COMMERZBANK
The bank at your side

Annual Report 2016

Key figures

Income statement	1.1.–31.12.2016	1.1.–31.12.2015[1]
Operating profit (€m)	1,399	1,942
Operating profit per share (€)	1.12	1.61
Pre-tax profit or loss (€m)	643	1,828
Consolidated profit or loss[2] (€m)	279	1,084
Earnings per share (€)	0.22	0.90
Operating return on equity[3, 4] (%)	4.7	6.7
Cost/income ratio in operating business (%)	75.5	73.1
Return on equity of consolidated profit or loss[2, 3, 4] (%)	1.2	4.9

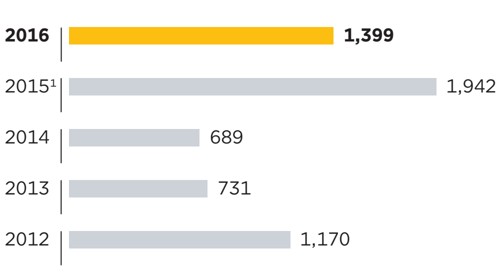
Balance sheet	31.12.2016	31.12.2015[1]
Total assets (€bn)	480.5	532.7
Risk-weighted assets (€bn)	190.5	198.2
Equity as shown in balance sheet (€bn)	29.6	30.1
Total capital as shown in balance sheet (€bn)	40.6	42.0

Capital ratios	31.12.2016	31.12.2015[1]
Tier 1 capital ratio (%)	13.9	13.8
Common Equity Tier 1 ratio[5] (%)	13.9	13.8
Common Equity Tier 1 ratio[5] (fully phased-in; %)	12.3	12.0
Total capital ratio (%)	16.9	16.5

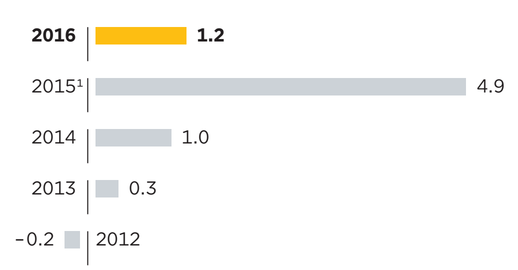
Staff	31.12.2016	31.12.2015
Germany	37,546	38,905
Abroad	12,395	12,400
Total	49,941	51,305

Ratings[6]	31.12.2016	31.12.2015
Moody's Investors Service, New York	A2/Baa1/P-1	-/Baa1/P-2
S&P Global, New York	BBB+/BBB+/A-2	-/BBB+/A-2
Fitch Ratings, New York/London	A-/BBB+/F2	-/BBB/F2

Operating profit (€m)



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



[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Annualised.
[4] The equity base is the average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[5] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully phased-in basis anticipates full application of the new regulations.
[6] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com).

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Letter from the Chairman of the Board of Managing Directors
Frankfurt am Main, March 2017

Dear shareholders,

The Supervisory Board appointed me as Chairman of Commerzbank's Board of Managing Directors with effect from 1 May 2016. Given that I had spent the previous few years as the Member of the Board of Managing Directors with responsibility for Private Customer business, this new role, with all its responsibilities, came as an exciting professional challenge – one that I have embraced whole-heartedly. I am delighted to take this first opportunity to address you directly in the context of an annual report.

This report provides you with detailed information about Commerzbank's performance in the financial year just ended and also about the goals we have set ourselves for the years ahead. I would like to start with a brief summary of where we are now.

We have spent the last few years making Commerzbank more stable and reducing the risks to which it is exposed, putting us in a much better position today. We have reduced our total assets, scaled back our risks in non-strategic business areas and increased our capital ratio. We have also had to recognise, however, that we are unable to achieve the profitability targets that we had set ourselves to achieve by 2016. The situation deteriorated significantly in the spring, as further interest rate cuts by the European Central Bank put our earnings under greater pressure. Looking at the big picture, the challenges that Commerzbank has to address in order to become more profitable are those of low interest rates, the mounting burden of regulation and the need to digitalise products and processes.

These factors spurred us into action, and in September 2016 we presented our "Commerzbank 4.0" strategy. We want to make our Bank fit and profitable for the future. We want to become the most competitive bank in Germany – one that offers private and corporate customers a superior, modern range of digital and personalised services. We want to be close to our customers and to be fast and efficient in our dealings with them. Most of all, though, we want to reduce complexity and make our Bank one that can withstand adversity over the long term. With this in mind, we will be spending the coming years making our business model consistently more focused, implementing digital transformation and boosting efficiency. One regrettable consequence of this will be the loss of a net 7,300 full-time positions by 2020. The Bank will begin negotiations with the employee representative committees in the next few weeks.

Dear shareholders, our business performance in 2016 was affected in particular by persistently low interest rates, volatile capital markets and a mood of caution among our customers. Despite all this, we achieved a solid operating profit of €1.4bn. The Bank's loan loss provisions also reflect our healthy risk profile. This is also evident from the non-performing loan (NPL) ratio, which remains very good at just 1.6% and compares well with other banks in Europe. The increase in loss provisions since the previous year reflects the provisions created for ship financing loans, which themselves reflect the difficult situation on the shipping markets. In all, we have reduced the volume of non-strategic commercial real estate and ship financing business from more than €20bn to around €7bn over recent years. Within the Group, costs have been brought down slightly thanks to active management and despite the drag from the new Polish bank tax. Profit after tax and non-controlling interests was €279m, reflecting the impact of goodwill write-downs in connection with our new segment structure as well as other restructuring costs.

The positive trend as regards capital resources continued in the year under review. With a Common Equity Tier 1 ratio of 12.3% under full application of Basel 3, we are well above the currently applicable regulatory requirements imposed by the European Central Bank. At the same time, we have substantially reduced the risks within the Group.

Under the new strategy adopted at the end of September, which includes the reorganisation of the segments, Commerzbank will focus on two operating segments: the new Private and Small-Business Customers and Corporate Clients segments.

In Private and Small-Business Customers, our rate of growth has continued to outpace the market. We have gained some 320,000 net new customers in Germany, significantly exceeding our target from 2012 of adding one million net new customers by the end of 2016. Our lending business grew by 8% year-on-year. Our new business volume in retail mortgage financing in 2016 was close to the previous year's level, with a slightly increased margin. New consumer loan volumes rose by some 31%. We also achieved strong growth in retirement savings business. We continued to expand our digitally networked multi-channel bank. In branch business, we set up a single user interface for customers and their advisors in the year under review. We have also set new standards with our banking app, the convenient and simple account switching app and the free current account, which can be easily set up online in a matter of minutes. Our branches remain a central element of our multi-channel bank, however. During the year under review we completed the rollout of the sales structure, which had been started in 2015, and opened three new flagship branches and our first city branch, which follows our new cost-effective and efficient branch model. More will follow this year. The Polish mBank was also able to implement all the measures in its "One bank" strategy, which ran until 2016, and achieved almost all its targets. mBank's customer base rose to 5.4 million in the year under review. Overall, we recorded an operating profit of €1.1bn in the Private and Small-Business Customers segment in 2016, equating to a rise of just under 3%.

The former Mittelstandsbank and Corporates & Markets segments were merged to form the Corporate Clients segment. Building on the strengths of the Mittelstandsbank, the capital markets products and services of interest to corporate customers are also being integrated into the new segment. In order to make its organisation more efficient, Commerzbank will also be divesting itself of some of its investment banking trading activities and presenting itself exclusively as a customer-focused bank. The downsizing of the trading activities is aimed at reducing earnings volatility and regulatory risk, and freeing up capital. The intention is to build on the Bank's existing strengths by expanding trade finance business and enhancing its leading position in Germany as a debt house. Commerzbank will also be leveraging its extensive sector expertise in key German industries even further in future to increase the number of DAX and MDAX customers and other large corporates in Europe. Commerzbank is also endeavouring to expand its leading market position in Mittelstand business by further developing its existing service offering and rolling out new digital products and services. In 2016, we achieved an operating profit of €1.3bn in the Corporate Clients segment, which represents a decrease of 24% compared with the previous year. This reflects the challenging conditions on the financial markets and the effects of negative interest rates.

Commerzbank will be significantly increasing its investments in IT and digitalisation with the aim of safeguarding its competitive advantages. Over the next four years we plan to implement end-to-end digitalisation for 80% of relevant business processes. This will entail investing some €700m per year between now and 2020. We have established a “digital campus” in Frankfurt, where we have already started digitalising the Bank’s “journeys”, i.e. its essential processes. By the end of 2017, work on two of the 14 defined journeys is expected to have been completed, with another seven in progress. As such, this year will see the digital campus operating at full steam. For us, the digital campus is not just an ideas laboratory, but rather the engine accelerating Commerzbank’s digital transformation. For our customers, this will bring greater simplicity and significant improvements in service quality. We are also keeping a constant eye on current developments in the fintech field, in order to reinforce our digital expertise, and are actively investing in drivers of innovation through our own dedicated investment vehicles. In January 2017 we opened “#openspace”, a digitalisation platform in Berlin where we bring Mittelstand businesses and start-ups together.

However, the positive effects emerging from the implementation of the strategy go beyond securing our future competitiveness and increasing profitability, to include greater capital efficiency. The capital base, for example, is being strengthened by the reinvestment of profits and by the previously announced decision not to pay out dividends for the next few years, with the aim of funding the restructuring operation while keeping risk-weighted assets stable.

Dear shareholders, our “Commerzbank 4.0” strategy gives us the chance to increase profitability over the long term and on a sustainable footing, with benefits for you, our customers and our employees. We have also created the freedom of action that we need, so the transformation can now proceed as planned.

I would like to take this opportunity to express my particular thanks – and those of my colleagues on the Board of Managing Directors – to our employees for their hard work and commitment.

I very much hope that you will continue to support the Bank along this challenging path. I am pleased to take this early opportunity to invite you to our Annual General Meeting on 3 May 2017, and I look forward to seeing you there.

Yours

Martin Zielke
Chairman of the Board of Managing Directors

The Board of Managing Directors

Martin Zielke

Age 54, Chairman
Member of the Board of Managing Directors since 5.11.2010

Stephan Engels

Age 55, Chief Financial Officer
Member of the Board of Managing Directors since 1.4.2012

Frank Annuscheit

Age 54, Chief Operating Officer
Human Resources
Member of the Board of Managing Directors since 1.1.2008

Michael Mandel

Age 50, Private and Small-Business Customers
Member of the Board of Managing Directors since 23.5.2016

Dr. Marcus Chromik

Age 44, Chief Risk Officer
Member of the Board of Managing Directors since 1.1.2016

Michael Reuther

Age 57, Corporate Clients
Member of the Board of Managing Directors since 1.10.2006

Dr. Bettina Orlopp

Age 46, Executive Board Member
(until ECB approval of appointment)

Report of the Supervisory Board
Frankfurt am Main, March 2017

Dear shareholders,

During the year under review, we advised the Board of Managing Directors on its conduct of the Bank's affairs and regularly supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us at regular intervals, promptly and extensively, in both written and verbal form, on all the main developments at the Bank, including between meetings. We received frequent and regular information on the company's business position and the economic situation of its individual business segments, on its corporate planning, on compliance issues, on the performance of the share price, on the main legal disputes and on the strategic orientation, including risk strategy of the Bank, and we advised the Board of Managing Directors on these topics. Between meetings I, as the Chairman of the Supervisory Board, was also constantly in touch with the Chairman and other members of the Board of Managing Directors according to a set timetable and kept myself up to date with the current business progress and major business transactions within both the Bank and the Group. We were involved in all decisions of major importance for the Bank, giving our approval after extensive consultation and examination wherever required.

Meetings of the Supervisory Board

In the year under review there were a total of ten Supervisory Board meetings, of which one was held as a conference call. Two full-day strategy meetings also took place: one for the employee representatives and one for the shareholder representatives.

The focus of all ordinary meetings was the Bank's current business position, which we discussed in detail with the Board of Managing Directors. We considered in depth the Bank's economic and financial performance, the risk situation, the strategy, the planning, the risk management system and the internal control system. Another area of emphasis was the economic performance and orientation of the individual business segments. We were also kept informed at all the ordinary meetings of the status of cooperation with the US monitor.

We subjected the reports of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately and to our satisfaction. We also received information on internal and official investigations into the Bank in Germany and other countries, asked questions regarding these and then formed our verdict on them. In particular, we dealt with the changes of personnel on the Board of Managing Directors, Commerzbank's new strategy and the investigations into cum-ex and cum-cum transactions. We also covered matters pertaining to the Board of Managing Directors at several meetings. Our resolutions were where necessary also passed between meetings by way of circulars.

At the meeting of 18 January 2016, we discussed the results of our efficiency and evaluation audit 2015 in depth. We also held a workshop on the subject of digitalisation.

At the meeting of 11 February 2016, our discussions centred, alongside reports on the current business position, on the provisional results for financial year 2015. We were updated on the status of cooperation with the US monitor, the settlement in Luxembourg resulting from the tax investigations by the Cologne public prosecutor's office and the topic of exchange rate fixing. In addition, we were given presentations on the current status of the branch strategy and in particular Commerzbank's flagship concept. We also discussed and resolved on the goal achievement of the members of the Board of Managing Directors for 2015 and set the total amount of variable remuneration for the members of the Board of Managing Directors. We also covered the status of the process for appointing a new Chairman of the Board of Managing Directors.

In addition, we considered the Report of the Supervisory Board and the Corporate Governance Report for the Annual Report. We also discussed and resolved on changes to the remuneration model for the Supervisory Board. Resolutions were passed on the extension of the terms of appointment of the Remuneration Officer and his deputy and the reappointment of the Remuneration Officers.

At an extraordinary meeting on 6 March 2016, we discussed the succession arrangements for the Chairman of the Board of Managing Directors and other related decisions in depth. We resolved to appoint Martin Zielke as Chairman of the Board of Managing Directors and Michael Mandel and Dr. Bettina Orlopp to the Board of Managing Directors, subject to the approval of the Supervisory Board. We further resolved to agree a termination agreement with Martin Blessing.

At the accounts review meeting on 8 March 2016, we reviewed the parent company and Group financial statements for 2015 and approved them on the Audit Committee's recommendation.

In addition we approved the proposed resolutions for the agenda of the 2016 Annual General Meeting, including the proposal for the appropriation of profit. The ECB Single Supervisory Mechanism (SSM) was presented to us by representatives of the SSM's senior management team, and we discussed various topics with those representatives. We were also informed about the Bank's IT progress and the new regulation on market abuse, particularly in relation to directors' dealings. We also received a report on strategic personnel planning and the development of high-potential employees.

We also considered the Remuneration Report for the Annual Report and appointed Nicholas Teller to the Risk Committee.

At the meeting on 19 April 2016, we dealt in detail with the report by the law firm appointed by the Supervisory Board to examine any claims for damages against members of the Board of Managing Directors in connection with breaches by the Bank of US sanctions or US anti-money laundering regulations. It concluded that there were no rights of recourse. On this basis, we resolved not to enforce any recourse claims in connection with the losses that Commerzbank incurred as a consequence of concluding the agreements with the US authorities to settle supervisory and criminal investigations. We also discussed the programme for the Annual General Meeting.

In an extraordinary conference call on 11 May 2016, we agreed the early termination of Martin Blessing's appointment.

At the meeting of 7 September 2016, the Board of Managing Directors described the business situation and reported to us on issues including in particular compliance, the cum-ex/cum-cum matter and the results for the first half of 2016. We considered the succession for the role of Chairman of the Supervisory Board and for the chairmanship of the Audit Committee. We also received a report on the progress made on IT. We were also informed about the design of the remuneration models for Commerzbank employees. In addition, we worked on the evaluation and efficiency audit of the Supervisory Board for 2016.

Following the strategy meetings of the employee and shareholder representatives, we discussed Commerzbank's new strategy together in detail at the plenary meeting on 29 September 2016. We also discussed the termination by mutual agreement of the contract with Markus Beumer and resolved to terminate his appointment to the Board of Managing Directors with effect from 31 October 2016.

At the meeting on 3 November 2016, the Board of Managing Directors reported to us on matters including in particular the performance of the capital markets, the results for the third quarter of 2016 and the outlook for the full year. We also spoke about the medium-term planning for the period to 2020. In addition, we were informed about the status of negotiations with the employee representatives with regard to Commerzbank's new strategy and discussed this in detail. We also received reports on compliance. Other topics covered at this meeting included the Bank's corporate governance; in particular, we approved the annual Declaration of Compliance with the German Corporate Governance Code pursuant to Art. 161 of the German Stock Corporation Act and set objectives for the composition of the Supervisory Board. More details on corporate governance at Commerzbank can be found on pages 21 to 25 of this Annual Report. We also appointed Anja Mikus to the Audit Committee.

At the final meeting of the year, on 2 December 2016, we once again discussed Commerzbank's new strategy. We were informed about the US monitor situation and discussed the plan of measures developed from this for Commerzbank. We were once again presented with the current status of the cum-ex/cum-cum investigations. We also discussed and resolved upon the objectives of the members of the Board of Managing Directors for 2017.

Committees

To ensure that it can perform its duties efficiently, the Supervisory Board has formed seven committees from its members. The current composition of the committees is shown on page 14 of this Annual Report. The duties and responsibilities of the individual committees are defined in the Supervisory Board's Rules of Procedure, which can be found online at www.commerzbank.com.

The Presiding Committee held six meetings during the year under review. Its discussions were devoted to preparing for the plenary Supervisory Board meetings and in-depth treatment of the meeting deliberations, especially with regard to the business situation and Commerzbank's new strategy. It also dealt with the changes of personnel on the Board of Managing Directors. Specifically, it considered the termination of Martin Blessing's appointment as Chairman and member of the Board of Managing Directors and Markus Beumer's appointment as a member of the Board of Managing Directors, as well as the conclusion of the contracts appointing Martin Zielke and Michael Mandel to the Board of Managing Directors. The Presiding Committee also prepared the plenary body's resolutions and agreed to members of the Board of Managing Directors taking up mandates at other companies. In addition, it looked into loans to employees and officers of the Bank. Urgent resolutions were passed by way of circulars.

The Audit Committee met a total of six times in financial year 2016. It also passed urgent resolutions by way of circulars. With the auditors in attendance, it discussed Commerzbank's parent company and Group financial statements and the auditors' reports. The Audit Committee obtained the auditors' declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code, submitted proposals for the appointment of the auditors and for their fee to the Supervisory Board and advised the Supervisory Board on the continuation of the audit mandate. Furthermore, the Audit Committee dealt with requests for the auditors to perform non-audit services; it also received regular reports from the auditors on the current status and individual findings of the audit of the annual financial statements and discussed the review of the interim financial reports before they were published. The Audit Committee also received regular updates on the status of remediation of the deficiencies identified by the auditor. The work of the Bank's Group Audit and Group Compliance units also formed part of the discussions. Both areas reported regularly on the results of their work. The Audit Committee dealt intensively with the investigations into breaches of US sanctions by the Bank and the Bank's measures to prevent future breaches and to implement the duties and responsibilities in connection with the agreements reached with the US authorities. It received reports on developments in relation to the monitorship in the USA and the status of implementation of the monitor's findings. The Audit Committee also considered the cum-ex and currency fixing topics. It also examined the effectiveness of the Bank's risk management system and discussed developments in whistle-blowing cases and the auditors' report on the review of reporting obligations and rules of conduct under the German Securities Trading Act. Furthermore, the Audit Committee obtained information on internal and external (regulatory) investigations. Another important topic for the Audit Committee was the audit reform and its implications for Commerzbank. The Audit Committee also discussed algorithmic trading, the compliance function under MaRisk and the Group Finance Architecture programme. The Audit Committee also gave us an update on current and forthcoming changes to supervisory and accounting law, and on the introduction of IFRS 9 in particular. Representatives of the auditors regularly attended the meetings to report on their audit activities.

The Risk Committee convened a total of four times in financial year 2016. At its meetings, the Risk Committee closely examined the Bank's risk situation and risk management, devoting particular attention to the overall risk strategy for 2016, refinement of the risk strategy and credit, market, liquidity, operational, reputational and compliance risks. Significant individual exposures of the Bank were also discussed in detail with the Board of Managing Directors, as were portfolios and sub-portfolios. The Risk Committee also considered the Bank's equity holdings and its recovery plan. It was briefed on cyber-crime prevention activities. In addition it checked that terms and conditions in customer business are compatible with the Bank's business model and risk structure. It also discussed various stress tests and their results. The meetings also addressed the employee remuneration system and the risk assessment of Commerzbank by its regulators. In addition, the Risk Committee considered Commerzbank's risk-bearing capacity, large exposures and loans to Commerzbank Group companies. Urgent resolutions were passed by way of circulars.

The Remuneration Control Committee met twice. It considered the goal achievement of the Board of Managing Directors for 2015 and reviewed the setting of the total amount of fixed remuneration for employees in respect of 2015. It also dealt with the employee remuneration systems and the appropriateness of the design of the remuneration systems for employees and the Board of Managing Directors in relation to financial year 2016. Finally, the committee considered the objectives of the members of the Board of Managing Directors for 2017.

The Social Welfare Committee met once in the year under review, with the meeting focusing primarily on human resources policy and staff development. It also looked at progress on headcount reduction and general HR indicators.

The Nomination Committee held seven meetings during the year under review, of which one was conducted as a conference call. It dealt intensively with the changes of personnel on the Board of Managing Directors, in particular Martin Blessing's departure and succession, and with filling the vacancies on the Supervisory Board, particularly that of Chairman. It also performed the duties of the Nomination Committee pursuant to Art. 25d (11) sentence 2 of the German Banking Act, in particular the assessment of the Supervisory Board and Board of Managing Directors required by that act and the policy of the management board for the selection and appointment of first and second-level managers.

There was no need for any meetings of the Conciliation Committee formed in accordance with the German Codetermination Act.

The chairs of the committees regularly reported on their work to the plenary body of the Supervisory Board at the next meetings thereafter.

Members of Commerzbank's Supervisory Board are required pursuant to Art. 3 (6) of the Rules of Procedure of the Supervisory Board to disclose potential conflicts of interest to the Chairman of the Supervisory Board or their deputy, who will in turn consult with the Presiding Committee and disclose the conflict of interest to the Supervisory Board. Members of the Supervisory Board declared a potential conflict of interest in respect of three proposed resolutions during the year under review. As specified in the rules of procedure, the members of the Supervisory Board in question did not take part in the voting in these instances, nor were they involved in the preceding discussions.

The members of the Supervisory Board undertook the training and development measures required for their duties at their own initiative, with appropriate support from Commerzbank. Regular training takes place at the Supervisory Board meetings. In 2016, this took the form of presentations or workshops on the subjects of digitalisation, flagship stores, the ECB Single Supervisory Mechanism, the new regulation on market abuse and the CSR directive. Various Supervisory Board members also took part in external training. The members were offered the opportunity to have a separate discussion of the annual financial statements with the auditor in advance of the accounts review meeting.

All members of the Supervisory Board attended more than half the plenary sessions in financial year 2016. In detail, Gunnar de Buhr, Stefan Burghardt, Beate Mensch, Dr. Helmut Perlet, Barbara Priester, Mark Roach, Margit Schoffer and Dr. Gertrude Tumpel-Gugerell each missed one of the ten Supervisory Board meetings. Dr. Markus Kerber missed three. All other members of the Supervisory Board attended all of the meetings of the Supervisory Board.

Gunnar de Buhr and Dr. Helmut Perlet missed one meeting of the Risk Committee. Dr. Markus Kerber missed two meetings of the Presiding Committee, of the Risk Committee and of the Remuneration Control Committee, and one meeting of the Nomination Committee.

In general, Supervisory Board members who are unable to attend a meeting of the Supervisory Board or of a committee issue corresponding voting instructions.

Parent company and Group financial statements

The auditors and Group auditors appointed by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the parent company and Group financial statements of Commerzbank Aktiengesellschaft and also the management reports of the parent bank and the Group, giving them their unqualified certification. The parent company financial statements were prepared according to the rules of the German Commercial Code (HGB), and the Group financial statements according to International Financial Reporting Standards (IFRS). The financial statements and auditors' reports were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee also received the complete annexes and notes relating to the auditors' reports, and all members of the Supervisory Board had the opportunity to inspect these documents. The Audit Committee dealt at length with the financial statements at its meeting on 21 March 2017. At our meeting to approve the financial statements held on 22 March 2017, we met as a plenary body and examined and approved the parent company and Group financial statements of Commerzbank Aktiengesellschaft as well as the management reports of the parent company and the Group. The auditors attended the above-mentioned meetings of the Audit Committee and of the plenary Supervisory Board, explaining the main findings of their audit and answering questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the representatives of the auditors.

Following the final review by the Audit Committee and our own examination, we raised no objections to the parent company and Group financial statements and concurred with the findings of the auditors. The Supervisory Board has approved the financial statements of the parent company and the Group presented by the Board of Managing Directors; the financial statements of the parent company are thus adopted. We concur with the recommendation made by the Board of Managing Directors on the appropriation of profit.

Changes in the Supervisory Board and the Board of Managing Directors

Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended at the close of 30 April 2016. The Supervisory Board appointed Martin Zielke to serve as his successor with effect from 1 May 2016.

Dr. Marcus Chromik succeeded Dr. Stefan Schmittmann as Chief Risk Officer, taking up his new role on 1 January 2016.

Michael Mandel took over the Private Customers Board portfolio with effect from 23 May 2016.

At its meeting of 6 March 2016, the Supervisory Board resolved to appoint Dr. Bettina Orlopp to the Board of Managing Directors. This decision is still subject to regulatory approval, which is expected by November 2017.

Markus Beumer stepped down from the Board of Managing Directors with effect from 31 October 2016.

We would like to thank Martin Blessing, Dr. Stefan Schmittmann and Markus Beumer for their extraordinary service and tremendous commitment to Commerzbank.

We would like to thank the Board of Managing Directors and all our employees for their hard work and dedication in 2016.

For the Supervisory Board

Klaus-Peter Müller
Chairman

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Klaus-Peter Müller

Age 72, Member of the Supervisory Board since 15.5.2008, Chairman of the Supervisory Board of Commerzbank Aktiengesellschaft

Uwe Tschäge[1]

Age 49, Deputy Chairman of the Supervisory Board since 30.5.2003, banking professional

Hans-Hermann Altenschmidt[1]

Age 55, Member of the Supervisory Board since 30.5.2003, banking professional

Heike Anscheit[1]

Age 46, Member of the Supervisory Board since 1.1.2017, banking professional

Gunnar de Buhr[1]

Age 49, Member of the Supervisory Board since 19.4.2013, banking professional

Stefan Burghardt[1]

Age 57, Member of the Supervisory Board since 19.4.2013, branch manager Mittelstand Bremen

Sabine U. Dietrich

Age 56, Member of the Supervisory Board since 30.4.2015, former member of the Board of Managing Directors of BP Europe SE

Karl-Heinz Flöther

Age 64, Member of the Supervisory Board since 19.4.2013, independent management consultant

Stefan Jennes[1]

Age 49, Member of the Supervisory Board since 1.2.2017, banking professional

Dr. Markus Kerber

Age 53, Member of the Supervisory Board since 19.4.2013, Chief Executive Director of the Federal Association of German Industry (Bundesverband der Deutschen Industrie)

[1] Elected by the Bank's employees.

You will find detailed curriculum vitae for the members of the Supervisory Board online on our Group page under "Management".

Alexandra Krieger[1]

Age 46, Member of the Supervisory Board since 15.5.2008, Head Business Administration/ Corporate Strategy Industrial Union Mining, Chemical and Energy (Industriegewerkschaft Bergbau, Chemie, Energie), Certified Banking Specialist and banking professional

Oliver Leiberich[1]

Age 60, Member of the Supervisory Board since 19.4.2013, banking professional

Dr. Stefan Lippe

Age 61, Member of the Supervisory Board since 8.5.2014, former President of the Company Management of Swiss Re AG

Beate Mensch[1]

Age 54, Member of the Supervisory Board since 19.4.2013, Trade Union Secretary ver.di Region of the Federal State Hessen (Vereinte Dienstleistungsgewerkschaft ver.di), Organizational development

Anja Mikus

Age 58, Member of the Supervisory Board since 30.4.2015, Managing Director Chief Investment Officer Arabesque (Deutschland) GmbH

Dr. Roger Müller

Age 56, Member of the Supervisory Board since 3.7.2013, General Counsel Deutsche Börse AG

Dr. Helmut Perlet

Age 69, Member of the Supervisory Board since 16.5.2009, Chairman of the Supervisory Board of Allianz SE

Mark Roach[1]

Age 62, Member of the Supervisory Board since 10.1.2011, Trade Union Secretary ver.di Trade Union National Administration (Vereinte Dienstleistungsgewerkschaft ver.di)

Nicholas Teller

Age 57, Member of the Supervisory Board since 8.5.2014, Chairman of the Advisory Board E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell

Age 64, Member of the Supervisory Board since 1.6.2012, former member of the Executive Board of the European Central Bank

Committees of the Supervisory Board

Presiding Committee
Compensation Control Committee

- Klaus-Peter Müller
  Chairman
- Hans-Hermann Altenschmidt
- Dr. Markus Kerber
- Uwe Tschäge

Audit Committee

- Dr. Helmut Perlet
  Chairman
- Hans-Hermann Altenschmidt
- Gunnar de Buhr
- Karl-Heinz Flöther
- Anja Mikus
- Dr. Gertrude Tumpel-Gugerell

Risk Committee

- Nicholas Teller
  Chairman
- Stefan Burghardt
- Dr. Markus Kerber
- Dr. Stefan Lippe
- Dr. Helmut Perlet

Nomination Committee

- Klaus-Peter Müller
  Chairman
- Hans-Hermann Altenschmidt
- Dr. Markus Kerber
- Nicholas Teller
- Uwe Tschäge

Social Welfare Committee

- Klaus-Peter Müller
  Chairman
- Gunnar de Buhr
- Stefan Burghardt
- Sabine U. Dietrich
- Anja Mikus
- Uwe Tschäge

Mediation Committee
(Art. 27, (3), German Co-determination Act)

- Klaus-Peter Müller
  Chairman
- Hans-Hermann Altenschmidt
- Nicholas Teller
- Uwe Tschäge

Our share

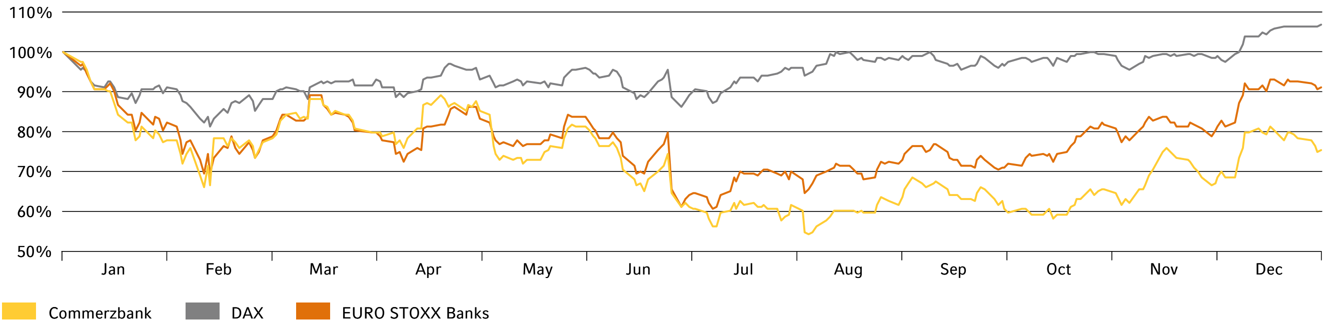
Development of equity markets and performance indices

The stock markets encountered greater than average volatility in 2016, which was beset by significant political and macroeconomic uncertainties. Fears about an economic slowdown in China and substantial oil price falls had a very unsettling effect right at the start of the period under review, which sparked outright panic selling on the equity markets in January in particular. Support purchases by the People's Bank of China, along with the Bank of Japan's introduction of negative interest rates, counteracted some liquidity bottlenecks on the market and widening risk premiums for European banks. After the German DAX share index reached its low for the year of 8,699 points on 11 February, the European Central Bank cut its deposit rate to –0.4% on 10 March following by an increase of its monthly bond purchases to €80bn.

European bank stocks, which had already come under considerable selling pressure due to the financial market turbulence at the start of the year, were in the majority of cases downgraded, reflecting the expected negative impact on earnings of the persistently low interest rate environment. This effect further intensified uncertainties concerning the Italian banking system, which is suffering under the continued heavy burden of problem loans.

Figure 1

Commerzbank share vs. Performance indices in 2016
Daily figures, 30.12.2015 = 100



The UK's decision to exit the European Union triggered further uncertainty on markets around the world at the end of June, although this did not turn into a lasting equity market shock. In the third quarter, signs of a stronger US economy, stabilising oil prices and the continuing loose monetary policy in Europe ultimately led the DAX back up to its start-of-the-year level of 10,743 points. Bank stocks in particular benefited from expectations of higher US interest rates, and also easing concerns about the economic impact of the UK's decision to leave the European Union. The sector therefore outperformed German equities as a whole over the third quarter. The surprise result in the US presidential election at the start of November brought the financial markets under short-term pressure. However, the prospect of fiscal policy measures, massive tax cuts and not least much lighter-touch regulation for the financial sector resulted in surprising gains for global equity markets.

In particular, US investment banks continued their upward trend dating back to July, going on to record new highs for the year, as did the Dow Jones, S&P 500 and Nasdaq 100.

Opec's much-watched decision to reduce output, which had been static for years, produced fresh oil price momentum. The failed referendum in Italy and the resulting resignation of the Italian prime minister in early December was a test of strength for the country and the EU, but the political events did not have a sustained impact on the stock markets. As at 31 December, the DAX was up 6.7% over the 12-month period, whereas the EURO-STOXX Banks Index lost 8.5% over the course of the year.

The Commerzbank share

European bank stocks were tangibly affected over the course of the year by both the political and macroeconomic developments and the reduced earnings expectations connected with the interest rate environment. The Commerzbank share price was affected in particular by the relatively large volume of deposits and the highly competitive environment in the German market. The Commerzbank share came under pressure again at the start of August with the presentation of the interim results, when expectations for the full year were pegged back.

Overall, the Commerzbank share significantly underperformed the European banking index across 2016 as a whole (–24.2% compared with –8.5%), falling over the year from its high of €9.50 as at 5 January 2016. The year-end closing price was €7.25, which marks a significant recovery from the low for the year of €5.16 on 3 August.

Securities codes	
Bearer shares	CBK100
Reuters	CBKG.DE
Bloomberg	CBK GR
ISIN	DE000CBK1001

As a consequence of the developments outlined above, Commerzbank's market capitalisation as at the end of 2016 had decreased to €9.1bn (high: €11.5bn; low: €6.5bn), compared with €12.0bn a year earlier. Based on standard valuation ratios, Commerzbank's price-to-book ratio in 2016 was 0.2–0.4x and its price/earnings ratio (PER) 7–33. By way of comparison, the EURO STOXX Banks Index had a price-to-book ratio of 0.5–0.8x and PER of 14–21. The volatility of the Commerzbank share relative to the European banking index increased substantially in 2016, reflecting the larger than average revision of projected earnings during the year, in combination with greater structural drags from the negative interest rate environment.

The daily turnover of Commerzbank shares – i.e. the number of shares traded – was up significantly year-on-year in 2016. The average daily trading volume in the period under review was 12.5 million shares, compared with 9.0 million shares in 2015. The new strategy, "Commerzbank 4.0", entails restructuring costs of around €1.1bn. In order to cover these costs, dividend payments are being halted for the time being.

Commerzbank share – key figures

On an unchanged number of shares, the earnings per share fell to €0.22 in 2016. Adverse effects from the interest rate environment, a weaker outlook for 2016 and the realignment of the business model, which involved the Board of Managing Directors and Supervisory Board suspending dividends, together drove down earnings year-on-year. Thanks to its continued progress on capitalisation and a fully phased-in Tier 1 ratio of 12.3%, Commerzbank strengthened its stability for the long term and further improved its risk profile in the year under review.

Table 1

Highlights of the Commerzbank share	2016	2015
Shares issued in million units (31.12.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	9.50	13.39
Low	5.16	8.94
Closing price (31.12.)	7.25	9.57
Daily trading volume[1] in million units		
High	42.3	40.9
Low	3.2	3.2
Average	12.5	9.0
Index weighting in % (31.12.)		
DAX	0.9	1.1
EURO STOXX Banks	1.7	2.1
Earnings per share in €	0.22	0.90
Book value per share[2] in € (31.12.)	22.85	24.05
Net asset value per share[3] in € (31.12.)	21.74	22.52
Market value/Net asset value (31.12.)	0.33	0.42

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

The weighting in the DAX was around 0.9%. In the European industry benchmark index, the EURO STOXX Banks, Commerzbank's weighting at year-end was 1.7%. In 2016, the Bank was also represented in the ECPI EMU Ethical Equity, ECPI Euro Ethical Equity, Euronext Vigeo Eurozone 120 and STOXX Global ESG Leaders sustainability indices, which place particular emphasis on environmental and ethical criteria alongside economic and social factors.

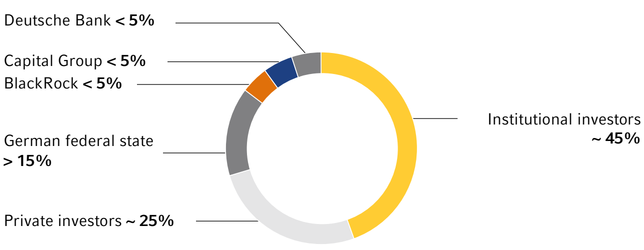
Selected indices containing the Commerzbank share
Blue chip indices
DAX
EURO STOXX Banks
Sustainability indices
ECPI EMU Ethical Equity
ECPI Euro Ethical Equity
Euronext Vigeo Eurozone 120
STOXX Global ESG Leaders

Shareholder structure and analyst recommendations

On 31 December 2016, approximately 55% of all Commerzbank shares were held by our major shareholders – the Federal Republic of Germany, BlackRock, Capital Group and Deutsche Bank – and private shareholders, who are mainly resident in Germany. Approximately 45% of all Commerzbank shares were in the hands of institutional investors. The free float stood at around 70%.

Figure 2

Shareholder structure
As at 31 December 2016



Around 25 analysts provided regular coverage of Commerzbank during 2016. As at the end of 2016, the share of buy recommendations was above the previous year's level at 31%. A further 50% of analysts recommended a hold, while 19% of analysts recommended selling our shares, compared with 16% the previous year. The average target price of analysts at year-end was €6.74.

Commerzbank's ratings

The aim of the EU Bank Recovery and Resolution Directive is that shareholders and creditors will in future be first in line to bear an insolvent bank's losses. Ideally, in a break from past practices, the state should no longer be called upon to rescue banks. In Germany, the involvement of creditors by means of write-downs on liabilities or their conversion into equity ("bail in") was fleshed out further in the German Resolution Mechanism Act (AbwMechG), which entered into force on 1 January 2017. It redefines the existing liability cascade for senior unsecured liabilities, as a result of which some capital instruments that previously ranked equally with one another are now treated preferentially or subordinated. In particular, complex structured liabilities, where loss-sharing can be hard to enforce, are now senior to plain vanilla capital instruments. The rating agencies have revised their rating methodology to take account of the varying probabilities that different capital instruments will be used to cover losses in the event of resolution. At Moody's Investors Service (Moody's), the ratings also reflect differing loss rates resulting from creditor participation in losses. There will in future be a spread of ratings – which in some cases will be large – for unsecured liabilities of a single issuer that were previously treated identically. At the same time, the number of ratings is going up in order to reflect the differing probabilities and extent of participation in losses in the event of resolution for the different liability classes (the liability cascade). Commerzbank is benefiting from the establishment of such new rating classes. Ratings for senior complex structured liabilities and ratings for deposits not covered by the deposit protection scheme tend to be at the same level as each other, which in the case of Commerzbank is in "A" territory (Moody's: A2, Fitch Ratings; Fitch: A–). Agencies have for the first time given their opinions on unsecuritised contractual obligations. Whereas Fitch focuses primarily on the probability of default of a bank as a counterparty in derivatives transactions (Fitch rating: A– (dcr)), Moody's has a broader scope and includes operational obligations (rating: A2 (cra)). They share the basic assumption that certain core activities of an insolvent bank would be maintained even in the event of resolution, in order to safeguard the systemic stability of the banking sector. Standard & Poor's Global (S&P) will follow with its methodology in 2017. At the end of last year, Commerzbank's long-term and short-term issuer credit ratings of BBB+/A-2 were placed on the watchlist for an upgrade. It is likely that the ratings could be raised by one or two notches if S&P concludes that there is a sufficiently high buffer in the form of capital instruments now classed as subordinated (additional loss-absorbing capacity, ALAC) to protect senior unsecured bank creditors in the event of resolution.

S&P also intends to introduce a new rating class, the Resolution Counterparty Rating (RCR), in 2017. This will cover, for example, deposits and obligations as a counterparty in derivatives transactions, in line with practices already adopted at Moody's and Fitch. The RCR could be up to two notches higher than the issuer credit rating.

Rating events in 2016

S&P In March 2016, S&P confirmed Commerzbank's issuer credit rating of BBB+, raising the outlook from negative to stable. The stand-alone rating (no potential external support taken into consideration) was upgraded by one notch to bbb+, reflecting the stronger capital position. Conversely, the one notch of support for ALAC previously assigned was lost, as this capital buffer considered adequate to cover losses was now taken into account in the improved view of capitalisation. Following the rating action of December 2016, in which S&P reviewed Commerzbank's issuer credit rating for an upgrade, S&P announced that it would be reviewing further ratings in the first quarter of 2017. If S&P classes capital instruments as senior in the event of insolvency, these would benefit in equal measure from the possible upgrading of the issuer credit rating. Conversely, if S&P judges based on their characteristics that the capital instruments are eligible for the ALAC buffer, they will be assigned to the "senior subordinated debt" rating class and receive ratings that are one or two notches lower analogue to hybrid capital instruments.

Fitch In March 2016, Fitch upgraded Commerzbank's issuer credit rating by one notch to BBB+ with stable outlook. The stand-alone rating was improved by the same amount to bbb+. The upgrade reflected the Bank's improved profitability and capitalisation, as well as continued risk reduction and a reduction in its losses from non-core business areas. In December 2016, Fitch responded to the changed liability cascade in insolvency cases in Germany by extensively overhauling its rating methodology for German banks. The deposit rating and the rating for structured notes with embedded market risk were new introductions, with ratings of A– awarded. The derivative counterparty rating for unsecured derivatives positions, another innovation, is A– (dcr).

Moody's In January 2016, Moody's confirmed the issuer credit rating of Baa1 for long-term liabilities and raised the rating for short-term liabilities by one notch to P-1. At the same time, the stand-alone rating was upgraded one notch to baa3 due to improved asset quality and capitalisation, taking it back to investment grade. The issuer credit rating includes one notch of support for the existing capital buffer designated as protection for senior unsecured creditors in the event of resolution, calculated in the loss given failure analysis, and another notch of support based on the assumption that the state would potentially support Commerzbank in the event of insolvency. Two new ratings were added in the year under review: for customer deposits not covered by the deposit protection scheme (A2) and the Counterparty Risk Assessment for operational contractual obligations (A2 (cra)). This reflects the likelihood that banks will fulfil these obligations even in the event of insolvency, as servicing them is highly important for the stability of the banking system. In view of the changes to rating methodology necessitated by specific national characteristics, the agency is explicitly maintaining the definition of the issuer credit rating in order to ensure international comparability. In Germany, too, it continues to correspond to the rating for senior unsecured liabilities. In light of the altered legal position, however, it now relates to the liabilities that would first be liable in the event of resolution (Commerzbank: Baa1).

Scope Commerzbank has officially appointed Scope Ratings (Scope) to act as a fourth rating agency for its bank rating with effect from 1 January 2017. Scope first published a rating for Commerzbank without an official mandate in April 2014. The Issuer Credit Strength Rating is A with stable outlook. Unsecured liabilities, in relation to which creditors share in the losses in the event of resolution, are rated one notch lower at A–.

Stock exchange listings of the Commerzbank share
Germany
• Berlin
• Düsseldorf
• Frankfurt
• Hamburg
• Hanover
• Munich
• Stuttgart
• Xetra
Europe
• London
• Switzerland
North America
• Sponsored ADR (CRZBY) CUSIP: 202597308

Corporate Responsibility

› We acknowledge the principles of sound, responsible management as laid down in the German Corporate Governance Code and meet virtually all of the recommendations and proposals it makes. Pages 21 to 25 give details of this aspect of our corporate responsibility.

› The term “corporate responsibility” describes the extent to which a company is conscious of its responsibilities whenever its business activities affect society, staff, the natural environment or the economic environment. We accept this responsibility, and report on it on pages 45 and 46.

Contents

Corporate governance report and declaration on corporate governance

pursuant to Art. 315 (5) in combination with Art. 289a of the German Commercial Code

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

In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practised at Commerzbank AG. This report also includes the declaration on corporate governance pursuant to Art. 315 (5) in combination with Art. 289a of the German Commercial Code.

Recommendations of the German Corporate Governance Code

Commerzbank AG and its subsidiaries that are required by law to do so declare every year whether the recommendations of the Commission regarding conduct have been and are being complied with, and explain which individual recommendations are not being implemented and the reasons why. These declarations of compliance by the Board of Managing Directors and Supervisory Board are published on the websites of the individual companies; Commerzbank AG's declarations can be found at http://www.commerzbank.com. There is also an archive of all the declarations of compliance made since 2002. The latest declaration was made in November 2016.

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

- Section 4.2.1 of the Code recommends that rules of procedure should regulate the activities of the Board of Managing Directors, including the allocation of responsibilities to its members. The Board of Managing Directors has adopted rules of procedure with the approval of the Supervisory Board. However, the Board of Managing Directors determines the allocation of duties among the individual Board members itself, outside of the rules of procedure. This provides it with the requisite flexibility if changes are needed, thus ensuring an efficient division of responsibilities. The Supervisory Board is informed of all changes, and is thus included in the process. The rules of procedure for the Board of Managing Directors and the specific responsibilities of the various members of the Board of Managing Directors are published on Commerzbank AG's website.

- According to section 4.2.3 (2) sentence 6 of the Code, the total remuneration of the members of the Board of Managing Directors and the upper limits on their variable remuneration components should be disclosed. The core elements of the Bank's remuneration system are a fixed basic annual salary plus variable remuneration with a uniform target amount. In respect of variable remuneration, the Supervisory Board after the end of a financial year calculates a total goal achievement amount based on predefined goals. This total goal achievement amount is capped at 1.4x fixed remuneration as calculated under the Remuneration Ordinance for Institutions. Up to 50% of this amount is paid in virtual Commerzbank shares, in respect of most of which a five-year retention period and a waiting period of a further 12 months normally apply. At the end of the waiting period, the value of the virtual Commerzbank shares is paid out in cash, subject to various checks to ensure sustainability. Changes in the share price over this period do not affect the number of virtual shares to be granted and thus change the amount to be paid out. There is no absolute upper limit on the latter amount. Under the concept behind the remuneration system, the members of the Board of Managing Directors are intended to bear the risk of the performance of the virtual shares after the calculation of the total goal achievement amount, as a long-term element of remuneration. It would not be appropriate to cap the scope to participate in positive share price performance, especially given that no floor applies if the price should fall.

- In relation to the remuneration of the Board of Managing Directors, section 4.2.3 (2) sentence 8 of the Code recommends that there should be no subsequent changes to goals or the parameters for determining the variable remuneration components. Under the German Stock Corporation Act, the Supervisory Board should agree the possibility to restrict the variable remuneration of the Board of Managing Directors in exceptional circumstances. It is entitled under this legislation to adjust the goals and other parameters for determining variable remuneration components in exceptional circumstances, to reasonably neutralise any positive or negative repercussions on the achievability of the goals; the cap on variable remuneration must be observed in all cases.

- Section 4.2.3 (3) of the Code recommends that in the case of pension commitments to members of the Board of Managing Directors, the Supervisory Board should define the intended benefit level – based on the length of their term of office – and the annual and long-term expense for the company arising therefrom. Pension provision for the Board of Managing Directors is based on a contribution-based defined benefit scheme that does not specify a particular level of benefits. Instead, each member of the Board of Managing Directors has an entitlement to an annual pension module, the amount of which is determined as a fixed percentage of that individual's basic annual salary. Increases to the fixed basic annual salary lead to an increase in the pension module only when expressly approved by the Supervisory Board. The way in which this percentage rate is defined – disregarding other actuarial factors – means that the ultimate level of a member of the Board of Managing Directors' earned pension entitlement depends solely on the length of their term of office on the Board of Managing Directors. The application of a fixed percentage rate of each member's basic annual salary gives the Supervisory Board a clear picture of the annual and long-term expense for the company. The actual annual expense for the company depends on actuarial factors. It is increasingly common business practice not to define an intended pension benefit but to instead switch to a contribution-based defined benefit scheme.

- Section 5.3.3 of the Code recommends that the Supervisory Board establish a nomination committee made up exclusively of shareholder representatives. Under Art. 25d (11) sentence 2 no. 1 of the German Banking Act, the nomination committee should support the Supervisory Board in identifying candidates to fill positions on bank management bodies. At Commerzbank AG, this task was formerly performed by the Presiding Committee, which also includes employee representatives. In order to maintain the established Commerzbank practice of involving both employee and shareholder representatives in the selection of candidates for the Board of Managing Directors, two members of the Commerzbank AG Supervisory Board's Nomination Committee are employee representatives.

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

Suggestions of the German Corporate Governance Code

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

- In a deviation from section 2.3.2, the proxy can only be reached up to the day prior to the Annual General Meeting. However, shareholders present or represented at the Annual General Meeting are able to give their proxy instructions at the meeting itself as well.

- In section 2.3.3, it is suggested that the Annual General Meeting be broadcast in its entirety on the internet. Commerzbank AG broadcasts the speeches of the Chairman of the Supervisory Board and the Chairman of the Board of Managing Directors, but not the general debate. This liberates shareholders to discuss matters freely with the management, without a wide-scale public broadcast.

Board of Managing Directors

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

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

Extensive details of the remuneration paid to the members of the Board of Managing Directors are given in the Remuneration Report on pages 26 to 38.

Supervisory Board

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

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

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

The composition of the Supervisory Board should be such that overall its members have the necessary skills, expertise, experience and knowledge to be able to perform its duties properly. In particular, the Supervisory Board should have all the expertise and experience deemed essential given the activities of the Commerzbank Group. Emphasis should also be placed on appointing members with particular knowledge and experience of the application of accounting principles and internal control procedures. The members of the Supervisory Board should also be able to devote sufficient time to the performance of their duties. Members should be reliable and consideration should be given to their commitment, personality, professionalism, integrity and independence. The target is that the Supervisory Board should always have at least eight members elected by the Annual General Meeting who are independent as defined in section 5.4.2 of the Code, and not more than two former members of the Board of Managing Directors of Commerzbank AG. Members of the Supervisory Board should not sit on the corporate bodies of or act as advisors to major competitors. A fixed age limit of 72 applies to members of the Supervisory Board. The Supervisory Board takes the objectives listed into account when proposing candidates to the Annual General Meeting for election.

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

The same is true for the Group companies. To the extent permitted by law, targets have been set for the proportion of women on the Supervisory Board. These targets have been met.

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

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

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

Details of the remuneration paid to the members of the Commerzbank AG Supervisory Board are given in the Remuneration Report on pages 38 to 40.

Diversity

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

Target percentages for the first and second levels of management

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

The Board of Managing Directors responded to this provision at an early stage and set out target percentages for the first and second levels of management at Commerzbank AG (in Germany) back in March 2015; these were the actual percentages at the end of December 2014. The target was 8.6% for the first management level and 14.6% for the second. The deadline set was 30 June 2017. Commerzbank AG deliberately opted for "conservative" percentages in order to meet the statutory requirement while still giving the Bank room for manoeuvre. It is an important objective for the Bank and the Group as a whole to further increase the number of women in leadership positions, regardless of what the law says.

At Commerzbank AG, the first management level below the Board of Managing Directors as at 31 December 2016 consisted of 33 people, of whom 28 were male and 5 female. The percentage of women at the first level of management below the Board of Managing Directors as at 31 December 2016 was therefore 15.2%.

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

The Board of Managing Directors chose not to set target ratios at Group level. Instead, the individual Group companies have set their own targets within the statutory framework.

In the Group, the first management level below the Board of Managing Directors as at 31 December 2016 consisted of 39 people, of whom 34 were male and 5 female. The percentage of women at the first level of management below the Board of Managing Directors as at 31 December 2016 was therefore 12.8%.

The second management level below the Board of Managing Directors consisted of 450 people, of whom 390 were male and 60 female. The percentage of women at the second level of management below the Board of Managing Directors as at 31 December 2016 was therefore 13.3%.

Target percentage at the level of the Board of Managing Directors

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

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

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

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

Accounting

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

The Group Management Report also includes a detailed risk report, providing information on the Bank's responsible handling of the various types of risk. This appears on pages 91 to 124 of this Annual Report.

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

Shareholder relations, transparency and communication

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

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

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

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

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

Remuneration Report

The following Remuneration Report is also part of the Group Management Report.

This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of IFRS.

Board of Managing Directors

Remuneration system for the Board of Managing Directors

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

Main features of the current remuneration system

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

Fixed remuneration components

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

Performance-related remuneration components (variable remuneration)

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

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

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

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

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

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

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

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

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

Remuneration for serving on the boards of consolidated companies

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

Pension provision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors joining after the new rules came into effect is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Under this system too, since 2015 increases in the fixed annual salary only increase the annual module if resolved by the Supervisory Board. Until the member of the Board of Managing Directors leaves, the annual modules are managed in a pension account. Upon reaching their 61st birthday, an additional 2.5% of the amount in the pension account at 31 December of the previous year is credited to the pension account of the member of the Board of Managing Directors on an annual basis until the pension benefits start to be paid out.

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

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

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

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

Table 2 shows for active members of the Board of Managing Directors the annual pension entitlements at pensionable age of 62 on 31 December 2016, the corresponding actuarial net present values on 31 December 2016, the service costs for 2016 contained in the net present value, and comparable amounts for the previous year.

Table 2

€1,000		Pension entitlements Projected annual pension at pensionable age of 62 As at 31.12.	Net present values of pension entitlements As at 31.12.	Service costs
Martin Zielke	2016	194	4,967	833
	2015	153	3,110	588
Martin Blessing[1]	2016	332	7,706	171
	2015	324	6,394	–596
Frank Annuscheit	2016	202	5,035	454
	2015	180	3,629	199
Markus Beumer[2]	2016	187	4,011	352
	2015	169	3,299	146
Dr. Marcus Chromik[3]	2016	23[4]	344	306
	2015	–	–	–
Stephan Engels	2016	95[4]	1,606	311
	2015	75[4]	1,207	317
Michael Mandel[5]	2016	13[4]	193	175
	2015	–	–	–
Michael Reuther	2016	236	6,165	497
	2015	214	4,646	200
Dr. Stefan Schmittmann[6]	2016	–	–	–
	2015	233	5,087	620
Total	**2016**		**30,027**	**3,099**
	2015		**27,372**	**1,474**

[1] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.
[2] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.
[3] Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.
[4] Capital sum annuitised.
[5] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.
[6] Dr. Stefan Schmittmann's term of office as a member of the Board of Managing Directors ended on 31 December 2015. The net present value of the pension entitlements he has accrued are shown in the notes under Pension obligations to former members of the Board of Managing Directors.

The net present values of the pension entitlements accrued for 2016 as shown in the table are in some cases considerably higher than the figures for 2015. This was caused mainly by the lower discount rate, which is used in the calculation according to IFRS. This is based on market interest rates for fixed-income industrial bonds with high credit ratings. Market interest rates as at 31 December 2016 were down year-on-year, which, in view of the long capitalisation period, had a substantial upward impact on the net present values listed here. The service costs also rose year-on-year, sharply so in some cases. In the previous year they were reduced in particular by a non-recurring effect: changes in salary ceased to be employed when measuring pension liabilities as a consequence of the change to pension commitments from 2015.

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

As at 31 December 2016, defined benefit obligations for members of the Commerzbank Aktiengesellschaft Board of Managing Directors active in 2016 totalled €30.0m (previous year: €27.4m).

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

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

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

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

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

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

Members of the Board of Managing Directors leaving in 2016

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

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

Other

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

Summary

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

Table 3

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

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

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

Table 4

Remuneration of the individual members of the Board of Managing Directors

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

[1] The performance-related components with long-term incentive effect are only granted once the Supervisory Board has completed the retrospective performance evaluation after the end of a five-year retention period. For 2016, that will mean in 2022.

[2] The heading "Other" includes non-monetary benefits granted in 2016, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.

[3] Payable in 2017 following determination of the total goal achievement amount for 2016.

[4] Payable one year after payment of the STI in cash. The amounts shown represent the values at the time that the variable remuneration was determined in February 2017. The payout is dependent on the future performance of the Commerzbank share price. The number of virtual shares is calculated using the share of the total goal achievement amount and the average Commerzbank share price during November and December 2016.

[5] Under DRS 17, the LTI cash components for 2013 must be stated even after the end of the four-year period 2013–2016 and the approval of the annual financial statements for 2016. The share component and the cash element of the LTI share component to be disclosed here have a value of €0 in view of the performance of the Commerzbank share relative to its peers over the period in question. The disclosure therefore relates only to the cash element of the EVA component for the four-year period 2013–2016. Martin Blessing, former Chairman of the Board of Managing Directors, has waived his entire entitlement to variable remuneration for financial years 2012 and 2013.

[6] The amounts to be disclosed as total remuneration in accordance with DRS 17 for financial year 2016 include only those components in respect of which the members of the Board of Managing Directors already have a legally binding entitlement. As such, the amounts to be disclosed as total remuneration in accordance with DRS 17 do not include the LTI components for financial year 2016, as there is no such entitlement until after the retrospective performance evaluation and the five-year retention period.

[7] Martin Zielke was appointed as Chairman of the Board of Managing Directors from 1 May 2016.

[8] Martin Blessing's term of office as Chairman and member of the Board of Managing Directors ended on 30 April 2016.

[9] Markus Beumer's term of office as a member of the Board of Managing Directors ended on 31 October 2016.

[10] Dr. Marcus Chromik was appointed as a member of the Board of Managing Directors from 1 January 2016.

[11] Michael Mandel was appointed as a member of the Board of Managing Directors from 23 May 2016.

[12] Dr. Stefan Schmittmann's term of office as a member of the Board of Managing Directors ended on 31 December 2015.

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

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

Under DRS 17, payments only have to be disclosed if they have been granted on a legally binding basis. For both the cash components and the share-based components of the LTI, the grant only takes place once the retrospective performance evaluation has been carried out and the five-year holding period has expired. The retrospective performance evaluation for the LTI in respect of 2016 will thus not take place until the end of 2021. The cash components and share-based components of the LTI are therefore not included in table 4.

However, for the purposes of DRS 17 the grant of the STI components takes place when they are determined by the Supervisory Board after the end of the financial year in question. The cash component of the STI for 2015 is shown at 20% of the total goal achievement amount. This corresponds to the payout sum. The share-based STI component is linked to the performance of the Commerzbank share. Under DRS 17, share-based payments have to be disclosed at the time the grant becomes legally binding, i.e. when they are determined by the Supervisory Board. As payout only takes place after the 12-month waiting period has expired and is dependent on the performance of the Commerzbank share, table 4 shows only theoretical values for these components, not the sums to be paid out. The payout sums are calculated by multiplying the number of virtual shares shown in the STI by the conversion price at the end of the waiting period.

Table 4 also shows the non-share-based cash components of the 2013 LTI under the remuneration system in place up to financial year 2014, as these components only meet all the conditions necessary under DRS 17 after 31 December 2016. In line with the requirements of DRS 17, the share-based components of the 2013 LTI were disclosed in the Remuneration Report for 2013. They therefore do not have to be reported again here.

The current remuneration system does not involve actually awarding any shares; instead a cash payment is made on the basis of virtual shares, i.e. based on Commerzbank’s share price performance.

In light of the three-year period that underlies the current remuneration system and is used to calculate target achievement, prorated expenses for share-based remuneration in future financial years must under IFRS 2 be disclosed in this financial year. The expenses disclosed below for 2016 therefore do not reflect either the amounts to be disclosed under DRS 17 or actual expectations or payouts.

The share-based remuneration recorded as expenses under IFRS 2 for financial year 2016 totals €2,320 thousand, of which €625 thousand is for Martin Zielke, €538 thousand for Dr. Marcus Chromik, €408 thousand for Michael Mandel, €331 thousand for Stephan Engels, €327 thousand for Frank Annuscheit, €230 thousand for Michael Reuther, €–77 thousand for Martin Blessing and €–62 thousand for Markus Beumer. The negative figures for Martin Blessing and Markus Beumer are explained by the fact that provisions were set aside in the previous year for pro-rated variable remuneration for financial years 2016 and 2017. As Martin Blessing and Markus Beumer ceased to acquire any new entitlements to variable remuneration from 1 May 2016 and 1 November 2016 respectively – with the exception of the LTIs in progress – these provisions were released on a pro-rata basis.

In the previous year, the expenses for share-based remuneration in accordance with IFRS 2 totalled €4,658 thousand, of which €1,003 thousand was for Martin Blessing, €720 thousand for Martin Zielke, €671 thousand for Michael Reuther, €647 thousand each for Frank Annuscheit and Stephan Engels, €585 thousand for Markus Beumer and €385 thousand for Dr. Stefan Schmittmann.

Loans to members of the Board of Managing Directors

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

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

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

Under 4.2.5 of the 5 May 2015 edition of the German Corporate Governance Code, which is fleshed out by means of model tables appended to the Code, the benefits granted (target figures or assumptions) in the year under review and the allocation made (actual payouts made for the reporting year) should be reported for each member of the Board of Managing Directors. The benefits

Table 5

Martin Zielke
Chairman (since 1 May 2016)

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

Martin Blessing
Chairman of the Board of Managing Directors, Central & Eastern Europe
(up to 30 April 2016)

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

For footnotes see page 37.

Table 5 (continuation)

Frank Annuscheit
Chief Operating Officer

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

Markus Beumer
Mittelstandsbank
(up to 31 October 2016)

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

For footnotes see page 37.

Table 5 (continuation)

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

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

Stephan Engels
Chief Financial Officer

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

For footnotes see page 37.

Table 5 (continuation)

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

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

Michael Reuther
Corporate Clients, Group Treasury

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

For footnotes see page 37.

Table 5 (continuation)

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

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

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

and allocations should be broken down into fixed remuneration, fringe benefits, one-year and multi-year variable remuneration and service cost within the meaning of IAS 19.

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

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

Supervisory Board

Principles of the remuneration system and remuneration for financial year 2016

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

Members also receive an additional €30 thousand annually for sitting on either the Audit Committee or the Risk Committee. Members also receive an additional €20 thousand annually for sitting on any other committee of the Supervisory Board that meets at least once in the calendar year. The committee chairman receives double these amounts. Additional remuneration is paid for a maximum of three committee appointments, taking the figures for the three highest paid positions.

Members of the Supervisory Board who only belonged to the board or one of its committees for part of a financial year receive remuneration for that year reduced pro rata temporis. In addition, each member of the Supervisory Board receives an attendance fee of €1.5 thousand for each meeting or conference call of the Supervisory Board or one of its committees. Where several meetings or conference calls take place on a single day, only one attendance fee is paid. The basic remuneration, remuneration for serving on committees and attendance fees are payable at the end of the financial year. Commerzbank Aktiengesellschaft reimburses any expenses incurred by members of the Supervisory Board in the performance of their duties and any VAT due on remuneration or expenses. The Chairman of the Supervisory Board is provided with appropriate staffing and material support, and in particular is reimbursed for travel costs incurred as part of the representative duties arising from his position and requisite security measures.

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

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

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

Table 6

€1,000		Basic remuneration[1]	Remuneration for serving on committes[1]	Variable remuneration	Attendance fee	Total
Klaus-Peter Müller	2016	240.0	125.9	–	24.0	389.9
	2015	120.0	80.0	30.0	43.5	273.5
Uwe Tschäge	2016	160.0	60.0	–	22.5	242.5
	2015	80.0	40.0	18.0	36.0	174.0
Hans-Hermann Altenschmidt	2016	80.0	70.0	–	30.0	180.0
	2015	40.0	60.0	15.0	43.5	158.5
Dr. Nikolaus von Bomhard	2016	–	–	–	–	–
(until 30 April 2015)	2015	13.2	0.0	2.0	7.5	22.7
Gunnar de Buhr	2016	80.0	50.0	–	19.5	149.5
	2015	40.0	20.0	9.0	24.0	93.0
Stefan Burghardt	2016	80.0	20.0	–	16.5	116.5
	2015	40.0	0.0	6.0	15.0	61.0
Sabine Ursula Dietrich	2016	80.0	20.0	–	16.5	116.5
(since 30 April 2015)	2015	26.7	0.0	4.0	9.0	39.7
Karl-Heinz Flöther	2016	80.0	30.0	–	24.0	134.0
	2015	40.0	20.0	9.0	27.0	96.0
Dr. Markus Kerber	2016	80.0	70.0	–	16.5	166.5
	2015	40.0	60.0	15.0	34.5	149.5
Alexandra Krieger	2016	80.0	0.0	–	16.5	96.5
	2015	40.0	0.0	6.0	15.0	61.0
Oliver Leiberich	2016	80.0	0.0	–	16.5	96.5
	2015	40.0	0.0	6.0	16.5	62.5
Dr. Stefan Lippe	2016	80.0	30.0	–	19.5	129.5
	2015	40.0	20.0	9.0	21.0	90.0
Beate Mensch	2016	80.0	0.0	–	13.5	93.5
	2015	40.0	0.0	6.0	15.0	61.0
Anja Mikus	2016	80.0	24.8	–	16.5	121.3
(since 30 April 2015)	2015	26.7	0.0	4.0	9.0	39.7
Dr. Roger Müller	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	16.5	62.5
Dr. Helmut Perlet	2016	80.0	90.0	–	24.0	194.0
	2015	40.0	60.0	15.0	31.5	146.5
Barbara Priester	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	13.5	59.5
Mark Roach	2016	80.0	0.0	–	15.0	95.0
	2015	40.0	0.0	6.0	15.0	61.0
Petra Schadeberg-Herrmann	2016	–	–	–	–	–
(until 30 April 2015)	2015	13.2	0.0	2.0	9.0	24.2
Margit Schoffer	2016	80.0	30.0	–	24.0	134.0
	2015	40.0	20.0	9.0	27.0	96.0
Nicholas Teller	2016	80.0	65.3	–	21.0	166.3
	2015	40.0	20.0	9.0	24.0	93.0
Dr. Gertrude Tumpel-Gugerell	2016	80.0	30.0	–	22.5	132.5
	2015	40.0	20.0	9.0	25.5	94.5
Total	**2016**	**1,840.0**	**716.0**	**–**	**388.5**	**2,944.5**
	2015	**919.8**	**420.0**	**201.0**	**478.5**	**2,019.3**

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

Loans to members of the Supervisory Board

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

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

Other details

D&O liability insurance

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

Purchase and sale of the Company's shares

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

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

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

Frankfurt am Main

Commerzbank Aktiengesellschaft
The Board of Managing Directors — The Supervisory Board

Details pursuant to Art. 315 of the German Commercial Code (HGB)

Details pursuant to Art. 315 (4) of the German Commercial Code (HGB) and explanatory report

Share capital structure

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

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

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

Powers of the Board of Managing Directors

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

Moreover, the Annual General Meeting on 30 April 2015 gave the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants, profit-sharing certificates or hybrid debt instruments (both with and without conversion or option rights or mandatory conversion) against a cash or non-cash contribution for a total nominal value of up to €13,600,000,000.00. Financial instruments can also be structured in such a way that they are recognised as Additional Tier 1 capital at the time of issue. Conditional capital of up to €569,253,470.00 is available to issue financial instruments according to Art. 4 (4) of the Articles of Association (Conditional Capital 2015). The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to exclude subscription rights in certain cases, in particular where the financial instruments are issued in exchange for non-cash contributions. For details of the conditional capital and authorised capital, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Notes 74 and 75.

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

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

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

In the event of a change of control at Commerzbank, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market value, which can be determined on any stock exchange trading day.

However, the possibility cannot be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's net assets, financial position and operating results could nevertheless be heavily impacted due to the Bank's potential payment obligations.

Equity holdings that exceed 10% of the voting rights

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

There are no further facts that need to be declared under Art. 315 (4) of the German Commercial Code.

Details pursuant to Art. 315 (2) no. 5 of the German Commercial Code (HGB)

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual financial statements of Commerzbank Aktiengesellschaft and the Commerzbank Group provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are integrated as regards their methodology and implementation, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on pages 91 to 124.

