

COMMERZBANK

The bank at your side



Interim Report as at 31 March

2018

Key figures

Income statement	1.1. – 31.3.2018	1.1. – 31.3.2017¹
Operating profit (€m)	289	330
Operating profit per share (€)	0.23	0.26
Pre-tax profit or loss (€m)	289	330
Consolidated profit or loss ² (€m)	250	229
Earnings per share (€)	0.20	0.18
Operating return on equity based on CET1 ^{3,4} (%)	5.2	5.6
Return on equity of consolidated profit or loss ⁷ (%)	4.0	3.5
Cost/income ratio in operating business (%)	84.1	78.0
Balance sheet	31.3.2018	31.12.2017
Total assets (€bn)	470.0	452.5
Risk-weighted assets (€bn)	170.1	171.4
Equity as shown in balance sheet (€bn)	29.0	30.0
Total capital as shown in balance sheet (€bn)	38.3	40.1
Regulatory key figures	31.3.2018	31.12.2017
Tier 1 capital ratio (%)	13.8	15.2
Common Equity Tier 1 ratio ⁵ (%)	13.3	14.9
Common Equity Tier 1 ratio ⁵ (fully phased-in; %)	13.3	14.1
Total capital ratio (%)	16.9	18.3
Leverage ratio (%)	4.7	5.5
Leverage ratio (fully phased-in, %)	4.6	5.1
Staff	31.3.2018	31.12.2017
Germany	36,374	36,917
Abroad	12,369	12,500
Total	48,743	49,417
Ratings⁶	31.3.2018	31.12.2017
Moody's Investors Service, New York	A2/Baa1/P-1	A2/Baa1/P-1
S&P Global, New York	A-/A-/A-2	A-/A-/A-2
Fitch Ratings, New York/London	A-/BBB+/F2	A-/BBB+/F2
Scope Ratings, Berlin	-/A/S-1	-/A/S-1

¹ Prior-year figures restated.

² Insofar as attributable to Commerzbank shareholders.

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

⁴ Annualised.

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

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

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

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

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Performance highlights

1 January to 31 March 2018

Key statements

- Commerzbank maintained its growth course in the first quarter of 2018 and continued to implement its strategy. Commerzbank further expanded its customer base in the Private and Small-Business Customers and Corporate Clients segments, and is on track to reach the target set for 2018 of gaining an additional one million net new customers since October 2016. This customer growth helped to offset the impact of stiff price competition.
- For the financial year 2018, Commerzbank is planning to distribute a dividend as announced. €0.05 per share was accrued in the first quarter.
- The operating result for the first three months of 2018 amounted to €289m, compared with €330m in the prior-year period. Consolidated earnings attributable to Commerzbank shareholders were €250m, against €229m in the previous year.
- The Group risk result, especially on account of the lower provisioning required in the Corporate Clients segment, came to €-77m; the non-performing loans (NPL) ratio was 1.0%. Operating expenses increased, especially owing to higher investment in digitalisation and growth, and also due to higher costs for regulatory projects and bank levies.
- The Common Equity Tier 1 ratio was 13.3 %; the leverage ratio was 4.6%.
- The operating return on equity was 5.2%, compared with 5.6% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets; return on tangible equity) was 4.0%, compared with 3.5% the year before. The cost/income ratio rose to 84.1%.

Development of Commerzbank shares

Events on international stock markets were defined by a host of geopolitical events in the first three months of 2018, including the escalating trade tensions between the USA and China, political elections in Russia and Italy, the formation of a grand coalition in the German parliament and the ongoing political tensions in the Middle East and North Korea. Volatility shot up at the end of January, afflicting the positive start of the German equity market, which then suffered considerable setbacks as risk aversion rose. German government bonds were in particular demand and saw their yields fall. The US dollar weakened against the other major currencies despite further rate hikes signalled by the Federal Reserve, while the euro rose sharply in part. In an environment of moderate rate expectations, European banks and cyclical stocks in particular saw price falls. In the first three months of 2018, the EURO-STOXX Banks Index fell by -3.7%, while the Commerzbank share lost -15.7% since the start of the year. This trend is largely due to the fact that general expectations of a rate hike have weakened somewhat since year-end, an aspect to which investors attach greater than average significance for the profitability of Commerzbank.

Highlights of the Commerzbank share	1.1.–31.3.2018	1.1.–31.3.2017
Shares issued in million units (31.3.)	1 252,4	1 252,4
Xetra intraday prices in €		
High	13,82	9,08
Low	10,49	6,97
Closing price (31.3.)	10,54	8,48
Daily trading volume ¹ in million units		
High	21,9	29,9
Low	4,0	6,3
Average	9,6	14,5
Index weighting in % (31.3.)		
DAX	1,1	0,9
EURO STOXX Banks	1,7	1,7
Earnings per share in €	0,20	0,18
Book value per share ² in € (31.3.)	22,26	23,06
Net asset value per share ³ in € (31.3.)	21,08	21,90
Market value/Net asset value (31.3.)	0,50	0,39

¹ Total for German stock exchanges.

² Excluding non-controlling interests.

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

Important business policy and staffing events in the first quarter of 2018

Changes in the Supervisory Board of Commerzbank

As proposed by the Supervisory Board, the Annual General Meeting on 8 May 2018 elected Sabine U. Dietrich, Dr. Tobias Guldemann, Dr. Rainer Hillebrand, Dr. Markus Kerber, Anja Mikus, Dr. Victoria Ossadnik, Dr. Stefan Schmittmann, Robin J. Stalker, Nicholas Teller and Dr. Gertrude Tumpel-Gugerell to the Supervisory Board of Commerzbank Aktiengesellschaft. The election of the employee representatives on the Supervisory Board had already taken place at the start of the year. At its first meeting following the Annual General Meeting the Supervisory Board elected Dr. Stefan Schmittmann as its chairman. For full details of the newly elected Supervisory Board and the composition of the individual committees, please refer to the Commerzbank website at <http://www.commerzbank.com/supervisoryboard>.

Focus on the core business driven forward again

As announced under the Commerzbank 4.0 strategy, Commerzbank wishes to divest the business with investment and financial products and the associated market-making, which makes up most of the former Equity Markets & Commodities (EMC) area. This will allow it to better concentrate on its key competencies as a leading European and Asian provider and market maker for financial products and make even more efficient use of financial resources. The negotiations with parties potentially interested in acquiring this business are currently in a decisive phase, so that an agreement in the short term cannot be ruled out.

Interim Management Report

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Economic conditions

Overall economic situation

There has been no material change in overall economic performance in the first three months of the current year compared to the forecasts in the Annual Report 2017. All in all, the economic growth in the eurozone and Germany is somewhat weaker than originally expected. The firm euro, slightly less lively global demand, rising interest rates and not least the risk of a trade war between the USA and China that emerged towards the end of the first quarter all had an impact, especially on industrials.

Earnings performance, assets and financial position

Commerzbank Group has applied IFRS 9 “Financial Instruments” since 1 January 2018. The application of IFRS 9 has resulted in changes to the Group’s accounting and measurement methods. In accordance with the transitional provisions of IFRS 9, the comparable figures were not restated. Explanations regarding the accounting and measurement methods and the effects arising from the initial adoption of IFRS 9 can be found on page 43 ff or on page 45 ff.

Income statement of the Commerzbank Group

Commerzbank posted an operating profit of €289m in the first three months of 2018, after €330m in the prior-year period.

The individual items in the income statement performed as follows in the reporting period:

At €1,045m, net interest income in the period under review was at the prior-year level. In the Private and Small-Business Customers segment, net interest income – adjusted for non-recurring effects from the purchase price allocation (PPA) depreciation – increased significantly, primarily due to a higher volume of lending in retail mortgage financing. The consumer lending business in Germany also had a positive effect. Besides interest income from the portfolio acquired from the joint venture partner, Commerzbank generated interest income from new business via the Bank’s own instalment loan platform that has been developed since mid-2017.

In Germany, income from the deposit business fell again as a consequence of the persistent low interest rate environment. Nonetheless, this earnings variable is starting to show signs of stabilisation. mBank continues to perform well, leading to higher interest income in the lending as well as the deposit business. The negative impact from the interest rate environment, subdued demand for capital market and hedging products as well as stiff price competition suppressed earnings growth in the Business Segment Corporate Clients. The ongoing strategic reduction of the portfolio transferred from the former Non-Core Assets segment also led as expected to a fall in net interest income from lending. In the period under review, the ACR segment posted a decline in net interest income as a result of the continued portfolio wind-down, among other things.

Net commission income fell by 10.1% year on year to €797m. The decline in net commission income in the Private and Small-Business Customers segment related in particular to the termination of the “Commerz Finanz GmbH” joint venture. In the first quarter of 2017, Commerzbank was still operating its consumer lending business solely via the joint venture. The resultant commission income was lost completely when the joint venture was discontinued, but has been offset since then by interest income generated through the Bank’s own instalment loan platform and from the portfolio acquired from the joint venture partner. In Germany, income from securities transactions also declined, with regulatory changes brought about by the introduction of MiFID II (Markets in Financial Instruments Directive) at the start of the year playing a significant role here. Customer activity, which is higher than average in the first quarter for seasonal reasons, was therefore quite restrained in the period under review. On the other hand, mBank clearly increased its net commission income once again.

The gain from financial assets and liabilities measured at fair value through profit and loss was €345m in the reporting year, after €402m in the prior year. The decline is largely attributable to remeasurement effects in the Others and Consolidation segment.

At €-19m, other net gain or loss from financial instruments was €69m lower than in the previous year. In the period under review, income from financial instruments contained mainly negative remeasurement effects from the Public Finance portfolio. In contrast, positive one-off effects arising from the sale of bonds were reported in 2017.

Other net income amounted to €129m in the period under review, compared with €3m last year. The sharp increase of €126m was mainly a result of the disposal of the Group insurance business of the mBank subsidiary mFinance in the Private and Small-Business Customers segment, and an investment in the Corporate Clients segment. Interest for tax refund claims also had a positive effect on earnings.

The risk result in the period under review came to €-77m. It increased in the Private and Small-Business Customers segment as a result of the Bank taking the instalment loan business on its own books, amongst other factors. All in all, it remains unremarkable relative to total revenue and by historical standards. The risk result in the Corporate Clients segment benefited mainly from a reversal associated with a single exposure and the ongoing very good risk profile of the credit portfolio.

Operating expenses in the period under review came to €1,936m, an increase of 3.8% on the prior-year period. The increase was primarily owing to higher investment in digitalisation and growth, and also due to increased costs for regulatory projects and bank levies. Personnel expenses were €887m, representing a year-on-year fall of 2.5% that was due in particular to the headcount reduction underway. By contrast, other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, rose by 9.8% to €1,049m. The rise was primarily the result of higher investments in IT, increased mandatory contributions – including the European bank levy and the Polish banking tax – and the amortisation of intangible assets.

As a result of the developments described above, the Commerzbank Group generated operating profit of €289m in the first three months of 2018, compared with €330m in the prior-year period. This included measurement effects from counterparty risks of €-54m in the period under review, compared with €66m last year.

Pre-tax profit came to €289m, compared with €330m in the prior-year period. Tax expense for the period under review was only €5m, after €81m the previous year. The tax ratio was reduced in particular by non-recurring effects resulting from the ongoing domestic tax on-site inspection there, and lower tax rates at foreign locations on the operating profit realised there.

Consolidated profit after tax was €285m, compared with €249m in the prior-year period. Net of non-controlling interests, a consolidated profit of €250m was attributable to Commerzbank shareholders for the first quarter of 2018.

Operating profit per share came to €0.23 and earnings per share to €0.20. The comparable figures in the prior-year period were €0.26 and €0.18 respectively.

Balance sheet of the Commerzbank Group

The application of the International Financial Reporting Standard 9 (IFRS 9) lead to changes in the classification and measurement of financial assets, as well as to the impairment of financial assets. In the comments on the balance items, we refer to the comparison figures of 1 January 2018. The reconciliation as at 31 December 2017 (pursuant to IAS 39) as at 1 January 2018 (pursuant to IFRS 9) can be found on page 45 ff.

Total assets of the Commerzbank Group as at 31 March 2018 were €470.0bn. This represented an increase of 4.2% or €19.0bn over the start of 2018.

The cash reserve and demand deposits fell by €1.8bn to €53.4bn. This decline from the reference date of 1 January 2018 was due in particular to lower demand deposits held with central banks.

Financial assets at amortised cost increased by €6.0bn to €271.3bn from the reference date of 1 January 2018. The increase compared with the opening balance sheet is largely the result of an increase in the volume of loans and advances.

At €47.8bn, financial assets mandatorily measured at fair value through profit or loss were €15.6bn higher than on the reporting date of 1 January 2018. The marked increase was primarily due to a seasonal rise in secured money market transactions in the form of reverse repos and cash collateral.

Holdings in companies accounted for using the equity method declined by €21m from the start of 2018 to €160m. This decline was mainly related to the disposal of a shareholding.

At €259m, non-current assets held for sale and disposal groups were €181m higher than as at 1 January 2018. The marked increase was mainly due to the sale of a mortgage loan portfolio.

On the liabilities side, financial liabilities at amortised cost were up €5.7bn from the reference date of 1 January 2018 at €341.7bn. Although the volume of bonds and notes issued declined, deposits increased.

Financial liabilities under the fair value option increased by €16.5bn from the start of 2018 to €36.9bn. The marked increase was largely due to the seasonal rise in secured money market transactions with banks and financial services providers.

Financial liabilities held for trading were €53.8bn, €2.8bn lower than the reference date as at 1 January 2018. The negative fair values – in particular from interest rate and currency derivatives – which declined by around €3bn, made a major contribution to the 4.9% fall.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet on the reporting date as at 31 March 2018 was €27.9bn and therefore in line with the reference date of 1 January 2018.

Risk-weighted assets (fully phased-in) were €170.1bn as at 31 March 2018, therefore €0.9bn below the year-end 2017 level. The decline is based in particular on a reduction in the risk-weighted assets from market risks. The risk-weighted assets from credit risks remained stable quarter on quarter: Increases, from growth in the core business among other things, were offset by reductions from IFRS 9 adjustments, boosted by currency effects and a further reduction of wind-down portfolios. Regulatory Tier 1 capital fell by around €2.5bn to €23.4bn compared with year-end 2017, chiefly as a result of the next stage in the Basel 3 phase-in and the conversion to IFRS 9. The corresponding Tier 1 ratio thus fell to 13.8%. The Common Equity Tier 1 capital was €22.5bn and the corresponding Common Equity Tier 1 ratio 13.3%. The total

capital ratio was 16.9% on the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which compares Tier 1 capital with leverage exposure, was 4.7% (phase-in) or 4.6% (fully phased-in).

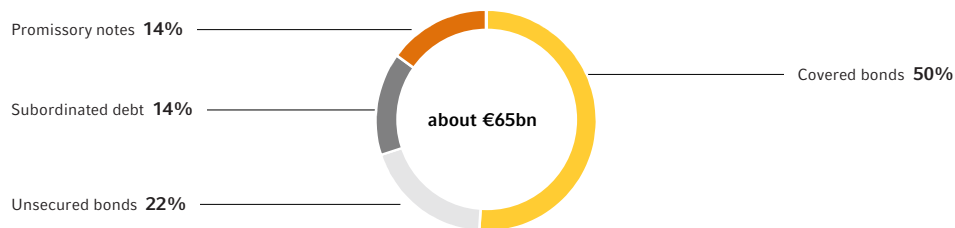
The Bank complies with all regulatory requirements. This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

Funding and liquidity

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

Capital market funding structure¹

As at 31 March 2018



¹ Based on reported figures.

The Commerzbank Group raised a total of €1.2bn in long-term funding on the capital market in the first three months of 2018.

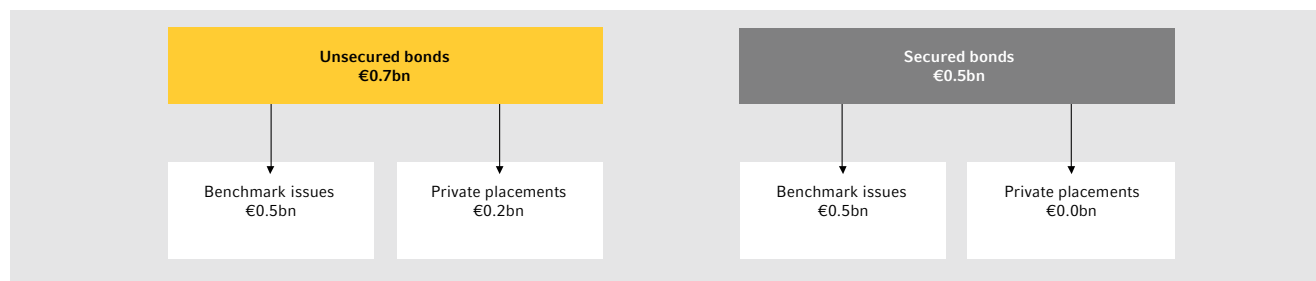
An unsecured benchmark subordinated bond with a volume of €500m and a term of ten years was issued in the first quarter. A further €0.2bn was raised via private placements.

