

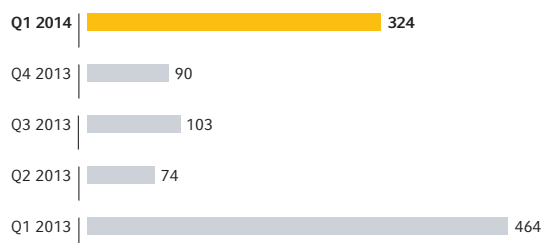
# Interim Report as at 31 March 2014



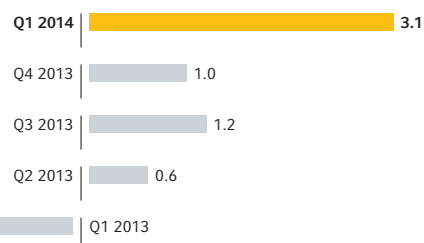
## Key figures

Income statement	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>
Operating profit (€m)	324	464
Operating profit per share <sup>2</sup> (€)	0.28	0.80
Pre-tax profit or loss (€m)	324	-29
Consolidated profit or loss <sup>3</sup> (€m)	200	-98
Earnings per share <sup>2</sup> (€)	0.18	-0.17
Operating return on equity <sup>4</sup> (%)	4.8	7.0
Cost/income ratio in operating business (%)	75.1	70.2
Return on equity of consolidated profit or loss <sup>3,4,5</sup> (%)	3.1	-1.5
Balance sheet	31.3.2014	31.12.2013 <sup>1</sup>
Total assets (€bn)	574.3	549.7
Risk-weighted assets <sup>6</sup> (€bn)	218.3	190.6
Equity as shown in balance sheet (€bn)	27.1	26.9
Total capital as shown in balance sheet (€bn)	40.6	40.6
Capital ratios <sup>6</sup>		
Tier 1 capital ratio (%)	11.3	13.5
Core Tier 1 capital ratio <sup>7</sup> (%)	11.3	13.1
Total capital ratio (%)	14.8	19.2
Staff	31.3.2014	31.3.2013
Germany	40,058	42,101
Abroad	11,864	11,967
Total	51,922	54,068
Long-/short-term rating		
Moody's Investors Service, New York	Baa1/P-2	Baa1/P-2
Standard & Poor's, New York	A-/A-2	A/A-1
Fitch Ratings, New York/London	A+/F1+	A+/F1+

### Operating profit<sup>1</sup> (€m)



### Return on equity of consolidated profit or loss<sup>1,3,4,5</sup> (%)



<sup>1</sup> Prior-year figures restated due to the restatement of hedge accounting and credit protection insurance and the tax restatements plus the amended definition of average Group capital attributable to Commerzbank shareholders.

<sup>2</sup> Prior-year figures restated due to the 10-to-1 reverse stock split of Commerzbank shares.

<sup>3</sup> Insofar as attributable to Commerzbank shareholders.

<sup>4</sup> Annualised.

<sup>5</sup> The capital base comprises the average Group capital attributable to Commerzbank shareholders.

<sup>6</sup> Preliminary figures as at 31 March 2014 due to new regulations.

<sup>7</sup> The core Tier 1 capital ratio is the ratio of core Tier 1 capital (mainly subscribed capital and reserves) to risk-weighted assets.

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## Letter from the Chairman of the Board of Managing Directors



**Martin Blessing**

Chairman of the Board of Managing Directors

*Dear shareholders,*

In 2014 Commerzbank once again finds itself in a difficult banking environment with continued low interest rates. Regulatory requirements for banks are becoming stricter and have to be implemented at ever shorter intervals, providing growing challenges. The strategic measures we have launched, and in some cases already implemented, will help us to deal with these challenges and put Commerzbank on a sustainably successful footing. For you, our shareholders, for our customers and for all our other stakeholders.

We are working flat out on implementing our strategic agenda and have achieved further milestones in the first few months of this year. Our aspiration to be a fair and competent partner to our customers allowed us to grow the number of net new customers in the private customer business once more in the first quarter. This strengthens the foundations for further boosting profitability in the Core Bank.

We have started to roll out our new branch strategy as planned. The opening of our first completely redesigned flagship branches in Berlin and Stuttgart has been a total success. Customer feedback in the first few weeks has encouraged us to pursue the course we have taken. We see branches as essential for any bank that wants to remain successful in the private customer business in future. Key to this, however, is ongoing investment in the expansion of digital offerings such as online and mobile banking. By the end of 2014 we will be able to offer anything a strong direct bank can provide. The new online banking portal for Commerzbank private and business customers is already available. What ultimately counts, though, is that our investments are reflected in profitability. In this regard we can clearly say that the private customer business has made a good start to the year. Credit volumes are growing and in retail mortgage financing new business is up again year-on-year.

In the first quarter we posted operating profit of €324m, compared with €464m in the prior-year period. Consolidated profit attributable to Commerzbank shareholders was €200m, after a loss in the prior-year period due to necessary restructuring charges. Overall, earnings were therefore in line with our expectations as stated for 2014 as a whole.

In the Private Customers segment, operating profit was up sharply year-on-year in the first quarter. The quality of earnings was also better, with a larger percentage of recurring income.

Some areas of Mittelstandsbank are feeling the consequences of the ongoing low level of customer activity. Income remained stable, however. Given our ambitious growth objectives, what we have to do is make greater use of our product skills and customer-focused approach. Overall, operating profit rose slightly in the first quarter compared to the prior-year period.

The pleasingly robust performance in the Central & Eastern Europe segment was maintained, with operating profit up by almost one-third compared to the first quarter of the previous year.

In Corporates & Markets, operating profit declined due to the tough market conditions, especially as a result of lower Fixed Income & Currencies business caused by ongoing weakness in customer activity.

We continued to run down the Non-Core Assets segment. Exposure on the reporting date was €102bn, compared to €116bn at the end of 2013. In addition to volume reductions from portfolio sales, as part of Group liquidity management we also transferred parts of the public finance portfolio to Group Treasury. This NCA public finance portfolio is largely made up of high-grade securities eligible for discounting with central banks that count as “highly liquid assets” under the new Basel 3 liquidity rules and can be used as part of the Group liquidity reserve.

We feel well prepared for the asset quality review currently under way and the subsequent stress test by the European Central Bank, although all details are not yet known.

2014 will remain a challenging year for Commerzbank due to the sustained difficult operating environment for financial institutions. However, we expect Commerzbank to improve operating profit year-on-year and remain confident we will meet the targets we have set for 2016.

*Yours sincerely*



Martin Blessing, Chairman of the Board of Managing Directors

## Development of Commerzbank shares

The positive market sentiment evident in December 2013 continued into 2014.

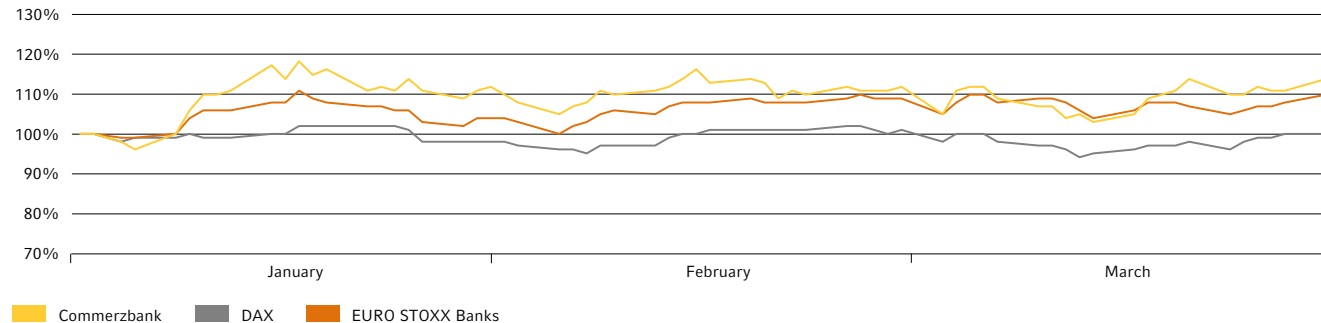
Right at the beginning of January, resurgent optimism regarding a further monetary easing put the spotlight back on financial stocks. The European Central Bank (ECB) gave the financial markets a firm assurance that rates would stay low for the long term and raised the possibility of further monetary easing. Financial stocks across Europe also benefited from lower inflation in the eurozone. In addition, banking regulators decided that European banks would need to use significantly less equity capital than originally planned to hedge artificial financial products (derivatives) such as equity options or commodity futures. Against this backdrop, the Commerzbank share hit a quarterly high of €13.92 on 15 January. The DAX also reached a record high of 9,789 points.

In the last week of January, fears that US Federal Reserve Chairman Ben Bernanke would tighten US monetary policy too quickly caused the stock markets to weaken again, with the DAX falling 6.4% from its mid-month high.

The stock markets recovered again in February when new Fed chief Janet Yellen promised continuity in monetary policy, pushing the DAX back up to the 9,700-point mark. In February the Commerzbank share price was boosted by the Bank's better than expected 2013 results and the value-preserving sale of a portfolio of Spanish problem loans by the NCA segment. The crisis in Crimea affected the European stock markets in March, with concerns over the impact of sanctions against Russia at times pushing the DAX below 9,000 points. This also had a negative influence on the Commerzbank share price.

### Commerzbank share vs. performance indices in first quarter 2014

Daily figures, 30 December 2013 = 100



Towards the end of the quarter, speculation regarding further interest rate cuts due to deflation in Spain gave the European stock markets renewed positive momentum. The DAX rose by 10.4% in the last week of March to 9,556 points, but as at the end of the quarter was at the level of the end of 2013. On the last day of the quarter, the Commerzbank share price stood at €13.34.

In the first quarter, 20 analysts recommended buying or holding Commerzbank shares. Only five analysts recommended selling. On the whole, analysts have been more positive about Commerzbank since the end of 2013, and this had a favourable impact on the share price in the first quarter.

The Commerzbank share rose by 13.9% overall in the first quarter of 2014, compared with a 9.8% increase in the bank index. The daily turnover of Commerzbank shares – in terms of the number of shares traded – almost doubled in the first three months of 2014 compared with the same period last year. The average daily trading

volume was around 12.0 million shares (first quarter 2013: 6.4 million shares). At the peak of trading on 21 March 2014, approximately 24.1 million shares were traded on German stock exchanges. Commerzbank's market capitalisation stood at €15.2bn at the end of the first quarter.

Highlights of the Commerzbank share <sup>1</sup>	1.1.–31.3.2014	1.1.–31.3.2013
<b>Shares issued</b> in million units (31.3.)	1,138.5	582.9
<b>Xetra intraday prices<sup>2</sup></b> in €		
High	13.92	12.96
Low	11.08	8.33
Closing price (31.3.)	13.34	8.56
<b>Daily trading volume<sup>3</sup></b> in million units		
High	24.1	32.1
Low	4.6	2.2
Average	12.0	6.4
<b>Index weighting</b> in % (31.3.)		
DAX	1.6	0.7
EURO STOXX Banks	2.8	1.8
<b>Earnings per share</b> in €	0.18	-0.17
<b>Book value per share<sup>4</sup></b> in € (31.3.)	22.97	39.65
<b>Net asset value per share<sup>5</sup></b> in € (31.3.)	21.43	37.05
<b>Market value/Net asset value<sup>2</sup></b> (31.3.)	0.62	0.23

<sup>1</sup> Figures for the same period or same record date of the previous year have been adjusted to take account of the reverse stock split implemented in April 2013 for the purpose of reducing the share capital.

<sup>2</sup> For comparative purposes the share price for all periods before 15 May 2013 has been adjusted for the effect of the subscription rights issued in the capital increase.

<sup>3</sup> Total for German stock exchanges.

<sup>4</sup> Excluding silent participations and non-controlling interests.

<sup>5</sup> Excluding silent participations, non-controlling interests and cash flow hedges and less goodwill.



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## Business and overall conditions

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### Overall economic situation

The global economy performed well in the early part of 2014 despite rather modest expansion at present compared with earlier growth rates. This is due to opposing trends in the industrialised and developing nations. Many emerging markets are suffering as a result of the US Federal Reserve's change of direction. Ever since the Fed announced plans to reduce its bond purchases, investors have been withdrawing their capital from the emerging markets. This primarily affects countries with a negative balance of payments and a budget deficit. Political uncertainties in some countries are exacerbating this capital flight. Growth in China has also weakened further, as the transition from an export-oriented growth model to one driven by domestic demand leaves its mark on the economy.

The US economy, meanwhile, has so far coped well with the change in the Fed's monetary policy, with employment rising and unemployment falling faster than expected. Consumer debt levels have been significantly reduced, while the number of loans being granted has started to rise again over the last few months, giving a boost to consumption. At the start of the year the economic upswing was slowed by the extreme winter weather in certain parts of the US.

The eurozone is also gradually working its way out of the crisis and posted respectable increases during winter 2013/14. The dampening effect of budgetary consolidation is also easing. And finally, countries such as Ireland, Portugal and Spain who have implemented far-reaching economic reforms are increasingly providing a boost.

Germany is currently the engine of the eurozone economy. While its economy already recorded solid growth in the past year, it moved up a gear at the start of 2014. The economic momentum is broad-based. The construction sector benefited from the mild weather over the winter months, private consumption is growing, and the upswing in the manufacturing industry is continuing apace. There is a good flow of new orders, and sentiment indicators such as the Ifo business climate index recently provided yet another positive surprise.

In the industrialised nations, the economic recovery is being supported by a still extremely accommodative monetary policy. The low interest rate environment will continue to force investors into riskier forms of investment, with in particular equities, corporate bonds and the government bonds of eurozone periphery countries reaping the benefits.

### Important business policy events in the first quarter of 2014

#### Commerzbank proposal to the Annual General Meeting for new appointments to the Supervisory Board

At its meeting on 19 March 2014, the Commerzbank Supervisory Board decided to propose new members of the Supervisory Board for appointment at the Annual General Meeting on 8 May 2014. The changes in the Supervisory Board are necessary because Prof. Dr. Hans-Peter Keitel is stepping down from the Supervisory Board with effect from the 2014 Annual General Meeting. In addition, Dr. Marcus Schenck had already stepped down from the Supervisory Board with effect from 10 September 2013. The Commerzbank Supervisory Board therefore resolved to propose to the 2014 Annual General Meeting the appointment of Dr. Stefan Lippe to succeed Dr. Marcus Schenck and Nicholas Teller to succeed Prof. Dr. Hans-Peter Keitel.

Dr. Roger Müller joined the Supervisory Board as a substitute member in place of the deceased Prof. Dr. Ulrich Middelmann in 2013. As no new member is to be appointed to replace Prof. Dr. Middelmann, Dr. Roger Müller will remain a member of the Supervisory Board. Solms U. Wittig, who joined the Supervisory Board as a substitute member in place of Dr. Marcus Schenck, will automatically revert to being a substitute member for the serving members of the Supervisory Board on the appointment of Dr. Stefan Lippe. He is also to be appointed by the Annual General Meeting as a substitute member for the two new candidates.

## Earnings performance, assets and financial position

In 2014 Commerzbank once again finds itself in a difficult banking environment with low interest rates. Regulatory requirements for banks are becoming stricter and have to be implemented at ever shorter intervals, providing growing challenges and weighing correspondingly on earnings.

First-quarter operating profit for the Commerzbank Group came to €324m. This represents a decline on the first quarter of the previous year due to lower income. Consolidated profit attributable to Commerzbank shareholders for the first three months of the year came to €200m.

Total assets at 31 March 2014 were €24.6bn higher than year-end 2013 at €574.3bn. This was due to the higher volume of claims on banks and an increase in trading assets. Risk-weighted assets rose to €218.3m especially in connection with the first-time application of Basel 3, mainly due to the increase in risk-weighted assets in market and credit risks. As a result, the Common Equity Tier 1 ratio fell to 11.3% as at the end of March 2014.

### Income statement of the Commerzbank Group

In the first three months of the current year income before loan provisions fell 7.9% from the prior-year period to €2,260m. This was largely caused by a fall in the combined net interest and trading income. There was an improvement, however, in loan loss provisions and operating expenses.

Net interest and trading income for Q1 2014 was €1,538m, 8.0% down on the year. Net interest income declined 16.9% to €1,130m from the prior-year period, while net trading income and net income from hedge accounting rose 30.8% to €408m.

The sustained low level of interest rates meant lower income in the Core Bank; the Mittelstandsbank segment was especially affected by lower volumes and declining deposit margins. This was only partly compensated by the positive trend in credit demand, which came particularly from German Mittelstand companies. Central & Eastern Europe, by contrast, saw a sharp rise in net interest income to €132m thanks to both higher margins on loans and deposits and higher credit volumes. In Non-Core Assets, the faster reduction of the lending portfolio cut net interest income sharply from the previous year.

Further information on the composition of net interest income and net trading income is given in the notes to the interim financial statements on pages 51 and 52.

Net commission income in the reporting period was down 3.4% to €815m compared to the same period last year. This was primarily the result of lower transaction-related income in the securities business in the Private Customers segment. Non-Core Assets incurred restructuring provisions in Commercial Real Estate in the comparative period last year, which were not repeated in the reporting period. Mittelstandsbank saw slight growth, especially in payment transactions, whereas income from capital market products was lower year-on-year. In the Central & Eastern Europe segment, payment transactions and intermediary business performed well, so net commission income was up in the period.

Net income from financial investments in the first three months of 2014 was €-38m, after €-6m in the prior-year period. The current year has been hurt by losses on the disposal and valuation of assets in the Non-Core Assets segment.

Other net income came to €-68m, compared with €-62m a year earlier. The charges both this year and in the prior-year period resulted primarily from provisions in respect of litigation risks.

The net addition to loan loss provisions fell by 10.9% to €-238m year-on-year. The decline was the result of lower provisions in Mittelstandsbank and Non-Core Assets – in particular, lower loan loss provisions in lending at Deutsche Schiffsbank. Corporates & Markets reported a net reversal in the period, but lower than in the previous year.

Operating expenses in the first three months of this year were down 1.5% on the prior-year first quarter to €1,698m, thanks to strict cost discipline. Personnel expenses fell 4.5% to €976m, largely because there were fewer employees. Other operating expenses, including depreciation on fixed assets and amortisation of intangibles, were up 2.8% to €722m. The €20m rise was primarily the result of higher consultancy costs, partly due to the ECB's asset quality review. However, IT costs were lower than in the prior-year period.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €324m in the first quarter of the current year, compared with €464m in the same period last year.

Profit in the prior-year period was affected by restructuring expenses of €493m relating to an adjustment to staff capacity in line with the changed market environment by 2016.

Pre-tax profit for the first three months of the current year was €324m, after €-29m in the prior-year period.

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Tax expense for the reporting period was €95m, compared with €44m for the equivalent prior-year period. Consolidated profit after tax amounted to €229m, compared with €-73m in the prior-year period. Net of non-controlling interests of €29m, a consolidated profit of €200m was attributable to Commerzbank shareholders.

Operating earnings per share amounted to €0.28 and earnings per share to €0.18. In the prior-year period the comparable figures were €0.80 and €-0.17 respectively.

## Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 March 2014 were €574.3bn. Compared with year-end 2013 this is a rise of 4.5% or €24.6bn, primarily due to higher claims on banks and increased trading assets.

Claims on banks were €105.0bn, up €17.4bn from the year-end. This was primarily due to the increase in claims from secured money market transactions which rose by €15.4bn. Claims on customers fell compared with year-end 2013, declining by €0.7bn to €245.3bn. This was the result of lower claims on customers – mainly due to a fall in mortgage bank business – which was partially compensated for by a rise in secured money market transactions in the form of reverse repos and cash collaterals.

As at the reporting date, total lending to customers and banks stood at €245.0bn, down €1.7bn compared with year-end 2013. Although loans to banks remained at the year-end 2013 level at €22.8bn, customer lending business declined by €1.9bn to €222.2bn. This was owing to the reduction of non-strategic business in the NCA segment.

As at the reporting date, trading assets amounted to €114.5bn, a rise of €10.9bn or 10.5% compared with the end of 2013. This was primarily attributable to the €1.8bn increase in bonds, notes and other interest rate-related securities and in particular – given the positive market environment for equity products and associated high customer demand – to the increase of €8.7bn in holdings of equities, other equity-related securities and investment fund units.

Financial investments came to €82.7bn, up slightly by €0.7bn on year-end 2013, due mainly to the increase in bonds, notes and other interest rate-related securities.

On the liabilities side, liabilities to banks – especially repos and cash collaterals – rose sharply by €36.4bn to €114.1bn. In addition liabilities from money market transactions increased by €1.2bn. Around 60% of the increase in volume related to foreign bank liabilities.

Liabilities to customers fell slightly year-on-year by 4.4% to €264.4bn which was due to a decrease in repos and cash collaterals of €11.7bn. Securitised liabilities were €6.0bn lower year-on-year at €58.7bn. Bonds and notes issued fell by €5.1bn to €56.3bn. This was due on the one hand to a €1.3bn decline in mortgage Pfandbriefe due to maturities at Hypothekbank Frankfurt AG, on the other hand the volume of bonds of Commerzbank Aktiengesellschaft declined by €3.3bn especially due to maturities.

Liabilities from trading activities increased in volume by €5.3bn overall to €76.3bn. This was mainly due to an increase in the short sales of bonds and short sales of equities.