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

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

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

Legal basis and guidelines

Art. 315 (2) no. 5 of the German Commercial Code requires publicly traded companies to describe the material features of their ICS in the management report. Commerzbank follows the principles for bank-specific organisation of the internal control system set out in the Minimum Requirements for Risk Management (MaRisk).

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

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

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

Organisation

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

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

The governance framework translates the main guiding principles of the corporate constitution into practical rules and contains the following elements:

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

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

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

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

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

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

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

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

Controls to minimise risk

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e. by means of organisation). Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval, the separation of functions, and by technical measures when issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

Monitoring by Group Audit

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

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

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

The financial reporting process

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

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

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

Measures to further enhance the ICS as regards financial reporting

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

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

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

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

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

Other

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

Corporate Responsibility

Our responsibility towards sustainability

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

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

Ensuring integrity

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

Managing sustainability risks

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

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

Seizing opportunities for sustainability

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

Mitigating climate change

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

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

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

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

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

Taking responsibility

A prerequisite for long-term corporate success is dealing with employees fairly and as partners. That is especially important at times of upheaval. Commerzbank ensures that it is geared towards the future by offering a wide-ranging selection of training and development opportunities and by making it easier to achieve a good work/life balance. By promoting diversity within our company, we ascribe to a culture that is based on an appreciation of the value of every single employee. This HR policy was recognised in 2016 by the *Deutsche Gesellschaft zur Zertifizierung von Managementsystemen* (German company for the certification of management systems, DQS), which awarded it the German Award for Excellence in the "Employer accountability" category. Additional operational offerings, such as health management, scope for working flexible hours and activities around combining family and career were evaluated. You can find full information on Commerzbank's HR activities on pages 79 onwards of this Annual Report.

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

Strengthening civil society

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

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

Group Management Report

› In the Group Management Report, we provide in-depth information about the Commerzbank Group's performance in financial year 2016 and about the macroeconomic and sector-specific conditions and their impact on Commerzbank's business activities. We also describe the outlook for the anticipated performance of the Commerzbank Group in 2017 and overall conditions expected.

› Commerzbank posted a solid operating profit of €1.4bn in the 2016 financial year against the backdrop of challenging market conditions and the ongoing low interest rate environment and further improved its Common Equity Tier 1 ratio under full application of Basel 3 to 12.3%. In September 2016 the Bank presented its "Commerzbank 4.0" strategy designed to make Commerzbank even more profitable. Under this strategy, Commerzbank will focus on two operating segments: the new Private and Small-Business Customers segment and the new Corporate Clients segment.

Contents

Basis of the Commerzbank Group

Structure and organisation

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

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

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

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

Commerzbank prepares Group financial statements which, in addition to Commerzbank Aktiengesellschaft as operating lead company, incorporate all material subsidiaries over which the Bank exercises control. The financial year is the calendar year.

Objectives and strategy

Commerzbank stands for fair and competent advice tailored without exception to the needs of customers and the real economy. "The bank at your side" – everything Commerzbank does is measured against this promise, and the Bank has very clearly demonstrated its commitment in this area over recent years.

The banking business has undergone fundamental changes due to the current low interest rate environment, legal requirements and digitalisation, as have the ways in which customers want to conduct their banking transactions. Commerzbank is meeting these major challenges with its new strategy "Commerzbank 4.0" communicated at the end of September 2016.

As part of this strategy, it will concentrate on its core businesses and digitalise 80% of relevant processes, thereby achieving significant efficiency gains and increasing its profitability on a sustainable basis by the end of 2020. Its business will be focused on two customer segments, "Private and Small-Business Customers" and "Corporate Clients". The former Mittelstandsbank and Corporates & Markets segments were consolidated into a single unit and trading activities in investment banking were scaled back. The downsizing of the trading activities will reduce earnings volatility and regulatory risk, and will free up capital to be invested in the core customer businesses.

Commerzbank is aiming for a net return on tangible equity of more than 6% by the end of 2020. This target is based on the expectation that the interest rate environment will remain challenging. Should interest rates normalise, a net return on tangible equity of more than 8% will be achievable. Commerzbank is expecting revenues for 2020 to total between €9.8bn and €10.3bn. The cost base is to be reduced to €6.5bn, taking the cost/income ratio to below 66%. In a up to 2020 expected normalised interest rate environment, revenues could rise to over €11bn, and the cost/income ratio could fall to around 60%. The Common Equity Tier 1 (CET 1) ratio, after full application of Basel 3, should remain at least 12% until 2018 taking into account currently foreseeable regulatory developments. For 2020 the Bank is expecting a ratio of above 13%.

To cover its restructuring costs of around €1.1bn in 2017/2018, Commerzbank will cease dividend payments for the time being and will fully retain its earnings.

The focus on the core business, with some business activities being discontinued, and the digitalisation and automation of workflows will lead to staff reductions likely to amount to around 9,600 full-time positions. The Bank will begin negotiations about this with the employee representative committees in the next few weeks. At the same time, around 2,300 new jobs will be created in areas of business growth. Hence, the net number of jobs shed will amount to around 7,300 full-time positions.

Concentrating on strengths

With its two segments, "Private and Small-Business Customers" and "Corporate Clients", Commerzbank will in future be even more focused on its core businesses. The Bank is focusing on areas where it delivers particular added value to its customers, thereby setting itself apart from the competition. In addition, it is systematically giving up businesses in which it does not see any future. This relates in particular to the investment bank, where trading activities will be simplified and aligned with the needs of the Bank's core customers. The former Corporates & Markets segment was merged with the former Mittelstandsbank segment (excluding smaller Mittelstand customers) to form the Corporate Clients segment. Services that are important to corporate clients, such as capital market financing on the equity and debt side and risk management products, will remain key to Commerzbank's offering. Commerzbank will first place the business with structured investment and financial products and the associated market-making from the Equity Markets & Commodities area into a subsidiary. This also includes the successful asset management subsidiary ComStage. The details depend on the outcome of negotiations with representative bodies. The new subsidiary will concentrate fully on its core business as one of the leading European and Asian providers and market-makers for financial products and continue to offer attractive products and services and associated technologies. In the medium term, the new subsidiary is then intended to be floated on the stock market. The exotic interest rates and foreign exchange derivatives business will cease, while bond trading in Fixed Income & Currencies will be scaled back. The capital freed up by this withdrawal will be reinvested in the "Private and Small-Business Customers" segment. By 2020 the Bank wants to achieve cost savings of €1.1bn by focusing, eliminating redundancies, simplifying the infrastructure and by digitalisation.

Private and Small-Business Customers: building on our strong position

The new Private and Small-Business Customers segment encompasses Commerzbank's private and small-business customers as well as the subsidiaries comdirect, Commerz Real and mBank. The customer group "Small-Business Customers" comprises commercial clients and smaller SMEs. The Bank wants to gain a net two million new customers in Private and Small-Business Customers in the German market by 2020. Growth will be driven, in particular, by the expansion of digital multi-channel banking and innovative products, such as a new digital instalment loan platform and digital asset management including robo-advice. Commerzbank will also maintain a dense branch network. Besides the large flagship branches in the main population centres, Commerzbank will introduce a new type of small, modern branch: the "city branch". The Bank is planning to substantially increase its market share among small-business customers to 8% over the next four years, thanks to good regional accessibility, tailored product portfolios, digital solutions and its ability to offer private and business services in one place. The aim is for these measures to generate revenue growth of at least €1.1bn in the new Private and Small-Business Customers segment by the end of 2020.

Corporate Clients: national and international growth from a leading position

In corporate banking, the Bank wants to further extend its leading position in trade financing. To achieve this it is looking for focused growth in the most important trade corridors for German and European corporate clients. With its deep penetration of key German industries – automotive and transport, chemicals and pharmaceuticals, engineering, energy and infrastructure, consumer goods and retail – Commerzbank possesses comprehensive sector expertise which sets it apart from the competition. In future it will increasingly offer this expertise to its international clients in Europe as well. Among Mittelstand clients with turnover of between €15m and €100m as well, Commerzbank plans to further expand its market position with the aid of its international expertise and digitalisation. To achieve this it will further develop its offering and introduce new digital products and services. Collaboration between client relationship managers and product experts will be further strengthened by bundling the former Mittelstandsbank and Corporates & Markets segments. The aim is for these measures to generate revenue growth of over €300m in the new segment by the end of 2020.

Evolution into a digital enterprise

Over the next four years Commerzbank will evolve into a digital enterprise. The Bank will invest approximately €700m per year in digitalisation and IT by reallocating existing funds, without increasing its overall investment expenditure. In future, agile project teams working as part of a "Digital Campus" will drive forward digitalisation projects and automate and optimise processes. We want to digitalise 80% of relevant business processes by 2020. The Bank expects significant cost reductions and efficiency gains as a result.

Corporate management

Corporate management in the Commerzbank Group is based on a value-oriented control concept. This concept is based on ensuring that the risks entered into by the business units are in line with the external and internal guidelines on risk-bearing capacity and on aiming to achieve an appropriate return over the long term on the capital employed. In this respect, the Bank regularly monitors the allocation of scarce resources to business units and actively adapts its business strategy to changing market circumstances in order to boost the enterprise value over the long term.

The annual planning process is a key corporate management tool. In this process, the Board of Managing Directors sets targets for the business units based on the business strategy. Existing resources such as capital and risk limits are allocated to the segments in a way that reflects the targets and risk profiles. The segments put the plan into operation based on the business strategy and the results of the planning process. The Board of Managing Directors carries out regular checks to ensure that business planning is being followed. This ensures any deviations are identified at an early stage through monthly management reporting and countermeasures taken.

In order to manage the Group and its segments, the Bank uses the standard indicators described below, which cover all the essential dimensions of group management. Their development is monitored as part of regular management reporting.

The management of the Bank takes account of both pillars of capital adequacy regulations. To ensure internal risk-taking capability at all times, planning includes allocating economic capital to the segments broken down by type of risk. Regulatory capital as per the provisions of the Capital Requirements Regulation (CRR) is used as the basis for calculating the capital employed in the segments.

In addition to compliance with the capital requirements currently in place (under phase-in rules), the capital markets are already focusing on the full application of the CRR from 2018. The Common Equity Tier 1 ratio (fully phased-in) is therefore a key indicator for the Bank in capital management.

The key figures used for measuring success in the corporate management process are operating profit/loss and group profit/loss after tax and non-controlling interests, along with the cost/income and return on equity ratios and the economic value added calculated from these ratios. The cost/income ratio is used to assess cost efficiency and is defined as the ratio of operating expenses (excluding impairments of goodwill and restructuring expenses) to income before loan loss provisions. Segment return on equity is calculated as the ratio of operating profit/loss or pre-tax profit/loss to the average amount of regulatory capital employed. It shows the return on the equity invested in a given business segment. As is standard for value-based management concepts, the target minimum return on capital employed is derived from the expected return on the capital market. With a view to the "Commerzbank 4.0" strategy, the focus at Group level is the return on tangible equity.

Economic value added is the indicator used for determining the performance of the Group. It is defined as the difference between the Group's return on equity and the capital cost rate, multiplied by the Group's equity. The Group's return on equity is the ratio of the consolidated surplus after tax and non-controlling interests to average Group equity. The capital cost rate represents our shareholders' expectations for the minimum return on their capital employed and is reviewed on an annual basis. The calculation of the capital cost rate is based on the capital market-oriented Capital Asset Pricing Model (CAPM). Commerzbank currently calculates its post-tax capital cost rate to be 7.5%.

As Group figures, the controlling data listed above form part of a system of other segment-specific data that varies from segment to segment depending on the business strategy.

Remuneration report

The Remuneration Report is part of the Corporate Governance Report in the Corporate Responsibility section. It forms part of the Group Management Report.

Details pursuant to Art. 315 (2) no. 5 of the German Commercial Code (HGB)

Details pursuant to Art. 315 (2) no. 5 of the German Commercial Code (HGB) can be found in the Corporate Responsibility section. They form part of the Group Management Report.

Details pursuant to Art. 315 (4) of the German Commercial Code (HGB) and explanatory report

Details pursuant to Art. 315 (4) of the German Commercial Code and explanatory report can be found in the Corporate Responsibility section. They form part of the Group Management Report.

Details pursuant to Art. 315 (5) of the German Commercial Code (HGB)

Details pursuant to Art. 315 (5) in conjunction with Art. 289a of the German Commercial Code, "Declaration on corporate governance", can be found in the Corporate Governance report. They form part of the Group Management Report.

Important staffing and business policy events

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

Change in the Board of Managing Directors of Commerzbank

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

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

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

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

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

Commerzbank completes winding-up of Hypothekenbank Frankfurt AG

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

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

Commerzbank restructures US business

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

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

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

Commerzbank decides to further focus business strategy

Commerzbank has decided to exit the collateralised equity business even though it can produce tax advantages. This underscores the commitment to its position that all businesses must not only contribute to the real economy but also be socially acceptable. The Bank is deliberately walking away from the corresponding contribution to earnings.

In addition, the streamlining of the correspondent banking network that has begun in early 2016 continued in the second quarter. The reduction in the number of correspondent banking relationships is the result of an ongoing review and optimisation of our business model. Apart from earnings, cost and risk issues, compliance standards also play an important role here. Our corporate clients can be confident that we still have a network of correspondent banks which spans the globe. We therefore remain in a position to accompany export- and import-focused SMEs in international trade in the world's key markets.

Commerzbank strengthens compliance function

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

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

Commerzbank completes sale of international wealth management activities in Luxembourg

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

Economic report

Economic conditions

Economic environment

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

In industrialised countries, economic growth decelerated markedly in 2016. In the USA growth was a full percentage point lower than in 2015 at 1.6%. However, this is still a good result in view of the long-term growth potential of their economy and the fact that the USA has almost achieved full employment. The unemployment rate fell back to the level seen before the deep recession of 2007–09. Increasing competition for labour has caused a stronger pick-up in wage growth. Against this backdrop, the Federal Reserve decided in December 2016 to raise the target corridor for key interest rates by a further 25 basis points to 0.50%–0.75%.

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

The cautious inflation outlook prompted the ECB to cut its deposit rate once again and extend the bond purchase programme which was launched in 2015 until at least the end of 2017. However, from April onwards its monthly bond purchases will be reduced from €80bn to €60bn.

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

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

Sector environment

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

However, the risks to the global economy have not diminished. Deleveraging by governments, companies and private households has not yet been completed and continues to weigh on the profitability of banks throughout the eurozone. In eurozone bond markets, expansionary monetary policy has to some extent served only to paper over the tensions; and in sub-markets, the banks' withdrawal – due to the regulatory framework – is causing anomalies in prices. The Eurosystem's expanded asset purchase programme is improving banks' liquidity position and financing conditions, but at the same time it is putting pressure on net interest margins and thus having a significant adverse impact on earnings.

While the banks' efforts to reduce solvency and liquidity risks were recognised, there were persistent fears about a sustained weakening of the profitability of the banking system in the eurozone and the ability of banks to generate profitable returns on interest-rate-based business.

It has become clear over recent years that political surprises have a significant impact on the performance of the global economy and financial markets, even if they are not reflected in the financial markets or the economy in the short term to the extent that was previously expected. In contrast to risks, uncertainties are much more difficult to predict and can affect the banking business to a particularly high degree if private economic operators reduce their demand for financial services due to uncertainty. For example, global investment expenditure has recently grown much more slowly than before due to widespread uncertainties over growth. Last but not least, the importance of cyber-security was demonstrated once more in the year under review. The protection of data networks and appropriate staff training are an ongoing process which the banking sector must take very seriously, despite its already strong understanding of IT security.

Earnings performance, assets and financial position

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

The Commerzbank Group's operating profit for 2016 came to €1,399m, a fall of 28% year-on-year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €279m.

Total assets as at 31 December 2016 were €480.5bn, 9.8% below the figure for year-end 2015. The reduction in assets is reflected both in claims on banks and in trading assets and financial investments.

The decline in risk-weighted assets to €190.5bn was mainly due to a reduction in risk assets from credit risk due to active portfolio management with increasing focus in the business, boosted by the relief effects from a securitisation. These effects were partly offset by rises in risk-weighted assets in the areas of market risk and operational risk.

The Common Equity Tier 1 ratio under full application of Basel 3 rose to 12.3% at end-December 2016.

Income statement of the Commerzbank Group

The individual items in the income statement were as follows in 2016:

Net interest and trading income fell by a total of 13.2% year-on-year to €5,397m. Net interest income for the reporting period declined by €650m year-on-year to €5,077m, while net trading income and net income from hedge accounting was down €174m to €320m. In the Private and Small-Business Customers segment, the decline in net interest income reflected the impact of low and negative interest rates, which led to significantly lower income from the domestic deposit business. This was only partially offset by further growth in portfolio volume in lending business and the positive income trend at mBank. Growth at mBank was attributable both to the increase in business volume and to the continuous improvement of the interest margin. Corporate Clients posted a significant fall in net interest and trading income year-on-year. This was due in particular to the negative interest rate environment and a considerably lower contribution to earnings from structured investment products business. The ongoing reduction of the portfolio transferred from the ACR segment also led as expected to a fall in net interest income. Net interest and trading income in the ACR segment fell by €146m to €85m. This was linked primarily to the additional income generated in 2015 from measures to restructure funding that were not repeated in the period under review. The continuing reduction in the portfolio also entails a corresponding reduction in current interest income. Net trading income for the period included positive measurement effects from both counterparty risks and the measurement of own liabilities of €528m, compared with €–17m in the equivalent period last year.

Net commission income fell by 6.4% year-on-year to €3,212m. The highly volatile equity markets in the reporting period created continuing uncertainty among market participants and corresponding caution on the part of clients in the Private and Small-Business Customers segment. By contrast, persistently strong customer demand for instalment loans and the adjustment in pricing policy had a positive impact. In Corporate Clients, there was a significant year-on-year fall in net commission income. This was due in particular to a decrease in documentary business against the backdrop of the strategic focusing in the Financial Institutions division and the generally weak global economy with its effect on foreign trade. Income from derivatives and capital market-related advisory business also fell.

Table 7

Statement of comprehensive income I €m	**2016**	**2015**[1]	**Change**
Net interest income	5,077	5,727	– 650
Loan loss provisions	– 900	– 696	– 204
Net commission income	3,212	3,430	– 218
Net trading income and net income from hedge accounting	320	494	– 174
Net investment income, income from at-equity investments and other net income	790	144	646
Operating expenses	7,100	7,157	– 57
Operating profit/loss	**1,399**	**1,942**	**– 543**
Goodwill-Abschreibungen	627	–	627
Restructuring expenses	129	114	15
Pre-tax profit/loss	643	1,828	– 1,185
Taxes on income	261	629	– 368
Consolidated profit/loss	**382**	**1,199**	**– 817**
Consolidated profit/loss attributable to Commerzbank shareholders	279	1,084	– 805

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 139 ff.).

Net investment income in the year under review was €344m, compared with €–7m the previous year. The increase of €351m was chiefly attributable to write-ups of €141m on HETA Asset Resolution AG and a one-off effect of €123m from the sale of the stake in Visa Europe Limited.

Current net income from companies accounted for using the equity method was €150m (previous year: €82m). This included a positive effect from the remeasurement of the assets of Commerz Real, reflecting the very good situation in the market for commercial real estate.

Other net income was €296m for the reporting period, compared with €69m a year earlier. The increase of €227m was driven largely by positive one-off effects from the sale of real estate. The net income figure for the period under review also includes reversals of provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions rose by 29.3% year-on-year to €900m. The increase was due primarily to a higher provisioning requirement in the Asset & Capital Recovery segment, reflecting the ongoing difficult situation on the shipping markets.

The Corporate Clients segment also recorded a higher net allocation to loan loss provisions due to higher provisioning requirements in connection with individual exposures. The need for loan loss provisions in the Private and Small-Business Customers segment fell, however, due to good solvency among German households.

Operating expenses in the reporting period were €7,100m, down 0.8% year-on-year. Personnel expenses were €3,723m, representing a year-on-year fall of 4.5% due in particular to lower variable remuneration components. By contrast, other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, rose by 3.7% to €3,377m. The increase was mainly due to higher compulsory contributions including the newly introduced Polish bank tax of €74m and the European bank levy of €155m, an increase in consultancy and audit costs and ordinary amortisation of intangible assets.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €1,399m in the year under review, a fall of 28% year-on-year.

In connection with the downsizing of trading activities as part of the strategic realignment, goodwill and intangible assets of around €627m were written off in the period under review. Restructuring expenses of €129m also impacted on profit in the period under review. These related mainly to the bundling of product and market expertise in London and New York and the optimisation of internal processes.

Pre-tax profit came to €643m, compared with €1,828m the previous year. Tax expense for the reporting period was €261m, compared with €629m the previous year.

Profit after tax for 2016 was €382m, compared with €1,199m in the previous year. Net of non-controlling interests of €103m, the consolidated profit attributable to Commerzbank shareholders was €279m, down from €1,084m in the previous year.

As Commerzbank Aktiengesellschaft is reporting its results for the 2016 financial year in accordance with the German Commercial Code (HGB), the plan is to service all profit-sharing certificates issued by Commerzbank Aktiengesellschaft for the 2016 financial year; no dividend will be paid.

The statement of comprehensive income, which includes both consolidated profit/loss and other comprehensive income for the period, showed a net total of €–301m in 2016. Other comprehensive income of €–683m consists of the sum of changes in the revaluation reserve (€–135m), the cash flow hedge reserve (€62m), the currency translation reserve (€–143m), the value of companies accounted for using the equity method (€1m) and actuarial gains and losses (€–379m), along with the change from assets held for sale and disposal groups (€–89m).

Operating profit per share came to €1.12, and earnings per share to €0.22. The comparable figures in the prior-year period were €1.61 and €0.90 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 December 2016 were €480.5bn. This was a fall of 9.8% or €52.3bn compared with the adjusted figure as at end-2015. The reduction in assets is reflected both in claims on banks and customers and in trading assets and financial investments.

The cash reserve increased by €6.3bn to €34.8bn. This increase compared with the end of 2015 was due in particular to larger deposits with central banks.

Claims on banks were €58.5bn, down €13.3bn year-on-year. While claims on banks due on demand rose slightly by €0.1bn, other claims fell by €3.9bn and claims from secured money market transactions by €10.4bn, due in particular to the reduction of the bank portfolio in the Financial Institutions division.

Claims on customers were 2.8% below the previous year's level at €212.8bn. The volume decline was mainly driven by a €2.6bn fall in secured money market transactions in the form of reverse repos and cash collaterals and by reductions in non-strategic business.

As at the reporting date, total lending to customers and banks stood at €224.1bn, down 2.7% on year-end 2015. While loans to banks fell by €2.7bn to €19.9bn, customer lending business was slightly below the year-end 2015 level, down 1.7% to €204.2bn. The increase in lending volume in the Private and Small-Business Customers segment was more than offset by a decline in lending volume in the Corporate Clients segment.

Trading assets at the reporting date were €88.9bn, a fall of 22.6% compared with the end-2015 level. Holdings of equities, other equity-related securities and investment fund units fell by €5.9bn, while positive fair values of financial derivatives, in particular interest-rate-related derivative transactions, fell by €14.5bn compared with year-end 2015.

Financial investments decreased compared with year-end 2015, down 14.4% to €70.2bn. Bonds, notes and other interest-rate-related securities were down by €11.7bn to €69.1bn, while equities and other equity-related securities and participations were unchanged at €0.9bn.

Table 8

Assets I €m	**31.12.2016**	**31.12.2015**[1]	**Change in %**
Claims on banks	58,529	71,805	−18.5
Claims on customers	212,848	218,875	−2.8
Trading assets	88,862	114,824	−22.6
Financial investments	70,180	81,939	−14.4
Other assets	50,031	45,258	10.5
Total	**480,450**	**532,701**	**−9.8**

Liabilities and equity I €m	**31.12.2016**	**31.12.2015**[1]	**Change in %**
Liabilities to banks	66,948	83,154	−19.5
Liabilities to customers	250,920	261,179	−3.9
Securitised liabilities	38,494	40,605	−5.2
Trading liabilities	71,644	86,454	−17.1
Other liabilities	22,804	31,184	−26.9
Equity	29,640	30,125	−1.6
Total	**480,450**	**532,701**	**−9.8**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 139 ff.).

On the liabilities side, liabilities to banks fell sharply by €16.2bn to €66.9bn, largely in connection with the reduction in sight deposits at banks, short-term financing from central banks and a decline in money market transactions. The decrease in volume related exclusively to foreign bank liabilities.

Liabilities to customers fell by 3.9% to €250.9bn compared with year-end 2015. This was due to lower volumes of time deposits and liabilities from money market transactions, partly compensated by a rise in sight deposits among both corporate and private customers.

Securitised liabilities were €38.5bn, €2.1bn lower than at year-end 2015. While bonds and notes issued fell by €2.7bn to €32.9bn – owing in particular to repurchases and maturities of public-sector Pfandbriefe – money market instruments issued rose by €0.6bn to €5.6bn.

Trading liabilities decreased in volume by €14.8bn overall to €71.6bn. This was mainly due to the decline in interest-rate-related derivatives transactions and short sales of bonds and equities, partly offset by a rise in currency-related derivatives transactions.

Off-balance-sheet liabilities rose overall year-on-year, with contingent liabilities down 5.8% year-on-year at €35.0bn and irrevocable lending commitments up €5.8bn to €78.2bn.

Capital and reserves

The equity capital (before non-controlling interests) reported in the balance sheet as at 31 December 2016 was €28.6bn, €1.7% below the figure for year-end 2015. The slight decrease was due to lower retained earnings, which were down €0.3bn to €11.2bn. As at the reporting date, the revaluation reserve stood at €–0.8bn. This was a deterioration of €–0.2bn compared with the previous year, attributable in particular to higher risk premiums on Italian government bonds. Together with the negative cash flow hedge reserves and currency translation reserves, this amounted to a deduction of €–1.0bn from equity compared with €–0.8bn at year-end 2015.

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

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

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

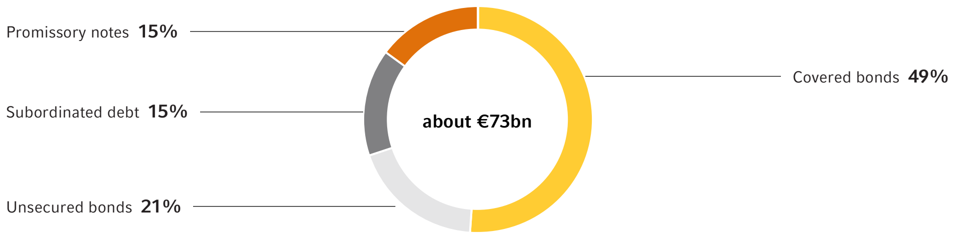
Funding and liquidity of the Commerzbank Group

The liquidity management of the Commerzbank Group is the responsibility of Group Treasury, which is represented in all major Group locations in Germany and abroad and has reporting lines in all subsidiaries. Liquidity management comprises both operational and strategic components. Operational liquidity management encompasses management of daily payment inflows and outflows, planning for payment flows expected in the short term and management of access to central banks. The division is also responsible for access to unsecured and secured sources of funding in the money and capital markets and the management of the liquidity reserve portfolio. Strategic liquidity management involves managing maturity profiles for liquidity-relevant assets and liabilities within specified limits and corridors. Additional information on this subject can be found in the "Liquidity risk" section of the Group Management Report.

Guidelines for the funding profile and funds are derived from the business strategy and reflect risk tolerance. The Group's funding is appropriately diversified in terms of investor groups, regions, products and currencies. Top-level decisions about liquidity management are taken by the central Asset Liability Committee (ALCO), which meets at regular intervals. The quantification and limitation of liquidity risks is carried out via an internal model in which expected cash inflows are compared against expected cash outflows. The limits set are monitored by the independent risk function. ALCO and the Board of Managing Directors receive regular reports on the liquidity risk situation.

Figure 3

Capital market funding structure[1]
As at 31 December 2016



[1] Based on reported figures.

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.

The Commerzbank Group raised a total of €7.4bn in long-term funding on the capital market in 2016.

An unsecured benchmark subordinated bond with a volume of €1bn was issued in the first quarter. The issue has a term of ten years.

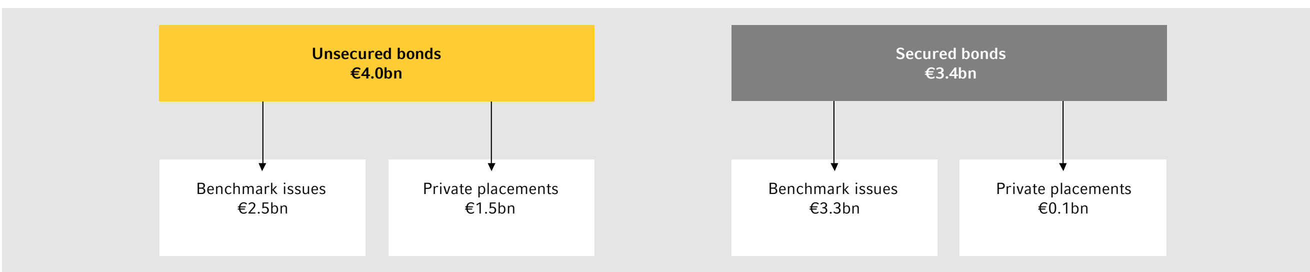
In the third quarter, a seven-year senior unsecured benchmark bond was also issued. In addition, €1.5bn was raised through private placements, including a US$400m subordinated bond with a 12-year term. The Polish subsidiary mBank also issued a senior unsecured bond with a benchmark volume of €500m and a term of four years.

In the collateralised area, around €3.4bn was raised. Over the course of the year, four benchmark bonds were placed on the capital market, of which two were increased in the third quarter. Mid-year, a ten-year mortgage Pfandbrief was issued with a total volume of €1bn. It was followed by an eight-year mortgage Pfandbrief, also with a volume of €1bn, and a mortgage Pfandbrief with a volume of €750m and a term of just over ten years. A further mortgage Pfandbrief with a volume of €500m and a term of just over six years was issued in November. The Pfandbriefe were placed mainly in Germany, although foreign investors also showed very strong interest in the mortgage Pfandbriefe. In addition, the Polish mortgage banking subsidiary of mBank issued covered bonds under Polish law with a volume of €0.1bn.

The average term of all issues was around eight years.

Figure 4

Group capital market funding of 2016
Volume €7.4bn



As at the reporting date, the Bank had a liquidity reserve of €80bn 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, in the amount of €23.8bn, 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 €8.4bn 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 1.52, 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.

Summary of 2016 business position

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

Our operating profit for 2016 contains various positive effects including from our Heta exposure and sales from our real estate portfolio. Overall, however, the operating business performed solidly in 2016. The earnings performance forecast for the most profitable segment, Private and Small-Business Customers (PSBC), was largely in line with our expectations. From the Group perspective, it was not possible to entirely separate the performance of operating income from the negative impact of the interest rate environment and customer caution in areas such as securities business and corporate financing, while another downturn in the shipping markets made it necessary to recognise more impairments.

Goodwill of around €627m was written down in the third quarter of 2016 in connection with the focusing on the core business as part of the strategic realignment. The objectives of a slight improvement in the consolidated surplus and a largely stable return on equity were therefore not achieved. Accordingly, the return on equity based on consolidated profit fell from 3.9% in 2015 to 1.0%.

The PSBC segment, which also includes contributions to earnings from the Polish subsidiary mBank and smaller companies with turnover of between €2.5m and €15m from the former Mittelstandsbank segment, performed successfully in financial year 2016. The targets set for the German private customer business in terms of customer growth, assets under custody (total credit, deposit and custody account volumes) and customer satisfaction were achieved or exceeded, contributing to the forecast slight increase in operating profit and – thanks to lower capital commitments – the marked improvement in operating return on equity. mBank also performed better than expected thanks to an improved interest rate margin, so the negative impact of the introduction of the bank levy in Poland was largely made up. The segment benefited from one-off effects in both Germany and Poland, including gains on disposal of the stake in Visa Europe Limited. The cost/income ratio in the PSBC segment remained largely stable due to the above-mentioned Polish bank levy.

During the period under review, activities in the Corporate Clients (CC) segment suffered from the low interest rate environment and declining customer activity in many areas; hence, contrary to expectations of a stable performance, it was unable to match the previous year's level of operating income. For example, despite the continuing good market position, the unusually high volatility on the equity markets had a dampening effect on investor demand in the Equity Markets & Commodities area, leading to a fall in trading volumes. Structured products business for institutional customers also suffered a significant drop in income due to the challenging situation on the capital markets. The marked slowdown in international trade flows in recent years led to a decline in commission-bearing documentary business. Commerzbank's strategic decision to implement a stronger focus in the Financial Institutions division also had a negative impact on income. The prompt reduction of the portfolio transferred from the Asset & Capital Recovery (ACR) segment at the beginning of 2016 brought about a drop in interest income, but this helped ensure ongoing high credit quality in the CC segment in line with the strategy. On the cost side, factors such as the strengthening of the compliance function led to a slight rise in operating expenses. Overall, the above factors resulted in a low operating return on equity and a higher cost/income ratio. Here too we had assumed stable ratios.

With global trade remaining weak and new capacity continuing to surge onto the market, charter rates for containers and bulkers in particular fell once again from a level that was already not high enough to cover many ship owners' costs. As a result, the forecast of a decrease in loan loss provisions in the ACR segment and thus of significantly smaller operating losses was not achieved. The considerable increase in impairments not only covered additions to the black book, however, but also allowed the cover ratio for problem loans in ship financing to be maintained at the high level of 64% recorded in the previous year.

At Group level, significant income from financial investments and equity holdings and other net operating income, some of which was one-off in nature, was not sufficient to offset the pressure on income from interest rate-based and commission-bearing income. In this challenging market environment, total income before loan loss provisions fell by 4% to €9.4bn. Operating profit was down by €0.5bn to €1.4bn. The performance of the shipping markets led to higher-than-expected loan loss provisions in the ACR run-off segment and thus for the Group as a whole. A renewed cost-cutting and efficiency drive allowed Commerzbank to exceed its forecast and not only offset the expenses for bank levies and ongoing high regulatory charges, which doubled to almost €230m, but in fact reduce operating expenses by just under €0.1bn to €7.1bn.

The goodwill write-down of €0.6bn carried out in connection with the strategic realignment was another reason why the forecast in the Annual Report 2015 of a slight increase in the consolidated surplus for financial year 2016 was not met. Consolidated earnings attributable to shareholders were €279m (previous year: €1,084m). Operating return on equity, which does not take goodwill write-downs into account, was down on the year-earlier figure of 6.7% at 4.7%, while the cost/income ratio increased somewhat more strongly than expected, rising two percentage points to 75.5%.

Commerzbank further strengthened its comfortable equity position in 2016. While Common Equity Tier 1 capital under full application of Basel 3 rules remained almost unchanged at €23.4bn, the fall of just under 4% in risk-weighted assets pushed the Common Equity Tier 1 ratio up from 12.0% to 12.3% as at the end of December 2016 (under full application of Basel 3).

Segment performance

Private and Small-Business Customers

The Private and Small-Business Customers (PSBC) segment encompasses branch business in Germany, comdirect Group, Commerz Real and the mBank Group. Small-Business Customers combines business customers and smaller Mittelstand customers with an annual turnover of up to €15m served by the branch bank in Germany. The segment continued to grow during the year under review, and with over 12 million customers in Germany and more than five million customers in Central and Eastern Europe it is one of the leading banks in these markets.

Performance

Table 9

€m	2016	2015[1]	Change in %/%-points
Income before provisions	4,819	4,845	−0.5
Loan loss provisions	−119	−167	−28.7
Operating expenses	3,621	3,627	−0.2
Operating profit/loss	**1,079**	**1,051**	**2.7**
Capital employed	4,125	4,760	−13.3
Operating return on equity (%)	26.2	22.1	4.1
Cost/income ratio in operating business (%)	75.1	74.9	0.3

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 139 ff.).

The Private and Small-Business Customers segment achieved a pleasing operating profit in 2016. In Germany, adverse factors resulting from the low interest rate environment and lower income due to customer caution in the securities business were offset by persistently dynamic credit growth, the ongoing solid trend in new customers and non-recurring income effects. mBank's contribution to earnings remained basically stable compared with the previous year, but was impacted by an additional charge from the Polish bank tax. Consequently, operating profit rose by €28m to €1,079m.

At €4,819m in the year under review, income before loan loss provisions almost matched the high level of the previous year (€4,845m). The decline of €105m in net interest income to €2,479m reflects the adverse impact of low and negative interest rates, which led to significantly lower income from the domestic deposit business. This was only partially offset by further growth in portfolio volume in lending business and the positive income trend at mBank.

Growth at mBank is attributable both to the increase in business volume and to the continuous improvement of the interest margin. Net commission income fell by €64m year-on-year to €1,956m. Over the year as a whole, significantly higher commission income from real estate business at Commerz Real was offset by lower commission income from the domestic securities business due to lower customer activity. The share of volume-related income from mandate business and premium custody accounts was further increased and will continue to have a stabilising effect on net commission income due to its lower exposure to market volatility. Net commission income at mBank was basically stable. Net investment income of €140m (previous year: €65m) was favourably impacted by one-off income from the sale of the stake in Visa Europe Limited in the amount of €123m, shared across Commerzbank and its subsidiaries comdirect and mBank. However, mBank had also recorded a positive one-off effect of €46m in the previous year from the sale of the insurance business to the AXA Group.

The increased income of €131m from companies accounted for using the equity method included a positive effect from the remeasurement of the assets of Commerz Real, reflecting the very good situation in the market for commercial real estate.

Loan loss provisions fell once again by €48m to €119m, testifying to the high quality of the loan portfolio. Valuation allowances were largely recognised by mBank, whose loan loss provisions were down €15m year-on-year at €83m. Net loan loss provisions of just €36m were booked in Germany, a historically very low figure.

Operating expenses remained virtually unchanged at €3,621m due to the continued strict cost management of personnel expenses and other operating expenses. The increase in operating expenses at mBank was largely attributable to the Polish bank tax of €74m introduced in 2016. With regard to the European bank levy, the expense in the Private and Small-Business Customers segment rose from €15m to €20m.

Overall, the Private and Small-Business Customers segment posted pre-tax profit of €1,079m in the 2016 financial year, which represents an increase of 2.7% year-on-year.

Main developments in 2016

In the 2016 financial year, the Private and Small-Business Customers segment remained on course for growth and built on the successes of the previous year, consistently continuing the digitalisation of products and processes. Key objectives for 2016, which were set as part of the private customer strategy, were fully achieved by October. Within four years, we have managed to convince one million new customers to join Commerzbank. In the year under review alone, customer numbers in Germany rose by around 320,000, an increase of 12.3%. The business performance at mBank was also more than satisfactory in 2016: all the measures envisaged for implementation by 2016 under the “One Bank” strategy were achieved and the number of customers increased by 8.1% (around 400,000) year-on-year to 5.4 million.

The comdirect Group, Commerz Real and the mBank Group all contributed significantly to positive earnings performance in the segment with their income growth.

Private Clients and Small-Business Customers

The branch bank in Germany offers the range of services of a full-service bank to private, small-business and wealth management customers at around 1,000 locations and via digital channels. The new Small-Business Customers segment includes both previously managed business customers as well as Mittelstand customers previously managed by the former Mittelstandsbank segment, with an annual turnover of between €2.5m and €15m.

Driving ahead with the strategic focus

As part of the continued strategic focus, the international wealth management activities of the Luxembourg subsidiary were sold in the year under review. Business with Commerzbank’s international wealth management customers is being continued from the branch bank in Germany.

High quality and profitable growth

In the past financial year the branch bank has once again made good progress with its core objectives of quality and growth and has been able to stimulate a sustained improvement in profitability. The “Performance Plus” programme was continued and important measures for profitable growth were initiated. Prices and fees were brought into line with the market and costs remained stable despite investments in digitalisation, marketing and the branch network. The “Quality First!” initiative has been used to implement new regulatory requirements in our business processes for our customers.

Customer satisfaction remained at a constantly high level throughout the whole year. This is according to the net promoter score (NPS), which measures customers’ willingness to recommend the Bank. The quality of the advice provided by Commerzbank was once again recognised externally: for the fourth time running, Commerzbank won the nationwide City Contest run by Focus Money in the private customers section of the test, and for the second time in the business customers category launched two years ago.

In 2016 everything pointed once again to growth: in customers, accounts and assets. In addition to traditional advertising campaigns, new marketing methods were also pursued: since December 2015, individual offers have been created in online banking, defining the best offer for a customer using advanced analytics. As a result, product sales to online banking customers who have consented to their data being used were increased by 10% compared with a comparator group. By systematically approaching prospects, over 50,000 customers were acquired during the year under review. Partnership banking has also developed promisingly. New cooperations with partners such as Rewe, Amazon and Tchibo provide access to numerous potential new customers.

In the lending business, the strong trend continued in 2016. Sales of instalment loans were extremely positive: the volume of new business was up by about 31% year-on-year to €2.3bn. A year-on-year increase of 15% was achieved in individual loans, with a volume of around €3.2bn. With new business volume of just under €11.9bn in mortgage lending, we almost equalled the excellent new business figure of €12.2bn achieved in 2015, and with higher profitability compared to the previous year.

In pension business, the volume of new insurance products business was increased by 13% to €2.3bn. This result was mainly due to pension and term life insurance. In home loan savings, new business volume of €2.4bn was generated, which corresponds roughly to the previous year's level. In the current low interest rate environment, home loan savings remain attractive to hedge interest rates and for modernisation requirements.

The continued low interest rate phase and a volatile year on the stock market in 2016 presented investors with a challenge once again. The total volume of securities business including wealth management amounted to €98.6bn. Customers of Commerzbank can choose from a variety of custody account models for their securities investments. At the end of the year under review, €17.4bn was invested in premium custody accounts, which is 43% more than in the previous year. This significant increase serves to highlight the continued trend towards flat-rate models. Good volume growth was also recorded in mandate business. In wealth management products, an increase of around 4% was recorded on a portfolio volume of €21.3bn. Wealth management recorded growth of around 6%, to a total of €11.5bn portfolio volume. As a result, portfolio income from securities rose once again, accounting for around 77% of total income in the securities business in 2016 (2015: 69%). In response to increased demand for ethically irreproachable and environmentally sound financial investments, Commerzbank started to offer a sustainable asset management service for private individuals in 2016. The offer is available to customers who wish to invest amounts of €500,000 or more.

Expansion of digitally networked multi-channel bank

In the Private and Small-Business Customers segment, the future is both digital and personal. As an important strategic milestone on the road to a multi-channel bank, the "ONE" sales application was introduced in October. For the first time, customer advisors in the branch offices and online banking customers can access the same platform. This means Commerzbank has a single user interface for employees and customers. Our IT infrastructure will therefore become more efficient in future, as any changes will need to be made on just one platform.

The banking app, which has been downloaded over 1.4 million times since launch, also sets new standards. This app allows the user to preview balances and transactions for up to five accounts and cards. Transfers can be carried out quickly and conveniently: authorisation can be given using the photoTAN app without requiring a second device. There was another digital development in April: our free current account can now be opened online with no paperwork in just a few minutes, including the identification process. In addition, with the account switching app, we offer our customers the convenient and simple option of switching from one bank to another in just 10 minutes.

Particularly for entrepreneurs, it is essential to be able to settle financial matters quickly and easily with their bank and take advantage of the possibilities afforded by digitalisation. For this reason, we are continually expanding our range of digital products and services for entrepreneurs. In the year under review, for example, we added a development funds finder to our digital range of advisory services. With just a few clicks, our customers can check whether they can apply for development loans from KfW or the state development institutions for their project. In the summer of 2016 the digital funding marketplace "Main Funders" was launched, opening up new opportunities for small and medium-sized business customers of Commerzbank to obtain direct, rapid financing and investment opportunities. From the middle of the year under review, customers have been able to obtain support with electronic payment transaction solutions via the multi-channel manager function. We also offer online dialogue for business customers. This allows all our customers to get advice on products, services and all banking-related questions via text, audio and video chat.

Even in times of digital change, the branches remain an essential part of multi-channel banking. Commerzbank continues to rely on its dense network of branches at around 1,000 locations, which receive around 450,000 customer visits a day. In June 2016, the distribution structure which was implemented in 2015 was finally put into practice, with five market regions and 65 branches nationwide, and in particular business with profitable customer groups was strengthened. Our geographic presence was more than doubled, offering wealth management advisory services for wealthy customers in around 100 locations. We offer advisory services tailored to the needs of our business customers in around 330 locations.

Flagship branches in larger cities will operate as centres of competence and will thus be the main showcase for Commerzbank in future. After the success of the pilot projects in Berlin and Stuttgart, the final concept was rolled out in the year under review with the opening of three new flagship branches in Bochum, Bremen and Hanover. The first new city branch opened in Frankfurt's East End in December. Commerzbank is testing this cost-effective and efficient branch model, where customers can obtain the services they need quickly and locally.

In order to make products and processes easier, faster and more digital, the subsidiary "Neugelb Studios" was founded – a service design agency intended to provide new impetus on the way to a multi-channel bank.

comdirect Group

The comdirect Group (comdirect bank AG and ebase GmbH) is the German market leader in online securities business with 1.9 million securities accounts, customer assets under custody of well over €75bn and 24.8 million securities transactions executed in the past year. In addition, comdirect bank AG is one of the leading direct banks in Germany.

In the year under review, the comdirect Group grew again despite the difficult interest rate and trading environment and was able to increase the number of customers and custody accounts in both direct banking and business with institutional partners (ebase). Due to net inflows of funds, the portfolio volume in Investing in both areas was significantly higher than in the previous year. In addition, the higher number of current accounts led to an increase in deposit volume. In securities trading, the high volume of orders executed in the previous year was further increased despite a slight fall in market volatility.

comdirect bank AG is designed to operate as a smart financial advisor to inspire new customers to invest, save and trade in securities. This development was driven ahead in 2016 by new intelligent solutions such as the comdirect trading app, the Multibanking service, the updated smartPay app and the MoBox app for young people. In addition, the instalment loan product launched in the year under review complements the portfolio in the direct banking business. Innovations are also expected to reach the market quickly in the future, thanks to interdisciplinary innovation teams, intensive collaboration with fintech companies and the entrepreneurs-in-residence programme launched in 2016.

In December, comdirect bank AG acquired OnVista AG with OnVista Bank GmbH, an online broker with around 90,000 customers with an interest in trading, and OnVista Media GmbH, which has established www.onvista.de as one of Germany's leading financial portals. This acquisition is still subject to approval by the banking supervisory and competition authorities and is expected to be completed in the first half of 2017.

Commerz Real

Commerz Real can look back on the most successful year of its history, with new business volumes and the overall result rising again year-on-year. As asset manager for physical assets in the Commerzbank network, the company combines more than 40 years of experience in asset and investment management with extensive structuring expertise and a unique portfolio of investment products and individual financing solutions.

The product portfolio includes hausInvest, which was created in 1972 and is one of the most successful open-end real estate funds, as well as institutional investment vehicles and equity investments under the CFB-Fonds and CFB Invest brands.

The portfolio ranges from commercial real estate of various types through solar parks, wind farms and aircraft to infrastructure and production facilities.

In addition, as a leasing company for the Commerzbank Group, Commerz Real offers need-based real estate and equipment leasing concepts as well as asset structuring. At the end of the period under review, assets under management amounted to around €32bn.

hausInvest surpassed the €11bn mark, and by the end of 2016 it had a volume of around €11.8bn, or about €1.5bn more than 2015. With a current market share of just over 13%, it is the second largest open-end retail real estate fund in Germany. 94 properties in 18 countries and 55 cities with a market value of around €9.5bn generated a return of 2.2% by the end of 2016. Aided by the persistently high demand for real estate, the fund management team has further optimised the portfolio.

Commerz Real is also an established partner for institutional investors. Many years of experience in structuring and managing investments in physical assets, together with licences for German and Luxembourg investment vehicles, allow it to offer tailored investment solutions. Institutional capital totalling around €56m was acquired in the period under review. Under the Commerz Real Institutional brand there are currently four special AIF (alternative investment fund) vehicles in distribution.

In 2016, Commerz Real Asset Structuring GmbH (CRAS) focused on structuring individual financing solutions, developing long-term financing structures for real estate, big-ticket items, current assets and infrastructure projects, and its involvement as a minority shareholder in customers with large real estate portfolios. New transactions amounted to around €74m in total – an increase of almost 50% compared to 2015.

The focus of the activities of Commerz Real Mobilienleasing GmbH (CRM) in the year under review was once again on leasing machinery and equipment, sale and leaseback solutions and hire purchase models. Like CRAS, CRM works closely with the Corporate Clients segment. New transactions amounted to around €0.8bn.

mBank Group

The Group division comprises activities in universal banking and direct banking business in Central and Eastern Europe and is represented by the mBank brand, under which it serves customers in retail, corporate and investment banking in Poland, and in retail banking in the Czech Republic and Slovakia. mBank is one of the largest financial institutions in Poland.

Growth in mobile and transaction banking
mBank Group performed extraordinarily well in 2016, reflecting stable growth in its customer base, business model and customer service technology.

The "One-Bank strategy" for the period from 2012 to 2016 was fully implemented, with almost all targets being met. Overall, mBank gained around 400,000 new private customers in the year under review, boosting total customer numbers to 5.4 million by the end of 2016. This was due first and foremost to acquisition activities, which focused in particular on marketing measures and the development of the product mix, enabling mBank to simplify its offering for private customers and implement effective cross-selling. The customer base in the Czech Republic and Slovakia grew by around 73,000 year-on-year to reach around 893,000 customers by the end of the year under review.

The volume of private customer deposits – especially in current accounts – increased significantly by 15.5% year-on-year. This proves the worth of mBank's business model, which focuses on banking transactions. mBank also recorded further growth in card transactions in 2016, with the number increasing by 27% year-on-year.

mBank continued to develop and optimise its lending business in 2016, particularly in the consumer credit sector, which posted an increase of more than 20% in new business volume compared to the previous year. mBank also grew its business strongly in the Czech Republic and Slovakia. The main contributors to this were lending business and private customer deposits. In the year under review, mBank's foreign branches concentrated on stepping up their acquisition efforts and continuously expanding their leading position in mobile banking.

In addition, the Group's corporate client business reported a positive performance, with the customer base increasing by around 1,400 customers in 2016 to a total of almost 21,000. The volume of corporate customer deposits increased slightly by 1.8% in 2016. mBank focused on the small and medium-sized corporate customer segment, in which the Bank aims to strengthen its position through the targeted expansion of its offering. mBank was able to further expand its leasing business; its retail leasing portfolios have now shown consistent growth for three years.

mBank was honoured with a series of awards and prizes in 2016 for its innovative business activities. It was ranked first in the mobile banking category by Newsweek Friendly Bank, with second place in the mobile banking category going to the Orange Finance mobile app developed with partner Orange Polska. Global Finance named mBank Poland's best online bank and gave it the award for best online treasury services.

The British financial magazine Euromoney ranked mBank as Poland's best bank for private customers for the eighth time. mBank was also selected as the best bank for trade financing in Poland.

Its mobile app won first place in the mobile banking category at the Mobile Trends Awards (decided by a jury) and first place in the special prize category (online public vote).

Outlook for Private and Small-Business Customers

Further acceleration of growth in customers, accounts and assets and improved profitability are the objectives of activities in the Private and Small-Business Customers segment during 2017. The "Commerzbank 4.0" strategy will provide the strategic path to achieve this. Branch business in Germany will essentially focus on the further digitalisation of processes, products, services and marketing. The "ONE" platform will be further expanded as a central sales platform for all channels which supports an individual, targeted customer approach via the branches using advanced analytics. We want to increase marketing efficiency, so in future we will be focusing on performance-oriented campaigns, supplemented by various measures along the entire customer life cycle, as well as online sales and new cooperations within partnership banking. The product offering will be supplemented with innovative, digital products, such as a digital instalment loan in the lending business. The securities business will also be further digitalised and expanded. The premium custody account is a new type of custody account on the market which enables customers to purchase funds for a flat fee without paying an issue surcharge. In addition, the branch bank, together with the comdirect Group, is developing digital asset management as a robo-advice solution specifically for investors who only want to manage their securities transactions online. On the whole, however, the product range is to be streamlined in order to further reduce the Bank's internal complexity.

In November, Commerzbank and BNP Paribas agreed to divide the joint company Commerz Finanz GmbH into two parts. In 2017, Commerzbank plans to take instalment loan business back on to its own books as a profitable growth area.

The business model for small-business customers is being further developed, and the focus here will also be on the expansion of our digital offering in addition to the provision of special offers for certain sectors and entrepreneurs. We will continue to develop our support and management model to ensure the sustainability of our branch network as a key part of an efficient multi-channel bank.

This also means that we are redesigning our sales structure to reflect our multi-channel approach. The city branch pilot will be extended to other branches in Stuttgart and Frankfurt, while additional flagship branches will be opened in the market regions. We will further strengthen our compliance culture in order to secure our position as a fair and responsible partner for our customers by providing financial services in accordance with the regulations.

At the comdirect Group, we will focus on developing mature multibanking solutions to attract even more banking customers. Furthermore, new customers will be encouraged to become active holders of securities by means of attractive investment offers. The comdirect Group is supporting its institutional partners in the digitalisation of customer acquisition and investment processes and as a future provider of robo-advice solutions.

In 2017, Commerz Real also intends to build on the operating success of the prior year and lay the foundations for a permanent increase in its market presence. The main focus here is the expansion of institutional business and digitalisation. Commerz Real wants to become the first digital asset manager and integrated investment services provider. The goal is to automate business processes wherever possible, as well as to make products and services even more flexible, faster and more transparent in order to help customers achieve their objectives. Consequently, online business and direct sales will also be expanded.

mBank in Poland is facing a challenging year. The main area of instability is the uncertainty surrounding mortgage loans issued in foreign currencies. The Strategy 2020 action areas (empathy for customers, mobile first and efficiency) will be fleshed out with a range of initiatives and projects. The objectives are still to continue to promote customer growth in Poland, the Czech Republic and Slovakia, to offer the best mobile and transaction banking on the market and to increase the active users of mobile applications as the number of customers grows. Internal and customer-related processes are to be simplified through further digitalisation.

Corporate Clients

The new Corporate Clients segment combines the expertise of the former Mittelstandsbank and Corporates & Markets segments. The new segment is divided into five reporting divisions. The Mittelstand, International Corporates and Financial Institutions divisions are responsible for business with our core customers: The Mittelstand division covers larger Mittelstand customers and domestic large corporates with turnover in excess of €15m and bundles the relevant products they require. Business with smaller Mittelstand companies with turnover of between €2.5m and €15m was transferred to the Private and Small-Business Customers segment as part of the new "Commerzbank 4.0" strategy. The International Corporates division looks after corporate clients headquartered abroad, large German multinational companies and international insurance companies. The Financial Institutions division is responsible for relationships with banks in Germany and abroad and with central banks. The segment offers customers the complete range of products of an international full-service bank, from traditional credit products, individually tailored financing solutions, cash management and international business, investment and hedging products, through to customer-oriented investment banking products and customised capital market solutions. The performance of the Equity Markets & Commodities (EMC) division is reported separately since it is due to be spun off in the medium term. The Other Result division handles all business that falls outside the strategic focus of the Corporate Clients segment. These mainly relate to assets transferred from the former Non-Core Assets and Portfolio Restructuring Unit run-off segments and effects from hedging positions. Measurement effects relating to own liabilities are also contained in this division.

Performance

Table 10

€m	2016	2015[1]	Change in %/%-points
Income before provisions	4,445	4,833	−8.0
Loan loss provisions	−185	−108	71.3
Operating expenses	2,973	3,030	−1.9
Operating profit/loss	**1,287**	**1,695**	**−24.1**
Capital employed	11,580	12,401	−6.6
Operating return on equity (%)	11.1	13.7	−2.6
Cost/income ratio in operating business (%)	66.9	62.7	4.2

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 139 ff.).

The Corporate Clients segment faced a number of challenges in the 2016 financial year such as the ongoing low level of interest rates, the very volatile capital market environment in the wake of numerous geopolitical events and the still challenging regulatory environment. This was also reflected in its earnings performance, with the segment posting an operating profit of €1,287m in the year under review after €1,695m in the previous year. The year-on-year fall was primarily the result of negative market interest rates, the challenging capital market environment, effects from the strategic focusing in the former Mittelstandsbank and Corporates & Markets segments and higher loan loss provisions. The Mittelstand division benefited from the segment's solid market position and stable earnings, although these were adversely affected by the negative interest rate environment.

The International Corporates division recorded stable earnings from commercial business. As a result of the challenging capital market environment, however, earnings were unable to match the high level achieved in the previous year. The Financial Institutions division recorded a drop in earnings due to the strategic realignment carried out in the year under review to comply with stricter internal risk and compliance requirements. Contrary to the previous year, the greater than average volatility in the capital market environment resulted in significantly lower customer activity and weaker trading in the EMC division. The high volatility had a particularly adverse impact on structured products business for institutional clients. The decision to restructure the securities lending and collateral management business to reflect the changed market conditions also led to a lower contribution to earnings compared with the previous year.

In the period under review, income before loan loss provisions fell 8.0% year-on-year to €4,445m. Net interest and trading income was €3,035m, down 10.7% year-on-year. While earnings, predominantly from Debt Capital Markets, were comparatively stable, the fall was attributable in particular to the negative interest rate environment, a considerably lower contribution to earnings from structured investment products business and the realignment of the EMC business. The ongoing reduction of the portfolio transferred from the ACR segment also led as expected to a fall in net interest income from lending. Net commission income fell 10.4% year-on-year to €1,279m. This was due to a decrease in documentary business against the backdrop of the strategic focusing in the Financial Institutions division and the generally weak global economy with its effect on foreign trade. The decline in income from derivatives- and capital-market-related advisory business also played a role.

Loan loss provisions were €–185m in the year under review, an increase of €77m year-on-year. The provisioning requirement was mainly in respect of additions for individual exposures.

At €2,973m, operating expenses were 1.9% lower than in the previous year. Higher investment expenses for IT and compliance were thus offset by ongoing stringent cost management.

The pre-tax result was €638m, with the fall of 61.1% year-on-year attributable to a significant degree to goodwill write-downs of €627m.

Main developments in 2016

The new Corporate Clients segment – agile, efficient and even more needs-oriented

The organisational merger of the former Mittelstandsbank and Corporates & Markets segments to form a single area of responsibility as part of the "Commerzbank 4.0" strategy has laid the foundations for an even more agile and needs-oriented relationship management model. Our tried-and-tested regional advisory approach is now supported by comprehensive centralised product, market and sector expertise. Bundling the strengths of the two segments creates the basis for responding flexibly and efficiently to market developments and changing customer requirements in order to further consolidate our market-leading position in the corporate customer business.

Digitalisation

The dual approach towards digital transformation was rigorously pursued in 2016, with traditional personal advice alongside digital services and offerings. For example, the Corporate Banking portal now also offers online money market loans, online fixed-term deposits in foreign currencies, a development funds finder and a photoTAN function. A pilot version of the online offering also displays any powers of attorney that have been issued. The mobile version of the multi bank capable Cash Management app was expanded with the addition of an approval function for payment orders.

We also support and advise our customers with regard to their own digitalisation strategy. For example, we have developed and successfully piloted a digital readiness check for corporate clients. The online tool allows customers to assess their own digital maturity, including an initial benchmarking against the sector. Based on the assessment, we support our customers in their digital transformation and offer financing solutions.

We developed an initial prototype of a comprehensive sales application for corporate customer advisors to provide digital support for traditional advisory services. This new platform offers a holistic view of customers, allowing us to optimise the advice we give them. The first prototypes of big data concepts were also tested successfully. This infrastructure will in future help generate system-based sales leads for traditional and digital advisory services.

Attractive asset management solutions for our customers in the low interest rate environment

The current low and negative interest rates present huge challenges for European banks in particular. It has now become standard market practice to pass the associated costs on to large corporate clients and institutional investors in the form of a credit balance fee for sight deposits. So that we can also offer solutions to our customers rather than simply passing costs on to them, we advise them on alternatives to sight deposits. Asset management solutions are currently the most popular choice for our customers: we attracted around €1bn in assets under management over the course of 2016.

Leading role in the fast-growing promissory notes market

The promissory notes market achieved the largest volume growth in its history in 2016, while the internationalisation of this form of financing, which began around five years ago, is also continuing at an rapid pace.

Commerzbank's know-how has played a key role in this development, and in addition to providing financing in Germany the Bank has also supported numerous transactions in other European countries such as France, Belgium, Austria, Ireland and, for the first time, Spain.

Greater demand for currency hedging in volatile foreign exchange markets

While the ongoing low interest rate environment meant there was little demand for interest rate hedging, the foreign exchange markets were highly volatile. The main reasons for this were the UK's decision to leave the European Union and the outcome of the US elections. This led to increased use of our eFX platform FX Live Trader and a corresponding rise in the number of customer transactions. FX Week rated our product expertise in this area within the top 10 in various areas, including "Best bank for FX in the eurozone for bank clients" and "Best bank overall for FX globally".

Trading activities geared more strongly to customer requirements

As part of the "Commerzbank 4.0" strategy, the decision was taken to streamline trading activities and focus more strongly on the requirements of the Bank's core customers. In a first step, Commerzbank is therefore planning to spin off the former Equity Markets & Commodities division, which over the past few years has helped the Bank become one of the biggest providers of investment and financial products and the leading market maker in Europe and Asia, into a separate legal subsidiary. The medium-term aim is to place this business, which remains attractive but no longer has a sufficiently strong connection to our core customer base, on the market.

We are also withdrawing from the complex and exotic interest rate and foreign exchange derivatives business and significantly reducing bond trading in Fixed Income & Currencies. In this regard, we are to cease trading in emerging market bonds where there is no connection with our Advisory & Primary Markets business or with issues we are supporting.

Commodity hedging is still part of the Commerzbank service offering

Unlike exotic commodity-related financial products, we will continue to offer hedging of commodity risks. This will ensure that our corporate clients can continue to benefit from the full range of capital market-oriented risk management solutions.

Mittelstand

The Mittelstand division caters for larger Mittelstand customers and domestic large corporates with turnover in excess of €15m and provides them with the products they require. Following the optimisation of our sales structure at the beginning of 2015, our domestic customers benefit from greater responsibility in local units, shorter consultation paths and thus more efficient services to support their business activities.

Expansion of our leading position in the financing market

Commerzbank once again underlined its strong commitment to the Mittelstand in 2016. Our expertise in syndicated loan business led to an increase in activity, with a substantial number of debut mandates being implemented successfully. In the year under review we also confirmed our position as one of the leading banks in Germany and Europe for leveraged buy-outs.

Commerzbank's business performance was recognised once again in the 2016 financial year. The Bank's comprehensive range of products and services for domestic companies, and in particular its proven and innovative business model for supporting Germany's foreign trade, led to Commerzbank being named Best Commercial Bank Germany by World Finance magazine. We also received the Leasing Life Europe External Investment Award, which recognise those who help stimulate the leasing industry.

Innovative ongoing development of the Corporate Banking portal

The division focused on further expanding the Corporate Banking portal and hence the digital advisory offering in order to support our Mittelstand customers. We are adapting our advisory approach to the digital age, but without losing sight of customer requirements. Corporate customer advisors remain the central contact for our customers.

A development funds finder was also introduced in the year under review. Commerzbank is thus the first bank in Germany to enable its customers to check, by entering just a few details, whether development loans from KfW or the state development institutions may be available for projects. Corporate customer advisors still advise on and structure the financing, drawing on the expertise of development funds specialists where necessary. We were able to convince more customers of the benefits of real-time foreign exchange trading with Commerzbank's FX Live Trader trading platform, with the proportion of currency transactions traded online rising continuously over the course of the year under review. Other online functionalities also improve the transparency and flexibility of our customers' business activities.

Strong market position in domestic and foreign bond issues

We gained a large share of the bond mandates in the Mittelstand market segment once again in 2016 and were able to place the bonds successfully.

We were particularly active not only in the German market but also across Europe. We also joined an innovative platform that promotes better communication between banks and investors in the bond market.

Expansion of international M&A presence

Commerzbank's existing customer relationships and improved sector approach led to it acting as an advisor in various acquisition transactions with an international dimension for German customers and with a German dimension for international customers. Overall, we confirmed our position in the year under review as one of the leading advisors on mergers and acquisitions in the Mittelstand segment.

International Corporates

The International Corporates division handles business with corporate clients headquartered abroad, large German multinational companies and international insurance companies.

Best Performing Bank in 2016

In a volatile and intensely competitive global economy, we once again assisted and supported numerous export companies with their delivery transactions in emerging markets. Long-term export financing guaranteed by government export credit agencies such as Euler Hermes helped to secure orders despite cautious investment activity in emerging markets. We have close relationships with all leading European and international export credit agencies (ECAs). Commerzbank's particular expertise in structuring export financing was recognised in an international study conducted by Clevis Research, with the Bank receiving the Importers Choice Award as the Best Performing Bank in 2016 in the area of export finance. The award is further evidence of our expertise in international business and our global locations in more than 50 countries. Supporting companies in their worldwide markets has been a key element of Commerzbank's activities ever since the Bank was first established. We now offer international companies access to our know-how and services through a dedicated corporate customer advisor.

International presence expanded

Commerzbank opened a subsidiary in the Brazilian metropolis of São Paulo in July 2016 as part of its internationalisation strategy.

Offering a wide range of banking services, the subsidiary provides local support for German and European companies and also assists large, capital-market-oriented firms in Brazil who are looking to expand into Europe. A number of significant transactions have already been concluded.

Key role in the syndicated loan and bond issue market

2016 was dominated by large-volume acquisition financing. Commerzbank played a leading role not only in the German and European markets but also in America and Asia.

In a year characterised by at times high market uncertainty, our international corporate bonds issuance activity was broadly based and reflects our successful sector approach, which will be further expanded going forward. Our regional focus is on issuers from Germany, the rest of Europe and the UK, supplemented by issuers from the USA. In addition to an increase in the number of issuers and greater international diversification, we also recorded significant growth in liability management business and green bond financing.

Position maintained in the declining market for equity transactions

Despite a positive stock market performance, the number of IPOs worldwide fell sharply in 2016. While Commerzbank was unable to escape this trend entirely, it did leverage its longstanding advisory, structuring and placement expertise to successfully support numerous equity transactions: IPOs, capital increases and secondary placings, primarily for German Mittelstand customers and selected international companies and financial institutions.

Financial Institutions

The Financial Institutions division is responsible for relationships with banks in Germany and abroad and with central banks. In carrying out its activities, Financial Institutions makes use of a global network of correspondent banks and established links in emerging markets, thus promoting the Group's global foreign trade activities and supporting other segments in their international activities and strategies. Financial Institutions assists its customers throughout the world with foreign payment transactions, hedging of foreign trade risks and funding for foreign trade deals. The Financial Institutions division also provides its customers with bilateral loans, supports them in syndicated loans and offers solutions for active risk management.

New strategic orientation to strengthen existing position and reduce the complexity of the bank portfolio

Financial Institutions realigned its correspondent banking strategy in 2016 in view of the changed global market environment and increasingly strict regulatory requirements and significantly reduced the complexity of its bank portfolio. The division has a worldwide network of correspondent banks that are hugely important for private customers and corporate clients in particular or are relevant for other areas of Commerzbank. Financial Institutions thus ensures that Commerzbank will remain the market leader for the settlement of Germany's foreign trade in the future. As such, Commerzbank will continue to support German and European export-oriented corporate clients with their international trading business in the world's main trade corridors. To promote trade financing, Financial Institutions has constantly expanded its involvement in trade facilitation programmes in the last few years to include new target markets, joining the programmes of the European Bank for Reconstruction and Development, the Asian Development Bank, the Inter-American Development Bank, the International Finance Corporation, the European Investment Bank and the African Development Bank.

Significant contribution to the digitalisation of international trade finance business

Alongside the traditional support for our customers' international business, Commerzbank now offers new, digitally-based solutions for financing the international trading activities of corporate clients and is thus playing its part in strengthening and optimising corporate clients' international supply chains. Commerzbank has taken a leading position in Europe with regard to the launch of the Bank Payment Obligation and is thus making a significant contribution to the digitalisation of international trade finance business. The Bank Payment Obligation is a new payment protection instrument in trade finance business which for the first time creates the additional possibility of confirming and thus making financeable a payment liability arising under an open invoice between banks.

Syndicated loan business hit by geopolitical events

In the Financial Institutions division, syndicated loan business is chiefly relevant for emerging markets. Market activity was considerably more modest in 2016 than in the previous year in certain markets, such as Africa or Eastern Europe, due to political, economic and strategic issues. However, Commerzbank nevertheless performed well even in this highly competitive environment.

Leading position in the Pfandbrief market and in unsecured bonds

We demonstrated our strong market position in the global Pfandbrief segment in the year under review, picking up various awards. For example, Global Capital named our successful Pfandbrief syndicate the Best Covered Bond Syndicate Manager. We became the leader in the German unsecured bonds market with a market share of just under 10%.

