transactions in the asset or liability take place sufficiently regularly and with sufficient volume to ensure pricing data is available continuously. As a rule, therefore, quoted prices are to be used if they are available. The relevant market used to determine the fair value is generally the market with the greatest activity (main market). To reflect the price at which an asset could be exchanged or a liability settled, asset positions are valued at the bid price and liability positions are valued at the ask price. In cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs – except for non-material parameters – are obtained from verifiable market sources (fair value hierarchy Level 2). In accordance with IFRS 13, valuation methods are to be chosen that are

commensurate with the situation and for which the required information is available. For the selected methods, observable input parameters are to be used to the maximum extent possible and unobservable input parameters to the least extent possible. While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate at least one material input for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities. The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (fair value hierarchy Level 3). Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price. All fair values are subject to the Commerzbank Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within Group Finance. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function. The fair values which can be realised at a later date may deviate from the estimated fair values. The following summary shows how these measurement principles are applied to the key classes of financial instrument held by the Commerzbank Group:

- The fair value of OTC derivatives is determined using valuation models that are well established on the financial markets. On the one hand, models may be used that measure the expected future cash flows and discount these to determine the net present value of the financial instruments. On the other hand, alternative models may be used that determine the value at which there is no scope for arbitrage between a given instrument and other related traded instruments. For some derivatives, the valuation models used in the financial markets may differ in the way that they model the fair value and may use different input parameters or use identical input but to different degrees. These models are regularly calibrated to recent market prices. Input parameters for these models are derived, wherever possible, from observable data such as prices or indices that are published by the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. Where input parameters are not directly observable, they may be derived from observable data through extrapolation or interpolation, or may be approximated by reference to historical or correlated data. Input parameters for derivative valuations would typically include underlying spot or forward security prices, volatility, interest rates and exchange rates. The fair value of options is comprised of two parts, the intrinsic value and the time value. The factors used to determine the time value include the strike price compared to the underlying, the volatility of the underlying market, the time to expiry and the correlations between the underlying assets and underlying currencies.
- Equities, bonds and asset-backed securities (ABS) are valued using market prices from the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. In the absence of such prices, the price for similar quoted instruments is used and adjusted to reflect the contractual differences between the instruments. In the case of more complex securities traded in markets that are not active, the fair value is derived using a valuation model that calculates the present value of the expected future cash flows. In such cases, the input parameters reflect the credit risk associated with those cash flows. Unlisted equity instruments are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.
- Structured instruments are securities that combine features of fixed-income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable return based on the performance of an underlying asset, with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly, as each instrument is individually customised and, therefore, the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign-exchange, interest-rate, credit and fund products.

Fair value hierarchy

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

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

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

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In the following tables, the financial instruments reported in the balance sheet at fair value are grouped by balance sheet item and valuation method. They are broken down according to whether fair

value is based on quoted market prices (Level 1), observable market data (Level 2) or unobservable market data (Level 3).

Financial assets €bn		30.6.2017				31.12.2016 ¹			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	23.9	0.5	24.4	–	14.9	0.7	15.6
Claims on customers	At fair value through profit or loss	–	8.4	0.1	8.5	–	8.2	0.2	8.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	1.6	–	1.6	–	2.1	–	2.1
Trading assets	Held for trading	20.9	50.8	5.8	77.5	23.5	59.3	6.1	88.9
of which positive fair values from derivatives		–	49.0	4.8	53.8	–	56.9	5.3	62.2
Financial investments	At fair value through profit or loss	0.4	0.4	–	0.8	0.4	0.4	0.1	0.9
	Available-for-sale financial assets	26.9	7.3	0.1	34.3	31.0	8.3	0.1	39.4
Non-current assets held for sale and assets of disposal groups	Available-for-sale financial assets	–	–	0.1	0.1	–	–	0.1	0.1
Total		48.2	92.4	6.6	147.2	54.9	93.2	7.3	155.4

¹ Prior-year figures restated due to a correction in Level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from Level 2 to Level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from Level 3 to Level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Financial liabilities €bn		30.6.2017				31.12.2016 ¹			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	11.6	0.1	11.7	–	10.8	–	10.8
Liabilities to customers	At fair value through profit or loss	–	6.4	–	6.4	–	6.3	–	6.3
Securitised liabilities	At fair value through profit or loss	1.1	–	–	1.1	1.0	–	–	1.0
Negative fair values of derivative hedging instruments	Hedge accounting	–	2.4	–	2.4	–	3.1	–	3.1
Trading liabilities	Held for trading	10.6	50.5	3.8	64.9	5.6	61.8	4.2	71.6
of which negative fair values from derivatives		–	50.3	3.8	54.1	–	61.8	4.2	66.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		11.7	70.9	3.9	86.5	6.6	82.0	4.2	92.8

¹ Prior-year figures restated due to a correction in Level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from Level 2 to Level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

A reclassification of levels occurs where a financial instrument is reclassified from one level of the 3-level valuation hierarchy to another. A reclassification of the financial instrument may be caused by market changes which impact on the input factors used to value the financial instrument.