In the collateralised area, a €500m mortgage Pfandbrief with a seven-year term was issued.

The focus has been on the long end, so the average term of securities issued in 2018 so far has been over nine years.

Group capital market funding in the first three months of 2018

Volume €1.2bn



As at the reporting date, the Bank had a liquidity reserve of €80.9bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. This liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8bn as at the reporting date.

At 143.42% (average of the respective last twelve month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the LCR can be found in Note 47 of the interim financial statements.

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

Segment performance

The comments on the segments' results for the first three months of 2018 are based on the new segment structure described on pages 55 and 233 ff. of the Annual Report 2017. Further information on this subject can be found on page 93 ff. of the interim financial statements. Explanations regarding restatements of prior-year figures can be found on page 42 f. of the interim financial statements.

Private and Small-Business Customers

€m	1.1.–31.3.2018	1.1.–31.3.2017 ¹	Change in %/%-points
Income before risk result	1 237	1 168	6,0
Risk result	-52	n/a	.
Loan loss provisions	n/a	-33	.
Operating expenses	984	941	4,5
Operating profit/loss	202	194	4,1
Average capital employed	4 633	4 327	7,1
Operating return on equity (%)	17,4	17,9	-0,5
Cost/income ratio in operating business (%)	79,5	80,6	-1,0

¹ Prior-year figures adjusted (see page 42 f. of the interim financial statements).

The Private and Small-Business Customers segment achieved a marked year-on-year increase in operating income in the first quarter of 2018, thanks to the positive growth in business volume in Germany and at mBank. The continued growth in new customer acquisition in both core market regions also made a positive

contribution. After taking into account higher risk costs in the lending business and operating expenses, operating profit was increased slightly by €8m in total over the same period of the previous year to €202m.

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Income before loan loss provisions increased significantly by €70m to €1,237m in the period under review. The figure includes non-recurring effects of €25m. €52m was realised in connection with the disposal of the Group insurance business of the mBank subsidiary mFinance. In contrast, purchase price allocation (PPA) depreciation in Germany of €-27m was recognised through the income statement. This allocates measurement differences in the course of the takeover of the instalment loan portfolio from the former joint venture partner over the residual maturity of the consumer financings transferred in August of the previous year. Net interest income – adjusted for non-recurring effects – increased significantly by €75m to €643m, primarily due to a higher volume of lending. The consumer lending business in Germany also had a positive effect. Besides interest income from the portfolio acquired from the joint venture partner, Commerzbank generated interest income from new business via the Bank's own instalment loan platform that has been developed since mid-2017. In Germany, income from the deposit business fell again as a consequence of the persistent low interest rate environment. Nonetheless, this earnings variable is starting to show signs of stabilisation. mBank continues to perform well, leading to higher interest income in the lending and the deposit business, due to margin expansion and volume growth. Overall, net commission income fell by €-36m from the previous year to €509m, reflecting in particular the end of the Commerz Finance GmbH joint venture. In the first quarter of 2017, Commerzbank was still operating its consumer lending business solely via the joint venture. The resultant commission income was lost

completely when the joint venture was discontinued, but has been offset since then by interest income generated through the Bank's own instalment loan platform and from the portfolio acquired from the joint venture partner. In Germany, income from securities transactions also declined, with regulatory changes brought about by the introduction of MiFID II (Markets in Financial Instruments Directive) at the start of the year playing a significant role. Customer activity, which is higher than average in the first quarter for seasonal reasons, was therefore quite restrained in the period under review. On the other hand, mBank clearly increased its commission income once again.

The risk result in the Private and Small-Business Customers segment was €-52m in the period under review, as a result of the Bank taking the instalment loan business on its own books, amongst other factors. All in all, the risk result remains unremarkable relative to total revenue as well as in historical terms.

Operating expenses increased by €43m year on year to €984m. Unchanged personnel expenses were offset by a rise in other operating expenses and indirect operating expenses. This reflects the unchanged high level of investment. However, some of the increase was attributable to another rise in regulatory costs, including the banking levy and costs for the deposit protection scheme.

Overall, the Private and Small-Business Customers segment posted pre-tax profit of €202m in the first quarter of 2018, after €194m in the prior-year period.

Corporate Clients

€m	1.1.–31.3.2018	1.1.–31.3.2017 ¹	Change in %/%-points
Income before risk result	966	1 100	-12,2
Risk result	-23	n/a	.
Loan loss provisions	n/a	-43	.
Operating expenses	799	790	1,1
Operating profit/loss	145	267	-45,7
Average capital employed	10 636	12 246	-13,1
Operating return on equity (%)	5,5	8,7	-3,3
Cost/income ratio in operating business (%)	82,6	71,8	10,8

¹ Prior-year figures adjusted (see page 42 f. of the interim financial statements).

The first three months of 2018 were challenging for the Corporate Clients segment, with persistently low interest rates, stiff price competition on the German market and the regulatory environment impacting on earnings. Growing geopolitical uncertainties also went hand in hand with lower customer activity. The strategic reorganisation of the Corporate Clients segment

continued in the first quarter of 2018 as well. This was also reflected in its earnings performance, with the segment posting an operating profit of €145m in the first three months after €267m in the previous year. The decline in earnings is attributable mainly to the competitive environment which put pressure on margins and weakened demand for capital market and hedging products.

The Mittelstand division benefited from the segment's solid market position, which is reflected in slightly higher total lending. However, the negative impact of the interest rate environment and subdued demand for capital market and hedging products and the stiff price competition suppressed earnings development. The International Corporates division recorded weaker income due to lower margins. The realignment of the Financial Institutions division reported a positive trend in the course of business in the first three months of the financial year. Nonetheless, the reduced customer base led to a lower contribution to earnings compared with the previous year. Based on above-average positive performance by the equity market the year before, which was accompanied by lower volatility, the earnings performance in Equity Markets & Commodities was weighed on by lower demand for structured products in the first three months of the financial year. The ongoing strategic reduction of the portfolio transferred

from the former Non-Core Assets segment also led as expected to a fall in net interest income from lending.

In the period under review, income before loan loss provisions of €966m was down €134m or 12.2% from the previous year. Net interest income was €373m, down €110m. Net commission income amounted to €294m. This was €53m lower than last year, mainly due to a lower contribution from capital market and hedging products.

The risk result benefited mainly from a reversal associated with a single exposure and the ongoing very good risk profile of the credit portfolio, and amounted to €-23m in the period under review.

Operating expenses were €799m, up €9m on the prior-year figure. Spending on strategic development was offset in particular by lower contributions for the European banking levy.

Overall, the segment posted a pre-tax profit of €145m compared with €267m in the prior-year period.

Asset & Capital Recovery

€m	1.1.–31.3.2018	1.1.–31.3.2017 ¹	Change in %/%-points
Income before risk result	45	115	-60,8
Risk result	0	n/a	.
Loan loss provisions	n/a	-119	.
Operating expenses	27	29	-7,5
Operating profit/loss	18	-33	.
Average capital employed	2 483	3 165	-21,6
Operating return on equity (%)	2,9	-4,2	.
Cost/income ratio in operating business (%)	59,7	25,3	34,4

¹ Prior-year figures adjusted (see page 42 f. of the interim financial statements).

Since the beginning of the year, the ACR segment has continued to press ahead with the existing wind-down mandate. As at the end of the first quarter of 2018, it reported a total volume (exposure at default, EaD, including non-performing loans and fair value positions with default indicators) of €10.8bn in assets that no longer form part of the core business of Commerzbank. The riskier sub-portfolios in commercial real estate and shipping loans accounted for a volume of €2.6bn. Operating profit posted €18m, after €-33m in the prior-year period.

Income before loan loss provisions fell by €70m to €45m. Compared with the prior-year period, earnings benefited from one-off income of €68m, resulting from the write-up of a position with a counterparty – to hedge against counterparty risk – that had been written off. Following the introduction of the IFRS 9 accounting standard as at 1 January 2018, the loans and securities held in the ACR segment will be recognised at their fair value to a greater extent than before. The measurement of fair values generally makes it easier to achieve the strategic objective of further reducing the residual portfolio in a value-preserving manner. However, fluctuations in assets and liabilities, depending on the situation of the underlying market segments, can lead to heightened volatility in earnings on a quarterly basis. Therefore, reporting periods with negative income on balance cannot be ruled out in the future either.

Since the start of the year, the ship financing portfolio is also measured at fair value through profit or loss. Fluctuations in the market values of the shipping loans therefore no longer impact on the risk result. Loan loss provisions of €-119m in the same quarter of the previous year – i.e. before the ship financings were recategorised in 2018 as a result of IFRS 9 – still largely reflects valuation allowances on the portfolio that was significantly larger in the previous year.

The ACR segment once again cut operating expenses slightly by €2m to €27m.

Overall, the ACR segment posted a pre-tax profit of €18m in the period under review. This represents a €51m improvement compared with the same period of the previous year.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching Group and specific individual matters such as expenditure on regulatory fees. 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. Others and Consolidation also covers staff, management and support functions, which are likewise largely charged to the segments. For the functions, restructuring costs are an exception to transfer charging, as these are reported in the division centrally.

The Others and Consolidation segment reported operating income and a pre-tax loss of €-76m for the first quarter of 2018, compared with a loss of €-98m in the comparable prior-year period. The €23m increase is largely due to the declining negative impact from the effects of the purchase price allocation associated with the acquisition of Dresdner Bank.

Outlook and opportunities report

Future economic situation and future situation in the banking sector

Our view regarding the expected development of the banking sector in the current financial year has not changed substantially from our comments published in the Annual Report 2017. The expected trend in the overall economic picture for the current year has changed since the forecasts we made in the Annual Report 2017, in that owing to the weaker growth at the start of the year in the eurozone and Germany we now expect real gross domestic product to grow by only 2.3% in 2018 (previously 2.5%). At the same time, the risk of a trade war between the USA and China, which would have a massive impact on the global economy and on financial markets, has risen considerably.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates a capital market funding requirement of less than €10bn over the coming years. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments such as senior unsecured and Tier 2, Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. As such, Pfandbriefe are a key element of Commerzbank's funding mix. Issuance formats range from large-volume benchmark bonds to private placements. Commerzbank does not anticipate any negative effects on the placing of long-term funding instruments in connection with Brexit.

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 did not change significantly in the first three months of the current year from the plans set out on pages 91 to 93 of the Annual Report 2017. Commerzbank's current and planned investment activity relates to measures under the "Commerzbank 4.0" strategy. We will be spending the coming years making our business model consistently more focused, implementing digital transformation and boosting efficiency.

Anticipated liquidity trends

In the first quarter of 2018, the eurozone money and capital markets were again characterised by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone.

The ECB continues to provide additional liquidity through its securities purchase programme. January 2018 saw the purchase programme for government bonds and other securities reduced from €60bn per month to €30bn per month. The programme is intended to run until at least the end of September 2018. Excess liquidity was around €1,760bn as at the end of March 2018. We expect that in 2018 the ECB will again be a net buyer of securities and believe the translation into demand for credit will remain modest.

The restrictive regulatory environment and ECB interest rate policy are still having a limiting effect on turnover in the repo market. The ECB's purchase programme continues to cause a shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. Liquidity trends on the bond markets are still dictated largely by the ECB's activities. Secondary market liquidity, which has already been significantly reduced, will remain modest due to the ECB's activities. We still assume that German government bond yields in the range of up to five years will be negative and anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and able to respond promptly to new market circumstances. We still anticipate no significant impact on our liquidity situation from Brexit. The Bank has a comfortable liquidity position that is well above internal limits and the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk.

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

Anticipated performance of the Commerzbank Group

We essentially stand by what we said in the Annual Report 2017 about the anticipated performance of the Commerzbank Group.

Overall, given the conditions and risk factors described, we still expect consolidated net profit to increase substantially in 2018 compared with the previous year.

Interim Risk Report

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

Interim Risk Report

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Risk-oriented overall bank management

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

Risk management organisation

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

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

Further details on the risk management organisation within Commerzbank can be found in the Group Risk Report 2017.

Risk-bearing capacity and stress testing

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

Commerzbank monitors risk-bearing capacity (RBC) 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 macro-economic stress scenarios. The Group Risk Report 2017 provides further details on the methodology used.

The monitoring and management by means of risk-bearing capacity is carried out monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In the year to date, the RBC ratio has consistently been above 100% and stood at 204% as at 31 March 2018. The RBC ratio remains at a high level.

Risk-bearing capacity Group €bn	31.3.2018	31.12.2017
Economic risk coverage potential ¹	28	30
Economically required capital ²	14	14
thereof for default risk	10	10
thereof for market risk ³	3	3
thereof for operational risk	2	2
thereof diversification effects	-2	-2
RBC ratio (%)⁴	204	217

¹ Including deductible amounts for business risk.

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

³ Including deposit model risk.

⁴ RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

Default risk

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

Commerzbank Group

Commerzbank focusses its business on two customer segments, "Private and Small-Business Customers" and "Corporate Clients". In the "Asset & Capital Recovery" segment, the Bank has bundled the activities of the Commercial Real Estate and Ship Finance areas and complex financings from the Public Finance area. The intention is that all the portfolios in this segment should be completely wound down over time.

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

The credit risk parameters in the rating classes 1.0 to 5.8 were as follows as at 31 March 2018:

Credit risk parameters as at 31.3.2018	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	157	412	26	2,343
Corporate Clients	183	405	22	5,110
Others and Consolidation ¹	71	48	7	1,983
Asset & Capital Recovery	10	167	169	753
Group	421	1,032	25	10,189

¹ Mainly Treasury liquidity portfolios.

When broken down on the basis of PD ratings, 84% of the Group's portfolio is in the internal rating classes 1 and 2, which constitute the investment-grade area.

Rating breakdown as at 31.3.2018 EaD %	1.0-1.8	2.0-2.8	3.0-3.8	4.0-4.8	5.0-5.8
Private and Small-Business Customers	31	51	14	3	1
Corporate Clients	20	61	15	3	1
Others and Consolidation	62	35	3	0	0
Asset & Capital Recovery	4	71	9	2	14
Group	31	53	13	2	1

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, 7% to North America and 5% to Asia, respectively. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries. A main driver of the expected loss in the region “Other” is ship financing.

Group portfolio by region as at 31.3.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	223	438	20
Western Europe	94	139	15
Central and Eastern Europe	40	198	49
North America	30	67	23
Asia	23	35	15
Other	12	154	131
Group	421	1,032	25

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of the first quarter of 2018, exposure to Russia was €2.5bn, exposure to Turkey was €2.5bn and exposure to China was €6.8bn.

The sovereign exposures of Italy and Spain are also still closely monitored as a result of the sovereign debt crisis. As at the end of the first quarter of 2018, Commerzbank's Italian sovereign exposure was €9.4bn, while its Spanish sovereign exposure was €0.9bn.

Risk result The risk result relating to the Group's lending business in the first quarter of 2018 amounted to €77m. The risk result in the Corporate Clients segment benefited mainly from a reversal associated with a single exposure.

In the first quarter the calculation of the risk result showed substantial changes due to the conversion to IFRS 9. The following table shows the breakdown of the risk result by stage according to IFRS 9. In Note (5) of the Interim Financial Statements (changes in accounting and measurement policies) details regarding the stages can be found; in Note (10) (risk result) the definition of risk result can be found.

Risk result €m	Q1 2018				Q1 2017
	Stage 1	Stage 2	Stage 3	Total	Total ¹
Private and Small-Business Customers	-35	53	33	52	33
Corporate Clients	-16	22	17	23	43
Others and Consolidation	2	0	0	2	0
Asset & Capital Recovery	-1	1	-1	0	119
Group	-49	77	50	77	195

¹ Loan loss provisions 2017 according to IAS 39.

The fluctuations of market values in the shipping portfolio are not recognised in the risk result. They are recognized in gain or loss from financial assets and liabilities measured at fair value through profit and loss.

For 2018 as a whole, we expect a risk result under the IFRS 9 regime of less than €600m. In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, the risk result can be significantly higher.

Default portfolio The Group's default portfolio stood at €4,209m as at 31 March 2018.

The following table shows claims in the default portfolio in the loans and securities categories. The decline in the default portfolio is mainly due to the reclassification of the shipping portfolio as part of the conversion to IFRS 9 at the beginning of 2018. The exposure of fair value positions with default criterion stood at €690m.