Equity Markets & Commodities

As part of the new "Commerzbank 4.0" strategy, in the medium term Commerzbank will spin off the business with investment and financial products and the associated market-making from the former Equity Markets & Commodities (EMC) area into a subsidiary. This is to concentrate exclusively on its core business as one of the leading European and Asian providers and market-makers for financial products. The next stage in the plan is to float the new subsidiary on the stock market.

EMC's performance in the year under review was significantly affected by various events. Muted investor demand, challenges associated with managing the risks of investment products, which arose due to the high level of stock market volatility, and the repositioning of the Securities Finance unit all had a negative impact on the division's earnings after several very successful years.

Despite these challenges EMC maintained its strong market position in 2016. The division actually further increased its market share thanks to its customer-oriented approach and state-of-the-art technology coupled with high-quality customer service and the ongoing development of its range of innovative solutions.

The division reaffirmed its position as one of Europe's leading producers and market-makers of financial products. This was borne out by the various accolades won by the Bank in 2016. In Certificate Awards, Commerzbank was named best issuer of the year in Germany by both the jury (Best Issuer 2016) and the public (Certificate House of the Year). Finanzen Verlag, meanwhile, named Commerzbank ETF House of the Year for its ComStage ETF platform. At the Structured Products Awards Europe 2016 we were named Nordic Region House of the Year for the fourth year in a row and Iberia House of the Year for the second year in a row. At the International Alternative Investment Review Awards 2016 Commerzbank was ranked first as Best ETF Market Maker Asia for the third time in succession.

Finally, Commerzbank was awarded Deal of the Year in the Structured Retail Products Asia Pacific Awards for its first transaction on Commerzbank EPFR Fund Flow Indices, a project developed jointly with and distributed by the United Overseas Bank in South East Asia.

Outlook for Corporate Clients

Following its strategic realignment and having clearly defined its core business, Commerzbank is now well positioned in the classic banking sector and has a business model that is fit for the future. In previous years the former Mittelstandsbank and Corporates & Markets segments, which have now been merged to form the new Corporate Clients segment, have been rigorously aligned with the real economy. They are to remain on this path. Based on the customer-centric advisory approach, over the next few years the Corporate Clients segment will implement initiatives designed to leverage earnings potential, increase efficiency and reduce complexity and to press ahead with the digital transformation.

We will leverage earnings potential by combining the two segments' strengths. Building on the new sales structure implemented in 2015 and the resulting improvement in our market position, we want to significantly expand our domestic customer base and increase our share of the core German market by acquiring and developing a further 10,000 customers by 2020. We want to maintain and strengthen Commerzbank's existing position as Germany's top debt house and use this as the basis for extending our leading role to the rest of Europe. In particular, the existing sector expertise of the former Corporates & Markets segment, which is currently geared to the needs of large multinational customers, will be gradually extended within the new Corporate Clients segment to encompass other Mittelstand companies in Germany and Western Europe. The vast majority of corporate clients should in future still be served by local corporate customer advisors in regional and international locations. When formulating solutions, these advisors will be supported by relevant product specialists and sector teams.

Following on from the realignment of the sales structure in Germany, further efficiency improvements are planned. These chiefly involve measures to ease the administrative burden on sales staff and streamline the IT landscape.

The implementation of the digital transformation will once again be a top priority in the current year as an enhancement to personal advisory services from corporate customer advisors. The online offering is being further expanded through the launch of new digital investment and financing services. This enables customers to view and purchase an increasing number of standard products online as an alternative or add-on to traditional advisory services. The Bank plans to develop some initial API (Application Programming Interface) banking prototypes. This concept will in future allow market participants to link their system landscape with Commerzbank and use this as the basis for offering or using new or integrated services. There will also be ongoing digital support for sales processes to further improve the accuracy, flexibility and efficiency of customer meetings. For our customers this means that they will in future receive even more rapid, flexible and targeted assistance.

Asset & Capital Recovery

The Asset & Capital Recovery segment, which was reported for the first time in the first quarter of 2016, comprises the complex financings of the portfolios in the areas Commercial Real Estate (CRE), Ship Finance (SF) and Public Finance (PF).

The ACR run-off strategy aims to systematically reduce the individual segment portfolios in a way that preserves value and minimises risk. The aim of this asset reduction is to free up capital so that it can be employed in business areas offering higher returns.

Performance

Table 11

€m	2016	2015[1]	Change in %/%-points
Income before provisions	213	76	.
Loan loss provisions	–599	–361	65.9
Operating expenses	128	181	–29.3
Operating profit/loss	**–514**	**–466**	**10.3**
Capital employed	3,313	4,182	–20.8
Operating return on equity (%)	–15.5	–11.1	–4.4
Cost/income ratio in operating business (%)	60.1	238.2	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see notes page 139 ff.).

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, we have further run down the assets remaining in Asset & Capital Recovery (ACR), which chiefly comprise more complex sub-portfolios with long maturities.

The total volume (exposure at default, including non-performing loans) was reduced by more than €2bn to €16.2bn over 2016 as a whole. In commercial real estate financing and ship financing in particular – the latter despite opposing currency translation effects and the ongoing very difficult situation on the shipping markets – there were further significant reductions in loan portfolios. In the case of public finance exposures, the majority of which have very long residual maturities, the basic strategy is to hold them to maturity.

The ACR segment recorded an operating loss of €–514m in 2016, after €–466m in the previous year. Total income before loan loss provisions rose by €137m to €213m. A major contributor to this was the partial write-up of €135m on the earlier exposure to HETA Asset Resolution AG (Heta). A substantial expense was incurred in the previous year for the 50% write-down on this exposure.

Net interest and trading income fell by €146m to €85m. This was linked primarily to the additional income generated in 2015 from measures to restructure funding that were not repeated in the period under review. The continuing reduction in the portfolio also entails a corresponding reduction in current interest income. The positive net investment income figure of €141m, compared with €–207m in the previous year, reflects the above-mentioned fluctuations in the value of the Heta bonds, which have now completely been reduced.

The loan loss provisions of €–599m, after €–361m in 2015, were largely attributable to ship financing. By contrast, commercial real estate financing required only minor valuation allowances on a similar scale to the previous year.

The sharp fall of 29.3% in operating expenses to €128m was due to the further reduction in the ACR portfolio year-on-year and a significant adjustment in headcount.

Overall, the ACR segment posted a pre-tax loss of €–514m in 2016. The loss thus increased by around 7% compared with the same period of the previous year, which included restructuring provisions of €16m.

Main developments in 2016

Reduction strategy continued

The first quarter of 2016 saw the planned transfer of some of the remaining assets from the former Non-Core Assets (NCA) segment to what were then the Private Customers and Mittelstandsbank segments and to the Others and Consolidation division. The assets concerned were all non-impaired assets with good internal ratings. The criteria for the transfer of assets were credit quality, volatility of income and the ability to integrate the assets into the refinancing and liquidity structure of the units concerned. The new segment, renamed Asset & Capital Recovery (ACR), essentially retains complex sub-portfolios with long maturities and with volumes of initially around €18bn (EaD including NPLs) which do not meet, or only partly meet, the specified delimitation criteria. A substantial portion of the commercial real estate and ship financing loans (EaD: around €8bn) were transferred to the former Mittelstandsbank segment, while Others and Consolidation took over the lion's share of the Public Finance portfolios (EaD: around €36bn). The Private Customers segment also took over a small volume (EaD: around €2bn) of private real estate loans.

For all assets bundled in the ACR segment, a reduction plan for all ACR portfolios is being drawn up as part of the comprehensive management plan. The focus of the portfolio reduction is on reducing EaD (including NPLs). The priority here is to reduce the more risky assets. The management of ACR also has an efficient toolkit for reducing the portfolio. In addition to active restructuring and the use of market opportunities, improved access to investors and capital markets in recent years has made it possible to reduce assets in a selective manner by selling sub-portfolios, provided capital is freed up as a result. The value-preserving portfolio reduction in 2016 is reflected in the 12% year-on-year fall in EaD (including NPLs) in the ACR segment to around €16bn. The EaD volume of the CRE and ship finance portfolio stood at around €7bn as at the end of 2016. Risk-weighted assets (RWA) fell by €1bn year-on-year to €21bn. The secured funding for ACR's activities comes from lettres de gage publiques and ship Pfandbriefe. Securities repo transactions also play a role in funding the portfolio. Optimising the funding structure – through active cover pool management, for example – is an important component of the reduction strategy. The ACR segment still has sufficient numbers of highly qualified staff with many years of experience in the different asset classes. The operating stability of the units within the ACR segment is assured.

Commercial Real Estate

In 2016 the total CRE volume (EaD, including NPLs) was further reduced by €0.7bn or 21% to €2.5bn through active management. In CRE Germany, which still accounts for around 33% of the total exposure, EaD declined by 41% to €0.8bn. In CRE International, which accounts for around 67% of the total portfolio, EaD fell by 5% over the course of 2016 to €1.6bn. The breakdown of the overall portfolio by type of use is as follows: the main components of the exposure are the sub-portfolios office (€0.5bn), retail (€1.2bn) and logistics (€0.3bn).

Ship Finance

In 2016 the volume of the former Deutsche Schiffsbank AG portfolio (EaD including NPLs) booked in ACR was reduced by €1.3bn from €6.1bn to €4.8bn. As the portfolio is mainly denominated in USD, the net fall of 22% included the effect of euro depreciation during the year, particularly against the US dollar. At constant exchange rates the portfolio reduction would have been €0.1bn greater. Aside from the ongoing reduction in problem loans at individual loan level, the focus of reduction activities in 2016 was on the sale of selected loans from the performing loan book.

The future speed of portfolio reduction will continue to depend crucially on the performance of the shipping markets, where general conditions did not significantly improve in 2016.

The portfolio is divided principally between three standard types of ship, namely containers (€1.7bn), tankers (€1.0bn) and bulkers (€1.1bn). The rest of the portfolio (€1.0bn) consists of various special tonnages which are well diversified across the various ship segments.

Public Finance

The Public Finance portfolio consists mainly of loans to local authorities, other public-sector or quasi-public-sector institutions, companies or financing institutions.

EaD fell by €0.3bn over the year to €9.0bn, primarily as a result of maturities. Most of the exposure is in western Europe and North America.

Outlook for Asset & Capital Recovery

Partly because the ACR segment has in the past comprised a large proportion of high-quality assets, we were able to press on with the continual reduction of non-core portfolios and associated risks.

The run-off strategy for the ACR segment will be rigorously pursued in the coming years. The aim is still to run off the remaining portfolios and residual risks completely over time in a way that preserves value and releases capital. Opportunities to sell assets and portfolios will therefore continue to be taken in cases where a sale makes economic sense. By the end of 2019, the ACR segment aims to further substantially reduce the CRE and SF portfolios to a level in the low single-digit billions. This represents a reduction of at least one-half compared with the value of the portfolios at the time of the transfer, which was just under €10bn.

The low interest rate environment that is set to persist in 2016 and beyond, along with the investment pressure on both large and small investors, continues to make real estate a relatively attractive asset class, especially in the eurozone. Stable market conditions are expected for the short to medium term.

There is still overcapacity in the markets for containers and bulkers, and this was again reflected in very low charter rates. It was not until towards the end of 2016 that charter rates for bulkers began to recover from the historic lows recorded at the start of the year. Tanker charter rates also came under pressure in 2016, although the situation was not as difficult as for containers and bulkers due to the strength of the market in 2014 and 2015. As a result, some of the loans for ships affected by the crisis can no longer be serviced as contractually agreed. This situation does not look like changing in the foreseeable future, so a lasting recovery in the shipping market in 2017 is unlikely.

The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in Europe and the USA. The Public Finance division will continue to seek out and make use of opportunities for asset and portfolio reductions that are focused on risks and do not harm profits.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under "Others" comprises equity participations that are not assigned to business segments, overarching Group matters such as costs for Group-wide projects, effects resulting from the purchase price allocation in connection with the Dresdner Bank takeover, specific individual matters that cannot be allocated to the segments, and Group Treasury. The costs of the support functions, which – except for restructuring expenses – are mainly charged to the segments, are also shown here.

Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. Shown here too are the costs of the staff and management functions, which – except for restructuring expenses – are also mainly charged to the segments.

The segment recorded an operating loss of €–453m in 2016 compared with €–338m in the previous year. The €115m decline was mainly due to the performance of Group Treasury, which was unable to repeat last year's very good result. Taking into account restructuring expenses of €107m in connection with the optimisation of internal processes, Others and Consolidation recorded a pre-tax result of €–560m in 2016, compared with €–379m in 2015.

Our employees

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

Table 12

Actual number employed	31.12.2016	31.12.2015
Total staff Group	49,941	51,305
Total staff parent bank	35,211	36,884

At year-end 2016, the Commerzbank Group employed 49,941 staff, a decrease of 1,364 employees compared with year-end 2015. The number of full-time equivalents was 44,267, compared with 45,419 in the previous year. The following table shows full-time employees at year-end by segment and by staff/management and support function. The staff/management functions perform central Group management tasks. The support functions ensure that the business processes underlying the Bank's operations run smoothly. The costs of the staff/management and support functions are mainly charged to the segments on the basis of an internal allocation formula.

Table 13

Full-time personnel	31.12.2016	31.12.2015
Private and Small-Business Customers	20,946	21,770
Corporate Clients	6,611	6,938
Staff/management functions and Support functions[1]	16,710	16,711
Group total	**44,267**	**45,419**

[1] Staff/management functions: Group Audit, Group Communications, Group Compliance, Group Development & Strategy, Group Finance, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and the central risk functions. Support functions: Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation & Security and Group Delivery Center. The staff/management and support functions are combined in the Others and Consolidation division for reporting purposes.

Most employees in the Commerzbank Group (around 75%) work in Germany. Their average length of service with Commerzbank Aktiengesellschaft (Germany) is around 20 years; 20% have worked for the Bank for up to 9 years, 30% for between 10 and 19 years, and half for 20 years or more. The employee turnover rate in 2016 was 3.7%, compared with 3.2% in 2015.

HR supports the Bank's strategy process

Commerzbank presented its "Commerzbank 4.0" strategy in the year under review. Our new strategy calls for the systematic realignment of the Bank. HR work plays a key role in the successful implementation of the business model. While not the aim, headcount reduction is an unavoidable outcome of this transformation to "Commerzbank 4.0".

HR is advising and supporting the Bank's segments with their change processes and providing assistance with committee negotiations. We will deploy all of our HR tools responsibly and professionally to ensure that the headcount reduction takes place in a socially responsible manner.

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

The implementation of our strategic objectives entails far-reaching changes in the Bank. We are supporting this in our HR activities by providing professional advice and assistance for managers and employees. Through our value-oriented and binding guidelines on management conduct in the Bank we are creating a uniform standard and supporting skilled and fair interactions between employees and managers.

The ComValues and Code of Conduct on which our corporate culture is based mean we are well positioned to successfully implement the Bank's change process. HR also plays a key role in implementing compliance measures. These range from the recruitment process to compliance training and the long-term anchoring of our Code of Conduct, thus helping to forge a "culture of integrity" in the Bank.

HR activities are geared to the Bank's objectives

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

Identifying and utilising potential in the best possible way

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

Bank and employees are committed to stable pension provision

Occupational pension provision is a key pillar of our HR benefits. To safeguard provision despite the ongoing low interest rate environment, the members of the BVV (BVV Versicherungsverein des Bankgewerbes a. G. and BVV Versorgungskasse des Bankgewerbes e. V.) approved a reduction of the guaranteed interest rate on new contributions under old agreements in order to stabilise pension provision. In the year under review, members on both the employer and the employee side at Commerzbank voted by a large majority to approve this measure. The Bank is compensating the resultant reduction in guaranteed pension entitlements in full, thereby affirming its commitment to ensuring stable pension provision for its employees.

A working environment free of prejudice creates acceptance and trust

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

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

A good work/life balance improves performance for the Bank

We want our employees to achieve the best possible balance between their professional and personal lives. This balance is becoming increasingly important for fathers as well. The Focus on Fathers network initiated by Commerzbank has been making an important contribution to equal opportunities in companies for many years. The number of fathers who take parental leave, work flexibly or work part-time is rising continuously. By way of example, 16.9% of fathers took an average of 2.2 months parental leave in the year under review alone. We believe that employees with a good work/life balance are more motivated and perform better.

For this reason we support fathers and mothers with flexible working time models, opportunities to work from home and child-care services. We also offer information events and networking opportunities on these topics both within and outside the Bank.

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

Women in management positions

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

Framework for healthy working

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

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

Remuneration

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

Outlook and opportunities report

Future economic situation

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

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

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

Table 14

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

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

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

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

The US interest rate reversal and the continuation of the ECB's expansive monetary policy will once again shape the financial markets in 2017. Yields on ten-year Bunds are likely to rise less than those on the equivalent US securities. The DAX should climb in 2017, albeit with high volatility: its dividend yield of just under 3% looks attractive in light of the ECB's set-in-stone zero interest rate policy, and this gives scope for further rises in the price/earnings ratio. There is unlikely to be any significant further weakening in the euro/dollar exchange rate in 2017, as the markets have already priced in a sufficient number of rate increases by the US Federal Reserve.

Table 15

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

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

Future situation in the banking sector

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

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

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

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

All in all, the eurozone banking sector is still in the middle of a long-term structural transformation triggered by the crisis of the last few years. The stronger capital base is offset by reductions in implicit government guarantees, stricter rules on resolution and greater creditor loss participation. A further reduction in leverage exposure levels and improved asset quality in an increasingly digitalised and automated industry are still essential if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

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

The outlook for banking in Poland has been dampened by the change of economic policy. While the plan for dealing with mortgage loans denominated in Swiss francs has eased the situation, we still expect the banking sector to come under pressure from the newly introduced bank levy and other potential measures to increase the government's influence.

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

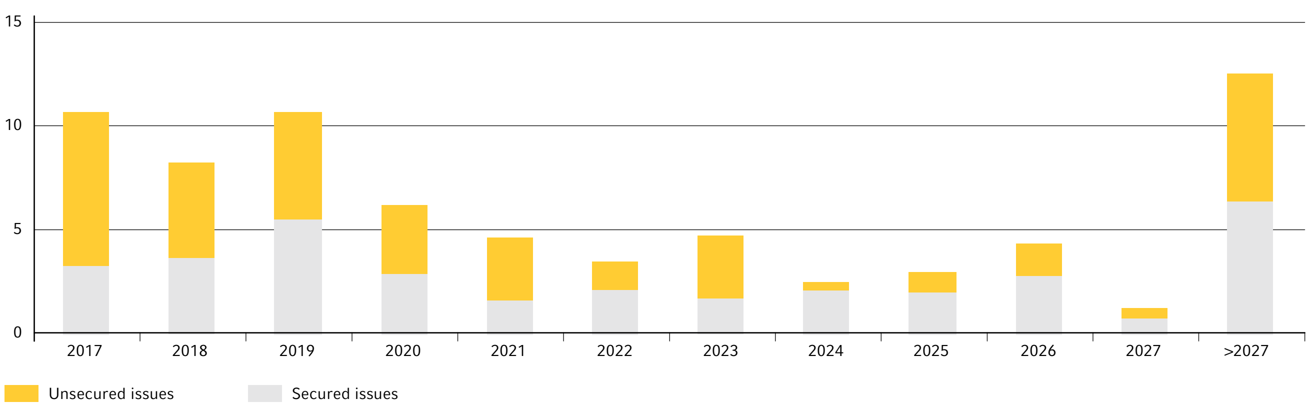
Financial outlook for the Commerzbank Group

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.

Figure 5

Group maturity profile of capital market issues as at 31 December 2016
€bn



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

Planned investments

Commerzbank plans to invest just under €1.2bn in 2017. Around €700m of this will be on IT. The Bank's biggest areas of investment are digitalisation (around 40%), regulation (around 30%) and infrastructure (just under 20%).

Private and Small-Business Customers

The main investment targets for the branch bank in 2017 are initiatives relating to the "Commerzbank 4.0" strategy and compliance with regulatory requirements.

Digitalisation measures include in particular further investment in the new multi-channel platform ONE. The speed of implementation of changes in this multi-channel platform is being further increased through a simplified IT landscape and the systematic expansion of functionalities. Maintenance costs are being reduced by decommissioning individual systems, using individual components throughout the entire Group and increasing standardisation. Compliance requirements can be fulfilled more easily by harmonising processes, products and services. For example, the platform makes it possible to connect fintech companies, thus making the business model more flexible.

There will also be further investment in Commerzbank's sales platform. The findings from analyses of customer needs will be fed in a targeted manner to channels such as branches, customer center or online banking to permit an industrialised, scaled and automated customer approach and customer service. Tailored offerings targeted at specific needs increase customer satisfaction and promote cross and upselling. This calls for the efficient use of big data as part of digital customer relationship management (DCRM). In-depth analysis of internal and external data identifies untapped customer potential and allows the Bank to generate tailored offerings. Analytical DCRM is also used to generate leads: the leads generated (prospects) are collected, managed and processed in a targeted manner in the customer pool. Budgets for marketing and sales campaigns can then be allocated more efficiently.

The Bank will also invest in the creation of its own instalment loan platform this year. Commerzbank and BNP Paribas have agreed to divide the joint company Commerz Finanz GmbH into two parts. In 2017, Commerzbank plans to take instalment loan business on to its own books as a profitable growth area.

Digital asset management rounds out Commerzbank's custody account portfolio and satisfies customer demands for digital offerings in asset management too. Digital asset management will go live in comdirect during 2017.

Implementing the wide range of regulatory requirements in a timely and customer-centric manner remains the Bank's top priority. A significant portion of the Bank's investment is going on implementing the requirements for business processes under the EU's MiFID II Directive and directly applicable MiFIR Regulation published in 2014.

One of the key requirements for improving the efficiency of business with private and small-business customers is a lean infrastructure with modern branch formats. To ensure broad market coverage coupled with cost-effective management, there is clear differentiation between the various branch formats. Flagship branches offering a full range of services for all customer segments are embedded in a network of city branches focusing on day-to-day services and standardised products. Following the design phase in 2016, the branch formats are being rolled out in the current year with the opening of more flagship and city branches.

The main focus of the Small-Business Customers division in 2017 will be on implementing the target vision developed as part of "Commerzbank 4.0". Investments will be geared primarily to further developing the digital offering and expanding the product range for small and medium-sized enterprises.

mBank will continue its organic growth in 2017 and further expand its business model focusing on mobile and direct banking. It will also continue to invest heavily in innovative financial services. The 2017 investments are intended to consolidate and develop mBank's digital expertise as a unique selling point that sets it apart from the competition. As a result, mBank is to invest in the development of the mobile (banking) first approach for both private customers and corporate clients in 2017 to guarantee customer-oriented, multi-channel access to the Bank and boost use of the mobile banking channel among customers. For example, the applications are to be made even more user-friendly, customers are to be given new tools for analysing their financial situation and online communication with customers is to be expanded.

Changing customer behaviour, due not least to demographic trends, calls for the development of a comprehensive understanding of customers and their needs. This is particularly crucial with regard to the younger generation and plays a key role in new customer acquisition and customer retention. Targeted investments should help ensure that a sustainable range of solutions is developed based on knowledge of customers and that the right solutions find the right customers. mBank's efficiency is to be further improved through investments in the standardisation and digitalisation of processes, thereby ensuring it remains profitable in the future.

The optimisation of the mBank branch network will continue as part of the One Network project with the opening of more advisory centres and "light branches". mBank will also invest in a new headquarters for the private customer business in Lodz in 2017. mBank wants to strengthen its innovation culture through a modern working environment that encourages creativity. Investments are also planned in IT security and to improve the IT infrastructure.

Corporate Clients

The systematic digitalisation of corporate customer business will once again be a key investment priority in 2017. The segment plans to significantly expand its range of digital investment and financing services offered online, meaning that corporate clients will in future be able to view and purchase more standard products online. New sales applications will also be made available to customer advisors; in addition to providing a 360-degree view of customers they will also relieve advisors of administrative tasks. The new data analytics platform is also due to be commissioned in 2017.

Investments will also focus on implementing the regulatory requirements relating to market infrastructure and fair advisory services as defined in the MiFID II and MiFIR requirements. These include significantly expanding the capacity available for storing and evaluating order and transaction data and enhancing product advisory documentation, but also improving the recording and evaluation of telephone advisory discussions.

Trading activities are to be simplified, in part by significantly streamlining the IT platform and downstream functions. To achieve this, investment will be necessary during the initial phase to create a highly efficient and clearly simplified IT landscape along the entire value chain and thus generate significant efficiency gains going forward.

The segment will also invest in separating out its equity products and exotic commodity products businesses in order to create a suitable infrastructure for the legal and IT separation.

Campus/journeys

Commerzbank is transforming itself into a digital technology company in order to speed up service provision for customers while improving efficiency and cost-effectiveness within the Bank. One of the Bank's strategic objectives under "Commerzbank 4.0" is to implement end-to-end digitalisation for 80% of relevant business processes in the next four years. To this end, Commerzbank will launch nine major digitalisation projects in the current year, with around 700 employees working on these projects in the first quarter of 2017 alone. The digitalisation will not be approached in the same way as traditional projects, but grouped into thematically related process bundles known as master journeys. Responsibility for each lies with a lead executive, while implementation of each journey is driven by two members of the Board of Managing Directors as sponsors. The objective is not specified in detail but instead defined as a solution space that the teams approach in short intermediate stages known as sprints. The only hard stipulation is the prescribed deadline. Current digitalisation projects have already been bundled together in a digital campus where new working methods are tested and developed.

Back office

Commerzbank will continue with the ongoing optimisation of the back office IT structure. There will also be significant investment in the payment transactions and securities platform. The Group-wide integration of the accounting and risk processes in reporting and the development of a joint risk and finance platform will be continued as part of the Strategic Architecture Finance and Risk (SAFIR) project.

The compliance function will be reinforced in connection with the further development of legal compliance and ethical principles.

Ever stricter regulatory requirements mean Commerzbank needs to make substantial investments in order to comply with national and international standards. Comprehensive reporting requirements such as IFRS 9 and the implementation of regulatory provisions are increasing the cost of gathering information and reporting it to the banking authorities.

Anticipated liquidity trends

In 2016 the eurozone money and capital markets were again characterised by the monetary policy measures implemented by the ECB to support the economic recovery in the eurozone and prevent deflationary trends.

The ECB has made an additional €60bn of liquidity available each month through the securities purchase programme, raising it to €80bn each month from April. The monthly purchase volume will remain at €80bn until the end of March 2017 and will then be reduced to €60bn each month until the end of December 2017. The ECB also plans to purchase securities with a yield below the deposit facility rate and has reduced the minimum remaining maturity under the purchase programme to one year. The ECB further issued three funding tranches in December 2016 under its targeted longer-term refinancing operations (TLTRO-II), thereby providing around €123bn of liquidity for the banking sector after deduction of the repayments under TLTRO-I. The excess liquidity in the system has therefore increased on an ongoing basis and as at the end of 2016 stood at around €1,200bn. We expect a further increase in excess liquidity in the eurozone in 2017 due to the continuation of the purchase programme. 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.

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 continue to fall 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.

Managing opportunities at Commerzbank

The demands placed on modern, sustainable banking business have changed markedly in the past few years. The pressure on profitability has increased significantly in respect of both earnings and costs. Whereas in the past, personal customer relationship management was a key element of banking, these days our customers expect multi-channel advisory services, digital financial offerings and individual, tailor-made products. We are rising to these challenges with the strategic initiatives we have launched and in some cases already successfully implemented. But we face additional challenges from increasingly stringent regulatory requirements.

With this in mind, the constant review of internal processes, structures and technical platforms to make ourselves leaner, more efficient and more customer-oriented is not a one-off project but an ongoing process that will occupy us over the coming years and should enable us to largely counteract the significantly tougher requirements.

The "Commerzbank 4.0" strategy announced in autumn 2016 has three main thrusts. Firstly, we are concentrating on businesses with clear competitive advantages and selling non-core activities. Secondly, we are transforming ourselves into a digital technology company. And thirdly, we are simplifying the Bank's structure and thus boosting our efficiency. Our aim is to be the leading bank in Germany for private, small-business and corporate clients. We want to provide a modern and considered range of digital and personal services, close to the customer and offering fast and efficient processing. The Bank will in future concentrate its customer activities in two strong sales segments – Private and Small-Business Customers and Corporate Clients.

By 2020 the Private and Small-Business Customers segment will become Germany's first truly digital multi-channel bank. The key elements of this are digital and analogue service offerings, new sales platforms and a differentiated branch concept.

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

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

We will transform the Bank into a digital technology company across all segments. Over the next four years we will implement end-to-end digitalisation for 80% of relevant business processes.

The digital campus will become the engine driving the Commerzbank transformation, testing and developing new, agile working methods and new forms of cooperation. For example, a standardised, cloud-based customer relationship management system for private, small-business and corporate clients is due to be launched in the second half of the year.

The specific opportunities arising for the two customer segments this year are described in the corresponding parts of the "Segment performance" section.

Anticipated performance of the Commerzbank Group

Commerzbank posted a solid result in the 2016 financial year despite some difficult conditions, and with "Commerzbank 4.0" it laid key strategic foundations for achieving a sustainably higher level of profitability in the years ahead. In 2017 Commerzbank will focus on implementing this strategy and on taking further measures to stabilise earnings against the impact of negative interest rates, which are set to weigh on the banking sector for a longer time to come. In the two core business segments Private and Small-Business Customers (PSBC) and Corporate Clients (CC), Commerzbank will accelerate the digitalisation of processes and products in order to exploit additional growth potential and further improve the good competitive position.

By contrast, the steep balance sheet reduction path in the Asset & Capital Recovery (ACR) segment, which groups together complex, long-term and riskier portfolios with no strategic value contribution, will be continued in a value-preserving way to ensure that any capital erosion should be limited even in an ongoing stress scenario.

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

Anticipated performance of individual earnings components

Strategic measures for 2017 include improving the loan/deposit ratio through rigorous deposit management and growing business in the PSBC and CC segments to counter what we believe will be continued headwinds for interest income due to extremely low market interest rates. We will also seek to manage our risk-weighted assets more efficiently and expand business disproportionately in areas where earnings can be generated with lower capital requirements. A further area of focus is high-margin financing such as consumer loans, which Commerzbank is taking in its own books following the termination of the joint venture with BNP Paribas in the course of the year. While we once again anticipate good growth momentum in the Private and Small-Business Customers segment in Germany and at mBank, business with corporate clients is set to remain slow due to the ongoing comparatively low level of investment activity among companies and muted international trade flows. Excluding the balance of interest income from trading activities, we aim for a slight increase in net interest income overall.

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

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

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

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

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

In our view, Group loan loss provisions in 2017 will depend largely on the performance of the international shipping markets. We anticipate loan loss provisions of between €450m and €600m for shipping loans. We do not expect to see any improvement in the very difficult environment before the end of the year. However, we anticipate that despite the challenging conditions we can continue reducing the portfolio in the ACR segment as we have done in previous years. Given the cover ratio of 64% for problem loans in ship financing we see a further reduction in risk potential. Loan loss provisions in the PSBC and CC segments are likely to be at the same level as 2016.

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

Anticipated segment performance

In the Private and Small-Business Customers segment, the key aim is still to grow earnings by increasing customer numbers and business volumes. The systematic transformation to a multichannel bank with innovative branch and sales concepts and our pioneering role in the digitalisation of products and processes give us a competitive advantage that we expect to help us gain additional market share. We still see growth potential in lending business, with a focus on real estate financing and consumer loans, and from even stronger penetration of the existing customer base.

We also expect greater efficiency gains through process optimisations such as the central "ONE" sales platform and the streamlining of the product range. mBank, which operates one of the most innovative direct banking platforms in its peer group, will further expand the corporate and private customer base that it has already increased significantly over the last few years and thus boost its operating income. Given the continuing uncertainty over which regulatory measures the Polish government will take regarding mortgage loans issued in foreign currencies, an increase in the cost base at our Polish subsidiary cannot be ruled out. Excluding the one-off income received in 2016 (which included the sale of the stake in Visa Europe Limited and real estate transactions) and on the basis of our expectations that loan loss provisions in lending business will remain relatively stable overall in 2017, the operating profit and operating return on equity in the Private and Small-Business Customers segment will increase. There is likely to be a slight drop in the cost/income ratio.

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

In the ACR run-off segment we are sticking to our target of further significant reductions in the portfolio across all business areas – shipping, commercial real estate financing and public finance – in a manner that preserves value. Current income will continue to fall accordingly.

We believe the situation on the international shipping markets will remain difficult, and as a result we expect loan loss provisions in a range of between €450m and €600m. In an ongoing stress scenario, with charter rates in some cases not high enough to cover ship owners' costs, provisioning charges could thus reach the previous year's level again. Given the provisioning ratio achieved for problem loans and the further reduction in the loan portfolio, we are targeting the ambitious lower end of the range. Therefore, excluding measurement effects (which make up a substantial amount of total income but cannot be reliably forecast), we anticipate a similar operating loss to the previous year. The operating loss may be significantly higher in an adverse scenario with larger credit losses.

General statement on the outlook for the Group

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

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

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

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

Group Risk Report

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

Group Risk Report

› In the Group Risk Report, we give a comprehensive presentation of the risks we are exposed to. We provide a detailed insight into the organisation and key processes of our risk management. Our primary aim is to ensure that all risks in Commerzbank are fully identified, monitored and managed based on adequate procedures at all times.

Contents

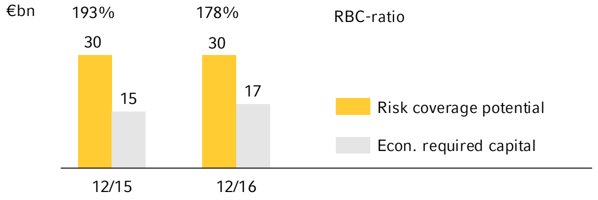
The following Group Risk Report is also part of the Group Management Report. Due to rounding, numbers and percentages may not add up precisely to the totals provided.

Executive summary 2016

Solid capitalisation and high risk-bearing capacity ratio

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

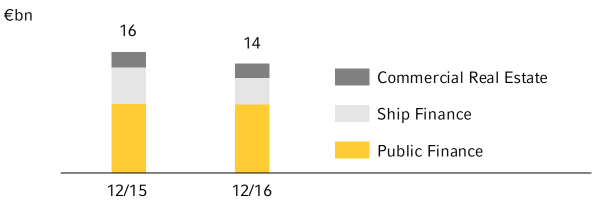
Risk-bearing capacity



Ongoing exposure reduction in the Asset & Capital Recovery segment

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

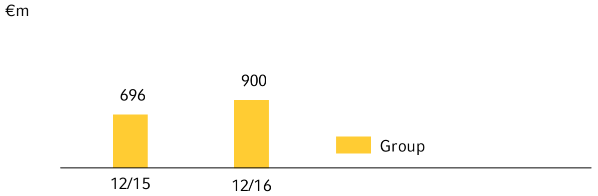
EaD



Loan loss provisions for the Group higher at €900m

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

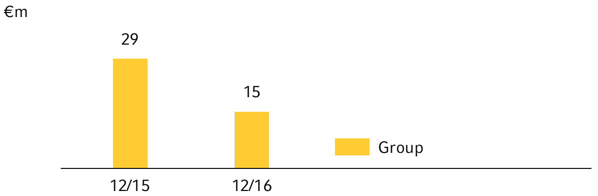
Loan loss provisions



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

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

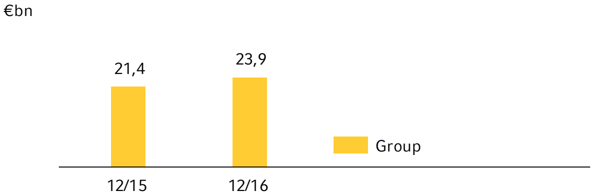
VaR



Operational risks increased year-on-year

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

Risk-weighted assets from operational risk



Group Risk Report

Risk-oriented overall bank management

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

Risk management organisation

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

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

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

Figure 6

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

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

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

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

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

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

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

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

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

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

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

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

Risk strategy and risk management

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

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

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

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

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

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

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

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

Risk ratios

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

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

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

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

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

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

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

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

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

Risk-bearing capacity and stress testing

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

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event. The gone concern analysis is supplemented here by elements aimed at ensuring the institution's continuing existence (going concern perspective).

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

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

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

Table 16

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

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

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

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

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

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

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

Table 17

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

Regulatory environment

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

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

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

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

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

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

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

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

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

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

Default risk

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

Strategy and organisation

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

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

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

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

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

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

Risk management

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

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

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

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

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

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

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

Management of economic capital commitment

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

Figure 7

Overview of management instruments and levels

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

Rating classification

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

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

Figure 8
Commerzbank master scale

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

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

Group Risk Report

Management of risk concentrations

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

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

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

Risk mitigation

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

Commerzbank Group

Due to the success of the reduction in the former Non-Core Assets (NCA) segment Commerzbank has set up a new segment structure in the first quarter of 2016 and has reorganised the allocation of capital. High-quality, low-risk portfolios in the value of about €8bn from commercial real estate financing and ship financing have been transferred to the former Mittelstandsbank segment. The remaining mortgage loan portfolio of around €2bn was transferred to former Private Customers segment. Group Treasury in the Others and Consolidation segment took over most of the Public Finance portfolio of about €36bn. The criteria for the transfer of assets were good credit quality, low earnings volatility and suitability for the liquidity portfolio. The remaining assets of originally around €18bn were transferred to the new Asset & Capital Recovery (ACR) segment.

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

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

Credit risk parameters

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

Table 18

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

When broken down on the basis of PD ratings, 82% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

Table 19

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

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

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

Table 20

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

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

In view of the current geopolitical development, national economies as Russia, Ukraine, Turkey and China are closely monitored. As at the end of the fourth quarter of 2016, exposure to Russia was €2.9bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.2bn and exposure to China was €3.9bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the fourth quarter of 2016, Commerzbank's Italian sovereign exposure was €9.5bn, while its Spanish sovereign exposure was €3.6bn.

Loan loss provisions

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

Write-downs on securities are not recognised in loan loss provisions but in net investment income. Note (36) to the consolidated financial statements gives further details on this.

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

Table 21

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

Default portfolio

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

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

Table 22

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

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

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

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

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

Table 23

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

Overdrafts in the performing loan book

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

Table 24

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

[1] Including Others and Consolidation.

Private and Small-Business Customers segment

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

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

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

Table 25

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

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

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

Table 26

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

Corporate Clients segment

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

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

Table 27

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

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

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

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

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

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

Table 28

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

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

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

Asset & Capital Recovery segment

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

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

Table 29

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

Commercial Real Estate

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

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

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

Ship Finance

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

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

Public Finance

The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€4.7bn EaD), a private finance initiative (PFI) portfolio (€2.7bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.6bn EaD).

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

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

Table 30

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

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

Table 31

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

Further portfolio analyses

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

Corporates portfolio by sector

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

Table 32

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

Financial Institutions portfolio

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

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

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

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

Table 33

	31.12.2016			31.12.2015		
FI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	6	6	11	5	6	12
Western Europe	17	21	12	20	46	23
Central and Eastern Europe	5	21	43	5	23	48
North America	2	3	15	2	3	17
Asia	10	27	27	13	36	28
Other	6	36	58	8	32	43
Total	**46**	**114**	**25**	**52**	**146**	**28**

Non-Bank Financial Institutions portfolio

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

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

Table 34

	31.12.2016			31.12.2015		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	17	26	15	16	23	14
Western Europe	12	24	20	15	48	33
Central and Eastern Europe	1	4	65	1	3	58
North America	8	10	14	8	5	6
Asia	1	1	11	1	2	16
Other	1	1	14	2	1	8
Total	**39**	**67**	**17**	**43**	**83**	**19**

Originator positions

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

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

Table 35

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 31.12.2016**	**Total volume[1] 31.12.2015**
Corporates	2025 – 2036	5.6	<0.1	0.1	6.1	4.1
RMBS	2048	0.0	0.0	0.0	<0.1	0.1
CMBS	2046	0.0	0.0	0.0	<0.1	<0.1
Total		5.6	<0.1	0.1	6.1	**4.2**

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). The volume and risk values in the Silver Tower conduit increased sharply by €0.9bn year-on-year in 2016, due to new deals and increases in existing transactions, and as at 31 December 2016 stood at €4.1bn.

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

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In 2016, the volume was €5.3bn (December 2015: €4.7bn) and risk values were €5.2bn (December 2015: €4.6bn), both slightly up year-on-year.

Forbearance portfolio

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

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

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

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

Table 36

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

[1] SLLP and GLLP.

The forbearance portfolio by region is as follows:

Table 37

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

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

Market risk

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

Strategy and organisation

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

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

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

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

Risk management

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

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

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

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

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

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

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. For regulatory purposes, additional stand-alone management of the trading book is carried out (in accordance with regulatory requirements, including currency and commodity risks in the banking book). In order to provide a consistent presentation in this report, all figures relating to the VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254 days' history.

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

Table 38

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

Trading book

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

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

Table 39

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

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

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

Table 40

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

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

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

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

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

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

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

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

Banking book

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

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

Most credit spread sensitivities relate to securities positions classified as loans and receivables (LaR). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

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

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

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

Market liquidity risk

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

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

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

Liquidity risk

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

Strategy and organisation

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

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

Risk management

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 of the Commerzbank Group" in the Group Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

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

Liquidity risk model

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

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

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

Quantification and stress testing

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

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

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

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

Table 41

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

Liquidity reserves

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

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

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

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

Table 42

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

Liquidity ratios

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

The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards. At the start of the new financial year 2017, the ratio to be complied with is 80%.

Commerzbank significantly exceeded the stipulated minimum ratio of 70% on every reporting date in 2016, meaning that its LCR remained very comfortably in excess of minimum statutory requirements last year.

Operational risk

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

Strategy and organisation

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

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

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

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

Risk management

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

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

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

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

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

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

Table 43

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

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

Table 44

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

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

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

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. The following risk types except model risk are outside the responsibility of the CRO.

Legal risk

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

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

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

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

Risk management

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

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

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

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

Current developments

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

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

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

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

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

Further information on legal proceedings may be found in Note (68) regarding provisions and Note (86) regarding contingent liabilities and irrevocable lending commitments in the Group Financial Statements.

Compliance risk

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

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

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

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

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

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

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

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

Reputational risk

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

Strategy and organisation

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

Risk management

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

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

IT risk

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

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

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

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

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

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

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

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

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

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

Human resources risk

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

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

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

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

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

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

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

Business strategy risk

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

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

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

Model risk

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

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

Disclaimer

Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, models cannot cover all the influencing factors that have an impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

Group Financial Statements

› Our Group Accounts are drawn up in accordance with International Financial Reporting Standards (IFRS) and their interpretation by the IFRS Interpretations Committee. We have taken account of all the standards and interpretations that are binding in the European Union for the 2016 financial year.

Financial Statements of the Commerzbank Group as at 31 December 2016

Contents

Statement of comprehensive income

Income statement

€m	Notes	1.1.–31.12.2016	1.1.–31.12.2015[1]	Change in %
Interest income	(31)	9,848	11,457	–14.0
Interest expenses	(31)	4,771	5,730	–16.7
Net interest income	(31)	5,077	5,727	–11.3
Loan loss provisions	(32)	–900	–696	29.3
Net interest income after loan loss provisions		4,177	5,031	–17.0
Commission income	(33)	3,837	4,067	–5.7
Commission expense	(33)	625	637	–1.9
Net commission income	(33)	3,212	3,430	–6.4
Net trading income	(34)	357	554	–35.6
Net income from hedge accounting	(35)	–37	–60	–38.3
Net trading income and net income from hedge accounting	(34, 35)	320	494	–35.2
Net investment income	(36)	344	–7	.
Current net income from companies accounted for using the equity method	(37)	150	82	82.9
Other net income	(38)	296	69	.
Operating expenses	(39)	7,100	7,157	–0.8
Impairments of goodwill and other intangible assets	(40)	627	–	.
Restructuring expenses	(41)	129	114	13.2
Pre-tax profit or loss		**643**	**1,828**	**–64.8**
Taxes on income	(42)	261	629	–58.5
Consolidated profit or loss		**382**	**1,199**	**–68.1**
Consolidated profit or loss attributable to non-controlling interests		103	115	–10.4
Consolidated profit or loss attributable to Commerzbank shareholders		279	1,084	–74.3

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

€m		1.1.–31.12.2016	1.1.–31.12.2015[1]	Change in %
Earnings per share	(44)	0.22	0.90	–75.6

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders. As in the previous year, no conversion or option rights were outstanding during the financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	Notes	1.1.–31.12.2016	1.1.–31.12.2015[1]	Change in %
Consolidated profit or loss		382	1,199	–68.1
Change from remeasurement of defined benefit plans not recognised in income statement		–379	212	.
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		–379	212	.
Change in revaluation reserve	(73)			
Reclassified to income statement		–86	–62	38.7
Change in value not recognised in income statement		–49	495	.
Change in cash flow hedge reserve	(73)			
Reclassified to income statement		54	84	–35.7
Change in value not recognised in income statement		8	3	.
Change in currency translation reserve	(73)			
Reclassified to income statement		–52	7	.
Change in value not recognised in income statement		–91	155	.
Change from non-current assets held for sale and disposal groups				
Reclassified to income statement		–89	–67	32.8
Change in value not recognised in income statement		–	–	.
Change in companies accounted for using the equity method		1	8	–87.5
Items recyclable through profit or loss		–304	623	.
Other comprehensive income		–683	835	.
Total comprehensive income		**–301**	**2,034**	**.**
Comprehensive income attributable to non-controlling interests		32	118	–72.9
Comprehensive income attributable to Commerzbank shareholders		–333	1,916	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The breakdown of other comprehensive income for the 2016 financial year was as follows:

Other comprehensive income | €m	**1.1.–31.12.2016**		
	Before taxes	**Taxes**	**After taxes**
Change from remeasurement of defined benefit plans	–558	179	–379
of which companies accounted for using the equity method	0	–	0
of which non-current assets or disposal groups held for sale	–	–	–
Change in revaluation reserve	–28	–107	–135
Change in cash flow hedge reserve	86	–24	62
Change in currency translation reserve	–142	–1	–143
Change from non-current assets held for sale and disposal groups	–96	7	–89
Change in companies accounted for using the equity method	1	–	1
Other comprehensive income	**–737**	**54**	**–683**

In the previous year, other comprehensive income developed as follows:

Other comprehensive income | €m	**1.1.–31.12.2015**		
	Before taxes	**Taxes**	**After taxes**
Change from remeasurement of defined benefit plans	335	–123	212
of which companies accounted for using the equity method	0	–	0
of which non-current assets or disposal groups held for sale	–	–	–
Change in revaluation reserve	551	–118	433
Change in cash flow hedge reserve	125	–38	87
Change in currency translation reserve	162	0	162
Change from non-current assets held for sale and disposal groups	–72	5	–67
Change in companies accounted for using the equity method	8	–	8
Other comprehensive income	**1,109**	**–274**	**835**

Balance sheet

Assets | €m	Notes	31.12.2016	31.12.2015[1]	Change in %	1.1.2015[2]
Cash reserve	(7, 46)	34,802	28,509	22.1	4,897
Claims on banks	(8, 9, 10, 47, 49, 50, 79)	58,529	71,805	–18.5	80,312
of which pledged as collateral	(77)	–	–	.	–
Claims on customers	(8, 9, 10, 48, 49, 50, 79)	212,848	218,875	–2.8	233,377
of which pledged as collateral	(77)	–	–	.	–
Value adjustment on portfolio fair value hedges	(11, 51)	310	284	9.2	415
Positive fair values of derivative hedging instruments	(12, 52)	2,075	3,031	–31.5	4,456
Trading assets	(13, 53, 79)	88,862	114,824	–22.6	130,430
of which pledged as collateral	(77)	1,917	2,876	–33.3	5,532
Financial investments	(14, 54, 79)	70,180	81,939	–14.4	90,358
of which pledged as collateral	(77)	3,175	508	.	569
Holdings in companies accounted for using the equity method	(3, 55)	180	735	–75.5	677
Intangible assets	(15, 56)	3,047	3,525	–13.6	3,330
Fixed assets	(16, 57)	1,723	2,294	–24.9	2,675
Investment properties	(18, 59)	16	106	–84.9	620
Non-current assets held for sale and disposal groups	(19, 60)	1,188	846	40.4	421
Current tax assets	(26, 58)	629	512	22.9	716
Deferred tax assets	(26, 58)	3,049	2,761	10.4	3,363
Other assets	(61)	3,012	2,655	13.4	2,292
Total		**480,450**	**532,701**	**–9.8**	**558,339**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] 1 January 2015 is equivalent to 31 December 2014.

Liabilities and equity | €m	**Notes**	**31.12.2016**	**31.12.2015[1]**	**Change in %**	**1.1.2015[2]**
Liabilities to banks	(10, 20, 62, 79)	66,948	83,154	–19.5	99,845
Liabilities to customers	(10, 20, 63, 79)	250,920	261,179	–3.9	250,365
Securitised liabilities	(20, 64, 79)	38,494	40,605	–5.2	48,811
Value adjustment on portfolio fair value hedges	(11, 65)	1,001	1,137	–12.0	1,278
Negative fair values of derivative hedging instruments	(21, 66)	3,080	7,406	–58.4	9,355
Trading liabilities	(22, 67, 79)	71,644	86,454	–17.1	97,171
Provisions	(23, 24, 68)	3,436	3,326	3.3	5,304
Current tax liabilities	(26, 69)	574	432	32.9	316
Deferred tax liabilities	(26, 69)	49	106	–53.8	131
Liabilities of disposal groups	(19, 70)	–	1,073	.	142
Other liabilities	(71)	3,695	5,846	–36.8	6,534
Subordinated debt instruments	(27, 72, 79)	10,969	11,858	–7.5	12,358
Equity	(73, 74, 75)	29,640	30,125	–1.6	26,729
Subscribed capital	(73)	1,252	1,252	0.0	1,139
Capital reserve	(73)	17,192	17,192	0.0	15,928
Retained earnings	(73)	11,184	11,458	–2.4	10,158
Other reserves	(73)	–1,015	–781	30.0	–1,402
Total before non-controlling interests		28,613	29,121	–1.7	25,823
Non-controlling interests	(73)	1,027	1,004	2.3	906
Total		**480,450**	**532,701**	**–9.8**	**558,339**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] 1 January 2015 is equivalent to 31 December 2014.

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2014	**1,139**	**15,928**	**10,462**	**–963**	**–246**	**–193**	**26,127**	**906**	**27,033**
Change due to retrospective adjustments			–304				–304		–304
Equity as at 1.1.2015	**1,139**	**15,928**	**10,158**	**–963**	**–246**	**–193**	**25,823**	**906**	**26,729**
Total comprehensive income	–	–	1,295	366	87	168	1,916	118	2,034
Consolidated profit or loss			1,084				1,084	115	1,199
Change from remeasurement of defined benefit plans			211				211	1	212
Change in revaluation reserve				432			432	1	433
Change in cash flow hedge reserve					87		87	–	87
Change in currency translation reserve						161	161	1	162
Change from non-current assets held for sale and disposal groups				–66		–1	–67	–	–67
Change in companies accounted for using the equity method						8	8	–	8
Dividend paid on shares							–	–11	–11
Reverse stock split							–	–	–
Capital increases	113	1,264	–5				1,372	–	1,372
Withdrawal from retained earnings							–	–	–
Changes in ownership interests			–1				–1	–2	–3
Other changes[1]			11				11	–7	4
Equity as at 31.12.2015	**1,252**	**17,192**	**11,458**	**–597**	**–159**	**–25**	**29,121**	**1,004**	**30,125**

[1] If relevant for the financial year, other changes mainly comprise changes in the group of consolidated companies and changes in taxes not affecting the income statement.

The retrospective restatement of retained earnings as at 1 January 2015 resulted from other restatements (see page 139 ff.).

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves: Revaluation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Total before non-controlling interests	Non-controlling interests	Equity
Equity as at 31.12.2015	**1,252**	**17,192**	**11,458**	**–597**	**–159**	**–25**	**29,121**	**1,004**	**30,125**
Total comprehensive income	–	–	–99	–184	62	–112	–333	32	–301
Consolidated profit or loss			279				279	103	382
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	–	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
Reverse stock split							–		–
Capital increases							–		–
Withdrawal from retained earnings							–		–
Changes in ownership interests			6				6	2	8
Other changes[1]			69				69	2	71
Equity as at 31.12.2016	**1,252**	**17,192**	**11,184**	**–781**	**–97**	**–137**	**28,613**	**1,027**	**29,640**

[1] If relevant for the financial year, other changes mainly comprise changes in the group of consolidated companies and changes in taxes not affecting the income statement.

The subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €1,252m as at 31 December 2016 and was divided into 1,252,357,634 no-par-value shares with an accounting value per share of €1.00.

In line with the new "Commerzbank 4.0" strategy, a proposal will be put before the Annual General Meeting to waive the payment of a dividend for the financial year. In the previous year a dividend totalling €250m was distributed.

No treasury shares were held as at 31 December 2016.€68m of the revaluation reserve was accounted for by assets and disposal groups held for sale. The changes in ownership interests before non-controlling interests of €6m in 2016 resulted from the purchase of additional shares in a company that had already been consolidated of €8m and the disposal of shares in consolidated companies of €–2m. There was also an effect on non-controlling interests of €2m.

Further details on equity are contained in Notes 73, 74 and 75.

Cash flow statement

€m	Notes	2016	2015[1]
Consolidated profit or loss		**382**	**1,199**
Non-cash positions in consolidated profit or loss and reconciliation with cash flow from operating activities:			
Write-downs, depreciation, write-ups on fixed and other assets, changes in provisions and net changes due to hedge accounting		1,258	658
Change in other non-cash positions		– 4,482	2,267
Gain or loss on disposal of assets	(36)	– 205	– 246
Net gain or loss on the sale of fixed assets	(38)	76	2
Other adjustments	(31)	– 4,849	– 5,451
Sub-total		**– 7,820**	**– 1,571**
Change in assets and liabilities from operating activities after adjustment for non-cash positions:			
Claims on banks	(47)	13,322	8,537
Claims on customers	(48)	6,199	16,303
Trading securities	(53)	12,999	2,905
Other assets from operating activities	(54-57, 59-61)	– 374	– 901
Liabilities to banks	(62)	– 16,217	– 16,691
Liabilities to customers	(63)	– 10,252	11,899
Securitised liabilities	(64)	– 2,801	– 8,206
Net cash from contributions into plan assets	(68)	9	– 47
Other liabilities from operating activities	(65-71)	– 5,305	– 3,124
Interest received	(31)	8,554	9,723
Dividends received	(31)	88	188
Interest paid	(31)	– 3,793	– 4,460
Income tax paid	(41)	– 337	166
Net cash from operating activities		**– 5,728**	**14,721**
Proceeds from the sale of:			
Financial investments and holdings in companies accounted for using the equity method	(36, 37, 54, 55)	13,733	8,580
Fixed assets	(38, 57)	– 50	34
Payments for the acquisition of:			
Financial investments and holdings in companies accounted for using the equity method	(36, 37, 54, 55)	– 1,081	– 252
Fixed assets	(38, 57)	– 312	– 252
Effects from changes in the group of consolidated companies			
Cash flow from acquisitions less cash reserves acquired	(46)	– 306	–
Cash flow from disposals less cash reserves disposed of	(46)	89	203
Net cash from investing activities		**12,073**	**8,313**
Proceeds from capital increases	(73)	–	1,377
Dividends paid	(73)	– 250	–
Net cash from changes in ownership interests in consolidated companies		6	–
Net cash from other financing activities (subordinated debt instruments)	(72)	313	– 879
Net cash from financing activities		**69**	**498**
Cash and cash equivalents at the end of the previous period		**28,509**	**4,897**
Net cash from operating activities		– 5,728	14,721
Net cash from investing activities		12,073	8,313
Net cash from financing activities		69	498
Effects from exchange rate changes		– 18	195
Effects from non-controlling interests		– 103	– 115
Cash and cash equivalents at the end of the period	**(46)**	**34,802**	**28,509**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The breakdown of cash and cash equivalents was as follows:

€m	31.12.2016	31.12.2015	Change in %
Cash on hand	1,431	1,391	2.9
Balances with central banks	33,030	23,858	38.4
Debt issued by public-sector borrowers	341	3,260	−89.5

Cash and cash equivalents as at 31 December 2016, as in the previous year, did not include any amounts from companies consolidated for the first time. There was also an effect of €255m from deconsolidations in 2016 (previous year: –).

The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Net cash from operating activities includes payments (inflows and outflows) relating to claims on banks and customers and also securities held for trading and other assets. Increases and decreases in liabilities to banks and customers, securitised liabilities and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in net cash from operating activities.

Changes in net cash from operating activities also result from disposals of consolidated companies. Other assets and liabilities from operating activities include disposals of consolidated companies that were classified as held for sale and were sold during the reporting year. The following tables provide an overview of the assets and liabilities at the time of disposal.

Assets | €m	31.12.2016
Claims on banks	67
Claims on customers	29
Trading assets	–
Financial investments	2
Fixed assets	214
Other asset items	473

Liabilities | €m	31.12.2016
Liabilities to banks	69
Liabilities to customers	1,496
Securitised liabilities	–
Trading liabilities	–
Other liability items	1,238

Net cash from investing activities is made up of cash flows relating to financial investments, intangible assets, fixed assets and disposals of non-consolidated subsidiaries. The cash flows relating to the acquisition or disposal of consolidated subsidiaries are also shown here. Net cash from financing activities consists of the proceeds of capital increases as well as payments made or received on subordinated debt instruments. Dividends paid are also reported here.

Cash and cash equivalents consists of items that can be rapidly converted into liquid funds and are subject to a negligible risk of changes in value. It consists of the cash reserve, which contains cash on hand, balances held at central banks and debt issued by public-sector borrowers (see Note 46). Claims on banks which are due on demand are not included.

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.

Notes

Significant accounting principles

Our Group Financial Statements as at 31 December 2016 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied.

All standards and interpretations which are mandatory within the EU in 2016 have been applied. As permitted under the regulations, we have not applied standards and interpretations which do not enter into force until the financial year 2017 or later.

The impact of the new and revised standards and interpretations whose application is not yet mandatory on the Group's accounting and measurement practices is set out below.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014. 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. 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. As a rule, all financial assets must be measured at fair value. The remeasurement effects are taken through profit or loss. A different subsequent measurement is only permitted for a debt instrument on the assets side if it is included in a portfolio that operates under a "hold" or "hold and sell" business model. Moreover, the financial instrument in question may as a rule only have cash flows that are payments of principal and interest on the principal amount outstanding (SPPI criterion). Irrespective of this, a financial instrument may still be measured at fair value if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

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 (revaluation reserve), unless this would create or enlarge an accounting mismatch in profit or loss.

IFRS 9 also changes the rules on the accounting treatment of expected default risk 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, but the borrower is not yet in default, a provision must be recognised for the full lifetime expected credit losses. If an instrument is in default, 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.

We are currently in the implementation phase, which involves modifying the processes and IT systems impacted by the conversion. An extensive test phase will then be carried out for 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 later be able to be determined reliably and definitively.

As a preview of the Annual Report 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.

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 13, 15 and 18 as well as SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. 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. We have concluded our assessment of the new standard and do not expect a material impact on the Group Financial Statements.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over 12 months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessees will in future recognise a right-of-use asset and a lease liability. 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. Based on our knowledge as of today, we anticipate 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).

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

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

The amendments to the standards IAS 28 and IFRS 10 published in September 2014 mean that unrealised gains or losses from transactions with an associate or joint venture are recognised if assets that constitute a business are sold or contributed to the associate or joint venture. 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 and to become effective for EU companies for financial years beginning on or after 1 January 2018.

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 2017 and to become effective for EU companies for financial years beginning on or after 1 January 2018.

IFRS 14, which only applies to those adopting IFRS for the first time and is therefore not relevant for the Commerzbank Group, deals with the treatment of regulatory deferral account balances recognised in previous GAAP financial statements. In addition to the statement of comprehensive income and the balance sheet, the Group financial statements also include the statement of changes in equity, the cash flow statement and the notes. Segment reporting is to be found in the notes (Note 45).

The information required under IFRS 7.31 to 7.42 (nature and extent of exposure to risks arising from financial instruments) is reported partly in the notes (see Notes 83 and 84) and partly in the Group Risk Report.

The Group Management Report, including the separate Group Risk Report pursuant to Art. 315 of the German Commercial Code (HGB), appears on pages 47 to 124 of our annual report.

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 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 both amounts rounded down to €0m and zero items are indicated by a dash.

Accounting and measurement policies

(1) Basic principles

The Group Financial Statements are based on the going concern principle. Financial assets and liabilities are generally measured at amortised cost, unless a different form of measurement is required by IFRS. This applies in particular to certain financial instruments classified in accordance with IAS 39, investment properties and non-current assets held for sale.

Income and expenses are accounted for on an accrual basis; they are recognised in the income statement for the period to which they are attributable in economic terms. Interest from all contractual agreements relating to financial assets or liabilities is reported in net interest income on an accrual basis. We have reported negative interest separately in net interest income (see Note 31). Dividend income is only recognised where a corresponding legal entitlement exists. Commission income and expenses are recognised on the one hand on the basis of the accounting treatment of the associated financial instruments and on the other hand on the basis of the nature of the activity. Commission income for services which are performed over a certain period is recognised over the period in which the service is performed. Fees which are associated with the completion of a particular service are recognised at the time of completion of the service. Performance-related fees are recognised when the performance criteria are met. Commission income on trading transactions carried out on behalf of customers is reported in net commission income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a significant tangible or intangible asset are capitalised in the balance sheet, provided that a period of at least 12 months is required to prepare the asset for its intended use.

Assets and liabilities are normally reported on a gross basis in the balance sheet, i.e. without netting.

However, in accordance with IAS 32.42, financial assets and liabilities relating to the same counterparty are netted and shown in the balance sheet on a net basis if there is a legally enforceable right to net the amounts and the transactions are fulfilled on a net basis or the asset is realised simultaneously with the settlement of the liability. In addition to the netting of positive and negative fair values attributable to derivatives with clearing agreements and any variation margins payable on them, this also applies to the netting of claims and liabilities in reverse repo and repo transactions with central counterparties.

For fully consolidated companies and holdings in companies accounted for using the equity method in the Group Financial Statements we have generally used financial statements prepared as at 31 December 2016. As regards companies accounted for using the equity method, in some cases we use the most recent audited financial statements under national GAAP if the company's financial statements for the last financial year are not yet available at the date the Group Financial Statements are being prepared.

Where there is an intention to sell the assets and liabilities of subsidiaries and companies accounted for using the equity method, and their sale is highly probable within one year, they are reported separately in the relevant balance sheet items and notes (see Notes 60 and 70) and in the statement of changes in equity in accordance with IFRS 5 until transfer of the shares is completed.

Note 78 contains a breakdown of all balance sheet items into short-term and long-term items. The residual maturities for all financial instruments held as liabilities, financial guarantees and irrevocable lending commitments with contractual maturity dates are also reported in this note.

The Group Financial Statements include values which are determined, as permitted, on the basis of estimates and judgements. The estimates and judgements used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgements themselves and the underlying estimation methods and judgement factors are reviewed regularly and compared with actual results.

In our view, the parameters we have used are reasonable and appropriate. Nonetheless, the actual outturns may differ from the estimates in the instances listed below.

Estimates of pension obligations, goodwill and the fair value of investment properties among other items are subject to uncertainty.

Pension obligations are measured based on the projected-unit-credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made, in particular regarding the discount rate, the long-term rate of increase in salaries and pensions, and average life expectancy. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under remeasurements (see Note 68 on the impact of changes in parameters).

The impairment test for goodwill, which must be carried out at least once a year, uses the recognised discounted cash flow method. This is based on the future cash flows projected in management's latest planning figures. An analysis of the uncertainties surrounding the estimation of goodwill and fair value of financial instruments is set out in Notes 15, 56 and 80.

For uncertainties relating to the fair value of investment properties we carry out analyses based on country-specific rental indices (see Note 59).

Uncertainty in estimates is still present mainly with respect to loan loss provisions, for example in charter rates in ship financing and deferred taxes (see Notes 50 and 58). For loan loss provisions please also refer to the Group Risk Report in the Group Management Report.

The assumptions and parameters underlying the estimates we have made are based on the exercise of appropriate judgement by management. This applies in particular to the appropriate selection and use of parameters, assumptions and modelling techniques when valuing financial instruments for which there are no market prices and no comparative parameters observable on the market. Where differing valuation models lead to a range of different potential valuations, management uses its judgement to determine the choice of the model to be used.

The following items in the financial statements are also subject to the judgement of management:

- The reclassification of certain financial assets from the category of available-for-sale financial instruments to the category loans and receivables (see Note 5).
- The impairment of loans and the recognition of provisions for off-balance-sheet lending exposures (in particular the analysis of the borrower's financial situation and the determination of the expected cash flows including the recognition, level and timing of the realisation of collateral; see Note 9).
- Impairment testing of other financial assets such as holdings in companies accounted for using the equity method and financial instruments held for sale (in particular the choice of criteria used to determine whether an asset is impaired; see Note 19).
- Impairment testing of non-financial assets such as goodwill and other intangible assets (in particular the criteria used to determine the recoverable amount; see Note 15 and Note 56).
- Impairment testing of deferred tax assets in accordance with IAS 12.24 ff. (in particular determining the methodology used for tax planning and to assess the probability that the expected future tax effects will actually occur; see Note 26), as well as showing tax risk positions.
- The recognition of provisions for uncertain liabilities (see Note 23).
- The assessment of legal risks where a loss is not probable (see Note 29).

Uniform accounting and measurement methods explained in the notes below are used throughout the Commerzbank Group in preparing the financial statements.

(2) Changes

We have, with the exception of the newly implemented profit and loss item "Impairments on goodwill and other intangible assets", employed the same accounting policies in preparing these financial statements as in our Group Financial Statements as at 31 December 2015.

The amended standard IAS 1 Presentation of Financial Statements contains clarifications regarding materiality, aggregation and the potential sequence of notes to the financial statements. The changes were incorporated into European law in December 2015 and became effective for EU companies for financial years beginning on or after 1 January 2016. The changes will impact the Group's notes.

These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2016 (revised IFRS 14 Regulatory Deferral Accounts, IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, IAS 41 Agriculture, IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, and IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities) plus the amendments arising from the IASB's annual improvement process for the 2012 to 2014 cycle. These new requirements did not have a material impact on the Commerzbank Group financial statements.

Current income and expenses from properties held for sale and from investment properties are now reported in other net income rather than in interest income or expenses as done previously. This reduced interest income by €60m and interest expenses by €8m in 2015, with other net income therefore rising by €52m. Thus, there was no impact on consolidated profit, the balance sheet or the earnings per share.

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.

- This increased other liabilities by €214m and deferred tax assets by €67m as at 1 January 2015, with retained earnings therefore falling by €147m.
- In 2015, other expenses were reduced by €38m and other liabilities fell by an equivalent amount. Moreover, taxes on income were €12m higher and deferred tax assets fell by the same amount. Consolidated profit therefore increased by €26m and earnings per share by €0.02.

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 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.

- This reduced other liabilities by €45m and increased current tax liabilities by €4m as at 1 January 2015; retained earnings therefore rose by €41m.
- In 2015, other income decreased by €5m and other liabilities increased by an equivalent amount. Taxes on income and profit were reduced by €1m and current tax liabilities were therefore also reduced. Consolidated profit was therefore €4m lower, which translated into a reduction in earnings per share by less than €0.01.

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 reported in interest income and the carrying amount of the asset was derecognised through interest expense. Interest income and expenses were thus each reduced by €99m in 2015. There was no impact on consolidated profit, the balance sheet or the earnings per share.

In 2016, a number of errors were corrected in connection with unremitted capital gains tax, a goodwill impairment not taken on deferred tax assets and tax audit risks for Commerzbank Aktiengesellschaft. The prior-year figures have been restated as follows: As at 1 January 2015, retained earnings fell by €198m and deferred tax assets by €130m, with current tax liabilities increasing by €28m and other liabilities by €40m. Thus, there was no impact on consolidated profit or earnings per share.

The Commerzbank Group corrected an error by retrospectively deconsolidating 20 exchange-traded funds (ETFs) that had been previously consolidated. This correction was necessary because control had been permanently relinquished in previous years

- As a result, as at 1 January 2015, claims on banks were reduced by €2m and trading assets increased by €87m. In addition, liabilities to customers increased by €1,085m and trading liabilities by €8m, and other liabilities were reduced by €1,008m.
- In 2015, commission expenses fell by €6m, net trading income by €5m and other income by €1m. In addition, claims on banks were reduced by €5m and trading assets increased by €140m. In addition, liabilities to customers increased by €3,564m and trading liabilities by €11m, and other liabilities were reduced by €3,440m. Thus, there was no impact on consolidated profit or earnings per share.

The information in the notes on irrevocable lending commitments in the prior year was corrected, leading to an increase in this item by €253m as at 31 December 2015. There was no impact on consolidated profit, the balance sheet or the earnings per share.