A number of reclassifications from Level 1 to Level 2 were carried out in the second quarter of 2017, as quoted market prices

were no longer available. This involved €0.2bn in available-for-sale securities. Opposite reclassifications from Level 2 to Level 1 were made for €2.3bn of available-for-sale securities, as quoted market prices became available again. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

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

Financial assets €m	Claims on banks ²	Claims on customers ²	Trading assets ^{1,3}	of which positive fair values from derivatives ^{1,3}	Financial investmen ts ⁴	Financial investme nts ²	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2016	–	428	5,373	4,354	50	131	97	6,079
Changes in consolidated companies	–	–148	–	–	–	–	–	–148
Gains or losses recognised in income statement during the period	–	–29	2	133	–	–	–8	–35
of which unrealised gains/losses	–	1	29	154	–	–	–	30
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	–	–	237	9	–	2	–	239
Sales	–	–	–61	–3	–	–	–192	–253
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–2	–174	–1	–	–	–	–176
Reclassifications to Level 3	746	2	1,406	1,217	2	12	68	2,236
Reclassifications from Level 3	–	–	–604	–444	–2	–5	–	–611
Reclassifications from/to non-current assets held for sale	–	–103	–	–	–	–	103	–
Fair value as at 31.12.2016	746	148	6,179	5,265	50	140	68	7,331
Changes in consolidated companies	–	–	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–15	–6	–532	–444	–	–5	–2	–560
of which unrealised gains/losses	–15	–6	–538	–450	–	–5	–2	–566
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	309	–	149	14	2	1	–	461
Sales	–58	–	–23	–21	–	–	–	–81
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–	–6	–6	–	–	–	–6
Transfer to available-for-sale financial assets	–	–	–	–	–	–	–	–
Reclassifications to Level 3	4	–	60	43	2	6	–	72
Reclassifications from Level 3	–527	–	–49	–44	–52	–6	–	–634
Reclassifications from/to non-current assets held for sale	–	–	–	–	–	–	–	–
Fair value as at 30.6.2017	459	142	5,778	4,807	2	136	66	6,584

¹ Prior-year figures restated due to a correction in Level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from Level 2 to Level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from Level 3 to Level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

² At fair value through profit or loss.

³ Held for trading.

⁴ Available-for-sale financial assets.

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

In the first six months of 2017, €0.1bn in securities measured at fair value and €0.5bn in credits measured at fair value were reclassified from Level 3 to Level 2. Opposite reclassifications were made from Level 2 to Level 3 in the amount of €0.1bn from financial instruments held for trading.

Financial liabilities €m	Liabilities to banks	Trading liabilities ^{1,2}	of which negative fair values from derivatives ^{1,2}	Total
Fair value as at 1.1.2016	–	2,950	2,931	2,950
Changes in consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	288	288	288
of which unrealised gains/losses	–	291	291	291
Purchases	–	416	416	416
Sales	–	–2	–2	–2
Issues	–	–	–	–
Redemptions	–	–36	–34	–36
Reclassifications to Level 3	–	845	824	845
Reclassifications from Level 3	–	–290	–252	–290
Fair value as at 31.12.2016	–	4,171	4,171	4,171
Changes in consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	–275	–275	–275
of which unrealised gains/losses	–	–287	–287	–287
Purchases	100	70	70	170
Sales	–	–50	–50	–50
Issues	–	–	–	–
Redemptions	–	–26	–26	–26
Reclassifications to Level 3	–	7	7	7
Reclassifications from Level 3	–	–134	–134	–134
Fair value as at 30.6.2017	100	3,763	3,763	3,863

¹ Prior-year figures restated due to a correction in Level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from Level 2 to Level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

² Held for trading.

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

In the first six months of 2017, €0.1bn of derivatives with negative fair values were reclassified from Level 3 to Level 2, as market parameters were again observable. There were no other significant reclassifications of financial liabilities into or out of Level 3.