### Capital and reserves

The equity capital reported in the balance sheet as at 31 March 2014 was €27.1bn, which was on the level of the figure for year-end 2013.

There was no change in the capital reserve compared with year-end 2013. As at the reporting date it stood at €15.9bn. Subscribed capital also remained unchanged at €1.1bn. Retained earnings remained at the year-end 2013 level, at €10.7bn.

The revaluation reserve stood at €-1.1bn as at the reporting date. This was an improvement of around €0.1bn compared with the end of 2013 and was attributable in particular to a rise in the fair values of Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €-1.6bn from equity compared with €-1.7bn at year-end 2013.

Risk-weighted assets were up €27.7bn as at 31 March 2014 to €218.3bn especially in connection with the first-time application of Basel 3, mainly due to the increase in risk-weighted assets in market and credit risks.

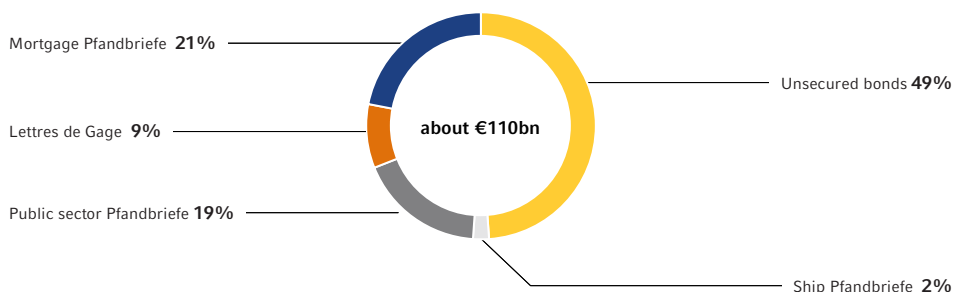
Regulatory Tier 1 capital fell by €0.2bn compared with the year-end 2013, to €24.7bn due to the first time application of Basel 3. In conjunction with the higher level of risk-weighted assets the Tier 1 ratio fell to 11.3%. Common Equity Tier 1 capital came to €24.7bn. Under Basel 3 phase-in rules it is identical with core capital. The total capital ratio was 14.8% on the reporting date. The decrease of 4.4% is mainly due to changes regarding the eligibility of supplementary capital under Basel 3. The leverage ratio under the Capital Requirements Directive (CRD IV “phased-in”), which compares Tier 1 capital with leverage exposure, was 4.1% on the reporting date.

### Funding and liquidity

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period, and its liquidity and solvency were also adequate at all times. It was always able to raise the resources required for a balanced funding mix and continued to report a comfortable liquidity position in the first quarter of 2014.

#### Capital market funding structure

As at 31 March 2014



Commerzbank raised a total of €2.2bn in long-term funding on the capital market in the first quarter of 2014.

In the collateralised area, Commerzbank Aktiengesellschaft issued a public-sector Pfandbrief at the start of the year with a volume of €500m and a five-year term, funding the long-term core business of Mittelstandsbank. For this reason, export finance eligible for cover fund purposes and guaranteed by the export credit agency (ECA) Euler Hermes was included in the cover pool.

Unsecured private placements totalling €1.2bn with an average maturity of five years were issued. About 50% were structured bonds. At the end of March, Polish subsidiary mBank issued an unsecured benchmark bond in the amount of €500m with a five-year term.

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As part of Group liquidity management, Commerzbank Aktiengesellschaft transferred some of the Public Finance portfolio to Group Treasury at current market values. This NCA public finance portfolio was mainly held within Hypothekenbank Frankfurt (HF) and is largely made up of high-grade securities eligible for discounting with central banks that count as “highly liquid assets” under the new Basel 3 liquidity rules and can be used as part of the Group liquidity reserve. The portfolio transferred in Q1 had a

volume of around €9.0bn (exposure at default). The securities are mainly issued by banks and government borrowers in Germany, Austria, the Netherlands and the UK. The great majority of the portfolio matures before the end of 2016.

The funding spreads for unsecured bonds have narrowed further during the year.

#### Group capital market funding in the first three months of 2014

Volume €2.2bn



In order to compensate for unexpected short-term outflows of liquidity, Commerzbank has a central liquidity portfolio of highly liquid securities eligible for central bank borrowing purposes. This centrally managed liquidity portfolio, which is supplemented by freely available cash resources, credit balances with central banks and other liquid securities positions, forms Commerzbank's liquidity reserve.

At €100.1bn, this liquidity reserve remained close to the high level of €104.7bn recorded at the end of 2013 and thus accounted for around 17% of total assets.

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 1.28, still significantly higher than the minimum regulatory requirement of 1.00.

Commerzbank's liquidity situation remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

#### Key figures for the Commerzbank Group

Largely as a result of the decline in revenues described above, the main operating profitability ratios of the Commerzbank Group for the first three months of 2014 were lower overall than in the same period of 2013. The operating return on equity fell from 7.0% in the same period last year to 4.8%. The cost/income ratio increased to 75.1% due to the decline in income and despite a slight reduction in costs, compared with 70.2% in the prior-year period. The return on equity based on the consolidated surplus was 3.1%, compared with -1.5% a year earlier.

## Segment performance

The comments on the segments' results for the first three months of 2014 are based on the segment structure that was applicable at year-end 2013. Prior-year figures have been restated especially to reflect the changed reporting of hedge accounting and the treatment of credit protection insurance. Explanations on this topic and about the effects of the changes to accounting and measurement policies are given in the interim financial statements on page 48 f.

### Private Customers

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %/%-points
Income before provisions	874	858	1.9
Loan loss provisions	-36	-35	2.9
Operating expenses	726	754	-3.7
<b>Operating profit/loss</b>	<b>112</b>	<b>69</b>	<b>62.3</b>
Average capital employed	3,823	4,001	-4.4
Operating return on equity (%)	11.7	6.9	4.8
Cost/income ratio in operating business (%)	83.1	87.9	-4.8

Following the reorganisation of the business areas, the Private Customers segment continued to send out clear signals to the market in the first three months of the year through both new and innovative products and more efficient business processes. The branch business saw the achievement of key milestones on the way to a modern multi-channel bank, with a new online appearance and new branch models being piloted in Berlin and Stuttgart. Growth continues apace, and 43,000 net new customers have been gained since the start of the year.

Income before loan loss provisions was €874m for the first three months, an increase of €16m compared with the same period of 2013. The success of active interest rate management in past quarters on the liabilities side was clearly evident, particularly with regard to net interest income. Customer demand for retail mortgage financing was expressed in an ongoing increase in new business volumes (up around 30%). Net interest income increased by 4.2% year-on-year in the reporting period to €448m. Following the reorganisation of the securities business in the second half of the previous year, asset management and flat-rate models were particularly well received by our customers. Fees for these models

The Core Bank achieved an operating profit of €496m in the reporting period. This represents a fall of €54m compared with the prior-year period. In Non-Core Assets losses rose from the same period in 2013 due to lower income before loan loss provisions as the portfolio reduction moved ahead.

are based on volumes held. This increases our volume-based income, reducing dependency on transaction-based fees and improving our ability to plan for the medium and longer term. Overall, net commission income was slightly down on the first three months of the previous year at €408m.

Loan loss provisions for private customer business were €36m in the first quarter of 2014, unchanged compared with the same period in 2013.

Operating expenses fell by €28m to €726m. The significant reduction in personnel expenses was partially offset by a slight increase in operating costs due primarily to investment activity as a key element of our growth strategy.

The Private Customers segment therefore reported an increase of 62.3% in pre-tax profit to €112m in the first quarter of this year, compared with €69m in the same period of 2013.

The operating return on equity based on average capital employed of €3.8bn was 11.7% (prior-year period: 6.9%). At 83.1%, the cost/income ratio was considerably lower than the level of 87.9% recorded in the first three months of 2013 and reached its lowest level since the integration of Dresdner Bank.

## Mittelstandsbank

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %/%-points
Income before provisions	715	727	-1.7
Loan loss provisions	-57	-78	-26.9
Operating expenses	321	324	-0.9
<b>Operating profit/loss</b>	<b>337</b>	<b>325</b>	<b>3.7</b>
Average capital employed	6,527	5,829	12.0
Operating return on equity (%)	20.7	22.3	-1.6
Cost/income ratio in operating business (%)	44.9	44.6	0.3

The Mittelstandsbank segment was once again the main profit driver at the Core Bank, delivering operating profit of €337m in the first three months of the year, compared with €325m in the prior-year period. The segment also benefited from lower loan loss provisions.

In the period under review, income before loan loss provisions came to €715m, 1.7% below the corresponding prior-year figure. At €436m, net interest income, which was hit by ongoing low interest rates, was 4.4% lower than in the same period of 2013. The positive trend in credit demand, which came particularly from German Mittelstand companies, helped mitigate the persistently difficult market conditions. At €274m, net commission income was 2.1% lower than in the prior-year period. Payment transactions saw slight growth, whereas income from capital market products was lower year-on-year.

Net trading income was €4m, compared with €1m in the prior-year period. The rise was mainly due to positive re-

measurement effects on counterparty risks in the derivatives business with our customers.

Net investment income for the reporting period was €-2m, compared with €-12m in the same period of the previous year.

Loan loss provisions for the first three months of 2014 were €-57m, compared with €-78m in the same period of 2013. The decline was due to higher provisions for specific commitments in the previous year.

At €321m, operating expenses were on a par with the prior-year figure of €324m. A slight rise in personnel expenses and other operating expenses was offset by lower indirect costs.

All in all, the Mittelstandsbank segment generated pre-tax earnings of €337m in the first three months of the year, which represents an increase of 3.7% on the same period of the previous year.

The operating return on equity based on average capital employed of €6.5bn was 20.7% (prior-year period: 22.3%). The cost/income ratio was 44.9%, compared with 44.6% in the prior-year period.

## Central & Eastern Europe

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %/%-points
Income before provisions	224	185	21.1
Loan loss provisions	-21	-6	.
Operating expenses	105	104	1.0
<b>Operating profit/loss</b>	<b>98</b>	<b>75</b>	<b>30.7</b>
Average capital employed	1,607	1,717	-6.4
Operating return on equity (%)	24.4	17.5	6.9
Cost/income ratio in operating business (%)	46.9	56.2	-9.3



The merger of the previously separate brands of the BRE Bank Group, BRE Bank, Multibank and mBank, to form a “new” mBank in the second half of 2013 means the Central & Eastern Europe segment is now represented by the single mBank brand.

The brighter economic growth in Poland in the second half of 2013 continued in the first quarter of this year, and the interest rate environment stabilised. In the first three months of 2014 the segment generated an operating profit of €98m, compared with €75m in the prior-year period.

In the period under review, income before loan loss provisions came to €224m, almost €40m higher than the figure for the first three months of 2013, despite a 75 basis point cut in interest rates after the first quarter of 2013 to the current level of 2.5%. The positive trends, especially in net interest income and net commis-

sion income, can be put down to active interest rate management, ongoing new customer acquisition and the better economic environment in Poland.

Loan loss provisions rose by €15m year-on-year to €-21m; Q1 2013 had benefited from the positive effects of reversals.

At €105m, operating expenses were at the same level as the previous year.

The Central & Eastern Europe segment reported a pre-tax profit of €98m in the first three months of the year, compared with €75m in the same period of 2013.

The operating return on equity based on average capital employed of €1.6bn was 24.4% (prior-year period: 17.5%). The cost/income ratio was 46.9%, compared with 56.2% in the prior-year period.

## Corporates & Markets

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %/%-points
Income before provisions	542	584	-7.2
Loan loss provisions	9	26	-65.4
Operating expenses	336	338	-0.6
<b>Operating profit/loss</b>	<b>215</b>	<b>272</b>	<b>-21.0</b>
Average capital employed	4,344	3,254	33.5
Operating return on equity (%)	19.8	33.4	-13.6
Cost/income ratio in operating business (%)	62.0	57.9	4.1

The first quarter was challenging. In addition to the political and military disputes in eastern Ukraine, this was primarily reflected at a macroeconomic level by the continuing low interest rate environment and low market volatility, which had a negative impact on the Fixed Income division. By contrast, growing economic confidence and an increasing risk appetite among investors proved to be positive drivers of equity market performance, which on a general level was reflected in higher trading revenues and corresponding income.

In a difficult market environment, Corporates & Markets achieved an operating profit of €215m in the first three months of 2014, compared with an exceptionally strong €272m in the prior-year period. The profit figure includes both a positive measurement effect from counterparty risks of €17m and a negative effect from the measurement of own liabilities of €-5m, compared with a positive contribution of €25m last year.

In Corporate Finance, the primary market bond business (DCM Bonds) turned in the best profit since the first quarter of 2012. However, this did not make up for lower activity in syndicated lending and leveraged finance caused by lower acquisition financing activity and fewer transactions. By contrast, Equity Markets & Commodities enjoyed stronger demand for structured solutions from both institutional investors and private customers, for example in sales of exchange-traded funds. Income in the Fixed Income & Currencies division – excluding measurement effects from own liabilities and counterparty risks in derivatives business – reflected the generally very difficult market conditions, with subdued customer activity and lower volatility, particularly in interest rate trading, leading to significantly weaker income compared with the previous year. The credit trading business was more robust, making up somewhat for the weakness of earnings in the division on a one-year view.

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Credit Portfolio Management, which is responsible for managing and optimising the credit portfolios and counterparty risk, increased its income in the first three months thanks not least to a positive contribution from the structured credit legacy portfolio, offsetting the fall in income from credit business.

Income before risk provisions in the first quarter was €542m, a fall of €42m from the prior-year period; adjusting for measurement effects, however, the change on the year was only €-13m. Net interest and trading income was €465m, €-38m down on the prior-year period. Net commission income fell marginally by €6m year-on-year to €76m.

Loan loss provisions showed a positive development however, resulting in a reversal of valuation allowances of €26m. In the pre-

vious year the equivalent reversal was €9m. Operating expenses fell by €2m year-on-year to €336m, producing a pre-tax profit of €215m (prior-year period: €272m).

The operating return on equity based on average capital employed of €4.3n fell – also in connection with Basel 3 effects – to 19.8% (previous year: 33.4%). The cost/income ratio was 62.0%, compared with 57.9% in the previous year. Adjusted for the effects of measurement of own liabilities and counterparty risks in derivatives business, the operating return on equity would be 18.7% (prior year: 28.4%). The adjusted cost/income ratio would be 63.4%, compared with 62.3% a year earlier.

## Non-Core Assets

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %/%-points
Income before provisions	44	172	-74.4
Loan loss provisions	-134	-175	-23.4
Operating expenses	82	83	-1.2
<b>Operating profit/loss</b>	<b>-172</b>	<b>-86</b>	<b>100.0</b>
Average capital employed	8,354	10,058	-16.9
Operating return on equity (%)	-8.2	-3.4	-4.8
Cost/income ratio in operating business (%)	186.4	48.3	.

In the first three months of 2014 the non-strategic Non-Core Assets (NCA) segment posted a negative operating result of €-172m. The operating loss was thus €-86m higher than in the corresponding prior-year period. The reduction of on-balance sheet assets and risks in all sub-portfolios has continued since the start of the year at a similar speed to previous quarters. Around €9.0bn of the total €14bn reduction in exposure at default (including problem loans) in the first quarter is attributable to intra-group sales of public finance portfolios. The assets sold to the Core Bank's Treasury segment are portfolios with good credit ratings and predominantly short to medium residual terms. There have been no significant changes to the underlying conditions in the three NCA divisions. The further reduction in risk aversion among investors has resulted in continued strong demand for commercial real estate and another sharp fall in risk premiums on government bonds issued by European periphery countries. The recovery evident in some areas of the shipping markets at the end of 2013 was only short-term, however; we are still predicting a difficult situation in ship financing overall.

Income before loan loss provisions for the reporting period was €44m, compared with €172m in the same period of the previous year. Net interest income was down by around two-thirds year-on-year to €61m due to the substantial fall in lending volume. The lower volume of loan extensions also caused net commission income to fall by a further 73.7% to €5m. Net trading income of €60m (previous year: €-43m) largely reflects regular fluctuations in results over the quarter from the remeasurement of derivatives in accordance with IAS 39 and the remeasurement of counterparty risks. The negative net income from financial investments of €-88m – after a positive figure of €8m in the previous year – was largely attributable to internal sales of public finance portfolios to Treasury.

Loan loss provisions improved to €-134m, compared with €-175m in the previous year, primarily as a result of lower provisioning for ship financing. Operating expenses in the first three months of the year were on a par with the prior-year level at €82m. In the first three months of 2014, the NCA segment reported an overall pre-tax loss of €-172m (prior-year period: €-86m).

Average capital employed amounted to €8.4bn, compared with €10.1bn in the prior-year period. The reduction of the public finance portfolio and the significantly improved risk situation in the Non-Core Assets segment enabled us to reallocate some €1.5bn of the EBA Sovereign Buffer to Others and Consolidation.

## 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 service units, which – except for integration and restructuring costs – are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. Also shown here are the costs of the Group management units, which – except for integration and restructuring costs – are also mainly charged to the segments.

An operating result of €–266m was recorded for the first quarter of 2014, compared with €–191m in the prior-year period. This decrease of €75m was due to the performance of Group Treasury, which was unable to repeat the very good result achieved in the previous year, and also to overarching Group matters and one-off effects. These include the effect of the first-time application of the CVA/DVA concept in the first quarter of the previous year and net new provisions in respect of litigation risks. Others and Consolidation recorded a pre-tax result of €–266m was recorded for the first quarter of 2014, compared with a loss of €–684m in the first quarter of 2013. The prior-year result included restructuring expense of €493m.

## Outlook and opportunities report

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The following information should always be read in conjunction with the Business and overall conditions section of this interim report as well as the Outlook and opportunities report of the 2013 annual report.

### Future economic situation

The global economy is likely to grow by 3.5% in 2014, slightly faster than the 3% recorded in the previous year. However, it remains below the high rates of 2010 and 2011. Strong momentum should come from the US economy, which is set to expand by almost 3% in 2014 – around one percentage point more than last year. The economy is likely to grow more strongly over the coming quarters following the rather subdued start to the year, as no new austerity measures or tax hikes are planned for this year that would hinder growth as they did in 2013. Although the US Federal Reserve has already begun to scale back its bond purchases and will probably stop them completely in the autumn, there is unlikely to be an interest rate hike until mid-2015.

We expect the eurozone economy to grow again this year. The economic recovery is likely to be a modest 1%, however, due to the differences within the eurozone economy. The “hard” core countries led by Germany and the periphery countries that have reformed their economies will deliver positive impetus. By contrast, the two heavyweights of Italy and France, who are still suffering from a lack of competitiveness and have so far not implemented any fundamental reforms, are likely to see only very slow growth. Against this backdrop, the European Central Bank (ECB) is expected to maintain its current monetary policy. Further expansive measures cannot be ruled out either, especially as inflation is extremely low and there are still major differences between credit interest rates in the individual eurozone countries.

Germany is set to be the locomotive for the eurozone economy once again with growth of 2%. The rise in new orders points to increasing domestic impetus, while the positive sentiment indicators are fuelling hopes that companies will no longer be so reluctant to invest.

Emerging market economies are likely to grow somewhat more quickly, but momentum will probably remain subdued. Countries facing economic imbalances and political uncertainties are the main brake on growth. These countries will continue to suffer from the shift in US monetary policy, either due to massive outflows of capital or because their central banks keep interest rates high to counteract any devaluation of their currency. China is also expected to experience a further slowdown in growth.

The major central banks are likely to maintain their very expansive monetary policy this year, although those in certain industrialised countries are preparing to change direction. As a result, investors will continue to be forced into riskier forms of investment such as equities, corporate bonds and the government bonds of periphery countries. Yields on government bonds with high credit ratings are set to rise gradually, with US Treasuries likely to see faster yield growth than German Bunds due to the differences in monetary policy between the Fed and the ECB. The euro is also expected to depreciate considerably against the greenback in the medium term.

### Future situation in the banking sector

After brightening considerably in 2013, the banking environment on the capital markets and in the real economy remained surprisingly robust on the whole in the quarter under review despite new geopolitical tensions, with investor confidence in the banking sector continuing to recover at a moderate rate. It is still too soon to sound the all-clear, however, since the euro crisis – with its complex interplay between government debt and financial and structural factors – is not so easily overcome and the European and global economies remain highly susceptible. Global trade made a rather weak start to the new year, while the crisis in Crimea led to geopolitical tensions and uncertainties.

In China, news of bond defaults, shadow banks and irregularities at financial institutions have recently been the source of almost as much unrest as the slowdown in growth. The eurozone’s recovery in real economic terms will be slow, and the international financial arena remains susceptible to setbacks. There is still a risk of turbulence in some emerging economies due to the ongoing scaling back of the Fed’s quantitative easing programme and the refinement of its monetary policy guidelines, as this may result in a further withdrawal of capital. On the bond markets, bank income fell significantly in the first quarter due to weak issuing activity. The bank balance sheet review currently being conducted by the ECB and the subsequent bank stress test harbour potential for temporary jitters in the banking environment.

A further reduction in debt levels and an improvement in asset quality are therefore still key preconditions if the banking sector is to meet the tougher requirements of the regulators and fulfil investor expectations. The regulatory processes already under way and the persistently fierce competition are continuing to hurt earnings.