The tables below show the impact of the main restatements in the 2015 financial year on the income statement and the balance sheet:

€m	Originally-reported- 1.1.–31.12.2015	Adjustment	Restated 1.1.–31.12.2015
Interest income	11,616	–159	11,457
Interest expenses	5,837	–107	5,730
Net interest income	5,779	–52	5,727
Commission income	4,067	–	4,067
Commission expense	643	–6	637
Net commission income	3,424	6	3,430
Net trading income and net income from hedge accounting	499	–5	494
Other net income	–15	84	69
Pre-tax profit or loss	1,795	33	1,828
Taxes on income	618	11	629
Consolidated profit or loss	1,177	22	1,199
Consolidated profit or loss attributable to Commerzbank shareholders	1,062	22	1,084

Assets | €m	Originally-reported- 31.12.2015	Adjustment	Restated 31.12.2015
Claims on banks	71,810	–5	71,805
Trading assets	114,684	140	114,824
Deferred tax assets	2,836	–75	2,761
Total assets	**532,641**	**60**	**532,701**

Liabilities | €m	Originally-reported- 31.12.2015	Adjustment	Restated 31.12.2015
Liabilities to customers	257,615	3,564	261,179
Trading liabilities	86,443	11	86,454
Current tax liabilities	401	31	432
Other liabilities	9,110	–3,264	5,846
Equity	30,407	–282	30,125
of which retained earnings	11,740	–282	11,458
Total liabilities	**532,641**	**60**	**532,701**

(3) Consolidated companies

The Group financial statements include all material subsidiaries which are directly or indirectly controlled by Commerzbank Aktiengesellschaft. These also include material structured entities. Significant associates and joint ventures are accounted for using the equity method.

Subsidiaries, associates and joint ventures of minor significance for the Group's financial position are not fully consolidated or not accounted for using the equity method; instead, they are reported under financial investments as holdings in non-consolidated subsidiaries or equity holdings. Based on the total assets of the aggregated balance sheet of the Group, the total assets of the non-material subsidiaries amount to less than 0.2% (previous year: less than 0.2%).

Please refer to Note 103 for more information on the structure of the Commerzbank Group including a full list of the Group's ownership interests. The following companies were consolidated for the first time in 2016:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
ABANTUM Beteiligungsgesellschaft mbH, Düsseldorf, Germany	100.0	0.0	11.0	11.0
ABORONUM Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, Germany	100.0	0.0	6.5	6.4
ACCOMO Hotel HafenCity GmbH & Co. KG, Düsseldorf, Germany	100.0	0.0	14.9	15.0
ACCOMO Verwaltungsgesellschaft mbH, Düsseldorf, Germany	100.0	0.0	0.0	0.0
AHOTELLO Beteiligungsgesellschaft mbH, Düsseldorf, Germany	100.0	0.0	15.1	15.0
ALISETTA Verwaltung und Treuhand GmbH, Düsseldorf, Germany	100.0	0.0	0.0	0.0
CERI International Sp. z o.o., Lódz, Poland	100.0	4.2	14.2	2.5
Commerz Transaction Services Logistics GmbH, Magdeburg, Germany	100.0	1.6	2.8	1.2
Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo, Brazil	100.0	64.5	65.1	3.0
CommerzVentures Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany	99.5	21.9	22.0	0.0
CommerzVentures GmbH, Frankfurt am Main, Germany	100.0	24.4	25.2	0.8
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG, Düsseldorf, Germany	100.0	2.6	13.8	14.9
Greene Elm Trading VII LLC, Wilmington, Delaware, USA	100.0	13.8	13.8	0.0
Kira Vermögensverwaltungsgesellschaft mbH, München, Germany	100.0	306.4	445.6	139.2
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG, Grünwald, Germany	100.0	0.0	26.8	25.8

The entities listed above exceeded our materiality thresholds for consolidation or are entities that were newly formed, for example, in the course of structured financing transactions. We apply the provisions of IFRS 3 to additional purchases. The first-time consolidations did not give rise to any goodwill. Where relevant, negative differences were reported in the income statement as at the date of acquisition in accordance with IFRS 3.34.

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

- Disposals
  - CB Building Kirchberg SARL, Luxembourg, Luxembourg
  - Commerzbank International S.A. Luxembourg, Luxembourg
  - Number X Bologna S.r.l., Milan, Italy

The proceeds from the sale of these entities amounted to around €148m. Payment was made entirely in cash or received in the form of a purchase price claim. The gain on disposal of €88m was recognised in net investment income (€31m) and other net income (€57m).

- Liquidations
  - CoSMO Finance II – 2 Ltd., Dublin, Ireland
  - Dresdner Kleinwort Group Holdings, LLC, Wilmington, Delaware
  - Dresdner Kleinwort Group LLC, Wilmington, Delaware
  - Dresdner Kleinwort Holdings LLC, Wilmington, Delaware
  - Dresdner Kleinwort EIV Manager, Inc., Wilmington, Delaware
  - Hurley Investments No.3 Limited, George Town, Cayman Islands
  - Thurlaston Finance Limited, George Town, Cayman Islands
  - Yarra Finance Limited, George Town, Cayman Islands

- Entities that have permanently fallen below our materiality threshold for consolidation or where Commerzbank no longer exercises control:
  - AVOLO Aviation GmbH & Co. Geschlossene Investment KG, Karlsruhe, Germany
  - CIMONUSA Beteiligungsgesellschaft mbH, Düsseldorf, Germany
  - Commerzbank Leasing 2 S.àr.l., Luxembourg, Luxembourg
  - ComStage ATX® UCITS ETF, Luxembourg, Luxembourg
  - ComStage CAC 40® Leverage UCITS ETF, Luxembourg, Luxembourg
  - ComStage CAC 40® Short GR UCITS ETF, Luxembourg, Luxembourg
  - ComStage CAC 40® UCITS ETF, Luxembourg, Luxembourg
  - ComStage CBK 10Y US-Treasury Future Short TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage CBK 10Y US-Treasury Future TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage CBK Commodity ex-Agriculture Monthly EUR Hedged TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage CBK U.S. Treasury Bond Future Double Short TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage CBK U.S. Treasury Bond Future Short TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage Commerzbank Bund-Future Leveraged TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage Commerzbank Bund-Future TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage Commerzbank EONIA Index TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage Commerzbank FED Funds Effective Rate Index TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage DAX® TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage DivDAX® TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage Dow Jones Switzerland Titans 30 Net TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage EURO STOXX 50® Daily Leverage UCITS ETF, Luxembourg, Luxembourg
  - ComStage EURO STOXX 50® Daily Short GR UCITS ETF, Luxembourg, Luxembourg
  - ComStage EURO STOXX 50® NR UCITS ETF, Luxembourg, Luxembourg
  - ComStage EURO STOXX® Select Dividend 30 NR UCITS ETF, Luxembourg, Luxembourg
  - ComStage FR DAX® UCITS ETF, Luxembourg, Luxembourg
  - ComStage FR EURO STOXX 50® UCITS ETF, Luxembourg, Luxembourg
  - ComStage FTSE 100 TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage FTSE China A50 UCITS ETF (ETF024), Luxembourg, Luxembourg
  - ComStage HSCEI UCITS ETF, Luxembourg, Luxembourg
  - ComStage HSI UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Germany Covered Capped 3-5 TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Germany Covered Capped 5-7 TR UCITS ETF , Luxembourg, Luxembourg
  - ComStage iBOXX Germany Covered Capped 7-10 TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Germany Covered Capped Overall TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 10-15 TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 1-3 TR UCITS ETF , Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 15+ TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 25+ TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 3-5 TR UCITS ETF, Luxembourg, Luxembourg
  - ComStage iBOXX Liquid Sovereigns Diversified 3m-1 TR UCITS ETF, Luxembourg, Luxembourg

- ComStage iBOXX Liquid Sovereigns Diversified 5-7 TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Liquid Sovereigns Diversified 7-10 TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Sovereigns Germany Capped 10+ TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Sovereigns Germany Capped 1-5 TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Sovereigns Germany Capped 3m-2 TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Sovereigns Germany Capped 5-10 TR UCITS ETF, Luxembourg, Luxembourg
- ComStage iBOXX Sovereigns Inflation-Linked Euro-Inflation TR UCITS ETF, Luxembourg, Luxembourg
- ComStage LevDAX® x2 UCITS ETF, Luxembourg, Luxembourg
- ComStage MDAX® TR UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI EM Eastern Europe TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Emerging Markets Leveraged 2x Daily TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI EMU TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Europe Large Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Europe Mid Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Europe Small Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Europe TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Italy TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Japan 100% Daily Hedged Euro UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Japan TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI North America TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Pacific ex Japan TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Pacific TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Spain TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI Taiwan TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI USA Large Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI USA Mid Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI USA Small Cap TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI USA TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage MSCI World with EM Exposure Net UCITS ETF (ETF130) , Luxembourg, Luxembourg
- ComStage Nikkei 225® UCITS ETF, Luxembourg, Luxembourg
- ComStage NYSE Arca Gold BUGS UCITS ETF, Luxembourg, Luxembourg
- ComStage PSI 20® Leverage UCITS ETF, Luxembourg, Luxembourg
- ComStage PSI 20® UCITS ETF, Luxembourg, Luxembourg
- ComStage S&P 500 Euro Daily Hedged Net TR UCITS ETF, Luxembourg, Luxembourg
- ComStage S&P SMIT 40 Index TRN UCITS ETF, Luxembourg, Luxembourg
- ComStage SDAX® TR UCITS ETF, Luxembourg, Luxembourg
- ComStage ShortDAX® TR UCITS ETF, Luxembourg, Luxembourg
- ComStage ShortMDAX TR UCITS ETF, Luxembourg, Luxembourg
- ComStage SPI® TR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Automobiles & Parts NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Banks NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Basic Resources NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Chemicals NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Construction & Materials NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Financial Services NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Food & Beverage NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Industrial Goods & Services NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Insurance NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Media NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Oil & Gas NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Personal & Household Goods NR UCITS ETF, Luxembourg, Luxembourg

- ComStage STOXX® Europe 600 Real Estate NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Retail NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Technology NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Travel & Leisure NR UCITS ETF, Luxembourg, Luxembourg
- ComStage STOXX® Europe 600 Utilities NR UCITS ETF, Luxembourg, Luxembourg
- ComStage TOPIX® UCITS ETF, Luxembourg, Luxembourg
- CR KaiserKarree Holding S.a.r.l., Luxembourg, Luxembourg
- Dresdner Kleinwort do Brasil Limitada, Rio de Janeiro, Brazil
- Dresdner Kleinwort Wasserstein Securities (India) Private Limited, Mumbai, India
- EHY Real Estate Fund I, LLC, Wilmington, Delaware, USA
- Eurohypo Capital Funding LLC II, Wilmington, Delaware, USA
- Eurohypo Capital Funding Trust II, Wilmington, Delaware, USA
- GRAMOLINDA Vermietungsgesellschaft mbH, Grünwald, Germany
- GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG, Grünwald, Germany
- Greenway Infrastructure Capital Plc, St. Helier, Jersey
- Greenway Infrastructure Fund, St. Helier, Jersey
- Groningen Urban Invest B.V., Amsterdam, Netherlands
- LUGO Photovoltaik Beteiligungsgesellschaft mbH
- MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG, Grünwald, Germany
- Netherlands Urban Invest B.V., Amsterdam, Netherlands
- Number X Real Estate GmbH, Eschborn, Germany
- Urban Invest Holding GmbH, Eschborn, Germany
- Viaduct Invest FCP-SIF Luxfund-1, Luxembourg, Luxembourg
- WebTek Software Private Limited, Bangalore, India

The following companies were merged with Commerzbank Group consolidated companies:

- Dom Maklerski mBanku S.A., Warsaw, Poland
- Greene Elm Trading I LLC, Wilmington, Delaware, USA
- Greene Elm Trading IV LLC, Wilmington, Delaware, USA
- mWealth Management S.A., Warsaw, Poland
- OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Luna KG, Grünwald, Germany

COMUNITHY Immobilien GmbH, Düsseldorf, Germany, Apartamenty Molo Rybackie Sp. z o.o., Gdynia, Poland, and Kaiserkarree S.a.r.l., Luxembourg, Luxembourg, ceased to be accounted for using the equity method in 2016. Commerz Finanz GmbH, Munich, Germany, and Argor Heraeus, Mendrisio, Switzerland, were reclassified as assets and disposal groups held for sale and thus also ceased to be accounted for using the equity method.

(4) Principles of consolidation

Subsidiaries are entities which are directly or indirectly controlled by Commerzbank Aktiengesellschaft, because Commerzbank has the power to direct the relevant activities of the entity, has exposure, or rights, to variable returns from its involvement and has the ability to use its power over the entity to affect the amount of its returns. When deciding whether or not to consolidate we review a range of factors such as voting rights, the object and structure of the company and our ability to exert influence. If voting rights are the sole and immediate dominant factor in managing the relevant activities, control can be established more straightforwardly in these cases. We are nonetheless obliged to investigate whether there are any other factors such as legislative provisions or contractual agreements which mean that Commerzbank does not exercise control in spite of holding a majority of voting rights. Other factors can also lead to control, for example if Commerzbank and the entity stand in a principal-agent relationship. In this case another party with decision-making powers acts as agent for Commerzbank, but does not control the entity, because it only exercises powers which have been delegated by Commerzbank (the principal). Consolidation takes effect from the date on which the Group acquires control over the subsidiary.

When consolidating capital for the first time, we remeasure the assets and liabilities of subsidiaries completely at the time of acquisition regardless of the percentage share of equity held. The assets and liabilities remeasured at fair value are included in the Group Financial Statements net of deferred taxes; identified hidden reserves and liabilities are accounted for in accordance with the applicable standards in subsequent reporting periods. Any difference over net assets on remeasurement is recognised as goodwill. Negative differences are reported in the income statement in accordance with IFRS 3.34.

Associated companies are entities over which Commerzbank Aktiengesellschaft has a significant direct or indirect influence. A significant influence is assumed to exist where the share of voting rights is between 20 and 50%. Further factors indicating significant influence could, for example, be membership of an executive or supervisory board or significant transactions with the company.

A joint arrangement is where two or more parties agree contractually to exercise joint control over this arrangement. A joint arrangement can be a joint venture or a joint operation. In the Commerzbank Group there are only joint ventures.

Associated companies and joint ventures are ordinarily accounted for using the equity method and are reported in the balance sheet under holdings in companies accounted for using the equity method.

The acquisition cost of these investments including goodwill is determined at the time of their initial consolidation, applying by analogy the same rules as for subsidiaries. If associated companies and joint ventures are material, appropriate adjustments are made to the carrying value in the accounts, in accordance with developments in the company's equity. Losses attributable to companies accounted for using the equity method are only recognised up to the level of the carrying value (see Note 55). Losses in excess of this amount are not recognised, since there is no obligation to offset excess losses. Future profits are first offset against unrecognised losses.

Holdings in subsidiaries not consolidated for reasons of immateriality and holdings in associated companies and joint ventures which, because of their immateriality, are not accounted for using the equity method are shown under financial assets at their fair value or, if this cannot be reliably established, at cost.

Subsidiaries are deconsolidated as of the date on which the Bank loses its control over them. Equity accounting for holdings in associated companies ends on the date that the Group ceases to exert significant influence over the associated company. Equity accounting for joint ventures ends on the date that joint control of the venture comes to an end.

Structured entities are entities where voting or similar rights are not the dominant factor in determining control, such as when the voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Examples of structured entities are securitisation companies, leasing structured entities and some investment funds.

Commerzbank also acts as sponsor of structured entities in which it does not have an equity holding. An entity is regarded as sponsored if:

- it was launched and/or structured by the Commerzbank Group,
- it has received or bought assets from the Commerzbank Group,
- it is guaranteed by the Commerzbank Group or was marketed intensively by the Commerzbank Group.

As with subsidiaries, a structured entity must be consolidated if Commerzbank exerts control over it. In the Commerzbank Group the obligation to consolidate structured entities is reviewed by means of a process that includes transactions where Commerzbank launches a structured entity with or without the involvement of third parties, and transactions where Commerzbank enters into a contractual relationship with an already existing structured entity with or without the involvement of third parties. Decisions as to whether or not to consolidate an entity are reviewed as the need arises, but no less than once a year. All consolidated structured entities and structured entities that have not been consolidated for materiality reasons are listed in Note 100.

The ability of the Commerzbank Group to access or use assets and settle the liabilities of subsidiaries including structured entities, associated companies and joint ventures can be subject to legal, regulatory and contractual restrictions. There are no significant restrictions in the Commerzbank Group apart from the following material issues. Assets transferred as collateral in the course of securities repurchase and lending transactions and for funds borrowed for specific purposes amounted to €28bn. Assets included in the cover pools for Pfandbrief issuance amounted to €35bn. These assets cannot be transferred within the Group. In terms of contractual agreements to grant financial assistance, the Commerzbank Group has provided financial guarantees to a small number of structured entities. However, these are not material at the level of the Commerzbank Group.

All receivables and liabilities as well as income and expenses based on intra-group business relationships are eliminated when liabilities and income and expenses are consolidated, unless they are of minor importance. Significant intra-group interim profits or losses are also eliminated.

(5) Financial instruments: recognition and measurement

In accordance with IAS 39 all financial investments and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition financial instruments are measured at fair value. For financial instruments that are not measured at fair value, directly attributable transaction costs are included in the fair values as acquisition-related costs. These increase the fair values of financial assets or reduce the fair values of financial liabilities. In accordance with IFRS 13, fair value is defined as the realisable price, i.e. the price that the market participant would receive for the sale of an asset or pay to transfer a liability in an orderly transaction.

Depending on their respective category, financial instruments are recognised in the balance sheet subsequently either at (amortised) cost or fair value. Fair value is determined by the price established for the financial instrument in an active market (mark to market principle; fair value hierarchy level 1). If no market prices are available, valuation is based on quoted prices for similar instruments in active markets. In cases where no quoted prices are available for identical or similar financial instruments, fair value is established with the aid of valuation models which use observable market parameters to the maximum extent possible (mark to model; fair value hierarchy level 2). If insufficient recent observable market data are available to establish fair value, parameters which are not observable on the market will be used in the valuation models. These parameters may include data derived by approximation from historical data or similar methods (fair value hierarchy level 3). Please refer to Note 80 for a detailed explanation of the fair value hierarchies.

The following section provides an overview of how the rules of IAS 39, in their latest version, have been applied within the Group:

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability is generally recognised in the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. For regular way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular way cash market purchases and sales may be recognised using either trade date or settlement date accounting. Within the Group regular way purchases and sales of financial assets in the categories loans and receivables and use of the fair value option are recognised on the settlement date on both recognition and derecognition. For all other IAS 39 categories the Group uses trade date accounting for all regular way purchases and sales of financial assets both on recognition and derecognition.

The derecognition rules of IAS 39 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control.

If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

b) Classification of financial assets and liabilities and their measurement

Below we provide an overview of the categories defined in IAS 39. These categories are loans and receivables, held-to-maturity financial assets, financial assets or liabilities at fair value through profit or loss, available-for-sale financial assets and other financial liabilities.

- Loans and receivables:
  Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market are assigned to this category. This holds true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Measurement of these assets is at amortised cost. If there is impairment, this is recognised in profit or loss when determining the amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset.

In the case of reclassified securities contained in the loans and receivables category the fair value at the date of reclassification is taken as the new carrying amount. The revaluation reserve net of deferred taxes existing at this point remains in the other reserves within equity and is amortised over the remaining term of the reclassified securities.

For financial assets classified as loans and receivables impairments are recognised in the same way as for lending business (see Note 9). Impairment of these financial instruments is included in net investment income and deducted directly from the financial investments. If the indicators for impairment of particular securities cease to apply or no longer suggest an impairment, the impairment of the securities must be reversed through profit or loss, but to no more than the level of amortised cost. Similarly, an improved risk environment can lead to the reversal of an impairment that was previously recognised at the portfolio level.

- Held-to-maturity financial assets:
  Non-derivative financial assets with fixed or determinable payments and fixed maturity may be included in this category if the entity has the positive intention and ability to hold them to maturity. Measurement of these assets is at amortised cost. If there is impairment, this is recognised in profit or loss when determining the amortised cost. Premiums and discounts are recognised in net interest income over the life of the asset. In the 2016 financial year the Commerzbank Group again made no use of this category.
- With respect to financial assets or financial liabilities at fair value through profit or loss, one of the following criteria must be met for categorising purposes:
  - Financial assets or liabilities held for trading:
    This category includes financial assets and financial liabilities held for trading purposes (trading assets and trading liabilities).

    Derivative financial instruments used for hedging purposes are only reported under trading assets or trading liabilities if they do not meet the conditions for the application of hedge accounting (see point f in this note). Otherwise, they are shown as fair values from derivative hedging instruments.

    Trading assets and trading liabilities are measured at their fair value on each balance sheet date.

    If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models). Interest rate and cross-currency interest rate derivatives are measured taking account of the fixing frequency for variable payments. Counterparty default risk is accounted for by recognising credit valuation adjustments (CVA), with Commerzbank's non-performance risk accounted for by recognising debit valuation adjustments (DVA). CVAs and DVAs are based on observable market data (for example CDS spreads) where available. In the case of funding valuation adjustments (FVA) the funding costs or benefits of uncollateralised as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes are recognised at fair value. As for CVAs and DVAs, FVAs are determined by the expected value of the future portfolio market values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVA is approximated by the Commerzbank funding curve. Gains or losses on measurement and disposal are recorded under net trading income in the income statement. Interest income and expenses from trading transactions are reported in net interest income.
  - Financial instruments designated at fair value through profit or loss:
    Under the fair value option it is permissible to voluntarily measure any financial instrument at fair value and to recognise the net result of this valuation in the income statement. The decision whether to use the fair value option must be made upon acquisition of the financial instrument and is irrevocable. The fair value option may be applied to a financial instrument provided that
    - an accounting mismatch will be prevented or significantly reduced; or
    - a portfolio of financial instruments is managed, and its performance measured, on a fair value basis; or

   – the financial instrument has one or more embedded derivatives that must be separated.

   Financial instruments for which the fair value option is employed are shown in the appropriate balance sheet item for their respective category. Gains and losses on remeasurement are recognised in profit or loss under net trading income, while interest income and expenses are reported in net interest income. Further details on how and to what extent the fair value option is used in the Commerzbank Group can be found in Note 82.

- Available-for-sale financial assets:
  This category comprises all non-derivative financial assets not assignable to one of the above categories or which have been designated as available-for-sale. This includes interest-bearing securities, equities, equity holdings, profit-sharing certificates and units in investment funds. Available-for-sale assets primarily comprise fixed-income securities and claims which are traded on an active market but which the Bank does not intend to sell in the short term. They are measured at fair value. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers) or internal valuation models (net present value or option pricing models). If the fair value of unlisted equity instruments cannot be reliably determined, measurement is at amortised cost less any impairments required. The Commerzbank Group is taking advantage of this opportunity. Gains and losses on remeasurement are shown net of deferred taxes in equity in a separate item within other reserves (revaluation reserve). Premiums and discounts on debt instruments are recognised in profit or loss under net interest income over the life of the instrument. Interest income, dividends and current profits and losses from equity holdings classified in this category are also reported under net interest income. If the financial assets are sold, the cumulative measurement gain or loss previously recognised in the revaluation reserve is reclassified in the income statement (recycling).

  In accordance with IAS 39.59, financial instruments in this category must be monitored for any objective indications of a loss (such as breach of contract, loss event, increased likelihood of bankruptcy proceedings or insolvency) incurred after the date of initial recognition that would lead to a reduction in the cash flow arising from them.

  An impairment exists when the net present value of the expected cash flows is lower than the carrying value of the financial instrument concerned. In the event of an impairment, the net change on remeasurement is no longer recognised in the revaluation reserve in equity but must be taken through the income statement under net investment income as an impairment charge.

  In the Commerzbank Group, equity instruments in the available-for-sale portfolio are written down if their fair value is either significantly lower than their historic cost (≥ 20%) or has been below historic cost for a considerable period (at least nine months). Besides these quantitative trigger events, the qualitative trigger events cited in IAS 39.59 are also taken into account in the monitoring process. Impairment reversals may not be recognised through profit or loss for equity instruments designated as available-for-sale; instead, they are recognised directly in the revaluation reserve in equity. Impairment reversals are never permitted on unlisted equity instruments for which it is not possible to determine a reliable fair value and that are therefore carried at historic cost less any necessary impairment.

  Debt instruments are reviewed individually for impairment if any qualitative trigger events have occurred. To operationalise qualitative trigger events, additional indicators for an impairment have been developed in the Commerzbank Group. For example, an impairment charge for debt instruments in this category must generally be recognised if the debtor's rating is CCC or lower (see the Commerzbank master scale in the Group Risk Report) and the fair value is lower than amortised cost.

  If the reasons for an impairment of debt instruments cease to apply, the impairment is reversed through profit or loss, but to no more than the level of amortised cost. Any amount exceeding amortised cost is recognised in the revaluation reserve.

- Other financial liabilities:
  All financial liabilities that are not classified as held for trading and to which the fair value option was not applied are allocated to other financial liabilities. This category includes liabilities to banks and customers, securitised liabilities and subordinated debt instruments. Measurement of these assets is at amortised cost. Premiums and discounts are recognised in net interest income over the life of the liability.

c) Net gains or losses

Net gains or losses include fair value measurements recognised in profit or loss, currency translation effects, impairments, impairment reversals, gains realised on disposal, subsequent recoveries on written-down financial instruments and changes recognised in the revaluation reserve classified in the respective IAS 39 categories. The components are detailed for each IAS 39 category in the condensed statement of comprehensive income and the notes on net interest income, loan loss provisions, net trading income and net income from financial investments.

d) Financial guarantee contracts

IAS 39 defines a financial guarantee contract as a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This can include, for example, bank guarantees (see Note 87). If Commerzbank is the guarantee holder, the financial guarantee is not recorded in the accounts and is only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (known as the "net method"). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised in accordance with IAS 37 and IAS 39 if payment of the guarantee becomes probable.

e) Embedded derivatives

IAS 39 also regulates the treatment of derivatives embedded in financial instruments (embedded derivatives). These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments. According to IAS 39, under certain conditions the embedded derivative must be shown separately from the host contract as a stand-alone derivative.

Such a separation must be made if the following three conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IAS 39; and
- the hybrid (combined) contract is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is regarded as part of the trading portfolio and recognised at fair value. Changes on remeasurement are recognised in the income statement under net trading income. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

If the above three conditions are not cumulatively met, the embedded derivative is not shown separately and the hybrid financial instrument or structured product is measured as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

f) Hedge accounting

IAS 39 contains extensive hedge accounting regulations which apply if it can be shown that the hedging instruments – especially derivatives – are employed to hedge risks in the underlying non-trading transactions. Two types of hedge accounting are used:

- Fair value hedge accounting
  IAS 39 prescribes the use of hedge accounting to avoid a distorted impact on earnings for derivatives which serve to hedge the fair value of assets or liabilities against one or more defined risks. The Group's issuing and lending business and the securities holdings for liquidity management are particularly subject to interest rate risk when fixed-income securities are involved. Interest rate swaps are primarily used to hedge these risks.

  In line with the regulations for fair value hedge accounting, the derivative financial instruments used for hedging purposes are recognised at fair value as fair values of derivative hedging instruments. Any changes in the fair value of the hedged asset or hedged liability resulting from an opposite move in the hedged risk are also recognised in the balance sheet. Counterbalancing changes on remeasurement associated with the hedging instruments and the hedged underlying transactions are recognised in the income statement as net income from hedge accounting. Any portion of the changes in fair value that are not attributable to the hedged risk are accounted for in accordance with the rules of the valuation category to which the hedged asset or liability belongs. For interest rate risks fair value hedge accounting can either be a micro fair value hedge or a portfolio fair value hedge:

- In micro fair value hedge accounting an underlying transaction is linked with one or more hedging instruments in a hedging relationship. The carrying amounts of the hedged transactions are adjusted through profit or loss in the event of changes in fair value attributable to the hedged risk.
- In a fair value hedge portfolio, interest rate risks are hedged at the portfolio level. It is not individual transactions or groups of transactions with a similar risk structure that are not hedged, but, rather, a quantity of underlying transactions in a portfolio grouped by maturity bands in accordance with the expected repayment and interest adjustment dates. Portfolios may contain only assets, only liabilities, or a mixture of both. In this type of hedge accounting, changes in the fair value of the underlying transactions are reported in the balance sheet as a separate asset or liability item.

• Cash flow hedge accounting
IAS 39 prescribes the use of cash flow hedge accounting to avoid a distorted impact on profit or loss for derivatives which serve to hedge the risk of a change in future cash flows. Interest rate swaps are primarily used to hedge these cash flows. Derivatives used in cash flow hedge accounting are measured at fair value. The effective portion of gains and losses are recognised net of deferred taxes in the cash flow hedge reserve under equity. The ineffective portion, on the other hand, is reported in the income statement in net income from hedge accounting. The general accounting rules set out above for the underlying transactions of the hedged cash flows remain unchanged by this.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedging relationship and also to its effectiveness.

The hedge must be documented at inception. Documentation must include in particular the identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged and how effectiveness of the hedge is assessed. In addition to documentation, IAS 39 requires the effectiveness of a hedge to be demonstrated during the entire term of the hedge in order for hedge accounting rules to be applied. Effectiveness in this context means the relationship between the change in fair value or cash flow of the hedged item and the change in fair value or cash flow of the hedging instrument. If these changes offset each other almost fully, a high degree of effectiveness exists.

Proof of effectiveness requires, firstly, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). Secondly, when a hedge exists, it must be regularly demonstrated that it was highly effective during the period under review (retrospective effectiveness). Both the retrospective and prospective effectiveness must be within a range of 0.8 to 1.25.

Commerzbank uses regression analysis to assess effectiveness in micro fair value hedge accounting. The changes in fair value of the hedged transaction and the hedging instrument are determined by means of historical simulations for the prospective effectiveness test, while the actual changes in fair value are used for the retrospective effectiveness test. Regression analysis is also used for the prospective effectiveness test in portfolio fair value hedge accounting, while the dollar-offset method is used for the retrospective effectiveness test.

(6) Currency translation

Monetary assets and liabilities denominated in foreign currencies and pending spot foreign exchange transactions are translated at the spot mid-rate on the balance sheet date. Realised income and expenses are normally translated using the spot rate applying on the date of realisation.

Average exchange rates may also be used to translate income and expenses, provided the prices on the balance sheet date have not undergone major fluctuations. Hedged expenses and income are translated using the hedging rate. Expenses and income resulting from the translation of balance sheet items are recognised in profit or loss under net trading income.

Non-monetary items such as equity holdings are generally translated at historic exchange rates, if they are measured at amortised cost. If they are measured at fair value, the current rate method for foreign exchange translation is used. Gains and losses on the translation of non-monetary items are recognised either in equity or profit or loss depending on the way the net gain or loss is recognised.

Monetary and non-monetary assets and liabilities in the financial statements of consolidated subsidiaries and companies accounted for using the equity method are translated at the exchange rate prevailing on the balance sheet date, while income and expenses are normally translated at the exchange rate on the transaction date. For simplification purposes a price can be used for translation which represents an approximation of the exchange rate on the transaction date, for example the average exchange rate over a given period.

All differences arising on translation are recognised as a separate component of equity in the currency translation reserve. Effects arising from the translation of the capital components of subsidiaries included in the consolidation of the capital accounts are recognised in equity in the currency translation reserve. On the date of the sale or partial sale of companies reporting in foreign currency, the translation gains or losses are recognised in other net income. Even if an equity holding in a foreign currency is reduced without being fully deconsolidated, the effect of this partial reduction on the currency translation reserve is recognised in profit or loss.

(7) Cash reserve

The cash reserve consists of cash on hand, balances held at central banks and debt issued by public-sector borrowers. With the exception of debt issued by public-sector borrowers, which is shown at fair value, all the items are stated at their nominal value.

(8) Claims

The Commerzbank Group's claims on banks and customers which are not held for trading and are not quoted on an active market are reported at amortised cost. Premiums and discounts are recognised in net interest income over the term of the claim. Claims on banks and customers for which the fair value option is applied are accounted for at fair value. The carrying amounts of claims to which micro fair value hedge accounting is applied are adjusted for changes in fair value attributable to the hedged risk. In portfolio fair value hedge accounting changes in fair value are reported in the balance sheet item value adjustments for portfolio fair value hedges.

(9) Loan loss provisions

We make provision for the particular risks of on- and off-balance sheet lending in the loans and receivables category in the form of specific loan loss provisions (SLLPs), portfolio loan loss provisions (PLLPs) and general loan loss provisions (GLLPs).

When determining provisioning levels the fundamental criteria include whether the claims are in default or not and whether the claims are significant (over €5m) or insignificant (up to €5m). All claims which are in default under the Basel 3 regulations are identified as in default or non-performing. The following events can be indicative of a customer default:

- Imminent insolvency (over 90 days past due).
- The Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contributions.
- The Bank has demanded immediate repayment of its claims.
- The customer is in insolvency proceedings.

For significant claims which are in default we recognise specific loan loss provisions in accordance with uniform standards across the Group. The net present value of the expected future cash flows is used to calculate both specific valuation allowances as well as specific loan loss provisions. In addition to the expected payments the cash flows include the expected proceeds from realising collateral and other recoverable cash flows. The loan loss provision or valuation allowance is therefore equal to the difference between the carrying value of the loan and the net present value of all the expected cash flows. The increase in the net present value over time using the original effective interest rate (unwinding) is recognised as interest income. If the reason for the impairment ceases to apply, it is reversed through profit or loss.

A portfolio loan loss provision (PLLP impaired) is recognised for insignificant defaulted claims using internal parameters.

For non-defaulted claims we account for credit risk in the form of general loan loss provisions (GLLPs). The level of the general loan loss provisions, both for on- and off-balance sheet lending, is determined using parameters derived from Basel 3 methodology.

We deduct the total loan loss provision, insofar as it relates to on-balance sheet claims, directly from the respective asset item. However, the provision for losses in off-balance sheet business (e.g. contingent liabilities, lending commitments) is shown under provisions for lending business.

Unrecoverable accounts for which no specific loan loss provisions have been formed are written off immediately. Amounts recovered on claims written off are recognised in the income statement under loan loss provisions. Impaired claims are (partially) written down, utilising any specific provisions, if such claims prove to be partially or entirely unrecoverable. Amounts recovered in excess of the claim on claims that have been partly written down are recognised as a write-up. We directly write off portions of impaired claims that exceed existing loan loss provisions if they are unrecoverable.

(10) Repurchase agreements and securities lending

Repurchase agreements include repo and reverse repo transactions. Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in both cases. The securities sold under repurchase agreements (spot sale) continue to be recognised and measured in the Group balance sheet as part of the securities portfolio in accordance with the category to which they are assigned. The securities are not derecognised as we retain all risks and opportunities connected with the ownership of the security sold under the repurchase agreement. The same risks and opportunities therefore apply to financial assets which have been transferred but not derecognised as apply to the non-transferred financial assets described in Note 5.

The inflow of liquidity from the repo transaction is shown in the balance sheet as a liability to either banks or customers, depending on the counterparty. Agreed interest payments are recognised as interest expense in net interest income according to maturity.

The outflows of liquidity arising from reverse repos are accounted for as claims on customers or banks. They are measured either at fair value using the fair value option or at amortised cost. The securities bought under repurchase agreements which underlie the financial transaction (spot purchase) are not carried in the balance sheet and are thus not measured. Agreed interest payments in reverse repos are recognised as interest income within net interest income according to maturity.

We conduct securities lending transactions with other banks and customers in order to meet delivery commitments or to enable us to effect securities repurchase agreements. We report these transactions in a similar manner to securities repurchase transactions. Securities lent remain in our securities portfolio (trading assets or financial investments) and are measured according to the rules of IAS 39. Borrowed securities do not appear in the balance sheet, nor are they valued. In securities lending transactions, the counterparty credit risk can be avoided by obtaining collateral, which may be provided in the form of cash, for example. Collateral furnished for a securities lending transaction is referred to as "cash collateral out" and collateral received as "cash collateral in". In addition, cash collaterals are deposited or received as collateral in connection with derivative transactions. We show cash collateral which we have furnished for securities lending transactions as a claim and collateral received as a liability. Interest and expenses from securities lending transactions are recognised in net interest income according to maturity.

(11) Value adjustment portfolio fair value hedges

This item contains hedged interest-rate-related positive and negative changes in the fair value of hedged transactions for which portfolio fair value hedge accounting is used.

(12) Positive fair values of derivative hedging instruments

This item contains derivative financial instruments used for hedging purposes which qualify for hedge accounting and have a positive fair value. The hedging instruments are measured at fair value.

(13) Trading assets

Under trading assets we report financial instruments measured at fair value and held for trading purposes. These include fixed income and equity securities, promissory note loans and other claims, and units in investment funds. Also shown at fair value are all derivative financial instruments which are not used as hedging instruments in hedge accounting and have a positive fair value.

(14) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. Financial investments comprise all bonds, notes and other interest-rate-related securities, shares and other equity-related securities, units in investment funds, equity holdings and holdings in non-consolidated subsidiaries. Holdings in companies not accounted for using the equity method and in joint ventures are reported as financial investments under equity holdings.

Financial instruments from the loans and receivables category contained in financial investments are measured at amortised cost. Portfolio items classified as available-for-sale financial assets are recognised and measured at their fair value.

Premiums and discounts are recognised in net interest income over the lifetime of the asset. Net interest income also includes interest income from bonds, dividends on shares including shares in unconsolidated affiliated companies and current gains or losses from equity holdings.

If, however, an effective fair value hedge with a derivative financial instrument exists for financial instruments reported in this item, then that portion of the change in fair value attributable to the hedged risk is shown under net income from hedge accounting. Changes in the fair values of financial investments to which the fair value option has been applied are recognised in the net gain or loss from application of the fair value option, which is part of net trading income.

(15) Intangible assets

Intangible assets mainly consist of software, customer relationships and goodwill. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are written off on a straight-line basis over their prospective useful lives.

	Expected useful life years
Customer relationships	up to 15
Software	up to 35

Moreover, the assets are reviewed at every balance sheet date to determine whether the carrying amounts exceed the recoverable amounts. If so, an impairment is recognised. In the case of goodwill, the assumption under IFRS 3 is that it can generate cash flows indefinitely. As a result, goodwill with an indefinite useful economic life is not amortised, but is instead tested for impairment at least once a year.

(16) Fixed assets

The land and buildings, assets under operating leases, and office furniture and equipment shown under this item are recognised at cost less scheduled depreciation. Impairments are made in an amount by which the carrying value exceeds the higher of fair value less costs to sell and the value in use of the asset.

Where the reason for recognising an impairment in previous financial years ceases to apply, the impairment is reversed to no more than amortised cost.

In determining the useful life, the likely physical wear and tear, technical obsolescence and legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off largely over the following periods, using the straight-line method:

	Expected useful life years
Buildings	25–50
Office furniture and equipment	3–25
Leased equipment	1–25

In line with the materiality principle, purchases of low-value fixed assets are recognised immediately as operating expenses. Profits realised on the disposal of fixed assets appear under other income, with losses being shown under other expenses.

(17) Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards incidental to ownership. By contrast, leases where the lessee bears all the substantial risks and rewards are classified as finance leases. The present value of the lease payments is central to determining the risks and rewards of the lease. If the present value equals at least the amount invested into the leased asset, the lease is classified as a finance lease.

The Group as lessor

The assets where the Group acts as lessor include in particular chartered ships, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, machinery and equipment).

- Operating leases
  If the risks and rewards of ownership remain substantially with the lessor (operating lease), the asset will continue to be reported on the balance sheet. Leased assets are normally reported in the Group balance sheet under other assets. Leased assets are shown at cost, less depreciation and/or impairments over their useful economic lives. Unless a different distribution is appropriate in individual cases, we recognise the proceeds from leasing transactions on a straight-line basis over the lifetime of the lease and report them under other net income. Investment properties let under operating leases are contained in the investment properties item on the balance sheet (see Note 18).
- Finance leases
  If virtually all the risks and rewards relating to the leased asset are transferred to the lessee (finance lease), the Commerzbank Group recognises a claim on the lessee. The claim is shown at its net present value (net investment value at the inception of the lease less repayments). Lease payments received (annuities) are divided into an interest portion and a repayment portion. The income is recognised as interest income over the lifetime of the lease.

The payments to be made by lessees are calculated based on the total investment costs less the residual value of the leased asset (e.g. real estate) as determined at the start of the lease agreement. During the fixed basic rental period lessees bear all the asset-related costs and the third-party costs of the leasing company. The risk of unexpected or partial loss of the leased asset is borne by the lessors.

Lease agreements for moveable assets are structured as partially amortising agreements with the possibility of subsequent purchase and can be terminated. Because the fixed rental period is shorter in relation to the normal length of use in the case of partially amortising agreements, only part of the total investment costs is amortised.

Leases which may be terminated have no fixed rental period. In the event of termination a previously agreed final payment becomes due, which covers the portion of the total investment costs not yet amortised. If notice of termination is not given, the lease rolls over. The risk of unexpected or partial loss of the leased asset is then borne again by the lessor.

The Group as lessee

Expenditure on operating leases is always recorded on a straight-line basis over the life of the lease agreement and reported under operating expenses.

Finance leases where the Commerzbank Group is a lessee are of minor significance.

(18) Investment properties

Investment properties are defined as land and buildings held for the purpose of earning rental income or because they are expected to increase in value. Commerzbank Group also reports properties acquired as a result of the realisation of collateral (rescue purchases) and properties owned by the Commerzbank Group that are let under operating leases in this category. Commercial property accounts for the bulk of the investment properties.

Investment properties are measured at cost including directly attributable transaction costs on initial recognition in accordance with IAS 40. The fair value model is used for the subsequent valuatuon of investment property. Fair value is normally determined on the basis of valuations conducted by external and internal experts and on prices currently obtainable in the market. Properties used for commercial purposes are usually valued based on capitalised income; individual residential buildings are generally valued using the cost or sales comparison approach. The valuation of the properties using the capitalised income approach is based on standard rental values for the locality, with discounts for management, acquisition costs and vacancy rates, and on remaining useful lives and land values. In some cases contractually agreed rents are also used. The property yield, which is a further input in the valuation process, takes account of the market interest rate level and the specific property and location risk attaching to the property. The main parameters observable on the market are local rent levels and property yields.

Current income and expenses are recognised in other net income. Gains and losses arising from changes in fair value are also shown under other net income in the income statement for the period.

(19) Assets and disposal groups held for sale

Non-current assets and disposal groups that can be sold in their current condition and whose sale is highly probable must be classified as held for sale. These assets must be measured at fair value less costs to sell in cases where this is lower than book value. However, for interest-bearing and non-interest-bearing financial instruments and investment property the only accounting change is the reclassification to the relevant balance sheet items in accordance with IFRS 5. They continue to be measured in accordance with the rules of IAS 39 or IAS 40.

If impairments are established as a result of measurement in accordance with IFRS 5, these are recognised in the corresponding position in the income statement, depending on the underlying transaction. Any subsequent write-up is limited to the total of impairments previously recognised.

The current net income from assets and disposal groups held for sale is normally recognised under the same item in the income statement as for other assets and disposal groups without the classification of being held for sale. Gains and losses on the disposal of disposal groups are divided up and recognised in the relevant line of the income statement.

(20) Debt (including financial liabilities)

In addition to our financial liabilities, the debt comprises all items on the liabilities side of the balance sheet with the exception of equity. The financial liabilities primarily consist of the liabilities to banks and customers, securitised liabilities and liabilities from our subordinated debt instruments.

If they are not held for trading purposes, financial liabilities are carried at amortised cost. The derivatives embedded in liabilities are separated from their host debt instrument where this is required, measured at fair value and recognised in either trading assets or trading liabilities. In micro fair value hedge accounting, hedged liabilities are adjusted for the change in fair value attributable to the hedged risk. In portfolio fair value hedge accounting the changes in fair value are reported under liabilities as value adjustments for portfolio fair value hedges. Liabilities for which the fair value option is used are recognised at their fair value.

Please also refer to Notes 21 to 24 and 26 for more information on the accounting treatment of liabilities.

(21) Negative fair values of derivative hedging instruments

This item shows derivative financial instruments that are used for hedging purposes and qualify for hedge accounting if they have a negative fair value. The hedging instruments are measured at fair value.

(22) Trading liabilities

Derivative financial instruments which are not used as hedging instruments in hedge accounting are reported under trading liabilities. We also report own issues in the trading book and delivery obligations from short sales of securities in this item. Trading liabilities are measured at fair value through profit or loss.

(23) Provisions

A provision must be shown if on the balance sheet date, as the result of an event in the past, a current legal or factual obligation has arisen, an outflow of resources to meet this obligation is likely and it is possible to make a reliable estimate of the amount of this obligation. Accordingly we make provisions for liabilities of an uncertain amount to third parties and anticipated losses arising from pending transactions in the amount of the claims expected. The amount recognised as a provision represents the best possible estimate of the expense required to meet the current obligation as at the reporting date. Risks and uncertainties (including with regard to the actual level of the costs at the date of any utilisation of the provision and potential increases in costs for long-term provisions) are taken into account in the estimate. Provisions are recognised at their net present value if they are long-term.

Allocations to the different types of provisions are made via various items in the income statement. Provisions for lending business are charged to loan loss provisions and provisions for restructuring are charged to restructuring expenses. Other provisions are generally charged to operating expenses and released through other net income.

Companies within the Commerzbank Group are involved both in Germany and other countries in court and arbitration cases (legal proceedings) and in out-of-court and supervisory proceedings (recourse claims) as defendants and claimants or in other ways. Moreover, legal cases in which Commerzbank and its subsidiaries are not directly involved could have an impact on the Group because of their fundamental importance for the banking sector. The

Group recognises appropriate provisions for proceedings and recourse claims, with the charge shown in other net income, if a loss is likely and can be determined sufficiently accurately. Recourse claims relate, for example, to reimbursements of processing fees for consumer loans which have been ruled as invalid and possible claims from customer misselling. In the case of provisions for legal proceedings, the procedure differs depending on whether a company within the Group is the claimant (active proceedings) or defendant (passive proceedings). In active proceedings, provisions are recognised for the legal and court fees and ancillary costs, although this may vary based on the specific practices in each country. In passive proceedings provisions are also recognised for the value in dispute on each balance sheet date based on an estimate of the probability of loss. However, the Group's final liability may differ from the provisions that have been recognised, as a high degree of judgement is involved in assessing the probability of uncertain liabilities in such legal proceedings and quantifying them. These estimates may turn out to be inaccurate at a later stage of the proceedings. Legal risks for which no provisions have been recognised are reported as contingent liabilities (see Note 29).

Restructuring provisions are recognised if the Commerzbank Group has a detailed formal restructuring plan and has already begun implementing this plan or has announced the main details of the restructuring. The detailed plan must contain information on the departments and main locations involved, the approximate number of staff whose jobs are affected by the restructuring, the costs involved and the period during which the restructuring will be carried out. The detailed plan must be communicated in such a way that those affected can expect it to be realised. The restructuring expenses item in the income statement can contain further direct restructuring expenses which are not included in the restructuring provision.

(24) Provisions for pensions and similar commitments

The company pension arrangements for current and former employees of Commerzbank Aktiengesellschaft and a number of domestic and foreign subsidiaries, together with their surviving dependants, consist of direct and indirect pension commitments (comprising both defined benefit and defined contribution plans).

Commerzbank mainly uses the BVV pension scheme to meet its indirect pension commitments. It is also used by other BVV member companies for occupational pension provision. Membership of BVV forms part of Commerzbank's works council agreement, and its membership of BVV therefore cannot be terminated. The payment of contributions to the BVV pension scheme by the member companies and the payment of benefits by the BVV pensions scheme are determined by the applicable BVV pension plan. Contributions take the form of a percentage contribution rate, which is payable out of the gross monthly salary of active staff. Contributions are capped by a maximum contribution threshold. These indirect systems are defined benefit plans which are shared jointly by several employers. However, they are accounted for as defined contribution plans, as we do not have enough information on our share of the overall defined benefit obligation of each BVV plan and on the share of the relevant plan assets attributable to us. The contributions paid to the external pension providers are recognised under personnel expenses. Under the German occupational pensions legislation, the employer is liable for meeting the pension commitment provided through BVV. However, no provisions for the BVV pension commitment were recognised either in the current or previous business years. On the basis of a works agreement, the employer contributions will be increased from 2017. Recourse to the statutory liability is regarded as unlikely.

The Group also operates defined benefit plans based on a direct pension commitment on the part of Commerzbank, where the level of the pension payment is pre-defined and dependent on factors such as age, salary level and length of service. IAS 19 accounting principles for defined benefit pension plans are applied to these pension schemes, and therefore provisions are recognised.

For employees entitled to pension benefits who joined Commerzbank Aktiengesellschaft or certain other consolidated companies before 31 December 2004, the pension entitlements are based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA. The amount of the benefits under CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module – possibly augmented by a dynamic module – for each contributory year from 2005 onwards; the benefits are structured as a lifelong pension with the option to take a lump sum. Staff joining the Bank after 1 January 2005 have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds.

Since 1 January 2010 the direct pension arrangements for staff formerly employed by Dresdner Bank Aktiengesellschaft have also been based on the company pension modules (CBA).

Furthermore, some foreign subsidiaries and branches, primarily in the United Kingdom and the USA, also have defined benefit and defined contribution plans.

In addition to the occupational pension plans, there is an internally-financed healthcare plan in the United Kingdom which entitles members in retirement to reimbursement of medical costs or a contribution to private medical insurance. The resulting obligations are accounted for according to the rules for defined benefit pension plans as specified by IAS 19.

In order to meet the direct pension liabilities in Germany, cover assets were transferred to a legally independent trustee, Commerzbank Pension Trust e. V. (CPT) under a Contractual Trust Arrangement (CTA). The assets held by CPT and the cover assets for pension obligations in our foreign units qualify as plan assets within the definition of IAS 19.8. The trust agreements signed by Commerzbank Aktiengesellschaft and other group companies in Germany with the CPT also provide insolvency insurance for the direct occupational pension commitments funded by plan assets. The insolvency insurance covers all vested benefits of active and former employees and all current benefits being paid to pensioners. It covers the portion of vested or current benefits that are not covered by Pensions-Sicherungs-Verein (PSV), the German pensions insurance fund.

The trust agreements do not require the trustor companies to pay in contributions. However, the plan assets must cover the liabilities not covered by PSV at all times. The companies that are party to the agreements may only request rebates from the plan assets for pension benefits that have been paid up to this limit.

The investment guidelines for the German plan assets are laid down jointly by the Board of Managing Directors of Commerzbank Aktiengesellschaft and the CPT. There are no legal requirements for the investment guidelines. The investment management is carried out by the Executive Pension Committee (EPC), which follows a liability-driven investment (LDI) approach as part of its Asset Liability Management (ALM). It also sets the framework for determining the actuarial assumptions. The main aim of the EPC's investment strategy is to replicate the future cash flows for the pension liabilities using derivatives for interest rates, inflation and credit spreads, with the aim of reducing the risks directly attributable to the future development of the pension liabilities.

Apart from the usual pension risks such as inflation and biometric risks there are no other unusual risks at Commerzbank. The portfolio of the plan assets is well-diversified and mainly comprises fixed-income securities, equities and alternative investments (see Note 68).

The pension plans outside Germany have their own trust structures independent from the CPT. Overall, they currently represent around 15% of the Group's total pension liabilities. The EPC also acts as the steering committee for the plan assets of the foreign pension plans. Different national regulations also apply in each of the foreign countries. However, these plans also generally use an LDI approach. The biggest plan sponsors outside Germany are the Group units in London (around 86%), New York and Amsterdam, which all together account for around 95% of the non-German pension liabilities. Most of the foreign pension schemes are funded defined benefit plans. In some cases there are also pension liabilities on a small scale outside Germany that are not covered by plan assets.

In accordance with IAS 19.63 the net liability or net asset resulting from the present value of the defined benefit obligations less the fair value of the plan assets, subject, if applicable, to the asset ceiling, is recognised in the balance sheet.

The pension expense reported under personnel expenses and in net interest income consists of the service cost and the net interest expense/income (net interest cost). The service cost arises from changes in the pension obligation of past years as a result of changes in pension commitments. Together with the current service cost, this represents the entitlements earned by members during the financial year, this also includes the past service cost. Net interest expense/income (net interest cost) is calculated on the basis of the difference between the present value of the obligation and the fair value of the plan assets. The discount rate is used to calculate the pension obligation to the net defined benefit liability or asset.

For defined-benefit plans, an independent actuary calculates the pension provisions and similar obligations (part-time schemes for older staff, early retirement) and provisions for long-service awards annually using the projected unit credit method. Apart from biometric assumptions (the Heubeck-Richttafeln 2005 G in Germany and country-specific biometric tables in other countries), this calculation relies in particular on a current discount rate based on the yield on high-quality, long-term corporate bonds, assumptions regarding staff turnover and career trends as well as expected future rates of salary and pension increases. For German pension obligations, the discount factor is determined using a proprietary Commerzbank model derived from eurozone swap rates with the same maturity and adjusted by a spread premium for high-quality corporate bonds.

The difference between the remeasurement of the pension obligation on the balance sheet date as compared with the value projected at the beginning of the year is the actuarial gain or loss. Actuarial profits and losses are, like the return on plan assets (with the exception of amounts contained in net interest expense/income), recognised directly in retained earnings within equity and are reported in the statement of comprehensive income.

(25) Remuneration plans

1. Description of the main remuneration plans

a) Commerzbank Incentive Plan (CIP)

The Commerzbank Incentive Plan (CIP), which was first launched in 2011, applies to the entire Commerzbank Group. The CIP has since been revised in response to changing regulatory requirements. It sets out the detailed rules for variable remuneration; in some locations different or supplementary CIP rules apply, reflecting local legal or employment law requirements.

Under the CIP, employees designated as risk takers can receive parts of their individual variable remuneration as a cash component and a stock component. Risk takers are employees whose role has a material impact on Commerzbank's overall risk profile.

The criteria on which risk takers are identified include managerial responsibility, responsibility for credit and market risks, membership of a committee responsible for these risks or the level of remuneration. Commerzbank has also determined further internal criteria that can lead to classification as a risk taker. Depending on the employee's hierarchical level and the risk relevance of their role, the Bank differentiates between two kinds of risk taker: "risk taker I" and "risk taker II". Risk taker I status applies to employees whose role entails a higher risk relevance.

The variable remuneration of risk takers consists of a short-term incentive (STI) and, in the case of risk takers whose variable remuneration exceeds the risk taker limit of €50 thousand, an additional long-term incentive (LTI). Both the STI and the LTI are one-half share-based and one-half cash-based.

For risk takers whose variable remuneration does not exceed the risk taker limit, and for employees without risk taker status, variable remuneration is paid entirely as STI in cash. The risk taker limit is the amount – in relation to a financial year – up to which the payment of a risk taker's entire variable remuneration as a cash STI payment is tolerated by the supervisory authorities. If the risk taker limit is exceeded is the variable remuneration divided up into STI and LTI components subject to the CIP rules applying to these components.

The following rules apply once the risk taker limit has been exceeded:

- For the risk taker I category, the STI component is 40% and the LTI component is 60% of the potential variable remuneration. 50% of both the STI and LTI are paid in shares.
- For the risk taker II category, the STI component is 60% and the LTI component is 40% of the potential variable remuneration. 50% of both the STI and LTI are paid in shares.

An individual's variable remuneration is determined on the basis of the results of their annual target attainment meeting (performance appraisal I), which is held in the first three months of the following year. The number of Commerzbank shares granted is set at the same time as the variable remuneration for both the STI and the LTI. If risk takers receive share-based remuneration components, the number of Commerzbank shares is calculated by dividing 50% of the euro amounts in the STI and the LTI by the subscription price. If there are any fractional amounts the number of shares is rounded up. The subscription price is the simple arithmetic average of the Xetra closing prices of the Commerzbank share on all trading days during the reference period (December of the previous year and January and February of the next year).

Under the rules of the share-based remuneration components, Commerzbank reserves the right to make a payment in cash rather than in the form of a share allocation. Use is made of this option as a rule. In the STI the shares, or the optional cash settlement, are subject to a six-month lockup ("retention period"). The share component of the STI is currently paid in October of the following financial year.

In the LTI, the shares can be acquired at the earliest after the expiry of the deferral period, currently three years, provided the performance appraisal II does not yield other grounds for reducing or cancelling the retained remuneration.

In the performance appraisal II, a review of the underlying performance appraisal I is conducted in the first three months after the end of the deferral period. It consists of the fulfilment of individual and group-specific qualitative targets during the deferral period. If entitlement is confirmed, the final availability of the shares or the optional cash settlement in the LTI is also subject to a six-month retention period. The LTI is currently paid out in October of the fourth year after the financial year underlying the variable remuneration.

The cash settlement of the share component is calculated on the basis of the simple arithmetic average of Xetra closing prices of the Commerzbank share on all trading days during the reference period. The reference period is the month preceding the due date of the relevant share-based remuneration component.

If Commerzbank has paid dividends or carried out capital actions during the term of the CIP, for those financial years in which variable compensation is payable pursuant to the provisions of the Remuneration Ordinance for Institutions dated 16 December 2013, an additional cash amount equal to the per-share dividend, or, in the case of capital actions, a cash settlement compensating for lost subscription rights will be paid out when the share-based STI and LTI components mature.

The various remuneration components are estimated in the underlying financial year on the basis of budget forecasts, and provisions are recognised proportionally over the lifetime of the plans. Moreover, regular reviews, revaluations based on movements in the share price and/or adjustments of the amounts are carried out throughout the lifetime of the CIP.

b) Share awards

Share awards are a deferred component of variable compensation where non-pay-scale employees of Commerzbank Aktiengesellschaft are allocated virtual Commerzbank shares.

The Commerzbank Incentive Plan (CIP) was introduced as a result of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung), which became law in Germany in October 2010. There will, therefore, be no reallocation of share awards. Previously allocated share awards will continue to be allocated within the standard term.

c) mBank S.A.

In 2008, mBank S.A. launched two share-based remuneration plans for the members of its Management Board. The members of the Management Board of our subsidiary could participate in these plans from 2009 to 2011. The first plan provided for the subscription of mBank shares. The second plan (modified in 2010) allowed for an amount to be drawn in cash corresponding to the Commerzbank share value. The last payout was made in 2016.

In 2012 a new share-based programme was launched in which members of the Management Board could participate up until 2016. Until 2013 this programme comprised both a short-term component (cash payment) and a long-term component which entitled the participants to make regular subscriptions to mBank shares over a period of three years. The programme was modified in 2014 and now consists of cash payments and the subscription of mBank shares in both components over three years. Similar to the 2008 programme, a given quantity of these shares are issued each year and made available to those entitled for purchase at a predetermined price. In addition, a significant number of risk takers were added to this programme in 2015. In all of these programmes participation is linked to a minimum return on equity by the mBank sub-group. The long-term component of the programme from 2012 (modified in 2014) is also linked to the participants' performance assessment.

Both plans, which entitle the participants to subscribe to mBank shares (2008 and 2012, modified in 2014), are classified as share-based payments settled in the form of equity instruments. The second programme from 2008 is accounted for as a cash-settled share-based compensation transaction.

d) Remuneration of the Board of Managing Directors

Please refer to the separate Remuneration Report for a detailed account of the remuneration of members of the Board of Managing Directors.

2. Accounting treatment and measurement

The staff compensation plans described here are accounted for under the rules of IFRS 2 – Share-based Payment and IAS 19 – Employee Benefits. IFRS 2 distinguishes between share-based payments settled in the form of equity instruments and those settled in cash. For both forms, however, the granting of share-based payments has to be recognised at fair value in the annual financial statements.

- Equity-settled share-based payment transactions

  The fair value of share-based payments settled in the form of equity instruments is recognised as personnel expense within equity in retained earnings. The fair value is determined on the date on which the rights are granted.

  If rights cannot be exercised because the conditions for exercise are not met due to market conditions, no change is made to the amounts already recognised in equity. However, if rights cannot be exercised because other conditions for exercise are not met (service and non-market conditions), the amounts already recognised in equity are adjusted through profit or loss.

- Cash-settled share-based payment transactions
  The portion of the fair value of share-based payments settled in cash that relates to services performed up to the date of measurement is recognised as personnel expense while at the same time being recorded as a provision. The fair value is recalculated on each balance sheet date up to and including the settlement date. Any change in the fair value of the obligation must be recognised through profit or loss. On the date of settlement, therefore, the provision must correspond as closely as possible to the amount payable to the eligible employees. The provisions fluctuate on each balance sheet date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. This affects the portion of the share-based variable remuneration that was determined using an average price for the Commerzbank share. The price itself is determined as the average Xetra closing price of the months of January and February plus December of the previous year. In the case of share awards the portion of the provisions attributable to share awards is reassigned from other personnel provisions to the provision for share awards at the date of the award. The provision is calculated as the product of the number of rights allocated multiplied by the average Xetra closing price of Commerzbank shares in January and February of the year of the award and December of the previous year. The provisions fluctuate on each balance sheet date in parallel with the performance of the Commerzbank Aktiengesellschaft share price. Discounts are not applied for staff natural wastage as the share awards do not lapse on the departure or death of an employee. If Commerzbank pays dividends during the vesting period, a cash payment equal to the dividend, or cash compensation for a capital action, will be paid out for each CIP and share award at the payout date in addition to the payout value. Provisions are recognised for these payments if applicable.
- Measurement
  The provision for the Commerzbank incentive plan and the share awards is determined by multiplying the number of shares earned by participants by the closing price of the Commerzbank share on 31 December of the reporting year. The value of Commerzbank shares for the second mBank programme from 2008 is calculated by using average market prices of the Commerzbank share on the date the shares were granted. The expense for the allocations to the provisions can also be recognised over the vesting period, depending on the remuneration plan.

(26) Taxes on income

Current tax assets and liabilities are calculated on the basis of the expected payment to or rebate from each fiscal authority given the current tax rates and tax regulations applicable in the relevant country.

Deferred tax assets and liabilities are formed to reflect differences between the IFRS carrying amounts of assets or liabilities and the taxable value, provided that these temporary differences are likely to increase or reduce future taxes on income and there is no rule against disclosing them. In addition, deferred taxes are recognised for both tax loss carryforwards as well as for as yet unused tax credits. The valuation of deferred taxes is based on income tax rates already approved as at 31 December 2016 and applicable upon realisation of the temporary differences.

Deferred tax assets on tax-reducing temporary differences, unused tax losses and unused tax credits are only recognised if and to the extent that it is probable that the same taxable entity will generate taxable profit in the foreseeable future with respect to the same fiscal authority. To assess impairment, detailed 5-year fiscal profitability projections are made on the basis of the multi-year planning approved by the Board of Managing Directors. Furthermore, recognition is justified if it is likely that a sufficient taxable result will be available even beyond the 5-year time frame.

Deferred tax assets and liabilities are recognised and – depending on the reason for the deferral – continued, either under taxes on income in the income statement or directly in retained earnings.

Income tax expenses or income are reported under taxes on income in the Group income statement.

Deferred tax assets and liabilities are netted if there is a right to net current taxes on income and the deferred tax assets and liabilities relate to taxes on income levied by the same fiscal authority on the same taxable entity.

Taxable temporary differences relating to shares in Commerzbank group companies for which no deferred income tax liabilities were recognised amounted to €254m (previous year: €262m).

The current and deferred tax assets and current and deferred tax liabilities are set out in the balance sheet and detailed in Notes 58 and 69.

(27) Subordinated debt instruments

We report securitised and unsecuritised issues which in the event of an insolvency can only be repaid after all non-subordinated creditors have been satisfied as subordinated debt instruments. Intangible assets are reported at amortised cost. Premiums and discounts are recognised in net interest income over the lifetime of the instrument.

Subordinated debt instruments to which the fair value option is applied are reported at fair value.

The carrying amounts of the subordinated debt instruments, to which micro fair value hedge accounting is applied, are adjusted for the changes in fair value attributable to the hedged risk. In portfolio fair value hedge accounting the changes in fair value are reported under liabilities as value adjustments for portfolio fair value hedges.

(28) Fiduciary transactions

Fiduciary business involving the management or placing of assets for the account of others is not shown in the balance sheet. Commissions received from such business are included under net commission income in the income statement.

(29) Contingent liabilities and irrevocable lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Situations where the Group acts as guarantor to the creditor of a third party for the fulfilment of a liability of that third party must be shown as guarantees. Indemnity agreements include contractual obligations that involve taking responsibility for a particular outcome or performance. These are normally guarantees issued at a customer’s request, which give us a right of recourse to the customer in the event that the guarantee is called upon. All obligations that could incur a credit risk must be shown here as irrevocable lending commitments. These include obligations to grant loans (e.g. credit lines that have been advised to customers), to buy securities or provide guarantees or acceptances. However, lending commitments attributable to the trading book are reported under trading assets or trading liabilities.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for loan losses.

Income from guarantees is reported in net commission income; the level of this income is determined by the application of agreed rates to the nominal amount of the guarantees.

Legal risks for which no provisions have been recognised are also reported under contingent liabilities. We take a wide variety of factors into account in determining the probability of a loss, including the type of claims and judgements on similar issues. The amounts shown in Note 87 reflect the claims made in relation to these risks.

(30) Treasury shares

In 2016 the Group held no treasury shares.

Report on events after the reporting period

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

Notes to the income statement

(31) Net interest income

€m	2016	2015[1]	Change in %
Interest income	9,848	11,457	–14.0
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	790	766	3.1
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	7,325	8,250	–11.2
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	226	220	2.7
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	659	1,238	–46.8
Prepayment penalty fees	122	135	–9.6
Gains on the sale of loans and receivables and repurchase of liabilities[2]	135	386	–65.0
Dividends from securities	88	187	–52.9
Current net income from equity holdings and non-consolidated subsidiaries	76	127	–40.2
Positive interest from financial instruments held as liabilities	289	115	.
Unwinding	21	33	–36.4
Other interest income	117	–	.
Interest expenses	4,771	5,730	–16.7
Interest expenses on subordinated debt instruments	803	895	–10.3
Interest expenses on securitised liabilities	747	1,209	–38.2
Interest expenses on other liabilities	2,305	2,550	–9.6
Interest expenses from applying the fair value option[3]	340	352	–3.4
Interest expenses on securitised liabilities held for trading	114	139	–18.0
Losses on the sale of loans and receivables and repurchase of liabilities[2]	95	187	–49.2
Positive interest from financial instruments held as assets	346	197	75.6
Other interest expenses	21	201	–89.6
Total	**5,077**	**5,727**	**–11.3**

1 Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
2 Of which: €129m in gains and €37m in losses on the repurchase of liabilities in the current financial year (previous year: €225m gains and €50m losses).
3 Of which: €3m for subordinated debt instruments (previous year: €1m).

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.

(32) Loan loss provisions

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

€m	2016	2015	Change in %
Allocation to loan loss provisions[1]	–1,653	–1,755	–5.8
Reversals of loan loss provisions[1]	790	1,245	–36.5
Direct write-downs	–240	–445	–46.1
Write-ups and amounts recovered on claims written down	203	259	–21.6
Total	**–900**	**–696**	**29.3**

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

The loan loss provisions included one-off expenses of a net €28m arising from the regular annual update of risk parameters. The breakdown of the net allocation to provisions was as follows:

€m	2016	2015	Change in %
Specific risks	–982	–538	82.5
Claims on banks	8	2	.
Claims on customers	–1,026	–542	89.3
Off-balance-sheet items	36	2	.
Portfolio risks	119	28	.
Claims on banks	21	9	.
Claims on customers	93	27	.
Off-balance-sheet items	5	–8	.
Direct write-downs, write-ups and amounts recovered on claims written down	–37	–186	–80.1
Total	**–900**	**–696**	**29.3**

(33) Net commission income

€m	2016	2015[1]	Change in %
Commission income	**3,837**	**4,067**	**–5.7**
Securities transactions	1,080	1,165	–7.3
Asset management	300	266	12.8
Payment transactions and foreign business	1,389	1,495	–7.1
Guarantees	213	252	–15.5
Net income from syndicated business	264	306	–13.7
Intermediary business	370	364	1.6
Fiduciary transactions	16	16	0.0
Other income	205	203	1.0
Commission expense	**625**	**637**	**–1.9**
Securities transactions	230	224	2.7
Asset management	44	50	–12.0
Payment transactions and foreign business	154	164	–6.1
Guarantees	16	33	–51.5
Net income from syndicated business	2	8	–75.0
Intermediary business	120	102	17.6
Fiduciary transactions	7	9	–22.2
Other expenses	52	47	10.6
Net commission income			
Securities transactions	850	941	–9.7
Asset management	256	216	18.5
Payment transactions and foreign business	1,235	1,331	–7.2
Guarantees	197	219	–10.0
Net income from syndicated business	262	298	–12.1
Intermediary business	250	262	–4.6
Fiduciary transactions	9	7	28.6
Other income	153	156	–1.9
Total	**3,212**	**3,430**	**–6.4**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

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

(34) 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	2016	2015[1]	Change in %
Net trading gain or loss[2]	325	593	−45.2
Net gain or loss from applying the fair value option	32	−39	.
Total	**357**	**554**	**−35.6**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] Including net gain or loss on the remeasurement of derivative financial instruments.