Sensitivity analysis

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

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (Level 3). Interdependencies frequently exist between the parameters used to determine Level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for Level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

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

- Internal rate of return (IRR):

The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.

- Equity correlation:

Correlation is a measure of how two instruments move in relation to each other. Correlation is expressed as the correlation coefficient, which ranges between -1 and $+1$.

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

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

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

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

- Credit spread:

The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.

- Discount yield:

Discount yield is a measure of a bond's percentage return. Discount yield is most frequently used to calculate the yield on short-term bonds and treasury bills sold at a discount. This yield calculation uses the convention of a 30-day month and 360-day year. The inputs required to determine the discount yield are the par value, purchase price and the number of days to maturity.

- Credit correlation:

Credit derivative products such as collateralised debt obligations (CDOs), credit default swap (CDS) indices, such as iTraxx and CDX, and first-to-default (FTD) basket swaps all derive their value from an underlying portfolio of credit exposures.

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

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

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

- Mean reversion of interest rates:

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

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

- Interest rate-forex (IR-FX) correlation:

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

Data vendors provide a service for quanto swaps as well as for CMS quanto spread options in the same currency pairs. We

participate in these services and receive consensus mid prices for these, together with spreads and standard deviations of the distribution of prices provided by all participants.

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

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

- Recovery rates, survival and default probabilities:

Supply and demand as well as the arbitrage relationship with asset swaps tends to be the dominant factors driving pricing of credit default swaps. Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates will be a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery assumption implies a higher probability of default (relative to a low recovery assumption) and hence a lower survival probability.

There is a relationship over time between default rates and recovery rates of corporate bond issuers. In particular, there is an inverse correlation between the two: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.

In practice, market participants use market spreads to determine implied default probabilities. Estimates of default probabilities also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.

- Repo curve:

The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (Repo). Generally, these are short-dated maturities ranging from O/N out to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerg-

ing market underlyings, due to the lack of available independent observable market data. In some cases proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient then this input parameter will be classified as unobservable. Furthermore, mutual-fund-related repos may also contain unobservable repo curve exposures.

- Price:

Certain interest and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of positions.

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

€m		30.6.2017			30.6.2017	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		4,807	3,763			
Equity-related transactions	Discounted cash flow model	172	506	IRR (%)	1%	9%
Credit derivatives	Discounted cash flow model	4,635	3,084	Credit spread (bps)	100	500
				Recovery rate (%)	40%	80%
Interest-rate-related transactions	Option pricing model	–	173	IR-FX correlation (%)	–30%	52%
Other transactions		–	–			
Securities		1,176	–			
Interest-rate-related transactions	spread based model	1,109	–	Credit spread (bps)	100	500
of which ABS	spread based model	971	–	Credit spread (bps)	100	500
Equity-related transactions	Discounted cash flow model	67	–	Price (%)	90%	110%
Loans		601	100			
repo-business	Discounted cash flow model	459	100	repo-curve (bps)	126	257
Claims	Price-based	142	–	Price (%)	90%	110%
Total		6,584	3,863			

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

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

€m	2017		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
Derivatives	39	-40	
Equity-related transactions	20	-20	IRR, price based
Credit derivatives	16	-16	credit spread, recovery rates
Interest-rate-related transactions	3	-4	Correlation
Other transactions	-	-	
Securities	42	-29	
Interest-rate-related transactions	32	-19	price, repo curve
of which ABS	20	-9	IRR, recovery rate, credit spread
Equity-related transactions	10	-10	Price
Loans	6	-6	Price

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of their range of reasonable possible alternatives. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of

these figures is not to estimate or predict future changes in fair value. The unobservable parameters were either shifted by between 1 and 10 % as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the “day one profit or loss”. The day one profit or loss is not recognised immediately in the income statement but pro rata over the term of the transaction. As soon as there is a

quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in net trading income. A cumulated difference between transaction price and model valuation is calculated for the Level 3 items in all categories. Material impacts only result from financial instruments held for trading; the development was as follows:

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
Balance as at 1.1.2016	-	5	5
Allocations not recognised in income statement	-	4	4
Reversals recognised in income statement	-	-5	-5
Balance as at 31.12.2016	-	4	4
Allocations not recognised in income statement	-	15	15
Reversals recognised in income statement	-	-3	-3
Balance as at 30.06.2017	-	16	16

Fair value of financial instruments not measured at fair value

Determination of fair value

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

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

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

In the case of reclassified securities contained in the IAS 39 loans and receivables category the fair value is determined on the basis of available market prices insofar as an active market once again exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, the discounted cash flow model is applied to the valuation. The parameters used comprise yield curves, risk and liquidity spreads and premiums for administrative costs and the cost of capital.