The pressure on the banking sector has strengthened as a result of regulation, structural transformation and competition, and this will be even more difficult to deal with because major profit drivers of the past, such as lending growth and falling credit default rates, will be significantly less evident. This year and next, corporate investment should gradually start boosting credit demand, but increased use of internal and alternative external funding sources is impeding a strong revival in lending to corporate customers. In any event, the expected revival in German foreign trade will be positive for corporate customer business. Loan loss provisions will not – despite Germany's expected economic growth in 2014 – fall noticeably, thereby adversely affecting earnings growth in the corporate customer business. In private customer business, given customers' constant preference for low-commission, highly liquid forms of investment, net commission income will grow only slightly, especially as the outlook for additional price gains on the equity markets is shrouded in growing uncertainty and the bond markets face price falls. Impulses for the sector are coming from employment, which is at an all-time high, and the good prospects for real estate lending business. But price competition (particularly for deposits) and historically low interest rates, together with increasing price sensitivity on the part of customers and tougher competition from online banks, are a fundamental hindrance to the expansion of earnings potential. In investment banking, we see no major recovery given further restrained activity, particularly in fixed income & currency products.

The outlook for banking in our second core market, Poland, remains relatively good. The economy will grow faster in the next two years than in 2013, and the size of the domestic market makes the country an attractive place to invest and sell goods.

In general, the financial crisis will leave its mark in the shape of still relatively low interest rates, moderate growth in lending, and caution and a preference for cash among customers. Against this background, competition in the national banking market will intensify further, both in respect of deposits, which are the main way of refinancing independently of the interbank market, and as regards internationally active corporate customers and German SMEs. For the time being there will be no change in the fragmented market structure, which in some cases is also characterised by overcapacities.

## Financial outlook for the Commerzbank Group

### Planned financing measures

Commerzbank forecasts a low capital market funding requirement for the coming years. The Bank is able to issue mortgage Pfandbriefe, public-sector Pfandbriefe and structured covered bonds secured by SME loans. These secured funding instruments in particular give us stable access to long-term funding with cost advantages compared with unsecured sources of funding. Such issues will thus be a key element of Commerzbank's funding mix going forward. Commerzbank intends to launch unsecured capital market issues in the future as well: firstly private placements to meet demand from customers and secondly in the form of products that further diversify the Bank's funding base. Hypothekenbank Frankfurt AG will again have no funding requirements on the capital market in 2014 because of the reduction strategy it has adopted. By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure.

### Planned investments

The Bank's investment plans have not changed significantly in the first three months of 2014 from the plans set out on pages 92 and 93 of the Annual Report 2013.

### Anticipated liquidity trends

The eurozone money and capital market was very stable during the period under review. Repayment of the three-year tender made available by the ECB has accelerated. This resulted in a fall in ECB excess liquidity to around €107bn as at 31 March 2014, but the market still has sufficient liquidity. The further reduction in excess liquidity resulted in a sharp rise in the overnight interest rate to 0.68% as at the end of the quarter. We expect the overnight interest rate to fluctuate between 0.15% and 0.25% over the rest of the year.

We do not anticipate any further ECB interest rate measures in 2014. However, there is currently a risk that it may implement further monetary policy measures due to the low rate of inflation.

The key factors in this respect will be the inflation trend over the next few months and whether the ECB has to make a further downward adjustment to its long-term inflation forecast. Other monetary policy measures could include a further interest rate cut, with negative interest rates for deposits, or a buyback of government bonds on the secondary market. Both measures would result in a slight fall in yields at the short end of the interest rate market.

The large volume of government bonds from GIIPS countries has so far been funded without any problems, with the result that GIIPS credit spreads continued to flatten out in the first quarter. The implementation of other regulatory measures such as the liquidity coverage ratio (LCR) and the leverage ratio will continue to affect the markets. For example, there has been a further increase in funding costs for collateral that generates an LCR outflow. A bilateral repo market has also developed in recent months for more intensive trading in these collateral up/downgrades.

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

The Bank holds a liquidity reserve to provide a cushion against unexpected outflows of cash, made up of highly liquid assets that can be discounted at central banks. Our business planning is done such that a liquidity cushion can be maintained commensurate with the prevailing market conditions and related uncertainties as we see them. This is supported by the Bank's stable franchise in private and corporate customer business and its continued access to secured and unsecured loans in the money and capital markets.

### Anticipated performance of Commerzbank Group

We continue to stand by our statements on the anticipated performance of Commerzbank Group in 2014 that we made at the end of 2013.

Over the last two years Commerzbank has refined its business model and laid the foundations for achieving sustainable higher profitability by 2016. Growth initiatives in all segments of the Core Bank aim to boost both customer business volumes and the profit base. The financial year has got off to a satisfactory start in this regard. However, to date there have been no changes in framework conditions such as the low interest rate environment and a lack of willingness to invest, which restrict profit growth but over which Commerzbank has little influence. The expected economic upturn in Germany and Europe in 2014 also assumes a stable geopolitical situation, which could be put at risk by current events on the eastern edge of Europe. Overall, Commerzbank remains cautiously optimistic for the rest of the year. In the absence of unexpectedly large fluctuations in the economic, capital market and regulatory environment, we still anticipate that both profitability and regulatory capital ratios will improve over the year as a whole.

Credit growth slightly in excess of the market, especially in private real estate financing, plus changed deposit terms, are expected to help net interest income in the Core Bank. By contrast, profit is expected to weaken significantly in the Non-Core Assets segment as the portfolio is run down. We also do not expect income from asset/liability management to recover while the yield curve remains flat, which we think it will do for some time. The various effects largely cancel each other out, so for the current year we do not expect any material change in net interest income.

For net commission income we expect to see a steady modest upward trend in customer activity, especially in securities transactions. A consistent improvement in private customer and Mittelstand business was already evident last year thanks to the more customer-focused advisory approach and the broader range of services offered.

It is difficult to forecast trading income because of the unpredictability of developments on the global financial markets. However, Commerzbank will maintain its risk-oriented approach in future and refrain from proprietary trading.

Loan loss provisions are likely to remain slightly lower in 2014 than in the previous year. At the Core Bank there will be no repetition of the net reversals seen at Corporates & Markets in 2013, so normalisation – in other words a slight rise – in loan loss provisions is likely. By contrast, a much lower loan loss provision charge is expected in the NCA segment compared with 2013, thanks in particular to the marked reduction in the commercial real estate financing portfolio. In ship financing we see no overall improvement in the difficult framework conditions before the end of the year, so loan loss provisions are likely to remain high.

Given the significant cost increases associated with implementing regulatory requirements, and the need to make further investments to boost future profitability, Commerzbank remains focused on strict cost management. The aim is to keep total operating expenses below €7bn in 2014.

The overall statement on the anticipated performance in 2014 as a whole assumes that the economic and capital market environment will remain challenging. Given the progress already made in implementing the strategic agenda, however, Commerzbank still expects consolidated profit to improve significantly overall, both pre-tax and after tax.

We are aiming to further improve our capital base in the current year as part of our stated goal to achieve a Basel 3 core capital ratio of more than 10% by the end of 2016. Temporary deviations from the target path cannot be ruled out due to the ECB's comprehensive assessment, which includes a stress test. At the present time, however, we do not expect this comprehensive assessment to have any material impact on our forecast.

## Report on events after the reporting period

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



# Interim Risk Report

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## Risk-oriented overall bank management

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

### Risk management organisation

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

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

The organisation of Commerzbank's risk management is presented in detail in the Annual Report 2013.

### Risk-bearing capacity and stress testing

Risk-bearing capacity analysis is a key part of overall bank management and Commerzbank's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of Commerzbank Group at all times.

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

(going concern perspective). In addition risk-bearing capacity is assessed using macroeconomic stress scenarios. The Annual Report 2013 provides further details on the methodology used.

The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2014. This involved regular updates of the economic capital model's risk parameters. The risk-bearing capacity ratio was 179%, unchanged compared to the year-end 2013.

Risk-bearing capacity Group   €bn	31.3.2014	31.12.2013
<b>Economic risk coverage potential<sup>1</sup></b>	<b>30</b>	<b>29</b>
<b>Economically required capital<sup>2</sup></b>	<b>17</b>	<b>16</b>
thereof for default risk	12	12
thereof for market risk	3	4
thereof for operational risk	2	2
thereof diversification between risk types	-2	-2
<b>RBC ratio<sup>3</sup></b>	<b>179%</b>	<b>179%</b>

<sup>1</sup> Business risk is considered as a deductible amount in risk coverage potential.

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

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

## Default risk

Default risk refers to the risk of losses due to defaults by counterparties as well as to changes in this risk. For Commerzbank, the concept of default risk embraces not only the risks associated with defaults on loans and with third-party debtors, but also counterparty and issuer risks and country/transfer risk.

### Commerzbank Group

**Credit risk parameters** To manage and limit default risks in the Commerzbank Group, amongst others we use the following risk parameters: exposure at default (EaD)<sup>1</sup>, loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.91% and a holding period of one year), risk-weighted assets and "all-in" for bulk risk. The credit risk parameters in the Commerzbank Group are distributed in the rating classes 1.0 to 5.8 as follows over the Core Bank and Non-Core Assets:

<sup>1</sup> Expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity at default. For Public Finance securities, the nominal is reported as EaD.

24	Risk-oriented overall bank management
24	Default risk
33	Market risk
36	Liquidity risk
37	Operational risk
37	Other risks

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Core Bank	336	983	29	7,700
Non-Core Assets	93	796	86	4,477
<b>Group</b>	<b>429</b>	<b>1,778</b>	<b>41</b>	<b>12,177</b>

When broken down on the basis of PD ratings, 77% of the Group's portfolio is in the internal rating classes 1 and 2, which compose the investment-grade area.

Rating breakdown as at 31.3.2014 EaD   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Core Bank	30	49	15	4	2
Non-Core Assets	27	43	15	9	6
<b>Group</b>	<b>29</b>	<b>48</b>	<b>15</b>	<b>5</b>	<b>3</b>

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 6% to North America. The rest is broadly diversified and is split between a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. With respect to the current developments in Ukraine the exposures in Ukraine and Russia are in special focus of risk management. As at the end of March 2014 exposures stood at €6.1bn in Russia and €0.2bn in Ukraine. The expected loss of the portfolios is mainly distributed to Germany and Western Europe. A main driver of the expected loss in the region "Other" is ship finance.

Loan loss provisions   €m	2014	2013				
	Q1	Total	Q4	Q3	Q2	Q1
Core Bank	104	665	134	249	190	92
Non-Core Assets	134	1,082	317	243	347	175
<b>Group</b>	<b>238</b>	<b>1,747</b>	<b>451</b>	<b>492</b>	<b>537</b>	<b>267</b>

For 2014 we expect loan loss provisions for the Group to be slightly below the 2013 level, with loan loss provisions in the scope of Deutsche Schiffsbank anticipated to remain unchanged.

Should there be an unexpected massive economic downturn, for instance due to the impact of a negative development of the crisis in Ukraine, significantly higher loan loss provisions may become necessary under certain circumstances.

Group portfolio by region as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	218	583	27
Western Europe	101	487	48
Central and Eastern Europe	39	230	58
North America	24	34	14
Other	46	443	96
<b>Group</b>	<b>429</b>	<b>1,778</b>	<b>41</b>

The table below shows the exposure to Greece, Ireland, Italy, Portugal and Spain based on the member state where the head office or the asset is located.

EaD <sup>1</sup> €bn	31.3.2014					31.12.2013
	Sove-reign <sup>2</sup>	Banks	CRE	Corporates/ Other	Total	Total
Greece	0.0	0.0	0.1	0.1	0.2	0.3
Ireland	0.0	0.4	0.0	1.1	1.5	1.7
Italy	9.3	0.7	1.9	2.3	14.2	13.7
Portugal	1.0	0.4	1.2	0.2	2.8	2.8
Spain	3.0	3.2	2.8	2.4	11.4	11.3

<sup>1</sup> Excluding exposure from ship finance.

<sup>2</sup> Including sub-sovereigns.

**Loan loss provisions** The loan loss provisions relating to the Group's credit business amounted to €238m in the first quarter of 2014 and thus were €29m lower than in the previous year. Write-downs on securities are not considered as risk provisions but as income from financial assets. Note (5) of the interim financial statements gives further details on this.

**Default portfolio** The default volume of the Group fell by €1.0bn compared with December 2013 and stood at €14.6bn as at the reporting date. In the NCA segment, it was cut by €0.8bn thanks to successful reduction measures. In the Core Bank, too, the default volume was reduced by €0.2bn. The default volume is equivalent to claims that are in default in the category LaR and to the claims that are in default that it has been decided should be sold off (IFRS 5).

Default portfolio category LaR   €m	31.3.2014			31.12.2013		
	Group	Core Bank	NCA	Group	Core Bank	NCA
Default volume	14,566	5,790	8,776	15,563	6,024	9,540
Loan loss provisions	5,947	2,986	2,961	6,241	3,066	3,175
GLLP	880	533	347	933	523	410
Collaterals	6,991	1,344	5,647	7,407	1,308	6,100
Coverage ratio excluding GLLP (%) <sup>1</sup>	89	75	98	88	73	97
Coverage ratio including GLLP (%) <sup>1</sup>	95	84	102	94	81	102
NPL ratio (%) <sup>2</sup>	3.3	1.7	8.6	3.5	1.8	8.2

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

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

## Core Bank

The Core Bank comprises the segments Private Customers, Mittelstandsbank, Central & Eastern Europe, Corporates & Markets and Others and Consolidation.

**Credit risk parameters** The Core Bank's exposure in the rating classes 1.0 to 5.8 rose to €336bn as at 31 March 2014 (31 December 2013: €323bn), while risk density remained stable at 29 basis points.

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	84	213	25	1,066
Mittelstandsbank	123	383	31	3,375
Central & Eastern Europe	25	150	61	694
Corporates & Markets	61	189	31	1,708
Others and Consolidation <sup>1</sup>	43	47	11	857
<b>Core Bank</b>	<b>336</b>	<b>983</b>	<b>29</b>	<b>7,700</b>

<sup>1</sup> Mainly Treasury positions.

Loan loss provisions   €m	2014	2013				
	Q1	Total	Q4	Q3	Q2	Q1
Private Customers	36	108	15	31	27	35
Mittelstandsbank	57	470	139	106	147	78
Central & Eastern Europe	21	119	36	41	36	6
Corporates & Markets	-9	-57	-55	43	-19	-26
Others and Consolidation	-1	25	-1	28	-1	-1
<b>Core Bank</b>	<b>104</b>	<b>665</b>	<b>134</b>	<b>249</b>	<b>190</b>	<b>92</b>

**Default portfolio** The Core Bank's default portfolio benefited from outflows due to successful restructurings and repayments, especially in the Corporates & Markets segment.

Some 79% of the Core Bank's portfolio consists of investment-grade securities, corresponding, on the basis of PD ratings, to our internal rating classes 1.0 to 2.8.

Rating breakdown as at 31.3.2014 EaD   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	30	48	16	3	2
Mittelstandsbank	13	60	21	4	2
Central & Eastern Europe	3	61	24	10	3
Corporates & Markets	48	40	8	1	2
<b>Core Bank<sup>1</sup></b>	<b>30</b>	<b>49</b>	<b>15</b>	<b>4</b>	<b>2</b>

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

**Loan loss provisions** Loan loss provisions in the Core Bank amounted to a seasonally low €104m in the first quarter of 2014. This is an increase of €12m on the the previous year's first quarter.

24 Risk-oriented overall bank management

24 Default risk

33 Market risk

36 Liquidity risk

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37 Other risks

Default portfolio Core Bank   €m	31.3.2014	31.12.2013
Default volume	5,790	6,024
Loan loss provisions	2,986	3,066
GLLP	533	523
Collaterals	1,344	1,308
Coverage ratios excluding GLLP (%)	75	73
Coverage ratios including GLLP (%)	84	81
NPL ratio (%)	1.7	1.8

### Private Customers

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

The risks in private customer business depend mainly on the economic environment, trends in unemployment levels and real estate prices. We manage risks by the use of defined lending standards, active monitoring of new business, close observation of the real estate market and EDP-based overdraft management, as well as by other means. We also identify any irregularities in loans by using selected triggers. These loans are dealt with in our area of early risk identification.

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	48	101	21
Investment properties	5	10	20
Individual loans	12	43	35
Consumer and instalment loans/credit cards	10	34	36
Domestic subsidiaries	3	9	25
Foreign subsidiaries and other	6	17	29
<b>Private Customers</b>	<b>84</b>	<b>213</b>	<b>25</b>

We meet the financing needs of our customers with a broad and modern product range. The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €53bn). We provide our business customers with credit in the form of individual loans with a volume of €12bn. 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 €10bn).

There was continued growth in the private customer business in the first quarter, particularly in residential mortgage loans, while the development of risk remained stable. Compared with year-end 2013, the risk density remained stable at 25 basis points.

Loan loss provisions for private customer business were €36m in the first quarter of 2014, unchanged compared with the same period in 2013.

The default portfolio in the Private Customers segment was reduced by around €90m in the first quarter of 2014.

Default portfolio Private Customers   €m	31.3.2014	31.12.2013
Default volume	852	943
Loan loss provisions	286	311
GLLP	133	121
Collaterals	409	445
Coverage ratios excluding GLLP (%)	82	80
Coverage ratios including GLLP (%)	97	93
NPL ratio (%)	1.0	1.1

### Mittelstandsbank

This segment comprises all the Group's activities with mainly mid-size corporate customers, the public sector and institutional customers, where they are not assigned to other segments. The segment is also responsible for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks. We are seeking further growth in German corporate customers and international corporate customers connected to Germany through their core business. Thus we are investing in certain new markets. The risk appetite is oriented towards the assessment of the relevant sector, but also towards a company's economic and competitive conditions. For each and every exposure, we analyse the future viability of the company's business model, its strategic direction and its creditworthiness.

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	81	259	32
Corporates International	17	45	26
Financial Institutions	25	80	31
<b>Mittelstandsbank</b>	<b>123</b>	<b>383</b>	<b>31</b>

The demand for credit revived slightly in the first quarter, particularly as a result of the credit initiative initiated by Mittelstandsbank. Thus the EaD in the Mittelstandsbank segment was increased by €3bn to €123bn. The economic environment in Germany remains stable, and this is reflected in the Corporates Domestic sub-portfolio's risk parameters, which remain good. The risk density in this area was at a comparatively low 32 basis points as at 31 March 2014. In Corporates International, EaD totalled €17bn as at 31 March 2014, and risk density was 26 basis points. For details of developments in the Financial Institutions portfolio please see page 32.

Loan loss provisions in the Mittelstandsbank amounted to €57m in the first quarter of 2014 and were therefore €21m lower than in the first quarter of the previous year. The lower loan loss provisions were mainly due to less provisioning for newly concluded transactions.

The default portfolio of Mittelstandsbank rose by €28m in the first quarter of 2014 compared with the end of the previous year.

Default portfolio Mittelstandsbank   €m	31.3.2014	31.12.2013
Default volume	2,683	2,655
Loan loss provisions	1,492	1,487
GLLP	265	265
Collaterals	368	387
Coverage ratios excluding GLLP (%)	69	71
Coverage ratios including GLLP (%)	79	81
NPL ratio (%)	2.1	2.2

#### Central & Eastern Europe

The Central & Eastern Europe segment comprises almost exclusively the operations of mBank in Poland, Commerzbank's second core market. The mBank Group's main areas of business are the private customer business, especially through the direct bank units in Poland, the Czech Republic and Slovakia, and the corporate customers business. mBank offers its corporate customers a broad range of modern products ranging from corporate finance and corporate treasury sales to leasing and factoring services. The Central & Eastern Europe segment's strategic focus lies on organic growth in Polish small and medium-sized businesses and private customer business in mBank's core markets.

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp
<b>Central &amp; Eastern Europe</b>	<b>25</b>	<b>150</b>	<b>61</b>

Following the slowdown in economic growth in Poland in the first half of 2013, the economic indicators improved again throughout the rest of the last year and lead us to expect a further recovery of the Polish economy, with moderate growth in 2014. Last year's monetary easing should further stimulate domestic demand. The central bank is not expecting any significant inflationary pressure in the coming quarters.

Risk density in the Central & Eastern Europe segment increased by 8 to 61 basis points compared to year-end 2013.

In the first quarter of 2014, loan loss provisions stood at a low €21m. The increase year on year by €15m was due to one-off reversals from successful restructurings in the previous year's first quarter, not recurring at the same amount in the period under review.

The default volume increased by €30m compared with year-end 2013.

Default portfolio Central & Eastern Europe   €m	31.3.2014	31.12.2013
Default volume	1,156	1,126
Loan loss provisions	534	517
GLLP	73	71
Collaterals	554	463
Coverage ratios excluding GLLP (%)	94	87
Coverage ratios including GLLP (%)	100	93
NPL ratio (%)	4.5	4.0

#### Corporates & Markets

This segment covers client-driven capital market activities (Markets) and commercial business with multinationals, institutional clients and selected large corporate customers (Corporates) of Commerzbank Group.

The regional focus of our activities in this segment is on Germany and Western Europe, which account for just under three-quarters of exposure, while North America accounted for around 13% at the end of March 2014. EaD as at the end of March 2014 was €61bn, around €2bn above the figure as at the end of December 2013.