(35) Net income from hedge accounting

Net income from hedge accounting includes gains and losses on the valuation of effective hedges in fair value hedge accounting (fair value hedge). Net income from hedge accounting also includes the ineffective portion of effective cash flow hedges. The breakdown was as follows:

€m	2016	2015	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	−968	697	.
Micro fair value hedges	−1,107	412	.
Portfolio fair value hedges	139	285	−51.2
Changes in fair value attributable to hedged items	935	−756	.
Micro fair value hedges	1,123	−447	.
Portfolio fair value hedges	−188	−309	−39.2
Cash flow hedges			
Net gain or loss from effectively hedged cash flow hedges (ineffective part only)	−4	−1	.
Total	**−37**	**−60**	**−38.3**

(36) Net investment income

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

€m	2016	2015	Change in %
Net gain or loss from interest-bearing business	**169**	**–75**	**.**
in the available-for-sale category	60	106	–43.4
Gains on disposals (including reclassification from revaluation reserve)	79	125	–36.8
Losses on disposals (including reclassification from revaluation reserve)	–22	–21	4.8
Net remeasurement gain or loss	3	2	50.0
in the loans and receivables category	109	–181	.
Gains on disposals	61	31	96.8
Losses on disposals	–108	–20	.
Net remeasurement gain or loss[1]	156	–192	.
Net income from equity instruments	**175**	**68**	**.**
in the available-for-sale category	162	105	54.3
Gains on disposals (including reclassification from revaluation reserve)	162	106	52.8
Losses on disposals (including reclassification from revaluation reserve)	0	–1	.
in the available-for-sale category, measured at acquisition cost	37	55	–32.7
Net remeasurement gain or loss	–21	–92	–77.2
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	–3	0	.
Total	**344**	**–7**	**.**

[1] Includes reversals of €25m of portfolio valuation allowances for reclassified securities (previous year: reversals of €2m).

(37) Current net income from companies accounted for using the equity method

Current net income from companies accounted for using the equity method was €150m (previous year: €82m). In 2016 this was positively influenced in particular by a one-off effect from the sale of a property company. Including the net gain or loss on disposals and remeasurement of companies accounted for using the equity method of €–3m, which is included in net investment income, total net income from companies accounted for using the equity method was €147m. In the previous year there were no net gains or losses on disposals and remeasurement of companies accounted for using the equity method.

(38) Other net income

Other net income primarily comprises allocations to and reversals of provisions and income and expenses from operating leases.

€m	2016	2015[1]	Change in %
Other material items of expense	**310**	**430**	**–27.9**
Allocations to provisions	79	135	–41.5
Operating lease expenses	166	136	22.1
Expenses from building and architects' services	24	18	33.3
Hire-purchase expenses and sublease expenses	8	10	–20.0
Expenses from investment properties	2	18	–88.9
Expenses from non-current assets held for sale	1	38	–97.4
Expenses from disposal of fixed assets	5	4	25.0
Expenses from FX rate differences	25	71	
Other material items of income	**655**	**539**	**21.5**
Reversals of provisions	197	191	3.1
Operating lease income	178	182	–2.2
Income from insurance business	0	6	.
Income from building and architects' services	7	2	.
Hire-purchase income and sublease income	22	28	–21.4
Income from investment properties	8	62	–87.1
Income from non-current assets held for sale	93	21	.
Income from disposal of fixed assets	81	6	.
Income from FX rate differences	69	41	68.3
Balance of sundry tax income/expenses	–61	–51	19.6
Balance of sundry other income/expenses	12	11	9.1
Other net income	**296**	**69**	**.**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The balance of sundry other income/expenses comprised €200m of income (previous year: €229m) and €188m of expenses (previous year: €218m).

The decline in allocations to provisions in the current financial year relates to lower estimates of litigation losses.

(39) Operating expenses

Operating expenses were €7,100m (previous year: €7,157m) and included personnel expenses of €3,723m (previous year: €3,900m), administrative expenses of €2,821m (previous year: €2,759m) and depreciation and amortisation of office furniture and equipment, property and other intangible assets of €556m (previous year: €498m). The breakdown of operating expenses was as follows:

Personnel expenses | €m	2016	2015	Change in %
Wages and salaries	3,527	3,670	–3.9
Expenses for pensions and similar employee benefits	196	230	–14.8
Total	**3,723**	**3,900**	**–4.5**

Personnel expenses included €463m of expenses for social security contributions (previous year: €474m).

Administrative expenses | €m	**2016**	**2015**	**Change in %**
Occupancy expenses	570	604	–5.6
IT expenses	498	482	3.3
Workplace and information expenses	253	254	–0.4
Compulsory contributions	372	279	33.3
Advisory, audit and other expenses required to comply with company law	507	428	18.5
Travel, representation and advertising expenses	305	329	–7.3
Personnel-related operating expenses	131	153	–14.4
Other operating expenses	185	230	–19.6
Total	**2,821**	**2,759**	**2.2**

The compulsory contributions include €155m for bank levies in the current financial year (previous year: €119m) and Polish bank tax of €74m (previous year: –€m).

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, was appointed as the group auditors of Commerzbank. The audit partners responsible for this mandate pursuant to Art. 319a (1) sentence (4) of the German Commercial Code were Helge Olsson and Clemens Koch. This was the second year in which Helge Olsson was a responsible audit partner, and the fifth year in this role for Clemens Koch. The auditor in charge of the Commerzbank mandate as defined under the Professional Statutes is Helge Olsson.

The fees for the group auditors amounted to €46m excluding VAT for the financial year 2016, of which €1,759 thousand is attributable to services rendered during 2015. If capital increases were carried out in the reporting year or the prior year, the costs incurred for services provided by our auditors during a capital increase are contained in the table below. In accordance with IAS 32.35, the costs of a capital increase are reported as a deduction from equity in the group financial statements.

Auditors' fees | €1,000	**2016**	**2015**	**Change in %**
Audit of financial statements	16,532	15,850	4.3
Other confirmation services[1]	7,474	7,255	3.0
Tax consulting services	430	353	21.8
Other services	21,654	14,726	47.0
Total	**46,090**	**38,184**	**20.7**

[1] Other confirmation services include audits other than those for the annual financial statements and the consolidated financial statements, e.g. reviews of quarterly financial reports, reviews of reporting obligations pursuant to Art. 36 of the German Securities Trading Act (WpHG) and the issue of comfort letters pursuant to IDW PS 910.

Depreciation and amortisation of office furniture and equipment, land, buildings and other fixed assets and intangible assets was as follows:

Depreciation and amortisation in €m	**2016**	**2015**	**Change in %**
Office furniture and equipment	133	141	–5.7
Land, buildings and other fixed assets	38	58	–34.5
Intangible assets	385	299	28.8
Total	**556**	**498**	**11.6**

The amortisation of intangible assets included €1m of impairment charges (previous year: €4m). On land, buildings and other fixed assets there was an impairment charge of €8m (previous year: €9m).

(40) Impairments on goodwill and other intangible assets

Against the backdrop of the alignment of the segment structure as part of the "Commerzbank 4.0" strategy, we carried out an impairment test as of 30 September 2016, which resulted in the recognition of an impairment on goodwill of €592m in the Corporate Clients segment, formerly the Corporate & Markets segment (see Note 56). We also recognised an impairment of €35m on the customer base of the new Corporate Clients segment. This depreciation is associated exclusively with the impairment test.

€m	2016	2015	Change in %
Goodwill	592	–	.
Other intangible assets	35	–	.
Total	**627**	**–**	**.**

(41) Restructuring expenses

The restructuring expenses of €129m in the 2016 financial 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.

The restructuring expenses in the prior year were related to the realignment of the former Corporates & Markets segment in London and New York, the reorganisation of our operations in Luxembourg and the optimisation of internal processes.

€m	2016	2015	Change in %
Expenses for restructuring measures introduced	129	114	13.2
Total	**129**	**114**	**13.2**

(42) Taxes on income

The breakdown of income tax expense was as follows:

€m	2016	2015[1]	Change in %
Current taxes on income	536	340	57.6
Tax expense or income for the current year	491	334	47.0
Tax expense or income for the previous year	45	6	.
Deferred taxes on income	–275	289	.
Tax expense or income due to change in temporary differences and tax loss carryforwards	8	156	–94.9
Tax rate differences	–81	–16	.
Tax expense due to depreciation of deferred taxes calculated hitherto	20	149	–86.6
Tax income from previously unrecognised tax loss carryforwards and temporary differences	–222	–	.
Total	**261**	**629**	**–58.5**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The combined income tax rate applicable to Commerzbank Aktiengesellschaft and its German subsidiaries was 31.5%.

The following reconciliation shows the relationship between net pre-tax profit according to IFRS and tax expense in the reporting year.

The Group income tax rate selected as a basis for the reconciliation is made up of the corporate income tax rate of 15.0% applied in Germany, plus the solidarity surcharge of 5.5% and an average rate of 15.7% for trade tax. This yields a German income tax rate of 31.5% (previous year: 31.4%).

Income tax effects result from discrepancies between the tax rates applying to foreign units. Tax rates outside Germany ranged between 12% (Singapore) and 46% (New York).

As at 31 December 2016 the Group tax rate was 40.5% (previous year: 34.4%). The tax income as a result of the incorporation of the 2017 to 2020 multi-year planning and the use of tax loss carryforwards on which no deferred tax assets had previously been recognised had a positive impact on the tax rate. This was offset by the remeasurement of deferred tax assets as a result of the additional limit imposed by the UK government on the amount of tax loss carryforwards that can be offset annually against future profits and the non-deductible amortisation of goodwill.

€m	2016	2015[1]
Pre-tax profit or loss under IFRS	**643**	**1,828**
Group's income tax rate (%)	31.5	31.4
Calculated income tax expense in financial year	**202**	**574**
Effects of differing tax rates and tax rate changes on tax accruals recognised in income	–88	–138
Effect from the remeasurement of deferred taxes	93	149
Effects of non-deductible operating expenses and tax-exempt income	200	81
Unrecognised deferred tax assets	–166	0
Utilisation of tax loss carryforwards for which no deferred tax assets had been calculated	–55	–87
Effects of additions and deductions for trade tax	8	9
Withholding taxes not creditable	46	26
Current taxes relating to other periods	25	–9
Other effects	–4	24
Taxes on income	**261**	**629**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The table below shows the amount of current and deferred taxes resulting from items that were directly credited or debited to equity:

Taxes on income not recognised in the income statement | €m	31.12.2016	31.12.2015[1]	Change in %
Current taxes on income	0	1	.
Deferred taxes on income	1,026	994	3.2
Measurement differences arising from cash flow hedges	25	52	–51.9
Revaluation reserve	207	333	–37.8
Loss carryforwards	199	202	–1.5
Remeasurement of defined benefit plans	595	407	46.2
Other	–	–	.
Total	**1,026**	**995**	**3.1**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(43) Net income and net interest income by measurement category

Net income consists of remeasurements to fair value, foreign exchange translation effects, impairments, impairment reversals, realised gains on disposal, recoveries on written-down financial instruments and changes in the revaluation reserve recognised in equity (see Note 5c).

€m	2016	2015[1]	Change in %
Net income from			
Trading assets and liabilities[2]	288	533	−46.0
Applying the fair value option	32	−39	.
Available-for-sale financial assets	36	587	−93.9
of which change in valuation reserve recognised in income statement	−86	−62	38.7
of which change in valuation reserve not recognised in income statement	−49	495	.
Loans and receivables	−791	−877	−9.8
Other financial liabilities	–	–	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] Including net income from hedge accounting.

The net interest income shows the interest components from the net interest income note by IAS 39 category.

€m	2016	2015[1]	Change in %
Net interest income from			
Financial instruments held for trading	545	1,099	−50.4
Applying the fair value option	−114	−132	−13.6
Available-for-sale financial assets	790	766	3.1
Loans and receivables	7,325	8,250	−11.2
Other financial liabilities	−3,855	−4,654	−17.2

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(44) Earnings per share

	2016	2015[1]	Change in %
Operating profit (€m)	1,399	1,942	−28.0
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	279	1,084	.
Average number of ordinary shares issued	1,252,357,634	1,208,568,906	3.6
Operating profit per share (€)	1.12	1.61	−30.4
Earnings per share (€)	0.22	0.90	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in 2015, no conversion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (Note 45).

(45) 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 the internal management reporting, which the chief operating decision maker draws on in assessing the performance of the operating segments and making decisions regarding the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

This segment reporting is based on the Commerzbank Group's organisational structure. The Board of Managing Directors announced a new segment structure with effect from 30 September 2016 as part of the "Commerzbank 4.0" strategy. The new Private and Small-Business Customers segment brings together the previous Private Customers and Central & Eastern Europe segments plus Commerzbank's small business customers. The new Corporate Clients segment combines the former Corporates & Markets segment and the large corporate customers of the former Mittelstandsbank segment. The prior-year figures have been restated accordingly.

Our segment reporting contains information on three business segments, plus the Others and Consolidation segment.

- The Private and Small-Business Customers segment comprises five Group divisions. The two divisions Private Customers and Small-Business Customers form the branch bank in Germany with around 1,000 locations. The remaining divisions include comdirect bank Aktiengesellschaft, with its subsidiary ebase GmbH, the asset manager Commerz Real Aktiengesellschaft and the Polish mBank Group. The two Group divisions Private Customers and Small-Business Customers are subdivided into five market regions in Germany serving private and wealth management customers as well as business customers and smaller Mittelstand companies. The Private Customers division concentrates on four key competences: investment, particularly securities and asset management, lending with a focus on mortgages and consumer loans, payments and pensions. This Group division is also responsible for Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The Small-Business Customers division focuses on the needs of companies with turnover of up to €15m, particularly in regard to loans and payment transactions. This Group division combines professional corporate banking expertise and needs-oriented, tailored solutions relying on proven standard products with maximum proximity to customers achieved through a wide geog-raphic presence comprising more than 300 locations. The comdirect bank division comprises the activities of the comdirect bank Group. It provides standardised, primarily internet-based advisory and service offerings for customers, with a strategic focus on investing, saving and trading with securities. It targets customers who are modern, digitally adept and independent. The product range of the asset manager Commerz Real comprises open-ended real estate funds (hausinvest), asset structuring of investment products for private and institutional investors (real estate, infrastructure including LNG tankers, aircraft, rolling stock and renewable energy), asset structuring of financing products and equipment leasing. The Polish mBank Group is a full-service bank which offers banking products for corporate customers as well as financial services for private customers in Poland, the Czech Republic and Slovakia.
- The Corporate Clients segment combines the business activities of the former Mittelstandsbank and Corporates & Markets segments. Business with smaller Mittelstand companies with turnover of between €2.5m and €15m was taken out of the Corporate Clients segment and reassigned to the Private and Small-Business Customers segment. The segment offers its customers the complete range of products of an international full-service bank, from traditional credit products, individually tailored financing solutions, investment and hedging products and products in the areas of cash management and international business, through to customer-oriented investment banking products and customised capital market solutions. The segment is divided into five Group divisions. The Mittelstand, International Corporates and Financial Institutions divisions are responsible for business with our core customers. The Mittelstand division covers Mittelstand customers and large domestic corporates with turnover in excess of €15m and bundles the relevant products they require. The International Corporates division looks after corporate customers headquartered abroad, large German multinational companies and international insurance companies. The Financial Institutions division is responsible for relationships with banks in Germany and abroad, and with central banks. Against the backdrop of the spin-off planned for the medium term, the results of the Equity Markets & Commodities division are reported separately. The Other Result division handles all business that falls outside the strategic focus of the Corporate Clients segment. These mainly relate to assets transferred from the former run-off activities of Non-Core Assets and the Portfolio Restructuring Unit and effects from hedging positions. In addition, the remeasurement effects associated with the Bank's own liabilities are allocated to this division.

- The Asset & Capital Recovery segment (ACR) brings together the remaining former non-core assets activities of the Commercial Real Estate, Public Finance (including Private Finance Initiatives) and Ship Finance (SF) divisions, which have not been transferred to other segments. Only non-impaired assets were transferred to this segment. ACR mainly comprises complex sub-portfolios with long maturities. The commercial real estate and public finance assets not included in the other segments belonged predominantly to the former subsidiary Hypothekenbank Frankfurt Aktiengesellschaft until they were wound up. In May 2016, Hypothekenbank Frankfurt Aktiengesellschaft (HF) was largely wound up and subsequently transformed into the servicing company LSF Loan Solutions Frankfurt GmbH. HF's commercial real estate and public finance portfolios, which were already included in the results of the ACR segment, were transferred to Commerzbank Aktiengesellschaft. The SF division comprises the ship finance activities of the Commerzbank Group. It also contains the ship financing business of the former Deutsche Schiffsbank Aktiengesellschaft. The ACR segment also comprises the shipping portfolio of the warehouse assets of Commerz Real.
- The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under "Others" comprises equity participations that are not assigned to business segments, overarching Group matters such as costs for Group-wide projects, effects resulting from purchase price allocation, specific individual matters that cannot be allocated to the segments and Group Treasury. Improvements in methodology and more granular cost allocation processes led to the allocation of previously unallocated costs to the segments in the first quarter of 2016. In addition, the role of Group Treasury as an internal service provider was taken into account as part of the cost allocation. The prior-year figures have been restated accordingly. The costs of the support functions, which are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. 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.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, current net income from companies accounted for using the equity method and other net income less operating expenses. 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 return on equity is calculated as the ratio of profit (both operating and pre-tax) to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments and expresses the relationship of operating expenses to income before loan loss provisions.

Income and expenses are reported 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 is calculated using the Basel 3 methodology, based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, Common Equity Tier 1 (CET 1) capital on a fully phased-in basis is shown, which is used to calculate the return on equity.

The reconciliation of average capital employed to CET 1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments. 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.

The carrying amounts of companies accounted for using the equity method were €180m (previous year: €735m) and were divided over the segments as follows: Private and Small-Business Customers €9m (previous year: €503m), Corporate Clients €170m (previous year: €231m) and Asset & Capital Recovery €1m (previous year: €1m).

The tables below contain information on the segments for the 2016 and 2015 financial years.

2016 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	2,479	2,825	287	–514	5,077
Loan loss provisions	–119	–185	–599	3	–900
Net interest income after loan loss provisions	2,360	2,640	–312	–511	4,177
Net commission income	1,956	1,279	4	–27	3,212
Net trading income and net income from hedge accounting	50	210	–202	262	320
Net investment income	140	46	141	17	344
Current net income from companies accounted for using the equity method	131	19	–	–	150
Other net income	63	66	–17	184	296
Income before loan loss provisions	*4,819*	*4,445*	*213*	*–78*	*9,399*
Income after loan loss provisions	*4,700*	*4,260*	*–386*	*–75*	*8,499*
Operating expenses	3,621	2,973	128	378	7,100
Operating profit or loss	**1,079**	**1,287**	**–514**	**–453**	**1,399**
Restructuring expenses	–	22	–	107	129
Impairments on goodwill and other intangible assets	–	627	–	–	627
Pre-tax profit or loss	**1,079**	**638**	**–514**	**–560**	**643**
Assets	**119,392**	**210,768**	**27,005**	**123,285**	**480,450**
Liabilities	**140,904**	**224,166**	**20,435**	**94,945**	**480,450**
Average capital employed	**4,125**	**11,580**	**3,313**	**4,149**	**23,167**
Operating return on equity (%)	**26.2**	**11.1**	**–15.5**		**4.7**
Operating return on tangible equity less intangible assets(%)	**43.0**	**11.9**	**–15.5**		**5.3**
Cost/income ratio in operating business (%)	**75.1**	**66.9**	**60.1**		**75.5**
Return on equity of pre-tax profit or loss (%)	**26.2**	**5.5**	**–15.5**		**2.8**
Staff (average headcount)	23,669	7,195	–	18,080	48,944

2015[1] €m	**Private and Small-Business Customers**	**Corporate Clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	2,584	3,551	137	– 545	5,727
Loan loss provisions	– 167	– 108	– 361	– 60	– 696
Net interest income after loan loss provisions	2,417	3,443	– 224	– 605	5,031
Net commission income	2,020	1,428	17	– 35	3,430
Net trading income and net income from hedge accounting	77	– 154	94	477	494
Net investment income	65	10	– 207	125	– 7
Current net income from companies accounted for using the equity method	68	18	– 2	– 2	82
Other net income	31	– 20	37	21	69
Income before loan loss provisions	*4,845*	*4,833*	*76*	*41*	*9,795*
Income after loan loss provisions	*4,678*	*4,725*	*– 285*	*– 19*	*9,099*
Operating expenses	3,627	3,030	181	319	7,157
Operating profit or loss	**1,051**	**1,695**	**– 466**	**– 338**	**1,942**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	57	16	41	114
Pre-tax profit or loss	**1,051**	**1,638**	**– 482**	**– 379**	**1,828**
Assets	**111,562**	**258,832**	**22,604**	**139,703**	**532,701**
Liabilities	**134,886**	**272,572**	**14,951**	**110,292**	**532,701**
Average capital employed	**4,760**	**12,401**	**4,182**	**939**	**22,282**
Operating return on equity (%)	**22.1**	**13.7**	**– 11.1**		**6.7**
Operating return on tangible equity less intangible assets(%)	**33.2**	**14.8**	**– 11.1**		**7.5**
Cost/income ratio in operating business (%)	**74.9**	**62.7**	**238.2**		**73.1**
Return on equity of pre-tax profit or loss (%)	**22.1**	**13.2**	**–**	**– 40.4**	**8.2**
Staff (average headcount)	24,112	7,442	–	18,237	49,791

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Details for Others and Consolidation:

€m	2016			2015[1]		
	Others	**Consolidation**	**Others and Consolidation**	**Others**	**Consolidation**	**Others and Consolidation**
Net interest income	–366	–148	–514	–492	–53	–545
Loan loss provisions	3	–	3	–60	–	–60
Net interest income after loan loss provisions	–363	–148	–511	–552	–53	–605
Net commission income	–23	–4	–27	–32	–3	–35
Net trading income and net income from hedge accounting	218	44	262	473	4	477
Net investment income	35	–18	17	102	23	125
Current net income from companies accounted for using the equity method	–	–	–	–2	–	–2
Other net income	191	–7	184	31	–10	21
Income before loan loss provisions	*55*	*–133*	*–78*	*80*	*–39*	*41*
Income after loan loss provisions	*58*	*–133*	*–75*	*20*	*–39*	*–19*
Operating expenses	401	–23	378	341	–22	319
Operating profit or loss	**–343**	**–110**	–453	**–321**	**–17**	–338
Impairments on goodwill and other intangible assets	–	–	–	–	–	–
Restructuring expenses	**101**	**6**	107	41	–	41
Pre-tax profit or loss	**–444**	**–116**	–560	**–362**	**–17**	**–379**
Assets	**123,015**	**270**	123,285	**139,703**	**–**	**139,703**
Liabilities	**94,804**	**141**	94,945	**110,292**	**–**	**110,292**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Under Consolidation we report consolidation and reconciliation items between the results of the segments and the Others category with respect to the Group financial statements. This includes the following items, among others:

- Remeasurement effects from the application of hedge accounting to cross-segment transactions as per IAS 39 are shown in Consolidation.
- The pre-tax equivalent of tax-related transactions allocated to net interest income in the Corporate Clients segment is eliminated again under Consolidation.
- Net remeasurement gains or losses on own bonds and shares incurred in the segments are eliminated under Consolidation.
- Other consolidation effects from intragroup transactions are also reported here.

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

2016 €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	3,475	1,361	82	159	–	5,077
Loan loss provisions	−686	−207	9	−16	–	−900
Net interest income after loan loss provisions	2,789	1,154	91	143	–	4,177
Net commission income	2,668	476	44	24	–	3,212
Net trading income and net income from hedge accounting	−265	492	−5	98	–	320
Net investment income	191	148	3	2	–	344
Current net income from companies accounted for using the equity method	141	5	4	–	–	150
Other net income	264	33	3	−4	–	296
Income before loan loss provisions	*6,474*	*2,515*	*131*	*279*	–	*9,399*
Income after loan loss provisions	*5,788*	*2,308*	*140*	*263*	–	*8,499*
Operating expenses	5,532	1,282	134	152	–	7,100
Operating profit or loss	**256**	**1,026**	**6**	**111**	**–**	**1,399**
Credit-risk-weighted assets	**91,460**	**47,006**	**4,742**	**3,672**	**–**	**146,880**

We achieved the following results in the various geographical markets in 2015:

2015[1] €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	3,273	2,239	226	−11	–	5,727
Loan loss provisions	−494	−240	36	2	–	−696
Net interest income after loan loss provisions	2,779	1,999	262	−9	–	5,031
Net commission income	2,838	517	34	41	–	3,430
Net trading income and net income from hedge accounting	480	−134	−140	288	–	494
Net investment income	−108	100	–	1	–	−7
Current net income from companies accounted for using the equity method	70	4	5	3	–	82
Other net income	61	34	−19	−7	–	69
Income before loan loss provisions	*6,614*	*2,760*	*106*	*315*	–	*9,795*
Income after loan loss provisions	*6,120*	*2,520*	*142*	*317*	–	*9,099*
Operating expenses	5,488	1,399	123	147	–	7,157
Operating profit or loss	**632**	**1,121**	**19**	**170**	**–**	**1,942**
Credit-risk-weighted assets	**97,134**	**54,798**	**4,019**	**3,456**	**–**	**159,407**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Around 35% of income before loan loss provisions in Europe was accounted for by our units in the United Kingdom (previous year: 40%), 40% by our units in Poland (previous year: 36%) and 15% by our units in Luxembourg (previous year: 13%). Credit risk-weighted assets are shown for the geographical segments rather than non-current assets.

In accordance with IFRS 8.32, Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. We decided not to collect this data for reasons of efficiency, as it is used neither for internal management activities nor management reporting.

Notes to the balance sheet

(46) Cash reserve

We include the following items in the cash reserve:

€m	31.12.2016	31.12.2015	Change in %
Cash on hand	1,431	1,391	2.9
Balances with central banks	33,030	23,858	38.4
Debt issued by public-sector borrowers	341	3,260	–89.5
Total	**34,802**	**28,509**	**22.1**

The balances with central banks include claims on the Bundesbank totalling €18,350m (previous year: €16,089m). The average minimum reserve requirement for the period December 2016 to January 2017 amounted to €2,758m (previous year: €770m). Minimum reserve requirements are measured on the basis of average credit balances, so there were no restrictions on access to balances held at Deutsche Bundesbank.

(47) Claims on banks

	Total			Due on demand		Other claims	
€m	31.12.2016	31.12.2015[1]	Change in %	31.12.2016	31.12.2015	31.12.2016	31.12.2015[1]
Banks in Germany	11,706	14,208	–17.6	5,408	5,337	6,298	8,871
Banks outside Germany	46,882	57,681	–18.7	14,103	18,216	32,779	39,465
Total	**58,588**	**71,889**	**–18.5**	**19,511**	**23,553**	**39,077**	**48,336**
of which relate to the category:							
Loans and receivables	43,033	49,269	–12.7				
Available-for-sale financial assets	–	–	.				
At fair value through profit or loss (fair value option)	15,555	22,620	–31.2				

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Claims on banks after deduction of loan loss provisions amounted to €58,529m (previous year: €71,805m).

The table below shows a breakdown of claims on banks by main transaction types:

€m	31.12.2016	31.12.2015[1]	Change in %
Reverse repos and cash collaterals	33,395	43,774	–23.7
Claims from money market transactions	1,662	765	.
Promissory note loans	1,241	1,185	4.7
Other claims	22,290	26,165	–14.8
Total	**58,588**	**71,889**	**–18.5**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(48) Claims on customers

€m	31.12.2016	31.12.2015	Change in %
Claims on customers in Germany	146,288	143,904	1.7
Claims on customers outside Germany	70,230	78,833	– 10.9
Total	**216,518**	**222,737**	**– 2.8**
of which relate to the category:			
Loans and receivables	208,095	211,350	– 1.5
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	8,423	11,387	– 26.0

Claims on customers after deduction of loan loss provisions amounted to €212,848m (previous year: €218,875m).

The table below shows a breakdown of claims on customers by main transaction types:

€m	31.12.2016	31.12.2015	Change in %
Reverse repos and cash collaterals	12,362	14,980	– 17.5
Claims from money market transactions	522	517	1.0
Promissory note loans	13,290	14,165	– 6.2
Construction and ship financing	92,994	93,999	– 1.1
Other claims	97,350	99,076	– 1.7
Total	**216,518**	**222,737**	**– 2.8**

The promissory note loans and other claims on customers include €17,784m of public-sector loans (previous year: €17,945m). For construction and ship financing secured by property charges we report the entire utilisation; the mortgage lending value was €57,616m at 31 December 2016 (previous year: €58,464m).

(49) Total lending

€m	31.12.2016	31.12.2015	Change in %
Loans to banks	19,894	22,617	– 12.0
Loans to customers	204,156	207,757	– 1.7
Total	**224,050**	**230,374**	**– 2.7**

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.

(50) Loan loss provisions

Provisions for loan losses are made in accordance with rules that apply within the Group and cover all discernible credit risks. For loan losses which have already occurred but are not yet known, we have calculated portfolio valuation allowances in line with procedures derived from the Basel 3 methodology. The breakdown of loan loss provisions was as follows:

€m	As at 1.1.2016	Allocations	Reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassifications/ unwinding	As at 31.12.2016
Provisions for on-balance-sheet loan losses	3,946	1,604	699	1,149	–	27	3,729
Claims on banks	84	7	35	1		4	59
Claims on customers	3,862	1,597	664	1,148		23	3,670
Provisions for off-balance-sheet loan losses	246	49	90	–	–		205
Total	**4,192**	**1,653**	**789**	**1,149**	**–**	**27**	**3,934**

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 €900m (previous year: €696m).

	Valuation allowances for specific risks		Valuation allowances for portfolio risks		Valuation allowances total		
€m	2016	2015	2016	2015	2016	2015	Change in %
As at 1.1.	**3,282**	**5,079**	**664**	**696**	**3,946**	**5,775**	**–31.7**
Allocations	1,578	1,577	26	105	1,604	1,682	–4.6
Disposals	1,708	3,257	140	140	1,848	3,397	–45.6
of which utilised	1,149	2,219	–	–	1,149	2,219	–48.2
of which reversals	559	1,038	140	140	699	1,178	–40.7
Changes in the group of consolidated companies	–	–12	–	–	–	–12	–100.0
Exchange rate changes/ reclassifications/unwinding	34	–105	–7	3	27	–102	.
As at 31.12.	**3,186**	**3,282**	**543**	**664**	**3,729**	**3,946**	**–5.5**

	Provisions for specific risks		Provisions for portfolio risks		Provisions for lending business		
€m	2016	2015	2016	2015	2016	2015	Change in %
As at 1.1.	**110**	**111**	**136**	**127**	**246**	**238**	**3.4**
Allocations	34	56	15	17	49	73	–32.9
Disposals	69	60	21	9	90	69	30.4
of which utilised	–	2	–	–	–	2	.
of which reversals	69	58	21	9	90	67	34.3
Changes in the group of consolidated companies	–	–	–	–	–	–	.
Exchange rate changes/ reclassifications/unwinding	1	3	–1	1	–	4	.
As at 31.12.	**76**	**110**	**129**	**136**	**205**	**246**	**–16.7**

The loan loss provisions for default risks by customer group were as follows as at 31 December 2016:

€m	Specific valuation allowances and provisions for lending business	Loan losses[1] in 2016	Net allocation[2] to valuation allowances and provisions in lending business
Customers in Germany	**1,508**	**759**	**616**
Corporate customers	1,348	627	579
Manufacturing	395	150	91
Construction	67	16	6
Trading	218	79	32
Services and others	668	382	450
Private Customers	160	132	37
Customers outside Germany	**1,735**	**624**	**375**
Corporate and retail customers	1,733	624	375
Public sector	2	–	–
Provisions for customer credit risk	**3,243**	**1,383**	**991**
Banks in Germany	–	–	–
Banks outside Germany	18	5	−8
Provisions for bank credit risk	**18**	**5**	**−8**
Total	**3,261**	**1,388**	**983**

[1] Direct write-downs, utilised valuation allowances and utilised loan loss provisions.
[2] Allocations less reversals.

Loan losses and net allocations to provisions were counterbalanced by income from write-ups of €2m (previous year: €11m) and recoveries on claims that had been written down of €200m (previous year: €248m). The table below presents the key provisioning ratios:

%	2016	2015
Allocation ratio[1]	0.39	0.29
Default ratio[2]	0.51	1.01
Provision cover ratio[3]	1.70	1.76

[1] Net loan loss provisions (new loan loss provisions less reversals of valuation allowances and loan loss provisions, plus the balance of direct write-downs, write-ups and recoveries on previously written-down claims) as a percentage of average total lending.
[2] Credit defaults (utilised valuation allowances and loan loss provisions, plus the net balance of direct write-downs, write-ups and recoveries on previously written-down claims) as a percentage of average total lending.
[3] Total loan loss provisions (valuation allowances and loan loss provisions) as a percentage of average total lending; total lending = claims under special credit agreements with borrowers (Note 49).

(51) Value adjustments for portfolio fair value hedges

The adjustment to the fair value of underlying transactions hedged against interest rate risk was €310m (previous year: €284m). A matching liability from hedging transactions is shown on the other side of the balance sheet under the fair values of derivative hedging instruments.

(52) Positive fair values of derivative hedging instruments

The positive fair values of derivatives which are used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2016	31.12.2015	Change in %
Positive fair values micro fair value hedges	1,720	2,788	–38.3
Positive fair values portfolio fair value hedges	348	231	50.6
Positive fair values cash flow hedges	7	12	–41.7
Total	**2,075**	**3,031**	**–31.5**

(53) 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 cannot be used as hedging instruments in hedge accounting.

€m	31.12.2016	31.12.2015[1]	Change in %
Bonds, notes and other interest-rate-related securities	4,361	9,150	–52.3
Money market instruments	324	507	–36.1
issued by public-sector borrowers	49	287	–82.9
issued by other borrowers	275	220	25.0
Bonds and notes	4,037	8,643	–53.3
issued by public-sector borrowers	1,836	2,402	–23.6
issued by other borrowers	2,201	6,241	–64.7
Promissory note loans and other claims	1,044	1,542	–32.3
Shares, other equity-related securities and units in investment funds	20,642	26,540	–22.2
Shares	16,449	20,699	–20.5
Units in investment funds	4,145	5,820	–28.8
Other equity-related securities	48	21	.
Positive fair values of derivative financial instruments	62,205	76,721	–18.9
Currency-related derivative transactions	15,049	15,174	–0.8
Interest-rate-related derivative transactions	42,551	56,088	–24.1
Equity derivatives	2,328	1,460	59.5
Credit derivatives	1,489	1,650	–9.8
Other derivative transactions	788	2,349	–66.5
Other trading assets	610	871	–30.0
Total	**88,862**	**114,824**	**–22.6**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Of the bonds, notes and other interest-rate-related securities, shares and other equity-related securities and units in investment funds, €21,213m (previous year: €32,712m), were listed on a stock exchange.

(54) 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, holdings in non-consolidated subsidiaries.

€m	31.12.2016	31.12.2015[1]	Change in %
Bonds, notes and other interest-rate-related securities[1]	69,094	80,798	–14.5
Money market instruments	412	2,070	–80.1
issued by public-sector borrowers	–	299	.
issued by other borrowers	412	1,771	–76.7
Bonds and notes	68,682	78,728	–12.8
issued by public-sector borrowers	41,257	44,226	–6.7
issued by other borrowers	27,425	34,502	–20.5
Shares, other equity-related securities and units in investment funds	712	746	–4.6
Shares	34	115	–70.4
Units in investment funds	667	620	7.6
Other equity-related securities	11	11	0.0
Equity holdings	222	232	–4.3
of which in banks	12	12	0.0
Holdings in subsidiaries	152	163	–6.7
of which in banks	–	–	.
Total	**70,180**	**81,939**	**–14.4**
of which relate to the category:			
Loans and receivables	29,698	36,486	–18.6
Available-for-sale financial assets	39,635	43,026	–7.9
of which measured at amortised cost	188	307	–38.8
At fair value through profit or loss (fair value option)	847	2,427	–65.1

[1] Reduced by portfolio valuation allowances for reclassified securities of €15m (previous year: €40m).

As at 31 December 2016 the financial investments included €188m (previous year: €307m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

Financial instruments valued at historic cost, with a carrying amount of €6m, were derecognised in 2016. This resulted in net income of €7m.

The table below shows the listed holdings contained in financial investments. The available-for-sale financial investments and those for which the fair value option is applied are listed with their fair values. Financial investments in the loans and receivables category are shown at amortised cost.

€m	31.12.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities	62,731	70,894	–11.5
Shares, other equity-related securities and units in investment funds	251	237	5.9
Equity holdings	6	5	20.0
Total	**62,988**	**71,136**	**–11.5**

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 €–0.4bn as at 31 December 2016 (previous year: €–0.5bn). This negative balance will be dissolved over the remaining lifetime of the reclassified securities. If these reclassifications had not been carried out in 2008 and 2009, there would have been a revaluation reserve after deferred taxes for these reclassified securities of €–2.2bn as at 31 December 2016 (previous year: €–2.3bn); the change compared with a year ago was therefore €0.1bn (change 31 December 2014 to 31 December 2015: €0.4bn).

In addition to the release of portfolio valuation allowances of €–25m (previous year: €–2m) a net €0.5bn (previous year: €0.7bn) was recognised in the income statement for the reclassified securities in the current financial year.

As at 31 December 2016 the carrying amount of the reclassified securities was €28.0bn (previous year: €34.4bn), the fair value was €25.3bn (previous year: €31.8bn) and the cumulative portfolio valuation allowances were €15m (previous year: €40m). The transactions had average effective interest rates of between 0.0% and 11.8% (previous year: between 0.0% and 11.0%) and are expected to generate a cash inflow of €31.1bn (previous year: €40.5bn).

Changes in equity holdings and investments in non-consolidated subsidiaries were as follows:

	Equity holdings		Holdings in subsidiaries	
€m	2016	2015	2016	2015
Carrying amount as at 1.1.	**232**	**177**	**163**	**112**
Acquisition cost as at 1.1.	264	261	607	550
Exchange rate changes	0	1	−49	20
Additions	63	66	891	61
Disposals	14	56	842	27
Reclassifications to non-current assets held for sale and assets of disposal groups	−72	–	–	–
Other reclassifications/changes in the group of consolidated companies	−26	−8	−88	3
Acquisition cost as at 31.12.	215	264	519	607
Write-ups	–	–	–	–
Cumulative write-downs as at 1.1.	85	91	444	438
Exchange rate changes	0	1	−49	20
Additions	9	9	5	17
Disposals	2	8	28	20
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	−17	−8	−5	−11
Cumulative write-downs as at 31.12.	75	85	367	444
Cumulative changes from remeasurement at fair value	82	53	–	–
Carrying amount as at 31.12.	**222**	**232**	**152**	**163**

(55) Holdings in companies accounted for using the equity method

The carrying amounts of companies accounted for using the equity method were €180m (previous year: €735m).

	Associated companies		Joint ventures	
€m	2016	2015	2016	2015
Equity book value as at 1.1.	**673**	**631**	**62**	**46**
Acquisition cost as at 1.1.	444	444	99	102
Exchange rate changes	1	4	–	–
Additions	–	6	–	2
Disposals	–	–	2	5
Reclassifications to non-current assets held for sale and assets of disposal groups	–313	–	–80	–
Other reclassifications/changes in the group of consolidated companies	–	–10	–	–
Acquisition cost as at 31.12.	132	444	17	99
Write-ups	7	7	–	–
Cumulative write-downs as at 1.1.	21	26	–	–
Exchange rate changes	–	–	–	–
Additions	3	–	–	–
Disposals	–	–	–	–
Reclassifications to non-current assets held for sale and assets of disposal groups	–	–	–	–
Other reclassifications/changes in the group of consolidated companies	–	–5	–	–
Cumulative write-downs as at 31.12.	24	21	–	–
Cumulative changes from remeasurement using the equity method	64	243	–16	–37
Equity book value as at 31.12.	**179**	**673**	**1**	**62**
of which holdings in banks	73	497	–	–

The equity book values included no listed companies (previous year: –).

In 2016, €23m (previous year: €35m) in dividends from associated companies accounted for using the equity method and, as in the previous year, no dividends from joint ventures accounted for using the equity method flowed directly or indirectly to Commerzbank Aktiengesellschaft.

As in the previous year, there was no equity carrying amount for either associated companies or joint ventures (see Note 4) accounted for using the equity method, and so this figure is shown as zero.

The decline in the cumulative changes from companies accounted for using the equity method is attributable to the restructuring of associated companies in the items non-current assets and disposal groups held for sale.

Where obligations arise from contingent liabilities of companies accounted for using the equity method or discontinued operations at companies accounted for using the equity method, the Commerzbank Group is liable to the extent of its respective ownership interest.

The investments in companies accounted for using the equity method are non-strategic holdings of the Commerzbank Group, and these companies are active mainly in the financial services sector and in leasing business. The information in this note is therefore aggregated for associated companies and for joint ventures. A list of all companies accounted for using the equity method is given in Note 103.

The assets, debt, contingent liabilities, income and expenses of our holdings in companies accounted for using the equity method are as follows:

	Associated companies		Joint ventures		Total		
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	Change in %
Current assets	325	1,660	3	13	328	1,673	−80.4
of which cash and cash equivalents	47	266	3	10	50	276	−81.9
Non-current assets	804	2,696	0	198	804	2,894	−72.2
Total assets	1,129	4,356	3	211	1,132	4,567	−75.2
Current debt	263	1,637	0	189	263	1,826	−85.6
of which current financial liabilities	255	1,549	0	167	255	1,716	−85.1
Non-current debt	681	2,055	173	172	854	2,227	−61.7
of which non-current financial liabilities	668	2,042	173	167	841	2,209	−61.9
Total debt	944	3,692	173	361	1,117	4,053	−72.4
Interest income	20	188	0	3	20	191	−89.5
Interest expenses	15	64	7	7	22	71	−69.0
Depreciation and amortisation	2	5	–	3	2	8	−75.0
Taxes on income	2	27	–	–	2	27	−92.6
Total income	44	185	−6	7	38	192	−80.2
Total expenses	24	104	1	21	25	125	−80.0
Profit or loss from continuing operations	18	54	−7	−14	11	40	−72.5
Other comprehensive income	–	–	–	–	–	–	.
Total comprehensive income	18	54	−7	−14	11	40	−72.5
Contingent liabilities	384	342	0	10	384	352	9.1

Our share in the total of all financial assets and debt as well as in the profit or loss of associated companies and joint ventures not accounted for using the equity method due to their minor significance was as follows:

	Associated companies		Joint ventures		Total		
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	Change in %
Carrying amount	103	72	–	–	103	72	43.1
Assets	251	296	36	39	287	335	– 14.3
Liabilities	203	255	37	39	240	294	– 18.4
Profit or loss from continuing operations	17	41	– 1	–	16	41	– 61.0
Other comprehensive income	–	–	–	–	–	–	.
Total comprehensive income	17	41	– 1	–	16	41	– 61.0

(56) Intangible assets

a) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the Cash Generating Units (CGUs) at the time of acquisition. Commerzbank has defined the segments as CGUs in accordance with IFRS 8. Further details on the segments are provided in Note 45. In accordance with IAS 36 these assets are tested for impairment at the level of the CGUs at least at every balance sheet date and if a trigger event occurs. In this process, the carrying amount of the capital employed in a segment as a CGU (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGUs.

First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to the total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less cost of disposal. The value in use is based on the expected results of the unit and the cost of capital as set out in the multi-year planning for the individual segments approved by the board. Also solely for the purposes of the impairment test, the main expenses in Others & Consolidation are distributed to the segments based on a precise key. If the value in use falls below the carrying amount, the fair value less costs of disposal is also calculated. The higher of the two figures is reported

b) Assumptions of the impairment test for goodwill and other intangible assets

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, in order to calculate goodwill using the discounted cash flow method. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units. This produces the recoverable amount, which can be higher or lower than the carrying amount. If the recoverable amount is lower than the carrying amount, Commerzbank initially recognises an impairment on the goodwill of the cash-generating unit, which is reported under impairments of goodwill and other intangible assets in the income statement. Any additional impairment required is divided pro-rata between the remaining assets in the unit and is also reported in this item in the income statement. The expected results of the cash-generating units are generally based on the segments' multi-year planning, which has a horizon of four years. If necessary, financial years beyond this are adjusted to a sustainable level of results and a constant growth rate based on forecasts for GDP growth and inflation is applied for the calculation of the perpetuity. This factor is 1.6% for the new Private and Small-Business Customers segment and 1.5% for the new Corporate Clients segment. In the old segment structure, this factor was 1.5% for the Private Customers, Mittelstandsbank and Corporates & Markets segments (previous year: 1.5%) and 1.8% for the Central & Eastern Europe segment (previous year: 1.8%).

In addition to profitability projections, the multi-year planning also relies on forecasts for risk-weighted assets and capital employed, subject to the regulatory minimum capital ratios. The main value drivers are receivables volumes, net interest income after loan loss provisions and net commission income. Risk-weighted assets are a further sensitive planning parameter. The projections are based on forecasts from economic research for the main parameters such as movements in interest rates, exchange rates and equity and bond markets. Planning is based both on management's past experience and an assessment of risks and opportunities in line with the forecasts.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the segment structure:

Segment	Main assumptions	Management approach
Private and Small-Business Customers	Newprivate customer strategy – strategic investment in growth with simultaneous stabilisation of costs • Continuing to develop from a branch bank to a multi-channel bank • Creating growth through innovative new customer acquisition and a targeted digital sales approach with our existing customer base • Boosting efficiency by digitising processes, establishing a channel-independent platform for producing digital instalment loans in own loan book, streamlining the product range and active cost management through optimisation of organisational structures • Expansion and strengthening of Commerz Real's market position, e.g. through lead role as the first digital asset manager and integrated investment service provider • Growth path of comdirect through the expansion of innovative and smart asset management in securities • mBank with successive implementation of the 2016–2020 Mobile Bank strategy for organic growth announced in June 2016: – Continuation of our digitisation strategy with multichannel approach, particularly in the private customer business (expansion of market leadership in mobile & transaction banking) – Making better use of existing business potential, especially through the expansion of consumer credit and deposit business with private customers – Further strengthening of our position in the medium-sized corporate customer segment and expanding cross-border corporate business – Further efficiency gains through digitised processes and active cost management	• Central assumptions based on internal and external studies on economic development and the market • Management projections for growth in new customers and the stabilisation of costs based on progress achieved so far • Institutionalised customer surveys and measurement of customer satisfaction • All initiatives that are part of the Mobile Bank strategy are based on business plans developed by management

Segment	Main assumptions	Management approach
Corporate Clients	• Gaining new corporate business in Germany and increasing market share • International growth by scaling up the existing business model • Further expanding the loan business and thus boosting net interest income • Strengthening the commercial business with the aim of further expanding Commerzbank's market position in the trade services business • Generation of revenues in corporate finance by supporting our customers in financing their companies and optimising their balance sheet structure • Stable revenue in Fixed Income & Currencies • Implementation of a systematic and overarching digitisation strategy by creating or modernising access channels, products and services and the underlying processes and IT infrastructure • Investing to realise strategic targets, particularly in IT infrastructure, and ongoing cost reductions through streamlining and standardisation of front- and back-office IT systems and processes • Increasing profitability through capital management and mitigating the impact of the low interest rate environment	• Use of internal and external sources for main economic assumptions • Analysis of customer requirements for hedging and liquidity products taking account of the market situation in estimates of volumes and margins • Management estimates of anticipated cost reductions based on efficiency gains and process enhancements that are planned or have already been achieved • Management estimates of targeted revenue growth based on investments already carried out and planned • Analyses of market potential form the basis for boosting market share and winning new customers • Above-average growth opportunities at international locations • Market analysis and customer surveys on relevant digitisation issues • Awareness of the impact of regulatory changes • Broad and balanced structure of the segment to manage temporary volatility in the different capital markets and the changing economic environment

Due to the assumptions underlying the cash flow forecasts and the uncertainties that are inevitably involved, the following circumstances (list is not exhaustive) may have an adverse impact on the cash flow forecasts of the CGUs:

- Macroeconomic environment worse than expected
- Interest rate outturn differs from economic forecast
- Uncertainties about the regulatory environment, particularly the implementation of new rules at the European level
- Greater-than-expected adverse trend in intensity of competition

Risk-adjusted interest rates (before tax) were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

Risk-adjusted interest rate[1]	31.12.2016
Private and Small-Business Customers	10.6%

[1] Before taxes.

c) Change in goodwill

A new segment structure from 30 September 2016 was announced as part of the "Commerzbank 4.0" strategy. The announcement of large-scale restructuring measures and the associated resegmentation together with an increase in the market risk premium parameter assumed by Commerzbank for the Cash Generating Units (CGUs) represent a trigger event for impairment testing. As a result, it was necessary to carry out a goodwill impairment test on the basis of both the previous CGUs (segments) and the new segment structure. The comparison as at 30 September 2016 of recoverable amount (value in use) and carrying amount on the basis of the previous segment structure led in a first step to deficient cover in the Corporates & Markets CGU of €4650m, resulting in the complete write-down of the goodwill assigned to the CGU, that being €138m, with a recoverable amount of €953m. The impairment in the Corporates & Markets CGU (former structure) was largely caused by the high capital commitment and low profitability of the Corporates & Markets segment. In the goodwill impairment test based on the former segment structure, the recoverable amounts were €403m or 3.4% above book value for the Mittelstandsbank CGU and €1314m or 48.3% above book value for the Central & Eastern Europe CGU. The recoverable amount remained significantly above book value for the Private Customers CGU.

The attribution of customers from the former Mittelstandsbank CGU to the new Private and Small-Business Customers CGU led to the transfer of €179m of the goodwill of the Mittelstandsbank CGU. The remaining €454m of goodwill in the former Mittelstandsbank CGU was allocated to the new Corporate Clients CGU. In addition, the goodwill of €226m previously attributed to the Central & Eastern Europe CGU was transferred to the new Private and Small-Business Customers CGU. Following the reclassification, goodwill of €1484m was allocated to the Private and Small-Business Customers CGU. Immediately after the restructuring of the segments a further impairment test was carried out on the basis of the new CGUs. The transfer of the former Corporates & Markets segment to the new Corporate Clients CGU resulted in deficient cover, as the recoverable amount of €1164m was below the carrying amount. This led to the goodwill of €454m in the Corporate Clients CGU being written down in full. This impairment resulted from the transfer of the Corporates & Markets CGU to the new Corporate Clients CGU.

The impairment test carried out as planned at the end of 2016 did not result in any further write-downs being required. The Private and Small-Business Customers segment continues to have high excess cover.

Sensitivities

In 2016 the recoverable amount corresponded to the value in use for all segments of Commerzbank. A sensitivity analysis was also carried out to further validate the impairment of the goodwill. It identified no potential impairment requirement for the Private and Small-Business Customers CGU. No sensitivity analysis was required for the Corporate Clients CGU, as its goodwill had already been written off in full. Varying the risk-adjusted interest rate (after tax) by −25 and +25 basis points (bps) for the detailed planning phase produced the following ratios of excess or deficient cover to carrying amount for the Private and Small-Business Customers CGU within the new segment structure:

		Private and Small-Business Customers
Realistic value[1]	Assumed risk-adjusted interest rate	89.0%
Sensitivity analysis[1]	Risk-adjusted interest rate −25bps (advantageous)	95.7%
	Risk-adjusted interest rate+25bps (disadvantageous)	82.8%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

Further sensitivities for the growth rate were determined on the basis of the realistic scenario:

		Private and Small-Business Customers
Sensitivity analysis[1]	Growth rate+25 bps (advantageous)	94.5%
	Growth rate – 25 bps (disadvantageous)	83.9%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

The changes in the underlying premises and central planning assumptions that would equalise the recoverable amount and the book value are as follows:

	Private and Small-Business Customers
Risk-adjusted interest rate (after taxes) from/to	8.1% / 11.9%
Growth rate from/to	1.6% / negative
Loan loss provisions/risk-weighted assets based on the end of the planning phase and perpetuity from/to	84bps. / 251bps.

[1] Impossible to quantify, as the recoverable amount is above book value even with a long-term growth rate of 0%.

The forecasts for all cash-generating units can be adversely affected by global and sector-specific risks, which could lead to an impairment of goodwill. Some of the major risks include political uncertainty relating to the introduction of new regulations or the implementation of regulations that have already been enacted at both German and European level, as well as the impact of weaker economic growth and a continued low interest rate environment.

d) Changes in other intangible assets

As part of the impairment test carried out in the third quarter of 2016, capitalised goodwill and other non-financial assets were tested for impairment. The analysis, based on the former segment structure, led to the recognition of an impairment in the Corporates & Markets CGU. The goodwill of €138m attributed to this segment was written off in full. There were no other impairments for non-financial assets in this CGU. The goodwill of €454m allocated to the Corporate Clients CGU in the new structure was also impaired and was written off in full. As the impairment exceeded the goodwill recognised in the CGU, this represented a trigger event for non-financial assets. This led to a write-down of the customer base, which had been recognised as an intangible asset, by €35m. The basis for this write-down of the customer base was its fair value less costs to sell (Level 3). The expenses connected exclusively with the impairment test were recognised in the income statement under impairments of goodwill and other intangible assets.

€m	31.12.2016	31.12.2015	Change in %
Goodwill	1,484	2,076	– 28.5
Other intangible assets	1,563	1,449	7.9
Customer relationships	241	315	– 23.5
In-house developed software	882	738	19.5
Purchased software	423	377	12.2
Other	17	19	– 10.5
Total	**3,047**	**3,525**	**– 13.6**

Intangible assets changed as follows:

	Goodwill		Customer relationships		In-house developed software		Purchased software and other intangible assets	
€m	2016	2015	2016	2015	2016	2015	2016	2015
Carrying amount as at 1.1.	**2,076**	**2,076**	**315**	**355**	**738**	**616**	**396**	**283**
Cost of acquisition/production as at 1.1.	2,838	2,838	964	964	1,342	1,073	1,499	1,336
Exchange rate changes	–	–	–	–		–	– 20	6
Additions	–	–	15	–	343	277	198	221
Disposals	–	–	–	–	12	8	79	62
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–	–	–	–	– 6	
Reclassifications/changes in the group of consolidated companies	–	–	– 15	–	–	–	– 42	– 2
Cost of acquisition/production as at 31.12.	2,838	2,838	964	964	1,673	1,342	1,550	1,499
Write-ups	–	–	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	762	762	649	609	604	457	1,103	1,053
Exchange rate changes		–	–	–	–	–	– 15	5
Additions	592	–	74	40	199	155	146	104
of which unscheduled	592	–	35	–	–	–	1	4
Disposals		–	–	–	12	8	74	59
Reclassifications from/to non-current assets held for sale and assets of disposal groups							– 5	
Reclassifications/changes in the group of consolidated companies		–	–	–	–	–	– 45	–
Cumulative write-downs as at 31.12.	1,354	762	723	649	791	604	1,110	1,103
Carrying amount as at 31.12.	**1,484**	**2,076**	**241**	**315**	**882**	**738**	**440**	**396**
Borrowing costs capitalised in the current financial year	–	–	–	–	–	–	–	–
Range of interest rates used (%)	–	–	–	–	–	–	–	–

(57) Fixed assets

	Land, buildings and other fixed assets		Office furniture and equipment		Leased equipment[1]	
€m	2016	2015	2016	2015	2016	2015
Carrying amount as at 1.1.	**958**	**1,457**	**479**	**459**	**857**	**795**
Cost of acquisition/production as at 1.1.	1,953	2,541	2,191	2,085	1,132	1,020
Exchange rate changes	–2	–	–34	25	29	97
Additions	3	65	147	162	45	68
Disposals	14	24	203	127	40	53
Reclassifications to non-current assets held for sale and assets of disposal groups	–1,054	–245	–4	–24	–	–
Other reclassifications/changes in the group of consolidated companies	43	–384	–71	70	–	–
Cost of acquisition/production as at 31.12.	929	1,953	2,026	2,191	1,166	1,132
Write-ups	–	–	–	–	–	–
Cumulative write-downs as at 1.1.	995	1,084	1,712	1,626	275	225
Exchange rate changes	–1	–	–30	22	12	12
Additions	38	58	133	141	104	58
of which unscheduled	8	9	1	5	47	–
Disposals	8	–2	187	117	28	20
Reclassifications to non-current assets held for sale and assets of disposal groups	–577	–64	–4	–	–	–
Other reclassifications/changes in the group of consolidated companies	39	–85	–75	40	–	–
Cumulative write-downs as at 31.12.	486	995	1,549	1,712	363	275
Carrying amount as at 31.12.	**443**	**958**	**477**	**479**	**803**	**857**
Borrowing costs capitalised in the current financial year	–	–	–	–		
Range of interest rates used (%)	–	–	–	–		

[1] Prior-year figures restated due to a change in reporting of leased equipment under "Other assets". There were also restatements due to the derecognition of acquisition and production costs as well as cumulative write-downs in the past.

The total value of fixed assets in the Commerzbank Group was €1,723m (previous year: €2,294m) of which, as in the previous year, none was pledged as collateral. Beyond this there were no restrictions with regard to rights of disposal relating to our fixed assets.

(58) Tax assets

€m	31.12.2016	31.12.2015[1]	Change in %
Current tax assets	**629**	**512**	**22.9**
in Germany	540	444	21.6
outside Germany	89	68	30.9
Deferred tax assets	**3,049**	**2,761**	**10.4**
Tax assets recognised in income statement	2,676	1,792	49.3
Tax assets not recognised in income statement	373	969	−61.5
Total	**3,678**	**3,273**	**12.4**

[1] Prior-year figures restated concerning corporate tax plus other restatements (see page 139 ff.).

Deferred tax assets represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the Group balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations, as well as future income tax relief arising from tax carryforwards and as yet unused tax credits.

For the following tax loss carryforwards no deferred tax assets nor any impairments of existing deferred tax assets were recognised as at 31 December 2016 due to the limited planning horizon and the resulting insufficient probability of their being utilised.

Tax loss carryforwards | €m	31.12.2016	31.12.2015[1]	Change in %
Corporation tax/federal tax	**9,263**	**10,482**	**−11.6**
Can be carried forward for an unlimited period	5,814	7,250	−19.8
Can be carried forward for a limited period[2]	3,449	3,232	6.7
of which expires in the subsequent reporting period		–	.
Trade tax/local tax	**4,692**	**5,106**	**−8.1**
Can be carried forward for an unlimited period	1,328	2,171	−38.8
Can be carried forward for a limited period[2]	3,364	2,935	14.6
of which expires in the subsequent reporting period		–	.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] Expires 20 years after the date on which the tax liability arose.

No deferred tax assets were recognised for deductible temporary differences which are eligible to be carried forward for an unlimited period (previous year: €192m).

Deferred tax assets are recognised mainly for domestic Group companies and the London branch. Deferred tax assets were recognised in connection with the following items:

€m	31.12.2016	31.12.2015[1]	Change in %
Fair values of derivative hedging instruments	1,022	3,215	–68.2
Trading assets and liabilities	3,147	2,611	20.5
Claims on banks and customers	97	545	–82.2
Financial investments	533	711	–25.0
Provisions (excluding pension obligations)	60	17	.
Liabilities to banks and customers	616	1,160	–46.9
Pension obligations	1,099	499	.
Other balance sheet items	1,298	1,107	17.3
Tax loss carryforwards	1,163	1,130	2.9
Deferred tax assets gross	**9,035**	**10,995**	**–17.8**
Offsetting with deferred tax liabilities	–5,986	–8,234	–27.3
Total	**3,049**	**2,761**	**10.4**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(59) Investment properties

The properties held as investments in the amount of €16m (previous year: €106m) are all classified at fair value hierarchy level 3 and developed as follows:

€m	2016	2015[1]
Carrying amount as at 1.1.	**106**	**620**
Cost of acquisition/production as at 1.1.	210	979
Exchange rate changes	–	–
Additions	–	–
Disposals	–	705
Changes in the group of consolidated companies	–	–
Reclassifications	–	17
Reclassifications to non-current assets held for sale and assets of disposal groups	–14	–81
Cost of acquisition/production as at 31.12.	196	210
Cumulative changes from remeasurement at fair value	–180	–104
Carrying amount as at 31.12.	**16**	**106**
Borrowing costs capitalised in the current financial year	–	–
Range of interest rates used (%)	–	–

[1] Prior-year figures restated due to past derecognition of acquisition and production costs, cumulative write-downs and other restatements (see page 139 ff.).

In the year under review, as in the previous year, no investment properties were acquired in rescue purchases. The additions during the previous year contain keine subsequent acquisition costs for significant properties.

There are no restrictions on resale, nor are there any obligations to purchase properties that need to be reported here.

We use the country-specific rental indices for commercial and office properties published by the Association of German Pfandbrief Banks (vdp) over a 25-year period for the sensitivity analysis of investment properties. We use the medium fluctuation range calculated on this basis to determine the potential changes in value of our properties. The medium change rate lies between –1.9% and 1.5%. Applying the medium change rates would lead to an adjustment of around €–0.3m or €+0.2m in the properties' market value.

(60) Non-current assets and disposal groups held for sale

The balance sheet items "Non-current assets" and "Disposal groups held for sale" broke down as follows:

€m	31.12.2016	31.12.2015	Change in %
Claims on banks	–	–	.
Claims on customers	–	310	.
Trading assets	–	0	.
Financial investments	94	193	–51.3
Intangible assets	–	0	.
Fixed assets	520	284	83.1
Investment properties	–	55	.
Other asset items[2]	574	4	.
Total	**1,188**	**846**	**40.4**

[1] "Other assets" mainly include the carrying amounts of two companies formerly accounted for using the equity method.

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.

In December 2015 we decided to sell the international wealth management activities of our 100% subsidiary Commerzbank International S.A. Luxembourg in the Private Customers segment. The transaction was approved by the supervisory authorities and completed on 4 July 2016.

Kaiserkarree S.a.r.l Luxembourg, Luxembourg, was classified as held for sale as at 30 September 2016, and the sale was completed in December 2016. AVOLO Aviation GmbH & Co. Geschlossene Investment KG, Karlsruhe, Germany, classified as held for sale in the 2015 financial year, was deconsolidated in 2016.

The sale of an investment relating to the credit card business in the Private and Small-Business Customers segment is still planned. The transaction is expected to be completed in the next twelve months, and may still be subject to change up until the completion date, particularly as regards the expected selling price. Negotiations are also currently in progress concerning a holding involved with certain financings, the disposal of which would result in the simultaneous acquisition of assets derived from banking business. The negotiations with the business partner are at an advanced stage. We expect the transaction to be completed within the next twelve months. Certain fund units in this segment are also classified as held for sale.

A portfolio of mortgage loans from the Corporate Clients segment was reclassified as held for sale in April 2016, with the sale being completed in December 2016. The sale of an investment relating to the precious metals processing sector in this segment is also planned. The transaction is expected to be completed in the next twelve months, and may still be subject to change up until the completion date, particularly as regards the expected selling price.

Additionally, properties held as fixed assets and investment properties were classified in the course of the financial year as non-current assets held for sale.

Liabilities from disposal groups held for sale are described in Note 70.

As planned, three companies from the disposal groups held for sale in the previous year were sold in 2016.

(61) Other assets

Other assets mainly comprise the following items:

€m	31.12.2016	31.12.2015[1]	Change in %
Collection items	11	18	−38.9
Precious metals	357	339	5.3
Accrued and deferred items	236	200	18.0
Initial/variation margins receivables	857	757	13.2
Defined benefit assets recognised	443	448	−1.1
Other assets	1,108	893	24.1
Total	**3,012**	**2,655**	**13.4**

[1] Prior-year figures restated due to a change in reporting of leased equipment under fixed assets.

(62) Liabilities to banks

	Total		
€m	31.12.2016	31.12.2015	Change in %
Banks in Germany	29,818	28,993	2.8
Banks outside Germany	37,130	54,161	−31.4
Total	**66,948**	**83,154**	**−19.5**
of which relate to the category:			
Liabilities measured at amortised cost	56,155	69,595	−19.3
At fair value through profit or loss (fair value option)	10,793	13,559	−20.4

of which	Due on demand		Other liabilities	
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Banks in Germany	5,474	5,576	24,343	23,417
Banks outside Germany	17,556	28,940	19,575	25,221
Total	**23,030**	**34,516**	**43,918**	**48,638**

The table below shows a breakdown of liabilities to banks by main transaction types:

€m	31.12.2016	31.12.2015	Change in %
Repos and cash collaterals	18,171	18,076	0.5
Liabilities from money market transactions	15,051	21,766	−30.9
Other liabilities	33,726	43,312	−22.1
Total	**66,948**	**83,154**	**−19.5**

(63) Liabilities to customers

Liabilities to customers consist of savings deposits, demand deposits and time deposits, including savings certificates.

	Total		
€m	31.12.2016	31.12.2015[1]	Change in %
Customers in Germany	**198,693**	**210,097**	**–5.4**
Corporate customers	96,148	108,426	–11.3
Private customers and others	90,373	83,838	7.8
Public sector	12,172	17,833	–31.7
Customers outside Germany	**52,227**	**51,082**	**2.2**
Corporate and retail customers	50,836	49,211	3.3
Public sector	1,391	1,871	–25.7
Total	**250,920**	**261,179**	**–3.9**
of which relate to the category:			
Liabilities measured at amortised cost	244,655	252,367	–3.1
At fair value through profit or loss (fair value option)	6,265	8,812	–28.9

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

	Savings deposits		Other liabilities			
			due on demand		with agreed term or period of notice	
€m	31.12.2016	31.12.2015	31.12.2016	31.12.2015[1]	31.12.2016	31.12.2015
Customers in Germany	**6,889**	**6,639**	**125,849**	**126,524**	**65,955**	**76,934**
Corporate customers	52	57	46,451	53,821	49,645	54,548
Private customers and others	6,836	6,582	76,673	70,706	6,864	6,550
Public sector	1	–	2,725	1,997	9,446	15,836
Customers outside Germany	**300**	**322**	**37,145**	**35,886**	**14,782**	**14,874**
Corporate and retail customers	299	321	36,440	34,686	14,097	14,204
Public sector	1	1	705	1,200	685	670
Total	**7,189**	**6,961**	**162,994**	**162,410**	**80,737**	**91,808**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Savings deposits broke down as follows:

€m	31.12.2016	31.12.2015	Change in %
Savings deposits with agreed period of notice of three months	7,162	6,906	3.7
Savings deposits with agreed period of notice of more than three months	27	55	–50.9
Total	**7,189**	**6,961**	**3.3**

The table below shows a breakdown of liabilities to customers by main transaction types:

€m	31.12.2016	31.12.2015[1]	Change in %
Repos and cash collaterals	7,047	8,479	−16.9
Liabilities from money market transactions	46,985	56,956	−17.5
Other liabilities	196,888	195,744	0.6
Total	**250,920**	**261,179**	**−3.9**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(64) 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 €11,857m (previous year: €11,091m) and public-sector Pfandbriefe of €5,203m (previous year: €9,233m).

€m	31.12.2016	31.12.2015	Change in %
Bonds and notes issued	32,884	35,614	−7.7
Money market instruments issued	5,566	4,944	12.6
Own acceptances and promissory notes outstanding	44	47	−6.4
Total	**38,494**	**40,605**	**−5.2**
of which relate to the category:			
Liabilities measured at amortised cost	37,481	39,280	−4.6
At fair value through profit or loss (fair value option)	1,013	1,325	−23.5

New issues with a total volume of €15.4bn were issued in 2016. In the same period, the volume of bonds maturing amounted to €11.8bn and redemptions to €2.6bn.

(65) Value adjustments for portfolio fair value hedges

The adjustment to the fair value of underlying transactions hedged against interest rate risk was €1,001m (previous year: €1,137m). A matching asset item from hedging transactions is shown on the other side of the balance sheet under positive fair values of derivative hedging instruments.

(66) Negative fair values of derivative hedging instruments

The negative fair values of derivatives used to hedge underlying transactions against interest rate risk are shown under this item.