Default portfolio Group €m	31.3.2018			31.12.2017 ¹
	Loans	Securities	Total	Total
Default portfolio	4,119	90	4,209	5,569
LLP ²	1,608	14	1,623	2,770
Coverage ratio excluding collateral (%) ³	39	16	39	50
Collaterals	986	0	986	1,578
Coverage ratio including collateral (%) ³	63	16	62	78
NPL ratio (%) ⁴			1.0	1.3

¹ Until 31 December 2017 only loans.

² Loan Loss Provision.

³ Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.

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

Private and Small-Business Customers segment

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with

a total EaD of €77bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €19bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans and credit cards, to a total of €14bn). The portfolio's expansion in the first quarter of 2018 was largely due to residential mortgage loans.

Risk density is unchanged compared with year-end 2017 at 26 basis points.

Credit risk parameters as at 31.3.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	93	173	19
Business Customers	28	66	24
comdirect bank	4	6	14
Commerz Real	0	1	27
mBank	32	166	52
Private and Small-Business Customers	157	412	26

In the Private and Small-Business Customers segment, the risk result in the first quarter of 2018 was €52m and therefore remained at a low level.

The default portfolio in the segment stood at €1,834m as at 31 March 2018.

Default portfolio PSBC €m	31.3.2018			31.12.2017
	Loans	Securities	Total	Total
Default portfolio	1,834	0	1,834	1,864
LLP	872	0	872	951
Coverage ratio excluding collateral (%)	48	0	48	51
Collaterals	557	0	557	564
Coverage ratio including collateral (%)	78	0	78	81
NPL ratio (%)			1.2	1.2

Corporate Clients segment

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

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Credit risk parameters as at 31.3.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	75	160	21
International Corporates	61	107	17
Financial Institutions	23	59	25
Equity Markets & Commodities	4	3	7
Other	19	76	39
Corporate Clients	183	405	22

The EaD of the Corporate Clients segment increased from €180bn to €183bn compared with 31 December of the previous year. Risk density fell from 23 basis points to 22 basis points.

For details of developments in the Financial Institutions portfolio, please see page 20 f.

Supported by continuing robustness in the overall economy, the risk result in the Corporate Clients segment was again at a low level in the first quarter of 2018, at €23m.

The default portfolio in the segment stood at €2,118m as at 31 March 2018. The exposure of fair value positions with default criterion stood at €70m.

Default portfolio CC €m	31.3.2018			31.12.2017
	Loans	Securities	Total	Total
Default portfolio	2,029	90	2,118	2,592
LLP	638	14	652	1,243
Coverage ratio excluding collaterals (%)	31	16	31	48
Collaterals	319	0	319	543
Coverage ratio including collaterals (%)	47	16	46	69
NPL ratio (%)			1.1	1.4

Asset & Capital Recovery segment

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

EaD for the ACR segment in the performing loan book totalled €10bn as at 31 March 2018, which is a decrease of €3bn compared with the end of the previous year which was mainly due to the conversion to IFRS 9 and the ongoing wind-down of the portfolio.

Credit risk parameters as at 31.3.2018	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	1	10	116
Ship Finance	1	101	1,148
Public Finance	8	57	69
Asset & Capital Recovery	10	167	169

Commercial Real Estate The portfolio further decreased due to redemptions and repayments. Compared with 31 December 2017, risk density decreased from 185 basis points to 116 basis points.

Ship Finance Compared with 31 December 2017, ship finance exposure in the performing loan book was reduced by €1bn which was mainly due to the conversion to IFRS 9. The decrease is mainly due to the introduction of the fair value approach according to IFRS 9.

Overall our portfolio is mainly made up of the following three standard types of ship: container ships (€0.5bn), tankers (€0.3bn) and bulkers (€0.3bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

We expect charter rates on the shipping markets in 2018 to be similar to last year's levels. Although excess supply of tonnage should continue to reduce, a significant overhang will remain. The positive trend, which started in 2017, will receive support from the global economic and trade growth forecast by the International Monetary Fund (IMF).

We anticipate the overall shipping market will recover over the longer term, but that this recovery will vary depending on the ship segment, and within the segment on the size of the ship. Long-term forecasts indicate that charter rates are expected to recover, depending on the ship segment and the ship type, by between +10% and more than +50% over the next several years on the respective level as at the end of 2017. It is important to note that this recovery is based on a starting level of charter rates at the end of 2017 that is still very low in many ship segments.

The Bank will continue to reduce problem and non-performing loan exposures as part of its ongoing effort to run down the portfolio.

Public Finance The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€3.2bn EaD), a private finance initiative (PFI) portfolio (€3.7bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.3bn EaD).

The risk result in the ACR segment was €0.2m in the first quarter of 2018.

The default portfolio in the segment stood at €256m as at 31 March 2018. The decrease of the parameters is mainly due to the reclassification of the shipping portfolio as part of the conversion to IFRS 9 at the beginning of 2018. The exposure of fair value positions with default criterion stood at €620m. The default portfolio of the sub-portfolio Ship Finance stood at €729m as at 31 December 2017.

Default portfolio ACR €m	31.3.2018			31.12.2017
	Loans	Securities	Total	Total
Default portfolio ¹	256	0	256	1,113
LLP	98	0	98	571
Coverage ratio excluding collaterals (%)	38	0	38	51
Collaterals	110	0	110	471
Coverage ratio including collaterals (%)	81	0	81	94
NPL ratio (%)			2.5	7.9

Corporates portfolio by sector as at 31.3.2018	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	18	39	22
Consumption	15	41	28
Wholesale	12	46	38
Technology/Electrical industry	12	31	27
Transport/Tourism	11	24	22
Automotive	10	22	22
Basic materials/Metals	10	25	26
Services/Media	9	24	26
Chemicals/Plastics	9	38	42
Mechanical engineering	9	24	27
Construction	5	14	27
Pharmaceutical/Healthcare	4	11	27
Other	5	12	24
Total	129	350	27

Financial Institutions portfolio

Our network of correspondent banks continued to focus on trade finance activities on behalf of our corporate customers and on capital market activities. In derivatives, we are entering into trades with selected counterparties under the new European Market Infrastructure Regulation (EMIR) standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, we continue to pursue our

Further portfolio analyses

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

Corporates portfolio by sector

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

strategy of holding as few exposures as possible which might absorb losses in the event of a bail-in of an affected institution.

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

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FI portfolio by region	31.3.2018			31.12.2017		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	4	9	5	5	11
Western Europe	14	11	8	13	9	7
Central and Eastern Europe	4	16	39	4	16	42
North America	2	1	7	2	1	9
Asia	11	24	21	11	27	25
Other	5	16	36	5	19	40
Total	40	73	18	38	77	20

Non-Bank Financial Institutions portfolio

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

We carry out new business with NBFIs, partly in light of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

NBFIs portfolio by region	31.3.2018			31.12.2017		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	24	14	17	25	15
Western Europe	13	22	17	12	20	16
Central and Eastern Europe	1	7	73	1	5	56
North America	7	37	52	7	41	58
Asia	1	2	12	1	1	10
Other	1	4	27	1	1	16
Total	41	95	23	40	94	24

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €6.9bn, primarily for capital management purposes.

As at the reporting date 31 March 2018, risk exposures with a value of €6.4bn were retained. By far the largest portion of these positions is accounted for by €6.2bn of senior tranches, which are nearly all rated good or very good.

Securitisation pool €bn	Maturity	Commerzbank volume ¹			Total volume ¹ 31.3.2018	Total volume ¹ 31.12.2017
		Senior	Mezzanine	First loss piece		
Corporates	2025 - 2036	6.2	<0.1	0.1	6.9	7.6
Total		6.2	<0.1	0.1	6.9	7.6

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). In the first quarter of 2018, the volume and risk values¹ in the Silver Tower remained stable on the same level as at 31 December 2017 and stood at €4.0bn as at the end of March 2018.

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

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. The volume fell to €4.2bn year-to-date in 2018 (December 2017: €4.5bn), while risk values also fell to €4.2bn (December 2017: €4.4bn).

Furthermore, there exist investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €2.9bn (December 2017: €2.9bn and no change, respectively). In general, we have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile. Remaining structured credit positions in a volume of €1.3bn were already in the portfolio prior to 2014 (December 2017: €1.6bn and decrease by €0.3bn in the first quarter of 2018), while risk values stood at €0.4bn (December 2017: €0.7bn and decrease by €0.3bn in the first quarter of 2018).

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact

profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are reflected in the revaluation reserve or in hidden liabilities/reserves.

Risk management

A standardised value at risk model (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. For smaller entities of Commerzbank group we use standardised approaches as part of the partial use. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Group Risk Report 2017. In order to provide a consistent presentation in this report, all figures relating to VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254 days' history.

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. In addition, for regulatory purposes the trading book is managed separately (in accordance with regulatory requirements, including currency and commodity risks in the banking book) and interest rate risks in the banking book are managed on a stand-alone basis.

In the first quarter of 2018, the VaR for the overall book had slightly fallen by €3m to €51m.

VaR contribution €m	31.3.2018	31.12.2017
Overall book	51	54
thereof trading book	11	9

Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients segment and Group Treasury division. The VaR figures comprise all risks in the internal VaR model. Smaller entities of Commerzbank group use standardised approaches for their regulatory capital calculation as part of the partial use. These figures are not contained in the VaR figures shown in this report.

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

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VaR rose from €9m to €11m in the first quarter of 2018, primarily due to the developments in the Corporate Clients segment. The main causes were concerns about trade restrictions and punitive tariffs, and the associated strong movements on global stock markets.

VaR of portfolios in the trading book €m	Q1 2018	2017
Minimum	7	9
Mean	9	15
Maximum	12	25
VaR at end of reporting period	11	9

The market risk profile is diversified across all asset classes. The change in VaR in the first quarter of 2018 shows an increase in share price and credit spread risks and a decline in interest and foreign exchange risks. This is mainly due to the strong movements on the global stock markets mentioned above.

VaR contribution by risk type in the trading book €m	31.3.2018	31.12.2017
Credit spreads	2	1
Interest rates	2	3
Equities	4	2
FX	2	3
Commodities	1	1
Total	11	9

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same in the first quarter of 2018. Stressed VaR fell from €31m at end-2017 to €29m at the end of the first quarter of 2018, especially in the Corporate Clients segment.

The market risk profile in stressed VaR is also diversified across all asset classes.

Stressed VaR contribution by risk type in the trading book €m	31.3.2018	31.12.2017
Credit spreads	8	8
Interest rates	6	8
Equities	7	5
FX	5	8
Commodities	3	1
Total	29	31

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge increased by €9m to €52m at the end of the first quarter of 2018 and is mainly related to the Corporate Clients segment.

The reliability of the internal model (historical simulation) is monitored in various ways, including by backtesting on a daily basis. The VaR calculated is set against actually occurring profits and losses. The VaR used in backtesting is based on the complete historical simulation and therefore represents all internal models used in the market risk VaR calculation of capital adequacy requirements at Group level. The process draws a distinction between “clean P&L” and “dirty P&L” backtesting. In the former, exactly the same positions in the income statement are used as were used for calculating the VaR. This means that the profits and losses result only from changes in market prices (hypothetical changes in the portfolio value). In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are also included (actual profits and losses induced by portfolio value changes). Profits and losses from valuation adjustments and model reserves are factored into dirty and clean P&L according to the regulatory requirements. If the actual loss exceeds the VaR, it is described as a negative backtesting outlier.

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first quarter of 2018, we saw no negative clean or dirty P&L outliers. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses on the assumption of normal market conditions, it is supplemented by the calculation of stress tests. These stress tests measure the risk to which Commerzbank could be 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. Scenarios for changes in inflation are also taken into account. Events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve or changes to the curve's gradient. Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

The internal model's individual components are independently validated at regular intervals to assess their appropriateness for risk measurement. The identification and elimination of model weaknesses are of particular importance in this. Against this background, an application for a model change to enhance the accuracy of risk measurement was submitted to the supervisory authority at the end of 2016. One of the main reasons for this was a change in the level of interest rates and volatilities in the market. The supervisory authority conducted its review in 2017 and its final approval is expected shortly.

Banking book

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

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) stood unchanged at €43m at the end of the first quarter of 2018.

Most credit spread sensitivities related to securities positions classified as hold to collect (HtC). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the Banking Directive, the Federal Financial Supervisory Authority has prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/-200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter.

The outcome of the +200 basis points scenario would be a potential loss of €1,987m, while the -200 basis points scenario would result in a potential profit of €153m as at 31 March 2018. Commerzbank does not therefore need to be classified as a bank with higher interest rate risk as the negative changes in present value account for less than 20% of regulatory capital.

As at 31 March 2018, the interest rate sensitivity of the entire banking book amounted to €3.4m per basis point of reduction in the interest rate.

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

Market liquidity risk

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

The first step is to create a realistic downsizing profile for each portfolio on the basis of its product and risk strategies and an assessment of the market. This enables portfolios to be classified in terms of their convertibility into cash using a "market liquidity factor". The market liquidity factor takes into account the heightened volatility of portfolio value resulting from the extended holding period for risk positions in line with the portfolio's downsizing profile. The market risk of every portfolio is then evaluated based on a one-year view with a confidence level of 99.91% and weighted with the market liquidity factor.

As at the end of the first quarter of 2018, Commerzbank had earmarked €0.1bn in economic capital to cover market liquidity risk in the trading and banking book. Asset-backed securities and structured products in particular had a higher market liquidity risk.

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Liquidity risk

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

Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore. Additional information on this subject can be found in the section "Funding and liquidity" in the Interim Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

This is also applicable for payment obligations in foreign currencies. In addition, the Bank also mitigates a concentration by continuously using broadly diversified sources of funding, particularly diverse customer deposits and capital market instruments.

Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

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

Quantification and stress testing

Commerzbank uses a wide range of tools to manage and monitor liquidity risks on the basis of its own liquidity risk model. In addition to internal economic considerations, liquidity risk modelling also factors in the binding regulatory requirements under the Capital Requirements Regulation (CRR) and the stricter requirements of the Minimum Requirements for Risk Management (MaRisk), the revised version of which has been in place since end-2017. Commerzbank incorporates this within its liquidity risk framework, thereby quantifying the liquidity risk appetite established by the full Board of Managing Directors.

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

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

The table below shows the liquidity gap profile after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of the first quarter of 2018, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €8.5bn and €12.2bn respectively. The liquidity position of Commerzbank is comfortable. The high liquidity surplus at the end of 2017 was reduced in order to avoid too high liquidity surpluses.

Net liquidity in the stress scenario €bn		31.3.2018
Idiosyncratic scenario	1 month	17.9
	3 months	21.5
Market-wide scenario	1 month	21.5
	3 months	23.5
Combined scenario	1 month	8.5
	3 months	12.2

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €80.8bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8.0bn as at the reporting date.

Liquidity reserves from highly liquid assets €bn	31.3.2018
Highly liquid assets	80.8
of which level 1	74.1
of which level 2A	6.2
of which level 2B	0.6

Liquidity ratios

Throughout 2018, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk.

The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. As of 1 January 2018, the Bank must maintain a ratio of at least 100%.

In the first quarter of 2018, Commerzbank significantly exceeded the minimum ratio of 100% stipulated for that year on every reporting date. At the end of the quarter, the average LCR of the last 12 reporting periods of the Commerzbank Group was 143.42%.

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met. Further information on the composition of the LCR is given in Note 47 (liquidity coverage ratio) of the Interim Financial Statements.

Operational risk

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

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €21.1bn at the end of the first quarter of 2018 (31 December 2017: €21.0bn, 99.9% quantile), while economically required capital was €1.7bn (31 December 2017: €1.7bn, 99.91% quantile).

On 7 December 2017, the Basel Committee on Banking Supervision finalised the Basel 3 reform package. It provides for a new standardised approach for calculating operational risk capital requirements. Implementation into national law is scheduled to be completed by 2022.

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

The total charge at the end of the first quarter of 2018 for OpRisk events was approximately €13m (full year 2017: €38m). The events were dominated by losses in the categories "Products and business practices" and "Internal fraud".

OpRisk events ¹ €m	31.3.2018	31.12.2017
Internal fraud	6	4
External fraud	3	7
Damages and IT failure	1	0
Products and business practices	8	2
Process related	-5	24
HR related	0	1
Group	13	38

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

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. Details of legal risk, compliance risk and human resources risk are shown below. As regards all other risks, there were no significant changes in the first quarter of 2018 compared with the position reported in the Group Risk Report 2017.

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

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

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank is cooperating fully with the authorities. It had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 with regard to Commerzbank's equity transactions and is still ongoing regarding the equity transactions of the former Dresdner Bank.