Credit risk parameters as at 31.3.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	21	82	39
Western Europe	23	75	33
Central and Eastern Europe	1	4	38
North America	8	18	23
Other	8	10	12
<b>Corporates &amp; Markets</b>	<b>61</b>	<b>189</b>	<b>31</b>

Corporates & Markets provides its customers with long-term support in all financial matters, especially through its underwriting and issuances services (e.g. of equities, bonds, or syndicated loans). Stringent guidelines and defined limits keep the underwriting risk for all product types under control. The positions that remain on the Bank's books through its activity as lead arranger or market maker are closely monitored from market and credit risk perspectives as well as at counterparty and portfolio level.

24 Risk-oriented overall bank management

24 Default risk

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36 Liquidity risk

37 Operational risk

37 Other risks

There is also a focus on close monitoring of counterparties (such as banks and broker dealers) in critical countries, particularly in terms of backed trading activities. The aim is to continue supporting our customers in these countries and to focus on supporting highly flexible business (for example, overnight). The strategy of Corporates & Markets with large corporates in these critical countries remains unchanged.

During the first quarter of 2014, the nominal volume of the structured credit sub-portfolio decreased by €0.5bn to €6.7bn, and risk values<sup>1</sup> fell by €0.4bn to €2.7bn (including the default portfolio in each case). The decrease was mainly the result of amortisations and unplanned repayments.

A large part of the structured credit portfolio is still made up of collateralised debt obligations (CDO). These largely securitise US

subprime RMBSs (CDOs of ABSs) and corporate loans in the USA and Europe (CLOs). Other structured credit positions amounting to €2.5bn, which mainly comprise total return swap positions, are also CDO-based. Residential mortgage-backed securities (RMBSs) are instruments that securitise private, largely European, real estate loans.

Our risk assessment took account of negative impacts on the performance of the underlying loan portfolios resulting from macro-economic crises, especially in Southern Europe; these are occurring as expected. Moreover, the long periods of time since the structures were launched give an increasingly reliable basis for the assessment of the future performance of the portfolio.

Structured credit portfolio	31.3.2014			31.12.2013		
	Nominal values €bn	Risk values €bn	Markdown ratio <sup>1</sup> %	Nominal values €bn	Risk values €bn	Markdown ratio <sup>1</sup> %
RMBS	1.0	0.7	31	1.3	1.0	26
CMBS	0.1	0.1	46	0.1	0.1	45
CDO	2.2	1.2	44	2.4	1.4	42
Other ABS	0.8	0.6	16	0.8	0.7	17
Further structured credit exposure	2.5	0.0		2.5	0.0	
<b>Total</b>	<b>6.7</b>	<b>2.7</b>		<b>7.2</b>	<b>3.1</b>	

<sup>1</sup> Markdown ratio = 1 – (risk value/nominal value).

In the Corporates & Markets segment a net release of €9m in loan loss provisions has been booked in the first quarter of 2014 after a net release of €26m in the first quarter of 2013. Loan loss provisions in the Corporates & Markets segment are generally influenced by movements in individual exposures.

The Corporates & Markets default portfolio was reduced by €202m. This represents a very significant reduction, also attributable to successful restructuring measures and repayments.

Default portfolio Corporates & Markets   €m	31.3.2014	31.12.2013
Default volume	1,021	1,223
Loan loss provisions	644	722
GLLP	62	64
Collaterals	13	14
Coverage ratios excluding GLLP (%)	64	60
Coverage ratios including GLLP (%)	70	65
NPL ratio (%)	1.7	2.0

## Non-Core Assets

Commercial Real Estate (CRE), Deutsche Schiffsbank (DSB) and Public Finance are bundled in the Non-Core Assets run-off segment. The intention is that all these portfolios should be completely wound down over time.

Exposure at default for the segment in the performing loan book totalled €93bn as at 31 March 2014, which is €14bn less than at the end of 2013.

Credit risk parameters as at 31.3.2014	Exposure at Default €bn	Expected loss €m	Risk density bp	CVaR €m
Commercial Real Estate	27	253	94	
Deutsche Schiffsbank	10	364	372	
Public Finance	56	179	32	
<b>Non-Core Assets</b>	<b>93</b>	<b>796</b>	<b>86</b>	<b>4,477</b>

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



Loan loss provisions   €m	2014	2013				
	Q1	Total	Q4	Q3	Q2	Q1
Commercial Real Estate	62	491	139	73	240	38
Deutsche Schiffsbank	74	596	177	170	110	138
Public Finance	-2	-5	0	0	-3	-2
<b>Non-Core Assets</b>	<b>134</b>	<b>1,082</b>	<b>317</b>	<b>243</b>	<b>347</b>	<b>175</b>

Loan loss provisions amounted to €134m in the first quarter of 2014 and therefore fell compared with the first quarter of the previous year, with a decrease of €41m.

The default volume decreased by €0.8bn compared with year-end 2013. This decline was predominantly attributable to the Commercial Real Estate sub-segment.

Default portfolio NCA category LaR   €m	31.3.2014	31.12.2013
Default volume	8,776	9,540
Loan loss provisions	2,961	3,175
GLLP	347	410
Collaterals	5,647	6,100
Coverage ratio excluding GLLP (%)	98	97
Coverage ratio including GLLP (%)	102	102
NPL ratio (%)	8.6	8.2

### Commercial Real Estate

Holdings were reduced further in the first quarter of 2014, primarily at Hypothekbank Frankfurt AG. The EaD in the performing loan book decreased by €3bn to €27bn. The relative portfolio composition by type of uses remains unchanged. The main components of exposure are the sub-portfolios office (€9bn), retail (€9bn) and residential real estate (€5bn). The decrease in exposure in the first quarter of 2014 was mainly attributable to loan repayments.

The economic recovery continued in the first quarter of 2014. This, together with the ongoing very low interest rate and yield environment, is favouring investment in real estate. Accordingly, the level of transactions on the CRE markets is continuing to rise. As a result, market values are stabilising even in Southern Europe. Nevertheless, significant increases in value are not expected in either liquid markets such as Germany or in peripheral markets, because there is a lack of significant stimulus from the rental markets. The economic momentum is not yet sufficient to generate any considerable rise in tenant demand and therefore have a perceptible positive effect on vacancy rates and rents.

CRE portfolio by region EaD   €bn	31.3.2014	31.12.2013
Germany	14	15
Western Europe	9	10
Central and Eastern Europe	3	3
North America	< 1	1
Other	1	1
<b>Commercial Real Estate</b>	<b>27</b>	<b>30</b>

Loan loss provisions for Commercial Real Estate were up by €23m to €62m year on year in the first quarter of 2014.

The default portfolio for Commercial Real Estate fell by €0.6bn against the end of the previous year due to successful restructuring measures. This decline was primarily attributable to Spain.

Default portfolio CRE by country   €m	31.3.2014				31.12.2013
	Germany	Spain	US	Total	Total
Default volume	2,226	1,307	287	5,050	5,662
Loan loss provisions	637	536	52	1,670	1,882
GLLP	30	17	2	122	119
Collaterals	1,649	770	234	3,473	3,847
Coverage ratio excluding GLLP (%)	103	100	100	102	101
Coverage ratio including GLLP (%)	104	101	100	104	103
NPL ratio (%)	13.9	31.1	52.6	15.7	15.9

### Deutsche Schiffsbank

Compared with 31 December 2013, exposure to ship finance in the performing loan book fell from €10.5bn to €9.8bn as a result of our asset reduction strategy.

Our portfolio is mainly made up of financings of the following three standard types of ship: containers (€4bn), tankers (€3bn) and bulkers (€2bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

The markets for containers, bulkers and tankers continued to be dominated by excess capacity in the first quarter of 2014. Since the fourth quarter of 2013, there has been a noticeable upturn in

bulkers and tankers and containers have recently seen a slightly positive trend at the low level reached; the overall improved level was maintained in the first quarter of 2014. We do not expect an overall, lasting market recovery across the asset classes in 2014. In line with our strategy of reduction while preserving value, we are continuing to steadily reduce risks in this portfolio.

Risk provisions in the Deutsche Schiffsbank division stood at €74m in the first quarter of 2014, which was a fall of €65m year on year. For 2014 as a whole we expect the loan loss provisions at previous year level.

The default portfolio was reduced by €150m compared with year-end 2013.

Default portfolio DSB by ship type   €m	31.3.2014				31.12.2013
	Container	Tanker	Bulker	Total	Total
Default volume	1,840	822	534	3,721	3,871
Loan loss provisions	682	262	137	1,290	1,291
GLLP	99	58	45	217	281
Collaterals	988	532	363	2,174	2,252
Coverage ratio excluding GLLP (%)	91	97	94	93	92
Coverage ratio including GLLP (%)	96	104	102	99	99
NPL ratio (%)	36.7	25.0	20.8	27.6	27.0

### Public Finance

In its NCA segment, Commerzbank brings together a large part of its public finance business and secured and unsecured bond issues/loans from banks, held available particularly as substitute cover for Pfandbrief issues. The receivables and securities in the Public Finance portfolio are largely held in our subsidiaries Hypothekenbank Frankfurt, Hypothekenbank Frankfurt International and Erste Europäische Pfandbrief- und Kommunal-kreditbank (EPPK).

The borrowers in the Public Finance business in NCA (€45bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in NCA is accounted for by banks (€12bn EaD), with the focus likewise on Germany and Western Europe. Most of the bank portfolio comprises securities and loans which to a large extent are covered by guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The Public Finance division also includes the private finance initiative (PFI) portfolio. This business comprises the long-term financing of public sector facilities and services, such as hospitals and water utilities. Most of the PFI portfolio is secured, and in accordance with NCA strategy is set to be wound down over time in a value-preserving manner.

The Public Finance portfolio was further run down in the first quarter of 2014. As part of Group liquidity management we transferred an exposure of €9bn to Group Treasury. This NCA public finance portfolio is largely made up of high-grade securities eligible for central banks borrowing purposes that count as “highly liquid assets” under the new Basel 3 liquidity rules and can be used as part of the Group liquidity reserve.

With net reversals of €2m in the first quarter of 2014, loan loss provisions in Public Finance were unchanged compared with the same period in 2013. Write-downs on securities are not recognised in loan loss provisions but in net investment income.

The Public Finance default portfolio (€6m) remained unchanged compared to year-end 2013.

## Further portfolio analyses

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

### Corporates portfolio by sector

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

Corporates portfolio by sector	31.3.2014			31.12.2013		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Energy/Environment	16	105	67	16	93	59
Consumption	13	39	31	13	43	33
Transport/Tourism	11	24	22	11	23	22
Wholesale	11	55	51	10	46	45
Basic materials/Metals	9	34	36	9	33	35
Technology/Electrical industry	8	25	30	8	28	34
Mechanical engineering	8	20	24	8	19	25
Chemicals/Plastics	8	53	65	8	50	62
Services/Media	8	32	42	8	29	38
Automotive	8	23	30	8	23	30
Construction	4	48	109	4	54	125
Pharma/Healthcare	4	8	21	4	6	18
Other	10	33	32	10	31	30
<b>Total</b>	<b>118</b>	<b>499</b>	<b>42</b>	<b>117</b>	<b>480</b>	<b>41</b>

### Financial Institutions portfolio

In the first quarter of 2014, the focus for the Financial Institutions (FI) sub-portfolio continued to be on the reduction of risks, especially in Public Finance business. In taking on new business, we are selective and give preference to clients with a good credit

rating. Here we would highlight the trade finance activities performed on behalf of our corporate customers in Mittelstandsbank or through capital market activities in Corporates & Markets.

FI portfolio by region <sup>1</sup>	31.3.2014			31.12.2013		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	14	8	6	14	8	5
Western Europe	26	102	39	26	62	24
Central and Eastern Europe	8	26	34	9	28	33
North America	1	1	8	1	1	7
Asia	14	32	24	12	29	24
Other	7	29	39	7	26	37
<b>Total</b>	<b>71</b>	<b>199</b>	<b>28</b>	<b>69</b>	<b>154</b>	<b>22</b>

<sup>1</sup> Excluding exceptional debtors.

### Non-Bank Financial Institutions portfolio

Commerzbank is concentrating on the further optimisation of its Non-Bank Financial Institutions (NBFI) portfolio and on attractive new business with clients with good credit ratings. These are, on

the whole, insurance companies, asset managers and regulated funds, with a regional focus on clients in Germany and Western Europe.

24	Risk-oriented overall bank management
24	Default risk
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NBFI portfolio by region	31.3.2014			31.12.2013		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	9	22	26	9	16	18
Western Europe	15	35	23	15	35	23
Central and Eastern Europe	1	4	66	2	3	15
North America	8	11	14	8	17	23
Other	2	3	15	2	3	13
<b>Total</b>	<b>34</b>	<b>75</b>	<b>22</b>	<b>36</b>	<b>74</b>	<b>20</b>

### Originator positions

Commerzbank and Hypothekbank Frankfurt have in recent years securitised receivables from loans to the Bank's customers with a current volume of €7.5bn, primarily for capital management

purposes. Of these, risk exposures with a value of €5.2bn were retained as at 31 March 2014. By far the largest portion of these positions is accounted for by €5.0bn of senior tranches, which are nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume <sup>1</sup>			Total volume <sup>1</sup> 31.3.2014	Total volume <sup>1</sup> 31.12.2013
		Senior	Mezzanine	First loss piece		
Corporates <sup>2</sup>	2020–2036	4.5	0.1	< 0.1	5.0	5.0
Banks	2015–2021	0.3	< 0.1	< 0.1	0.4	0.4
RMBS	2048	< 0.1	< 0.1	0.0	0.1	0.1
CMBS	2014–2084	0.1	< 0.1	< 0.1	2.0	2.0
<b>Total</b>		<b>5.0</b>	<b>0.1</b>	<b>0.1</b>	<b>7.5</b>	<b>7.5</b>

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

<sup>2</sup> Including MezzCAP transaction.

### 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 – particularly trade and leasing receivables – from customers in the Mittelstandsbank and Corporates & Markets segments. 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 in the Silver Tower conduit rose slightly from €3.6bn to €3.7bn in the first quarter of 2014, due to new business. The risk values also amount to €3.7bn.

The other asset-backed exposures comprise mainly government-guaranteed ABSs issued by Hypothekbank Frankfurt in the Public Finance area and Commerz Europe (Ireland). Their volume fell from €4.7bn to €4.6bn and the risk values from €4.5bn to €4.4bn.

## Market risk

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

## Risk management

A standardised value at risk model incorporating all positions is used for the internal management of market risk. The VaR quantifies the potential loss from financial instruments as a result of changed market conditions over a predefined time horizon and with a specified probability. For internal management purposes, a confidence level of 97.5% and a holding period of 1 day are assumed. The value at risk concept makes it possible to compare risks over a variety of business areas. It enables many positions to be aggregated, taking account of correlations between different assets. This ensures a consolidated view of the market risk at all times.

A 10-day holding period and confidence level of 99% are used for regulatory capital adequacy requirements. These assumptions meet the requirements of the Basel Committee and other international market risk management standards. For certain evaluations, such as backtesting and disclosure, the VaR is also calculated on the basis of a 1-day holding period. In order to provide for a consistent presentation of the risk parameters in this report, all figures relating to VaR are based on a confidence level of 99% and a holding period of 1 day.

In the internal management, all positions relevant to market risk are covered and trading and banking book positions are jointly managed. For regulatory purposes an additional stand-alone management of the trading book is carried out (that is in accordance with regulatory requirements, including currency and commodity risks in the banking book). The VaR for the overall portfolio fell from €80m as at year-end 2013 to €75m. The VaR of the trading book portfolio remained stable at €16m. The main reason for this is that the VaR calculation is no longer affected by scenario days from the first quarter of 2013, which had comparatively high volatility, as these occurred over a year ago and therefore fall outside the model time series. The changed positions of Corporates & Markets and Treasury delivered additional improvement.

VaR contribution <sup>1</sup>   €m	31.3.2014	31.12.2013
Trading book	16	16
<b>Overall book</b>	<b>75</b>	<b>80</b>

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

## Trading book

VaR in the trading book was €16m as at the reporting date and was therefore unchanged on the level as at year-end 2013.

VaR of portfolios in the trading book <sup>1</sup>   €m	Q1 2014	2013
Minimum	11	13
Mean	15	21
Maximum	19	34
<b>Year-end figure</b>	<b>16</b>	<b>16</b>

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

The market risk profile is diversified across all asset classes. The dominant asset classes are credit spread risk, followed by interest risk and currency risk. Interest rate risk also contains basis and inflation risk. Basis risk arises if, for example, positions are closed through hedging transactions with a different type of price setting than the underlying transaction. As the table below shows, the VaR contributions of the individual risk types have been very stable in the first quarter of 2014.

VaR contribution by risk type in the trading book <sup>1</sup>   €m	31.3.2014	31.12.2013
Credit spreads	7	7
Interest rates	3	3
Equities	2	2
FX	3	3
Commodities	1	1
<b>Total</b>	<b>16</b>	<b>16</b>

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

Further risk ratios are being calculated for regulatory capital adequacy as part of Basel 2.5 reporting. This includes in particular the calculation of stressed VaR. On the basis of the VaR method described above, stressed VaR measures the present position in the trading book by reference to market movements from a specified crisis period in the past. The stressed VaR was €29m as at the reporting date, which is €4m more than at year-end 2013. 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 not changed in the first quarter of 2014.

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

The reliability of the internal model is monitored by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The process draws a distinction between “clean P&L” and “dirty P&L” backtesting. In the former, exactly the same positions in the income statement are used as were used for calculating the VaR, so that the profits and losses result only from the price changes that occurred on the market. In dirty P&L-backtesting, by contrast, profits and losses from newly-concluded and prematurely terminated transactions from the day under consideration are also included. If the resulting loss exceeds the VaR, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides important guidance for checking parameters and for improving the market risk 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 on group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause. In 2014, we have seen no negative outliers in clean P&L or in the dirty P&L process. As such, the results are in line with statistical expectations and confirm the quality of the VaR model.

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. 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. In the first quarter of 2014, model adjustments were implemented that helped improve the accuracy of risk measurement.

## Banking book

The key drivers of market risk in the banking book are the credit spread risks in the area of Non-Core Assets – Public Finance, including the positions held by the subsidiaries Hypothekbank Frankfurt and Erste Europäische Pfandbrief und Kommunal-kreditbank (EPPK). We are continuing systematically with the downsizing strategy that we have followed rigorously in this area for many years. The Treasury portfolios with their credit spread risk, interest rate risk, and basis risk also influence the market risk in the banking book.

The diagram below documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) in the Commerzbank Group’s banking book. Credit spread sensitivities rose moderately in the first quarter of 2014 and stood at €56m at the end of March 2014. The vast majority of credit spread sensitivities related to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

### Credit spread sensitivities

Downshift 1 bp | €m



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. Due to the extremely long duration of the liabilities (cash outflows modelled over almost 90 years), the main portion of the overall portfolio’s present value risk is in maturities of 15 and more years. Main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics. Equity, volatility and currency risk also need to be taken into consideration. Diversification effects between individual risks reduce 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

Market liquidity risk 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.

We start calculating market liquidity risk by initially creating a liquidation profile for each and every portfolio, so that the portfolios can be classified in terms of their convertibility into cash using a market liquidity factor. The market risk based on a one-year view is weighted with the market liquidity factor to calculate the market liquidity risk.

At the end of March 2014 Commerzbank earmarked €0.1bn in economic capital to cover market liquidity risk in the trading and banking book. Asset-backed securities in particular had a higher market liquidity risk.

## Liquidity risks

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

### Risk management

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. Key decisions on liquidity risk management and monitoring are taken by the central Asset Liability Committee, subject to confirmation by the Board of Managing Directors. There are further sub-committees at the operational level. They consider liquidity risk issues at the local level as well as methodological issues of lesser significance for the Group. Additional information on this can be found in the “Funding and liquidity” section in the Interim Management Report.

### Quantification and stress testing

Our Bank’s own liquidity risk model calculates the available net liquidity (ANL) for the next 12 months based on various scenarios at a specified reference date. Commerzbank’s available net liquidity is calculated for various stress scenarios using the following three components: deterministic, i.e. contractually agreed cash flows, statistically expected economic cash flows for the relevant scenario, and the realisable assets in the relevant scenario.

Liquidity risk management is handled centrally, taking into account the existing limit structure and liquidity risk tolerance. The stress scenario underlying the model which is relevant for management purposes allows for the impact of both a bank-specific stress event and a broader market crisis.

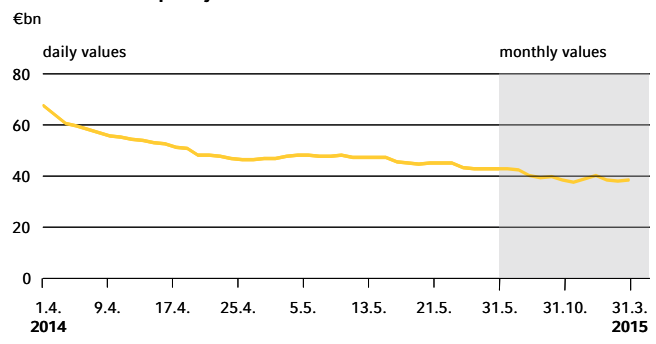
Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, risk concentrations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

Additional components of liquidity risk management are a survival period calculation in terms of MaRisk and the supplementary analysis of additional inverse stress scenarios.

The stress scenarios relevant for management in the ANL model are run daily and reported to management. The underlying assumptions and the limits set are checked regularly and adjusted to reflect changed market conditions as necessary. In addition, the described stress scenarios form the basis for the detailed contingency plans, in the context of which the central Asset Liability Committee can approve various measures to secure liquidity.