€m	31.12.2016	31.12.2015	Change in %
Negative fair values micro fair value hedges	3,041	7,326	−58.5
Negative fair values portfolio fair value hedges	10	30	−66.7
Negative fair values cash flow hedges	29	50	−42.0
Total	**3,080**	**7,406**	**−58.4**

(67) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments 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	31.12.2016	31.12.2015[1]	Change in %
Negative fair values of derivative financial instruments	65,952	76,005	−13.2
Currency-related derivative transactions	18,561	17,739	4.6
Interest-rate-related derivative transactions	42,117	51,138	−17.6
Equity derivatives	2,437	4,389	
Credit derivatives	2,225	2,294	
Other derivative transactions	612	445	37.5
Certificates and other notes issued	4,828	5,011	−3.7
Delivery commitments arising from short sales of securities	864	5,438	−84.1
Total	**71,644**	**86,454**	**−17.1**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(68) Provisions

Provisions broke down as follows:

€m	31.12.2016	31.12.2015	Change in %
Provisions for pensions and similar commitments	1,356	1,034	31.1
Other provisions	2,080	2,292	−9.2
Total	**3,436**	**3,326**	**3.3**

a) Provisions for pensions and similar commitments

Changes in provisions for pensions and similar commitments were as follows in 2016:

€m	Pension entitlements of active and former employees and pension entitlements of pensioners	Early retirement	Part-time scheme for older staff	Total
As at 1.1.2016	**976**	**58**	**–**	**1,034**
Pension payments	–259	–20	–47	**–326**
Additions	85	31	5	**121**
Allocation to plan assets[1]	–119	–	48	**–71**
Change from remeasurement of defined benefit plans not recognised in income statement	559	–	–	**559**
Reclassifications/exchange rate changes[2]	45	–	–6	**39**
Changes in consolidated companies	–	–	–	**–**
As at 31.12.2016	**1,287**	**69**	**–**	**1,356**

[1] If taken into account when setting the level of provisions.
[2] The change in capitalised plan assets is contained in pension entitlements of active and former employees and pension entitlements of pensioners.

The interest and operating expenses for pensions and other employee benefits consisted of the following components:

€m	2016	2015
Expenses for defined benefit plans	85	114
Expenses for defined contribution plans	77	84
Other pension benefits (early retirement and part-time scheme for older staff)	36	31
Other pension-related expenses	9	21
Expenses for pensions and similar employee benefits	**207**	**250**

In addition, personnel expense included €227m (previous year: €232m) in employers' contributions to the state pension scheme.

In the 2017 financial year employer contributions of €48m to plan assets for defined benefit pension plans are expected in the Group, as well as pension payments of €253m.

b) Defined benefit plans

Pension obligations and pension expense for defined benefit plans are calculated annually by independent actuaries, using the projected unit credit method. The underlying actuarial parameters are based on the norms in the country in which the pension plan was established. The parameters outside Germany are shown on the basis of weighted averages taking account of the respective relevant pension plans.

%	31.12.2016	31.12.2015[1]
Parameters for pension plans in Germany		
for determining the pension obligation at year-end		
Discount rate	1.8	2.6
Change in salaries	2.5	2.5
Adjustment to pensions	1.6	1.5
for determining pension expenses in the financial year		
Discount rate	2.6	2.3
Change in salaries	2.5	2.5
Adjustment to pensions	1.5	1.8
Parameters for pension plans outside Germany		
for determining the pension obligation at year-end		
Discount rate	2.7	3.7
Change in salaries	2.7	2.8
Adjustment to pensions	2.9	2.7
for determining pension expenses in the financial year		
Discount rate	3.7	3.5
Change in salaries	2.8	2.8
Adjustment to pensions	2.7	2.8

The net debt of the defined benefit obligation changed as follows:

€m	Pension obligation	Plan assets	Net debt
As at 1.1.2015	**9,201**	**–7,935**	**1,266**
Service cost	103	–	103
Past service cost	–9	–	–9
Curtailments/settlements	–	–	–
Interest expense/income	228	–208	20
Remeasurement	–732	397	–335
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	397	397
Experience adjustments	–66	–	–66
Adjustments in financial assumptions	–653	–	–653
Adjustments in demographic assumptions	–13	–	–13
Pension payments	–330	79	–251
Settlement payments	–	–	–
Change in the group of consolidated companies	–	–	–
Exchange rate changes	85	–97	–12
Employer contributions	–	–126	–126
Employee contributions	2	–2	–
Reclassifications/other changes	–1	–	–1
As at 31.12.2015	**8,547**	**–7,892**	**655**
of which provision for pension			976
of which recognition of defined benefit assets			321
As at 1.1.2016	**8,547**	**–7,892**	**655**
Service cost	82	–	82
Past service cost	–7	–	–7
Curtailments/settlements	–	–	–
Interest expense/income	229	–219	10
Remeasurement	1,386	–827	559
Gain or loss on plan assets excluding amounts already recognised in net interest expense/income	–	–827	–827
Experience adjustments	–58	–	–58
Adjustments in financial assumptions	1,443	–	1,443
Adjustments in demographic assumptions	1	–	1
Pension payments	–339	80	–259
Settlement payments	–	–	–
Change in the group of consolidated companies	–	–	–
Exchange rate changes	–171	215	44
Employer contributions	–	–119	–119
Employee contributions	2	–2	–
Reclassifications/other changes	–	–1	–1
As at 31.12.2016	**9,729**	**–8,765**	**964**
of which provision for pension			1,287
of which recognition of defined benefit assets			323

The asset ceiling had no effects within Commerzbank, and the net debt may therefore be equated with the financing status.

The geographical breakdown of the pension obligations was as follows:

€m	31.12.2016	31.12.2015[1]
Germany	8,243	7,133
United Kingdom	1,274	1,208
America	103	105
Others	109	101
Total	**9,729**	**8,547**

The sensitivity analysis shown here reflects the changes in the assumption; the other assumptions remain unchanged from the original calculation, i.e. potential correlation effects between the individual assumptions are not accounted for. The effects of the assumption changes on the present value of the pension liabilities were determined using the same methods – in particular, the projected unit credit method – as used for the measurement of pension obligations in the financial statements. A change in the corresponding assumptions as at 31 December 2016 would have the following effects:

€m	Obligation as at 31.12.2016	Obligation as at 31.12.2015
Interest rate sensitivity		
Discount rate +50bps	–841	–675
Discount rate –50bps	976	772
Salary change sensitivity		
Change in salaries +50bps	7	9
Change in salaries –50bps	–6	–8
Pension adjustment sensitivity		
Adjustment to pensions +50bps	560	450
Adjustment to pensions –50bps	–511	–414
Mortality rate (life expectancy) change sensitivity		
Reduction in mortality by 10%[1]	348	271

[1] The reduction in mortality by 10% for all ages results in an average increase in life expectancy of around one year at age 65.

The breakdown of the plan assets was as follows:

%	31.12.2016		31.12.2015[1]	
	Active market	Inactive market	Active market	Inactive market
Fixed-income securities/bond funds	52.0	19.1	51.1	19.6
Shares/equity funds	6.1	2.5	7.9	2.9
Other investment fund units	0.1	0.6	0.1	0.8
Liquid assets	0.3	–	1.9	–
Asset-backed securities	2.8	3.4	2.9	3.6
Property	–	–	–	–
Derivatives	12.3	1.2	7.9	0.8
Interest-related	13.6	1.5	10.5	1.2
Credit-related	–	–	–	–
Inflation-related	–1.2	–0.2	–2.6	–0.4
Other	–0.1	–0.1	–	–
Others	–0.1	–0.3	–	0.5

As at 31 December 2016, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Nor did they include any mortgage securities used by the Group.

The weighted average duration of the pension obligations was 19.0 years (previous year: 17.3 years). The anticipated maturities of undiscounted pension obligations are as follows:

€m	2017	2018	2019	2020	2021	2022–2026
Expected pension payments	294	298	303	312	319	1,681

c) Defined contribution plans

Expense for contributions paid to defined contribution plans in Germany in 2016 was €59m (2015: €61m). In view of the increase in employers' contributions to the BVV, the amount for 2017 is expected to be higher at €88m.

No provisions were recognised for the BVV pension commitment, since the assumption of secondary liability under the law is regarded as unlikely.

d) Loan loss provisions

Loan loss provisions changed as follows in 2016:

€m	As at 1.1.2016	Allocations	Utilisation	Reversals	Reclassification/ change in the group of consolidated companies/other	As at 31.12.2016
Specific risks in lending business	110	34	–	69	1	76
Portfolio risks in lending business	136	15	–	21	–1	129
Total	**246**	**49**	**–**	**90**	**–**	**205**

e) Other provisions

Other provisions changed as follows in 2016:

€m	As at 1.1.2016	Allocations	Utilisation	Reversals	Unwinding of discount	Reclassification/ change in the group of consolidated companies/other	As at 31.12.2016
Personnel provisions	700	352	371	64		– 10	607
Restructuring measures	473	129	164	7		– 6	425
Bonuses for special savings schemes	–						–
Legal proceedings and recourse claims	396	120	69	120	1	11	339
Other	477	250	148	70	2	– 7	504
Total	**2,046**	**851**	**752**	**261**	**3**	**– 12**	**1,875**

The personnel provisions are predominantly short-term in nature, but also include provisions for service anniversaries, which are by their nature long-term and are utilised successively in following reporting periods. They also contain provisions for the long-term cash component of the Commerzbank Incentive Plan, which are utilised after the expiry of the 3-year vesting period. The provisions reported under "Other" are mostly expected to be utilised within one year.

The restructuring provisions related mainly to the restructuring of various back office units in Germany and the realignment of the Corporate Clients segment in London and New York. They are largely attributable to Human Resources and to Organisation. We expect these provisions to be utilised in the period from 2017 to 2019.

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

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are mainly active in the area of investment advisory within the Private 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 contract terms for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees.
- 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 could 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 are meanwhile being liquidated. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and in some cases Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of 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.
- 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 misselling of derivative transactions. The subsidiary has defended itself against the claim.
- Commerzbank was sued in January 2016 for repayment of an insurance payout from credit default insurance on loans sold by Commerzbank. The proceedings have now been concluded with a settlement .

(69) Tax liabilities

€m	31.12.2016	31.12.2015[1]	Change in %
Current tax liabilities	**574**	**432**	**32.9**
Tax liabilities to tax authorities from income tax	26	24	8.3
Provisions for income tax	548	408	34.3
Deferred tax liabilities	**49**	**106**	**−53.8**
Tax liabilities recognised in income statement	49	79	−38.0
Tax liabilities not recognised in income statement	–	27	−100.0
Total	**623**	**538**	**15.8**

[1] Prior-year figures restated due to a restatement (see page 139 ff.).

Provisions for taxes on income are potential tax liabilities which have not yet been formally assessed and potential liabilities for risks associated with tax audits. The liabilities to tax authorities represent payment obligations in respect of current taxes towards German and foreign tax authorities.

Deferred tax liabilities represent the potential income tax charge arising from temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IFRS and their values for tax accounting purposes as reported by the group companies in accordance with the local tax regulations. They were recognised in connection with the following items:

€m	31.12.2016	31.12.2015	Change in %
Trading assets and liabilities	2,280	1,855	22.9
Fair values of derivative hedging instruments	716	1,712	−58.2
Financial investments	1,124	2,314	−51.4
Claims on banks and customers	525	689	−23.8
Liabilities to banks and customers	–	1	.
Other balance sheet items	1,390	1,769	−21.4
Deferred tax liabilities gross	**6,035**	**8,340**	**−27.6**
Offsetting with deferred tax assets	−5,986	−8,234	−27.3
Total	**49**	**106**	**−53.8**

(70) Liabilities from disposal groups held for sale

The breakdown of liabilities from disposal groups held for sale was as follows:

€m	31.12.2016	31.12.2015	Change in %
Liabilities to banks	–	73	.
Liabilities to customers	–	1,000	.
Total	**–**	**1,073**	**.**

This decline is largely attributable to the sale of Commerzbank International S.A., Luxembourg.

(71) Other liabilities

€m	31.12.2016	31.12.2015[1]	Change in %
Liabilities attributable to film funds	1,184	1,334	−11.2
Liabilities attributable to non-controlling interests	169	2,262	−92.5
Accrued and deferred items	322	334	−3.6
Variation margins payable	725	528	37.3
Other liabilities	1,295	1,388	−6.7
Total	**3,695**	**5,846**	**−36.8**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The reduction in liabilities attributable to non-controlling interests is essentially due to the complete deconsolidation of the ComStage ETFs, as there was either no longer a controlling interest or the remaining ETFs were deconsolidated on the grounds of non-materiality.

(72) Subordinated debt instruments

Subordinated debt instruments comprise financial instruments which in the event of an insolvency can only be repaid after all non-subordinated creditors have been satisfied. These were as follows:

€m	31.12.2016	31.12.2015	Change in %
Subordinated debt instruments	10,866	11,804	−7.9
Accrued interest, including discounts[1]	−664	−751	−11.6
Remeasurement effects	767	805	−4.7
Total	**10,969**	**11,858**	**−7.5**
of which relate to the category:			
Liabilities measured at amortised cost	10,955	11,846	−7.5
At fair value through profit or loss (fair value option)	14	12	16.7

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

New issues with a total volume of €1.5bn were issued in 2016. The volume of subordinated debt instruments maturing amounted to €2.4bn and redemptions to €0.3bn. In the year under review, the interest expense of the Group for subordinated debt instruments totalled €806m (previous year: €895m). Interest accruals for interest not yet paid totalled €306m (previous year: €311m).

(73) Equity structure

€m	31.12.2016	31.12.2015[1]	Change in %
a) Subscribed capital	1,252	1,252	0.0
b) Capital reserve	17,192	17,192	0.0
c) Retained earnings	11,184	11,458	−2.4
Other reserves	−1,015	−781	30.0
d) Revaluation reserve	−781	−597	30.8
e) Cash flow hedge reserve	−97	−159	−39.0
f) Currency translation reserve	−137	−25	.
Total before non-controlling interests	**28,613**	**29,121**	**−1.7**
Non-controlling interests	1,027	1,004	2.3
Equity	**29,640**	**30,125**	**−1.6**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

a) Subscribed capital

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €1.00. The shares are issued in bearer form. Purchases and disposals of treasury shares are added to or deducted from subscribed capital at an accounting par value of €1.00.

	Units
Number of shares outstanding as at 1.1.2016	**1,252,357,634**
plus treasury shares as at 31.12. of the previous year	–
Issue of new shares	–
Number of issued shares as at 31.12.2016	**1,252,357,634**
less treasury shares as at balance sheet date	–
Number of shares outstanding as at 31.12.2016	**1,252,357,634**

The subscribed capital stood at €1,252m as at 31 December 2016, as no treasury shares were held. There are no preferential rights or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All shares in issue are fully paid up. The value of issued, outstanding and authorised shares was as follows:

	31.12.2016		31.12.2015	
	€m	1,000 units	€m	1,000 units
Issued shares	1,252.4	1,252,358	1,252.4	1,252,358
./. Treasury shares	–	–	–	–
= Shares outstanding	1,252.4	1,252,358	1,252.4	1,252,358
Shares not yet issued from authorised capital	569.2	569,253	569.2	569,253
Total	**1,821.6**	**1,821,611**	**1,821.6**	**1,821,611**

The number of authorised shares was 1,821,611 thousand (previous year: 1,821,611 thousand). The accounting par value of the authorised shares was €1,821.6m (previous year: €1,821.6m). As at 31 December 2016, 4,551 thousand shares (previous year: 3,831 thousand shares) had been pledged with the Group as collateral. This represents 0.4% (previous year: 0.3%) of the shares outstanding on the balance sheet date.

Securities transactions in treasury shares pursuant to Art. 71 (1) no. 7 of the German Stock Corporation Act (Aktiengesetz) were as follows:

	Number of shares in units	Accounting par value[1] €1,000	Percentage of share capital %
Balance as at 31.12.2016	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 31.12.2016	4,550,953	4,551	0.36
Shares acquired during the financial year	–	–	–
Shares disposed of during the financial year	–	–	–

[1] Accounting par value per share €1.00.

b) Capital reserve

Premiums from the issue of shares are shown in the capital reserve. In addition, if bonds and notes are issued for conversion and option rights entitling holders to purchase shares, the amounts realised are recognised in the capital reserve.

For the resale of treasury shares, the difference between the accounting par value and the market value of the share is recognised in the capital reserve, if the latter exceeds the original acquisition costs of these shares.

c) Retained earnings

Retained earnings consist of the statutory reserve and other reserves. The statutory reserve contains reserves which are mandated by German law; in the parent company financial statements, the amounts assigned to this reserve may not be distributed. The total amount of retained earnings stated in the balance sheet resulted from other retained earnings of €11,184m (previous year[1]: €11,458m). There were no statutory reserves at 31 December 2016 or 31 December 2015.

In addition, costs arising in connection with capital increases, which must be shown as a deduction from equity in accordance with IAS 32.35, are deducted from retained earnings. The fair value of share-based payments settled in the form of equity instruments that have not yet been exercised is also shown.

For purchases of treasury shares, the difference between the acquisition costs and the accounting par value is recognised in the retained earnings. The resale of treasury shares is reported as a mirror-image of the purchase of treasury shares up to the level of the acquisition costs (see also point b above, “Capital reserve”).

d) Revaluation reserve

Gains or losses from revaluing available-for-sale financial investments at fair value are recognised in the revaluation reserve net of deferred taxes. Gains or losses are recognised in the income statement only after the asset has been disposed of or impaired.

e) Cash flow hedge reserve

The net gain or loss on remeasuring the effective part of cash flow hedges is reported in this equity item after deduction of deferred taxes. Commerzbank Aktiengesellschaft ended cash flow hedge accounting in the 2009 financial year and since then has been using micro fair value hedge accounting and portfolio fair value hedge accounting to manage interest rate risks. From the date of this change, the cash flow hedge reserve reported in equity and the associated hedging transactions have been amortised in net interest income over the residual term of the hedging transactions. This has no impact on net income. Cash flow hedge accounting is, however, used by a number of subsidiaries.

f) Currency translation reserve

The currency translation reserve relates to translation gains and losses arising upon the consolidation of the capital accounts. This includes exchange rate differences arising from the currency translation of the financial statements of subsidiaries and companies accounted for using the equity method.

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(74) Conditional capital

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and profit-sharing certificates with conversion or option rights. Conditional capital developed as follows:

€m	Conditional capital 1.1.2016	Additions	Expirations/ utilisations	Authorisation expired	Conditional capital 31.12.2016	of which Used conditional capital	of which Conditional capital still available
Convertible bonds/bonds with warrants/profit-sharing certificates	569		–		569	–	569
Total	**569**	**–**	**–**	**–**	**569**	**–**	**569**

As resolved at the Annual General Meeting of 30 April 2015, the Company's share capital shall be conditionally increased by up to €569,253,470.00 divided into up to 569,253,470 bearer shares with no par value (Conditional Capital 2015 in accordance with Art. 4 (4) of the Articles of Association). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds, convertible profit participation rights, convertible hybrid bonds, or warrants attached to bonds or profit-sharing certificates, with warrants issued or guaranteed until 29 April 2020 by the Company (or by companies in which the Company directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act) on the basis of the authorisation resolved at the Annual General Meeting dated 30 April 2015 (Authorisation 2015), exercise their conversion/option rights or fulfil their related conversion or option obligations, or the Company utilises its right to provide alternative performance, and other forms of settlement are not chosen. The new shares shall be issued at the option or conversion price, whichever is applicable, to be determined in accordance with the Authorisation 2015. The new shares are entitled to dividend payments from the start of the fiscal year in which they are issued through the exercise of either conversion or option rights, or through the fulfilment of the related conversion or option obligations. As far as legally permissible, the Board of Managing Directors may, with the approval of the Supervisory Board, determine the dividend right in respect of new shares in derogation of Art. 60 (2) Stock Corporation Act, even for a fiscal year already ended.

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

(75) Authorised capital

Date of AGM resolution	Original amount €m	Used in previous years for capital increases €m	Used in 2016 for capital increases €m	Authorisation expired €m	Residual amount €m	Date of expiry
30.4.2015	569	–	–	–	569	29.4.2020
Total	**569**	**–**	**–**	**–**	**569**	

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

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

- in order to exclude fractional amounts from subscription rights;
- to the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by

Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in Art. 18 (1) Stock Corporation Act), subscription rights in the amount to which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;

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

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

The Supervisory Board is authorised to amend the wording of Art. 4 of the Articles of Association in accordance with the utilisation of Authorised Capital 2016 or to amend it after the expiry of the authorisation period.

Notes on financial instruments

(76) Derivative transactions

The Commerzbank Group conducts transactions with derivative financial instruments, as explained below.

A derivative is a financial instrument with a value determined by an "underlying asset". The underlying asset may, for example, be an interest rate, commodity price, share price, foreign exchange rate or bond price. The financial instrument does not require any initial net investment or an initial investment that is smaller than would be required for other types of instrument expected to have a similar response to changes in market factors. It is settled at a future date.

Most of the derivatives transactions involve OTC derivatives, with a nominal amount, maturity and price which are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardised contracts with standardised nominal amounts and settlement dates.

The nominal amount shows the volume traded by the Bank. The positive and negative fair values listed in the table, however, are the expenses which would be incurred by the Bank or the counterparties to replace the contracts originally concluded with transactions of an equivalent financial value. From the Bank's point of view, a positive fair value thus indicates the maximum potential counterparty-specific default risk present from derivative transactions on the balance sheet date.

In order to minimise both the economic and regulatory credit risk arising from these instruments, we conclude master agreements (bilateral netting agreements) with our counterparties (such as 1992 ISDA Master Agreement Multi-Currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another, and the future regulatory risk add-ons for these products can be reduced. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-mitigating techniques only where we consider them enforceable in the jurisdiction in question if the counterparty should become insolvent. We obtain legal opinions from various international law firms in order to verify enforceability.

Similar to the master agreements are the collateral agreements (e.g. collateralisation annex for financial futures contracts, Credit Support Annex), which we conclude with our business partners to secure the net claim or liability remaining after netting (receiving or furnishing of collateral). As a rule, this collateral management reduces credit risk by means of prompt – usually daily or weekly – measurement and adjustment of the customer exposure.

The total effect of netting amounted to €62,814m as at 31 December 2016 (previous year: €63,666m). On the assets side, €60,544m (previous year: €61,965m) of this was attributable to positive fair values and €2,270m (previous year: €1,701m) to variation margins received. Netting on the liabilities side involved negative fair values of €59,868m (previous year: €63,034m) and liabilities for variation margin payments of €2,946m (previous year: €632m).

As at the balance sheet date the outstanding volume of the Commerzbank Group's transactions as a protection buyer and seller amounted to €30,643m (previous year: €40,015m) and €30,632m (previous year: €36,547m). We employ these products, which are used to transfer credit risk, both for arbitrage purposes in trading and in the banking book for diversifying our loan portfolios.

Details of derivatives in cash flow hedge accounting:
The nominal values of derivatives used for cash flow hedging until this was ended in 2009 (see Note 73) totalled €24bn as at 31 December 2016 (previous year: €57bn). The table below shows the periods in which these are expected to expire:

€bn	31.12.2016	31.12.2015	Change in %
Up to 3 months	4	7	−42.9
More than 3 months up to 1 year	5	26	−80.8
More than 1 year up to 5 years	10	19	−47.4
More than 5 years	5	5	0.0

Underlying hedged transactions existed in each maturity band with at least the same nominal value.

(77) Transferred financial assets

a) Assets pledged as collateral (own and third-party holdings)

Financial assets were pledged as collateral for the following financial liabilities:

€m	31.12.2016	31.12.2015	Change in %
Liabilities to banks	32,126	30,481	5.4
Liabilities to customers	4,846	6,518	−25.7
Securitised liabilities	500	500	0.0
Trading liabilities	–	–	.
Other liabilities	–	–	.
Total	**37,472**	**37,499**	**−0.1**

The following financial assets (own and third-party holdings) were pledged as collateral for the above-mentioned liabilities, which are shown after netting.

€m	31.12.2016	31.12.2015	Change in %
Claims on banks and customers	23,433	24,050	−2.6
Trading assets and financial investments	49,490	32,810	50.8
Other assets	20	19	5.3
Total	**72,943**	**56,879**	**28.2**

The recipient of the collateral has the right under contract or in accordance with customary practice to sell or pledge the following financial assets of the Commerzbank Group to others:

€m	31.12.2016	31.12.2015	Change in %
Claims on banks and customers	–	–	.
Trading assets and financial investments	5,092	3,384	50.5
Total	**5,092**	**3,384**	**50.5**

Collateral was furnished to borrow funds as part of securities repurchase agreements (repos). Collateral was also furnished for funds borrowed for specific purposes and securities-lending transactions. The transactions were carried out under the standard market terms for securities lending and repurchase transactions.

b) Financial assets which have been transferred but not derecognised (own holdings)

Securities from the Bank's own holdings were pledged as collateral in securities repurchase and lending transactions. These securities were not derecognised, as all the risks and opportunities connected with the ownership of these securities were retained within the Commerzbank Group. The transferred securities and associated liabilities (before netting) were as follows:

31.12.2016	Trading assets	Financial investments		
€m	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Repurchase agreements as a borrower (repo agreements)				
Carrying amount of securities transferred	1,054	–	3,175	–
Carrying amount of associated liabilities	1,022	–	3,103	–
Securities lent in securities lending transactions				
Carrying amount of securities transferred	831	–	–	–
Carrying amount of associated liabilities	792	–	–	–
Securities transferred to central bank (without repo agreements)				
Carrying amount of securities transferred	–	–	–	–
Carrying amount of associated liabilities	–	–	–	–

31.12.2015	Trading assets	Financial investments		
€m	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Repurchase agreements as a borrower (repo agreements)				
Carrying amount of securities transferred	1,560	–	508	–
Carrying amount of associated liabilities	1,483	–	488	–
Securities lent in securities lending transactions				
Carrying amount of securities transferred	1,226	–	–	–
Carrying amount of associated liabilities	1,219	–	–	–
Securities transferred to central bank (without repo agreements)				
Carrying amount of securities transferred	–	–	–	–
Carrying amount of associated liabilities	–	–	–	–

The fair values of transactions where the counterparty (protection buyer) only has recourse to the transferred assets were as follows:

31.12.2016	Trading assets	Financial investments		
€m	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	Loans and receivables
Repurchase agreements as a borrower (repo agreements)				
Fair value of securities transferred	1,054	–	3,175	–
Fair value of associated liabilities	1,022	–	3,103	–
Net position	**32**	**–**	**72**	**–**
Securities lent in securities lending transactions				
Fair value of securities transferred	831	–	–	–
Fair value of associated liabilities	792	–	–	–
Net position	**39**	**–**	**–**	**–**
Securities transferred to central bank (without repo agreements)				
Fair value of securities transferred	–	–	–	–
Fair value of associated liabilities	–	–	–	–
Net position	**–**	**–**	**–**	**–**

31.12.2015	**Trading assets**	**Financial investments**		
€m	**Held for trading**	**At fair value through profit or loss**	**Available-for-sale financial assets**	**Loans and receivables**
Repurchase agreements as a borrower (repo agreements)				
Fair value of securities transferred	1,560	–	508	–
Fair value of associated liabilities	1,483	–	488	–
Net position	**77**	**–**	**20**	**–**
Securities lent in securities lending transactions				
Fair value of securities transferred	1,226	–	–	–
Fair value of associated liabilities	1,219	–	–	–
Net position	**7**	**–**	**–**	**–**
Securities transferred to central bank (without repo agreements)				
Fair value of securities transferred	–	–	–	–
Fair value of associated liabilities	–	–	–	–
Net position	**–**	**–**	**–**	**–**

c) Transferred and derecognised financial assets with continuing involvement

Continuing involvement exists when the contractual rights and obligations relating to the transferred asset remain within the Commerzbank Group after transferring these financial assets. Continuing involvement may also arise from the assumption of new rights and obligations in connection with the transferred assets. No significant transactions were concluded in the Commerzbank Group where the assets were derecognised in spite of continuing involvement.

(78) Maturities of assets and liabilities

The table below lists all assets and liabilities (except for positive and negative fair values of derivative financial instruments) classified by whether they are short-term or long-term. The residual term or the time of anticipated realisation or fulfilment is defined as short-term if the period between the reporting date and the instrument's maturity date is less than one year. Financial instruments in trading assets and liabilities without contractual maturities, the cash reserve item, non-current assets and liabilities held for sale and current taxes on income are classified as short-term. By contrast, holdings in companies accounted for using the equity method, intangible assets, fixed assets, investment properties and deferred taxes are generally classified as long-term. When classifying other assets and liabilities we make an assessment for the main items. For information on how the maturities of the main types of provisions are classified, please refer to Note 68.

€m	31.12.2016		31.12.2015[1]	
	Short-term	Long-term	Short-term	Long-term
Cash reserve	34,802	–	28,509	–
Claims on banks	51,448	7,081	64,486	7,319
Claims on customers	69,275	143,573	75,582	143,293
Trading assets	22,536	4,121	30,265	7,838
Financial investments	7,953	62,227	12,001	69,938
Holdings in companies accounted for using the equity method	–	180	–	735
Intangible assets	–	3,047	–	3,525
Fixed assets	–	1,723	–	2,294
Investment properties	–	16	–	106
Non-current assets held for sale and disposal groups	1,188	–	846	–
Current tax assets	629	–	512	–
Deferred tax assets	–	3,049	–	2,761
Other asset items	2,965	357	2,600	339
Total	**190,796**	**225,374**	**214,801**	**238,148**
Liabilities to banks	45,128	21,820	59,227	23,927
Liabilities to customers	223,953	26,967	229,049	32,130
Securitised liabilities	10,893	27,601	12,935	27,670
Trading liabilities	4,648	1,044	9,407	1,042
Provisions	1,741	1,695	2,172	1,154
Current tax liabilities	574	–	432	–
Deferred tax liabilities	–	49	–	106
Liabilities of disposal groups	–	–	1,073	–
Other liability items	3,343	1,353	3,392	3,591
Subordinated debt instruments	1,535	9,434	2,161	9,697
Total	**291,815**	**89,963**	**319,848**	**99,317**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

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.

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**

31.12.2015[1]			Residual terms	
€m	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Liabilities to banks	53,856	5,563	14,416	10,904
Liabilities to customers	201,843	27,936	13,969	19,780
Securitised liabilities	5,561	8,980	24,419	12,088
Trading liabilities	1,429	3,039	1,214	95
Derivatives	3,785	6,497	19,096	59,124
Subordinated debt instruments	141	2,296	5,939	7,366
Financial guarantees	2,511	–	–	–
Irrevocable lending commitments	72,213	–	–	–
Total	**341,339**	**54,311**	**79,053**	**109,357**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

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

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

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

Fair value hierarchy

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

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

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

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

Financial assets | €bn		**31.12.2016**				**31.12.2015**			
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Claims on banks	At fair value through profit or loss	–	14.9	0.7	15.6	–	22.6	–	22.6
Claims on customers	At fair value through profit or loss	–	8.2	0.2	8.4	–	11.0	0.4	11.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	2.1	–	2.1	–	3.0	–	3.0
Trading assets	Held for trading	23.5	60.4	5.0	88.9	30.0	79.3	5.4	114.7
of which positive fair values from derivatives		–	58.1	4.1	62.2	–	72.3	4.4	76.7
Financial investments	At fair value through profit or loss	0.4	0.4	0.1	0.9	1.7	0.6	0.1	2.4
	Available-for-sale financial assets	31.0	8.3	0.1	39.4	32.0	10.6	0.1	42.7
Non-current assets held for sale and disposal groups		–	–	0.1	0.1	–	–	0.1	0.1
Total		**54.9**	**94.3**	**6.2**	**155.4**	**63.7**	**127.1**	**6.1**	**196.9**

Financial liabilities | €bn		**31.12.2016**				**31.12.2015**			
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities to banks	At fair value through profit or loss	–	10.8	–	10.8	–	13.6	–	13.6
Liabilities to customers	At fair value through profit or loss	–	6.3	–	6.3	–	8.8	–	8.8
Securitised liabilities	At fair value through profit or loss	1.0	–	–	1.0	1.3	–	–	1.3
Negative fair values of derivative hedging instruments	Hedge accounting	–	3.1	–	3.1	–	7.4	–	7.4
Trading liabilities	Held for trading	5.6	62.0	4.0	71.6	9.8	73.6	3.0	86.4
of which negative fair values from derivatives		–	62.0	4.0	66.0	–	73.1	2.9	76.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**6.6**	**82.2**	**4.0**	**92.8**	**11.1**	**103.4**	**3.0**	**117.5**

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

A number of reclassifications from Level 1 to Level 2 were carried out in the fourth quarter of 2016, as there were no listed market prices available. These involved €2.1bn of available-for-sale bonds and €0.1bn of bonds and claims held for trading. At the same time, €0.1bn of held-for-trading bonds were reclassified from Level 2 to Level 1, as quoted market prices were again available. The reclassifications were determined on the basis of the holdings on 30 September 2016. There were no significant reclassifications between Level 1 and Level 2 apart from these.

The changes in financial assets in the Level 3 category during the year were as follows:

Financial assets €m	Claims on banks	Claims on customers	Trading assets	of which positive fair values from derivatives	Financial investments		Non-current assets held for sale and disposal groups	Total
	At fair value through profit or loss	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets		
Fair value as at 1.1.2015	**–**	**451**	**5,147**	**3,919**	**2**	**124**	**–**	**5,724**
Changes in the group of consolidated companies	–	–	–	–	–	–		–
Gains or losses recognised in income statement during the period	–	–	46	131	−8	−3	–	35
of which unrealised gains or losses	–	–	176	183	−8	–	–	168
Gains or losses recognised in revaluation reserve	–	–	–	–	–	−3	–	−3
Purchases	–	1	48	–	50	3	–	102
Sales	–	–	−216	−157	–	−282	–	−498
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–	−130	−59	−33	−17	–	−180
Reclassification to level 3	–	–	621	586	544	318	97	1,580
Reclassifications from level 3	–	−24	−143	−66	−505	−9	–	−681
Reclassifications from/to non-current assets held for sale and assets of disposal groups								–
Fair value as at 31.12.2015	**–**	**428**	**5,373**	**4,354**	**50**	**131**	**97**	**6,079**
Changes in the group of consolidated companies		−148						−148
Gains or losses recognised in income statement during the period	–	−29	2	133	–	–	−8	−35
of which unrealised gains or 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
Reclassification to level 3	746	2	206	17	2	12	68	1,036
Reclassifications from level 3	–		−543	−444	−2	−5		−550
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	−103					103	–
Fair value as at 31.12.2016	**746**	**148**	**5,040**	**4,065**	**50**	**140**	**68**	**6,192**

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.

Material reclassifications from Level 2 to Level 3 were carried out in the 2016 financial year due to the absence of observable market parameters. The reclassifications amounted to €0.7bn for reverse repos at fair value through profit or loss in the absence of observable market parameters. Bonds held for trading in the amount of €0.2bn were also reclassified from Level 2 to Level 3 due to the absence of observable market parameters. An equity holding in a credit card company which had been reclassified to non-current assets and disposal groups held for sale was sold in the first half of 2016. This led to the realisation of unrealised gains of €0.1bn previously recognised in the revaluation reserve. A portfolio of claims reclassified in this balance sheet item in the first quarter and accounted for at a fair value of €0.1bn was sold in the fourth quarter for a price approximately equivalent to the carrying amount at the time of reclassification. Moreover, €0.1bn of held-for-trading financial liabilities were no longer held in the Level 3 portfolio, as the company holding them had been deconsolidated following loss of control. At the same time, €0.4bn of derivatives with positive fair values were reclassified from Level 3 to Level 2, as observable market parameters were again available. Otherwise, there were no significant reclassifications of financial assets into or out of Level 3.

The changes in financial liabilities in the Level 3 category in the year under review were as follows:

Financial liabilities €m	**Trading liabilities**	**of which negative fair values from derivatives**	**Total**
	Held for trading	**Held for trading**	
Fair value as at 1.1.2015	**2,535**	**2,533**	**2,535**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	79	79	79
of which unrealised gains or losses	86	86	86
Purchases	38	38	38
Sales	–10	–9	–10
Issues	–	–	–
Redemptions	–76	–76	–76
Reclassification to level 3	666	644	666
Reclassifications from level 3	–282	–278	–282
Reclassifications from/to non-current assets held for sale and assets of disposal groups			–
Fair value as at 31.12.2015	**2,950**	**2,931**	**2,950**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	287	287	287
of which unrealised gains or losses	291	291	291
Purchases	416	416	416
Sales	–2	–2	–2
Issues	–	–	–
Redemptions	–36	–34	–36
Reclassification to level 3	641	620	641
Reclassifications from level 3	–290	–252	–290
Reclassifications from/to non-current assets held for sale and assets of disposal groups			
Fair value as at 31.12.2016	**3,966**	**3,966**	**3,966**

Unrealised gains or losses on financial instruments held for trading purposes (trading liabilities and derivatives) are included in net trading income. Reclassifications of negative fair values from derivatives worth €0.5bn from Level 2 to Level 3 were carried out in the 2016 financial year due to the absence of observable market parameters. At the same time, €0.2bn 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 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), 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 factor driving pricing of credit default swaps. Models for pricing default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows in a 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 (as compared 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 input parameter may become unobservable, particularly for emerging 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		2016			2016	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		**4,065**	**3,966**			
Equity-related transactions	Discounted cash flow model	158	452	IRR (%)	1	8
Credit derivatives	Discounted cash flow model	3,886	3,321	Credit spread (bps)	100	500
				Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	21	193	IR-FX correlation (%)	–36	51
Other transactions		–	–			
Securities		**1,233**	**–**			
Interest-rate-related transactions	spread based model	1,132	–	Credit spread (bps)	100	500
of which ABS	spread based model	975	–	Credit spread (bps)	100	500
Equity-related transactions	Discounted cash flow model	101	–	Price (%)	90	110
Loans		**894**	**–**			
Repo-business	Discounted cash flow model	746		Repo-curve (bps)	130	228
Claims	Price based	148		Price (%)	90	110
Total		**6,192**	**3,966**			

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. This sensitivity analysis for financial instruments in fair value hierarchy 3 is broken down by type of instrument:

€m	2016		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**49**	**–46**	
Equity-related transactions	23	–20	IRR, price based
Credit derivatives	22	–22	credit spread, recovery rates
Interest-rate-related transactions	4	–4	Correlation
Other transactions	–	–	
Securities	**29**	**–24**	
Interest-rate-related transactions	19	–14	Price
of which ABS	9	–6	IRR, recovery rate, credit spread
Equity-related transactions	10	–10	Price
Loans	6	–6	price, repo curve

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

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
Balance as at 1.1.2015	**–**	**1**	**1**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–	–
Balance as at 31.12.2015	**–**	**5**	**5**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–5	–5
Balance as at 31.12.2016	**–**	**4**	**4**

(80) Fair value of financial instruments not measured at fair value

Determination of fair value

This note provides more information on the determination of fair values of financial instruments which are not recognised at fair value in the balance sheet, but for which a fair value is to be stated in accordance with IFRS 7. Their fair value must be disclosed in accordance with IFRS 7. For the financial instruments reported in the balance sheet at fair value, the accounting methodology is set out in the accounting and measurement policies (Notes 2 to 30) and in the sections "Measurement of financial instruments" and "Fair value hierarchy" in Note 79.

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. We allocate these to Level 2.

Market prices are not available for loans as there are no organised markets for trading these financial instruments. The discounted cash flow model is used for loans, with parameters based on a risk-free yield curve (swap curve) plus credit spreads and maturity-based premiums to cover funding spreads, plus fixed premiums for administrative expenses and the cost of capital. Data on the credit spreads of major banks and corporate customers are available, making it possible to classify them as Level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as Level 3.

In the case of reclassified securities contained in the IAS 39 loans and receivables category, the fair value is determined on the basis of available market prices insofar as an active market once again exists (Level 1). If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at Level 2 or Level 3.

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. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as Level 2. In the case of non-observable input parameters, classification at Level 3 may also be appropriate.

The fair value of securitised liabilities and subordinated debt instruments 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.

If available market prices are applied to securitised liabilities and subordinated debt instruments, they are to be classified as Level 1. Otherwise, classification at Level 2 normally applies, since valuation models generally rely on observable input parameters.

The tables below compare the fair values of the balance sheet items with their carrying amounts:

	Fair value		Carrying amount		Difference	
Assets | €bn	31.12.2016	31.12.2015[1]	31.12.2016	31.12.2015[1]	31.12.2016	31.12.2015
Cash reserve	34.8	28.5	34.8	28.5	–	–
Claims on banks	58.7	71.9	58.5	71.9	0.2	–
Reverse repos and cash collaterals	33.4	43.8	33.4	43.8		
Claims from money market transactions	1.7	0.8	1.7	0.8		
Promissory note loans	1.3	1.2	1.2	1.2	0.1	–
Other claims	22.4	26.2	22.3	26.2	0.1	–
Loan loss provisions	−0.1	−0.1	−0.1	−0.1		
Claims on customers	213.2	219.3	212.8	218.9	0.4	0.4
Reverse repos and cash collaterals	12.4	15.0	12.4	15.0		
Claims from money market transactions	0.5	0.5	0.5	0.5		
Promissory note loans	12.5	13.5	13.3	14.2	−0.8	−0.7
Construction and ship financing	92.2	93.8	93.0	94.0	−0.8	−0.2
Other claims	99.3	100.4	97.3	99.1	2.0	1.3
Loan loss provisions	−3.7	−3.9	−3.7	−3.9		
Value adjustment on portfolio fair value hedges[2]	–	–	0.3	0.3	−0.3	−0.3
Positive fair values of derivative hedging instruments	2.1	3.0	2.1	3.0	–	–
Trading assets	88.9	114.8	88.9	114.8	–	–
Financial investments	67.4	79.2	70.2	81.9	−2.8	−2.7
Loans and receivables	26.9	33.8	29.7	36.5	−2.8	−2.7
Available for sale[3]	39.6	43.0	39.6	43.0		
At fair value through profit or loss	0.9	2.4	0.9	2.4		
Non-current assets held for sale and disposal groups	0.7	0.5	0.7	0.5		

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet items for the hedged financial instruments. Prior-year figures were restated due to a change in reporting plus other restatements (see page 139 ff.).
[3] Including unlisted equity holdings.

	Fair value		Carrying amount		Difference	
Liabilities | €bn	**31.12.2016**	**31.12.2015**[1]	**31.12.2016**	**31.12.2015**[1]	**31.12.2016**	**31.12.2015**[1]
Liabilities to banks	66.9	83.2	66.9	83.2	–	–
Repos and cash collaterals	18.2	18.1	18.2	18.1		
Liabilities from money market transactions	15.0	21.8	15.0	21.8		
Other liabilities	33.7	43.3	33.7	43.3	–	–
Liabilities to customers	251.3	261.6	250.9	261.2	0.4	0.4
Repos and cash collaterals	7.0	8.5	7.0	8.5		
Liabilities from money market transactions	47.0	57.0	47.0	57.0		
Other liabilities	197.3	196.1	196.9	195.7	0.4	0.4
Securitised liabilities	40.2	42.8	38.5	40.6	1.7	2.2
Measured at amortised cost	39.2	41.5	37.5	39.3	1.7	2.2
At fair value through profit or loss	1.0	1.3	1.0	1.3		
Value adjustment on portfolio fair value hedges[2]	0.0	0.0	1.0	1.1	–1.0	–1.1
Negative fair values of derivative hedging instruments	3.1	7.4	3.1	7.4	0.0	0.0
Trading liabilities	71.6	86.6	71.6	86.6	0.0	0.0
Liabilities of disposal groups	–	1.1	0.0	1.1	0.0	0.0
Subordinated debt instruments	11.8	12.6	11.0	11.9	0.8	0.7

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).
[2] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged financial instruments.

The fair values shown above as at 31 December 2016 were distributed along the fair value hierarchy (Levels 1, 2 and 3) as follows:

€bn	31.12.2016				31.12.2015[1]			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Cash reserve	–	34.8	–	34.8	–	28.5	–	28.5
Claims on banks	–	57.8	0.9	58.7	–	70.5	1.4	71.9
Claims on customers	–	26.4	186.8	213.2	–	31.7	187.6	219.3
Value adjustment on portfolio fair value hedges	–	–	–	–	–	–	–	–
Positive fair values of derivative hedging instruments	–	2.1	–	2.1	–	3.0	–	3.0
Trading assets	23.5	60.4	5.0	88.9	30.0	79.4	5.4	114.8
Financial investments	31.8	27.5	8.1	67.4	34.8	17.2	27.2	79.2
Non-current assets held for sale and disposal groups	0.6		0.1	0.7	0.1	0.3	0	0.5
Liabilities								
Liabilities to banks	–	66.9	–	66.9	–	83.0	0.2	83.2
Liabilities to customers	–	249.8	1.5	251.3	–	259.9	1.7	261.6
Securitised liabilities	1.0	36.4	2.8	40.2	7.6	31.2	4.0	42.8
Value adjustment on portfolio fair value hedges	–	–	–	–	–	–	–	–
Negative fair values of derivative hedging instruments	–	3.1	–	3.1	–	7.4	–	7.4
Trading liabilities	5.6	62.0	4.0	71.6	9.8	73.8	3.0	86.6
Liabilities of disposal groups	–		–	–	–	1.1	–	1.1
Subordinated debt instruments	–	11.8	–	11.8	0.1	12.5	–	12.6

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

(81) Information on financial assets and financial liabilities for which the fair value option is applied

In the Commerzbank Group, the fair value option is primarily used to avoid accounting mismatches arising from securities and loans hedged with interest rate or credit derivatives. This also applies to structured debt instruments we have issued which have been hedged with interest rate or foreign currency derivatives.

The fair value option is also used for transactions which are managed in accordance with the documented risk management strategy on a fair value basis and whose performance is measured on this basis, for example certain repurchase agreements, money market transactions and cash collaterals paid and received.

All in all, the results of applying the fair value option amounted to €32m (previous year: €−39m) (see Note 34).

Applying the fair value option in order to avoid accounting mismatches and for financial instruments with embedded derivatives produced the following values as broken down by balance sheet item:

€m	31.12.2016	31.12.2015	Change in %
Claims on banks	–	–	.
Claims on customers	169	462	−63.4
Financial investments	488	2,409	−79.7
Total assets	**657**	**2,871**	**−77.1**
Liabilities to banks	38	21	81.0
Liabilities to customers	1,303	1,364	−4.5
Securitised liabilities	1,013	1,325	−23.5
Subordinated debt instruments	14	12	.
Total liabilities	**2,368**	**2,722**	**−13.0**

Of the total claims of €169m measured at fair value, €113m (previous year: €122m) were hedged by credit derivatives. In the year under review, the change in the fair value of claims attributable to changes in default risk was €95m (previous year: €19m) and amounted cumulatively to €3m (previous year: €−92m).

The change in the fair value of the related risk-limiting credit derivatives amounted to €−4m in the 2016 financial year (previous year: €−11m) and amounted cumulatively to €−3m (previous year: €1m).

For liabilities to which the fair value option was applied, the change in fair value in 2016 for credit risk reasons was €−47m (previous year: €−71m). The cumulative change was €−92m (previous year: €−45m). The repayment amount of financial liabilities at fair value through profit or loss was €2,426m (previous year: €2,805m).

The credit risk-specific changes in the fair value of the claims and liabilities were primarily calculated as changes in fair values less value changes resulting from market conditions.

The fair value option was also used for financial instruments if they are managed in line with our risk and liquidity management and their performance is measured on a fair value basis. This applied chiefly to repurchase agreements, money market transactions and cash collaterals paid and received. The following balance sheet items were affected:

€m	31.12.2016	31.12.2015	Change in %
Claims on banks	15,555	22,620	−31.2
Claims on customers	8,254	10,925	−24.4
Financial investments	359	18	.
Total assets	**24,168**	**33,563**	**−28.0**
Liabilities to banks	10,755	13,538	−20.6
Liabilities to customers	4,962	7,448	−33.4
Securitised liabilities	–	–	.
Subordinated debt instruments	–	–	.
Total liabilities	**15,717**	**20,986**	**−25.1**

There were no significant changes in the fair values of assets and liabilities arising from default risk, since these consisted of short-term money market transactions and collaterals in securities lending business. Furthermore, for €20,861m of financial assets at fair value through profit or loss (reverse repos after netting; previous year: €26,598m), we received €48,503m (previous year: €26,671m) of securities as collateral to reduce counterparty risk.

The repayment amount of financial liabilities at fair value through profit or loss was €15,725m (previous year: €20,989m).

(82) Information on netting of financial instruments

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

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

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

We apply netting to receivables and liabilities from repurchase agreements (reverse repos and repos), to OTC derivatives, and to positive and negative fair values of derivatives. The balance sheet netting pertains to transactions with central counterparties.

Assets | €m	**31.12.2016**		**31.12.2015**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	38,202	124,824	45,049	141,707
Book values not eligible for netting	9,889	5,894	3,830	7,784
a) Gross amount of financial instruments I and II	28,313	118,930	41,219	133,923
b) Amount netted in the balance sheet for financial instruments I[1]	14,820	60,544	12,992	61,965
c) Net amount of financial instruments I and II = a) – b)	13,493	58,386	28,227	71,958
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]	304	40,928	783	52,479
Fair value of financial collaterals relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	11,192	633	20,663	1,618
Cash collaterals	30	9,671	65	11,338
e) Net amount of financial instruments I and II = c) – d)	1,967	7,154	6,716	6,523
f) Fair value of financial collaterals of central counter-parties relating to financial instruments I	1,967	55	4,718	101
g) Net amount of financial instruments I and II = e) – f)	0	7,099	1,998	6,422

1 Of which for positive fair values €2,270m (previous year: €632m) 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	**31.12.2016**		**31.12.2015**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	28,184	128,901	21,515	146,434
Book values not eligible for netting	4,593	1,219	265	5,690
a) Gross amount of financial instruments I and II	23,591	127,682	21,250	140,744
b) Amount netted in the balance sheet for financial instruments I[1]	14,820	59,869	12,991	63,034
c) Net amount of financial instruments I and II = a) – b)	8,771	67,813	8,259	77,710
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]	304	40,928	783	52,479
Fair value of financial collaterals relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	5,432	2,441	7,196	2,566
Cash collaterals	4	18,588	17	18,884
e) Net amount of financial instruments I and II = c) – d)	3,031	5,856	263	3,781
f) Fair value of financial collaterals of central counter-parties relating to financial instruments I	3,031	55	236	101
g) Net amount of financial instruments I and II = e) – f)	0	5,801	27	3,680

1 Of which for negative fair values €2,946m (previous year: €1 701m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of securities.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Other notes

(83) Concentration of credit risk

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers which share a number of features and which are individually able to service debt and influenced to the same extent by changes in certain overall economic conditions. Besides obtaining collateral and applying a uniform lending policy, the Bank has entered into a number of master netting agreements to minimise credit risks. These give the Bank the right to net claims on and liabilities to a customer in the event of the default or insolvency of that customer. The carrying values of credit risks relating to claims on customers were as follows:

	Claims	
€m	**31.12.2016**	**31.12.2015**
Customers in Germany	**146,288**	**143,904**
Corporate customers	59,488	61,369
Manufacturing	17,178	23,881
Construction	895	819
Trading	8,430	8,509
Services and others	32,985	28,160
Public sector	15,158	15,444
Private Customers	71,642	67,091
Customers outside Germany	**70,230**	**78,833**
Corporate and retail customers	63,894	72,155
Public sector	6,336	6,678
Sub-total	**216,518**	**222,737**
Less valuation allowances	−3,670	−3,862
Total	**212,848**	**218,875**

The carrying values of credit risks relating to contingent liabilities and irrevocable lending commitments were as follows:

	Contingent liabilities, irrevocable lending commitments	
€m	31.12.2016	31.12.2015[1]
Customers and banks in Germany	**48,786**	**45,482**
Banks	575	1,047
Corporate customers	41,539	38,014
Manufacturing	21,735	18,691
Construction	1,572	2,026
Trading	4,421	4,226
Services and others	13,811	13,071
Public sector	223	103
Private Customers	6,449	6,318
Customers and banks outside Germany	**64,620**	**64,347**
Banks	7,260	9,109
Corporate and retail customers	57,168	55,135
Public sector	192	103
Sub-total	**113,406**	**109,829**
Less provisions	– 164	– 204
Total	**113,242**	**109,625**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

The book values of credit risk concentrations in loans and receivables, contingent liabilities and irrevocable lending commitments listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors. To this extent these amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(84) Maximum credit risk

The maximum credit risk exposure in accordance with IFRS 7 – excluding collateral or other credit enhancements – is equal to the carrying amounts of the relevant assets in each class, or the nominal values of irrevocable lending commitments and contingent liabilities. The table below shows the carrying amounts or nominal values of financial instruments with a potential default risk:

Maximum credit risk | €m	31.12.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities under	74,499	91,032	– 18.2
Trading assets	5,405	10,234	– 47.2
Financial investments	69,094	80,798	– 14.5
Claims on banks	58,529	71,805	– 18.5
Claims on customers	212,848	218,875	– 2.8
Positive fair values of derivative financial instruments	64,280	79,752	– 19.4
Trading assets	62,205	76,721	– 18.9
Hedging instruments under IAS 39	2,075	3,031	– 31.5
Other trading assets	610	1,329	– 54.1
Irrevocable lending commitments	78,331	72,555	8.0
Financial guarantees	2,393	2,540	– 5.8

The maximum credit risk exposures listed above are not part of internal credit risk management, as credit risk management also takes account of collateral, probabilities of default and other economic factors (see the section on default risks in the Group Risk Report). These amounts are therefore not representative of the Bank's assessment of its actual credit risk.

(85) Subordinated assets

The following subordinated assets were included in the assets shown in the balance sheet:

€m	31.12.2016	31.12.2015	Change in %
Claims on banks	–	–	.
Claims on customers	819	611	34.0
Trading assets	117	285	−58.9
Financial investments	12	12	0.0
Total	**948**	**908**	**4.4**
of which in banks in which an equity holding exists	–	–	.

Assets are considered to be subordinated if the claims they represent may not be met until after those of other creditors in the event of the liquidation or insolvency of the issuer.

(86) Contingent liabilities and irrevocable lending commitments

The Commerzbank Group extends credit facilities to its customers, granting them rapid access to funds to meet their short-term and long-term financing needs. The credit facilities can be presented in different forms, as shown in the following examples:

- Guarantees, where the Group guarantees the repayment of a loan borrowed by a customer from another party;
- Standby letters of credit, which enhance a customer's credit standing and enable the customer to obtain trade finance at a lower cost;
- Documentary credits for trade finance payments, which are made on behalf of a customer and where the Group is reimbursed at a later date;
- Standby facilities for short-term debt instruments and debt paper issued on a revolving basis, which enable customers to issue money market paper or medium-term debt instruments when needed without having to go through the normal issue procedure every time.

Customers' total exposure under loans and guarantees may be secured by any available collateral. In addition, third parties may have sub-participations in irrevocable lending commitments and acceptances.

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

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements. Loan loss provisions for off-balance-sheet commitments have been deducted from the respective items. The Group Risk Report contains further information on credit risk and liquidity risk and how they are monitored and managed.

€m	31.12.2016	31.12.2015[1]	Change in %
Contingent liabilities	**34,997**	**37,159**	**–5.8**
from rediscounted bills of exchange credited to borrowers	2	7	–71.4
from guarantees and indemnity agreements	34,917	37,108	–5.9
Financial guarantees (credit guarantees)	2,393	2,511	–4.7
Other guarantees	27,427	27,834	–1.5
Letters of credit	5,075	6,763	–25.0
Guarantees for ABS securitisations	–	–	.
Other warranties	22	0	.
Other commitments	78	44	77.3
Irrevocable lending commitments	**78,245**	**72,466**	**8.0**
Book credits to banks	1,394	1,351	3.2
Book credits to customers	75,012	68,879	8.9
Acceptance credits	1,463	1,922	–23.9
Letters of credit	376	314	19.7
Total	**113,242**	**109,625**	**3.3**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal risks where the occurrence of a loss is not probable, but also not improbable, and for which no provisions have been recognised. It is impossible to reliably estimate the date on which the risk may materialise or any potential reimbursements. Depending on the outcome of the legal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 December 2016 the contingent liability for legal risks amounted to €544m (previous year: €507m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants 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 2017.
- Commerzbank held an equity holding in a company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought against the Commerzbank Group for repayment of the proceeds it received from the sale of its stake. Two of these suits have now been rejected on appeal.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. Commerzbank will defend itself against the action.
- Commerzbank is currently involved in several legal disputes with the guarantor of a ship finance loan. As the borrower did not fulfil their payment obligation on the due date, Commerzbank launched a lawsuit in London and moved to hold the guarantor liable under the guarantee. The guarantor in turn has applied to a court in Piraeus, Greece, for a negative finding that it does not owe Commerzbank any amount for the borrower under the guarantee. Finally, in May 2016 the guarantor and the shipping company jointly sued Commerzbank in Piraeus for damages. They are claiming they suffered a loss as a result of the attachment of a tanker by Commerzbank in 2014 and the subsequent sale of the ship on the open market. The 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 their view was wrongly paid to Commerzbank. They are also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's claim. Commerzbank will defend itself against the action.
- 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.
- 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.

(87) Repurchase agreements (repo and reverse repo transactions), securities lending and cash collaterals

Under its repurchase agreements, the Commerzbank Group sells or purchases securities with the obligation to repurchase or return them. The money received from repurchase agreements where we are the borrower (i.e. where we are under an obligation to take the securities back) is shown in the balance sheet as a liability to banks or customers. The securities delivered to the lender continue to be reported in the balance sheet in accordance with their relevant category. As lender, the Commerzbank Group recognises a claim on the borrower equal to the cash collateral it has paid out. We hold the securities, which are the collateral for the transaction, in custody.

Securities lending transactions are conducted with other banks and customers in order to cover our need to meet delivery commitments or to enable us to effect securities repurchase agreements in the money market. We show lent securities in our balance sheet under our trading portfolio or under financial investments, whereas borrowed securities do not appear in the balance sheet. We report cash collateral which we have furnished for securities lending transactions (cash collaterals out) as a claim and collateral received as a liability (cash collaterals in). Cash collaterals are also deposited and received as security in connection with derivative transactions.

The repurchase agreements and securities lending transactions concluded up to the balance sheet date and the cash collaterals received or paid broke down as follows:

€m	31.12.2016	31.12.2015	Change in %
Repurchase agreements as a borrower (repo agreements)			
Carrying amount of securities transferred	28,637	19,643	45.8
Cash collaterals received			
Liabilities to banks	8,756	5,104	71.6
Liabilities to customers	4,608	3,420	34.7
Securities lent in securities lending transactions			
Carrying amount of securities transferred	24,295	36,752	−33.9
Cash collaterals received			
Liabilities to banks	9,415	12,972	−27.4
Liabilities to customers	2,439	5,059	−51.8
Sum of the carrying amounts of securities transferred	**52,932**	**56,395**	**−6.1**
Sum of collaterals received	**25,218**	**26,555**	**−5.0**
Repurchase agreements as a lender (reverse repo agreements)			
Fair value of securities received	51,101	44,088	15.9
Cash collaterals paid			
Claims on banks	16,280	25,524	−36.2
Claims on customers	7,103	6,533	8.7
Securities borrowed in securities lending transactions			
Fair value of securities received	28,137	38,637	−27.2
Cash collaterals paid[1]			
Claims on banks	17,115	18,250	−6.2
Claims on customers	5,259	8,447	−37.7
Sum of fair value from securities received	**79,238**	**82,725**	**−4.2**
Sum of collaterals given	**45,757**	**58,754**	**−22.1**

[1] Including cash collateral paid out in connection with derivatives.

The carrying value of securities lent was €24,295m (previous year: €36,752m) against which there were related liabilities of €11,854m (previous year: €18,031m) as well as securities of €10,359m (previous year: €10,689m) as collateral. The claims and liabilities from repurchase agreements are shown after netting.

(88) Collateral received

The fair value of collaterals received for which the Bank has a right to sell on or pledge even where the provider does not default were as follows:

€m	31.12.2016	31.12.2015	Change in %
Total amount of collaterals received	81,236	85,808	–5.3
of which			
Resold or repledged	56,593	52,003	8.8
of which			
Subject to an obligation to return	–	–	.

The transactions were carried out on standard market terms for securities lending and repurchase transactions and loan transactions.

(89) Fiduciary transactions

€m	31.12.2016	31.12.2015	Change in %
Claims on banks	0	53	–100.0
Claims on customers	414	433	–4.4
Other assets	751	914	–17.8
Fiduciary assets	**1,165**	**1,400**	**–16.8**
Liabilities to banks	9	64	–85.9
Liabilities to customers	749	765	–2.1
Other liabilities	407	571	–28.7
Fiduciary liabilities	**1,165**	**1,400**	**–16.8**

(90) Capital requirements and leverage ratio

The main rules governing compliance with minimum regulatory capital ratios for solvency purposes in the EU are contained in the Capital Requirements Directive (CRD) IV, the Capital Requirements Regulation (CRR), a European regulation which, unlike the CRD IV Directive, has direct legal effect for all European banks, together with the SSM Regulation (Council Regulation No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions). This legislation is supplemented at national level in Germany by further provisions in the German Banking Act, the German Solvency Regulation and other regulations. In addition, Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) provide explanations about particularly complex matters. The introduction of the new regulations in 2014 has strengthened the quality of regulatory capital compared with the previous regime, made capital requirements more stringent and set higher minimum requirements for banks' capital adequacy.

To avoid having all these requirements take effect on a single date, certain parts of the new rules are subject to defined phase-in rules.

Common Equity Tier 1 (CET 1) capital consists largely of subscribed capital plus reserves and non-controlling interests. Adjustments to this figure may be necessitated by any number of causes, for example goodwill, intangible assets, write-downs of assets (if assets are not valued cautiously enough in the regulator's view), shortfalls due to the comparison of expected losses with the provisions recognised for them and the correction of tax loss carryforwards. Adding Additional Tier 1 capital (AT1), which can contain subordinated debt instruments with certain conditions, produces Tier 1 core capital. Tier 2 capital consists largely of subordinated debt instruments which are not eligible as Additional Tier 1 capital. The eligibility of these capital components has been reduced, as over the final five years of their life they may now only be amortised on a straight-line basis.

Commerzbank seeks to achieve the following objectives in managing its capital:

- Adherence to the statutory minimum capital requirements at Group level and in all companies included in the regulatory Group,
- Ensuring that the planned capital ratios are met, including the new ECB/EBA requirements,
- Provision of sufficient reserves to guarantee the Bank's freedom of action at all times,
- Strategic allocation of Tier 1 capital to business segments and divisions in order to exploit growth opportunities.

The financial crisis made the importance of adequate CET 1 capital levels for banks become an issue of increasing public concern. At Commerzbank, Tier 1 capital has always been a key management target. The Bank's specifications for the capital ratios far exceed the minimum statutory requirements. The Bank's risk-taking capability and market expectations play an important role in determining the internal capital ratio targets. For this reason, Commerzbank has stipulated minimum ratios for regulatory capital.

CET 1 capital is allocated via a regular process that takes account of the Bank's strategic direction, profitable new business opportunities in the core business of each business segment as well as aspects of risk-bearing capacity.

Measures relating to the Bank's capital are approved by the full Board of Managing Directors, subject to the authorisation granted by the AGM. During the past year, Commerzbank met the minimum statutory capital requirements as well as the requirements of the ECB and EBA at all times. All of the proposed new rules are still subject to change. Parts of the proposed ITS and RTS are still outstanding. Consequently, all figures for risk-weighted assets, capital and capital ratios reflect Commerzbank's current understanding of the applicable regulations. In the pro forma calculation of fully phased-in implementation of the CRR requirements, the transitional regulations are completely disregarded.

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. The reconciliation of equity reported in the balance sheet with regulatory capital is already integrated in these figures.

Position | €m	31.12.2016 Phase-in	31.12.2015 Phase-in	31.12.2016 Fully phased-in	31.12.2015 Fully phased-in
Equity as shown in balance sheet	**29,640**	**30,407**	**29,640**	**30,407**
Effect from debit valuation adjustments	−177	−96	−295	−240
Correction to revaluation reserve	313	511	–	–
Correction to cash flow hedge reserve	97	159	97	159
Correction to phase-in (IAS 19)	578	640	–	–
Correction to non-controlling interests (minorities)	−258	−230	−426	−505
Goodwill	−1,496	−2,088	−1,496	−2,088
Intangible assets	−1,206	−1,126	−1,206	−1,126
Surplus in plan assets	−231	−155	−385	−387
Deferred tax assets from loss carryforwards	−297	−180	−494	−451
Shortfall due to expected loss	−420	−463	−525	−661
Prudential valuation	−367	−376	−367	−376
Own shares	−33	−18	−51	−35
First loss positions from securitisations	−301	−300	−301	−300
Advance payment risks	−1	−1	−1	−1
Deduction of offset components of additional core capital (AT 1)	1,066	1,008	–	–
Deferred tax assets from temporary differences which exceed the 10% threshold	−166	0	−548	−316
Dividend accrued	–	−250	0	−250
Others and rounding	−247	−139	−247	−139
Common Equity Tier 1[1]	**26,494**	**27,303**	**23,395**	**23,691**
Additional Equity Tier 1	**–**	**–**	**–**	**–**
Tier 1 capital[1]	**26,494**	**27,303**	**23,395**	**23,691**
Tier 2 capital	**5,677**	**5,500**	**5,691**	**5,421**
Equity[1]	**32,171**	**32,803**	**29,086**	**29,112**
Risk-weighted assets	**190,527**	**198,232**	**189,848**	**197,442**
of which: Credit risk	**146,868**	159,407	**146,189**	158,617
of which: Market risk[2]	**19,780**	17,427	**19,780**	17,427
of which: Operational risk	**23,879**	21,398	**23,879**	21,398
Common Equity Tier 1 ratio (%)	**13.9**	**13.8**	**12.3**	**12.0**
Tier 1 ratio (%)	**13.9**	**13.8**	**12.3**	**12.0**
Total capital ratio (%)	**16.9**	**16.5**	**15.3**	**14.7**

[1] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[2] Includes credit valuation adjustment risk.

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. The segments are actively involved in managing the leverage ratio via segment-specific guidelines for their leverage ratio exposure.

Developments in the segment-specific leverage ratio exposures relative to the guidelines are 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 the main drivers of the ratio and any changes in them.

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

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

Summary reconciliation of accounting assets and leverage ratio exposures	**Applicable amounts**
€m	**31.12.2016**
Total assets as per published group financial statements	480,450
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–98
(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	–44,236
Adjustments for securities financing transactions (SFT)	2,812
Adjustments for off-balance-sheet items (i.e. conversion to credit equivalent amounts of off-balance-sheet exposures)	52,064
(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	–1,630
Fully phased-in	–3,377
Total leverage ratio exposures	
Phase-in	**489,362**
Fully phased-in	**487,615**

Leverage ratio common disclosure	CRR leverage ratio exposures
€m	31.12.2016
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	391,745
(Asset amounts deducted in determining Tier 1 capital)	
Phase-in	–3,163
Fully phased-in	–4,910
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	
Phase-in	388,582
Fully phased-in	386,835
Derivative exposures	
Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	13,546
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	21,593
Exposure determined by 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)	–20,100
(Exempted CCP leg of client-cleared trade exposure)	–1,757
Adjusted effective notional amount of written credit derivatives	29,284
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–22,522
Total derivative exposures	20,044

Leverage ratio common disclosure (continuation)	**CRR leverage ratio exposures**
€m	**31.12.2016**
Securities financing transaction exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	40,680
(Netted amounts of cash payables and cash receivables of gross SFT assets)	–14,820
Counterparty credit risk exposure for SFT assets	2,812
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)	28,672
Other off-balance-sheet exposures	
Off-balance-sheet exposures at gross notional amount	169,218
(Adjustments for conversion to credit equivalent amounts)	–117,154
Other off-balance-sheet exposures	52,064
(Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance-sheet))	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7)of Regulation (EU) No. 575/2013 (on- and off-balance-sheet))	–
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on- and off-balance-sheet))	–
Capital and total exposures	
Tier 1 capital	
Phase-in	26,494
Fully phased-in	23,395
Total leverage ratio exposures	
Phase-in	489,362
Fully phased-in	487,615
Leverage ratio	
Phase-in (%)	**5.4**
Fully phased-in (%)	**4.8**
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	–
Fully phased-in	–
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	31.12.2016
Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	391,745
Trading book exposures	45,742
Banking book exposures, of which:	346,003
Covered bonds	5,450
Exposures treated as sovereigns	85,461
Exposures to regional governments, MDBs, international organisations and PSEs not treated as sovereigns	15,376
Institutions	27,544
Secured by mortgages of immovable properties	59,915
Retail exposures	39,330
Corporate	78,567
Exposures in default	3,657
Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	30,703

The leverage ratio based on the CRR phase-in rules was 5.4% as at 31 December 2016 (30 September 2016: 5.2%). The leverage ratio with full phasing-in of the revised CRR rules stood at 4.8%, compared with 4.5% as at 30 September 2016.