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes.

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions for potentially refundable own capital gains taxes.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, there could be a financial impact in these cases.

For the other cum-cum-relevant transactions, Commerzbank has concluded that no inappropriate legal structuring is present under Article 42 AO.

The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

Some of these cases could also have an impact on the reputation of Commerzbank and its subsidiaries. The Group recognises provisions for such proceedings if liabilities are likely to result from them and the amounts to which the Group is likely to be liable can be determined with sufficient accuracy. Since there are considerable uncertainties as to how such proceedings will develop, the possibility cannot be ruled out that some of the

provisions recognised for them may prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is also true in the case of legal proceedings for which the Group did not consider it necessary to recognise provisions. The eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cash flow in a specified reporting period; in the worst case it cannot be fully ruled out that the liabilities that might result from them may also have a significant impact on Commerzbank's earnings performance, assets and financial position.

Further information on legal proceedings may be found in Note (42) regarding provisions and Note (43) regarding contingent liabilities and irrevocable lending commitments in the Interim Financial Statements.

Compliance risk In March 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions and undertook to implement additional measures to improve compliance-relevant processes. In addition, a three-year period of good conduct was agreed with the public prosecutors concerned; this has been set aside in March 2018 and May 2018, respectively, following consultation with the respective public prosecutors. Based on the settlements, the Bank has engaged an independent monitor, selected by the New York State Department of Financial Services (DFS) at its sole discretion. The monitor's mandate is to conduct a comprehensive review of Commerzbank's compliance standards, as measured against the requirements of the Office of Foreign Assets Control (OFAC), the Bank Secrecy Act (BSA) and anti-money laundering laws, where these pertain to or affect the activities of its New York branch. The Bank is cooperating fully with the monitor. This includes, inter alia, granting it immediate access to relevant bank data, documents and employees and supporting its work to the best of its abilities. In light of the experiences of other banks, it cannot be totally ruled out that Commerzbank will be subject to further measures from the activities of the monitor.

According to the requirements of the Financial Services and Markets Act 2000 (FSMA), Commerzbank London mandated a consulting company as a "skilled person" in June 2016. The consulting company carried out a review of existing structures and processes (especially with regard to money laundering, financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). The Bank has drafted an action plan, and the consulting company sends the FCA a half-yearly report on the plan's implementation.

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

Disclaimer Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, models cannot cover all the influencing factors that have an

impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in %
Interest income	(8)	2,077	2,137	-2.8
Interest expenses	(8)	1,031	1,088	-5.2
Net interest income	(8)	1,045	1,049	-0.4
Dividend income	(9)	14	28	-48.3
Valuation result	(10)	-272	n/a	
Realisation result from financial assets at Amortised Cost	(10)	195	n/a	
Risk result	(10)	-77	n/a	
Loan loss provisions	(11)	n/a	-195	
Other realised profit or loss and net remeasurement gain or loss	(12)	n/a	-3	
Commission income	(13)	975	1,056	-7.6
Commission expenses	(13)	178	169	5.4
Net commission income	(13)	797	887	-10.1
Net income from financial assets and liabilities at fair value through profit or loss	(14)	345	402	-14.2
Net income from hedge accounting	(15)	-16	-34	-53.4
Other profit or loss from financial instruments	(16)	-19	50	.
Current net income from companies accounted for using the equity method		6	7	-10.8
Other net income	(17)	129	3	.
Operating expenses	(18)	1,936	1,865	3.8
Restructuring expenses		-	-	.
Pre-tax profit or loss		289	330	-12.3
Taxes on income	(19)	5	81	-94.2
Consolidated profit or loss		285	249	14.2
Consolidated profit or loss attributable to non-controlling interests		34	20	72.2
Consolidated profit or loss attributable to Commerzbank shareholders		250	229	9.2

¹ Prior-year figures adjusted due to restatements (see page 42).

€		1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in %
Earnings per share	(20)	0.20	0.18	9.2

¹ Prior-year figures adjusted due to restatements (see page 42).

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 outstand-

ing either in the previous or current year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

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Condensed statement of comprehensive income

€m	1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in %
Consolidated profit or loss	285	249	14.2
Change from remeasurement of defined benefit plans not recognised in income statement	-99	-96	3.3
Change from the remeasurement of equity instruments (FVOCIoR)	-4	n/a	
Change from remeasurement of own credit risk not recognised in the income statement	44	-18	.
Items not recyclable through profit or loss	-60	-114	-47.7
Change in revaluation reserve (FVOCI mR)			
Reclassified to income statement	-6	n/a	
Change in value not recognised in income statement	6	n/a	
Change in revaluation reserve (AFS)			
Reclassified to income statement	n/a	-31	
Change in value not recognised in income statement	n/a	-12	
Change in cash flow hedge reserve			
Reclassified to income statement	12	9	32.2
Change in value not recognised in income statement	13	4	.
Change in currency translation reserve			
Reclassified to income statement	-2	-	.
Change in value not recognised in income statement	-53	135	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-	-5	.
Change in companies accounted for using the equity method	1	1	40.7
Items recyclable through profit or loss	-29	101	.
Other comprehensive income	-89	-13	.
Total comprehensive income	196	236	-17.0
Comprehensive income attributable to non-controlling interests	30	63	-53.0
Comprehensive income attributable to Commerzbank shareholders	166	173	-3.9

¹ Prior-year figures adjusted due to restatements (see page 42).

Other comprehensive income €m	1.1.-31.3.2018		
	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk	39	5	44
Change from the remeasurement of equity instruments (FVOCIoR)	-6	1	-4
Change from remeasurement of defined benefit plans	-148	49	-99
Change in revaluation reserve (FVOCIrR)	4	-4	-0
Change in cash flow hedge reserve	28	-4	24
Change in currency translation reserve	-54	-0	-54
Change from non-current assets held for sale and disposal groups	-	-	-
Change in companies accounted for using the equity method	1	-	1
Other comprehensive income	-136	47	-89

Other comprehensive income €m	1.1.-31.3.2017 ¹		
	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk	-19	1	-18
Change from remeasurement of defined benefit plans	-144	48	-96
Change in revaluation reserve (AFS)	-57	14	-43
Change in cash flow hedge reserve	17	-4	13
Change in currency translation reserve	135	-	135
Change from non-current assets held for sale and disposal groups	-5	-	-5
Change in companies accounted for using the equity method	1	-	1
Other comprehensive income	-72	59	-13

¹ Prior-year figures adjusted due to restatements (see page 42).

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Income statement (by quarter)

€m	2018	2017 ¹			
	1 st quarter	4 th quarter	3 rd quarter	2 nd quarter	1 st quarter
Interest income	2,077	2,139	2,054	2,093	2,137
Interest expenses	1,031	1,038	1,016	1,089	1,088
Net interest income	1,045	1,101	1,038	1,004	1,049
Dividend income	14	34	17	27	28
Valuation result	-272	n/a	n/a	n/a	n/a
Realisation result from financial assets at Amortised Cost	195	n/a	n/a	n/a	n/a
Risk result	-77	n/a	n/a	n/a	n/a
Loan loss provisions	n/a	-251	-168	-167	-195
Other realised profit or loss and net remeasurement gain or loss	n/a	-29	-29	-14	-3
Commission income	975	960	925	983	1,056
Commission expenses	178	186	187	204	169
Net commission income	797	774	738	779	887
Net income from financial assets and liabilities at fair value through profit or loss	345	169	225	296	402
Net income from hedge accounting	-16	10	-8	-55	-34
Other profit or loss from financial instruments	-19	85	105	19	50
Current net income from companies accounted for using the equity method	6	2	5	9	7
Other net income	129	44	417	2	3
Operating expenses	1,936	1,782	1,714	1,718	1,865
Restructuring expenses	-	0	-0	807	-
Pre-tax profit or loss	289	157	626	-626	330
Taxes on income	5	41	134	-13	81
Consolidated profit or loss	285	116	492	-613	249
Consolidated profit or loss attributable to non-controlling interests	34	27	21	25	20
Consolidated profit or loss attributable to Commerzbank shareholders	250	89	471	-639	229

¹ Prior-year figures adjusted due to restatements (see page 42).

Balance sheet

Assets €m	Notes	31.3.2018	1.1.2018 ¹	Change in %	31.12.2017 ²
Cash on hand and cash on demand		53,379	55,222	- 3.3	55,733
Financial Assets – Amortised Cost	(21.31)	271,252	265,241	2.3	n/a
of which pledged as collateral		2,784	n/a		n/a
Financial Assets – Loans and Receivables	(22)	n/a	n/a		265,712
of which pledged as collateral		n/a	n/a		2,655
Financial Assets – Fair Value OCI	(24)	24,501	25,243	- 2.9	n/a
of which pledged as collateral		1,441	n/a		n/a
Financial Assets – Available for Sale	(25)	n/a	n/a		31,155
of which pledged as collateral		n/a	n/a		
Financial Assets – Fair Value Option	(26)	-	-	.	23,745
of which pledged as collateral		-	n/a		0
Financial Assets – Mandatorily Fair Value P&L	(28)	47,806	32,204	48.4	n/a
of which pledged as collateral		-	n/a		n/a
Financial Assets – Held for Trading	(29)	60,125	60,716	- 1.0	63,666
of which pledged as collateral		2,471	n/a		1,072
Value adjustment on portfolio fair value hedges		99	153	- 35.2	153
Positive fair values of derivative hedging instruments		1,450	1,463	- 0.9	1,464
Holdings in companies accounted for using the equity method		160	181	- 11.4	181
Intangible assets	(36)	3,290	3,312	- 0.7	3,312
Fixed assets	(37)	1,558	1,600	- 2.7	1,600
Investment properties		16	16	- 0.4	16
Non-current assets held for sale and disposal groups	(38)	259	78	.	78
Current tax assets		851	767	11.0	767
Deferred tax assets		3,096	3,032	2.1	2,970
Other assets	(40)	2,189	1,961	11.6	1,961
Total		470,032	451,190	4.2	452,513

¹ Opening balance according to IFRS 9.

² Prior-year figures adjusted due to restatements (see page 42).

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Liabilities and equity €m	Notes	31.3.2018	1.1.2018 ¹	Change in %	31.12.2017 ²
Financial Liabilities – Amortised Cost	(23)	341,675	335,967	1.7	341,276
Financial Liabilities – Fair Value Option	(27)	36,873	20,385	80.9	14,940
Financial Liabilities – Held for Trading	(30)	53,811	56,593	–4.9	56,484
Value adjustment on portfolio fair value hedges		385	451	–14.5	491
Negative fair values of derivative hedging instruments		1,686	1,872	–10.0	2,255
Provisions	(42)	3,430	3,373	–1.7	3,291
Current tax liabilities		568	673	–15.5	673
Deferred tax liabilities		8	9	–10.7	34
Liabilities of disposal groups	(39)	–	–	.	–
Other liabilities	(41)	2,548	3,024	–15.7	3,024
Equity		29,047	28,844	0.7	30,046
Subscribed capital		1,252	1,252	–	1,252
Capital reserve		17,192	17,192	–	17,192
Retained earnings		9,615	9,413	2.1	11,254
Other reserves (with recycling)		–189	–165	14.9	–817
Other reserves (without recycling)		7	11	–37.1	n/a
Total before non-controlling interests		27,876	27,704	0.6	28,882
Non-controlling interests		1,170	1,141	2.6	1,164
Total		470,032	451,190	4.2	452,513

¹ Opening balance according to IFRS 9.

² Prior-year figures adjusted due to restatements (see page 42).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings ¹	Other reserves			Total before non-controlling interests ¹	Non-controlling interests	Equity ¹
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2016	1,252	17,192	11,117	- 781	- 97	- 137	28,547	1,027	29,573
Change due to retrospective adjustments	-	-	11	-	-	-	11	-	11
Equity as at 1.1.2017	1,252	17,192	11,128	- 781	- 97	- 137	28,557	1,027	29,584
Total comprehensive income	-	-	116	- 52	13	96	172	64	236
Consolidated profit or loss			229	-	-	-	229	20	249
Change in Own Credit Spread (OCS) of Liabilities FVO			- 18				- 18	-	- 18
Change from remeasurement of defined benefit plans			- 96				- 96	- 0	- 96
Change in revaluation reserve (Available for Sale)			-	- 47			- 47	4	- 43
Change in cash flow hedge reserve					13		13	0	13
Change in currency translation reserve						95	95	40	135
Change from non-current assets held for sale and disposal groups				- 5	-	-	- 5	-	- 5
Change in companies accounted for using the equity method				-	-	1	1	-	1
Dividend paid on shares			-				-	-	-
Changes in ownership interests			- 6				- 6	- 5	- 11
Other changes			- 8				- 8	0	- 8
Equity as at 31.12.2017	1,252	17,192	11,229	- 832	- 84	- 41	28,716	1,086	29,802

¹ Prior-year figures adjusted due to restatements (see page 42).

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€m	Sub-scribed capital	Capital reserve	Retained earnings ¹	Other reserves			Total Non-controlling interests ¹	Equity ¹	
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2017 (before restatements)	1,252	17,192	11,249	-571	-54	-192	28,877	1,164	30,041
Change due to retrospective adjustments	-	-	5	-	-	-	5	-	5
Equity as at 31.12.2017 (after restatements)	1,252	17,192	11,254	-571	-54	-192	28,882	1,164	30,046
Change from first time application IFRS 9	-	-	-1,841	665	-2	-	-1,178	-24	-1,202
Equity as at 1.1.2018	1,252	17,192	9,413	94	-55	-192	27,704	1,141	28,844
Total comprehensive income			195	-8	24	-45	166	30	196
Consolidated profit or loss			250	-	-		250	34	285
Change in Own Credit Spread (OCS) of Liabilities FVO			44				44	-	44
Change from remeasurement of defined benefit plans			-99				-99	-0	-99
Change in measurement of Equity Instruments (FVOCIoR)			-0	-4			-4	-0	-4
Change in revaluation of Debt Securities (FVOCIImR)				-4			-4	4	-0
Change in cash flow hedge reserve					24		24	-	24
Change in currency translation reserve						-46	-46	-8	-54
Change from non-current assets held for sale and disposal groups				-		-	-	-	-
Change in companies accounted for using the equity method						1	1	-	1
Dividend paid on shares			-				-	-	-
Changes in ownership interests			-				-	-	-
Other changes			6				6	0	6
Equity as at 31.03.2018	1,252	17,192	9,615	85	-31	-237	27,876	1,170	29,047

¹ Prior-year figures adjusted due to restatements (see page 42).

As at 31 March 2018, there was no material impact on “Other reserves” from assets held for sale and disposal groups.

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

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

There have been no changes during 2018 in the ownership interests in companies that had already been consolidated.

Cash flow statement (condensed version)

€m	2018	2017 ¹	Change in %
Cash and cash equivalents as at 1.1.	55,222	36,206	53.9
Net cash from operating activities	- 1,228	12,577	.
Net cash from investing activities	- 164	- 138	18.8
Net cash from financing activities	- 332	- 27	.
Total net cash	- 1,723	12,412	.
Effect from exchange rate changes	- 119	55	.
Cash and cash equivalents as at 31.3.	53,379	48,673	9.7

¹ Prior-year figures adjusted due to restatements (see page 42).

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.

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General information

(1) Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Groups as at 31. March 2018 were prepared in accordance with Art. 315 e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

All standards and interpretations that are mandatory within the EU in 2018 have been applied. We have not applied standards and interpretations that are not required until the 2019 financial year or later.

The interim management report, including the separate interim Risk Report pursuant to Art. 315 of the German Commercial Code, is published on pages 6 to 29 of this interim report.

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 2018. The Group financial statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. All items under €500,000.00 are presented as €0.00, and zero items are denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

(2) Initially applicable, revised and new standards

The Commerzbank Group has implemented all new and revised standards and interpretations requiring initial mandatory application as at 1 January 2018 and which had already been endorsed into European law, insofar as they were relevant for the Group. All amendments to the standards have been taken into account in accordance with the applicable transitional provisions. The rele-

vant and significant new standards for the Group are presented in the following section.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014, which affected not only IFRS 9 but also other standards (particularly IFRS 7 and IAS 1). It was transposed into European law in November 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. The previous standard for the accounting treatment of financial instruments (IAS 39) was largely replaced.

Reported equity declined by €1.2€bn as compared with IAS 39. This decrease was the result of two factors: a change in the methodology for risk provisioning versus IAS 39, and the required reclassification of the respective financial instruments. A range of financial assets, such as loans granted primarily for ship financing and loans of British public-sector bodies, are now measured at fair value through profit or loss, leading to a reduction in equity.