In the stress scenario calculated at the end of March 2014, a comfortable liquidity surplus existed throughout the period under consideration.

**Available net liquidity in the combined stress scenario of the internal liquidity risk model**



In the first quarter of 2014, Commerzbank’s internal liquidity risk ratios were once again always significantly higher than the limit set by the Board of Managing Directors. The same was true of compliance with the external regulatory German Liquidity Regulation and the survival period calculation set down by MaRisk.

In this respect we continue to benefit from our core business activities in retail and corporate banking. Our funding base is widely diversified in terms of products, regions and investors in the money and capital markets. In order to hedge in particular against sudden unexpected payment obligations, the Treasury maintains a portfolio of disposable, highly liquid securities eligible for central bank borrowing purposes which are held by the central bank. This liquidity reserve remained at a high level, at €100.1bn (31 December 2013: €104.7bn). It is analysed regularly to establish the quality of the assets contained in it and the appropriateness of its diversification.



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The internal ANL model with a time horizon of up to one year is supplemented by the stable funding concept with a considered horizon of more than one year. This means that the structural liquidity requirement for the Bank's core lending business is compared with the liabilities available long-term to the Bank, including core customer deposit bases. The stable funding concept forms the basis for the internal allocation of liquidity costs and is used when planning issues on the capital markets.

Commerzbank is implementing a project to improve its liquidity management processes and infrastructure. The core elements of the project are a revision of the liquidity risk measurement, an improvement in the allocation of liquidity costs taking into account requirements under MaRisk, and the integration of the liquidity coverage ratio (LCR) into liquidity management. In this way, Commerzbank intends to further optimise its liquidity management taking into account the latest regulatory requirements. The project will be completed at the end of 2014.

## Operational risk

Based on CRR/CRD IV, Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, systems and people or from external events. This definition includes legal risks; it does not cover reputational or strategic risks.

Commerzbank takes an active approach to managing operational risk, based on a Group-wide uniform framework and aiming to systematically identify OpRisk profiles and risk concentrations and to define, prioritise and implement risk mitigation measures. Operational risks are managed pre-emptively by the segments and cross-sectional units on the basis of an overarching risk strategy.

OpRisk management differs systematically from the approach to default or market risk management. It is neither client- nor position- nor portfolio-based but holistic and applicable to all business processes.

OpRisk and governance of the internal control system (ICS) are closely linked at Commerzbank both in terms of organisational structure and methodology. This close connection is due to the fact that the causes of many OpRisk cases are linked to the failure of control mechanisms. It follows that a properly functioning ICS helps to reduce or avoid losses from operational risks. Conversely, the systems for operational risk provide the opportunity to align the ICS consistently with the operational risk management.

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

Risk-weighted assets for operational risks using the internal advanced measurement approach model amounted to €25.1bn at the end of the first quarter of 2014 (31 December 2013: €22.9bn).

## Other risks

In terms of all other risks, there were no significant changes in the first quarter of 2014 compared with the position reported in detail in the Annual Report 2013.

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



# Interim Financial Statements

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## Statement of comprehensive income

### Income statement

€m	Notes	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
Interest income		2,994	3,328	-10.0
Interest expenses		1,864	1,969	-5.3
Net interest income	(1)	1,130	1,359	-16.9
Loan loss provisions	(2)	-238	-267	-10.9
Net interest income after loan loss provisions		892	1,092	-18.3
Commission income		956	981	-2.5
Commission expense		141	137	2.9
Net commission income	(3)	815	844	-3.4
Net trading income	(4)	422	276	52.9
Net income from hedge accounting		-14	36	.
Net trading income and net income from hedge accounting		408	312	30.8
Net investment income	(5)	-38	-6	.
Current net income from companies accounted for using the equity method		13	8	62.5
Other net income	(6)	-68	-62	9.7
Operating expenses	(7)	1,698	1,724	-1.5
Impairments of goodwill		-	-	.
Restructuring expenses	(8)	-	493	-100.0
<b>Pre-tax profit or loss</b>		<b>324</b>	<b>-29</b>	.
Taxes on income	(9)	95	44	.
<b>Consolidated profit or loss</b>		<b>229</b>	<b>-73</b>	.
Consolidated profit or loss attributable to non-controlling interests		29	25	16.0
Consolidated profit or loss attributable to Commerzbank shareholders		200	-98	.

<sup>1</sup> Prior-year figures after the restatements of hedge accounting and credit protection insurance plus other adjustments (see page 48 f.).

Earnings per share   €	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>	Change in %
Earnings per share	0.18	-0.17	.

<sup>1</sup> Prior-year figures after the restatements of hedge accounting and credit protection insurance and the 10-to-1 reverse stock split of Commerzbank shares.

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders. No conversion or option rights were

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

## Condensed statement of comprehensive income

€m	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>	Change in %
Consolidated profit or loss	229	-73	.
Change from remeasurement of defined benefit plans not recognised in income statement	-190	150	.
Change in companies accounted for using the equity method	-	-	.
<b>Items not recyclable through profit or loss</b>	<b>-190</b>	<b>150</b>	<b>.</b>
Change in revaluation reserve			
Reclassified to income statement	3	-32	.
Change in value not recognised in income statement	139	145	-4.1
Change in cash flow hedge reserve			
Reclassified to income statement	36	47	-23.4
Change in value not recognised in income statement	4	5	-20.0
Change in currency translation reserve			
Reclassified to income statement	-1	-	.
Change in value not recognised in income statement	-23	-56	-58.9
Change in companies accounted for using the equity method	0	1	-100.0
<b>Items recyclable through profit or loss</b>	<b>158</b>	<b>110</b>	<b>43.6</b>
<b>Other comprehensive income</b>	<b>-32</b>	<b>260</b>	<b>.</b>
<b>Total comprehensive income</b>	<b>197</b>	<b>187</b>	<b>5.3</b>
Comprehensive income attributable to non-controlling interests	27	6	.
Comprehensive income attributable to Commerzbank shareholders	170	181	-6.1

<sup>1</sup> Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 48 f.).

Other comprehensive income   €m	1.1.–31.3.2014			1.1.–31.3.2013		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	-289	99	-190	200	-50	150
of which companies accounted for using the equity method	-	-	-	-	-	-
Change in revaluation reserve	208	-66	142	153	-40	113
Change in cash flow hedge reserve	57	-17	40	73	-21	52
Change in currency translation reserve	-24	-	-24	-56	-	-56
Change in companies accounted for using the equity method	0	-	0	1	-	1
<b>Other comprehensive income</b>	<b>-48</b>	<b>16</b>	<b>-32</b>	<b>371</b>	<b>-111</b>	<b>260</b>

## Income statement (by quarter)

€m	2014	2013 <sup>1</sup>			
	1 <sup>st</sup> quarter	4 <sup>th</sup> quarter	3 <sup>rd</sup> quarter	2 <sup>nd</sup> quarter	1 <sup>st</sup> quarter
Net interest income	1,130	1,683	1,486	1,633	1,359
Loan loss provisions	-238	-451	-492	-537	-267
Net interest income after loan loss provisions	892	1,232	994	1,096	1,092
Net commission income	815	773	784	805	844
Net trading income	422	-289	-79	-4	276
Net income from hedge accounting	-14	-13	2	-11	36
Net trading income and net income from hedge accounting	408	-302	-77	-15	312
Net investment income	-38	7	136	-120	-6
Current net income from companies accounted for using the equity method	13	10	31	11	8
Other net income	-68	58	-79	-4	-62
Operating expenses	1,698	1,688	1,686	1,699	1,724
Impairments of goodwill	-	-	-	-	-
Restructuring expenses	-	-	-	-	493
<b>Pre-tax profit or loss</b>	<b>324</b>	<b>90</b>	<b>103</b>	<b>74</b>	<b>-29</b>
Taxes on income	95	7	4	11	44
<b>Consolidated profit or loss</b>	<b>229</b>	<b>83</b>	<b>99</b>	<b>63</b>	<b>-73</b>
Consolidated profit or loss attributable to non-controlling interests	29	19	24	23	25
Consolidated profit or loss attributable to Commerzbank shareholders	200	64	75	40	-98

<sup>1</sup> Prior-year figures after the restatement of hedge accounting and credit protection insurance (see page 48 f.).

## Balance sheet

Assets   €m	Notes	31.3.2014	31.12.2013 <sup>1</sup>	Change in %	1.1.2013 <sup>2</sup>
Cash reserve		7,911	12,397	-36.2	15,755
Claims on banks	(11,13,14)	104,963	87,545	19.9	88,028
of which pledged as collateral		29	29	0.0	45
Claims on customers	(12,13,14)	245,265	245,938	-0.3	278,519
of which pledged as collateral		-	-	.	-
Value adjustment portfolio fair value hedges		139	74	87.8	202
Positive fair values of derivative hedging instruments		4,070	3,641	11.8	6,057
Trading assets	(15)	114,491	103,616	10.5	144,144
of which pledged as collateral		7,203	3,601	.	12,680
Financial investments	(16)	82,725	82,051	0.8	89,142
of which pledged as collateral		1,910	1,921	-0.6	2,495
Holdings in companies accounted for using the equity method		684	719	-4.9	744
Intangible assets	(17)	3,195	3,207	-0.4	3,051
Fixed assets	(18)	1,790	1,768	1.2	1,372
Investment properties		634	638	-0.6	637
Non-current assets and disposal groups held for sale		1,026	1,166	-12.0	757
Current tax assets		796	812	-2.0	758
Deferred tax assets		3,118	3,146	-0.9	3,278
Other assets	(19)	3,456	2,936	17.7	3,571
<b>Total</b>		<b>574,263</b>	<b>549,654</b>	<b>4.5</b>	<b>636,015</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 48 f.).

<sup>2</sup> 1 January 2013 is equivalent to 31 December 2012 (as published in the 2013 annual report) after the restatement of credit protection insurance and the tax restatements (see page 48 f.).

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Liabilities and equity   €m	Notes	31.3.2014	31.12.2013 <sup>1</sup>	Change in %	1.1.2013 <sup>2</sup>
Liabilities to banks	(20)	114,071	77,694	46.8	110,242
Liabilities to customers	(21)	264,374	276,486	-4.4	265,905
Securitised liabilities	(22)	58,718	64,670	-9.2	79,357
Value adjustment portfolio fair value hedges		867	714	21.4	1,467
Negative fair values of derivative hedging instruments		7,705	7,655	0.7	11,739
Trading liabilities	(23)	76,309	71,010	7.5	116,111
Provisions	(24)	4,027	3,875	3.9	4,099
Current tax liabilities		237	245	-3.3	324
Deferred tax liabilities		83	83	0.0	91
Liabilities from disposal groups held for sale		7	24	-70.8	2
Other liabilities	(25)	7,273	6,551	11.0	6,523
Subordinated debt instruments	(26)	13,541	13,714	-1.3	13,913
Equity		27,051	26,933	0.4	26,242
Subscribed capital		1,139	1,139	0.0	5,828
Capital reserve		15,928	15,928	0.0	8,730
Retained earnings		10,673	10,660	0.1	10,781
Silent participations		-	-	.	2,376
Other reserves		-1,583	-1,744	-9.2	-2,353
Total before non-controlling interests		26,157	25,983	0.7	25,362
Non-controlling interests		894	950	-5.9	880
<b>Total</b>		<b>574,263</b>	<b>549,654</b>	<b>4.5</b>	<b>636,015</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 48 f.).

<sup>2</sup> 1 January 2013 is equivalent to 31 December 2012 (as published in the 2013 annual report) after the restatement of credit protection insurance and the tax restatements (see page 48 f.).

## Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2012</b>	<b>5,828</b>	<b>8,730</b>	<b>10,783</b>	<b>2,376</b>	<b>-1,699</b>	<b>-616</b>	<b>-38</b>	<b>25,364</b>	<b>886</b>	<b>26,250</b>
Change due to retrospective adjustments			-2					-2	-6	-8
<b>Equity as at 1.1.2013</b>	<b>5,828</b>	<b>8,730</b>	<b>10,781</b>	<b>2,376</b>	<b>-1,699</b>	<b>-616</b>	<b>-38</b>	<b>25,362</b>	<b>880</b>	<b>26,242</b>
Total comprehensive income	-	-	44	-	504	259	-152	655	69	724
Consolidated profit or loss			81					81	91	172
Change from remeasurement of defined benefit plans			-36					-36		-36
Change in revaluation reserve					504			504	-8	496
Change in cash flow hedge reserve						259		259		259
Change in currency translation reserve							-149	-149	-14	-163
Change in companies accounted for using the equity method			-1				-3	-4		-4
Dividend paid on silent participations								-		-
Dividend paid on shares								-	-43	-43
Reverse stock split	-5,247	5,247						-		-
Capital increases	556	1,951						2,507		2,507
Withdrawal from retained earnings			-88					-88		-88
Decrease in silent participations				-2,376				-2,376		-2,376
Changes in ownership interests			-2					-2	1	-1
Other changes <sup>1</sup>	2	-	-75				-2	-75	43	-32
<b>Equity as at 31.12.2013</b>	<b>1,139</b>	<b>15,928</b>	<b>10,660</b>	<b>-</b>	<b>-1,195</b>	<b>-357</b>	<b>-192</b>	<b>25,983</b>	<b>950</b>	<b>26,933</b>

<sup>1</sup> Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

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€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2013</b>	<b>1,139</b>	<b>15,928</b>	<b>10,660</b>	<b>-</b>	<b>-1,195</b>	<b>-357</b>	<b>-192</b>	<b>25,983</b>	<b>950</b>	<b>26,933</b>
Total comprehensive income	-	-	10	-	142	40	-22	170	27	197
Consolidated profit or loss			200					200	29	229
Change from remeasurement of defined benefit plans			-190					-190		-190
Change in revaluation reserve					142			142		142
Change in cash flow hedge reserve						40		40		40
Change in currency translation reserve							-22	-22	-2	-24
Change in companies accounted for using the equity method								-		-
Dividend paid on silent participations								-		-
Dividend paid on shares								-	-52	-52
Reverse stock split								-		-
Capital increases								-		-
Withdrawal from retained earnings								-		-
Decrease in silent participations								-		-
Changes in ownership interests			1					1	-29	-28
Other changes <sup>1</sup>			2				1	3	-2	1
<b>Equity as at 31.3.2014</b>	<b>1,139</b>	<b>15,928</b>	<b>10,673</b>	<b>-</b>	<b>-1,053</b>	<b>-317</b>	<b>-213</b>	<b>26,157</b>	<b>894</b>	<b>27,051</b>

<sup>1</sup> Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

The restatement of retained earnings as at 1 January 2013 (as published in the 2013 annual report) resulted from the retrospective restatement of credit protection insurance and the tax restatements (see page 48 f.).

As at 31 March 2014, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was therefore €1,139m and was divided into 1,138,506,941 no-par-value shares (accounting value per share of €1.00). The average number of ordinary shares in issue was 1,138,506,941 (31 March 2013: 582,751,011<sup>1</sup>).

There was no impact on the other reserves from assets and disposal groups held for sale as at 31 March 2014.

The change in ownership interests of €1m in the first three months of 2014 resulted from the purchase of additional shares in already consolidated companies. There was no effect from the disposal of shares in companies that continue to be consolidated.

<sup>1</sup> After completion of the 10-to-1 reverse stock split of Commerzbank shares.



**For information: Statement of changes in equity from  
1 January to 31 March 2013**

€m	Sub- scribed capital	Capital reserve	Retained earnings	Silent partici- pations	Other reserves			Total before non- control- ling interests	Non- control- ling interests	Equity
					Revalu- ation reserve	Cash flow hedge reserve	Currency translation reserve			
<b>Equity as at 31.12.2012</b>	<b>5,828</b>	<b>8,730</b>	<b>10,783</b>	<b>2,376</b>	<b>-1,699</b>	<b>-616</b>	<b>-38</b>	<b>25,364</b>	<b>886</b>	<b>26,250</b>
Change due to retrospective adjustments <sup>1</sup>			-2					-2	-6	-8
<b>Equity as at 1.1.2013</b>	<b>5,828</b>	<b>8,730</b>	<b>10,781</b>	<b>2,376</b>	<b>-1,699</b>	<b>-616</b>	<b>-38</b>	<b>25,362</b>	<b>880</b>	<b>26,242</b>
Total comprehensive income	-	-	52	-	115	52	-38	181	6	187
Consolidated profit or loss			-98					-98	25	-73
Change from remeasurement of defined benefit plans			150					150		150
Change in revaluation reserve					115			115	-2	113
Change in cash flow hedge reserve						52		52		52
Change in currency translation reserve							-39	-39	-17	-56
Change in companies accounted for using the equity method							1	1		1
Dividend paid on silent participations								-		-
Dividend paid on shares								-		-
Capital increases								-		-
Withdrawal from retained earnings								-		-
Decrease in silent participations								-		-
Changes in ownership interests								-		-
Other changes <sup>2</sup>	-1	2	-63					-62	-7	-69
<b>Equity as at 31.3.2013</b>	<b>5,827</b>	<b>8,732</b>	<b>10,770</b>	<b>2,376</b>	<b>-1,584</b>	<b>-564</b>	<b>-76</b>	<b>25,481</b>	<b>879</b>	<b>26,360</b>

<sup>1</sup> After restatement of 1 January 2013 (as published in the 2013 annual report) due to the restatement of credit protection insurance and the tax restatements (see page 48 f.).

<sup>2</sup> Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

## Cash flow statement (condensed version)

€m	2014	2013 <sup>1</sup>
<b>Cash and cash equivalents as at 1.1.</b>	<b>12,397</b>	<b>15,755</b>
Net cash from operating activities	-3,500	-3,408
Net cash from investing activities	-797	-901
Net cash from financing activities	-172	-488
<b>Total net cash</b>	<b>-4,469</b>	<b>-4,797</b>
Effects from exchange rate changes	12	118
Effects from non-controlling interests	-29	-25
<b>Cash and cash equivalents as at 31.3.</b>	<b>7,911</b>	<b>11,051</b>

<sup>1</sup> Prior-year figures after the restatement of hedge accounting and credit protection insurance (see page 48 f.).

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

With regard to the Commerzbank Group the cash flow statement is not very informative. For us the cash flow statement replaces neither liquidity planning nor financial planning, nor is it employed as a management tool.

## Selected notes

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### General information

#### Accounting policies

The interim financial statements of the Commerzbank Group as at 31 March 2014 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), together with 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 International Financial Reporting Interpretations Committee (IFRIC). This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

#### Application of new and revised standards and changes to accounting and measurement policies

Except for the amendments listed below, we have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2013 (see page 145 ff. of our 2013 Annual Report).

#### Changes to accounting and measurement policies

In the fourth quarter of 2013 we corrected the valuation of specific hedge accounting transactions (accreting zero coupon structures) in accordance with IAS 8.42. Due to technical restrictions during the migration from Dresdner Bank systems to Commerzbank systems the way in which these transactions were initially booked in 2010 and accounted for in subsequent periods was incorrect. This led to a cumulative retrospective adjustment of €-5m to net income from hedge accounting for the first quarter of the financial year 2013. The cumulative tax income arising from this adjustment was €1m.

A further change related to the treatment of income and expenses from credit protection insurance taken out by our customers when they borrow from us. In the past the income earned on concluding these contracts was recognised immediately and in full in net commission income. However, the expenses incurred in selling these insurance contracts were reported in net interest income pro rata over the term of the loans as a component of their effective interest rate. Since 1 January 2014 the income has been reported in the same way as the expenses. In the first quarter of

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we predominantly used financial statements prepared as at 31 March 2014. The reporting currency of the Group financial statements is the euro. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes amounts rounded down to €0m and zero items are both indicated by a dash.

These financial statements take into account the standards and interpretations that must be applied in the EU from 1 January 2014.

2013 this change had an impact of €+3m on net interest income and €-3m on net commission income. The retrospective effects as at 1 January 2013 amounted to €-16m for retained earnings, €-6m for non-controlling interests, €-27m for claims on customers and €+5m for deferred tax assets. As at 31 December 2013 retained earnings were adjusted by €-12m, non-controlling interests by €-6m and other provisions and other liabilities by €-2m each. There were also adjustments of €-25m to claims on customers and €+4m to deferred tax assets as at 31 December 2013.

In total the restatements of the hedge adjustments and the income and expenses from credit protection insurance led to a reduction in consolidated profit by €4m as at 31 March 2013. The earnings per share for the first quarter of 2013 amounted to €-0.17, compared to the earnings per share of €-0.16 as originally reported last year (after the 10-to-1 reverse stock split of Commerzbank shares).

We also made a number of other retrospective corrections as a result of adjustments made during the preparation of Commerzbank Aktiengesellschaft's tax return for the financial year 2012. As at 1 January 2013 and 31 December 2013 the current tax assets were reduced by €32m, while the deferred tax assets were increased by €46m and retained earnings by €14m. These retrospective adjustments related to the balance sheet and the statement of changes in equity. However, there was no impact on consolidated profit and earnings per share for the financial year 2013.

In addition we also made some accounting changes within net interest income and net commission income.

Since 1 January 2014 interest income from own issues which are not fully placed on the market has been offset against interest expenses on securitised liabilities. In the past this was reported as interest income from available-for-sale securities. The reclassification in the first quarter of 2013 amounted to €29m.