The improvement in the "fully phased in" leverage ratio reflected a decline in leverage ratio exposure combined with a simultaneous increase in regulatory Tier 1 capital under "fully phased in rules". The rise in the "phase in" leverage ratio was slightly less marked, as there was no change in regulatory Tier 1 capital under "phase in" rules. As at the reporting date, the leverage ratio exposure was €489.4bn (phase-in) and €487.6bn (fully phased-in) – as at 30 September 2016: €508.3bn (phase-in) and €506.1bn (fully phased-in). This resulted primarily from a decline in securities financing transactions and other balance sheet transactions.

(91) Securitisation of loans

The use of credit derivatives (such as credit default swaps, total return swaps and credit-linked notes) can reduce the risk weighting of a loan portfolio. The hedging effect of a credit derivative may relate both to individual loans or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitisation by credit default swaps (CDS) and/or by credit-linked notes (CLNs). This enables us to achieve three important goals:

- Risk diversification (reduction of credit risks in the portfolio, especially concentration risks);
- Easing the burden on equity capital (the transfer of credit risks to investors leads to a reduction in the regulatory capital requirements);
- Funding (use of securitisation as an alternative funding instrument to unsecured bearer bonds).

As at the end of 2016, Commerzbank Aktiengesellschaft had launched three securitisation programmes as the buyer of protection.

The legal maturity date is 10 years. A total volume of €6.0bn of loans to customers had been securitised by end-December 2016 (previous year: €4.1bn). This reduced the Bank's risk-weighted assets by €2.6bn (previous year: €2.0bn).

Name of transaction	Buyer of protection	Year transacted	Contract period of transactions in years	Type of claim	Total lending €m	Reduction of risk-weighted assets €m
CoSMO Finance III-1 Limited	Commerzbank Aktiengesellschaft	2015	10	Mittelstand customers	1000	472
CoCo Finance II-2 Limited	Commerzbank Aktiengesellschaft	2015	10	Large corporates	3000	1135
CoSMO Finance III-2 Limited	Commerzbank Aktiengesellschaft	2016	10	Mittelstand customers	2000	995
Total					**6,000**	**2,602**

(92) Average number of staff employed by the Bank during the year

These figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group. The average time worked by part-time staff was 63.9% (previous year: 63.4%) of the standard working time.

	2016			2015		
	Total	**male**	**female**	**Total**	**male**	**female**
Group	48,944	23,325	25,619	49,791	23,667	26,124
in Germany	36,864	17,768	19,096	37,611	18,015	19,596
outside Germany	12,080	5,557	6,523	12,180	5,652	6,528
Trainees	1,283	669	614	1,768	847	921

(93) Related party transactions

a) Business relationships

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 and companies controlled by these persons. Banking transactions with related parties are carried out on normal market terms and conditions.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the financial year.

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

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

Assets | €m	**31.12.2016**	**31.12.2015**[1]	**Change in %**
Claims on banks	**3,158**	**2,380**	32.7
Non-consolidated subsidiaries	–	–	.
Joint ventures	–	–	.
Associated companies	3,158	2,380	32.7
Claims on customers	**696**	**1,094**	−36.4
Non-consolidated subsidiaries	302	515	−41.4
Joint ventures	–	–	.
Associated companies	356	534	−33.3
Key management personnel	8	8	0.0
Other related entities/persons	30	37	−18.9
Trading assets	**58**	**64**	−9.4
Non-consolidated subsidiaries	3	3	0.0
Joint ventures	–	–	.
Associated companies	–	–	.
Other related entities/persons	55	61	−9.8
Financial investments	**64**	**52**	23.1
Non-consolidated subsidiaries	29	28	3.6
Joint ventures	–	–	.
Associated companies	–	2	.
Other related entities/persons	35	22	59.1
Other assets	**6**	**19**	−68.4
Non-consolidated subsidiaries	1	–	.
Joint ventures		–	.
Associated companies	5	19	−73.7
Total	**3,982**	**3,609**	**10.3**

[1] Prior-year figures restated due to a change in reporting plus other restatements (see page 139 ff.).

Liabilities | €m	31.12.2016	31.12.2015	Change in %
Liabilities to banks	**4**	**12**	−66.7
Non-consolidated subsidiaries	2	2	0.0
Joint ventures	–	–	.
Associated companies	2	10	−80.0
Liabilities to customers	**432**	**691**	−37.5
Non-consolidated subsidiaries	160	164	−2.4
Joint ventures	–	–	.
Associated companies	58	61	−4.9
Key management personnel	3	8	−62.5
Other related entities/persons	211	458	−53.9
Trading liabilities	**–**	**–**	.
Non-consolidated subsidiaries	–	–	.
Joint ventures	–	–	.
Associated companies	–	–	.
Other related entities/persons	–	–	.
Subordinated debt instruments	**–**	**255**	.
Non-consolidated subsidiaries	–	–	.
Joint ventures	–	–	.
Associated companies	–	–	.
Other related entities/persons	–	255	.
Other liabilities	**21**	**22**	−4.5
Non-consolidated subsidiaries	17	22	−22.7
Joint ventures	–	–	.
Associated companies	4	–	.
Total	**457**	**980**	**−53.4**

The total liabilities to other related companies include €0.2bn (previous year: €0.5bn) for external pension providers.

Off-balance-sheet items | €m	31.12.2016	31.12.2015	Change in %
Guarantees and collaterals granted to	**183**	**209**	−12.4
Non-consolidated subsidiaries	2	31	−93.5
Joint ventures	–	–	.
Associated companies	40	37	8.1
Key management personnel	–	–	.
Other related entities/persons	141	141	0.0
Guarantees and collaterals received from	**–**	**5**	.
Non-consolidated subsidiaries	–	5	.
Joint ventures	–	–	.
Associated companies	–	–	.
Key management personnel	–	–	.
Other related entities/persons	–	–	.

The guarantees and collateral were granted in the course of the Bank's ordinary banking activities.

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

Income | €m	1.1.–31.12.2016	1.1.-31.12.2015	Change in %
Non-consolidated subsidiaries			
Interest income	23	37	−37.8
Commission income	18	16	12.5
Net gain or loss from trading and remeasurement	–	5	.
Other net income	–	2	.
Joint ventures			
Interest income	–	–	.
Commission income	–	–	.
Current net income from companies accounted for using the equity method	84	19	.
Associated companies			
Interest income	41	7	.
Commission income	150	142	5.6
Current net income from companies accounted for using the equity method	66	63	4.8
Net gain or loss from trading and remeasurement	–	57	.
Key management personnel			
Interest income	–	–	.
Commission income	–	–	.
Other related entities/persons			
Interest income	4	2	.
Commission income	–	–	.
Net gain or loss from trading and remeasurement	2	6	−66.7
Totals			
Interest income	68	46	47.8
Commission income	168	158	6.3
Current net income from companies accounted for using the equity method	150	82	82.9
Net gain or loss from trading and remeasurement	2	68	−97.1
Other net income	–	2	.

The expenses from loan agreements with, deposits from and services provided in connection with related parties (excluding federal agencies) are shown in the table below.

The operating expenses under key management personnel relate to remuneration of board members reported as personnel expense and salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group. They also include remuneration paid to the members of the Supervisory Board. The taxes item relates to VAT reimbursed to members of the Supervisory Board.

Expenses | €m	1.1.–31.12.2016	1.1.-31.12.2015	Change in %
Non-consolidated subsidiaries			
Interest income	2	5	– 60.0
Net risk provisions in the credit business	2	–	.
Commission expenses	–	–	.
Operating expenses	58	68	– 14.7
Write-downs/impairments	5	17	– 70.6
Other expenses	10	10	0.0
Joint ventures			
Interest income	–	–	.
Commission expenses	–	–	.
Operating expenses	–	–	.
Write-downs/impairments	–	–	.
Associated companies			
Interest income	–	–	.
Net risk provisions in the credit business	–	–	.
Commission expenses	–	1	.
Operating expenses	–	–	.
Write-downs/impairments	3	–	.
Other expenses	–	–	.
Key management personnel			
Interest income	–	–	.
Commission expenses	–	–	.
Operating expenses	16	11	45.5
Write-downs/impairments	–	–	.
Taxes	1	–	.
Other related entities/persons			
Interest income	11	30	– 63.3
Commission expenses	–	–	.
Operating expenses	–	–	.
Write-downs/impairments	–	–	.
Totals			
Interest income	13	35	– 62.9
Net risk provisions in the credit business	2	–	.
Commission expenses	–	1	.
Operating expenses	74	79	– 6.3
Write-downs/impairments	8	17	– 52.9
Other expenses	10	10	0.0
Taxes	1	–	.

Claims on key management personnel were as follows:

	Board of Managing Directors		Supervisory Board	
€1.000	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Claims (€1,000)	5,001	4,930	2,713	2,961
Last due date[1]	2051	2042	2043	2047
Range of interest rates used (%)[2]	0.86 – 2.8	1.26 – 2.8	1.34 – 5.1	1.34 – 5.1

[1] Besides loans with fixed repayment dates, loans without a specified maturity were granted.
[2] In individual cases up to 15.0% (previous year: 15.2%) was charged for overdrafts in the Board of Managing Directors and up to 15.9% (previous year 12.0%) in the Supervisory Board.

Collaterals for the cash advances and loans to members of the Board of Managing Directors and the Supervisory Board are provided on normal market terms, if necessary through land charges or rights of lien.

With the exception of rental guarantees, the companies of the Commerzbank Group did not have any contingent liabilities relating to members of the Board of Managing Directors or the Supervisory Board in the year under review.

Transactions with federal agencies

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

€m	31.12.2016	31.12.2015	Change in %
Cash reserve	18,350	16,089	14.1
Claims on banks	270	151	78.8
Claims on customers	1,287	1,261	2.1
Trading assets	308	928	– 66.8
Financial investments	3,612	3,402	6.2
Total	**23,827**	**21,831**	**9.1**
Liabilities to banks	12,614	12,190	3.5
Liabilities to customers	80	87	– 8.0
Trading liabilities	115	1,293	– 91.1
Total	**12,809**	**13,570**	**– 5.6**
Guarantees and collaterals			
granted	310	289	7.3
received		–	.

The financial instruments included under trading assets and financial investments are debt instruments.

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

€m	1.1.–31.12.2016	1.1.-31.12.2015	Change in %
Income			
Interest income	55	218	−74.8
Commission income	2	1	100.0
Net gain or loss from trading and remeasurement	−53	−48	10.4
Expenses			
Interest income	30	140	−78.6
Commission expenses	1	–	.
Net risk provisions in the credit business	–	–	.
Operating expenses	1	1	0.0
Write-downs/impairments	–	–	.

b) Remuneration of key management personnel

A detailed description of the remuneration system for the members of the Board of Managing Directors and Supervisory Board is provided in the remuneration report (see page 26 ff.).

Board of Managing Directors. The table below shows a breakdown of the total remuneration of the Board of Managing Directors in accordance with both the IAS 24.17 and German Accounting Standard 17 classifications (see the remuneration report). The expense under the IAS 24 classification is based on the regulations of the underlying standards (IAS 19 and IFRS 2).

The short-term employee benefits also contain other remuneration. They include standard non-monetary benefits (chiefly use of company cars, insurance, and the tax due on non-monetary benefits).

The post-employment benefits contain the service cost included in pension provisions.

Figures for individual board members in accordance with the German Accounting Standard 17 rules are set out in the remuneration report (see page 30 f.).

€1.000	2016	2015
Short-term employee benefits	7,320	7,676
Post-employment benefits[1]	3,099	1,474
Other long-term benefits	1,324	1,780
Termination benefits[2]	4,051	375
Share-based remuneration[3]	2,320	4,658
Total remuneration in accordance with IAS 24.17	**18,114**	**15,963**
less		
Post-employment benefits	3,099	1,474
Termination benefits	4,051	375
Measurement and other differences[4]	2,260	5,682
Total remuneration in accordance with § 314 Abs. 1 Nr. 6 a S. 1 HGB	**8,704**	**8,432**

[1] The significant increase in service costs is due in particular to the fact that in the previous year they were relatively minor following the change in pension commitments to the effect that changes in salary are no longer employed when measuring pension liabilities.
[2] Termination benefits were paid to Martin Blessing and Markus Beumer in the 2016 financial year. For further details, please see the section on "Rules for termination of office" in the remuneration report. Termination benefits were paid in the previous year to Dr. Stefan Schmittmann, whose term of office as a member of the Board of Managing Directors ended on 31 December 2015. He received the basic annual salary set out in his contract of employment pro rata for a period of six months, as described in the remuneration report.
[3] The present remuneration system also gives rise to pro-rata recognition of share-based remuneration in respect of future financial years, as set out in the remuneration report. As the new remuneration system took effect for the first time in the previous year, higher expenditure was incurred and had to be reported.
[4] Under the new remuneration system, granting does not take place until the entitlements exist, which in the 2015 and 2016 financial years led to a significant reduction in total remuneration under Art. 314 (1) no. 6 (a) sentence 1 of the German Commercial Code (HGB), as the latter does not contain the long-term remuneration components.

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

The net present value of pension entitlements of the active members of the Board of Managing Directors in the financial year was €30,027 thousand as at 31 December 2016 (previous year: €27,372 thousand). The service costs reflected in the calculation of pension provisions in 2016 amounted to €3,099 thousand (previous year: €1,474 thousand). The amounts are calculated considering the current term of office of the individual board members and assuming none of the board members will collect a pension before reaching the age of 62 (except in a potential case of incapacity to work) and that they will remain on the board until such time. The pension entitlements and service costs for the individual board members are set out in the remuneration report (see page 29). After deduction of plan assets transferred, provisions for pension obligations in respect of members of the Board of Managing Directors active in the financial year were €6,569 thousand at 31 December 2016 (previous year: €4,625 thousand). Provisions of €13,760 thousand were recognised for variable components of remuneration of active members of the Board of Managing Directors as at 31 December 2016 (previous year: €12,830 thousand).

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependants in the 2016 financial year came to €8,847 thousand (previous year: €7,938 thousand). The pension liabilities for these persons amounted to €99,863 thousand (previous year: €88,927 thousand).

Supervisory Board. Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration for the 2016 financial year of €2,945 thousand (previous year: €2,019 thousand). Of this figure, the fixed remuneration and remuneration for committee memberships amounted to €2,556 thousand (previous year: €1,541 thousand) and attendance fees to €389 thousand (previous year: €478 thousand). Attendance fees are paid for participating in the meetings of the Supervisory Board and its seven committees (Presiding, Compensation Control, Audit, Risk, Nomination, Mediation and Social Welfare Committees) which met in the year under review. Total remuneration of €2,945 thousand (previous year: €2,019 thousand) is categorised as short-term employee benefits in accordance with IAS 24.17.

The VAT (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by the Bank, but is not counted as a component of remuneration. No value added tax is payable for members of the Supervisory Board resident outside Germany.

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

(94) Share-based payment plans

Expenses relating to share-based payments were incurred in the 2016 financial year in connection with services already rendered by employees (including the Board of Managing Directors). Further details and the terms and conditions of the share-based payment plans are available in Note 25 of this annual report. Expense for share-based payments was as follows:

€m	2016	2015
Cash-settled plans	20	37
of which Commerzbank Incentive Plan	20	36
Equity-settled plans	2	4
Total	**22**	**41**

The provisions for cash-settled plans and the reserves in equity for plans settled with equity instruments were as follows:

€m	31.12.2016	31.12.2015
Provisions	55	63
of which Share awards	1	1
of which Commerzbank Incentive Plan	54	62
Equity reserves	8	9

Share awards. The number of rights outstanding under the share award programmes developed as follows during the financial year:

Number of awards units	Share awards
Balance as at 1.1.2015	**37,260**
Granted during the year	–
Forfeited during the year	–
Exercised during the year	29,469
Expired during the year	–
Balance as at 31.12.2015	**7,791**
Granted during the year	–
Forfeited during the year	–
Exercised during the year	4,105
Expired during the year	–
Balance as at 31.12.2016	**3,686**

Commerzbank Incentive Plan. The number of shares changed as follows in 2016:

Number of awards units	Commerzbank Incentive Plan
Balance as at 1.1.2015	**3,178,922**
Granted during the year	3,062,716
Forfeited during the year	43,034
Exercised during the year	2,706,543
Expired during the year	–
Balance as at 31.12.2015	**3,492,061**
Granted during the year	3,785,377
Forfeited during the year	86,921
Exercised during the year	2,953,614
Expired during the year	–
Balance as at 31.12.2016	**4,236,903**

(95) Other commitments

Payment commitments to Group-external entities and non-consolidated entities on shares not fully paid up amounted to €38.4m (previous year: €38.4m).

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

Securities with a book value of €8,946m (previous year: €6,866m) have been deposited as collateral to meet obligations to futures and options exchanges and clearing houses.

(96) Lessor and lessee figures

Lessor disclosures – operating leases

Commerzbank acts as a lessor in operating lease arrangements. As at the balance sheet date these leases primarily comprised chartered ships, technical equipment and machines, real estate and office furniture and equipment (e.g. vehicles, technical equipment). No contingent rents have been agreed in the leases.

The following minimum lease payments stemming from non-cancellable leases will accrue to the Commerzbank Group over the next few years from operating leases granted:

Due date | €m	**31.12.2016**	**31.12.2015**[1]
Up to 1 year	143	229
1 year to 5 years	649	763
More than 5 years	961	395
Total	**1,753**	**1,387**

[1] Restatement of previous year's figures.

Impairment losses of €6m were reversed and recognised as income during the financial year.

Lessor disclosures – finance leases

Commerzbank acts as a lessor for finance leases. As at the balance sheet date, these leases primarily comprised technical equipment and machines, office furniture and equipment (e.g. vehicles and office equipment) and to a lesser extent leased real estate. The relationship between gross investments and net present value of the minimum lease payments was as follows:

€m	**31.12.2016**	**31.12.2015**[1]
Outstanding lease payments	2,337	2,233
+ guaranteed residual values	90	80
= minimum lease payments	2,427	2,313
+ non-guaranteed residual values	8	8
= gross investments	2,435	2,321
of which from sale and leaseback transactions	405	407
– unrealised financial income	194	214
= net investments	2,241	2,107
– net present value of non-guaranteed residual values	6	6
= net present value of minimum lease payments	2,235	2,101
of which from sale and leaseback transactions	361	355

The minimum lease payments include the total lease instalments to be paid by the lessee under the lease agreement plus the guaranteed residual value. The non-guaranteed residual value is estimated at the beginning of the lease agreement and reviewed at the reporting date on a regular basis. Unrealised financial income is equivalent to the interest implicit in the lease agreement between the reporting date and the end of the contract.

The accumulated allowance for uncollectable minimum lease payments receivable was €46m (previous year: €47m). In addition, €−7m (previous year: €10m) of contingent rents were recognised as income in the year under review.

The term of the gross investment and net present values of the minimum lease payments from non-cancellable finance leases broke down as follows:

Residual terms as at 31.12.	Gross investments		of which from sale and leaseback transactions	
€m	2016	2015	2016	2015
Up to 1 year	683	587	76	71
1 year to 5 years	1,517	1,493	248	234
More than 5 years	235	241	81	102
Total	**2,435**	**2,321**	**405**	**407**

Residual terms as at 31.12.	Net present value of minimum lease payments		of which from sale and leaseback transactions	
€m	2016	2015	2016	2015
Up to 1 year	619	523	64	59
1 year to 5 years	1,407	1,368	222	205
More than 5 years	209	210	75	91
Total	**2,235**	**2,101**	**361**	**355**

Lessee disclosures – operating leases

The Group's existing obligations arising from operating leases involve rental and leasing agreements for buildings, office furniture and equipment and in 2016 led to expenses of €320m (previous year: €337m). The breakdown of the expenses was as follows:

€m	2016	2015
Minimum lease payments	65	101
Payments for terminable agreements	8	13
Conditional payments	242	223
Sublease income	5	0
Total	**320**	**337**

For rental and lease agreements that cannot be terminated, the following expenses are forecast for future years:

Residual terms as at 31.12.	Non-cancellable rental and leasing contracts		of which from sale and leaseback transactions[1]	
€m	2016	2015	2016	2015
Up to 1 year	319	408	8	8
1 year to 5 years	974	1,036	25	29
More than 5 years	1,053	795	13	19
Total	**2,346**	**2,239**	**46**	**56**

[1] The sale-and-leaseback transactions relate solely to non-cancellable lease agreements.

For real estate, mostly rental agreements were concluded, but occasionally also lease agreements. These lease agreements are usually long term and include opt-out clauses, options for the lessee to extend the lease for follow-up periods or price adjustment clauses. Price adjustment clauses exist in a number of different forms such as step-up leases and index clauses. Lease agreements may also include purchase options. Operating lease agreements do not entail any restrictions with respect to the future payment of dividends or contracting of additional debt.

Subletting agreements have been signed for buildings no longer in use in the Commerzbank Group. These leases are non-cancellable. The following income will accrue to the Commerzbank Group in the next few years from these leases:

Due date | €m	2016	2015
Up to 1 year	7	23
1 year to 5 years	35	40
More than 5 years	75	114
Total	**117**	**177**

(97) Date of release for publication

The Group financial statements were approved by the Board of Managing Directors for submission to the Supervisory Board on 22 February 2017. The Supervisory Board is responsible for reviewing and formally approving the Group financial statements. Preliminary figures for the 2016 results were released by the Board of Managing Directors for publication on 6 February 2017.

(98) Corporate Governance Code

We have issued our annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 German Stock Corporation Act (Aktiengesetz) and made it permanently available to shareholders on the internet (www.commerzbank.com). An annual declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 Stock Corporation Act has also been issued for comdirect bank AG and made permanently available on the internet (www.comdirect.com).

(99) Letters of comfort

In respect of the subsidiaries listed below and included in the Group financial statements of our Bank, we undertake to ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

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

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

(100) Information on unconsolidated structured entities

The unconsolidated structured entities of the Commerzbank Group comprise the transaction types (clusters) set out below.

- Asset-backed securities (ABSs)
  Asset-backed securities are collateralised securities designed to convert particular assets, usually loans, into interest-bearing tradable securities through securitisation. The underlying assets may include, for example, consumer loans (auto loans, credit card assets), mortgage loans and high-grade corporate loans. The companies are financed through the issue of various tranches of asset-backed securities and the investors in these securities are subject to the default risk of the underlying asset. Commerzbank only invests in investment grade ABS tranches.
- Own securitisations
  These are true-sale and synthetic securitisations used for the purpose of steering the liquidity, capital and risk-weighted assets of the Bank. The companies that acquire the assets are financed through the issue of various tranches of securities that are placed on the capital market.
- Securitisation platform
  Commerzbank sponsors a securitisation platform. With this conduit programme, Commerzbank structures, arranges and securitises the receivables of third parties who are customers of the Corporate Clients segment. The companies refinance themselves through the issue of asset-backed securities and liquidity lines. Default risk is covered by external bad debt insurance as well as existing over-hedging.
- Hedge funds
  These are investments in hedge fund units made in the interest of the customer. The performance and risk of the units are passed on to the customer by means of total return swaps or certificates. Commerzbank thus secures itself financially and does not invest for its own account.
- Leasing structured entities
  These companies design need-based leasing and financing concepts for large plant such as real estate, aircraft, ships and regenerative energy systems. Normally, for every transaction, an autonomous company is established in which the Commerz Real Group is a majority or minority stakeholder. These companies mostly operate in the legal form of a GmbH & Co. KG. As a financial services company, the Commerz Real Group does not provide loans to these companies. Loans are instead provided by lending institutions within and outside the Group. The core business of Commerz Real does, however, include administration related to the structured entities, such as the regular renewal of expiring fixed interest rate periods and loans with fixed repayment dates.
- Private Finance Initiative & Structured Credit Legacy (PFI and SCL)
  This cluster comprises positions from the former Portfolio Restructuring Unit (PRU), which was responsible for managing down assets related to the proprietary trading and investment activities that were discontinued in 2009. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate and bank bonds and exotic credit derivatives. The companies are largely financed through the issue of various types of asset-backed securities and bonds. The investors in these securities are therefore subject to the default risk of the underlying or the issuer.
- Other:
  These are structured entities that do not fulfil the above criteria. They primarily include all the mutual funds launched by Commerz Funds Solutions S.A. and not consolidated, mainly ComStage ETFs. All ComStage ETFs were deconsolidated during the previous financial year and are now categorised as non-consolidated structured entities. Capital market transactions by Structured Capital Markets (SCM) and structured entities in connection with credit derivatives transactions also fall into this category. The business of Commerz Funds Solutions S.A. comprises all types of passive investment funds. The company offers ETFs as well as mutual funds covering different strategies for European markets and particular asset classes. Funds of funds also offer investors the opportunity to benefit across asset classes from the performance of equity, bond and commodity indices in line with the market situation. Commerzbank holds units in individual mutual funds in order to ensure a liquid market or supports new fund launches with a seed money contribution. SCM carries out transactions for customers with limited access to the capital markets and brings them together with alternative providers of capital. SCM comprises the areas of Structured Finance (SF), Structured Asset Solutions (SAS) and Securitised Products (SP). The focus in Structured Finance is on structuring and carrying out tax-efficient financing and investments for companies and financial institutions. Structured Asset Solutions concentrates on the customer-oriented securitisation of credit financing and short-term leasing financing. Securitised Products is focused on synthetic and true-sale securitisations for public and private placements. Credit derivatives include cash collateralised debt obligations and synthetic collateralised debt obligations as well as senior tranches of securitisation transactions outside the scope of the conduit business of Commerzbank. The companies are financed through the issue of various tranches of securities. Investors in these securities are subject to the default risk of the underlying, while the buyer of protection is protected against this risk.

The carrying amounts of the assets and liabilities and income and expenses of the Commerzbank Group relating to unconsolidated structured entities are set out in the tables below: The size of the unconsolidated structured entities and the Commerzbank Group's maximum exposure to loss are also shown.

The maximum exposure to loss for the Commerzbank Group with regard to unconsolidated structured entities results from recognised assets and from lending commitments and guarantees provided to unconsolidated structured entities that had not yet been utilised as at the reporting dates. The maximum risk of loss on assets with regard to unconsolidated structured entities is equivalent to the current carrying values of these items after loss provisions. For loan commitments and guarantees we treat the nominal value of the commitment as the maximum risk of loss.

The maximum risk of loss is shown gross, i.e. without regard to collateral or hedging activities serving the purpose of risk mitigation.

As at 31 December 2016 the transactions with unconsolidated structured entities were as follows:

€m	ABS	Own securitisations	Securitisation platform	Hedge funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2016	**8,664**	**127**	**1,191**	**234**	**470**	**1,452**	**804**
Claims on customers	133	127	937	1	460	7	26
Trading assets	7	–	254	204	5	992	378
Financial investments	8,524	–	–	24	5	347	400
Other assets	–	0	–	5	–	106	–
Liabilities as at 31.12.2016	**–**	**1,073**	**71**	**0**	**26**	**–**	**119**
Liabilities to customers	–	2	70	–	26	–	65
Securitised liabilities	–	–	–	–	–	–	–
Trading liabilities	–	–	1	–	–	–	54
Other liabilities	–	1,071	–	–	–	–	–
Income and expenses from 1.1. to 31.12.2016							
Net interest income after loan loss provisions	74	−79	21	–	17	125	20
Net commission income	–	–	3	–	9	1	–
Net trading income and net investment income	7	–	8	–	−1	90	−30
Other net income	–	–	–	–	−1	13	–
Maximum exposure to loss as at 31.12.2016							
Assets	8,664	127	1,191	234	470	1,452	804
Lending commitments	–	2	2,922	–	–	–	–
Guarantees	–	–	16	–	–	–	–

The transactions with unconsolidated structured entities were as follows as at 31 December 2015:

€m	ABS	Own securitisa-tions	Securitisa-tion platform	Hedge funds	Leasing structured entities	PFI and SCL	Others
Assets as at 31.12.2015	**2,610**	**124**	**1,483**	**255**	**496**	**4,661**	**416**
Claims on customers	–	114	1,483	1	491	183	331
Trading assets	7	10	–	224	–	3,875	85
Financial investments	2,603	–	–	–	–	482	–
Other assets	–	–	–	30	5	121	–
Liabilities as at 31.12.2015	**–**	**1,035**	**58**	**7**	**32**	**0**	**52**
Liabilities to customers	–	2	57	–	32	–	13
Securitised liabilities	–	–	–	–	–	–	–
Trading liabilities	–	–	1	7	–	–	39
Other liabilities	–	1,033	–	–	–	–	–
Income and expenses from 1.1. to 31.12.2015							
Net interest income after loan loss provisions	24	–73	22	–	18	121	–30
Net commission income	–	–	3	–	8	–	–
Net trading income and net investment income	–	–	–47	6	–	–327	128
Other net income	–	–	–	–	–1	43	–
Maximum exposure to loss as at 31.12.2015							
Assets	2,610	124	1,483	255	496	4,661	416
Lending commitments	–	–	1,551	–	–	6	–
Guarantees	–	–	16	–	–	–	–

The size of the unconsolidated structured entities was as follows:

€m	ABS	Own securitisa-tions	Securitisa-tion platform	Hedge funds	Leasing structured entities	PFI and SCL	Others
Size as at 31.12.2016[1]	65,714	2,660	3,367	234	3,028	1,452	20,055
Size as at 31.12.2015[1]	27,328	4,176	3,048	255	4,458	4,661	2,444

[1] The size of unconsolidated structured entities generally reflects the total assets of the companies. The issuance volume is shown for the ABS cluster and the stakes held by Commerzbank are shown for the hedge funds, PFI and SCL clusters.

Commerzbank also acts as sponsor of structured entities in which it does not have an equity holding. An entity is regarded as sponsored if:

- it was launched and/or structured by Commerzbank;
- it has received or bought assets from the Commerzbank Group;
- it is guaranteed by the Commerzbank Group or was marketed intensively by the Commerzbank Group.

As at 31 December 2016 the gross income of the Commerzbank Group from sponsored unconsolidated structured entities was €−32m (previous year: €232m). This involved interest and commission income and was largely accounted for by the securitisation platform, leasing structured entities and others clusters. The carrying amounts of the assets of the Commerzbank Group relating to sponsored unconsolidated structured entities totalled €2,553m (previous year: €2,519m).

(101) Information on significant non-controlling interests

Significant non-controlling interests in the Private and Small-Business Customers segment were as shown below. They include the subsidiary mBank S.A. and the comdirect bank subgroup.

	mBank S.A., Warsaw, Poland		comdirect bank subgroup	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Attributable to non-controlling interests				
Capital (%)	30.6	30.5	18.7	18.7
Voting rights (%)	30.6	30.5	18.7	18.7
Consolidated profit or loss (€m)	68	80	17	12
Equity (€m)	832	807	116	114
Dividend paid on shares (in €m)	–	0	11	11
Assets[1] (€m)	8,875	8,510	3,597	3,144
Liabilities[1] (€m)	7,989	7,656	3,480	3,027
Profit or loss[1] (€m)	80	92	17	12
Other comprehensive income[1] (€m)	−61	−5	−4	3
Total comprehensive income[1] (€m)	19	87	13	15
Cash flows[1] (€m)	84	207	170	229

[1] Before elimination of intragroup-transactions.

(102) Country-specific reporting

The following information pursuant to Art. 26a of the German Banking Act relates to the companies of Commerzbank Group consolidated under IFRS. Return on capital for the Group, calculated as profit after tax divided by total assets, was 0.08% as at 31 December 2016. For the statement of business purpose please refer to our ownership interests (page 271 ff.) in the electronic version of the annual report available on the internet under "Commerzbank > Investor Relations" (www.commerzbank.de). The turnover figure is based on each company's separate financial statements under International Financial Reporting Standards (IFRS) and comprises income before loan loss provisions. The pre-tax profit or loss and taxes on income are also taken from each company's separate financial statements under IFRS. The average number of employees includes both full-time personnel and part-time personnel converted into full-time equivalents.

31.12.2016	Turnover (€m)	Pre-tax profit or loss (€m)	Taxes on income[1] (€m)	Employees number
Germany	6,280	– 132	261	33,182
China including Hong Kong and Shanghai	86	14	3	286
France	34	12	7	83
United Kingdom	852	367	137	1,139
Luxembourg	435	261	28	324
Netherlands	12	– 1	– 2	38
Poland	1,021	416	96	6,925
Russia	43	28	8	140
Singapore	99	25	1	386
USA	138	3	– 1	441
Others	246	82	4	703

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derive from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

31.12.2015	Turnover (€m)	Pre-tax profit or loss (€m)	Taxes on income[1] (€m)	Employees number
Germany	8,082	1,775	205	33,925
China including Hong Kong and Shanghai	125	69	8	263
France	39	18	9	84
United Kingdom	1,086	443	179	1,288
Luxembourg	348	220	62	491
Netherlands	7	– 32	– 4	42
Poland	1,040	448	76	6,251
Russia	62	44	9	138
Singapore	113	47	1	362
USA	163	36	28	463
Others	191	70	39	753

[1] The difference between the tax ratios and nominal tax rates in the different countries largely derive from effects relating to the retrospective recognition or impairment of deferred taxes and from taxes for prior years (e.g. recognition and release of tax provisions).

(103) Ownership interests

We provide the following information pursuant to Art. 313 (2) of the German Commercial Code (HGB) and IFRS 12.10 and IFRS 12.21 on the Group Financial Statements. The data on the equity and net profit or loss of the companies is taken from their financial statements under national accounting regulations. Footnotes, information on business purpose and further comments on the tables below appear at the end of this note.

1. Affiliated companies

a) Affiliated companies included in the Group financial statements

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
ABANTUM Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	61	5	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	35	4	
ABORONUM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	SOFDL	0.0	85.0	EUR	10	0	
ACCOMO Hotel HafenCity GmbH & Co. KG	Düsseldorf, Germany	SOFDL	100.0		EUR	–1	–79	1)
ACCOMO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	24	2	
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	25	–6	
AHOTELLO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	24	1	
ALISETTA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	25	–1	
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	3,825	–	a)
Atlas Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	314,317	–	a)
BDH Development Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	97,323	–4,650	
Bridge Re Limited	Hamilton, Bermuda	SOFDL	100.0		USD	424	140	
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	6,137	–	a)
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main, Germany	BETGE	100.0		EUR	55,307	5,233	
CERI International Sp. z o.o.	Lódz, Poland	SOUNT	100.0		PLN	33,499	10,286	
CFB-Fonds Transfair GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	1,175	–	a)
Coba Vermögensverwaltungs-gesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	26	–	a)
comdirect bank Aktiengesellschaft	Quickborn, Germany	KREDI	81.3		EUR	410,595	56,488	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	3,232	1,225	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	BETGE	100.0		USD	27,982	1,167	
Commerz Bankenholding Nova GmbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	1,416,644	–	a)
Commerz Business Consulting GmbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	89	–	a) b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerz Direktservice GmbH	Duisburg, Germany	SOUNT	100.0		EUR	1.178	–	a)
Commerz Equipment Leasing Limited	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Commerz Funds Solutions S.A.	Luxembourg, Luxembourg	BETGE	100.0		EUR	7,215	3,516	
Commerz Grundbesitz Beteiligungs-gesellschaft mbH & Co. KG	Frankfurt/Main, Germany	BETGE	90.0		EUR	13,159	777	
Commerz Markets LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	486	32	
Commerz Pearl Limited	London, United Kingdom	SOFDL	100.0		GBP	20	3	
Commerz Property GmbH & Co. Hamburg KG	Frankfurt/Main, Germany	SOUNT	100.0		EUR	4,559	1,343	
Commerz Real AG	Eschborn, Germany	SOFDL	100.0		EUR	408,015	–	a)
Commerz Real Asset Verwaltungs-gesellschaft mbH	Grünwald, Germany	SOFDL	100.0		EUR	25	–	a)
Commerz Real Baumanagement GmbH	Düsseldorf, Germany	SOUNT	100.0		EUR	4,238	–	a)
Commerz Real Fonds Beteiligungs-gesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	151	–	a)
Commerz Real Investmentgesellschaft mbH	Wiesbaden, Germany	BETGE	100.0		EUR	21,677	–	a)
Commerz Real Kapitalverwaltungs-gesellschaft mbH	Düsseldorf, Germany	BETGE	100.0		EUR	5,000	–	a)
Commerz Real Mobilienleasing GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	5,310	–	a)
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf, Germany	SOFDL	100.0		EUR	26	–	a)
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	SOFDL	100.0		EUR	10,576	326	
Commerz Services Holding GmbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	14,929	–	a)
Commerz Systems GmbH	Eschborn, Germany	SOUNT	100.0		EUR	6,464	–	a) b)
Commerzbank (Eurasija) AO	Moscow, Russia	KREDI	100.0		RUB	9,712,473	2,997,684	2)
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	SOFDL	100.0		USD	1,938	46	
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main, Germany	BETGE	100.0		EUR	183,000	–	a)
Commerzbank Brasil S.A. - Banco Múltiplo	São Paulo , Brazil	KREDI	97.5		BRL	35,545	–15,270	
Commerzbank Capital Investment Company Limited	London, United Kingdom	BETGE	100.0		GBP	0	0	
Commerzbank Finance & Covered Bond S.A.	Luxembourg, Luxembourg	KREDI	100.0		EUR	677,793	79,386	3)
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	SOFDL	100.0		EUR	785	–15	
Commerzbank Finance BV	Amsterdam, Netherlands	BETGE	100.0		EUR	1,231	64	
Commerzbank Finance Limited	London, United Kingdom	SOFDL	100.0		GBP	216,702	11,425	
Commerzbank Holdings (UK) Limited	London, United Kingdom	SOFDL	100.0		GBP	15,398	58,866	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Commerzbank Holdings France	Paris, France	SOFDL	100.0		EUR	77,669	−2,087	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	462,597	–	a)
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	2,312,110	–	a)
Commerzbank Leasing 4 S.e.n.c.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	45	−7	
Commerzbank Leasing 5 S.e.n.c.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	61	36	
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	SOFDL	100.0		GBP	98	1	
Commerzbank Leasing December (1) Limited	London, United Kingdom	SOFDL	100.0		GBP	345	−10	
Commerzbank Leasing December (12) Limited	London, United Kingdom	SOFDL	100.0		GBP	584	2	
Commerzbank Leasing December (13) Limited	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Commerzbank Leasing December (26) Limited	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Commerzbank Leasing December (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	764	−83	
Commerzbank Leasing Holdings Limited	London, United Kingdom	SOFDL	100.0		GBP	15,202	17,004	
Commerzbank Leasing Limited	London, United Kingdom	SOFDL	100.0		GBP	1,249	129	
Commerzbank Leasing March (3) Limited	London, United Kingdom	SOFDL	100.0		GBP	243	99	
Commerzbank Leasing September (5) Limited	London, United Kingdom	SOFDL	100.0		GBP	193	68	
Commerzbank Securities Ltd	London, United Kingdom	SOUNT	100.0		GBP	10	0	
Commerzbank Securities Nominees Limited	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	336	2	
Commerzbank Zrt.	Budapest, Hungary	KREDI	100.0		HUF	26,261,000	−434,000	
CommerzFactoring GmbH	Mainz, Germany	SOFDL	50.1		EUR	1,099	–	a)
CommerzVentures Beteiligungs GmbH & Co. KG	Frankfurt/Main, Germany	BETGE	99.4	99.5	EUR	–	–	4)
CommerzVentures GmbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	20,205	−1,916	
ComTS Finance GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550	–	5) a) b)
ComTS Logistics GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,550	–	6) a) b)
ComTS Mitte GmbH	Erfurt, Germany	SOUNT	100.0		EUR	2,714	–	7) a) b)
ComTS Nord GmbH	Magdeburg, Germany	SOUNT	100.0		EUR	1,492	–	8) a) b)
ComTS Ost GmbH	Halle (Saale), Germany	SOUNT	100.0		EUR	1,550	–	9) a) b)
ComTS West GmbH	Hamm, Germany	SOUNT	100.0		EUR	1,256	–	10) a) b)

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Alpha Objekt Hauptverwaltung Frankfurt KG	Düsseldorf, Germany	SOUNT	0.0	2.2	EUR	−34,554	21,050	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Beta Objekt Hauptverwaltung Frankfurt KG	Düsseldorf, Germany	SOUNT	0.0	2.2	EUR	−34,588	21,051	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG	Düsseldorf, Germany	SOUNT	0.1	0.3	EUR	8,521	−10,304	c)
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle Am Markt KG	Düsseldorf, Germany	SOUNT	6.0	7.0	EUR	600	−1,301	c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Breite Straße KG i.L.	Düsseldorf, Germany	SOUNT	0.0		EUR	−283	9,170	11) c)
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Essen Lindenallee KG	Düsseldorf, Germany	SOUNT	0.0	10.4	EUR	−275	2,176	c)
Dr. Gubelt Grundstücks-Vermietungs–gesellschaft mbH & Co. Objekt Frankfurt Neue Mainzer Straße KG	Düsseldorf, Germany	SOUNT	94.9		EUR	6,211	14,412	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwabing KG	Düsseldorf, Germany	SOUNT	8.1	65.0	EUR	−4,327	1,055	
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Wuppertal KG	Düsseldorf, Germany	SOUNT	100.0		EUR	510	−1,270	
Dresdner Capital LLC I	Wilmington, Delaware, USA	SOFDL	100.0		USD	1,748	42	
Dresdner Capital LLC IV	Wilmington, Delaware, USA	SOFDL	100.0		JPY	18,641	−75	
Dresdner Kleinwort & Co. Holdings, Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	65,928	−13,958	
Dresdner Kleinwort Capital Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	11,711	6	
Dresdner Kleinwort Finance Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	3,426	62	
Dresdner Kleinwort Flags Inc.	Wilmington, Delaware, USA	BETGE	100.0		USD	140,478	−1	
Dresdner Kleinwort Holdings II, Inc.	Wilmington, Delaware, USA	BETGE	100.0		USD	1,965	188	
Dresdner Kleinwort LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	34,163	1	
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	SOFDL	100.0		USD	736,977	4,456	
Dresdner Kleinwort Moon LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	18,982	−3,599	
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	SOUNT	100.0		GBP	0	−2	
Dresdner Lateinamerika Aktiengesellschaft	Hamburg, Germany	SOFDL	100.0		EUR	32,109	–	a)
DSB Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	25	–	a)
Entertainment Asset Holdings C.V.	Amsterdam, Netherlands	SOUNT	58.2		USD	72	3	
Entertainment Asset Holdings GP B.V.	Amsterdam, Netherlands	SOFDL	100.0		EUR	0	0	
Eschborn Capital LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	8,279	−964	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
European Bank for Financial Services GmbH (ebase)	Aschheim, Germany	KREDI	100.0		EUR	33,310	–	a)
FABA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	SOUNT	100.0		EUR	26	–	a)
Felix (CI) Limited	George Town, Cayman Islands	SOUNT	100.0		GBP	26	0	
Film Library Holdings LLC	Wilmington, Delaware, USA	SOUNT	51.0		USD	36,246	–4,645	
Frega Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	31	0	
Garbary Sp. z o.o.	Poznan, Poland	SOUNT	100.0		PLN	41,977	1,326	
Greene Elm Trading II LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	10,219	171	
Greene Elm Trading III LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	10,701	183	
Greene Elm Trading V LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	9,492	161	
Greene Elm Trading VI LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	11,573	185	
Greene Elm Trading VII LLC	Wilmington, Delaware, USA	BETGE	100.0		USD	15,444	378	
Gresham Leasing March (1) Limited	London, United Kingdom	SOUNT	100.0		GBP	100	0	
Gresham Leasing March (2) Limited	London, United Kingdom	SOFDL	100.0		GBP	2,465	46	
Herradura Ltd	London, United Kingdom	SOFDL	100.0		GBP	5	0	
Kira Vermögensverwaltungsgesellschaft mbH	Munich, Germany	SOFDL	100.0		EUR	74,830	–	12) a)
Kommanditgesellschaft MS "CPO ALICANTE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	18,552	371	b)
Kommanditgesellschaft MS "CPO ANCONA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.6	77.5	EUR	30,868	–3,534	b)
Kommanditgesellschaft MS "CPO BILBAO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	17,087	106	b)
Kommanditgesellschaft MS "CPO MARSEILLE" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	77.6	77.5	EUR	27,144	–4,158	b)
Kommanditgesellschaft MS "CPO PALERMO" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	73.9		EUR	42,994	–3,481	b)
Kommanditgesellschaft MS "CPO TOULON" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	26,093	–3,527	b)
Kommanditgesellschaft MS "CPO VALENCIA" Offen Reederei GmbH & Co.	Hamburg, Germany	SOUNT	90.0		EUR	18,080	60	b)
LSF Loan Solutions Frankfurt GmbH	Eschborn, Germany	SOUNT	100.0		EUR	5,662	–	13) a) b)
Marylebone Commercial Finance (2)	London, United Kingdom	SOUNT	100.0		GBP	0	0	
mBank Hipoteczny S.A.	Warsaw, Poland	KREDI	100.0		PLN	764,459	17,877	
mBank S.A.	Warsaw, Poland	KREDI	69.4		PLN	10,789,893	1,155,226	
mCentrum Operacji Sp. z o.o.	Aleksandrów Lódzki, Poland	SOUNT	100.0		PLN	34,862	–996	
MERKUR Grundstücks GmbH	Frankfurt/Main, Germany	SOFDL	100.0		EUR	8,732	–	a)
mFaktoring S.A.	Warsaw, Poland	SOFDL	100.0		PLN	88,177	–27,124	
mFinance France S.A.	Paris, France	SOFDL	100.0		EUR	432	–97	

Name	Registered office	Business purpose	Share of capital held %	Voting rights (where different) %	Currency	Equity* 1,000	Net profit or loss* 1,000	
mFinanse S.A.	Lódz, Poland	SOUNT	100.0		PLN	70,659	192,878	14)
mLeasing Sp. z o.o.	Warsaw, Poland	SOFDL	100.0		PLN	232,066	43,715	
mLocum S.A.	Lódz, Poland	SOUNT	80.0		PLN	148,601	14,540	
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	25.0		EUR	2,883	2,858	c)
NAVIPOS Schiffsbeteiligungs-gesellschaft mbH	Hamburg, Germany	SOFDL	100.0		EUR	11,977	23,417	b)
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf, Germany	SOFDL	90.0	65.0	EUR	10	–67	
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOFDL	100.0		EUR	11,176	–	a)
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG	Grünwald, Germany	SOUNT	85.0	93.0	EUR	–828	–76	
Pisces Nominees Limited	London, United Kingdom	SOFDL	100.0		GBP	0	0	
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald, Germany	SOFDL	100.0		EUR	8,964	398	
Rood Nominees Limited	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Rook Finance LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	92,074	240	
SECUNDO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	SOUNT	100.0		EUR	5,811	–	a)
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf, Germany	SOUNT	100.0		EUR	304	–	a)
Sterling Energy II LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	74,278	–5,039	
Sterling Energy LLC	Wilmington, Delaware, USA	SOFDL	100.0		USD	134,717	–545	
Tele-Tech Investment Sp. z o.o.	Warsaw, Poland	BETGE	100.0		PLN	648	–138	
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt/Main, Germany	BETGE	100.0		EUR	22,778	–	a)
Twins Financing LLC	Dover, Delaware, USA	SOUNT	60.0		USD	464	3,465	
Watling Leasing March (1)	London, United Kingdom	SOUNT	100.0		GBP	0	0	
Wilmots Leasing AB	Stockholm, Sweden	SOFDL	100.0		SEK	563	–322	
Zelos Luxembourg S.C.S.	Luxembourg, Luxembourg	BETGE	100.0		EUR	–18,901	–1,180	

b) Affiliated companies not included in the Group financial statement due to their minor significance

Name	Registered office	Share of capital held %	Voting rights (where different) %	
1. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
10. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
11. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
12. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
13. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
14. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Berlin Lindencorso KG	Düsseldorf, Germany	81.4		
2. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Balingen KG	Düsseldorf, Germany	73.6	73.8	
2. CR Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Heilbronn KG	Düsseldorf, Germany	78.1	78.3	
3. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
4. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
5. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
6. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
7. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
8. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
9. CR Fonds-Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABALINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ABANTITIM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ABELASSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACARINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACCESSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACILIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
ACINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ACOLA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
ACONITA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
ACRONA Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Actium Leasobjekt Gesellschaft mbH	Frankfurt/Main, Germany	100.0		a)
ACTOSA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADAMANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Elbphilharmonie KG	Düsseldorf, Germany	50.0		
ADELIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADENARA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
ADRUGA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ADURAMA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AFORTUNA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGALINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGARBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGASILA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AGUSTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AHOIH Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AJOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
AJUNTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AKERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALACRITAS Verwaltungs- und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBELLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALBOLA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALCARDA Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
ALDINGA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALDULA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALEMONA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALFUTURA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALICANTE NOVA Shipping Limited	Monrovia, Liberia	100.0		
ALIVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALLATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	94.0		
ALMARENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALMARENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	0.0	50.0	c)
ALMONDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALMURUS Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
ALSANTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALSANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte RiCö KG i.L.	Düsseldorf, Germany	100.0		15)
ALSENNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALUBRA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ALVENTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALVINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ALZOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMALIA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMENA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMERA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AMONEUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AMTERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANBANA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANCAVA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANCONA NOVA Shipping Limited	Monrovia, Liberia	100.0		
ANDINO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ANDINO Dritte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
ANDINO Fünfte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		16)
ANDINO Vierte Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ANDINO Zweite Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
Anthusa Alpha GmbH	Eschborn, Germany	100.0		
Anthusa Beta GmbH	Eschborn, Germany	100.0		
ARAFINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARAUNA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARBITRIA Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AREBA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ARIBELLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARINGO GmbH & Co. Geschlossene Investment KG	Düsseldorf, Germany	100.0		
ARINGO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARINO Beteiligungs-GmbH & Co.KG	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
ARINO GmbH	Düsseldorf, Germany	100.0		
Ariondaz SAS	Paris, France	100.0		
ARKAMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARMILLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ARVINA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
ASCETO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASERTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASKIBA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSANDRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSENTO Photovoltaik-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ASSERTA Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
ASTRADA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Atlas-Alpha GmbH	Frankfurt/Main, Germany	100.0		a)
ATUNO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AURESTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVALERIA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVALERIA Hotel HafenCity GmbH & Co. KG	Hamburg, Germany	94.8	94.0	
AVANCIA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVENTIMOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
AVERTUM Flugzeug-Leasinggesellschaft mbH & Co. Zweite Legacy 600 KG	Düsseldorf, Germany	100.0		
AVIO Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
AVOLO Flugzeugleasinggesellschaft mbH	Karlsruhe, Germany	100.0		
AWINTO Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
AWL I Sp. z o.o. in liquidation	Warsaw, Poland	100.0		17)
BENE Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald, Germany	100.0	19.0	
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt/Main, Germany	100.0		
BILBAO NOVA Shipping Limited	Monrovia, Liberia	100.0		
Blue Amber Fund Management S.A.	Luxembourg, Luxembourg	100.0		
BONITAS Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Alzenau KG	Düsseldorf, Germany			c)
BONITAS Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Friedrichshafen KG	Düsseldorf, Germany	0.0	51.0	
BRE Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
CBG Commerz Beteiligungskapital Verwaltungs GmbH	Frankfurt/Main, Germany	100.0		
CCR Courtage i.L.	Paris, France	100.0		
CG Japan GmbH	Wiesbaden, Germany	100.0		
CG Real Estate Luxemburg S.à.r.l. i.L.	Luxembourg, Luxembourg	100.0		18)
CGI Stadtgalerie Schweinfurt Verwaltungs- GmbH	Wiesbaden, Germany	100.0		
CGI Victoria Square Limited	London, United Kingdom	100.0		
CGI Victoria Square Nominees Limited	London, United Kingdom	100.0		
CIMONUSA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
CIV GmbH Beta	Frankfurt/Main, Germany	100.0		
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten, Germany	100.0		19) a)
Commerz Brasil Holding e Servicos Ltda.	São Paulo, Brazil	100.0		
Commerz Building and Management GmbH	Essen, Germany	100.0		a)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Commerz GOA Realty Associates LLC	Wilmington, Delaware, USA	49.0	50.0	c)
Commerz Keyes Avenue Properties (Proprietary) Ltd.	Johannesburg, South Africa	100.0		
Commerz Nederland N.V.	Amsterdam, Netherlands	100.0		20)
Commerz Nominees Limited	London, United Kingdom	100.0		
Commerz Property GmbH	Frankfurt/Main, Germany	100.0		a)
Commerz Real Asia Pacific Limited	Hong Kong, Hong Kong	100.0		
Commerz Real Asset Structuring GmbH	Düsseldorf, Germany	100.0		
Commerz Real Beteiligungsgesellschaft mbH	Düsseldorf, Germany	22.9	23.0	c)
Commerz Real Digitale Vertriebs- und Service GmbH	Düsseldorf, Germany	100.0		
Commerz Real Finanzierungsleasing GmbH	Düsseldorf, Germany	100.0		a)
Commerz Real Fund Management S.à.r.l.	Luxembourg, Luxembourg	100.0		
Commerz Real Nederland B. V.	Amsterdam, Netherlands	100.0		
Commerz Real North Ltd.	London, United Kingdom	100.0		
Commerz Real Southern Europe GmbH	Wiesbaden, Germany	100.0		
Commerz Real West BV	Amsterdam, Netherlands	100.0		
Commerz Real Western Europe GmbH	Wiesbaden, Germany	100.0		
Commerz Realty Associates GP V, LLC	Wilmington, Delaware, USA	100.0		
Commerz Regulatory Models GmbH i.L.	Frankfurt/Main, Germany	100.0		21)
Commerz Trade Services Sdn. Bhd.	Kuala Lumpur, Malaysia	100.0		
Commerz Trade Services Sociedad Anónima	San José, Costa Rica	100.0		
Commerzbank Capital Management Unternehmensbeteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Commerzbank Investments (UK) Limited	London, United Kingdom	100.0		
Commerzbank Leasing 2 S.àr.l.	Luxembourg, Luxembourg	100.0		
Commerzbank Leasing December (6) Limited	London, United Kingdom	100.0		
Commerzbank Pension Trustees Limited	London, United Kingdom	100.0		
Commerzbank Representative Office Nigeria Limited	Lagos, Nigeria	100.0		
Commerzbank Representative Office Panama, S.A.	City of Panama, Panama	100.0		
Commerzbank São Paulo Servicos Ltda.	São Paulo, Brazil	100.0		22)
CommerzKommunalbau GmbH	Düsseldorf, Germany	100.0		
CommerzLeasing Anlagen-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
CommerzLeasing GmbH	Düsseldorf, Germany	100.0		
CommerzStiftungsTreuhand GmbH	Frankfurt/Main, Germany	100.0		
CommerzTrust GmbH	Frankfurt/Main, Germany	100.0		
CommerzVentures Beteiligungsverwaltungs GmbH	Frankfurt/Main, Germany	100.0		23)
ComTS Kredit GmbH	Duisburg, Germany	100.0		24) a)
COMUNITHY Immobilien GmbH	Düsseldorf, Germany	51.0		
CR KaiserKarree Holding S.a.r.l.	Luxembourg, Luxembourg	100.0		
Crédito Germánico S.A.	Montevideo, Uruguay	100.0		
CRI Erste Beteiligungsgesellschaft mbH	Wiesbaden, Germany	100.0		
CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg, South Africa	100.0		
CSK Sp. z o.o.	Lódz, Poland	100.0		
DAUNUS Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Delphi I Eurohypo LLC	Wilmington, Delaware, USA	100.0		
DFI S.r.l. in liquidazione	Milan, Italy	100.0		
Dr. Gubelt Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Potsdam Alte Wache KG i.L.	Düsseldorf, Germany	0	0.4	c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
Dr. Gubelt Immobilien Vermietungs-Gesellschaft mbH	Düsseldorf, Germany	100.0		
DRABELA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DREBOSTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schwerin KG	Grünwald, Germany	6.0	2.0	c)
DREDOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREFLORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREFUMA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRELOBA Grundstücks-Vermietungsgesellschaft & Co. Objekt Gevelsberg KG	Grünwald, Germany	6.0	5.0	c)
DRELOBA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
DRELOSINA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRENITA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DRESANA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
Dresdner Kleinwort Derivative Investments Limited	London, United Kingdom	100.0		
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0		
Dresdner Kleinwort Wasserstein Securities (India) Private Limited	Mumbai, India	75.0		
DRETERUM Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
DREVERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0		
Elfte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		a)
EuREAM GmbH	Wiesbaden, Germany	100.0		
EVIDENTIA Immobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Fernwärmenetz Leipzig GmbH	Leipzig, Germany	100.0		
FLOR Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
FORNAX Kraftwerk-Beteiligungsgesellschaft mbH	Grünwald, Germany	50.0		c)
Frankfurter Gesellschaft für Vermögensanlagen mit beschränkter Haftung	Eschborn, Germany	100.0		a)
FUHRTIVUS Grundstücks-Vermietungsgesellschaft Objekt Lauchhammer mbH	Düsseldorf, Germany			c)
Galbraith Investments Limited	London, United Kingdom	100.0		
General Leasing (No.16) Limited	London, United Kingdom	100.0		
Gesellschaft für Kreditsicherung mbH	Berlin, Germany	63.3		
G-G-B Gebäude- und Grundbesitz GmbH	Eschborn, Germany	100.0		25) a)
GIE Dresdner Kleinwort France i.L.	Paris, France	100.0		
GIE Victoria Aéronautique	Paris, France	100.0		
GO German Office GmbH	Wiesbaden, Germany	100.0		a)
gr Grundstücks GmbH Objekt Corvus & Co. Sossenheim KG i.L.	Eschborn, Germany	100.0		
gr Grundstücks GmbH Objekt Corvus i.L.	Eschborn, Germany	100.0		
GRABINO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRADARA Vermietungsgesellschaft mbH	Grünwald, Germany			c)
GRAFINO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAFINO Vermietungsgesellschaft mbH & Co. Objekt Sendlinger Alm KG	Grünwald, Germany	100.0	15.0	c)
GRALANA Vermietungsgesellschaft mbH	Grünwald, Germany			c)
GRALIDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLDISCUS Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAMOLINDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.	Grünwald, Germany	94.0	40.0	26) c)
GRAMOLSEMPA GmbH	Grünwald, Germany			c)
GRASSANO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRATNOMA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRAVIATION Flugzeug-Vermietungsgesellschaft mbH	Grünwald, Germany			c)
GRECORA Aviation GmbH	Grünwald, Germany	100.0		27)
GRECORA Aviation GmbH & Co. geschlossene Investment KG	Grünwald, Germany	100.0		28)
Greene Elm Trading IX LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading VIII LLC	Wilmington, Delaware, USA	100.0		
Greene Elm Trading X LLC	Wilmington, Delaware, USA	100.0		
GRENADO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRENDA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRESELA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
Gresham Leasing March (3) Limited	London, United Kingdom	70.0		
GRETANA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRILISA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRINA Beteiligungsgesellschaft mbH	Grünwald, Germany	100.0		29)
GRONDOLA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Marzahn KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Berlin Weißensee KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Chemnitz KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Darmstadt KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dreieich KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Dresden KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Essen KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover EXPOPark KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Hannover Hauptbetrieb KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarbrücken KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Saarlouis KG	Grünwald, Germany	0.6	5.0	c)
GROSINA Vermietungsgesellschaft mbH & Co. Objekt Stuttgart KG	Grünwald, Germany	0.6	5.0	c)
GROTEGA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMENTO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMONA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUMOSA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
GRUNATA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
Grupa PINO Sp. z o.o. w likwidacji	Warsaw, Poland	100.0		
HAJOBANTA GmbH	Düsseldorf, Germany	100.0		
HAJOBURGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOGA-US Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOLENA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOLINDA Beteiligungsgesellschaft GmbH	Düsseldorf, Germany	100.0		
HAJOLUCA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOMA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
HAJOMINA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJORALDIA Verwaltung und Treuhand GmbH	Düsseldorf, Germany	100.0		
HAJOSINTA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOSOLA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
HAJOTARA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Hamudi S.A.	Madrid, Spain	100.0		
Haus am Kai 2 O.O.O.	Moscow, Russia	100.0		
HDW Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
HIMUS Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany			a) c)
Histel Beteiligungs GmbH	Frankfurt/Main, Germany	100.0		a)
Immobiliengesellschaft Ost Hägle, spol. s.r.o	Prague, Czech Republic	100.0		
Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH i.L.	Eschborn, Germany	100.0		30)
IMMOFIDUCIA Sp. z o.o.	Warsaw, Poland	100.0		
IMO Autopflege Beteiligungsverwaltungsgesellschaft mbH	Mülheim an der Ruhr, Germany			c)
IWP International West Pictures GmbH & Co. Erste Produktions KG i.L.	Cologne, Germany	95.1		31)
IWP International West Pictures Verwaltungs GmbH	Cologne, Germany	100.0		
Japanturm Betriebsgesellschaft mbH i.L.	Wiesbaden, Germany	100.0		32)
JBBK Verwaltungs S.à.r.l.	Luxembourg, Luxembourg	100.0		
JMD III Sp. z o.o.	Warsaw, Poland	100.0		
KENSTONE GmbH	Eschborn, Germany	100.0		a)
KTC Kommunikations- und Trainings-Center Königstein GmbH	Königstein, Germany	100.0		a)
LIVIDA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Erfurt, Germany			c)
LOUISENA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
LOUISENA Vermietungsgesellschaft mbH & Co. Objekt Königstein KG	Grünwald, Germany			c)
Lufthansa Leasing GmbH & Co. Echo-Oscar KG i. L.	Grünwald, Germany	100.0	99.6	
LUGO Photovoltaik Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
LUTEA MOLARIS Grundstücks-Vermietungsgesellschaft mbH	Berlin, Germany			c)
M 31 Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
Main Incubator GmbH	Frankfurt/Main, Germany	100.0		
MARBARDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBINO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Bayern KG	Düsseldorf, Germany	100.0	50.0	c)
MARBREVA Vermietungsgesellschaft mbH & Co. Objekt AOK Rheinland-Pfalz KG	Düsseldorf, Germany	100.0	50.0	c)
MARIUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MARLINTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MAROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
Marseille Shipping Limited	Monrovia, Liberia	100.0		
Max Lease S.à.r.l. i.L.	Luxembourg, Luxembourg	100.0		33)
mCorporate Finance S.A.	Warsaw, Poland	100.0		
MOLANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANCONA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLANDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANGA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLANKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLANZIO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLARELLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAREZZO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARGA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG i.L.	Düsseldorf, Germany	100.0	49.0	34) c)
MOLARIS Geschäftsführungs GmbH	Düsseldorf, Germany			c)
MOLARIS Grundstücksverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Immobilienverwaltung GmbH	Düsseldorf, Germany			c)
MOLARIS Managementgesellschaft mbH	Düsseldorf, Germany			c)
MOLARIS Objektverwaltung GmbH	Düsseldorf, Germany			c)
MOLARISA Vermögensverwaltung mbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLARISSA Vermietungsgesellschaft mbH & Co. Objekt Detmold KG	Düsseldorf, Germany	1.0	2.0	c)
MOLARONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLAROSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLASSA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLATHINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBAMBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBARVA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLBERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBERNO Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
MOLBOLLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBONA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		c)
MOLBRIENZA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLBURGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCAMPO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCOCO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLCREDO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDEO Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Lünen KG	Düsseldorf, Germany			c)
MOLDESKA Vermietungsgesellschaft mbH & Co. Objekt Mallersdorf KG	Düsseldorf, Germany			c)
MOLDICMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDOMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLDORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLEMPA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLENDRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLETUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFENNA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFINO Vermietungsgesellschaft mbH i.L.	Berlin, Germany			35) c)
MOLFOKKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFRIEDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLFUNDA Vermietungsgesellschaft mbH	Berlin, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLGABA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGATO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGEDI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGEKA Vermietungsgesellschaft mbH	Meerbusch, Germany			c)
MOLGERBA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGERO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLGRADO Vermietungsgesellschaft Objekt Göttingen und Oldenburg mbH i.L.	Grünwald, Germany	50.0		36) c)
MOLHABIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGELA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLIGO Vermietungsgesellschaft mbH	Rostock, Germany			c)
MOLISTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLITA Vermietungsgesellschaft mbH	Hannover, Germany			c)
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKIRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLKRIMA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMARTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMELFI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLMIRA Vermietungsgesellschft mbH	Düsseldorf, Germany			c)
MOLNERA Vermietungsgesellschaft mbH	Berlin, Germany			c)
MOLOTA Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			c)
MOLPANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPATRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPETTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIKA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPIREAS Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLPLANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLPURA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRATUS Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRAWIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRESTIA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRISTA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MOLRITA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLROLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRONDA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLRONDA Vermietungsgesellschaft mbH & Co. Objekt Nürnberg KG	Düsseldorf, Germany			c)
MOLROSSI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSANTA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSCHORA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSIWA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSOLA Vermietungsgesellschaft mbH	Grünwald, Germany			c)
MOLSTEFFA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSTINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLSURA Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
MOLTANDO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTARA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)

Name	Registered office	Share of capital held %	Voting rights (where different) %	
MOLTERAMO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTESO Beteiligungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTIVOLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLTUNIS Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLUGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVANI Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVENTO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVERA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVINCA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLVORRA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWALLA Vermietungsgesellschaft mbH & Co. Objekt Schweinfurt KG	Düsseldorf, Germany	1.0	2.0	c)
MOLWANKUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWARGA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MOLWORUM Vermietungsgesellschaft mbH & Co. Objekt Ottensen KG	Düsseldorf, Germany	1.0	2.0	c)
MONATA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MONEA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
MORANO Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
MS "PUCCINI" Verwaltungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
NACOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NACONGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFARI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAFIRINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASIRO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NASTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUCULA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAULUMO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURANTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAURATA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUSOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTARO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTESSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTLUS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTORIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAUTUGO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG i.L.	Hamburg, Germany	93.6	93.7	
NAVIBOLA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIBOTO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIFIORI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGA Schiffsbeteiligung GmbH	Hamburg, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
NAVIGATO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIGOLO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVILO Vermietungsgesellschaft mbH	Hamburg, Germany	100.0		
NAVINA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIRENA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVIROSSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITARIA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITONI Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITOSA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVITURA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NAVO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin KG	Düsseldorf, Germany	10.0	15.0	c)
NEHO Beteiligungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
NEHO Grundstücks-Vermietungsgesellschaft Objekt Frankfurt Kaiserplatz mbH & Co. KG	Frankfurt/Main, Germany	100.0		
NEPTANA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTILA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTORA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUGA Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NEPTUNO Schiffsbetriebsgesellschaft mbH	Hamburg, Germany	100.0		
NERVUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NESTOR Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NEUGELB STUDIOS GmbH	Berlin, Germany	100.0		a)
NOLICA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	70.0		
NORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Ettlingen KG	Düsseldorf, Germany	0.0	50.0	c)
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Koblenz-Kesselheim KG	Düsseldorf, Germany	0.0	50.0	c)
NOSCO Grundstücks-Vermietungsgesellschaft mbH	Mainz, Germany	100.0		
NOTITIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
NOVITAS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
Number X Real Estate GmbH	Eschborn, Germany	100.0		
NUMERIA Grundstücks-Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		
NURUS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		a)
Octopus Investment Sp. z o.o.	Warsaw, Poland	100.0		
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH	Grünwald, Germany	100.0		
openspace GmbH	Berlin, Germany	82.5		37)
OPTIO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
OPTIO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Schönborn KG	Düsseldorf, Germany			c)
OPTIONA Vermietungsgesellschaft mbH	Düsseldorf, Germany			c)
ORBITA Kraftwerk-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
ORBITA Kraftwerk-Beteiligungsgesellschaft mbH & Co. Objekt Kraftwerk Hessen KG	Düsseldorf, Germany			c)
ORNATUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		c)
OSKAR Medienbeteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
PALERMO Shipping Limited	Monrovia, Liberia	100.0		
PAREO Kraftwerk-Beteiligungsgesellschaft mbH	Leipzig, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
PATELLA Vermietungsgesellschaft mbH	Berlin, Germany			[c]
PATULA Beteiligungsgesellschaft mbH	Stuttgart, Germany	100.0		
Projekt CH Lodz Sp. z o.o.	Warsaw, Poland	95.5		
Property Partner Sp. z o.o.	Warsaw, Poland	100.0		
Property Rzeczypospolitej 33 Sp. z o.o.	Warsaw, Poland	100.0		
quatron Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			[c]
RALTO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAMONIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RANA Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAPIDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAVENNA Kraków Sp. z o.o.	Warsaw, Poland	100.0		
RAYMO Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RAYMO Vierte Portfolio GmbH	Frankfurt/Main, Germany	100.0		
RAYMO Zweite Portfolio GmbH & Co. KG	Frankfurt/Main, Germany	100.0		
RECURSA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany	100.0		
REGALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			[38] [c]
RESIDO Flugzeug-Leasinggesellschaft mbH	Düsseldorf, Germany	100.0		
RIPA Medien-Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
RIVALIS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany			[c]
ROSARIA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSATA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt ISF Sindlingen KG	Düsseldorf, Germany	0.0	50.0	[c]
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Veldhoven KG	Düsseldorf, Germany	100.0	50.0	[c]
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte TANK & RAST KG	Düsseldorf, Germany	0.0	50.0	[c]
ROSINTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
ROSOLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SENATORSKA Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
SILVA Grundstücks-Vermietungsgesellschaft mbH	Frankfurt/Main, Germany			[c]
SOLTRX Transaction Services GmbH	Düsseldorf, Germany	100.0		[a]
South East Asia Properties Limited	London, United Kingdom	100.0		
Space Park Erste Verwaltungs GmbH	Frankfurt/Main, Germany	100.0		
TALORA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TAMOLDINA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		[c]
TAMOLTEMPA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		[c]
TAMOLTESSA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		[c]
TANECTRA Beteiligungsgesellschaft mbH i.L.	Düsseldorf, Germany	100.0		[39]
TASKABANA erste Immobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany			[c]
TASKABANA erste Mobilien-Vermietungsgesellschaft mbH & Co. Objekt Marl KG	Grünwald, Germany			[c]
TASKABANA Vermietungsgesellschaft mbH	Grünwald, Germany	50.0		[c]
TIGNARIS Beteiligungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TIGNARIS Beteiligungsgesellschaft mbH & Co. Streubesitz KG	Düsseldorf, Germany	100.0		
TIGNARIS Verwaltungsgesellschaft mbH	Düsseldorf, Germany	100.0		
TIGNATO Beteiligungsgesellschaft mbH	Eschborn, Germany	100.0		