Note 6 of this interim report contains the reconciliation tables for the balance sheet, equity and loan loss provisions as at 1 January 2018 in accordance with IFRS 9.

The application of the amendments to IFRS 9 regarding the early repayment of loans, which were endorsed into European law in March 2018, clarifies the SPPI-compliance of these interest and principal payments. These amendments had no effects on our Group Financial Statements.

IFRS 15 Revenue from Contracts with Customers introduced a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC 13, 15 and 18 and SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. It was transposed into European law in October 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. The initial application of IFRS 15 as at 31 March 2018 did not have a material impact on the Group financial statements.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. The change was transposed into EU law in the fourth quarter of 2017. Under IFRS 16, all leases with a term of over twelve months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessee will in future recognise a right-of-use asset and a lease liability, which represents the obligation to make the lease payments. IFRS 16 adopts the criteria of IAS 17 for the classification of finance and

operating leases by the lessor. The standard also contains further provisions on recognition, on the information in the notes and on sale-and-leaseback transactions. IFRS 16 will become effective for financial years beginning on or after 1 January 2019. Based on our knowledge as of today, the application of IFRS 16 leads to minor reporting changes in the income statement and an increase in total assets by a low single-digit billion amount.

(3) Changes

In 2017, interest income and interest expenses in connection with early repayments of liabilities were reported in part on a net basis. This was corrected retrospectively, resulting in an increase in both interest income and interest expenses of €32m. Thus, there was no impact on consolidated profit or earnings per share.

In 2017, interest was incorrectly accrued for two promissory note loans issued in foreign currency. This was corrected retrospectively, resulting as at 1 January 2017 in a decrease in retained earnings by €5m. and an increase in both financial liabilities – amortised cost by €7 m and deferred tax assets by €2m. Interest expenses were €2m higher in the first three months of 2017, as were “financial liabilities – amortised cost” by the same amount. Moreover, taxes on income were €1 m lower and deferred tax assets increased by the same amount. As at 31 December 2017, financial liabilities – amortised cost increased by €16m. Consolidated profit therefore decreased by €2m and earnings per share by less than €0,00 .

The Group corrected an error retrospectively because of a mistake in the calculation of deferred tax assets of prior years. As a result, net deferred tax assets and retained earnings increased by €16m as at 1 January 2017. Thus, there was no impact on consolidated profit or earnings per share.

In 2017, besides adjusting the structure of the balance sheet and income statement, Commerzbank also implemented changes in the income statement (see Annual Report 2017, Note 3, page 152 ff.). Current income and expenses from derivatives and other

trading portfolios in the held-for-trading category, which were previously shown in net interest income, are now reported in the gain or loss from financial assets and liabilities measured at fair value through profit and loss. This reclassification was made because with trading portfolios it is economically inappropriate to differentiate between current income and expenses and remeasurement gains and losses and realisation effects. The revised reporting therefore also better reflects the economic management of the trading portfolios and thus provides more reliable and relevant information.

The reclassifications from net interest income to gain or loss from financial assets and liabilities measured at fair value through profit or loss amounted to €13m for the first three months of 2017 (net balance of a €64m reduction in interest income and a €77m decrease in interest expense). The restatements had no impact on consolidated profit or loss, or earnings per share.

As at 30 June 2017, the Commerzbank Group had already applied part of IFRS 9 retrospectively as at 1 January 2017. Remeasurement effects deriving from own credit risk related to the financial liabilities included in the fair value option category are no longer reported through profit and loss, but instead in other comprehensive income. Other comprehensive income and the statement of comprehensive income were adjusted accordingly. As at 31 March 2018, retained earnings net of current tax trading liabilities totalling €4m decreased by €14m. Net income from financial assets and liabilities at fair value through profit and loss increased by €18m, and taxes on income and profit by €6m. Consolidated profit therefore rose by €12m and earnings per share by €0.01. The other comprehensive income, the statement of comprehensive income, the balance sheet and the earnings per share were adjusted accordingly.

(4) Report on events after the reporting period

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

Accounting and measurement policies

(5) Changes in accounting and measurement policies

The Commerzbank Group has applied IFRS 9 Financial Instruments since 1 January 2018 in the version published by the IASB in July 2014. The standard must be applied in the EU for financial years beginning on or after 1 January 2018. The application of IFRS 9 has resulted in changes to the Group's accounting and measurement methods. As at 30 June 2017, the Commerzbank Group had already applied part of IFRS 9 retrospectively as at 1 January 2017. Remeasurement effects deriving from own credit risk related to the financial liabilities included in the fair value option category are no longer reported through profit and loss, but instead in other comprehensive income.

With the exception of the described changes to the accounting policies for financial Instruments, we have applied the same accounting and measurement methods as set out in the Annual Report for 2017.

In accordance with the transitional provisions of IFRS 9, we have not restated the comparable figures. As a result, the comparative information for 2017 pursuant to IAS 39 is reported in compliance with the accounting and measurement methods disclosed in the Annual Report as at 31 December 2017 on page 150 ff. This information is therefore not directly comparable with the information presented for financial year 2018 based on IFRS 9. All changes to the carrying amounts of financial assets and liabilities were reflected in retained earnings and other reserves as at the effective date for the initial application of the new standard. We have utilised the option regarding hedge accounting provided in the standard and have continued to apply the previous IAS 39 regulations.

The application of IFRS 9 led to changes in the classification and measurement of financial assets and liabilities as well as to the impairment of financial assets. The application of IFRS 9 to financial instruments also affects other standards, in particular IFRS 7.

Classification and measurement of financial instruments

The application of IFRS 9 requires the reporting entity to classify all assets and liabilities defined as financial instruments under IAS 32. This classification aims to enable the user of the financial statements to make a better assessment of the amount, timing and uncertainty of future cash flows. Fundamentally, all financial instruments must be recognised at their fair value on the date of acquisition. This acquisition principle applies regardless of the financial instrument's classification.

IFRS 9 sets out four types of subsequent measurement of financial assets, which depend on the respective business model and the fulfilment of the SPPI criterion (solely payment of principal and interest):

- measurement at amortised cost (AC)
- measurement at fair value OCI with recycling (FVOCI_{mR})
- measurement at fair value OCI without recycling (FVOCI_{oR})
- measurement at fair value through P&L (FVPL) subdivided into mandatorily fair value through P&L (mFVPL) and held for trading (HfT).

Management allocates the financial assets to one of the following business models based on how the financial assets are managed to generate cash flows:

- "hold to collect" business model – receipt of contractual cash flows with only seldom or immaterial sales activities;
- "hold to collect and sell" business model – receipt of cash flows through holding and also through sales;
- residual business model – all portfolios that are not allocated to the "hold to collect" or "hold to collect and sell" business model. These include primarily trading portfolios and portfolios managed on a fair-value basis. The receipt of contractually agreed cash flows is of minor importance; the main objective is instead to maximise cash flows through short-term purchases and sales.

The second criterion for classifying financial assets is the characteristics of their cash flows. When assessing these cash flows, the crucial consideration is whether they are solely unleveraged interest and principal payments on the outstanding capital, i.e. the SPPI criterion. In principle, a financial instrument is SPPI-compliant only if its contractual cash flows are equivalent to those of a simple loan, i.e. a basic lending arrangement.

The allocation to the business model can be made on a portfolio basis, whereas the SPPI criterion must always be assessed for each individual financial instrument allocated to the "hold to collect" or "hold to collect and sell" business model.

Measurement at amortised cost (AC) requires that the financial asset has cash flows which correspond to the SPPI criterion and that it has been allocated to a portfolio with the "hold to collect" business model. The associated bookings correspond in principle to the previous IAS 39 fair value category of loans and receivables (LaR).

A financial asset is measured at fair value through other comprehensive income with recycling (FVOCI_{mR}) if its cash flows also correspond to the SPPI criterion and it has been allocated to a portfolio that was included in the previous IAS 39 fair value category of available for sale (AfS) and now has a “hold to collect and sell” business model. The associated accounting therefore corresponds fundamentally to the previous IAS 39 fair value category of available for sale (AfS).

The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if either the financial asset has not been allocated to a portfolio with one of the aforementioned business models or its cash flows are not SPPI-compliant. This measurement category is therefore subsidiary in nature, i.e. if the asset cannot be clearly allocated to one of the two other measurement categories, it must be measured according to this category. A reporting distinction is made in this measurement category between financial instruments held for trading purposes (HfT) and other financial instruments requiring recognition at fair value with the resulting value fluctuation being recorded in the income statement (mandatorily FVPL/mFVPL). Besides the fair value option (FVO), there is also the possibility of voluntarily allocating financial assets on acquisition to the mFVPL category if accounting mismatches can be avoided.

The methodology for measuring financial assets is based on the allocation of the asset to one of the following three groups:

- Derivatives:

Financial instruments for which the allocation criteria have not changed as compared with IAS 39. As derivatives do not have fixed redemption amounts, subsequent measurement at amortised cost is not possible. They must always be measured at fair value, with the fluctuation in value being recorded in the income statement. If derivatives are not used for hedge accounting, they must always be allocated to the trading portfolio (HfT).

Under IFRS 9, financial assets are assessed in their entirety. As a result, the host contract is not separated from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed as compared with IAS 39.

- Equity instruments:

Financial instruments which correspond to the definition of equity under IAS 32 for the issuing entity. As equity instruments do not involve fixed redemption amounts and instead

represent only a proportional right, the SPPI criterion is not fulfilled and measurement at AC or FVOCI_{mR} is precluded. However, an irrevocable decision can be made when the equity instrument is acquired to instead measure the instrument based on the FVOCI-without-recycling method. All value fluctuations are recognised in other comprehensive income and are also not reported in the income statement upon the disposal of the financial instrument (without recycling). We have utilised this option and have assigned several portfolios to this group. This option is not available for financial instruments that have been acquired for trading purposes or as conditional payment for the acquisition of a company. These must be measured at FVPL.

- Debt instruments:

All financial instruments not considered to be derivatives as defined in IFRS 9 or equity as defined under IAS 32 are measured based on the business model and SPPI criteria described above or, in the case of an accounting mismatch, in accordance with the fair value option.

Debt instruments on the asset side of the balance sheet may thus be accounted for thereafter in one of the following ways.

- Subsequent measurement at amortised cost is required if the financial instrument is held only to realise the contractually agreed cash flows (“hold to collect” business model) and, in addition, the contractually agreed cash flows are exclusively interest and principal payments as defined under IFRS 9 (SPPI compliance).
- Subsequent measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCI_{mR}) is required if the financial instrument is allocated to a portfolio with the “hold to collect and sell” business model and, in addition, the contractually agreed cash flows are only interest and principal payments. The financial instrument is thus SPPI-compliant. Upon disposal of the financial instrument, the cumulative valuation fluctuations that have been recognised in other comprehensive income are then recognised in the income statement (recycling).
- The subsequent measurement at fair value with recognition of the value fluctuation in the income statement (FVPL) is required if the financial instrument has been allocated to a portfolio with a residual business model. This is also applicable in the case of non-SPPI-compliant cash flows and when exercising the fair value option.

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As a rule, financial liabilities must be measured at amortised cost. In addition, the possibility exists of applying the fair value option. The remeasurement effect for financial liabilities designated in the fair value option resulting from own credit risk is recognised in retained earnings without effect on income. Financial liabilities held for trading and all derivatives must be reported in the balance sheet in a separate line item and measured at fair value through profit or loss.

Impairment

The application of IFRS 9 has involved fundamental changes to the regulations regarding the accounting for expected counterparty-specific default risk (risk provisioning). Specifically, the incurred-loss model under IAS 39 has been replaced with the expected-credit-loss model (ECL). IFRS 9 stipulates that an impairment must be recognised in the amount of the ECLs for all loans, off-balance-sheet items and financial guarantees that are not measured at fair value through profit or loss. Unlike in IAS 39, provisions are not recognised only when a specific loss event occurs. For every financial asset (debt instrument) measured at amortised cost or at fair value through other comprehensive income, the loss expected over the next 12 months must be recognised as a provision on initial recognition. If the borrower's credit risk increases significantly, but the borrower is not yet in default, a provision must be recognised for the full lifetime expected credit losses. If an instrument is in default, a provision must be recognised for the lifetime expected loss on the basis of the estimated cash flows that can still be expected.

Fundamentally, the Group determines the expected credit losses by allocating into three stages the financial instruments that are not measured directly at fair value through profit or loss, off-balance sheet lending commitments and financial guarantees. Stage 1 and stage 2 contain the financial instruments that do not display any default criteria. Stage 3 contains the financial instruments that have been identified as being in default. Financial instruments deemed to be in default at initial recognition (purchased or originated credit-impaired financial assets (POCI)) are not allocated to any of the three stages, and are instead handled and disclosed separately.

(6) First time application of IFRS 9

The following tables contain reconciliations of the carrying amounts as at 31 December 2017 based on IAS 39 regulations to the new carrying amounts as at 1 January 2018 in accordance with IFRS 9.

In principle, every financial instrument is allocated to stage 1 upon initial recognition (except for POCI). In addition, stage 1 contains all transactions with only limited credit default risk. Limited credit default risk exists in cases involving an investment-grade internal credit rating (rating 2.8 or better). The provisioning for transactions in stage 1 equals the amount of the 12-month expected credit loss (12-month ECL).

Stage 2 includes financial instruments whose credit default risk has risen significantly since initial recognition and which are not classified as cases with limited credit default risk. The basis for recognising impairments or provisions in stage 2 is the lifetime expected credit loss (LECL).

The LECL based on individual cash flow estimates is also the foundation for recognising impairments or provisions for financial instruments in default in stage 3.

In the case of financial instruments classified as POCI, no impairment or provision is established upon initial recognition. They are measured at fair value. The provisioning recognised in subsequent measurement equals the cumulative change in the LECL since the initial recognition. A financial instrument classified as POCI remains in this classification until it is derecognised. The LECL remains the basis for its measurement, even if its rating improves.

Interest income from financial assets allocated to stage 1 and stage 2 is determined using the effective interest rate method based on the gross carrying amount. Interest income from financial assets in stage 3 is calculated using the effective interest rate method based on the net carrying amount (less the loan loss provision).

For a detailed description, please refer to Note 31.

Hedge Accounting

The Commerzbank Group has decided to continue applying the IAS 39 regulations on hedge accounting when adopting IFRS 9 for the first time.

For further details on the reconciliation of 31 December 2017 under IAS 39 to 1 January 2018 pursuant to IFRS 9, please refer to Note 6.

The equity in the opening balance as at 1 January 2018 was adjusted by €35m (of which: €30m IFRS9 first time application effect and €5m due to retrospective restatements, see page 42) compared with the disclosure in Note 74 of the Annual Report 2017.

a) Reconciliation of financial assets

Assets €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017 ¹	Presentation IFRS 9	Adjustments ²	Reclas- sification	Remeasure- ment	Carrying amount IFRS 9 1.1.2018
Cash on hand and cash on demand		55,733		–	55,733	–	55,733
	LAR	–	AC	–	55,222	–	55,222
	LAR	–	mFVPL	–	511	–	511
Financial assets – Loans and Receivables		265,712		–	265,712	–3	265,709
Loans and advances		241,708		–	241,708	–293	241,415
	LAR	–	AC	–	233,123	–202	232,921
	LAR	–	FVOCI _{mR}	–	2,027	2	2,029
	LAR	–	mFVPL	–	6,558	–94	6,464
Debt securities		24,004		–	24,004	290	24,294
	LAR	–	AC	–	22,420	298	22,718
	LAR	–	FVOCI _{mR}	–	1,352	3	1,354
	LAR	–	mFVPL	–	232	–11	221
Financial assets – Available for Sale		31,155		–	31,155	599	31,753
Debt securities		30,661		158	30,820	599	31,418
	AFS	–	AC	–	9,003	599	9,602
	AFS	–	FVOCI _{mR}	–	21,498	–	21,498
	AFS	–	mFVPL	–	318	–	318
Equity instruments		493		–158	335	–	335
	AFS	–	FVOCI _{oR}	–	68	–	68
	AFS	–	mFVPL	–	267	–	267
Financial assets – Fair Value Option		23,745		–	23,745	–	23,745
Loans and advances	FVO	23,000	mFVPL	–	23,000	–	23,000
Debt securities		393		352	746	–	746
	FVO	–	FVOCI _{mR}	–	293	–	293
	FVO	–	mFVPL	–	452	–	452
Equity instruments		352		–352	–	–	0
	FVO	–	FVOCI _{oR}	–	–	–	–
	FVO	–	mFVPL	–	–	–	–
Financial assets – Held for Trading		63,666		–	63,666	–1,980	61,686
Loans and advances	HFT	1,080	HFT	–	1,080	–	1,080
Debt securities		2,955		2,364	5,319	–	5,319
	HFT	–	mFVPL	–	970	–	970
	HFT	–	HFT	–	4,349	–	4,349
Equity instruments	HFT	11,302	HFT	–2,364	8,938	–	8,938
Derivatives and other	HFT	48,328	HFT	–	48,328	–1,980	46,349
Value adjustment on portfolio fair value hedges		153		–	153	–0	153
Positive fair values of derivative hedging instruments		1,464		–	1,464	–1	1,463
Holdings in companies accounted for using the equity method		181		–	181	–	181
Intangible assets		3,312		–	3,312	–	3,312
Fixed assets		1,600		–	1,600	–	1,600
Investment properties		16		–	16	–	16
Non-current assets held for sale and disposal groups		78		–	78	0	78
Current tax assets		767		–	767	–	767
Deferred tax assets		2,970		–	2,970	62	3,032
Other assets		1,961		–	1,961	–	1,961
Total		452,513		–	452,513	–1,323	451,190

¹ Prior-year figures adjusted due to restatements (see page 42).