There were also corrections within net interest income relating to interest income and expenses from applying the fair value option. Firstly, interest expenses on securitised liabilities for which

the fair value option is applied are now shown uniformly under interest expenses from applying the fair value option rather than under interest expenses on securitised liabilities measured at cost, as previously. The reclassification in the first quarter of 2013 amounted to €22m. Secondly, in the first three months of the prior year interest income of €62m from applying the fair value option was netted against the interest expenses. This has now been corrected, leading to a corresponding increase in the relevant income and expense lines within net interest income.

Since 1 January 2014 intragroup commission income and expenses have been eliminated against the corresponding commission expenses and income earned or incurred in the originating unit. Within net commission income this resulted in reclassifications that reduced other commission income, and increased commission income from guarantees, by €12m.

Due to these corrections and reclassifications we have restated the income statement and the notes for the prior year accordingly. However, there was no impact on consolidated profit and earnings per share.

## Consolidated companies

The following companies were consolidated for the first time as of 31 March 2014:

Name of company	Equity share	Acquisition cost	Assets	Liabilities
	and voting rights			
	%	€m	€m	€m
AWL I Sp. z o.o., Warsaw, Poland	100.0	0.0	17.5	0.0
ComStage MDAX® TR UCITS ETF, Luxembourg, Luxembourg	0.0	–	51.8	51.8
Eschborn Capital LLC, Wilmington/Delaware, USA	100.0	157.2	520.5	365.8
MS "BRAHMS" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	19.9	19.8	0.0
MS "HAYDN" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	0.0	0.0	–
MS "PAGANINI" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	19.0	19.1	0.4
MS "SCHUBERT" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	0.0	0.0	–
MS "WAGNER" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	0.0	0.0	–

The entities listed above, which were consolidated for the first time, were newly formed or else exceeded our materiality limits for consolidation. In the case of additional purchases we apply the provisions of IFRS 3 as soon as we have control of the acquired company. The first-time consolidations did not give rise to any goodwill. Negative differences 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 permanently fell below our materiality threshold for consolidation:

- Disposals
  - Sterling Energy Holdings Inc., Wilmington/Delaware
- Liquidations (including companies which have ceased operating activities or entities that have permanently fallen below our materiality threshold for consolidation)
  - ALDUNA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, Germany<sup>1</sup>
  - ALTEREGO Beteiligungsgesellschaft mbH i.L., Düsseldorf, Germany
  - CBK SICAV, Hesperange, Luxembourg
  - CBK SICAV Skandia Shield, Luxembourg, Luxembourg
  -

- CB Leasing Summer AB, Stockholm, Sweden<sup>1</sup>
- CB MezzCAP Limited Partnership, St. Helier, Jersey
- Commerzbank Investments (UK) Limited, London, United Kingdom<sup>1</sup>
- Eurohypo Capital Funding LLC I, Wilmington, Delaware, USA
- Eurohypo Capital Funding Trust I, Wilmington, Delaware, USA
- KENSTONE GmbH, Eschborn, Germany<sup>1</sup>
- South East Asia Properties Limited, London, United Kingdom<sup>1</sup>
- Symphony No.2 Llc, Wilmington, Delaware, USA
- Symphony No.4 Llc, Dover, Delaware, USA

There were no changes in the companies accounted for using the equity method in the first quarter of 2014.

KGAL GmbH & Co. KG, Grünwald (Munich) and GO German Office GmbH, Wiesbaden in the Non-Core Assets (NCA) segment and MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG Grünwald, Germany in the Others and Consolidation segment are classified as held for sale. Receivables and investment fund units are also held for sale in the NCA and Private Customers segments. Until the definitive transfer of the holdings, we measure non-current assets held for sale in accordance with IFRS 5 and report them separately in the relevant balance sheet items.

<sup>1</sup> Fell below materiality threshold.

## Notes to the income statement

### (1) Net interest income

€m	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>	Change in %
Interest income	2,994	3,328	-10.0
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	210	226	-7.1
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	2,415	2,692	-10.3
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	148	129	14.7
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	105	120	-12.5
Prepayment penalty fees	34	33	3.0
Gains on the sale of loans and receivables and repurchase of liabilities	37	70	-47.1
Dividends from securities	26	9	.
Current net income from equity holdings and non-consolidated subsidiaries	1	8	-87.5
Current income from properties held for sale and from investment properties	18	16	12.5
Other interest income	-	25	-100.0
Interest expenses	1,864	1,969	-5.3
Interest expense on subordinated debt instruments and on securitised and other liabilities	1,517	1,712	-11.4
Interest expenses from applying the fair value option	190	184	3.3
Interest expenses on securitised liabilities held for trading	27	26	3.8
Loss on the sale of loans and receivables and repurchase of liabilities	27	15	80.0
Current expenses from properties held for sale and from investment properties	12	14	-14.3
Other interest expense	91	18	.
<b>Total</b>	<b>1,130</b>	<b>1,359</b>	<b>-16.9</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance plus other adjustments (see page 48 f.). Before restatement interest income was €3,292m, interest expense was €1,936m and net interest income was €1,356m.

The unwinding effect for the period 1 January to 31 March 2014 was €25m (previous year: €37m).

Other interest expense also includes net interest expense for pensions. Net interest from derivatives (banking and trading book)

is recognised in other interest income or other interest expense, depending on the net balance.

## (2) Loan loss provisions

The breakdown of loan loss provisions in the income statement was as follows:

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
Allocation to loan loss provisions <sup>1</sup>	-667	-871	-23.4
Reversals of loan loss provisions <sup>1</sup>	445	617	-27.9
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	-16	-13	23.1
<b>Total</b>	<b>-238</b>	<b>-267</b>	<b>-10.9</b>

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

## (3) Net commission income

€m	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>	Change in %
Securities transactions	230	260	-11.5
Asset management	45	48	-6.3
Payment transactions and foreign business	312	308	1.3
Real estate lending business	12	21	-42.9
Guarantees	57	59	-3.4
Net income from syndicated business	67	68	-1.5
Intermediary business	43	41	4.9
Fiduciary transactions	2	1	100.0
Other	47	38	23.7
<b>Total<sup>2</sup></b>	<b>815</b>	<b>844</b>	<b>-3.4</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance plus other adjustments (see page 48 f.)  
Before restatement, net commission income was €847m.

<sup>2</sup> Of which commission expense: €141m (previous year: €137m).

## (4) Net trading income

We have split net trading income into two components:

- Net trading gain or loss (this includes trading in securities, promissory note loans, precious metals and derivative instruments plus the net gain or loss on the remeasurement of derivative financial instruments that do not qualify for hedge accounting).
- Net gain or loss from applying the fair value option (including changes in the fair value of related derivatives).

All financial instruments held for trading purposes are measured at fair value. Fair value is derived from both quoted market prices and internal pricing models (primarily net present value and option pricing models). Interest rate and cross-currency interest rate derivatives are measured taking account of the fixing frequency for variable payments.

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
Net trading gain or loss <sup>1</sup>	470	247	90.3
Net gain or loss from applying the fair value option	-48	29	.
<b>Total</b>	<b>422</b>	<b>276</b>	<b>52.9</b>

<sup>1</sup> Including net gain or loss on the remeasurement of derivative financial instruments.

## (5) Net investment income

Net investment income contains gains or losses on the disposal and remeasurement of securities in the loans and receivables and available-for-sale categories, equity holdings, holdings in

companies accounted for using the equity method and subsidiaries.

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
<b>Net gain or loss from interest-bearing business</b>	<b>-32</b>	<b>-6</b>	<b>.</b>
In the available-for-sale category	-6	-4	50.0
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	17	30	-43.3
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-20	-26	-23.1
Net remeasurement gain or loss <sup>1</sup>	-3	-8	-62.5
in the loans and receivables category	-26	-2	.
Gains on disposals	3	1	.
Losses on disposals	-13	-3	.
Net remeasurement gain or loss <sup>2</sup>	-16	-	.
<b>Net gain or loss on equity instruments</b>	<b>-6</b>	<b>0</b>	<b>.</b>
In the available-for-sale category	-	7	-100.0
Gain on disposals (including reclassification from revaluation reserve) <sup>1</sup>	4	7	-42.9
Loss on disposals (including reclassification from revaluation reserve) <sup>1</sup>	-4	-	.
In the available-for-sale category, measured at acquisition cost	5	17	-70.6
Net remeasurement gain or loss <sup>1</sup>	-	-1	-100.0
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	-11	-23	-52.2
<b>Total</b>	<b>-38</b>	<b>-6</b>	<b>.</b>

<sup>1</sup> Includes a net €-23m (previous year: €-6m) of reclassifications from the revaluation reserve created in the financial year 2014.

<sup>2</sup> Includes allocations of €13m to portfolio valuation allowances for reclassified securities (previous year: reversals of €2m).

## (6) Other net income

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
<b>Other material items of expense</b>	<b>155</b>	<b>158</b>	<b>-1.9</b>
Operating lease expenses	30	33	-9.1
Allocations to provisions	125	125	0.0
<b>Other material items of income</b>	<b>78</b>	<b>69</b>	<b>13.0</b>
Operating lease income	36	40	-10.0
Reversals of provisions	42	29	44.8
<b>Balance of sundry other income/expenses</b>	<b>9</b>	<b>27</b>	<b>-66.7</b>
<b>Total</b>	<b>-68</b>	<b>-62</b>	<b>9.7</b>



**(7) Operating expenses**

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
Personnel expenses	976	1,022	-4.5
Operating expenses	619	611	1.3
Depreciation/amortisation of fixed assets and other intangible assets	103	91	13.2
<b>Total</b>	<b>1,698</b>	<b>1,724</b>	<b>-1.5</b>

**(8) Restructuring expenses**

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
Expenses for restructuring measures introduced	-	493	-100.0
<b>Total</b>	<b>-</b>	<b>493</b>	<b>-100.0</b>

The restructuring expenses in the first quarter of 2013 were due to Commerzbank's new strategy and the resultant planned adjustment to personnel capacities.

**(9) Taxes on income**

Group tax expense was €95m as at 31 March 2014. With pre-tax profit of €324m the Group's effective tax rate was therefore 29.3% (Group income tax rate: 31,23%). Group tax expense derived from current tax expenses of the mBank sub-group, comdirect and

Commerzbank Aktiengesellschaft in Luxembourg and New York. In addition deferred tax expenses were recognised mainly as a result of the utilisation of loss carryforwards at a US company.

**(10) Segment reporting**

Segment reporting reflects the results of the operating business segments within the Commerzbank Group. The segment information below is based on IFRS 8 Operating Segments, which applies the management approach. In accordance with this standard, segment information must be prepared on the basis of the internal reporting information that is evaluated by the chief operating decision maker to assess the performance of the operating segments and make decisions regarding the allocation of resources to the operating segments. Within the Commerzbank Group, the function of chief operating decision maker is exercised by the Board of Managing Directors.

Our segment reporting covers five operating segments plus the Others and Consolidation segment. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are divided up on the basis of distinctions between products, services and/or customer target groups. Minor modifications in the segments' business models led to slight adjustments in the business responsibilities. Moreover, the definition of the average staff headcount was harmonised within the Group with effect from

30 September 2013. The prior-year figures were restated accordingly. The prior-year figures were also adjusted as a result of the restatements relating to hedge accounting, the treatment of credit protection insurance and the tax restatements (see page 48 f.).

- The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. The Private Customers division combines the classic branch business with retail and corporate customers and private banking. The dense national network of local branches offers a full service range of banking products including loan, deposit, security, payments and pension products. Wealth Management provides services to wealthy clients in Germany and abroad and also contains the Group's portfolio management activities. The focus is on services such as securities and portfolio management, credit management and loans and real estate management. We also provide advice on trust and inheritance issues and corporate investments. Moreover, this segment includes Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The joint venture

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Commerz Finanz, which is focused on consumer lending, is managed centrally by the Private Customers segment and also reports its results there. Since 1 July 2012 the private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft) has been part of the Private Customers division. The Direct Banking division comprises the activities of the comdirect Group. The B2B (ebase) and B2C businesses (comdirect) contained in Direct Banking provide standardised, primarily internet-based advisory and service offerings for customers. Commerz Real has been a division of the Private Customers segment since July 2012 (except for the warehouse section). Its products range from open-ended real estate funds (hausinvest), to closed-end funds in real estate, aircraft, ships and renewable energy, institutional investments and structured investments as well as equipment leasing.

- The Mittelstandsbank segment is divided into the three Group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. Our comprehensive service offering includes payments and cash management solutions, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. In the Corporate Banking & International division we concentrate on serving corporate groups with revenues of over €500m (except for multinational corporates, which are handled by Client Relationship Management within the Corporates & Markets segment). Smaller groups with a strong capital market affinity are also serviced by this division. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. In selected core markets we also provide services to small and medium-sized customers in their local business, even when it has no connections with Germany. The Corporate Banking & International division also contains the competence centre for companies from the renewable energy sector. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance services. Financial Institutions uses a global network of correspondent banks, together with business relationships in

emerging markets, to support the Group's financing and processing of foreign trade activities on behalf of all Commerzbank Group customers throughout the world, and thus supports other Group divisions of the Bank in their international strategies.

- The Central & Eastern Europe (CEE) segment comprises the universal banking and direct banking activities in this region during the reporting period. It includes in particular our Polish subsidiary mBank, which offers banking products for corporate customers as well as financial services for private customers in Poland, the Czech Republic and Slovakia.
- Corporates & Markets consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity and commodity-related financial products. Fixed Income & Currencies handles trading and sales of interest rate, credit and currency instruments. Corporate Finance provides arrangement and advisory services for equity, debt and hybrid instruments, securitisation solutions and mergers & acquisitions. Credit Portfolio Management is responsible for actively managing the credit risk portfolio of Corporates & Markets on a uniform global basis. The assets transferred from the Portfolio Restructuring Unit are also wound down in this Group division in a value-preserving manner. Corporates & Markets also houses Client Relationship Management, which is responsible for servicing German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public-sector customers.
- The Non-Core Assets (NCA) segment groups together the results from the Commercial Real Estate (CRE) Germany, Commercial Real Estate (CRE) International, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions. CRE Germany, CRE International and Public Finance belong almost entirely to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft. The DSB division contains the ship financing business of the Commerzbank Group, including all ship financing activities of the former Deutsche Schiffsbank Aktiengesellschaft. The NCA segment also comprises the warehouse assets of Commerz Real Aktiengesellschaft.
- The Others and Consolidation segment contains the income and expenses which are not attributable to the operating business segments. The Others category within this segment includes equity holdings which are not assigned to the operating segments as well as Group Treasury. The costs of the service

units, which – except for integration and restructuring costs – are charged in full to the segments, are also shown here. The restructuring expenses for implementing the strategic agenda up until 2016 are recognised under Others. 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 Group management units which are charged in full to the segments – except for integration and restructuring costs, which are recognised under “Others” – are also reported under this heading.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, current net income from companies accounted for using the equity method and other net income less operating expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit or loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit.

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

Income and expenses are reported in the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the segment-specific equity holdings allocated to each segment are shown in net interest income. The Group’s return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. The average capital employed is calculated using the Basel 3 methodology, based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, average IFRS capital is shown, which is used to calculate the return on equity. The regulatory capital requirement for risk-weighted assets assumed for segment reporting purposes is 9%. As a result of the

continuing reduction in the NCA segment's portfolio, part of the capital allocation reported there, which was originally required by the EBA for the risks of EU government bonds, was given back to the core bank. We also report the assets as well as liabilities and equity for the individual segments. Due to our business model the segment balance sheet only balances out at Group level.

The segment reporting of the Commerzbank Group shows the segments’ pre-tax profit or loss. To reflect the impact on earnings of specific tax-related transactions in the Corporates & Markets segment, the net interest income of Corporates & Markets includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation. A change was made in the elimination of intragroup profits from intragroup transactions in the segment reporting. In the past, such intragroup profits were consolidated in the respective segment, whereas now the transferring segment is treated as if the transaction had taken place outside the group. Intragroup profits and losses are now consolidated in Others and Consolidation. In the period under review a negative intragroup result occurred from a cross-segment transaction in the Non-Core Assets segment of which the positive counter item is contained in the result shown in Others and Consolidation.

The operating expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of goodwill and brand names 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 intra-group services is charged at market prices or at full cost.

The carrying amounts of companies accounted for using the equity method were €684m (previous year: €738m) and were divided over the segments as follows: Private Customers €395m (previous year: €362m), Mittelstandsbank €97m (previous year: €95m), Corporates & Markets €89m (previous year: €92m), Non-Core Assets €77m (previous year: €106m) and Others and Consolidation €26m (previous year: €83m).

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The tables below contain information on the segments as at 31 March 2014 and on the comparative figures for the previous financial year.

1.1.–31.3.2014 €m	Private Customers	Mittel- standsbank	Central & Eastern Europe	Corporates & Markets	Non- Core Assets	Others and Consoli- dation	Group
Net interest income	448	436	132	147	61	-94	1,130
Loan loss provisions	-36	-57	-21	9	-134	1	-238
Net interest income after loan loss provisions	412	379	111	156	-73	-93	892
Net commission income	408	274	57	76	5	-5	815
Net trading income and net income from hedge accounting	1	4	24	318	60	1	408
Net investment income	2	-2	2	-5	-88	53	-38
Current net income from companies accounted for using the equity method	9	1	-	2	-	1	13
Other net income	6	2	9	4	6	-95	-68
<i>Income before loan loss provisions</i>	<i>874</i>	<i>715</i>	<i>224</i>	<i>542</i>	<i>44</i>	<i>-139</i>	<i>2,260</i>
<i>Income after loan loss provisions</i>	<i>838</i>	<i>658</i>	<i>203</i>	<i>551</i>	<i>-90</i>	<i>-138</i>	<i>2,022</i>
Operating expenses	726	321	105	336	82	128	1,698
<b>Operating profit or loss</b>	<b>112</b>	<b>337</b>	<b>98</b>	<b>215</b>	<b>-172</b>	<b>-266</b>	<b>324</b>
Impairments of goodwill	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-
Net gain or loss from sale of disposal groups	-	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>112</b>	<b>337</b>	<b>98</b>	<b>215</b>	<b>-172</b>	<b>-266</b>	<b>324</b>
<b>Assets</b>	<b>68,911</b>	<b>82,854</b>	<b>25,882</b>	<b>197,604</b>	<b>115,300</b>	<b>83,712</b>	<b>574,263</b>
<b>Liabilities and equity</b>	<b>97,079</b>	<b>128,231</b>	<b>20,850</b>	<b>182,589</b>	<b>75,093</b>	<b>70,421</b>	<b>574,263</b>
<b>Average capital employed</b>	<b>3,823</b>	<b>6,527</b>	<b>1,607</b>	<b>4,344</b>	<b>8,354</b>	<b>2,422</b>	<b>27,077</b>
<b>Operating return on equity<sup>1</sup> (%)</b>	<b>11.7</b>	<b>20.7</b>	<b>24.4</b>	<b>19.8</b>	<b>-8.2</b>		<b>4.8</b>
<b>Cost/income ratio in operating business (%)</b>	<b>83.1</b>	<b>44.9</b>	<b>46.9</b>	<b>62.0</b>	<b>186.4</b>		<b>75.1</b>
<b>Return on equity of pre-tax profit or loss<sup>1</sup> (%)</b>	<b>11.7</b>	<b>20.7</b>	<b>24.4</b>	<b>19.8</b>	<b>-8.2</b>		<b>4.8</b>
Staff (average headcount)	16,032	5,757	7,642	1,957	587	17,934	49,909

<sup>1</sup> Annualised.

1.1.–31.3.2013 <sup>1</sup> €m	Private Customers	Mittel- standsbank	Central & Eastern Europe	Corporates & Markets	Non- Core Assets	Others and Consoli- dation	Group
Net interest income	430	456	106	196	170	1	1,359
Loan loss provisions	-35	-78	-6	26	-175	1	-267
Net interest income after loan loss provisions	395	378	100	222	-5	2	1,092
Net commission income	427	280	44	82	19	-8	844
Net trading income and net income from hedge accounting	1	1	23	307	-43	23	312
Net investment income	5	-12	-	-6	8	-1	-6
Current net income from companies accounted for using the equity method	9	-	-	2	-2	-1	8
Other net income	-14	2	12	3	20	-85	-62
<i>Income before loan loss provisions</i>	<i>858</i>	<i>727</i>	<i>185</i>	<i>584</i>	<i>172</i>	<i>-71</i>	<i>2,455</i>
<i>Income after loan loss provisions</i>	<i>823</i>	<i>649</i>	<i>179</i>	<i>610</i>	<i>-3</i>	<i>-70</i>	<i>2,188</i>
Operating expenses	754	324	104	338	83	121	1,724
<b>Operating profit or loss</b>	<b>69</b>	<b>325</b>	<b>75</b>	<b>272</b>	<b>-86</b>	<b>-191</b>	<b>464</b>
Impairments of goodwill	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	493	493
Net gain or loss from sale of disposal groups	-	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>69</b>	<b>325</b>	<b>75</b>	<b>272</b>	<b>-86</b>	<b>-684</b>	<b>-29</b>
<b>Assets</b>	<b>67,663</b>	<b>78,110</b>	<b>24,620</b>	<b>232,151</b>	<b>158,748</b>	<b>86,012</b>	<b>647,304</b>
<b>Liabilities and equity</b>	<b>97,804</b>	<b>132,883</b>	<b>18,850</b>	<b>214,732</b>	<b>98,132</b>	<b>84,903</b>	<b>647,304</b>
<b>Average capital employed</b>	<b>4,001</b>	<b>5,829</b>	<b>1,717</b>	<b>3,254</b>	<b>10,058</b>	<b>1,586</b>	<b>26,445</b>
<b>Operating return on equity<sup>2</sup> (%)</b>	<b>6.9</b>	<b>22.3</b>	<b>17.5</b>	<b>33.4</b>	<b>-3.4</b>		<b>7.0</b>
<b>Cost/income ratio in operating business (%)</b>	<b>87.9</b>	<b>44.6</b>	<b>56.2</b>	<b>57.9</b>	<b>48.3</b>		<b>70.2</b>
<b>Return on equity of pre-tax profit or loss<sup>2</sup> (%)</b>	<b>6.9</b>	<b>22.3</b>	<b>17.5</b>	<b>33.4</b>	<b>-3.4</b>		<b>-0.4</b>
Staff (average headcount)	17,271	5,721	7,752	1,999	708	18,470	51,921

<sup>1</sup> Prior-year figures after the restatement of hedge accounting and credit protection insurance and the tax restatements (see page 48 f.).