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

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

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

€bn	Fair value		Carrying amount		Difference	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Assets						
Cash reserve	54.3	34.8	54.3	34.8		
Claims on banks	64.4	58.7	64.1	58.5	0.3	0.2
Claims on customers	216.4	213.2	215.8	212.8	0.6	0.4
Value adjustment on portfolio fair value hedges ¹	–	–	0.1	0.3	–0.1	–0.3
Positive fair values of derivative hedging instruments	1.6	2.1	1.6	2.1		
Trading assets	77.5	88.9	77.5	88.9		
Financial investments	58.4	67.4	60.6	70.2	–2.2	–2.8
Non-current assets held for sale and assets of disposal groups	0.7	0.7	0.7	0.7		
Liabilities						
Liabilities to banks	76.1	66.9	76.1	66.9		
Liabilities to customers	259.6	251.3	259.2	250.9	0.4	0.4
Securitised liabilities	36.9	40.2	35.3	38.5	1.6	1.7
Value adjustment on portfolio fair value hedges ¹	–	–	0.7	1.0	–0.7	–1.0
Negative fair values of derivative hedging instruments	2.4	3.1	2.4	3.1		
Trading liabilities	64.9	71.6	64.9	71.6		
Liabilities of disposal groups	–	–	–	–		
Subordinated debt instruments	12.1	11.8	11.1	11.0	1.0	0.8

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

(33) Treasury shares

	Number of shares in units	Accounting par value ¹ in €1,000	Percentage of share capital
Balance as at 30.06.2017	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 30.6.2017	3,402,706	3,403	0.27
Shares acquired during the current financial year	–	–	
Shares disposed of during the current financial year	–	–	

¹ Accounting par value per share €1.00.

(34) Information on netting of financial instruments

The table below shows the reconciliation of amounts before and after netting, as well as the amounts of existing netting rights which do not satisfy the netting criteria, separately for all recognised financial assets and liabilities which are

- already netted in accordance with IAS 32.42 (financial instruments I) and
- subject to an enforceable, bilateral master netting agreement or a similar agreement but are not netted in the balance sheet (financial instruments II).

For the netting agreements we conclude master agreements with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from repurchase agreements (reverse repos and repos), to OTC derivatives, and to positive and negative fair values of derivatives.

Assets €m	30.6.2017		31.12.2016	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	46,534	109,137	38,202	124,824
Book values not eligible for netting	6,996	5,714	9,889	5,894
a) Gross amount of financial instruments I and II	39,538	103,423	28,313	118,930
b) Amount netted in the balance sheet for financial instruments I ¹	19,358	53,695	14,820	60,544
c) Net amount of financial instruments I and II = a) – b)	20,180	49,728	13,493	58,386
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42 ²	810	33,952	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collaterals ⁴	17,932	122	11,192	633
Cash collaterals	31	9,123	30	9,671
e) Net amount of financial instruments I and II = c) – d)	1,407	6,531	1,967	7,154
f) Fair value of financial collateral of central counterparties relating to financial instruments I	1,407	–	1,967	55
g) Net amount of financial instruments I and II = e) – f)	–	6,531	–	7,099

¹ Of which for positive fair values €2,366m (previous year: €2,270m) is attributable to margins.

² Lesser amount of assets and liabilities.

³ Excluding rights or obligations to return arising from the transfer of securities.

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

Liabilities €m	30.6.2017		31.12.2016	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	34,102	108,587	28,184	128,901
Book values not eligible for netting	4,294	1,329	4,593	1,219
a) Gross amount of financial instruments I and II	29,808	107,258	23,591	127,682
b) Amount netted in the balance sheet for financial instruments I ¹	19,358	52,079	14,820	59,869
c) Net amount of financial instruments I and II = a) – b)	10,450	55,179	8,771	67,813
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42 ²	810	33,952	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collaterals ⁴	9,602	1,828	5,432	2,441
Cash collaterals	3	13,795	4	18,588
e) Net amount of financial instruments I and II = c) – d)	35	5,604	3,031	5,856
f) Fair value of financial collateral of central counterparties relating to financial instruments I	35	–	3,031	55
g) Net amount of financial instruments I and II = e) – f)	–	5,604	–	5,801

¹ Of which for negative fair values €3 982m (previous year: €2,946m) is attributable to margins.

² Lesser amount of assets and liabilities.

³ Excluding rights or obligations to return arising from the transfer of securities.