² The adjustment is necessary because under IFRS 9 the assessment of equity and debt is based on that of the issuer. Investment fund units and profit-sharing certificates previously reported under equity instruments were reallocated to securitised debt instruments and assigned to the measurement categories mFVPL or HFT.

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Assets €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017 ¹	Presentation IFRS 9	Reclas- sification	Remeas- urement	Carrying amount IFRS 9 1.1.2018
Cash on hand and cash on demand						
		to: Debt securities – mFVPL		- 511	-	- 511
Total	LAR	55,733	AC	- 511	-	55,222
Financial assets – Amortised Cost						
		from: Loans and advances – LAR		233,123	- 202	232,921
		from: Debt securities – LAR		22,420	298	22,718
		from: Debt securities – AFS		9,003	599	9,602
Total	n/a		AC	264,546	695	265,241
Financial assets – Loans and Receivables						
		to: Loans and advances – AC		- 233,123		- 233,123
		to: Loans and advances – FVOCI _{mR}		- 2,027		- 2,027
		to: Loans and advances – mFVPL		- 6,558		- 6,558
		to: Debt securities – AC		- 22,420		- 22,420
		to: Debt securities – FVOCI _{mR}		- 1,352		- 1,352
		to: Debt securities – mFVPL		- 232		- 232
Total	LAR	265,712	n/a	- 265,712	-	n/a
Financial assets – Fair Value OCI						
		from: Loans and advances – LAR		2,027	2	2,029
		from: Debt securities – LAR		1,352	3	1,354
		from: Debt securities – AFS		21,498	-	21,498
		from: Equity instruments – AFS		68	-	68
		from: Debt securities – FVO		293	-	293
Total	n/a		FVOCI	25,238	5	25,243
Financial assets – Available for Sale						
		to: Debt securities – AC		- 9,003		- 9,003
		to: Debt securities – FVOCI _{mR}		- 21,498		- 21,498
		to: Debt securities – mFVPL		- 318		- 318
		to: Equity instruments – FVOCI _{oR}		- 68		- 68
		to: Equity instruments – mFVPL		- 267		- 267
Total	AFS	31,155	n/a	- 31,155	-	n/a
Financial assets – Fair Value Option						
		to: Debt securities – mFVPL		- 23,000	-	- 23,000
		to: Debt securities – FVOCI		- 293	-	- 293
		to: Debt securities – mFVPL		- 453	-	- 453
Total	FVO	23,745	FVO	- 23,745	-	-
Financial assets – Mandatorily Fair Value P&L						
		from: Cash on hand and cash on demand – LAR		511	-	511
		from: Loans and advances – LAR		6,558	- 94	6,464
		from: Debt securities – LAR		232	- 11	221
		from: Debt securities – AFS		318	-	318
		from: Equity instruments – AFS		267	-	267
		from: Loans and advances – FVO		23,000	-	23,000
		from: Debt securities – FVO		452	-	452
		from: Debt securities – HFT		970	-	970
Total	n/a	-	mFVPL	32,309	- 104	32,204
Financial assets – Held for Trading						
		to: Loans and advances – mFVPL		-	- 1,980	- 1,980
		to: Debt securities – mFVPL		- 970		- 970
Total	HFT	63,666	HFT	- 970	- 1,980	60,716
Value adjustment on portfolio fair value hedges		153		153	- 0	153
Positive fair values of derivative hedging instruments		1,464		1,464	- 1	1,463

¹ Prior-year figures adjusted due to restatements (see page 42).

The following explanations describe the material effects contained in the reconciliation table for financial assets. The respective effect from deferred taxes is taken into account accordingly for all remeasurements. The following disclosures related to equity are each presented before deferred taxes.

We reclassified primarily securities issued by eurozone public-sector bodies totalling €9.0bn, which were previously measured at fair value without effect on income as required by the IAS 39 AfS category, into the AC measurement category (IFRS 9), because the “hold to collect” business model is applicable for them. As a result, the carrying amount of these assets increased by €0.6bn and equity was higher by €0.6bn.

In addition, securities of €22.4bn issued primarily by public-sector borrowers were assigned to the LaR measurement category (IAS 39). With the adoption of IFRS 9, the “hold to collect” business model is now applicable and therefore measurement at AC is required. In principle, both measurement categories reflect the same accounting methodology, but in this case the carrying amounts in the financial statements as at 31 December 2017 and in the opening balance sheet as at 1 January 2018 varies by €0.3bn. This variance is due to the reclassification of these securities during the financial market crisis from the IAS 39 AfS category to the LaR category. The fair value determined when this reclassification was made was used as the starting point for the meas-

urement at amortised cost. The negative revaluation reserve of €0.3bn resulting from these financial instruments was derecognised against the carrying amount. As a result, equity increased by €0.3bn.

Loans with carrying amounts under IAS 39 totalling €2.7bn, which were used for ship financing, were allocated to the “other” business model because of the Group’s intention to dispose of these loans if a favourable opportunity arises. For that reason, they were reclassified from the LaR measurement category to the mFVPL measurement category under IFRS 9. Their carrying amount decreased as a result by €0.7bn and equity by €0.7bn. For the same reason, several loan portfolios used to finance domestic and foreign commercial real estate totalling €0.6bn were reclassified; the carrying amount decreased as a result by €0.1bn, with equity declining by €0.1bn. A portfolio of promissory note loans issued by British public-sector bodies with special call options, which had a carrying amount of €2.5bn, were also reclassified into the mFVPL measurement category. Derivatives of €1.7bn that previously required separation under IAS 39 are now measured in this context using the full fair value of the entire instrument and are included in the carrying amount mFVPL. The carrying amount of these promissory note loans decreased as a result by a total of €1.1bn and equity by €1.1bn.

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b) Reconciliation of financial liabilities

Liabilities and equity €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017 ¹	Presen- tation IFRS 9	Reclas- sification	Remeas- ure- ment	Carrying amount IFRS 9 1.1.2018
Financial liabilities – Amortised Cost		341,276		341,276	135	341,411
Deposits		297,907		297,907	-34	297,872
	AC	-	AC	297,667	-	297,667
	AC	-	FVO	239	-34	205
Bonds and notes issued		43,369		43,369	170	43,539
	AC	-	AC	38,306	-6	38,300
	AC	-	FVO	5,064	176	5,239
Financial liabilities – Fair Value Option		14,940		14,940	-	14,940
Deposits	FVO	14,279	FVO	14,279	-	14,279
Bonds and notes issued	FVO	661	FVO	661	-	661
Financial liabilities – Held for Trading		56,484		56,484	110	56,593
Bonds and notes issued	HFT	5,565	HFT	5,565	-	5,565
Derivatives and other trading liabilities	HFT	50,919	HFT	50,919	110	51,028
Value adjustment on portfolio fair value hedges		491		491	-41	451
Negative fair values of derivative hedging instruments		2,255		2,255	-383	1,872
Provisions		3,291		3,291	82	3,373
Current tax liabilities		673		673	-	673
Deferred tax liabilities		34		34	-24	9
Liabilities from disposal groups held for sale		-		-	-	-
Other liabilities		3,024		3,024	-	3,024
Equity		30,046		30,046	-1,202	28,844
Subscribed capital		1,252		1,252	-	1,252
Capital reserve		17,192		17,192	-	17,192
Retained earnings		11,254		11,254	-1,841	9,413
Other reserves		-817		-817	663	-154
Total before non-controlling interests		28,882		28,882	-1,178	27,704
Non-controlling interests		1,164		1,164	-24	1,141
Total before non-controlling interests		452,513		452,514	-1,323	451,190

¹ Prior-year figures adjusted due to restatements (see page 42).

Liabilities and equity €m	Presentation IAS 39	Carrying amount IAS 39 31.12.2017 ¹	Presen- tation IFRS 9	Reclas- sification	Remeasure- ment	Carrying amount IFRS 9 1.1.2018
Financial liabilities – Held for Trading						
				to: Deposits – FVO	– 239	– 239
				to: Bonds and notes issued – FVO	– 5,064	– 5,064
				to: Bonds and notes issued – AC	– 6	– 6
Total	AC	341,276	AC	– 5,303	– 6	335,967
Financial liabilities – Fair Value Option						
				on: Deposits – AC	239	205
				to: Bonds and notes issued – AC	5,064	5,239
Total	FVO	14,940	FVO	5,303	141	20,385
Financial liabilities – Held for Trading						
				to: Derivatives and other trading liabilities	110	110
Total	HFT	56,484	HFT	–	110	56,593
Value adjustment on portfolio fair value hedges		491		491	– 41	451
Negative fair values of derivative hedging instruments		2,255		2,255	– 383	1,872
Provisions		3,291		3,291	82	3,373

¹ Prior-year figures adjusted due to restatements (see page 42).

When applying IFRS 9, the Group exercised for the first time the fair value option for its own structured issues in order to avoid an accounting mismatch between hedging derivatives measured at

fair value with effect on income and the structured issue. This decreased equity by €0.1bn.

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c) Reconciliation of equity

€m	Presentation IAS 39	Presentation IFRS 9	Retained earnings	Revaluation reserve	Cash flow hedge reserve
As at 31.12.2017			11,254¹	- 571	- 54
Financial assets	FVO	FVOCI	- 2	2	-
	AFS	mFVPL	23	- 23	-
	AFS	FVOCI _{mR}	- 12	12	-
	AFS	AC	- 8	607	-
	LAR	mFVPL	- 105	0	-
	LAR	FVOCI _{mR}	- 5	8	-
	LAR	AC	- 270	367	-
Financial liabilities (own credit risk)	AC	AC	- 141	-	-
	AC	FVO	6	-	-
Market value on derivatives	HFT	HFT	- 1,707	-	-
Value adjustment on portfolio fair value hedges			41	-	-
Off-balance-sheet loan loss provisions			- 82	-	-
Deferred tax			402	- 312	- 2
Non-controlling interests (deductions)			20	4	-
As at 1.1.2018 (IFRS 9)			9,413	94	- 55

¹ Prior-year figures adjusted due to restatements (see page 42).

d) Reconciliation of risk provisioning

€m	Pre- sen- ta- tion IAS 39	Pre- sen- ta- tion IFRS 9	Loan losses and impair- ments on securities IAS 39 31.12.2017	Re- classifi- cation	Revalu- ation	Loan losses IFRS 9 1.1.2018	of which Stage 1	of which Stage 2	of which Stage 3	of which POCI
On- balance-sheet loan losses – Loans and receivables			3,125	-640	-354	2,131	245	247	1,640	-
Financial assets – Loans and Receivables			3,125	-640	-354	2,131	245	247	1,640	-
	LAR	AC	2,481	-	-358	2,124	240	244	1,640	-
	AFS	FVOCI	4	-	4	7	5	3	-	-
	LAR	mFVPL	640	-640	-	-	-	-	-	-
Cumulative net remeasurement gain or loss – securities¹			94	-82	88	100	27	71	2	-
Financial assets – Loans and Receivables			16	-1	68	83	13	70	-	-
	LAR	AC	15	-	68	83	13	70	-	-
	LAR	FVOCI	1	-	-0	0	-	-	-	-
	LAR	mFVPL	1	-1	-	-	-	-	-	-
Financial assets - Available for Sale			79	-82	19	16	13	1	2	-
	AFS	AC	-	-	8	8	8	0	-	-
	AFS	FVOCI	-3	-	11	8	5	1	2	-
	AFS	mFVPL	82	-82	-	-	-	-	-	-
Financial assets - Fair Value Option			-	-	1	1	1	-	-	-
	FVO	FVOCI	-	-	1	1	1	-	-	-
Assets held for sale and disposal groups	LAR	mFVPL	9	-9	-	-	-	-	-	-
off-balance-sheet loan losses			211	-	82	293	73	103	92	24
Total			3,440	-732	-184	2,524	345	421	1,733	24

¹Not part of risk provisioning as at 31. December 2017.

The change in the balance resulted primarily from the reclassification of the ship finance portfolio, which the Group included in the fair value measurement amid a derecognition of the loan loss provision. In addition, the remeasurement included a reduction in the balance associated with the derecognition of the risk provision for financial assets that under IFRS 9 were classified as POCI. This new classification therefore required that no initial risk provision

balance be taken into account, rather an adjustment entry was made against the carrying amount. In contrast, the balance increased to a lesser extent for financial assets that under IFRS 9 are to be provisioned for with the LECL. Overall, significant portions of the portfolio are classified as investment grade, so that only 17% of the loan loss provisions are attributable to stage 2.

(7) Consolidated companies

In the first three months of 2018, the Bank sold its interest in Capital Investment Trust Corporation, Taipei, Taiwan, a shareholding that previously had been accounted for using the equity method. This sale results in a positive effect on the income statement in other net income (see Note 17). No further sales or acquisitions took place in the period under review.

No material companies were included in the scope of new consolidated companies in the first quarter of 2017. In addition, no material companies were sold or liquidated or are no longer consolidated for other reasons.

Notes to the income statement

(8) Net interest income

All interest income and interest expense – including interest-like income and expense – are reported in this item, provided they do not result from the held-for-trading portfolio.

Interest income includes all interest income that is generated from the primary bank business or banking-related transactions. This income results primarily from the provision of capital.

As with interest income, interest expense contains all interest expenses, including reversals of premiums/discounts or

other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

Interest income associated with the amortised cost and fair value OCI categories totalling €1.737m and interest expenses in the amortised cost category in the amount of €681m are determined using the effective interest rate method.

€m	1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in %
Interest income	2,077	2,137	-2.8
Interest income – Amortised Cost	1,662	n/a	
Interest income from lending and money market transactions	1,461	n/a	
Interest income from the securities portfolio	201	n/a	
Interest income – Loans and Receivables	n/a	1,724	
Interest income from lending and money market transactions	n/a	1,600	
Interest income from the securities portfolio	n/a	123	
Interest income – Available for Sale	n/a	193	
Interest income from the securities portfolio	n/a	193	
Interest income – Fair Value OCI	75	n/a	
Interest income from lending and money market transactions	5	n/a	
Interest income from the securities portfolio	70	n/a	
Interest income – Fair Value Option	0	74	-99.9
Interest income from lending and money market transactions	0	73	-99.9
Interest income from the securities portfolio	-	0	.
Interest income – Mandatorily Fair Value P&L	176	n/a	
Interest income from lending and money market transactions	170	n/a	
Interest income from the securities portfolio	6	n/a	
Prepayment penalty fees	24	29	-17.1
Unwinding	n/a	6	
Positive interest from financial instruments held as liabilities	140	112	24.4
Interest expenses	1,031	1,088	-5.2
Interest expenses – Amortised Cost	681	860	-20.8
Deposits	408	480	-15.1
Debt securities issued	274	380	-28.1
Interest expenses – Fair Value Option	164	89	84.2
Deposits	135	74	84.1
Debt securities issued	28	15	85.0
Negative interest from financial instruments held as assets	177	133	32.5
Other interest expenses	10	5	93.1
Total	1,045	1,049	-0.4

¹ Prior-year figures adjusted due to restatements (see page 42).

(9) Dividend income

All dividends from shares and similar equity instruments – with the exception of dividends from trading portfolios – are reported in this item.

Here we also report the current net income from non-consolidated subsidiaries, which is realised through profit and loss transfer agreements.

In the previous year, this income also contained distributions on profit-sharing certificates and participating bonds, plus fund distributions on units classified as equity capital.

The adjustment is necessary because under IFRS 9 the assessment of equity and debt is based on that of the issuer. Investment fund units and profit-sharing certificates previously reported under equity instruments were reallocated to securitised debt instruments and assigned to the measurement categories mFVPL or HfT. The resulting income is therefore reported in interest income starting from financial year 2018.