<sup>2</sup> Annualised.

## Details for Others and Consolidation:

€m	1.1.–31.3.2014			1.1.–31.3.2013 <sup>1</sup>		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	-84	-10	-94	14	-13	1
Loan loss provisions	1	-	1	1	-	1
Net interest income after loan loss provisions	-83	-10	-93	15	-13	2
Net commission income	-3	-2	-5	-8	-	-8
Net trading income and net income from hedge accounting	-2	3	1	17	6	23
Net investment income	-12	65	53	1	-2	-1
Current net income from companies accounted for using the equity method	1	-	1	-1	-	-1
Other net income	-92	-3	-95	-81	-4	-85
<i>Income before loan loss provisions</i>	<i>-192</i>	<i>53</i>	<i>-139</i>	<i>-58</i>	<i>-13</i>	<i>-71</i>
<i>Income after loan loss provisions</i>	<i>-191</i>	<i>53</i>	<i>-138</i>	<i>-57</i>	<i>-13</i>	<i>-70</i>
Operating expenses	133	-5	128	129	-8	121
<b>Operating profit or loss</b>	<b>-324</b>	<b>58</b>	<b>-266</b>	<b>-186</b>	<b>-5</b>	<b>-191</b>
Impairments of goodwill	-	-	-	-	-	-
Restructuring expenses	-	-	-	493	-	493
Net gain or loss from sale of disposal groups	-	-	-	-	-	-
<b>Pre-tax profit or loss</b>	<b>-324</b>	<b>58</b>	<b>-266</b>	<b>-679</b>	<b>-5</b>	<b>-684</b>
<b>Assets</b>	<b>83,712</b>	<b>-</b>	<b>83,712</b>	<b>86,012</b>	<b>-</b>	<b>86,012</b>

<sup>1</sup> Prior-year figures after the restatement of hedge accounting (see page 48 f.).

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

- Remeasurement effects from the application of hedge accounting to intra-bank transactions as per IAS 39 are shown in Consolidation.
- The pre-tax equivalent of tax-related transactions allocated to net interest income in the Corporates & Markets 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 intra-group transactions are also reported here.

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

1.1.–31.3.2014 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	787	299	18	26	–	1,130
Loan loss provisions	–162	–72	–3	–1	–	–238
Net interest income after loan loss provisions	625	227	15	25	–	892
Net commission income	670	121	9	15	–	815
Net trading income and net income from hedge accounting	89	297	–8	30	–	408
Net investment income	–36	–6	4	–	–	–38
Current net income from companies accounted for using the equity method	11	1	1	–	–	13
Other net income	–84	12	4	–	–	–68
<i>Income before loan loss provisions</i>	<i>1,437</i>	<i>724</i>	<i>28</i>	<i>71</i>	<i>–</i>	<i>2,260</i>
<i>Income after loan loss provisions</i>	<i>1,275</i>	<i>652</i>	<i>25</i>	<i>70</i>	<i>–</i>	<i>2,022</i>
Operating expenses	1,314	321	33	30	–	1,698
<b>Operating profit or loss</b>	<b>–39</b>	<b>331</b>	<b>–8</b>	<b>40</b>	<b>–</b>	<b>324</b>
<b>Credit-risk-weighted assets</b>	<b>115,559</b>	<b>50,836</b>	<b>3,205</b>	<b>3,463</b>	<b>–</b>	<b>173,063</b>

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

1.1.–31.3.2013 <sup>1</sup> €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	952	375	17	15	–	1,359
Loan loss provisions	–225	–56	16	–2	–	–267
Net interest income after loan loss provisions	727	319	33	13	–	1,092
Net commission income	711	104	12	17	–	844
Net trading income and net income from hedge accounting	–6	287	15	16	–	312
Net investment income	11	–17	–	–	–	–6
Current net income from companies accounted for using the equity method	9	–2	1	–	–	8
Other net income	–80	18	–	–	–	–62
<i>Income before loan loss provisions</i>	<i>1,597</i>	<i>765</i>	<i>45</i>	<i>48</i>	<i>–</i>	<i>2,455</i>
<i>Income after loan loss provisions</i>	<i>1,372</i>	<i>709</i>	<i>61</i>	<i>46</i>	<i>–</i>	<i>2,188</i>
Operating expenses	1,363	305	32	24	–	1,724
<b>Operating profit or loss</b>	<b>9</b>	<b>404</b>	<b>29</b>	<b>22</b>	<b>–</b>	<b>464</b>
<b>Credit-risk-weighted assets</b>	<b>113,097</b>	<b>55,559</b>	<b>3,670</b>	<b>3,323</b>	<b>–</b>	<b>175,649</b>

<sup>1</sup> Prior-year figures after the restatement of hedge accounting and credit protection insurance (see page 48 f.).

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. Neither internal management activities nor management reporting are based on this information.

## Notes to the balance sheet

### (11) Claims on banks

€m	31.3.2014	31.12.2013	Change in %
Due on demand	32,320	27,741	16.5
With a residual term	72,743	59,897	21.4
up to three months	50,505	40,353	25.2
over three months to one year	15,601	13,172	18.4
over one year to five years	6,297	5,964	5.6
more than 5 years	340	408	-16.7
<b>Total</b>	<b>105,063</b>	<b>87,638</b>	<b>19.9</b>
of which reverse repos and cash collaterals	71,536	56,153	27.4
of which relate to the category:			
Loans and receivables	48,496	46,640	4.0
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	56,567	40,998	38.0

Claims on customers after deduction of loan loss provisions amounted to €104,963m (previous year: €87,545m).

### (12) Claims on customers

€m	31.3.2014	31.12.2013 <sup>1</sup>	Change in %
With an indefinite residual term	30,461	30,162	1.0
With a residual term	221,309	222,428	-0.5
up to three months	42,003	39,305	6.9
over three months to one year	25,952	27,836	-6.8
over one year to five years	71,617	73,626	-2.7
more than 5 years	81,737	81,661	0.1
<b>Total</b>	<b>251,770</b>	<b>252,590</b>	<b>-0.3</b>
of which reverse repos and cash collaterals	29,538	28,483	3.7
of which relate to the category:			
Loans and receivables	224,654	226,437	-0.8
Available-for-sale financial assets	-	-	.
At fair value through profit or loss (fair value option)	27,116	26,153	3.7

<sup>1</sup> Prior-year figures restated due to restatement of credit protection insurance (see page 48 f.).

After retrospective restatement of credit protection insurance, claims on customers were €286,173m as at 31 December 2012 and 1 January 2013 respectively.

Claims on customers after deduction of loan loss provisions amounted to €245,265m (previous year<sup>1</sup>: €245,938m).

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance (see page 48 f.).



**(13) Total lending**

€m	31.3.2014	31.12.2013 <sup>1</sup>	Change in %
Loans to banks	22,759	22,577	0.8
Loans to customers	222,237	224,114	-0.8
<b>Total</b>	<b>244,996</b>	<b>246,691</b>	<b>-0.7</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance (see page 48 f.).

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

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

**(14) Loan loss provisions**

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

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

Development of provisioning   €m	2014	2013	Change in %
<b>As at 1.1.</b>	<b>7,019</b>	<b>8,092</b>	<b>-13.3</b>
Allocations	667	871	-23.4
Disposals	723	1,084	-33.3
Utilisation	278	467	-40.5
Reversals	445	617	-27.9
Changes in the group of consolidated companies	-	-	.
Exchange rate changes/reclassifications/unwinding	-94	-37	.
<b>As at 31.3.</b>	<b>6,869</b>	<b>7,842</b>	<b>-12.4</b>

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in provisions of €238m (31 March 2013: €267m) (see Note 2).

Loan loss provisions   €m	31.3.2014	31.12.2013	Change in %
Specific valuation allowances	5,870	5,945	-1.3
Portfolio valuation allowances	735	800	-8.1
<b>Provisions for on-balance-sheet loan losses</b>	<b>6,605</b>	<b>6,745</b>	<b>-2.1</b>
Specific loan loss provisions	127	141	-9.9
Portfolio loan loss provisions	137	133	3.0
<b>Provisions for off-balance sheet loan losses</b>	<b>264</b>	<b>274</b>	<b>-3.6</b>
<b>Total</b>	<b>6,869</b>	<b>7,019</b>	<b>-2.1</b>

For claims on banks, loan loss provisions amounted to €100m (previous year: €93m) and for claims on customers to €6,505m (previous year: €6,652m).

## (15) Trading assets

The Group's trading activities include trading in:

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

Other assets held for trading comprise positive fair values of loans for syndication and emission permits as well as loans and money market trading transactions.

All the items in the trading portfolio are reported at fair value.

The positive fair values also include derivative financial instruments which cannot be used as hedging instruments in hedge accounting.

€m	31.3.2014	31.12.2013	Change in %
Bonds, notes and other interest-rate-related securities	17,716	15,952	11.1
Promissory note loans	1,252	1,007	24.3
Shares, other equity-related securities and units in investment funds	28,861	20,205	42.8
Positive fair values of derivative financial instruments	66,038	65,818	0.3
Currency-related derivative transactions	10,469	12,047	-13.1
Interest-rate-related derivative transactions	51,638	49,687	3.9
Other derivative transactions	3,931	4,084	-3.7
Other trading assets	624	634	-1.6
<b>Total</b>	<b>114,491</b>	<b>103,616</b>	<b>10.5</b>

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €1,960m in equity derivatives (previous year: €2,104m) and €1,496m in credit derivatives (previous year: €1,507m).

## (16) Financial investments

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

investment funds, equity holdings (including companies not accounted for using the equity method and jointly controlled entities) and holdings in non-consolidated subsidiaries.

€m	31.3.2014	31.12.2013	Change in %
Bonds, notes and other interest-rate-related securities <sup>1</sup>	81,415	80,772	0.8
Shares, other equity-related securities and units in investment funds	1,048	1,021	2.6
Equity holdings	137	135	1.5
Holdings in non-consolidated subsidiaries	125	123	1.6
<b>Total</b>	<b>82,725</b>	<b>82,051</b>	<b>0.8</b>
of which relate to the category:			
Loans and receivables <sup>1</sup>	44,424	45,152	-1.6
Available-for-sale financial assets	35,793	34,595	3.5
of which measured at amortised cost	260	258	0.8
At fair value through profit or loss (fair value option)	2,508	2,304	8.9

<sup>1</sup> Reduced by portfolio valuation allowances for reclassified securities of €75m (previous year: €62m).

In its press release of 13 October 2008, the IASB issued an amendment to IAS 39 relating to the reclassification of financial instruments. In accordance with the amendment, securities in the Public Finance portfolio for which there was no active market were reclassified from the IAS 39 available-for-sale financial assets category to the IAS 39 loans and receivables category in the financial years 2008 and 2009. The fair value at the date of reclassification was recognised as the new carrying amount of these securities.

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €-0.5bn as at 31 March 2014 (previous year: €-0.6bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €-2.7bn (previous year: €-2.8bn) as at 31 March 2014; the carrying amount of these portfolios on the balance sheet date was €41.8bn (previous year: €42.5bn) and fair value was €38.7bn (previous year: €39.3bn).

## (17) Intangible assets

€m	31.3.2014	31.12.2013	Change in %
Goodwill	2,080	2,080	0.0
Other intangible assets	1,115	1,127	-1.1
Customer relationships	385	395	-2.5
In-house developed software	492	485	1.4
Other	238	247	-3.6
<b>Total</b>	<b>3,195</b>	<b>3,207</b>	<b>-0.4</b>

**(18) Fixed assets**

€m	31.3.2014	31.12.2013	Change in %
Land and buildings and other fixed assets	1,347	1,311	2.7
Office furniture and equipment	443	457	-3.1
<b>Total</b>	<b>1,790</b>	<b>1,768</b>	<b>1.2</b>

**(19) Other assets**

€m	31.3.2014	31.12.2013	Change in %
Collection items	21	225	-90.7
Precious metals	467	259	80.3
Leased equipment	740	741	-0.1
Accrued and deferred items	409	168	.
Initial/variation margins receivable	228	223	2.2
Other assets	1,591	1,320	20.5
<b>Total</b>	<b>3,456</b>	<b>2,936</b>	<b>17.7</b>

**(20) Liabilities to banks**

€m	31.3.2014	31.12.2013	Change in %
Due on demand	53,552	31,130	72.0
With a residual term	60,519	46,564	30.0
up to three months	27,448	16,275	68.7
over three months to one year	7,848	5,949	31.9
over one year to five years	13,742	13,211	4.0
more than 5 years	11,481	11,129	3.2
<b>Total</b>	<b>114,071</b>	<b>77,694</b>	<b>46.8</b>
of which repos und cash collaterals	48,774	18,288	.
of which relate to the category:			
Liabilities measured at amortised cost	70,935	66,263	7.1
At fair value through profit or loss (fair value option)	43,136	11,431	.

**(21) Liabilities to customers**

€m	31.3.2014	31.12.2013	Change in %
Savings deposits	6,580	6,281	4.8
With an agreed period of notice of			
three months	6,507	6,191	5.1
over three months	73	90	-18.9
Other liabilities to customers	257,794	270,205	-4.6
Due on demand	153,431	157,291	-2.5
With a residual term	104,363	112,914	-7.6
up to three months	45,497	56,092	-18.9
over three months to one year	20,996	17,548	19.6
over one year to five years	14,542	15,383	-5.5
more than 5 years	23,328	23,891	-2.4
<b>Total</b>	<b>264,374</b>	<b>276,486</b>	<b>-4.4</b>
of which repos und cash collaterals	38,184	49,853	-23.4
of which relate to the category:			
Liabilities measured at amortised cost	217,787	220,100	-1.1
At fair value through profit or loss (fair value option)	46,587	56,386	-17.4

**(22) Securitised liabilities**

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

€m	31.3.2014	31.12.2013	Change in %
Bonds and notes issued	56,264	61,328	-8.3
of which Mortgage Pfandbriefe	16,751	18,015	-7.0
Public Pfandbriefe	17,649	17,929	-1.6
Money market instruments issued	2,432	3,326	-26.9
Own acceptances and promissory notes outstanding	22	16	37.5
<b>Total</b>	<b>58,718</b>	<b>64,670</b>	<b>-9.2</b>
of which relate to the category:			
Liabilities measured at amortised cost	55,660	61,611	-9.7
At fair value through profit or loss (fair value option)	3,058	3,059	0.0

Residual maturities of securitised liabilities   €m	31.3.2014	31.12.2013	Change in %
Due on demand	–	–	.
With a residual term	58,718	64,670	–9.2
up to three months	5,872	7,926	–25.9
over three months to one year	12,853	12,847	0.0
over one year to five years	28,881	32,661	–11.6
more than 5 years	11,112	11,236	–1.1
<b>Total</b>	<b>58,718</b>	<b>64,670</b>	<b>–9.2</b>

In the first three months of 2014, material new issues with a total volume of €2.9bn were floated. In the same period the volume of redemptions and repurchases amounted to €0.9bn and the volume of bonds maturing to €7.5bn.

### (23) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify for hedge accounting as well as lending commitments with a negative fair value. Own

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

€m	31.3.2014	31.12.2013	Change in %
Currency-related derivative transactions	10,018	11,896	–15.8
Interest-rate-related derivative transactions	47,497	45,225	5.0
Other derivative transactions	5,834	5,997	–2.7
Certificates and other notes issued	5,394	5,001	7.9
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	7,566	2,891	.
<b>Total</b>	<b>76,309</b>	<b>71,010</b>	<b>7.5</b>

Other derivative transactions consisted mainly of €3,786m in equity derivatives (previous year: €3,858m) and €1,738m in credit derivatives (previous year: €1,785m).

### (24) Provisions

€m	31.3.2014	31.12.2013 <sup>1</sup>	Change in %
Provisions for pensions and similar commitments	1,081	828	30.6
Other provisions	2,946	3,047	–3.3
<b>Total</b>	<b>4,027</b>	<b>3,875</b>	<b>3.9</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance (see page 48 f.).

**(25) Other liabilities**

€m	31.3.2014	31.12.2013 <sup>1</sup>	Change in %
Liabilities attributable to film funds	1,693	1,690	0.2
Liabilities attributable to non-controlling interests	3,300	2,974	11.0
Accrued and deferred items	436	397	9.8
Variation margins payable	229	234	-2.1
Other liabilities	1,615	1,256	28.6
<b>Total</b>	<b>7,273</b>	<b>6,551</b>	<b>11.0</b>

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance (see page 48 f.).

**(26) Subordinated debt instruments**

€m	31.3.2014	31.12.2013	Change in %
Subordinated debt instruments	14,059	14,188	-0.9
Accrued interest, including discounts	-1,174	-1,107	6.1
Remeasurement effects	656	633	3.6
<b>Total</b>	<b>13,541</b>	<b>13,714</b>	<b>-1.3</b>
of which relate to the category:			
Liabilities measured at amortised cost	13,533	13,706	-1.3
At fair value through profit or loss (fair value option)	8	8	0.0

€0.1bn of subordinated debt instruments matured in the first three months of financial year 2014. There were no other material changes.

## Other notes

### (27) Capital requirements and capital ratios

€m	31.3.2014 <sup>1</sup>	31.12.2013	Change in %
Core Tier 1	24,738	24,887	-0.6
Additional Tier 1	-	819	.
<b>Total Tier 1</b>	<b>24,738</b>	<b>25,706</b>	<b>-3.8</b>
Tier 2 capital	7,599	10,945	-30.6
<b>Total capital</b>	<b>32,337</b>	<b>36,651</b>	<b>-11.8</b>

<sup>1</sup> Preliminary figures as at 31 March 2014 due to new regulations.

€m	Capital adequacy requirement		Risk-weighted assets <sup>1</sup>		Change in %
	31.3.2014 <sup>2</sup>	31.12.2013	31.3.2014 <sup>2</sup>	31.12.2013	
Credit risk	13,845	12,720	173,063	159,000	8.8
Market risk <sup>3</sup>	1,609	694	20,113	8,675	.
Operational risk	2,006	1,833	25,075	22,913	9.4
<b>Total capital requirement</b>	<b>17,460</b>	<b>15,247</b>	<b>218,250</b>	<b>190,588</b>	<b>14.5</b>
Core Tier 1	24,738	24,887			
Tier 1 capital	24,738	25,706			
Total capital	32,337	36,651			
Core Tier 1 ratio (%)	11.3	13.1			
Tier 1 ratio (%)	11.3	13.5			
Total capital ratio (%)	14.8	19.2			

<sup>1</sup> Risk-weighted assets are calculated by multiplying the capital requirements by 12.5.

<sup>2</sup> Preliminary figures as at 31 March 2014 due to new regulations.

<sup>3</sup> Including capital adequacy requirements for credit valuation adjustment risks.

### (28) Contingent liabilities and irrevocable lending commitments

€m	31.3.2014	31.12.2013	Change in %
Contingent liabilities	35,833	35,250	1.7
from rediscounted bills of exchange credited to borrowers	4	6	-33.3
from guarantees and indemnity agreements	35,812	35,220	1.7
from other commitments	17	24	-29.2
Irrevocable lending commitments	52,955	52,326	1.2

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



**(29) Derivative transactions**

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

The netting volume as at 31 March 2014 totalled €79,623m (previous year: €101,665m). On the assets side, €78,122m of this

was attributable to positive fair values and €1,501m to variation margins received. Netting on the liabilities side involved negative fair values of €79,504m and liabilities for variation margin payments of €119m.