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

(35) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. The banking activities with related parties as well as the guarantees and collaterals with federal agencies were granted in the course of the bank's ordinary banking activities.

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

and Supervisory Board who were active during the reporting period.

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

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

€m	30.6.2017	31.12.2016	Change in %
Claims on banks	3,363	3,158	6.5
Claims on customers	621	696	-10.8
Trading assets	162	58	.
Financial investments	91	64	42.2
Other assets	1	6	-83.3
Total	4,238	3,982	6.4
Liabilities to banks	145	4	.
Liabilities to customers	452	432	4.6
Trading liabilities	7	-	.
Subordinated debt instruments	-	-	.
Other liabilities	22	21	4.8
Total	626	457	37.0
Off-balance-sheet items			
Guarantees and collaterals granted	43	183	-76.5
Guarantees and collaterals received	-	-	.

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

€m	1.1.-30.6.2017	1.1.-30.6.2016	Change in %
Income			
Interest income	58	78	-25.6
Commission income	59	92	-35.9
Gains or losses on disposals and remeasurement	60	-	.
Others	-	-	.
Expenses			
Interest expenses	5	12	-58.3
Commission expenses	-	-	.
Operating expenses	38	43	-11.6
Gains or losses on disposals and remeasurement	-	11	-100.0
Write-downs/impairments	2	-	.
Others	4	5	-20.0

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

€m	30.6.2017	31.12.2016	Change in %
Cash reserve	22,384	18,350	22.0
Claims on banks	2,110	270	.
Claims on customers	1,128	1,287	-12.4
Trading assets	889	308	.
Financial investments	1,589	3,612	-56.0
Total	28,100	23,827	17.9
Liabilities to banks	12,400	12,614	-1.7
Liabilities to customers	92	80	15.0
Trading liabilities	2,719	115	.
Total	15,211	12,809	18.8
Off-balance-sheet items			
Guarantees and collaterals granted	230	310	-25.8
Guarantees and collaterals received	-	-	.

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

€m	1.1.-30.6.2017	1.1.-30.6.2016	Change in %
Income			
Interest income	39	69	-43.5
Commission income	1	1	0.0
Gains or losses on disposals and remeasurement	148	35	.
Expenses			
Interest expenses	15	23	-34.8
Net loan loss provisions	-	-	.
Commission expenses	-	-	.
Gains or losses on disposals and remeasurement	-	-	.
Operating expenses	-	-	.
Write-downs/impairments	-	-	.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge¹
Deputy Chairman

Hans-Hermann Altenschmidt¹

Heike Anscheit¹
(since 1.1.2017)

Gunnar de Buhr¹

Stefan Burghardt¹

Sabine U. Dietrich

Karl-Heinz Flöther

Dr. Tobias Guldemann
(since 4.5.2017)

Stefan Jennes¹
(since 1.2.2017)

Dr. Markus Kerber

Alexandra Krieger¹

Oliver Leiberich¹

Dr. Stefan Lippe

Beate Mensch¹

Anja Mikus

Dr. Roger Müller
(until 3.5.2017)

Dr. Helmut Perlet

Mark Roach¹

Margit Schoffer¹
(until 31.1.2017)

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

¹ Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Frank Annuscheit

Dr. Marcus Chromik

Stephan Engels

Michael Mandel

Michael Reuther

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we confirm that the consolidated interim Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the interim Group management report provides a true and fair review of the development and per-

formance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Frankfurt/Main, 31 July 2017

The Board of Managing Directors



Martin Zielke



Frank Annuscheit



Marcus Chromik



Stephan Engels



Michael Mandel



Michael Reuther

Review Report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements - comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes - and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 June 2017 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Frankfurt/Main, 1 August 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Helge Olsson
Wirtschaftsprüferin
(German Public Auditor)

Martin Alt
Wirtschaftsprüfer
(German Public Auditor)

Significant subsidiaris and associates

Germany

comdirect bank AG, Quickborn

Commerz Finanz GmbH, Munich

Commerz Real AG, Eschborn

Abroad

Commerzbank Brasil S.A. - Banco Múltiplo, São Paulo

Commerzbank (Eurasija) AO, Moscow

Commerzbank Finance & Covered Bond S.A., Luxembourg

Commerzbank Zrt., Budapest

Commerz Markets LLC, New York

mBank S.A., Warsaw

Operative foreign branches

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

Representative Offices and Financial Institutions Desks

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

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

Disclaimer

Reservation regarding forward-looking statements

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

2017/2018 Financial calendar

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

Commerzbank AG

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