€m	1.1.-31.3.2018	1.1.-31.3.2017	Change in %
Dividends from equity instruments – Available for Sale	n/a	18	
Dividends from equity instruments – Fair Value OCI	1	n/a	
Dividends from equity instrument – Fair Value Option	–	4	.
Dividends from equity instruments – Mandatorily Fair Value P&L	11	n/a	
Current net income from non-consolidated subsidiaries	2	6	– 64.7
Total	14	28	– 48.3

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was allocated to the fair value OCI category. Previously this portfolio had been assigned to the available-for-sale IAS-39 category. In the first three months of

2018, dividends of €1m were received from these stocks and recognised in the income statement in dividend income.

This included €0m in equity instruments that were sold in the first three months of 2018.

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(10) Risk result

The risk result contains the net gain or loss resulting from remeasurement and derecognition. The net remeasurement gain or loss contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. In addition, it also includes changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (some guarantees, letters of credits, see Note 43).

The net gain or loss resulting from derecognition of financial instruments measured at amortised cost includes the reversal of loan loss provisions as at the date of derecognition of a financial instrument and direct write-offs. This item also continues to

include write-ups and amounts recovered on claims previously written-down. It also contains the proceeds from sales of financial instruments measured at amortised cost as well as the results from contractual adjustments agreed when loan arrangements with customers are restructured due to a deterioration in their creditworthiness (substantial modifications). Due to the application of IFRS 9, the result cannot be compared with the items loan loss provisions (Note 11) and other realised profit or loss and net remeasurement gain or loss (Note 12) as reported in the Annual Report 2017.

The breakdown of the risk result in the reporting period is as follows:

€m	1.1.-31.3.2018	1.1.-31.3.2017
Net remeasurement gain or loss	- 272	n/a
Financial Assets – Amortised Cost	- 281	n/a
Financial Assets – Fair Value OCI	3	n/a
Off-balance sheet exposure	5	n/a
Gain or loss on disposal of Financial Assets – Amortised Cost	195	n/a
Direct write-downs	- 64	n/a
Amounts recovered on claims written down	89	n/a
Gain or loss on substantial modification	3	n/a
Gain or loss on disposal of financial instruments (AC-Portfolio)	167	n/a
Total	- 77	n/a

The Commerzbank Group has loan portfolios (totalling €273bn with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI-non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor’s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets. Besides these sales, no other significant

or regular sales due to other reasons were made in any of the portfolios during the period under review. The risk result in the reporting period does not contain any material amounts from such sales.

As the accounting logic is based on the details of a specific transaction, both direct write-downs and a reversal of a loss provision are possible within a customer relationship. Reversals of loss provisions are included in the net remeasurement gain or loss. They are presented on a gross basis, i.e. no netting takes place. For information on the organisation of risk management and on the relevant key figures, as well as additional analyses and explanatory material on the expected credit loss, please refer to the interim management report contained in this interim report (see page 6 ff).

(11) Loan loss provisions

This item in 2017 included the loan loss provisions for both on- and off-balance-sheet lending business. With the application of IFRS 9, the previous item includes only a portion of the risk result. This prevents comparability with the previous year.

€m	1.1.-31.3.2018	1.1.-31.3.2017
Allocations to loan loss provisions ¹	n/a	- 422
Reversals of loan loss provisions ¹	n/a	215
Direct write-downs	n/a	- 30
Write-ups and amounts recovered on claims written down	n/a	42
Total	n/a	- 195

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

(12) Other realised profit or loss and net remeasurement gain or loss

Under IAS 39, this item in the previous year included the net gain or loss from the measurement of financial assets – loans and receivables, and financial assets – available for sale.

In the previous year, other realised profit or loss and net remeasurement gain or loss also contained the net realised gain or loss from the sale of claims and securities of the loans and receiv-

ables category, irrespective of whether the gain or loss was credit-induced.

With the application of IFRS 9, the previous item includes only a portion of the risk result. This prevents comparability with the previous year.

€m	1.1.-31.3.2018	1.1.-31.3.2017
Financial assets – Loans and Receivables	n/a	- 2
Net remeasurement gain or loss	n/a	- 1
Realised gain or loss	n/a	- 1
Financial assets – Available for Sale	n/a	- 0
Net remeasurement gain or loss	n/a	- 0
Total	n/a	- 3

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(13) Net commission income

The Group reports income and expenses generated from the utilisation of services in net commission income. These amounts are realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with

respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service transaction and not to proprietary trading. The same applies conversely when the Bank utilises third-party services.

€m	1.1.-31.3.2018	1.1.-31.3.2017	Change in %
Commission income	975	1,056	-7.6
Securities transactions	308	314	-1.8
Asset management	87	81	7.9
Payment transactions and foreign business	335	356	-5.8
Guarantees	54	54	1.7
Net income from syndicated business	62	90	-31.4
Intermediary business	62	105	-41.3
Fiduciary transactions	6	3	90.8
Other income	60	53	13.9
Commission expenses	178	169	5.4
Securities transactions	73	66	11.7
Asset management	14	14	2.6
Payment transactions and foreign business	36	36	-2.2
Guarantees	5	4	24.9
Net income from syndicated business	0	0	65.9
Intermediary business	32	35	-8.1
Fiduciary transactions	5	1	.
Other expenses	12	13	-3.1
Net provision income	797	887	-10.1
Securities transactions	235	248	-5.4
Asset management	73	67	9.0
Payment transactions and foreign business	300	319	-6.2
Guarantees	49	49	-0.2
Net income from syndicated business	62	90	-31.4
Intermediary business	30	70	-57.8
Fiduciary transactions	1	2	-42.3
Other income	48	40	19.3
Total	797	887	-10.1

The breakdown of commission income into segments is as follows:

€m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	304	6	0	-2	308
Asset management	75	12	0	0	87
Payment transactions and foreign business	143	195	0	-3	335
Guarantees	7	48	0	0	54
Net income from syndicated business	0	57	2	3	62
Intermediary business	45	5	0	12	62
Fiduciary business	6	0	0	0	6
Other income	42	7	1	11	60
Total	622	330	3	21	975

(14) Gain or loss from financial assets and liabilities measured at fair value through profit and loss

This item includes the gain or loss from financial assets and liabilities measured at fair value through profit and loss. It contains the net gain or loss from financial instruments in the held-for-trading category, the net gain or loss from financial instruments in the mandatorily fair value P&L category, and the net gain or loss from financial instruments in the fair value option category.

The net gain or loss from financial instruments in the held-for-trading category is the Bank's net trading income and is reported as the net balance of expenses and income. This item therefore includes:

- interest income, including dividends received and interest expenses from financial instruments held for trading;
- realised gains and losses from the sale of securities held for trading purposes, claims, foreign currencies and precious metals;
- dividends received from financial instruments held for trading;

- net remeasurement gain or loss from remeasurements to fair value;
- net gain or loss from derivative financial instruments;
- net gain or loss from fair value adjustments (Credit Valuation Adjustment/CVA, Debit Valuation Adjustment/DVA, Funding Valuation Adjustment/FVA);
- commission expenses and income incurred in connection with the acquisition or disposal of financial instruments held for trading purposes.

The net gain or loss from financial instruments in the mandatorily fair value P&L category and the net gain or loss from financial instruments in the fair value option category contain only net remeasurement gains or losses and realised profit or loss. Expenses and income are each presented on a net basis.

€m	1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in %
Profit or loss from financial instruments – Held for Trading	223	394	-43.5
Profit or loss from financial instruments – Fair Value Option	155	8	.
Profit or loss from financial instruments – Mandatorily Fair Value P&L	-33	n/a	
Total	345	402	-14.2

¹ Prior-year figures adjusted due to restatements (see page 42).

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(15) Net income from hedge accounting

Net income from hedge accounting includes gains and losses on the valuation of effective hedges in fair value hedge accounting (fair value hedge). Net income from hedge accounting also includes the ineffective portion of effective cash flow hedges.

€m	1.1.-31.3.2018	1.1.-31.3.2017	Change in %
Fair Value Hedges			
Changes in fair value attributable to hedging instruments	213	130	64.3
Micro fair value hedges	172	134	28.3
Portfolio fair value hedges	41	-4	.
Changes in fair value attributable to hedged items	-229	-164	40.1
Micro fair value hedges	-193	-178	8.1
Portfolio fair value hedges	-37	14	.
Cash Flow Hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	1	0	.
Total	-16	-34	-53.4

(16) Other net gain or loss from financial instruments

This item contains the gain or loss on disposals of financial assets in the fair value OCI category as well as the gain or loss from the repurchase of financial liabilities in the amortised cost category. In the previous year the gain or loss on disposals of financial assets in the available for sale category were reported here.

In the case of financial assets in the fair value OCI category (with recycling), the difference between amortised cost and fair value is recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve is reversed

through profit and loss when the asset is disposed of. In the previous year this was also applicable for the available for sale category.

The disposal of financial liabilities in the amortised cost category results in a net realised profit or loss, which arises directly from the difference between the purchase price and amortised costs.

In addition, the gain or loss from changes in estimates (–€26m) is reported in this item. There was no net remeasurement gain or loss from substantial modifications in the period under review.

€m	1.1.-31.3.2018	1.1.-31.3.2017	Change in %
Realised profit or loss from financial assets – Fair Value OCI (with recycling)	3	n/a	
Realised profit or loss from financial assets – Available for Sale	n/a	32	
Realised profit or loss from financial liabilities – Amortised Cost	4	19	-79.9
Net remeasurement gain or loss on non-substantial modification and changes in uncertainties in estimates	-26	-	.
Total	-19	50	.

(17) Other net income

Other net income primarily comprises allocations to and reversals of provisions and income and expenses from operating leases.

This item also includes the realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities.

€m	1.1.-31.3.2018	1.1.-31.3.2017	Change in %
Other material items of income	177	118	49.9
Reversals of provisions	35	34	3.4
Operating lease income	45	40	13.5
Income from building and architects' services	0	0	-98.0
Hire-purchase income and sublease income	3	2	38.4
Income from investment properties	0	0	9.5
Income from non-current assets held for sale	-	-	.
Income from disposal of fixed assets	1	1	23.8
Income from FX rate differences	11	7	69.3
Other items in other income	82	34	.
Other material items of expense	88	110	-19.7
Allocations to provisions	16	34	-52.6
Operating lease expenses	30	27	8.9
Expenses arising from building and architects' services	-	3	.
Hire-purchase expenses and sublease expenses	1	1	-6.9
Expenses from investment properties	0	0	-92.1
Expenses from non-current assets held for sale	0	0	.
Expenses from disposal of fixed assets	0	1	-76.2
Expenses from FX rate differences	8	10	-12.3
Other items in other expenses	33	34	-3.6
Balance of sundry tax income/expenses	21	-5	.
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	19	-	.
Other net income	129	3	.

A positive non-recurring effect of €52m was realised in the first quarter of 2018 in connection with the Group insurance business of the mBank subgroup. This effect was reported in other items in other income (see the interim management report on page 7).

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(18) Operating expenses

Personnel expenses €m	1.1.-31.3.2018	1.1.-31.3.2017	Change in%
Wages and salaries	824	847	-2.7
Expenses for pensions and similar employee benefits	63	63	0.2
Total	887	910	-2.5

Operating expenses €m	1.1.-31.3.2018	1.1.-31.3.2017	Change in%
Occupancy expenses	149	139	7.0
IT expenses	171	151	13.1
Workplace and information expenses	70	62	11.6
Compulsory contributions	244	226	7.8
Advisory, audit and other expenses required to comply with company law	101	109	-7.9
Travel, representation and advertising expenses	61	61	0.3
Personnel-related operating expenses	36	26	39.3
Other operating expenses	49	42	18.4
Total	880	816	7.8

The compulsory contributions in the current year include bank levies of €186m (previous year: €171m) and Polish bank tax of €23m (previous year: €21m).

Depreciation €m	1.1.-31.3.2018	1.1.-31.3.2017	Change in%
Office furniture and equipment	31	31	0.7
Land and buildings	4	4	-2.0
Intangible assets	134	104	28.8
Total	169	139	21.7

(19) Taxes on income

Group tax expense was €5m as at 31 March 2018. With pre-tax profit of €289m the Group's effective tax rate was 1,7% (Group income tax rate: 31,5%). Group tax expense mainly comprises the current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft outside

Germany for the reporting period. The factors that reduce the tax rate include primarily non-recurring effects resulting from the ongoing foreign tax on-site inspection, and lower tax rates at foreign locations on the operating profit realised there.

(20) Earnings per share

	1.1.-31.3.2018	1.1.-31.3.2017 ¹	Change in%
Operating profit (€m)	289	330	- 12.4
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	250	229	9.2
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	-
Operating profit per share (€)	0.23	0.26	- 12.4
Earnings per share (€)	0.20	0.18	9.2

¹ Prior-year figures adjusted due to restatements (see page 42).

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in the previous year, no conver-

sion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is shown in the segment report (Note 44).

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Notes to the balance sheet

Financial assets and liabilities

In accordance with IFRS 9 all financial investments and liabilities – which also include derivative financial instruments – must be recognised in the balance sheet. A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. On initial recognition, financial instruments are measured at fair value. For financial instruments that are not measured at fair value through profit and loss, directly attributable transaction costs are included in the fair values as acquisition-related costs, which increase the fair value of financial assets or reduce the fair value of financial liabilities. In accordance with IFRS 13, fair value is defined as the realisable price, i.e. the price that the market participant would receive for the sale of an asset or pay to transfer a liability in an orderly transaction. The fair value is a price observed on an active market (mark-to-market) or determined using valuation models (mark-to-model). The relevant inputs for the valuation model are either observed directly on the market or are estimates made by experts.

Depending on their category, financial instruments are recognised in the balance sheet subsequently either at (amortised) cost or fair value.

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability is generally recognised in the balance sheet when the Commerzbank Group becomes a party to the contractual provisions of the financial instrument. For regular-way purchases or sales of financial assets in the cash market the trading and settlement dates normally differ. These regular-way cash market purchases and sales may be recognised using either trade date or settlement date accounting. Within the Commerzbank Group, regular-way purchases and sales of financial assets in the amortised cost category and in the case of application of the fair value option are recognised on the settlement date on both recognition and derecognition. For all other IFRS 9 categories the Group uses trade date accounting for all regular-way purchases and sales of financial assets both on recognition and derecognition.

The derecognition rules of IFRS 9 are based both on the concept of risks and rewards and on the concept of control. However, when deciding whether an asset qualifies for derecognition, the evaluation of the transfer of the risks and rewards of ownership takes precedence over the evaluation of the transfer of control. If the risks and rewards are transferred only partially and control over the asset is retained, the continuing involvement approach is used. The financial asset continues to be recognised to the extent of the Group's continuing involvement, and special accounting policies apply. The extent of the continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred asset. A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations arising from the contract are discharged or cancelled or expire. The repurchase of own debt instruments is also a transfer of financial liabilities that qualifies for derecognition. Any differences between the carrying value of the liability (including discounts and premiums) and the purchase price are recognised in profit or loss; if the asset is sold again at a later date a new financial liability is recognised at cost equal to the price at which the asset was sold. Differences between this cost and the repayment amount are allocated over the term of the debt instrument using the effective interest rate method.

Some amendments of contractual terms and conditions between borrowers and the Bank, for example as a consequence of forbearance measures or restructuring, can lead to derecognition. A substantive amendment of the contractual terms and conditions of a financial instrument between an existing borrower and the Bank leads to the derecognition of the original financial asset and the recognition of a new financial instrument.

Similarly, a significant amendment of the contractual terms and conditions of an existing debt instrument is to be treated as a repayment of the original financial liability. In quantitative terms, an amendment of the contractual terms and conditions is regarded as substantive if the discounted net present value of the cash flows under the new contractual terms and conditions varies by at least 10 % from the discounted net present value of the residual cash flows of the original debt instrument.

b) Classification of financial instruments and their measurement

The Commerzbank Group classifies financial assets and financial liabilities in accordance with the applicable IFRS 9 categories:

Financial assets

- amortised cost
- fair value OCI
- fair value option
- mandatorily fair value P&L
- held for trading

Financial liabilities

- amortised cost
- fair value option
- held for trading

The Group subdivides the IFRS 9 categories into the following classes:

Financial assets

- Loans and receivables
- Securitised debt instruments
- Equity instruments
- Derivatives that do not qualify for hedge accounting (free derivatives)
- Derivatives that qualify for hedge accounting

Financial liabilities

- Deposits
- Bonds and notes issued
- Derivatives that do not qualify for hedge accounting (free derivatives)
- Derivatives that qualify for hedge accounting

c) Net gains or losses

Net gains or losses include fair value measurements recognised in profit or loss, currency translation effects, impairments, impairment reversals, gains realised on disposal, subsequent recoveries on written-down financial instruments and changes recognised in the revaluation reserve classified in the respective IFRS 9 categories. The components are detailed in the condensed statement of comprehensive income and in the notes on net interest income, risk result, gain or loss from financial assets and liabilities measured at fair value through profit and loss and other net gain or loss from financial instruments.

d) Financial guarantees

A financial guarantee is a contract that requires the issuer to make specified payments that reimburse the holder for a loss they incur

because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. This may include, for example, bank guarantees. If Commerzbank is the guarantee holder, the financial guarantee is not recorded in the accounts and is only recognised when determining an impairment of a guaranteed asset. As the issuer, the Commerzbank Group recognises the liability arising from a financial guarantee at inception. Initial measurement is at fair value at the time of recognition. In general terms, the fair value of a financial guarantee contract at inception is zero because for fair market contracts the value of the premium agreed normally corresponds to the value of the guarantee obligation (known as the net method¹⁾). Subsequent measurement is at the higher of amortised cost or the provision that is required to be recognised if payment of the guarantee becomes probable.

e) Embedded derivatives

Embedded derivatives are derivatives that are integrated into primary financial instruments. These include, for example, reverse convertible bonds (bonds that may be repaid in the form of equities) or bonds with index-linked interest payments.