31.3.2014 €m	Nominal amount by residual term						Fair values	
	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions	7	253,199	151,427	192,177	127,445	724,255	11,022	10,121
Interest-based forward transactions	4	435,029	1,894,346	1,433,121	1,306,603	5,069,103	133,278	134,602
Other forward transactions	2,170	67,168	62,165	120,829	20,796	273,128	3,930	5,835
<b>Total</b>	<b>2,181</b>	<b>755,396</b>	<b>2,107,938</b>	<b>1,746,127</b>	<b>1,454,844</b>	<b>6,066,486</b>	<b>148,230</b>	<b>150,558</b>
<i>of which exchange-traded</i>	–	46,175	59,171	25,139	12,119	142,604		
<b>Net position in the balance sheet</b>							<b>70,108</b>	<b>71,054</b>

31.12.2013 €m	Nominal amount by residual term						Fair values	
	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions	8	233,998	145,722	186,724	121,791	688,243	12,603	11,985
Interest-based forward transactions	5	559,658	2,014,803	1,842,547	1,596,010	6,013,023	153,248	154,358
Other forward transactions	2,254	56,999	63,275	115,320	17,821	255,669	4,084	5,997
<b>Total</b>	<b>2,267</b>	<b>850,655</b>	<b>2,223,800</b>	<b>2,144,591</b>	<b>1,735,622</b>	<b>6,956,935</b>	<b>169,935</b>	<b>172,340</b>
<i>of which exchange-traded</i>	–	40,408	63,222	22,052	9,363	135,045		
<b>Net position in the balance sheet</b>							<b>69,459</b>	<b>70,773</b>

### **(30) Fair value and fair value hierarchy of financial instruments**

Under IAS 39, all financial instruments are initially recognised at fair value; financial instruments that are not classified as at fair value through profit or loss are recognised at fair value plus certain transaction costs. Subsequently, those financial instruments that are classified as at fair value through profit or loss or 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). 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 those 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 are obtained, as far as possible, from observable 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 other inputs 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 Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the Finance function. The models, inputs and resulting fair values are reviewed regularly by Senior Management and the Risk function.

The fair values which can be realised at a later date can deviate from the estimated fair values.

The following summary shows how these measurement principles are applied to the key classes of financial instrument held by the Commerzbank Group:

- Listed derivatives are valued at the bid or offer price available on active markets. In some cases, theoretical prices may also be used. The fair value of OTC derivatives is determined using valuation models that are well established on the financial markets. On the one hand, models may be used that measure the expected future cash flows and discount these to determine the net present value of the financial instruments. On the other hand, alternative models may be used that determine the value at which there is no scope for arbitrage between a given instrument and other related traded instruments. For some derivatives, the valuation models used in the financial markets may differ in the way that they model the fair value and may use different input parameters to different degrees. These models are regularly calibrated to actual 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, asset-backed securities (ABS), mortgage-backed securities, other asset-backed securities and collateralised debt obligations (CDO) 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 equities 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 some 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 active markets.
- 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.
- Level 3: Financial instruments where valuation techniques are used that incorporate inputs for which there is insufficient observable market data and where these inputs have 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 to reflect changes in market liquidity and 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 category. They are broken down according to whether fair value is based on quoted market prices (Level 1), observable market data (Level 2) or unobservable market data (Level 3).

Financial assets   €bn		31.3.2014				31.12.2013			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	56.6	–	56.6	–	41.0	–	41.0
Claims on customers	At fair value through profit or loss	–	26.8	0.3	27.1	–	25.9	0.3	26.2
Positive fair values of derivative hedging instruments	Hedge accounting	–	4.1	–	4.1	–	3.6	–	3.6
Trading assets	Held for trading	41.6	70.8	2.1	114.5	35.5	66.3	1.8	103.6
of which positive fair values from derivatives		–	64.9	1.1	66.0	–	65.0	0.8	65.8
Financial investments	At fair value through profit or loss	1.6	0.9	–	2.5	1.5	0.8	–	2.3
	Available-for-sale financial assets	30.7	4.5	0.3	35.5	32.5	2.0	0.1	34.6
<b>Total</b>		<b>73.9</b>	<b>163.7</b>	<b>2.7</b>	<b>240.3</b>	<b>69.5</b>	<b>139.6</b>	<b>2.2</b>	<b>211.3</b>

Financial liabilities   €bn		31.3.2014				31.12.2013			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	43.1	–	43.1	–	11.4	–	11.4
Liabilities to customers	At fair value through profit or loss	–	46.6	–	46.6	–	56.4	–	56.4
Securitized liabilities	At fair value through profit or loss	3.1	–	–	3.1	3.1	–	–	3.1
Negative fair values of derivative hedging instruments	Hedge accounting	–	7.7	–	7.7	–	7.7	–	7.7
Trading liabilities	Held for trading	12.7	62.8	0.8	76.3	7.8	62.6	0.6	71.0
of which negative fair values from derivatives		–	62.6	0.7	63.3	–	62.6	0.5	63.1
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
<b>Total</b>		<b>15.8</b>	<b>160.2</b>	<b>0.8</b>	<b>176.8</b>	<b>10.9</b>	<b>138.1</b>	<b>0.6</b>	<b>149.6</b>

A number of reclassifications from Level 1 to Level 2 were carried out in the first quarter of 2014, as there were no listed market prices available. This involved €1.7bn in available-for-sale bonds. €5.6 bn was reclassified from securities and receivables held for trading. This figure was €0.1bn for securities issued in trading

liabilities. The reclassifications were determined on the basis of the holdings on 31 December 2013. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

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

Financial assets €m	Claims on customers	Trading assets	of which positive fair values from derivatives	Financial investments		Total
	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	
<b>Fair value as at 1.1.2013</b>	<b>302</b>	<b>2,175</b>	<b>954</b>	<b>53</b>	<b>645</b>	<b>3,175</b>
Changes in the group of consolidated companies	-	-	-	-	-	-
Gains or losses recognised in income statement during the period	-19	-119	-77	2	-26	-162
of which unrealised gains/losses	-	-85	-43	8	-	-77
Gains or losses recognised in revaluation reserve	-	-	-	-	7	7
Purchases	-	612	6	-	165	777
Sales	-	-476	-29	-	-3	-479
Issues	-	-	-	-	-	-
Redemptions	-	-373	-311	-30	-706	-1,109
Reclassifications to Level 3	1	713	550	2	110	826
Reclassifications from Level 3	-	-719	-318	-2	-133	-854
<b>Fair value as at 1.12.2013</b>	<b>284</b>	<b>1,813</b>	<b>775</b>	<b>25</b>	<b>59</b>	<b>2,181</b>
Changes in the group of consolidated companies	-	-	-	-	-	-
Gains or losses recognised in income statement during the period	-2	39	-	-	2	39
of which unrealised gains/losses	-3	3	10	-	-	-
Gains or losses recognised in revaluation reserve	-	-	-	-	-3	-3
Purchases	-	16	-	-	-	16
Sales	-	-76	-66	-	-	-76
Issues	-	-	-	-	-	-
Redemptions	-	-1	-1	-9	-	-10
Reclassifications to Level 3	-	439	396	-	209	648
Reclassifications from Level 3	-	-81	-3	-	-	-81
<b>Fair value as at 31.3.2014</b>	<b>282</b>	<b>2,149</b>	<b>1,101</b>	<b>16</b>	<b>267</b>	<b>2,714</b>

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

In financial year 2014, €0.4bn in positive fair values from derivatives was reclassified as well as €0.1bn in financial instruments available-for-sale, as there were no observable market parameters. In addition, there were no significant reclassifications into or out of Level 3.

Financial liabilities €m	Trading liabilities	of which negative fair values from derivatives	Total
	Held for trading	Held for trading	
<b>Fair value as at 1.1.2013</b>	<b>840</b>	<b>837</b>	<b>840</b>
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–47	–47	–47
of which unrealised gains/losses	–41	–41	–41
Purchases	42	42	42
Sales	–7	–7	–7
Issues	–	–	–
Redemptions	–274	–274	–274
Reclassifications to Level 3	384	229	384
Reclassifications from Level 3	–305	–252	–305
<b>Fair value as at 31.12.2013</b>	<b>633</b>	<b>528</b>	<b>633</b>
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	59	59	59
of which unrealised gains/losses	68	68	68
Purchases	2	2	2
Sales	–7	–	–7
Issues	–	–	–
Redemptions	–6	–6	–6
Reclassifications to Level 3	217	217	217
Reclassifications from Level 3	–95	–79	–95
<b>Fair value as at 31.3.2014</b>	<b>803</b>	<b>721</b>	<b>803</b>

The unrealised gains or losses from financial instruments held for trading purposes (trading liabilities and derivatives) are part of the net trading income.

In financial year 2014, €0.2bn in negative fair values from derivatives was reclassified from Level 2 to Level 3, as there were

no observable market parameters. In addition, there were no significant reclassifications 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 government bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for Level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

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

- Internal rate of return (IRR):

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

- Equity correlation:

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

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

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

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

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

- Credit spread:

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

relation to the benchmark is, the lower the respective 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.

At low correlation, the assets are virtually independent. In the case of an extremely low default correlation assumption, 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 default correlation assumption, 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 three different types of correlations (rate/rate and rate/FX) are shifted one after the other and the exotics interest rate swaps portfolio is revalued each time. The calculated price differences to the respective basis prices determine the sensitivity values for each correlation type. These calculations are performed for each of the 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 entity as a means of discounting the cash flows in a 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 entity. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%.

Assumptions about recovery rates will be a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery assumption implies a higher probability of default (relative to a low recovery assumption) and hence a lower survival probability.

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

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



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

€m		31.3.2014			31.3.2014	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameter	Range	
<b>Derivatives</b>		<b>1,101</b>	<b>804</b>			
Equity-related transactions	Discounted cash flow model	178	82	IRR (%)	3.1	3.5
Credit derivatives	Discounted cash flow model	749	489	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	40	90
Interest-rate-related transactions	Option pricing model	174	233	IR-FX correlation (%)	–39	73
Other transactions		–	–		–	–
<b>Securities</b>		<b>1,554</b>	<b>7</b>			
Interest-rate-related transactions	Price based	1,554	7	Price (%)	7	107
of which ABS	Price based	1,345	–	Price (%)	0	174
Equity-related transactions		–	–		–	–
<b>Loans</b>	<b>Price based</b>	<b>71</b>	<b>–</b>	<b>Price (%)</b>	<b>16</b>	<b>101</b>
<b>Total</b>		<b>2,726</b>	<b>811</b>			

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

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

€m	2014		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
<b>Derivatives</b>	<b>58</b>	<b>–63</b>	
Equity-related transactions	14	–13	IRR
Credit derivatives	33	–39	Credit spread, recovery rate
Interest-rate-related transactions	11	–11	Correlation
Other transactions	–	–	
<b>Securities</b>	<b>72</b>	<b>–54</b>	
Interest-rate-related transactions	72	–54	Price
of which ABS	51	–33	Discount yield, recovery rate, credit spread
Equity-related transactions	–	–	
<b>Loans</b>	<b>7</b>	<b>–7</b>	Price

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of this range. Consequently, the estimates provided are likely to exceed the actual uncertainty in the fair values of these instruments. The purpose of these figures is not to estimate or

predict future changes in fair value. The unobservable parameters were either shifted by between 1 and 10% as deemed appropriate by our independent valuation experts for each type of instrument or a measure of standard deviation was applied.

### Day one profit or loss

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

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

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
<b>Balance as at 1.1.2013</b>	–	2	2
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	1	1
<b>Balance as at 31.12.2013</b>	–	1	1
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–	–
<b>Balance as at 31.3.2014</b>	–	1	1

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

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

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

In the case of reclassified securities contained in the IAS 39 loans and receivables category the fair value is determined on the basis of available market prices insofar as an active market once again exists (Level 1). If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, the discounted cash flow model is applied to the valuation. The parameters used comprise yield curves, risk and liquidity spreads and premiums for administrative expenses and the cost of capital.

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

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

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

€bn	Fair value		Carrying amount		Difference	
	31.3.2014	31.12.2013 <sup>1</sup>	31.3.2014	31.12.2013 <sup>1</sup>	31.3.2014	31.12.2013
<b>Assets</b>						
Cash reserve	7.9	12.4	7.9	12.4	–	–
Claims on banks	105.0	87.5	105.0	87.5	0.0	0.0
Claims on customers	246.6	247.0	245.3	245.9	1.3	1.1
Value adjustment portfolio fair value hedges <sup>2</sup>	0.0	0.0	0.1	0.1	–0.1	–0.1
Positive fair values of derivative hedging instruments	4.1	3.6	4.1	3.6	–	–
Trading assets	114.5	103.6	114.5	103.6	–	–
Financial investments	79.4	78.9	82.7	82.1	–3.3	–3.2
<b>Liabilities</b>						
Liabilities to banks	114.1	77.7	114.1	77.7	0.0	0.0
Liabilities to customers	264.4	276.3	264.4	276.5	0.0	–0.2
Securitised liabilities	61.2	66.5	58.7	64.7	2.5	1.8
Value adjustment portfolio fair value hedges <sup>2</sup>	0.0	0.0	0.9	0.7	–0.9	–0.7
Negative fair values of derivative hedging instruments	7.7	7.7	7.7	7.7	–	–
Trading liabilities	76.3	71.0	76.3	71.0	–	–
Subordinated debt instruments	14.3	14.2	13.5	13.7	0.8	0.5

<sup>1</sup> Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 48 f.).

<sup>2</sup> The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

### (31) Treasury shares

	Number of shares in units	Accounting par value <sup>1</sup> in €1,000	Percentage of share capital
Balance as at 31.3.2014	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 31.3.2014	4,241,337	4,241	0.37
Shares acquired during the current financial year	–	–	–
Shares disposed of during the current financial year	–	–	–

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

### (32) Related party transactions

As part of its normal business activities, the Commerzbank Group does business with related parties. These include subsidiaries that are controlled but not consolidated for reasons of materiality, companies accounted for using the equity method, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board.

Besides the size of the stake held by the German federal government as guarantor of the Financial Market Stabilisation Authority (FMSA), which administers the Financial Market

Stabilisation Fund (SoFFin), 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 continue to constitute related parties as defined by IAS 24.

In the tables below we present relationships with federal government-controlled entities and agencies separately from relationships with other related parties.

Assets, liabilities and off-balance sheet items involving related parties (excluding federal agencies) were as follows:

€m	31.3.2014	31.12.2013	Change in %
Claims on banks	73	83	- 12.0
Claims on customers	1,149	1,386	- 17.1
Trading assets	17	14	21.4
Financial investments	43	45	- 4.4
Other assets	144	40	.
<b>Total</b>	<b>1,426</b>	<b>1,568</b>	<b>- 9.1</b>
Liabilities to banks	6	4	50.0
Liabilities to customers	917	1,227	- 25.3
Securitised liabilities	-	-	.
Trading liabilities	-	-	.
Subordinated debt instruments	625	618	1.1
Other liabilities	24	24	0.0
<b>Total</b>	<b>1,572</b>	<b>1,873</b>	<b>- 16.1</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	100	101	- 1.0
Guarantees and collaterals received	-	-	.

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

€m	1.1.–31.3.2014	1.1.–31.3.2013	Change in %
<b>Income</b>			
Interest	24	28	- 14.3
Commission income	17	5	.
Goods and services	-	1	- 100.0
<b>Gains on disposals and remeasurement</b>	<b>1</b>	-	.
<b>Expenses</b>			
Interest income	12	12	0.0
Commission income	-	-	.
Operating expenses	4	4	- 4.3
Goods and services	14	12	16.7
Write-downs/impairments	11	23	- 52.2
Sonstige	4	-	.

The Commerzbank Group conducts transactions with federal government-controlled entities and agencies as part of its ordinary business activities on standard market terms and conditions.

Assets and liabilities and off-balance-sheet items in connection with federal government-controlled entities changed as follows:

€m	31.3.2014	31.12.2013	Change in %
Cash reserve	1,210	3,430	- 64.7
Claims on banks	128	262	- 51.1
Claims on customers	2,968	2,040	45.5
Trading assets	2,047	1,957	4.6
Financial investments	2,514	2,299	9.4
<b>Total</b>	<b>8,867</b>	<b>9,988</b>	<b>- 11.2</b>
Liabilities to banks	13,495	12,301	9.7
Liabilities to customers	191	1,367	- 86.0
Trading liabilities	1,759	401	.
<b>Total</b>	<b>15,445</b>	<b>14,069</b>	<b>9.8</b>
<b>Off-balance-sheet items</b>			
Guarantees and collaterals granted	221	221	0.0
Guarantees and collaterals received	-	-	.

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

€m	1.1.–31.3.2014	1.1.–31.3.2013 <sup>1</sup>	Change in %
<b>Income</b>			
Interest income	96	151	-36.4
Commission income	-	2	-100.0
Goods and services	-	-	.
<b>Gains on disposals and remeasurement</b>	<b>2</b>	-	.
<b>Expenses</b>			
Interest income	74	79	-6.3
Net loan loss provisions	11	-	.
Commission income	-	-	.
Goods and services	-	-	.
Write-downs/impairments	-	-	.

<sup>1</sup> Prior-year figures restated.

### (33) Information on netting of financial instruments

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

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

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

We apply netting to receivables and liabilities from repurchase agreements (reverse repos and repos) and to positive and negative fair values of derivatives. The balance sheet netting pertains to transactions with central counterparties.

Assets   €m	31.3.2014		31.12.2013	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	85,517	148,230	74,566	169,935
Book values not eligible for netting	5,979	5,292	5,664	5,417
a) Gross amount of financial instruments I & II	79,538	142,938	68,902	164,518
b) Amount netted in the balance sheet for financial instruments I	16,443	78,122	18,884	100,476
c) Net amount of financial instruments I & II = a) – b)	63,095	64,816	50,018	64,042
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42 <sup>1</sup>	9,553	48,177	6,756	48,440
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b) <sup>2</sup>				
Non-cash collaterals <sup>3</sup>	44,028	1,562	30,963	928
Cash collaterals	31	8,454	123	7,731
<b>e) Net amount of financial instruments I &amp; II = c) – d)</b>	<b>9,483</b>	<b>6,623</b>	<b>12,176</b>	<b>6,943</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	9,430	125	11,598	207
<b>g) Net amount of financial instruments I &amp; II = e) – f)</b>	<b>53</b>	<b>6,498</b>	<b>578</b>	<b>6,736</b>

<sup>1</sup> Lesser amount of assets and liabilities.

<sup>2</sup> Excluding rights or obligations to return arising from the transfer of securities.

<sup>3</sup> Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities   €m	31.3.2014		31.12.2013	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	83,117	150,558	72,950	172,340
Book values not eligible for netting	2,342	3,708	2,058	3,690
a) Gross amount of financial instruments I & II	80,775	146,850	70,892	168,650
b) Amount netted in the balance sheet for financial instruments I	16,443	79,504	18,884	101,567
c) Net amount of financial instruments I & II = a) – b)	64,332	67,346	52,008	67,083
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42 <sup>1</sup>	9,553	48,177	6,756	48,440
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b) <sup>2</sup>				
Non-cash collaterals <sup>3</sup>	31,200	725	26,115	621
Cash collaterals	6	16,207	21	15,389
<b>e) Net amount of financial instruments I &amp; II = c) – d)</b>	<b>23,573</b>	<b>2,237</b>	<b>19,116</b>	<b>2,633</b>
f) Fair value of financial collateral of central counterparties relating to financial instruments I	23,544	125	19,050	207
<b>g) Net amount of financial instruments I &amp; II = e) – f)</b>	<b>29</b>	<b>2,112</b>	<b>66</b>	<b>2,426</b>

<sup>1</sup> Lesser amount of assets and liabilities.

<sup>2</sup> Excluding rights or obligations to return arising from the transfer of securities.

<sup>3</sup> Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

## Boards of Commerzbank Aktiengesellschaft

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### Supervisory Board

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Chairman

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

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

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

**Karl-Heinz Flöther**

**Prof. Dr.-Ing. Dr.-Ing. E. h.  
Hans-Peter Keitel**

**Dr. Markus Kerber**

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

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

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

**Dr. Roger Müller**

**Dr. Helmut Perlet**

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

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

**Petra Schadeberg-Herrmann**

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

**Dr. Gertrude Tumpel-Gugerell**

**Solms U. Wittig**

**Dr. Walter Seipp**  
Honorary Chairman

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

### Board of Managing Directors

**Martin Blessing**  
Chairman

**Frank Annuscheit**

**Markus Beumer**

**Stephan Engels**

**Michael Reuther**

**Dr. Stefan Schmittmann**

**Martin Zielke**



Frankfurt am Main, 5 May 2014  
The Board of Managing Directors



Martin Blessing



Frank Annuscheit




Markus Beumer



Stephan Engels



Michael Reuther



Stefan Schmittmann



Martin Zielke

## Review report

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### To **COMMERZBANK Aktiengesellschaft,** **Frankfurt am Main**

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of **COMMERZBANK Aktiengesellschaft, Frankfurt am Main**, for the period from 1 January to 31 March 2014 which are part of the quarterly financial report pursuant to § (Article) 37 x para. 3 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 5 May 2014

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt  
Wirtschaftsprüfer  
(German Public Auditor)

Caroline Gass  
Wirtschaftsprüferin  
(German Public Auditor)

## Significant subsidiaries and associates

Germany	Abroad
Atlas Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main	Commerzbank (Eurasija) SAO, Moscow
comdirect bank AG, Quickborn	Commerzbank International S.A., Luxembourg
Commerz Real AG, Eschborn	Commerzbank Zrt., Budapest
Hypothekenbank Frankfurt AG, Eschborn	Commerz Markets LLC, New York
	Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg, Luxembourg
	mBank S.A., Warsaw

### Operative foreign branches

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

### Representative Offices and Financial Institutions Desks

Addis Ababa, Almaty, Ashgabat, 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, Riga, Santiago de Chile, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tokyo (FI Desk), Tripoli, Zagreb

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

## Disclaimer

### Reservation regarding forward-looking statements

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

### Cover

Angelique Wagenführ  
Customer Advisor, Berlin



#### 2014/2015 Financial calendar

8 May 2014	Annual General Meeting
7 August 2014	Interim Report as at 30 June 2014
6 November 2014	Interim Report as at 30 September 2014
End-March 2015	Annual Report 2014
Early-May 2015	Interim Report as at 31 March 2015

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