Name	Registered office	Share of capital held %	Voting rights (where different) %	
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG	Eschborn, Germany	100.0		
TOULON NOVA Shipping Limited	Monrovia, Liberia	100.0		
T-Rex Baugesellschaft mbH	Wiesbaden, Germany	100.0		
T-Rex Verwaltungs GmbH	Wiesbaden, Germany	100.0		
U.S. Residential I GP, LLC	Wilmington, Delaware, USA	100.0		
U.S. Residential Investment I, L.P.	Wilmington, Delaware, USA	90.0		
Urban Invest Holding GmbH	Eschborn, Germany	100.0		
VALENCIA NOVA Shipping Limited	Monrovia, Liberia	100.0		
WebTek Software Private Limited	Bangalore, India	100.0		
Windpark Duben Süd GmbH	Düsseldorf, Germany	100.0		[40]
Windpark Karche 2 GmbH	Düsseldorf, Germany	100.0		[41]
Windpark Klosterkumbd Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Rayerschied Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windpark Schöneseiffen Verwaltungs GmbH	Düsseldorf, Germany	100.0		
Windsor Asset Management GP Ltd.	Toronto, Canada	75.0	0.0	[c]
Windsor Canada Verwaltungsgesellschaft mbH	Düsseldorf, Germany			[c]

2. Associated companies

a) Associated companies in the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss 1,000
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main, Germany	31.6		EUR	196,932	16,035
Argor-Heraeus S.A.	Mendrisio, Switzerland	32.7		CHF	116,242	15,477
Capital Investment Trust Corporation	Taipeh, Taiwan	24.0		TWD	3,169,045	408,100
Commerz Finanz GmbH	Munich, Germany	49.9		EUR	562,829	30,784
Commerz Unternehmens-beteiligungs-Aktiengesellschaft	Frankfurt/Main, Germany	40.0		EUR	87,287	9,945
DTE Energy Center, LLC	Wilmington, Delaware, USA	50.0		USD	76,904	11,188
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf, Germany	20.8		EUR	79,061	−38,471
ILV Immobilien-Leasing Verwal-tungsgesellschaft Düsseldorf mbH	Düsseldorf, Germany	50.0		EUR	6,462	1,343

b) Associated companies in the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %
AF Eigenkapitalfonds für deutschen Mittelstand GmbH & Co. KG	Munich, Germany	47.4	47.5
AGASILA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf KG	Düsseldorf, Germany	24.3	29.0
ALIVERA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf-Lichtenbroich KG	Düsseldorf, Germany	5.2	25.0

Name	Registered office	Share of capital %	Voting rights (where different) %	
ASTIRA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf, Germany	50.0		
ATISHA Verwaltungsgesellschaft mbH & Co. Objekt Paris KG	Düsseldorf, Germany	50.0		
BONUS Vermietungsgesellschaft mbH i.L.	Düsseldorf, Germany	30.0		[42]
Düsseldorfer Börsenhaus GmbH	Düsseldorf, Germany	20.0		
FRAST Beteiligungsgesellschaft mbH	Grünwald, Germany	49.0		
FRAST Beteiligungsgesellschaft mbH & Co. Objekt Kokerei KG	Grünwald, Germany			[c]
GIE Cinquieme Lease	Puteaux, France	33.3		
GIE Go Lease	Puteaux, France	50.0		
GIE Hu Lease	Puteaux, France	50.0		
GIE Quatrieme Lease	Puteaux, France	33.3		
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v. d. Höhe, Germany	24.8	28.8	
Immobilien-Vermietungsgesellschaft Dr. Rühl GmbH & Co. Objekt Stutensee KG	Düsseldorf, Germany	3.5	25.0	
Immobilien-Vermietungsgesellschaft Reeder & Co. Objekt Plauen-Park KG	Düsseldorf, Germany	21.4	21.3	
Kapelaansdijk I BV	Amsterdam, Netherlands	25.0		
Koppelenweg I BV	Hoevelaken, Netherlands	33.3		
MAECENA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dortmund KG i.L.	Düsseldorf, Germany	5.0	33.3	
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG i.L.	Grünwald, Germany	29.4	29.0	
MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L.	Düsseldorf, Germany	5.0	50.0	[43]
MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG i.L.	Düsseldorf, Germany	21.0		[44]
MOLWANKUM Vermietungsgesellschaft mbH & Co. Objekt Landkreis Hildburghausen KG	Düsseldorf, Germany	6.0	31.0	
MS "Meta" Stefan Patjens GmbH & Co. KG	Drochtersen, Germany	30.5		
NESTOR Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Villingen-Schwenningen	Düsseldorf, Germany	0.0	50.0	
NOSSIA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i.L.	Pöcking, Germany	2.5	25.0	
OSCA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG i. L.	Grünwald, Germany	26.0		
Pinova GmbH & Co. Erste Beteiligungs KG	Munich, Germany	40.0		
PRUNA Betreiber GmbH	Grünwald, Germany	51.0		
Rendite Partner Gesellschaft für Vermögensverwaltung mbH i. L.	Frankfurt/Main, Germany	33.3		
SCI L Argentiere	Grenoble, France	30.0		
SUEZ Immobilia GmbH & Co. KG	Cologne, Germany	5.1	50.0	[45]

3. Joint ventures

a) Joint ventures in the Group financial statements accounted for using the equity method

Name	Registered office	Share of capital %	Voting rights (where different) %	Currency	Equity 1,000	Net profit or loss* 1,000
Delphi I LLC	Wilmington, Delaware, USA	33.3		EUR	−491,719	−18,691
FV Holding S.A.	Brussels, Belgium	60.0		EUR	1,309	−46

b) Joint ventures in the Group financial statements not accounted for using the equity method due to their minor significance

Name	Registered office	Share of capital %	Voting rights (where different) %
Bonitos GmbH & Co. KG	Frankfurt/Main, Germany	50.0	
Bonitos Verwaltungs GmbH	Frankfurt/Main, Germany	50.0	
NULUX NUKEM LUXEMBURG GmbH	Luxembourg, Luxembourg	49.5	

4. Structured entities

a) Structured entities included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of capital %	Voting rights (where different) %	Currency	Equity* 1,000	
Borromeo Finance S.r.l.	Milan, Italy	FK			EUR	16,582	
Bosphorus Capital DAC	Dublin, Ireland	FK			EUR	−334	46)
Bosphorus Investments DAC	Dublin, Ireland	FK			EUR	−1,008	47)
CoCo Finance II–2 Ltd.	Dublin, Ireland	PUK			EUR	10	
Danube Delta PLC	Delaware, USA	FK			USD	−26,941	
Justine Capital SRL	Milan, Italy	FK			EUR	−4,351	
LAMINA Grundstücks-Verwaltungsgesellschaft mbH & Co. Objekt Leipzig KG	Grünwald, Germany	SuK	100.0	16.7	EUR	−7,198	
Liffey Emerald Limited	Dublin, Ireland	FK			EUR	0	
Livingstone Mortgages Limited	London, United Kingdom	FK			GBP	45,409	
Metrofinanciera Warehousing 2007	Delaware, USA	FK			USD	14	
Plymouth Capital Limited	St. Helier, Jersey	FK			GBP	0	
SME Commerz SCB GmbH	Frankfurt/Main, Germany	PUK			EUR	26	
Thames SPC	St. Helier, Jersey	FK			GBP	0	

b) Structured entities not included in the Group financial statements pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment
Caduceus Compartment 5	Luxembourg, Luxembourg	FK
CB MezzCAP Limited Partnership	St. Helier, Jersey	PUK
CoTrax Finance II–2 DAC	Dublin, Ireland	PUK
GRENADO Vermietungsgesellschaft mbH & Co. Objekt Brigachschiene KG	Grünwald, Germany	PUK
HSC Life Policy Pooling S.A.R.L.	Luxembourg, Luxembourg	FK
MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG	Grünwald, Germany	SuK
MOLKANDIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaltenkichen KG	Düsseldorf, Germany	PUK
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Haar KG	Düsseldorf, Germany	PUK
Opera Germany No. 2 plc.	Dublin, Ireland	ACR
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Burscheid KG	Düsseldorf, Germany	PUK
TIGNARIS Beteiligungsgesellschaft mbH & Co. Objekt Kleve KG	Düsseldorf, Germany	PUK

5. Investment funds

a) Investment funds included in the Group financial statements pursuant to IFRS 10/IFRS 11

Name	Registered office	Segment	Share of investor in fund %	Currency	Fund volume 1,000
Agate Assets S.A. S014	Luxembourg, Luxembourg	FK	100.0	EUR	62,380
CDBS-Cofonds	Frankfurt/Main, Germany	PUK	100.0	EUR	135,850
CDBS-Cofonds II	Frankfurt/Main, Germany	PUK	100.0	EUR	96,026
CDBS-Cofonds III	Frankfurt/Main, Germany	PUK	100.0	EUR	106,139
CDBS-Cofonds IV	Frankfurt/Main, Germany	PUK	100.0	EUR	106,517
CDBS-Cofonds V	Frankfurt/Main, Germany	PUK	100.0	EUR	104,327
Green Loan Fund I	Luxembourg, Luxembourg	PUK	100.0	EUR	62,380
Olympic Investment Fund II	Grevenmacher, Luxembourg	FK	96.1	EUR	2,512,346
Pantheon Master Fund	Delaware, USA	FK	100.0	USD	123,563
Premium Management Immobilien-Anlagen	Frankfurt/Main, Germany	PUK	69.9	EUR	236,004
VFM Mutual Fund AG & Co. KG	Gamprin-Bendern, Liechtenstein	FK	51.4	CHF	348,288

b) Investment funds not included in the Group financial statements pursuant to IFRS 10/IFRS 11 due to their minor significance

Name	Registered office	Segment
CBK SICAV Commerzbank Strategiefonds Marktneutral EUR	Hesperange, Luxembourg	FK
CBK SICAV Commerzbank Strategiefonds Multi Asset I	Luxembourg, Luxembourg	FK
Commerzbank Aktientrend Deutschland I	Luxembourg, Luxembourg	FK
Commerzbank CCBI RQFII Money Market UCITS ETF A	London, United Kingdom	FK
Commerzbank CCBI RQFII Money Market UCITS ETF B	London, United Kingdom	FK
Commerzbank Renten Protect 80	Luxembourg, Luxembourg	FK
Commerzbank Rohstoff Strategie R USD	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus I	Luxembourg, Luxembourg	FK
Commerzbank Wertsicherungsfonds plus II	Luxembourg, Luxembourg	FK

Name	Registered office	Segment
ComStage 1 DAX UCITS ETF	Luxembourg, Luxembourg	FK
ComStage 1 DivDAX UCITS ETF	Luxembourg, Luxembourg	FK
ComStage 1 EURO STOXX 50 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage 1 MDAX UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CAC 40® Leverage UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CAC 40® Short GR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CBK 10Y US-Treasury Future TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CBK Commodity ex-Agriculture Monthly EUR Hedged TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage CBK U.S. Treasury Bond Future Double Short TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage Commerzbank Bund-Future Leveraged TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage FTSE 100 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 3–5 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 5–7 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped 7–10 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Germany Covered Capped Overall TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 15+ TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 3–5 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 3m–1 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 5–7 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified 7–10 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Liquid Sovereigns Diversified Overall TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 10+ TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 1–5 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 3m–2 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage iBOXX Sovereigns Germany Capped 5–10 TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage LevDAX® x2 UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI EMU TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Europe Large Cap TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Europe Mid Cap TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Italy TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Japan 100% Daily Hedged Euro UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Japan TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Spain TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI Taiwan TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI USA Large Cap TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage MSCI USA Mid Cap TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage PSI 20® Leverage UCITS ETF	Luxembourg, Luxembourg	FK
ComStage S&P 500 Euro Daily Hedged Net TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage S&P SMIT 40 Index TRN UCITS ETF	Luxembourg, Luxembourg	FK
ComStage SPI® TR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Banks NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Construction & Materials NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Financial Services NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Media NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Personal & Household Goods NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Real Estate NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Retail NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage STOXX® Europe 600 Travel & Leisure NR UCITS ETF	Luxembourg, Luxembourg	FK
ComStage TOPIX® UCITS ETF	Luxembourg, Luxembourg	FK
Dynamic Vario Protect IT	Luxembourg, Luxembourg	FK
Europa One	Annecy, France	FK
Viaduct Invest FCP-SIF Luxfund–1	Luxembourg, Luxembourg	FK

6. Investments in large corporations where the investment exceeds 5 % of the voting rights

Name	Registered office	Share of capital %	Voting rights (where different) %
Concardis GmbH	Eschborn, Germany	13.9	
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main, Germany	13.9	
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen, Germany	7.1	
Schufa Holding AG	Wiesbaden, Germany	17.9	

Footnotes		
1)	Renamed:	from ACCOMO Hotel HafenCity GmbH & Co. Geschlossene Investment KG to ACCOMO Hotel HafenCity GmbH & Co. KG
2)	Renamed:	from Commerzbank (Eurasija) SAO to Commerzbank (Eurasija) AO
3)	Renamed:	from Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg to Commerzbank Finance & Covered Bond S.A.
4)	Renamed:	from CommerzVentures Beteiligungs GmbH & Co. KG i.Gr. to CommerzVentures Beteiligungs GmbH & Co. KG
5)	Renamed:	from Commerz Transaction Services Finance GmbH to ComTS Finance GmbH
6)	Renamed:	from Commerz Transaction Services Logistics GmbH to ComTS Logistics GmbH
7)	Renamed:	from Commerz Transaction Services Mitte GmbH to ComTS Mitte GmbH
8)	Renamed:	from Commerz Transaction Services Nord GmbH to ComTS Nord GmbH
9)	Renamed:	from Commerz Transaction Services Ost GmbH to ComTS Ost GmbH
10)	Renamed:	from Commerz Transaction Services West GmbH to ComTS West GmbH
11)	Renamed:	from Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Breite Straße KG to Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Breite Straße KG i.L.
12)	Renamed:	from KMP Invest GmbH to Kira Vermögensverwaltungsgesellschaft mbH
13)	Renamed:	from Hypothekenbank Frankfurt AG to LSF Loan Solutions Frankfurt GmbH
14)	Renamed:	from Aspiro S.A. to mFinanse S.A.
15)	Renamed:	from ALSANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte RiCö KG to ALSANTA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte RiCö KG i.L.
16)	Renamed:	from ASCARA Grundstücks-Vermietungsgesellschaft mbH to ANDINO Fünfte Beteiligungsgesellschaft mbH
17)	Renamed:	from AWL I Sp. z o.o. to AWL I Sp. z o.o. in liquidation
18)	Renamed:	from CG Real Estate Luxemburg S.à.r.l. to CG Real Estate Luxemburg S.à.r.l. i.L.
19)	Renamed:	from COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation Gesellschaft mit beschränkter Haftung to COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH
20)	Renamed:	from Commerz (Nederland) N.V. to Commerz Nederland N.V.
21)	Renamed:	from Commerz Regulatory Models GmbH to Commerz Regulatory Models GmbH i.L.
22)	Renamed:	from Commerzbank São Paulo Servicos Ltda. to Commerzbank São Paulo Servicos Ltda.
23)	Renamed:	from CommerzVentures Beteiligungs GmbH i.Gr. to CommerzVentures Beteiligungsverwaltungs GmbH
24)	Renamed:	from ComTS Kredit GmbH i.G. to ComTS Kredit GmbH
25)	Renamed:	from LSF Loan Solutions Frankfurt GmbH to G-G-B Gebäude- und Grundbesitz GmbH
26)	Renamed:	from GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG to GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG i.L.
27)	Renamed:	from GRECORA GmbH to GRECORA Aviation GmbH
28)	Renamed:	from GRECORA Aviation GmbH & Co. KG to GRECORA Aviation GmbH & Co. geschlossene Investment KG
29)	Renamed:	from GRINA Vermietungsgesellschaft mbH to GRINA Beteiligungsgesellschaft mbH
30)	Renamed:	from Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH to Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH i.L.
31)	Renamed:	from IWP International West Pictures GmbH & Co. Erste Produktions KG to IWP International West Pictures GmbH & Co. Erste Produktions KG i.L.
32)	Renamed:	from Japanturm Betriebsgesellschaft mbH to Japanturm Betriebsgesellschaft mbH i.L.
33)	Renamed:	from Max Lease S.à.r.l. to Max Lease S.à.r.l. i.L.
34)	Renamed:	from MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG to MOLARIS Beteiligungsgesellschaft mbH & Co. Objekt Kurhaus KG i.L.
35)	Renamed:	from MOLFINO Vermietungsgesellschaft mbH to MOLFINO Vermietungsgesellschaft mbH i.L.
36)	Renamed:	from MOLGRADO Vermietungsgesellschaft Objekt Göttingen und Oldenburg mbH to MOLGRADO Vermietungsgesellschaft Objekt Göttingen und Oldenburg mbH i.L.
37)	Renamed:	from #openspace GmbH to openspace GmbH
38)	Renamed:	from REGALIS Grundstücks-Vermietungsgesellschaft mbH i.L. to REGALIS Grundstücks-Vermietungsgesellschaft mbH
39)	Renamed:	from TANECTRA Beteiligungsgesellschaft mbH to TANECTRA Beteiligungsgesellschaft mbH i.L.
40)	Renamed:	from Windpark Parchim V GmbH to Windpark Duben Süd GmbH
41)	Renamed:	from Windpark Parchim VI GmbH to Windpark Karche 2 GmbH
42)	Renamed:	from BONUS Vermietungsgesellschaft mbH to BONUS Vermietungsgesellschaft mbH i.L.

Footnotes		
43)	Renamed:	from MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG to MIDAS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Langenhagen KG i.L.
44)	Renamed:	from MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG to MINERVA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Radolfzell KG i.L.
45)	Renamed:	from SITA Immobilia GmbH & Co. KG to SUEZ Immobilia GmbH & Co. KG
46)	Renamed:	from Bosphorus Capital Ltd. to Bosphorus Capital DAC
47)	Renamed:	from Bosphorus Investments Limited to Bosphorus Investments DAC
48)	Renamed:	from ConCardis Gesellschaft mit beschränkter Haftung to Concardis GmbH

Comments and Explanations	
a)	Control and profit transfer agreement.
b)	No disclosures persuant to Art. 264 (3) and Art. 264 b of the German Commercial Code (HGB).
c)	Agent relationships.
*	Financial figures as of last year's annual report.

Information on business purpose pursuant to Art. 26 a of the German Banking Act (KWG) as well as on segments:

Abbreviation	Explanation
BETGE	Investment Companies
KREDI	Banks
SOFDL	Other Financial Institutions
SOUNT	Other Companies
VERSI	Insurances
ACR	Asset & Capital Recovery
FK	Corporate Clients
PUK	Private and Small-Business Customers
SuK	Others and Consolidation

Foreign exchange rates for 1€ as at 31 December 2016		
Brazil	BRL	3.4305
United Kingdom	GBP	0.8562
Japan	JPY	123.4000
Poland	PLN	4.4103
Russia	RUB	64.3000
Sweden	SEK	9.5525
Switzerland	CHF	1.0739
Taiwan	TWD	34.1631
Hungary	HUF	309.8300
USA	USD	1.0541

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman
Employee of Commerzbank
Aktiengesellschaft

Hans-Hermann Altenschmidt[1]
Employee of Commerzbank
Aktiengesellschaft

Heike Anscheit[1]
(since 1.1.2017)
Employee of Commerzbank
Commerzbank Aktiengesellschaft

Gunnar de Buhr[1]
Employee of Commerzbank
Aktiengesellschaft

Stefan Burghardt[1]
Branch Manager
Mittelstand Bremen
Commerzbank Aktiengesellschaft

Sabine U. Dietrich
Former member of the
Management Board of
BP Europe SE

Karl-Heinz Flöther
Independent management consultant

Stefan Jennes[1]
(since 1.2.2017)
Employee of Commerzbank
Aktiengesellschaft

Dr. Markus Kerber
Chief Executive Director of the
Federal Association of German Industry
(Bundesverband der Deutschen Industrie)

Alexandra Krieger[1]
Head Business Administration/Corporate
Strategy Industrial Union Mining,
Chemical and Energy

Oliver Leiberich[1]
Employee of Commerzbank
Aktiengesellschaft

Dr. Stefan Lippe
Former President of the
Company Management of Swiss Re AG

Beate Mensch[1]
Trade Union Secretary
ver.di Region of the Federal State Hessen
(Vereinte Dienstleistungsgewerkschaft ver.di)
Organisational development

Anja Mikus
Managing Director
Chief Investment Officer
Arabesque (Germany) GmbH

Dr. Roger Müller
General Counsel
Deutsche Börse AG

Dr. Helmut Perlet
Chairman of the Supervisory Board
Allianz SE

Barbara Priester[1]
(until 31.12.2016)
Employee of Commerzbank
Aktiengesellschaft

Mark Roach[1]
Trade Union Secretary
ver.di National Administration

Margit Schoffer[1]
(until 31.1.2017)
Employee of Commerzbank
Aktiengesellschaft

Nicholas Teller
Chairman of the Advisory Board
E.R. Capital Holding GmbH & Cie. KG

Dr. Gertrude Tumpel-Gugerell
Former member of the Executive Board of
the European Central Bank

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman
(since 1.5.2016)

Martin Blessing
Chairman
(until 30.4.2016)

Frank Annuscheit

Markus Beumer
(until 31.10.2016)

Dr. Marcus Chromik
(since 1.1.2016)

Stephan Engels

Michael Mandel
(since 23.5.2016)

Michael Reuther

Responsibility statement by the Board of Managing Directors

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

Frankfurt/Main, 21 February 2017
The Board of Managing Directors

Martin Zielke | Frank Annuscheit | Marcus Chromik

Stephan Engels | Michael Mandel | Michael Reuther

Indepentent Auditor's Report[1]

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

Report on the audit of the consolidated financial statements

Audit Opinion on the Consolidated Financial Statements

We have audited the consolidated financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, to December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

According to § (Article) 322 Abs. (paragraph) 3 Satz (sentence) 1 zweiter Halbsatz (second half sentence) HGB ("Handelsgesetzbuch": German Commercial Code), we state that, in our opinion, based on the findings of our audit, the accompanying consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at December 31, 2016, as well as the results of operations for the financial year from January 1, to December 31, 2016, in accordance with these requirements.

According to § 322 Abs. 3 Satz 1 erster Halbsatz HGB, we state that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements.

Basis for Audit Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), and additionally considered the International Standards on Auditing (ISA). Our responsibilities under those provisions and standards, as well as supplementary standards, are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group entities in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other German ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate audit opinion on these matters.

In our view, the key audit matters were as follows:

1. **Valuation of ship financing activities**
2. **Valuation of trading related financial instruments**
3. **New business strategy "Commerzbank 4.0"**
4. **Tax refund claims resulting from trades settled on or near the dividend date**

Our presentation of these key audit matters has been structured as follows:

a) Matter and issue
b) Audit approach and findings
c) Reference to further information

1. Valuation of ship financing activities

a) COMMERZBANK Aktiengesellschaft also conducts ship-financing activities. During the reporting period, due to the continued deterioration of the market environment, this business area was the main cause for the increase in provisions, with the result being that the ship financing business had a considerable impact on the consolidated financial statements and, in particular, the results of operations of the Group. In connection with the accounting, the valuation of these receivables regularly requires the use of estimates, particularly of future charter rates. Given that these valuation parameters have a significant influence on the recognition and amount of any provisions, which may become necessary and these provisions are subject to considerable uncertainties to that extent, this matter was of particular importance during our audit.

[1] Translation of the independent auditors' report issued in German language on the Group financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft, Frankfurt am Main. The German language statements are decisive.

b) During our audit, we first evaluated the effectiveness of the Company's relevant internal control system with respect to the valuation of ship financing activities. In this connection, we also considered the respective business organization, IT systems and valuation models . In addition, we assessed the valuation of ship financing activities, including the appropriateness of estimates, based on a risk-oriented sample, in which we, among other things, evaluated the correct application of the valuation models and the appropriateness of the future charter rates and additional input factors used. To that end, we also involved our specialists in the fields of IT audits, mathematical finance and the valuation of ships. The valuation parameters and assumptions used by management of COMMERZBANK Aktiengesellschaft for the valuation of the ship financing portfolio fall within an reasonable range.

c) COMMERZBANK Aktiengesellschaft's disclosures on the accounting for loan loss provisions, which also include the valuation of ship financing activities, are provided in note 2 within the notes to the consolidated financial statements

2. Valuation of trading related financial instruments

a) COMMERZBANK Aktiengesellschaft conducts trading in securities and derivatives according to MaRisk, which it reports in the consolidated financial statements under the categories Held for Trading (HfT), Fair Value Option (FVO), Available for Sale (AfS) and Loans and Receivables (LaR). For the purposes of accounting and disclosure within the notes, the Company determines the fair value for these financial instruments in accordance with IFRS 13. These instruments are valued in the trading division and are then verified by the finance function independent of the trading division. Fair value is determined by the price established for the financial instrument in an active market (mark to market principle; fair value hierarchy level 1). If no market prices are available, valuation is based on quoted prices for similar instruments in active markets. In cases where no quoted prices are available for identical or similar financial instruments, fair value is established with the aid of valuation models which use observable market parameters to the maximum extent possible (market to model; fair value hierarchy level 2). If insufficient recent observable market data is available to establish fair value, parameters, which are not observable on the market, will be used in the valuation models. These parameters may include data derived by approximation from historical data (fair value hierarchy level 3).

In addition, for OTC derivatives the Company also calculates valuation adjustments for counterparty risk and funding cost. Financial instruments, which are valued, based on models are therefore subject to increased valuation uncertainties and wider reasonable ranges. This applies in particular to complex financial instruments and the use of unobservable parameters. Therefore, the valuation of financial instruments in fair value hierarchy levels 2 and 3, including valuation adjustments for counterparty risk and funding cost, was of particular importance in the course of our audit.

b) During our audit, we particularly analyzed the financial instruments valued using models, with the focus being on instruments, which were subject to increased valuation uncertainties (levels 2 and 3). We then evaluated the appropriateness and effectiveness of the relevant internal control system of the Company relating to the valuation of these financial instruments, and satisfied ourselves in particular of the appropriateness and effectiveness of the control measures implemented by the Company with respect to independent price verification and model validation. With the assistance of our quantitative specialists, we carried out an assessment of the suitability of the respective valuation models and the inputs used for selected classes of assets. In addition, we carried out a separate, independent valuation of portfolios of OTC derivatives (Level 2) as of the balance sheet date. We examined the methods applied to calculate valuation adjustments for counterparty risk and funding cost for OTC derivatives as to their suitability for determining an appropriate fair value being an exit price. The valuation methods and assumptions used by management fall within a reasonable range.

c) Further information on the valuation of trading related financial instruments is contained in the notes to the consolidated financial statements, specifically in notes 5, 79, 80 and 81.

3. New business strategy "Commerzbank 4.0"

COMMERZBANK Aktiengesellschaft announced its new "Commerzbank 4.0" strategic program in financial year 2016. Under the new Group strategy, the Bank will focus on its core business and has modified its objectives and planning accordingly. In the following, we present the implications of the new strategy for the audit areas, which we consider material: segmental reporting, recoverability of goodwill, measurement of deferred tax assets and restructuring provisions.

Change in segmental reporting

a) The new strategy results in a change in the composition of the reportable segments. Following the announcement of the new strategy the Group bundles its customer activities under the two segments “Private and small-business customers” and “Corporate Clients”. The former segments “Private customers” and “Central and Eastern Europe” as well as portions of the “Mittelstandsbank” segment were merged into the “Private and small-business customers” segment. The remaining portion of the “Mittelstandsbank” segment and the “Corporates & Markets” segment form the new “Corporate Clients” segment. In addition, the new “Asset & Capital Recovery” segment was introduced at the beginning of the financial year and contains the remaining wind-down portfolios of the former “Non-Core Assets” segment after it was split up. From our point of view, this matter was of particular importance because, in the context of capital market communications, segment reporting has a special significance and the change in the segmental structure affects other accounting-related areas.

b) In the course of our audit, based on the internal organizational and reporting structure and taking into account the internal decision-making processes, we satisfied ourselves that the reportable segments of the Company were delineated at the highest level of management and exceeded certain thresholds. In connection with the changes to the segment structure, we verified that the “Mittelstandsbank” segment was split up based on the criteria defined by management. Since the structure of the reportable segments was subject to changes in financial year 2016, we evaluated the comparable figures determined by the Company. In addition, we assessed the Company’s compliance with the necessary disclosure requirements. We concluded that the changes to the segmental structure and the delineation of the reportable segments are in line with the requirements of IFRS 8.

c) The Company’s disclosures with respect to segmental reporting are contained in note 45 in the notes to the consolidated financial statements.

Recoverability of goodwill

a) The Multi-Year Plan of COMMERZBANK Aktiengesellschaft for the years 2017 to 2020 is prepared in accordance with the new segmental structure. It was necessary to conduct an extraordinary goodwill impairment test based on the previous segmental structure. The split-up of the “Mittelstandsbank” segment as part of the change in the segmental structure required a reallocation of this segment's goodwill. The Company reallocated the goodwill of the segment “Mittelstandsbank” to the new segments “Private and small-business customers” and “Corporate Clients” based on the respective value contribution transferred in the course of the split-up. In addition, an extraordinary impairment test based on the new segment structure was required due to the high amount by which the carrying amount of the former “Corporates & Markets” segment exceeded the recoverable amount of this segment transferred to the “Corporate Clients” segment.

The impairment tests resulted in a complete impairment of the goodwill of the former “Corporates & Markets” segment amounting to EUR 138 million, as well as EUR 454 million in the “Corporate Clients” segment. Since the amount by which the recoverable amount was determined to be below the carrying amount exceeded the respective goodwill amount, it was necessary to carry out an additional impairment test for other long-lived assets, with the exception of the financial instruments held by the impaired “Corporates & Markets” and “Corporate Clients” cash-generating units. Thereby, an additional impairment of EUR 35 million. The result of this impairment test depends to a large extent on management’s assessment of future cash inflows of the respective cash-generating unit and the discount rate used, and is therefore subject to considerable uncertainty. Against the background of the existing judgement and the underlying complexity of the valuation models, this matter was of particular importance in the course of our audit.

b) In the course of our audit we involved specialists from our business valuation department. With their assistance, we satisfied ourselves as to the appropriateness of the valuation parameters and projected cash inflows used in the calculations, inter alia by comparing this data with the multi-year plan adopted by management for the years 2017 to 2020 and by verifying the reasonableness of the valuation assumptions with general and industry-specific market expectations. Due to the fact that even relatively small changes in the discount rate applied can have a material effect on the value of the respective business, we also focused our testing on the valuation parameters used to derive the discount rate applied, including the cost of capital, and reviewed the valuation model. The valuation inputs and assumptions used by management lie within a reasonable range.

c) The Company's disclosures pertaining to goodwill are contained in notes 1, 15 and 56 to the consolidated financial statements.

Measurement of deferred tax assets

a) Deferred tax assets of EUR 3,049 million and deferred tax liabilities of EUR 49 million after netting are presented in the consolidated financial statements of COMMERZBANK Aktiengesellschaft. The projected results in accordance with IFRS, which serve as a starting point for tax planning, are derived from the multi-year plan for 2017 to 2020. From our point of view, this matter is of particular importance, as the multi-year plan serving as the basis for determining the recoverability of deferred taxes is highly dependent on the estimates and assumptions made by management and subject to a high degree of uncertainty.

b) In our audit of the appropriate valuation of deferred tax assets, we involved specialists from our tax department. With their assistance, we assessed, inter alia, the processes and controls established by the Bank to recognize and value deferred tax assets. We assessed the recoverability of the deferred tax assets described above based on the planning prepared by management and the appropriateness of the planning premises used. Our assessment also included an assessment of the correctness of the reconciliation of the projected results to the tax result, the appropriateness of the method used to calculate deferred taxes in accordance with IAS 12 and the mathematical accuracy of the calculations. We were able to understand the assumptions made by management and the method applied.

c) The Company's disclosures pertaining to deferred tax assets are contained in notes 1 and 58 to the consolidated financial statements.

Audit of provisions required in the context of the "Commerzbank 4.0" strategy

a) When the Company announced the "Commerzbank 4.0" strategy, it also stated that it would reduce costs, inter alia, through staff reductions of approximately 9,600 FTEs gross. If the necessary recognition criteria are met, a restructuring provision must be recognized. In its assessment of the matter, the Company concluded that the recognition criteria were not met as at December 31, 2016 and accordingly did not recognize any restructuring provisions. From our point of view, this matter is of particular importance, as the accounting of restructuring provisions is to a large extent based on the estimates and assumptions made by management.

b) A restructuring provision must be recognized in case the criteria laid out in IAS 37.10 are met. Therefore, the general recognition and measurement criteria for provisions and the further criteria from IAS 37.70 et seqq must be evaluated. If the provision is a provision for termination benefits, the requirements of IAS 19 apply. In our audit, we assessed whether the individual recognition criteria were met. Hence, we obtained and assessed the relevant evidence from the management of the Company. Our assessment was also based on the status of the negotiations between management and employee representatives. We were able to convince ourselves that the estimates and assumptions made by management based on which the restructuring provisions were not recognized as at December 31, 2016, were sufficiently documented and substantiated.

c) The Company's disclosures pertaining to the provisions are contained in notes 1, 23 and 68 within the notes to the consolidated financial statements.

4. Tax refund claims resulting from trades settled on or near the dividend date

a) In assessment periods not yet subject to limitation for assessment and payment, COMMERZBANK Aktiengesellschaft received dividends from trades settled and claimed tax credits and tax refunds (together: tax claims) for the dividend withholding tax levied thereon. There is the risk that the tax claims resulting from such transactions do not legally accrue to the Company. Given that the non-recognition of tax claims can have a material influence on the Company's financial position and financial performance, we consider these matters to be of particular importance.

b) Based on the (separate) tax certificates issued by COMMERZBANK Aktiengesellschaft and an analysis of the data from the trading and settlement systems used, we have evaluated the amount of tax claims in relation to trades delivered over the dividend date. Furthermore, we examined whether the Company traded shares "back and forth" over the dividend date with identical market participants on the buy and sell side and the extent to which acquired shares were used in the course of further trades or financing business. Additionally, we examined whether there are any indications of specific agreements relating to short selling with regard to trades settled post the dividend date. Based on the information available to us, the current interpretation of the law and the statements made by the tax authorities, we were able to satisfy ourselves that the estimates made by management with respect to the accounting treatment of a possible non-recognition of asserted tax refund claims were sufficiently documented in detail and substantiated.

c) The Company's disclosures pertaining to the possible non-recognition of asserted tax refund claims are contained in notes 29, 69 and 86 with the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises

- the Corporate Governance Report according to section 3.10 of the German Corporate Governance Code,
- the Corporate Governance Statement pursuant to § 289a HGB and § 315 Abs. 5 HGB, as well as
- other parts of the annual report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the financial year ended on December 31, 2016, which were not subject of our audit.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements, which comply with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our audit opinion on the consolidated financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW), under additional consideration of the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or the group management report or, if such disclosures are inadequate, to modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets and financial position as well as the results of operations of the Group in accordance with IFRS, as adopted by the EU, and the additional German legal requirements applicable under § 315a Abs. 1 HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Audit of the Group Management Report

Audit Opinion on the Group Management Report

We have audited the group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which is combined with the Company's management report, for the financial year from January 1, to December 31, 2016.

In our opinion, based on the findings of our audit, the accompanying group management report as a whole provides a suitable view of the Group's position. In all material respects, the group management report is consistent with the consolidated financial statements, complies with legal requirements and suitably presents the opportunities and risks of future development.

Our audit has not led to any reservations with respect to the propriety of the group management report.

Basis for Audit Opinion on the Group Management Report

We conducted our audit of the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Group Management Report

Management is responsible for the preparation of the group management report, which as a whole provides a suitable view of the Group's position, is consistent with the consolidated financial statements, complies with legal requirements, and suitably presents the opportunities and risks of future development. Furthermore, management is responsible for such policies and procedures (systems) as management determines are necessary to enable the preparation of a group management report in accordance with the German legal requirements applicable under § 315 Abs. 1 HGB and to provide sufficient and appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the group management report.

Auditor's Responsibilities for the Audit of the Group Management Report

Our objective is to obtain reasonable assurance about whether the group management report as a whole provides a suitable view of the Group's position as well as, in all material respects, is consistent with the consolidated financial statements as well as the findings of our audit, complies with legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our audit opinion on the group management report

As part of an audit, we examine the group management report in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of management reports promulgated by the IDW. In this connection, we draw attention to the following:

- The audit of the group management report is integrated into the audit of the consolidated financial statements.
- We obtain an understanding of the policies and procedures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these policies and procedures (systems).
- We perform audit procedures on the prospective information presented by management in the group management report. Based on appropriate and sufficient audit evidence, we hereby, in particular, evaluate the material assumptions used by management as a basis for the prospective information and assess the reasonableness of these assumptions as well as the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.
- We are also not issuing a separate audit opinion on individual disclosures in the group management report; our audit opinion covers the group management report as a whole.

Responsible Auditor

The auditor responsible for the audit is Helge Olsson.

Frankfurt/Main, 22 February 2017
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Clemens Koch	Helge Olsson
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Further information

› We inform you about the composition of the Central Advisory Board and the seats on mandatory supervisory boards and similar bodies for members of the Board of Managing Directors, members of the Supervisory Board and employees of Commerzbank. In a glossary we list the most important financial terms and the information on the encumbrance of assets as well as the quarterly results by segment.

Central Advisory Board

Dr. Simone Bagel-Trah
Chairwoman of the Supervisory Board and the Shareholders' Committee
Henkel AG & Co. KGaA
Düsseldorf

Dr. Olaf Berlien
Chairman of the Managing Board
OSRAM LICHT AG
Munich

Dr. Werner Brandt
Former CFO
SAP AG
Frankfurt

Cathrina Claas-Mühlhäuser
Chairwoman of the Supervisory Board and Deputy Chairwoman of the Shareholders' Committee
CLAAS KGaA mbH
Harsewinkel

Georg Denoke
Munich

Dr. Holger Engelmann
Chairman of the Management Board
Webasto SE
Stockdorf

Ulrich Grillo
Chairman of the Executive Board
Grillo-Werke AG
Duisburg

Dr. Margarete Haase
CFO
Deutz AG
Cologne

Karl-Erivan W. Haub
Managing Partner
Tengelmann Warenhandelsgesellschaft KG
Mülheim/Ruhr

Uwe Lüders
Chairman of the Board of Managing Directors
L. Possehl & Co. mbH
Lübeck

Dipl.-Kfm. Friedrich Lürßen
Managing Partner
Fr. Lürssen Werft GmbH & Co. KG
Bremen

Prof. Hans Georg Näder
Managing Partner
Otto Bock HealthCare GmbH
Duderstadt

Dr. Helmut Reitze
Director ret.
Hessischer Rundfunk
Frankfurt am Main

Georg F.W. Schaeffler
Chairman of the Supervisory Board
Schaeffler AG
Herzogenaurach

Petra Scharner-Wolff
Chief Financial Officer (CFO)
Otto (GmbH & Co KG)
Hamburg

Dr. Stefan Schmittmann
Grünwald

Dr. Ernst F. Schröder
Bielefeld

Dr. Jan Szomburg
President
The Gdansk Institute for Market Economics
Gdansk

Roland Vogel
Member of the Board of Managing Directors
Hannover Rück SE
Hanover

Dr. Michael Werhahn
Member of the Board of Directors
Wilh. Werhahn KG
Neuss

Dr. Wendelin Wiedeking
Entrepreneur
Bietigheim-Bissingen

Frank Witter
Member of the Board of Management
Volkswagen AG
Wolfsburg

Further Information

The lists of members of our regional advisory committees East, Middle, North, Northwest, South, Southwest and West can be found in the internet under www.commerzbank.com > Investor Relations > Corporate governance > Advisory Committees.

Seats on supervisory boards and similar bodies

Members of the Board of Managing Directors of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats on similar bodies in Germany and abroad

Martin Zielke

a) comdirect bank Aktiengesellschaft[1]
Chairman
(until 12.5.2016)

Commerz Real AG[1]
Chairman
(until 30.4.2016)

b) Commerz Real Investment-gesellschaft mbH[1]
Chairman
(until 30.4.2016)

CommerzVentures GmbH[1]
Chairman
(since 1.5.2016)

mBank S.A.[1]
Deputy Chairman
(until 15.12.2016)

Martin Blessing
(until 30.4.2016)

b) CommerzVentures GmbH[1]
Chairman

mBank S.A.[1]

Frank Annuscheit

a) BVV Versicherungsverein des Bankgewerbes a.G.
Deputy Chairman

comdirect bank Aktiengesellschaft[1]
Deputy Chairman

b) BVV Versorgungskasse des Bankgewerbes e. V.
Deputy Chairman

Commerz Services Holding GmbH[1]
Chairman

Markus Beumer
(until 31.10.2016)

a) ABB AG

b) DAW SE

Dr. Marcus Chromik
(since 1.1.2016)

b) mBank S.A.[1]

Stephan Engels

a) Hypothekenbank Frankfurt AG[1]
Deputy Chairman
(until 23.5.2016)

b) CommerzVentures GmbH[1]
Deputy Chairman

EIS Einlagensicherungsbank GmbH
(since 13.5.2016)

mBank S.A.[1]
Deputy Chairman

Michael Mandel
(since 23.5.2016)

a) comdirect bank Aktiengesellschaft[1]
Chairman
(since 12.5.2016)

Commerz Real AG[1]
Deputy Chairman

SCHUFA Holding AG

b) Commerz Real Investment-gesellschaft mbH[1]
Deputy Chairman

mBank S.A.[1]

Michael Reuther

a) RWE Power AG
(until 15.6.2016)

b) EUREX Deutschland AöR

Frankfurter Wertpapierbörse AöR

Landwirtschaftliche Rentenbank AöR

Verlagsbeteiligungs- und Verwaltungsgesellschaft mit beschränkter Haftung

[1] Group mandate.

Members of the Supervisory Board of Commerzbank Aktiengesellschaft

Information pursuant to Art. 285, no. 10, of the German Commercial Code (HGB)

a) Seats on other mandatory supervisory boards (in Germany)
b) Seats on similar bodies in Germany and abroad

Klaus-Peter Müller

a) Fresenius Management SE

Fresenius SE & Co. KGaA

b) Parker Hannifin Corporation, Cleveland

Uwe Tschäge

– –

Hans-Hermann Altenschmidt

a) BVV Pensionsfonds des Bankgewerbes AG (until 23.6.2016)

BVV Versicherungsverein des Bankgewerbes a.G. (until 23.6.2016)

b) BVV Versorgungskasse des Bankgewerbes e. V. (until 23.6.2016)

Heike Anscheit
(since 1.1.2017)

– –

Gunnar de Buhr

a) BVV Pensionsfonds des Bankgewerbes AG (since 24.6.2016)

BVV Versicherungsverein des Bankgewerbes a.G. (since 24.6.2016)

b) BVV Versorgungskasse des Bankgewerbes e. V. (since 24.6.2016)

Stefan Burghardt

– –

Sabine U. Dietrich

– –

Stefan Jennes
(since 1.2.2017)

– –

Karl-Heinz Flöther

a) Deutsche Börse AG, Frankfurt am Main

Dr. Markus Kerber

a) KfW-Bankengruppe

b) Computershare Limited, Melbourne

Alexandra Krieger

a) AbbVie Komplementär GmbH

Evonik Resource Efficiency GmbH

Oliver Leiberich

– –

Dr. Stefan Lippe

a) Acqupart Holding AG, Zug
Deputy Chairman

AXA S.A., Paris

Celsius Pro AG, Zurich
Chairman

Yes Europe AG, Lachen
Chairman

Beate Mensch

a) Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich

Anja Mikus

– –

Dr. Roger Müller

– –

Dr. Helmut Perlet

a) Allianz SE
Chairman

GEA GROUP AG
Chairman (since 20.4.2016)

Barbara Priester
(until 31.12.2016)

– –

Mark Roach

– –

Margit Schoffer
(until 31.1.2017)

– –

Nicholas Teller

b) Air Berlin PLC & Co. Luftverkehrs KG (until 30.6.2016)

Dr. Gertrude Tumpel-Gugerell

b) Finanzmarktbeteiligung Aktiengesellschaft des Bundes, Vienna

Österreichische Bundesbahnen Holding AG, Vienna

OMV Aktiengesellschaft, Vienna

Vienna Insurance Group AG, Vienna

[1] Group mandate.

Employees of Commerzbank Aktiengesellschaft

Information pursuant to Art. 340a, (4), no. 1, of the German Commercial Code (HGB)

Andreas Böger

Düsseldorfer Hypothekenbank
Aktiengesellschaft
(since 1.1.2017)

Volker Ergler

Stadtwerke Viernheim GmbH

Gerold Fahr

Stadtwerke Ratingen GmbH
Chairman

Martin Fischedick

Borgers SE & Co. KGaA

Jörg van Geffen

Häfen und Güterverkehr Köln AG

Sven Gohlke

Bombardier Transportation GmbH

Andrea Habermann

Delta Direkt Lebensversicherung
Aktiengesellschaft München

Jochen H. Ihler

Hüttenwerke Krupp Mannesmann GmbH

Marcus König

Städtische Werke Nürnberg
Gesellschaft mit beschränkter Haftung

VAG Verkehrs-Aktiengesellschaft

Fredun Mazaheri

Düsseldorfer Hypothekenbank
Aktiengesellschaft
(until 31.12.2016)

Dr. Annette Messemer

K+S Aktiengesellschaft

Stefan Nodewald

SCHWÄLBCHEN MOLKEREI Jakob Berz
Aktiengesellschaft

Dr. Bettina Orlopp

Commerz Real AG[1]

Roman Schmidt

Commerz Real AG[1]

Sabine Schmittroth

comdirect bank Aktiengesellschaft[1]

Commerz Real AG[1]

Dr. Jochen Sutor

Commerz Real AG[1]

Rupert Winter

Klinikum Burgenlandkreis GmbH
Deputy Chairman
(until 31.12.2016)

Benedikt Winzen

Wohnstätte Krefeld,
Wohnungs-Aktiengesellschaft

[1] Group mandate.

Glossary

Additional Tier 1 capital Additional Tier 1 capital consists of hybrid capital instruments that have to meet certain criteria set out in the CRR. Additional Tier 1 is the second-highest quality of regulatory capital.

Asset-backed securities (ABSs) Securities whose interest payment and repayment of principal are covered, or backed, by the underlying pool of receivables. As a rule, they are issued by a special-purpose entity in securitised form.

Backtesting A procedure for monitoring the quality of value at risk models. For this purpose, actual losses are compared with the forecast maximum loss over a lengthy period.

Banking book The banking book contains all banking transactions that are not allocated to the trading book.

Benchmark transaction/issue Bond issue regarded as setting a standard. Issues over €500m are normally referred to as benchmark bonds because they meet the minimum size requirement to be included in a capital market index (benchmark).

Capital Requirements Regulation (CRR)/Capital Requirements Directive (CRD IV) The Capital Requirements Directive (CRD IV) and the associated regulation (CRR) have implemented the Basel 3 rules throughout the European Union since 1 January 2014. The CRR applies immediately and largely uniformly in all EU member states and contains the quantitative requirements and duties of disclosure under Basel 3. The rules are fleshed out in technical standards drafted by the European Banking Authority and issued by the European Commission. Unlike the CRR, CRD IV requires transposition into national law by means of legislation. It contains rules on cooperation between supervisory authorities and in particular the qualitative requirements under Pillar II on supervisory review and measurement and the capital buffer requirements.

Collateralised debt obligations (CDOs) A type of ABS secured on a pool of different assets, in particular loans and other securitised bonds.

Commercial mortgage-backed securities (CMBSs) A type of ABS secured on commercial mortgages.

Common Equity Tier 1 capital Common Equity Tier 1 capital is the highest quality of liable equity capital under the CRR. It consists primarily of subscribed capital, the capital reserve and retained earnings. Various items are deducted from Common Equity Tier 1.

Common Equity Tier 1 ratio The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital to the total risk exposure amount.

Confidence level The probability that a potential loss will not exceed the maximum loss defined by the value at risk.

Corporate governance Corporate governance establishes guidelines for transparent corporate management and supervision. The recommendations of the German Corporate Governance Code create transparency and strengthen confidence in responsible management; in particular, they serve to protect shareholders.

Credit default swaps (CDSs) A credit derivative used to transfer the credit risk from a reference asset (e.g. a security or loan). For this purpose, the buyer of protection pays the seller of protection a premium and receives a compensation payment if a previously specified credit event occurs.

Credit derivatives Financial instruments whose value depends on an underlying asset, e.g. a loan or security. As a rule, these contracts are concluded on an OTC basis. They are used for managing risk, among other things. The most frequently used credit derivative product is the credit default swap.

Credit valuation adjustments (CVAs) Risk of counterparties defaulting on derivatives transactions.

Coverage ratio The ratio of the sum of loan loss provisions and collateral to the default volume is the coverage ratio including collateral.

Debit valuation adjustments (DVAs) Risk of Commerzbank defaulting on negative derivatives positions.

Default portfolio Portfolio containing loans classified as in default (as defined by the Basel regulations).

Deferred taxes Deferred taxes are future tax liabilities or tax assets resulting from temporary differences and from unused tax losses and tax credits. Such temporary differences include differences in the value of an asset or liability recognised for financial reporting or IFRS accounting purposes and the values recognised for tax purposes (the liability method), which balance each other out in later financial years and result in actual tax effects. Deductible temporary differences and unused tax losses and tax credits lead to deferred tax assets, while taxable temporary differences lead to deferred tax liabilities. Deferred tax assets/tax liabilities must be reported separately from actual tax assets/tax liabilities.

Derivatives Financial instruments whose value is determined by the price of an underlying asset (e.g. a security or loan). Among other things, these instruments offer possibilities for hedging risk.

Equity method A method of accounting for equity investments carried as associated companies or jointly controlled entities in the consolidated financial statements. The company's proportional share of net profit or loss for the year is included in the consolidated income statement as current gain or loss on investments in companies measured at equity. The investments are recognised in the balance sheet at the proportional amount of the equity capital of the company measured at equity.

European Banking Authority (EBA) The EBA was established by the European Union as part of the European System of Financial Supervision. The EBA's remit includes in particular the development of technical standards of regulation and implementation and the production of guidelines and recommendations. The EBA will also produce European standards of regulation and supervision, which will form the framework for the competent national supervisory authorities.

European Securities and Markets Authority (ESMA) An independent EU authority that contributes to the stability of the European Union's financial system by enhancing the protection of investors and promoting the integrity, transparency, efficiency and proper functioning of financial markets. It is based in Paris.

European Stability Mechanism (ESM) International financial institution based in Luxembourg to stabilise the eurozone.

Funding valuation adjustments (FVAs) Recognition at fair value of the funding costs or benefits of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes.

Futures Futures are exchange-traded forward transactions in assets such as equities, bonds, indices, commodities and currencies. They represent an agreement to buy (long) or sell (short) at a price set at the time of the transaction on a maturity date in the future. Because they are standardised, the fact they are exchange-traded ensures low dealing costs and easy market access.

Goodwill The difference between the purchase price and the value of the net assets acquired after disclosure of hidden reserves and unrealised losses when an equity investment is acquired or a company is taken over.

Hedging A strategy under which transactions are effected with the aim of providing protection against the risk of unfavourable price movements (interest rates, prices, commodities).

Internal capital adequacy assessment process (ICAAP) A process aimed at ensuring that banks have adequate internal capital to cover all material risks.

International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS) Accounting regulations approved by the International Accounting Standards Board (IASB). The objective of financial statements prepared according to IFRS is to provide investors with internationally comparable information to help them reach a decision with regard to the company's asset and financial position and also its earnings performance.

Leverage ratio The leverage ratio measures regulatory Tier 1 capital relative to total assets and off-balance-sheet positions, as adjusted in line with regulatory requirements. Introduced as part of the Basel 3 framework, it will probably become a minimum regulatory requirement under Pillar I from 2018, but has already had to be reported to the regulator since the CRR came into force.

Liquidity coverage ratio (LCR) The LCR will add to the Basel framework and its implementation in EU law a structural liquidity measure designed to ensure maturity-matched funding of assets. The LCR is expected to become a minimum supervisory requirement from 2018.

Mark to market Measurement of items at current quoted market prices.

Net stable funding ratio (NSFR) The NSFR will add to the Basel framework a structural liquidity measure that measures whether less liquid asset positions requiring long-term funding are covered by an appropriate volume of long-term funding instruments. The NSFR is expected to become a minimum supervisory requirement from 2018.

Netting The offsetting of positions that cancel one another out in terms of amount or risk.

Options Options are agreements giving one party (the buyer of the option) the unilateral right to buy or sell a previously determined amount of goods or securities at a price established in advance within a defined period of time.

OTC Abbreviation for "over the counter", which is used to refer to the off-exchange trading of financial instruments.

Rating Standardised assessment of the creditworthiness of companies, countries or debt instruments issued by these, on the basis of standardised qualitative and quantitative criteria. The rating process forms the basis for determining the probability of default, which in turn is used in calculating the capital needed to back the credit risk. Ratings may be produced by the Bank itself (internal ratings) or by specialised rating agencies such as Standard & Poor's, Fitch and Moody's (external ratings).

Residential mortgage-backed securities (RMBSs) A type of ABS secured on private residential mortgages.

Reverse repo A reverse repo is an agreement to repurchase securities, as seen from the buyer's perspective.

Risk-weighted assets (RWA) The regulatory quantification of credit risks is performed by calculating risk-weighted assets. Two different approaches can be followed: the standardised approach and the internal ratings-based approach (IRBA). Under the IRBA, the level of RWA is calculated using exposure at default (EAD), the probability of default (PD) determined internally by the Bank and the loss given default (LGD). Under the standardised approach, exposure at default (EAD) is multiplied by a risk weighting laid down by the supervisory authority or based on counterparties' external ratings.

Securitisation In a securitisation, receivables (such as loans, commercial bills or leasing receivables) are pooled and transferred to a buyer, usually a special-purpose vehicle (SPV). The SPV raises funds by issuing securities (e.g. ABSs). Repayment and the interest payments on the securities are directly linked to the performance of the underlying receivables rather than to that of the issuer.

Stress testing Stress tests are used to study the impact on risk positions of crisis-level changes on the capital markets. At Commerzbank, we draw a distinction between stress tests that consider a specific type of risk and integrated stress tests that incorporate multiple types of risk. As part of the risk-bearing capacity calculation, macroeconomic stress tests (scenario analyses based on macroeconomic forecasts) are conducted. The impact of macroeconomic conditions on both risk positions and capital components is examined.

Supervisory review and evaluation process (SREP) A review conducted by the supervisory authorities of the suitability of banks' strategies, procedures and methods to ensure adequate capital and liquidity. Commerzbank is supervised by the European Central Bank. The SREP contains all findings made by the supervisory authority for the year in question that have been notified for remedy. For Commerzbank the European Central Bank is the relevant supervisory authority.

Sustainability Sustainability describes business management on a long-term basis which is compatible with acceptable living conditions now and in the future. Its guiding objectives are environmental responsibility and balanced social relations.

Swaps Financial derivatives in which the swapping of payment flows (interest and/or currency amounts) is agreed over a fixed period. Interest rate swaps are used to exchange interest payment flows (e.g. fixed for floating rates). Currency swaps offer the additional opportunity to eliminate exchange rate risk by swapping amounts of capital.

Tier 1 capital Tier 1 capital comprises Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 1 ratio The Tier 1 ratio is the ratio of Tier I capital to risk-weighted assets (RWA).

Tier 2 capital Tier 2 capital ("supplementary capital") consists of capital instruments such as subordinated liabilities that must meet certain requirements defined in the CRR.

Total capital ratio The total capital ratio is the ratio of Tier 1 capital plus supplementary capital (Tier 2) to risk-weighted assets (RWA).

Total risk exposure amount Regulatory capital is compared to the total risk exposure amount to determine capital adequacy. The total risk exposure amount is calculated as the total of all risk-weighted assets (RWA) and 12.5x the own funds requirements for price risk, credit valuation risk on OTC derivatives (CVA charge) and the bank's operational risk.

Trading book Trading book positions are held for the purpose of being resold quickly with the aim of achieving a profit, and primarily consist of financial instruments, equity investments and tradable claims. Positions that are closely related to trading book positions with the aim of hedging trading book risks are also shown in the trading book.

Volatility Volatility describes the fluctuations in the value of a security or currency. It is often calculated in the form of the standard deviation of the price history, or implicitly from a price-setting formula. The higher the volatility, the riskier it is to hold the investment.

90 days past due A default criterion under the CRR. Commitments that are past due for more than 90 days (taking minimum claims limits into account) must be recorded as in default. At Commerzbank, these come under rating category 6.1.

Information on the encumbrance of assets

The following disclosure is made pursuant to Article 100 in conjunction with Article 443 of the Capital Requirements Regulation (CRR), taking account of the recommendation of the European Systemic Risk Board on the funding of credit institutions (ESRB, 2012/2). According to the related guidelines of the European Banking Authority (GL/2014/03), an asset should be treated as encumbered if it has been pledged or is subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn. Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

The Commerzbank Group offers a wide range of standardised and customer-specific financial services for private, corporate, public-sector and institutional customers. The main triggers for the encumbrance of the Bank's assets are therefore as follows:

- Supplementing the funding of the Bank's lending business through covered bonds (particularly Pfandbriefe) and securitisations,
- Securities lending and repo transactions to fund the Bank's securities business,
- Derivatives business and associated posting of collateral,
- Provision of collateral for third-party funds lent by development banks for assets eligible for development assistance.

OTC derivatives transactions are concluded based on internationally standardised master agreements such as the ISDA Master Agreement or the German Master Agreement for Financial Futures. The collateralisation under these agreements, in some cases stipulated by EU regulations and in others determined in accordance with the wishes of the parties, is based on customary and bilaterally negotiated collateralisation arrangements. These arrangements in the derivatives business usually involve the collateralisation of the respective obligation from the totality of all transactions between the parties under a master agreement through the transfer of title over the collateral to the buyer of protection. In contrast, the master agreements for securities lending and securities repurchase transactions usually do not require additional collateralisation because collateralisation is already an inherent component of the transaction. Commerzbank, in its capacity as a recipient of collateral, regularly has the right to realise or pledge such collateral provided that it returns equivalent securities when the transaction is concluded. As well as fulfilling the requirements of the German Pfandbrief legislation, covered bonds issued by Commerzbank must also meet the more stringent overcollateralisation requirements of the rating agencies. The overcollateralisation of covered bonds in programmes that are being wound down has been reduced to the requirements of the Pfandbrief legislation and disclosed publicly.

The table below contains information on encumbered and unencumbered assets of the Commerzbank Group according to the CRR on the basis of the median value over the past four quarters of 2016:

€m	Encumbered assets		Unencumbered assets	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets	102,404		417,880	
Shares and other equity-related securities	14,628	14,628	11,521	11,400
Bonds, notes and other interest-rate-related securities	14,926	14,991	71,300	68,079
Other assets	72,850		335,059	

More than 50% of the unencumbered other assets may also be used to provide security or collateral. Assets that may not be encumbered include, in particular, loans secured by deposited securities, derivatives without collaterals or netting agreements and non-financial assets.

The breakdown of collateral received and own debt securities issued was as follows at the reporting date:

31.12.2016 | €m	**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt securities issued available for encumbrance**
Collaterals received	**57,423**	**31,370**
Shares and other equity-related securities	5,455	8,456
Bonds, notes and other interest-rate-related securities	51,968	22,363
Other collaterals received	–	551
Own bonds issued by the Bank excluding own covered bonds and asset-backed securities	**–**	**4,343**

The liabilities associated or secured with encumbered assets were as follows at the reporting date:

31.12.2016 | €m	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than encumbered Pfandbriefe and ABSs**
Carrying amount of selected financial liabilities	**102,639**	**128,158**

Based on median values, the encumbrance of assets declined considerably in the reporting period compared with the previous year in line with the significant reduction in consolidated total assets.

The aforementioned information above relates to the consolidated assets of Commerzbank Group. As a result, no transactions carried out within the Group affect the information on encumbrance.

Quarterly results by segment

1st quarter 2016 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Con-solidation	Group
Net interest income	646	761	3	−79	1,331
Loan loss provisions	−23	−56	−70	1	−148
Net interest income after loan loss provisions	623	705	−67	−78	1,183
Net commission income	486	345	0	−8	823
Net trading income and net income from hedge accounting	14	−9	−30	37	12
Net investment income	−2	29	−1	6	32
Current net income from companies accounted for using the equity method	38	11	–	–	49
Other net income	13	8	10	45	76
Income before loan loss provisions	*1,195*	*1,145*	*−18*	*1*	*2,323*
Income after loan loss provisions	*1,172*	*1,089*	*−88*	*2*	*2,175*
Operating expenses	895	809	31	158	1,893
Operating profit or loss	**277**	**280**	**−119**	**−156**	**282**
Impairments of goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss	**277**	**280**	**−119**	**−156**	**282**

2nd quarter 2016 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Con-solidation	Group
Net interest income	599	1,007	−49	−208	1,349
Loan loss provisions	−42	−72	−75	2	−187
Net interest income after loan loss provisions	557	935	−124	−206	1,162
Net commission income	474	315	1	−7	783
Net trading income and net income from hedge accounting	13	−242	24	128	−77
Net investment income	124	1	−2	8	131
Current net income from companies accounted for using the equity method	12	2	–	–	14
Other net income	10	12	2	16	40
Income before loan loss provisions	*1,232*	*1,095*	*−24*	*−63*	*2,240*
Income after loan loss provisions	*1,190*	*1,023*	*−99*	*−61*	*2,053*
Operating expenses	895	703	33	71	1,702
Operating profit or loss	**295**	**320**	**−132**	**−132**	**351**
Impairments of goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	12	–	28	40
Pre-tax profit or loss	**295**	**308**	**−132**	**−160**	**311**

3rd quarter 2016 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	613	598	60	–130	1,141
Loan loss provisions	–40	–87	–147	–1	–275
Net interest income after loan loss provisions	573	511	–87	–131	866
Net commission income	491	295	1	–6	781
Net trading income and net income from hedge accounting	16	201	37	110	364
Net investment income	26	22	–2	48	94
Current net income from companies accounted for using the equity method	74	5	–	–	79
Other net income	–5	–	–24	7	–22
Income before loan loss provisions	*1,215*	*1,121*	*72*	*29*	*2,437*
Income after loan loss provisions	*1,175*	*1,034*	*–75*	*28*	*2,162*
Operating expenses	903	707	33	90	1,733
Operating profit or loss	**272**	**327**	**–108**	**–62**	**429**
Impairments of goodwill and other intangible assets	–	627	–	–	627
Restructuring expenses	–	10	–	47	57
Pre-tax profit or loss	**272**	**–310**	**–108**	**–109**	**–255**

4th quarter 2016 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	621	459	273	–97	1,256
Loan loss provisions	–14	30	–307	1	–290
Net interest income after loan loss provisions	607	489	–34	–96	966
Net commission income	505	324	2	–6	825
Net trading income and net income from hedge accounting	7	260	–233	–13	21
Net investment income	–8	–6	146	–45	87
Current net income from companies accounted for using the equity method	7	1	–	–	8
Other net income	45	46	–5	116	202
Income before loan loss provisions	*1,177*	*1,084*	*183*	*–45*	*2,399*
Income after loan loss provisions	*1,163*	*1,114*	*–124*	*–44*	*2,109*
Operating expenses	928	754	31	59	1,772
Operating profit or loss	**235**	**360**	**–155**	**–103**	**337**
Impairments of goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	32	32
Pre-tax profit or loss	**235**	**360**	**–155**	**–135**	**305**

Five-year overview

Income statement | €m	2016	2015[1]	2014	2013	2012
Net interest income	5,077	5,727	5,357	6,161	6,487
Loan loss provisions	–900	–696	–1,144	–1,747	–1,660
Net commission income	3,212	3,430	3,260	3,206	3,249
Net trading income and net income from hedge accounting	320	494	596	–82	73
Net investment income	344	–7	82	17	81
Current net income from companies accounted for using the equity method	150	82	44	60	46
Other income	296	69	–577	–87	–77
Operating expenses	7,100	7,157	6,929	6,797	7,029
Operating profit	1,399	1,942	689	731	1,170
Impairments of goodwill	627	–	–	–	–
Restructuring expenses	129	114	61	493	43
Net gain or loss from sale of disposal groups	–	–	–	–	–268
Pre-tax profit or loss	643	1,828	628	238	859
Taxes on income	261	629	256	66	803
Consolidated profit or loss attributable to non-controlling interests	103	115	106	91	103
Consolidated profit or loss attributable to Commerzbank shareholders	**279**	**1,084**	**266**	**81**	**–47**

Key figures	2016	2015[1]	2014	2013	2012
Earnings per share (€)	0.22	0.90	0.23	0.09	–0.48
Operating return on equity[3,4] (%)	4.7	6.7	2.5	2.7	4.0
Return on equity of consolidated profit or loss[2,3,4] (%)	1.2	4.9	1.0	0.3	–0.2
Cost/income ratio in operating business (%)	75.5	73.1	79.1	73.3	71.3

Balance sheet	31.12.2016	31.12.2015[1]	31.12.2014	31.12.2013	31.12.2012
Total assets (€bn)	480.5	532.7	558.3	550.8	636.0
Total lending (€bn)	224.1	230.4	241.2	246.7	272.8
Equity as shown in balance sheet (€bn)	29.6	30.1	27.0	27.0	26.3

Capital ratios	31.12.2016	31.12.2015[1]	31.12.2014	31.12.2013	31.12.2012
Tier 1 capital ratio (%)	13.9	13.8	11.7	13.5	13.1
Total capital ratio (%)	16.9	16.5	14.6	19.2	17.8

Ratings[5]	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Moody's Investors Service, New York	A2/Baa1/P–1	Baa1/P–2	Baa1/P–2	Baa1/P–2	A3/P–2
S&P Global, New York	BBB+/BBB+/A–2	BBB+/A–2	BBB+/A–2	A–/A–2	A/A–1
Fitch Ratings, New York/London	A–/BBB+/F2	BBB/F2	BBB/F2	A+/F1+	A+/F1+

[1] Prior-year figures restated.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Annualised.
[4] The equity base is the average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[5] Deposit rating/issuer credit rating/short-term liabilities (further information can be found online at www.commerzbank.com). 2012–2015 rating for long- and short-term liabilities.

Index of figures and tables

Published by
Commerzbank AG
Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

This Annual Report is also available
in German.
Both versions are available online.

Photographs
Commerzbank (page 2)
Alexandra Lechner (page 6)

Printing and Processing
Kunst- und Werbedruck,
Bad Oeynhausen

Disclaimer

Reservation regarding forward-looking statements

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

The German version of this Annual Report is the authoritative version and only the German version of the Group Management Report and the Group Financial Statements was audited by the auditors.

References made to persons in the masculine for reasons of readability apply equally in the feminine.

Publication of the Annual Report as at 23 March 2017.

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

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

Commerzbank worldwide

Operative foreign branches	**23**
Representative offices	**34**
Group companies and major foreign holdings	**6**
Domestic branches in private customer business	**~1,000**
Foreign branches	**373**
Worldwide staff	**49,941**
International staff	**12,395**
Domestic staff	**37,546**

As at 31.12.2016

2017/2018 Financial calendar	
3 May 2017	Annual General Meeting
9 May 2017	Interim Report as at 31 March 2017
2 August 2017	Interim Report as at 30 June 2017
9 November 2017	Interim Report as at 30 September 2017
End-March 2018	Annual Report 2017

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