Under IAS 39, derivatives embedded in financial assets, liabilities and non-financial host contracts were treated as separate derivatives and recognised at fair value if they met the definition of a derivative and their economic characteristics and risks were not closely related to those of the host contract.

In accordance with IFRS, since 1 January 2018 we have separated only those derivatives that are embedded in financial liabilities and non-financial host contracts. Under IFRS 9, financial assets are assessed in their entirety. As a result, the host contract is no longer accounted for separately from the embedded derivative. Instead, financial assets are classified based on the business model and their contractual terms and conditions.

Such a separation must be made for accounting purposes only if the following three conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative under IFRS 9.
- The primary financial liability is not measured at fair value through profit or loss.

In this case, the embedded derivative to be separated is regarded as part of the held-for-trading category and is recognised at fair value. Changes on remeasurement are recognised in the gain or loss from financial assets and liabilities measured at fair value through profit and loss. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

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If the above three conditions are not cumulatively met, the embedded derivative is not shown separately and the hybrid financial instrument or structured product is measured as a whole

(21) Financial assets – amortised cost

If the contractually agreed cash flows of a financial asset comprise only interest and principal payments (i.e. the asset is SPPI-compliant) and this asset was allocated to the “hold to collect” business model, it is measured at amortised cost. The carrying

amount of these financial instruments is reduced by any loan loss provision (see Note 31 Credit risks and credit losses).

Interest payments for this financial instrument are recognised in net interest income using the effective interest rate method.

€m	31.3.2018	31.12.2017
Loans and advances	240,109	n/a
Central banks	1,736	n/a
Banks	30,595	n/a
Corporate clients	88,539	n/a
Private customers	94,816	n/a
Other financial corporations	11,905	n/a
General governments	12,518	n/a
Debt securities	31,143	n/a
Banks	2,833	n/a
Corporate clients	3,287	n/a
Other financial corporations	4,400	n/a
General governments	20,623	n/a
Total	271,252	n/a

(22) Financial assets – loans and receivables

Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market were assigned to this category in the previous year in accordance with IAS 39. This was true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market existed if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represented actual and regularly occurring market transactions on an arm’s length basis. Measurement of these assets was at amortised cost. If there was impairment, this was recognised in profit or loss when determining the amortised cost. Premiums and discounts were recognised in net interest income over the life of the asset.

Impairments on securities were recognised in the same way as for lending business (see Annual Report 2017, page 178 ff.). The impairments for these financial instruments were recognised in other realised profit or loss and net remeasurement gain or loss and directly reduce the corresponding item in the balance sheet. If the indicators for impairment of given securities ceased to apply or no longer suggested an impairment, the impairment of the securities in question was reversed through profit or loss, but to no more than the level of amortised cost. Similarly, an improved risk environment could lead to the reversal of an impairment that was previously recognised at the portfolio level.

€m	31.3.2018	31.12.2017
Loans and advances	n/a	241,708
Central banks	n/a	906
Banks	n/a	29,502
Corporate clients	n/a	90,468
Private customers	n/a	93,476
Other financial corporations	n/a	10,389
General governments	n/a	16,967
Debt securities	n/a	24,004
Banks	n/a	2,256
Corporate clients	n/a	3,799
Other financial corporations	n/a	3,834
General governments	n/a	14,115
Total	n/a	265,712

(23) Financial liabilities – amortised cost

As a rule, financial liabilities must be subsequently measured at amortised cost. We have explained the exceptions to this fundamental classification in the aforementioned items within Note 6.

Deposits and other financial liabilities include primarily deposits due on demand, term deposits and savings bonds.

We report in other debt issues also those subordinated securitised and unsecured issues which in the event of an insolvency or liquidation can be repaid only after the claims of all non-subordinated creditors have been satisfied.

€m	31.3.2018	31.12.2017 ¹	Change in %
Deposits	302,139	297,907	1.4
Central banks	2,204	4,427	-50.2
Banks	49,779	44,468	11.9
Corporate clients	79,878	86,297	-7.4
Private customers	116,717	114,087	2.3
Other financial corporations	35,568	33,072	7.5
General governments	17,994	15,555	15.7
Debt securities issued	39,536	43,369	-8.8
Money market instruments	4,180	4,428	-5.6
Covered bonds	17,629	17,237	2.3
Other debt securities issued	17,728	21,704	-18.3
Total	341,675	341,276	0.1

¹ Prior-year figures adjusted due to restatements (see page 42).

New issues with a total volume of €2.8bn begeben were issued in the first quarter of 2018. In the same period, the volume of bonds maturing amounted to €3.2bn and redemptions to €0.5bn.

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(24) Financial assets – fair value OCI

Measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCI with recycling) is required if the financial instrument is allocated to a portfolio with the “hold to collect and sell” business model and, in addition, the contractually agreed cash flows are only interest and principal payments, and are thus SPPI-compliant.

The changes in fair value are recognised in OCI without effect on income, except for impairments, which are recognised in the income statement. The recognition of loan loss provisions is explained in Note 31 Credit risks and credit losses. When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net gain or loss from financial instruments. Interest

income from these financial assets is recognised in net interest income using the effective interest rate method.

In addition, “financial assets – fair value OCI” also contain equity instruments which we have opted to measure at fair value in other comprehensive income without recycling if they meet the definition of equity in accordance with IAS 32 and are not held for trading purposes. Such a classification is set voluntarily and irrevocably per financial instrument. All gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

€m	31.3.2018	31.12.2017
Loans and advances (without recycling)	1,716	n/a
Central banks	–	n/a
Banks	211	n/a
Corporate clients	568	n/a
Private customers	–	n/a
Other financial corporations	40	n/a
General governments	897	n/a
Debt securities (without recycling)	22,703	n/a
Banks	8,256	n/a
Corporate clients	1,085	n/a
Other financial corporations	3,913	n/a
General governments	9,448	n/a
Equity instruments (with recycling)	82	n/a
Corporate clients	42	n/a
Other financial corporations	40	n/a
Total	24,501	n/a

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified in the fair value OCI category. Previously this portfolio was assigned to the available-for-sale IAS 39 category. In addition, an equity stake in a credit card provider was allocated to this category.

As at 31 March 2018, the fair value of this holding amounted to €82m. The Group received dividends paid from this holding totalling €1m in the first quarter of 2018. This payment was recognised in the income statement in net dividend income. In addition, sales from this portfolio resulted in the realisation of a gain totalling €0m, which was recognised in retained earnings without effect on income.

(25) Financial assets – available for sale

In accordance with IAS 39, this category comprised all non-derivative financial assets not assigned to one of the other categories or designated for the category “Financial assets – available for sale”. This included interest-bearing securities, equities, profit-sharing certificates and units in investment funds. Available-for-sale assets primarily comprised fixed-income securities that were

traded on an active market but which the Bank did not intend to sell in the short term. They were measured at fair value. If the fair value could be established on an active market, items were measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

€m	31.3.2018	31.12.2017
Debt securities	n/a	30,661
Banks	n/a	8,373
Corporate clients	n/a	1,894
Other financial corporations	n/a	3,585
General governments	n/a	16,809
Equity instruments	n/a	493
Banks	n/a	11
Corporate clients	n/a	269
Other financial corporations	n/a	213
Total	n/a	31,155

(26) Financial assets – fair value option

If acquired debt instruments are SPPI-compliant and were allocated to the business models “hold to collect” or “hold to collect and sell”, the fair value option may be applied to them. As a result, the respective assets are not measured at amortised cost or at fair value through other comprehensive income. Instead, they are measured a fair value through profit or loss.

The option to measure at fair value may be exercised only when initial recognition takes place. The precondition to use this option is that by doing so an accounting mismatch can be eliminated or reduced. Such a mismatch can result, for example, if according to the classification criteria assets are measured at

amortised cost, whereas the associated liabilities are measured at fair value.

Under the IFRS 9 classification model, the previous alternatives to apply the fair value option to manage assets on a fair value basis and to avoid the separation of embedded derivatives are no longer possible. The elimination of the separation requirement for embedded derivatives means that structured products are assessed as a whole to determine SPPI compliance. In the case of debt instruments that are managed on a fair value basis as a component of a portfolio, IFRS 9 (in contrast to IAS 39) requires measurement at fair value. As a result, the fair value option is not available.

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€m	31.3.2018	31.12.2017	Change in%
Loans and advances	–	23,000	.
Central banks	–	4,113	.
Banks	–	9,181	.
Corporate clients	–	574	.
Private customers	–	3	.
Other financial corporations	–	7,121	.
General governments	–	2,009	.
Debt securities	–	393	.
Banks	–	91	.
Corporate clients	–	151	.
Other financial corporations	–	114	.
General governments	–	38	.
Equity instruments	–	352	.
Other financial corporations	–	352	.
Total	–	23,745	.

(27) Financial liabilities – fair value option

The regulations regarding the exercise of the fair value option for financial liabilities are unchanged compared with IAS 39. Besides the existence of an accounting mismatch, an additional precondition requiring application for liabilities can be the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation.

If the fair value option is used for financial liabilities or for hybrid contracts, the changes in fair value resulting from fluctuations in own credit risk are not recognised in the income statement, but rather directly in equity (without recycling) with no effect on income.

€m	31.3.2018	31.12.2017	Change in%
Deposits	32,850	14,279	.
Central banks	3,029	2,445	23.9
Banks	10,491	5,020	.
Corporate clients	1,341	1,027	30.5
Private customers	163	153	6.4
Other financial corporations	17,651	5,517	.
General governments	176	116	51.2
Debt securities issued	4,023	661	.
Other debt securities issued	4,023	661	.
Total	36,873	14,940	.

For liabilities to which the fair value option was applied, the change in fair value in the first quarter of 2018 for credit risk reasons was -€39m (previous year: €122m). The cumulative change was €9m (previous year: €30m).

€0m realised from disposals of financial liabilities for which the fair value option was applied was recognised in retained earnings without effect on income.

New issues with a total volume of €0.4bn were issued in the first quarter of 2018. During the same period there were no significant redemptions or maturing issues.

(28) Financial assets – mandatorily fair value P&L

This item includes financial instruments that are allocated to the residual business model and not reported in financial assets – held for trading. In addition, transactions allocated to the “hold to collect” and “hold to collect and sell” business model are included here if they are not SPPI-compliant. Examples of such transactions include investment fund units, profit-sharing certificates, silent participations and assets managed on a fair value basis.

Equity instruments are exclusively contracts providing a residual interest in the assets of a company after deducting all associated debts, such as shares or interests in other joint-stock companies.

Equity instruments are not SPPI-compliant because the investor has no claim to interest and principal repayments. As a result, these instruments are usually measured at fair value through profit or loss. An exception to this rule exists for equity instruments for which the Group has chosen the option to measure them at fair value in other comprehensive income without recycling (see Note 24).

€m	31.3.2018	31.12.2017
Loans and advances	45,179	n/a
Central banks	7,151	n/a
Banks	16,353	n/a
Corporate clients	3,278	n/a
Private customers	311	n/a
Other financial corporations	12,618	n/a
General governments	5,468	n/a
Debt securities	2,300	n/a
Banks	59	n/a
Corporate clients	103	n/a
Other financial corporations	1,530	n/a
General governments	608	n/a
Equity instruments	327	n/a
Banks	11	n/a
Corporate clients	287	n/a
Other financial corporations	29	n/a
Total	47,806	n/a

(29) Financial assets – held for trading

This category includes interest- and equity-related securities, promissory note loans and other claims, derivative financial instruments (derivatives that do not qualify for hedge accounting) as well as other trading portfolios allocated to the residual business model and held for trading. These financial instruments are used to realise profits from short-term fluctuations in prices or traders' margins.

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit

and loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expense and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under gain or loss from financial assets and liabilities measured at fair value through profit and loss.

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€m	31.3.2018	31.12.2017	Change in%
Loans and advances	1,237	1,080	14.5
Banks	772	702	10.0
Corporate clients	276	310	-10.9
Other financial corporations	6	13	-52.2
General governments	182	55	.
Debt securities	7,347	2,955	.
Banks	985	596	65.2
Corporate clients	198	287	-31.1
Other financial corporations	3,592	1,106	.
General governments	2,572	966	.
Equity instruments	8,804	11,302	-22.1
Banks	721	646	11.6
Corporate clients	7,542	7,770	-2.9
Other financial corporations	542	2,887	-81.2
Positive fair values of derivative financial instruments	41,879	47,783	-12.4
Interest-rate-related derivative transactions	29,398	33,467	-12.2
Currency-related derivative transactions	8,160	9,992	-18.3
Equity derivatives	3,244	3,145	3.2
Credit derivatives	556	720	-22.8
Other derivative transactions	520	459	13.5
Other trading positions	859	546	57.4
Total	60,125	63,666	-5.6

(30) Financial liabilities – held for trading

This item comprises derivative financial instruments (Derivatives that do not qualify for hedge accounting), own issues in the trading book and delivery commitments arising from short sales of securities.

€m	31.3.2018	31.12.2017	Change in%
Certificates and other issued bonds	5,878	5,565	5.6
Delivery commitments arising from short sales of securities	2,381	2,467	-3.5
Negative fair values of derivative financial instruments	45,552	48,452	-6.0
Interest-rate-related derivative transactions	31,516	33,279	-5.3
Currency-related derivative transactions	8,004	9,514	-15.9
Equity derivatives	4,123	3,927	5.0
Credit derivatives	1,072	1,102	-2.7
Other derivative transactions	837	629	33.2
Total	53,811	56,484	-4.7

Credit risks and credit losses

(31) Credit risks and credit losses

Principles and measurements

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not recognised at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of debt instruments measured at amortised cost;
- financial assets in the form of debt instruments measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes all transactions with limited default risk as of the reporting date, because Commerzbank utilises the option provided for in IFRS 9 to refrain from making an assessment about a significant increase in the default risk for financial instruments that have limited default risk on the financial reporting date. A limited default risk exists for all financial instruments with an investment-grade internal credit rating on the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better). An impairment must be recognised for financial instruments in stage 1 in the amount of the expected credit loss over the next twelve months (12-month ECL).

Stage 2 includes those financial instruments with default risk that has risen significantly since their initial recognition and which, as at the financial reporting date, cannot be classified as transactions with limited default risk. Impairments in stage 2 are recognised in the amount of the financial instrument's lifetime expected credit loss (LECL).

Stage 3 includes financial instruments which are classified as impaired as at the financial reporting date. Commerzbank's criterion for this classification is the definition of a default in accordance with Article 178 of the Capital Requirements Regulation (CRR). The following events can be indicative of a customer default:

- insolvency is imminent (over 90 days past due);
- the Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contribution(s);
- the Bank has demanded immediate repayment of its claims;
- the customer is in insolvency proceedings.

The LECL is likewise used as the value of the required impairment for stage-3 financial instruments in default. When determining the LECL, the Group distinguishes in principle between significant and insignificant cases. The amount of the LECL for insignificant transactions (volumes up to €5m) is determined based on statistical risk parameters. The LECL for significant transactions (volumes greater than €5m) is the expected value of the losses derived from individual expert assessments of future cash flows based on several potential scenarios and their probability of occurrence.

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition (purchased or originated credit-impaired, or POCI) are handled outside the 3-stage impairment model and are therefore not allocated to any of the three stages. The initial recognition is based on fair value without recording an impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognised in subsequent periods equals the cumulative change in the LECL since the initial recognition in the balance sheet. The LECL remains the basis for the measurement, even if the value of the financial instrument has risen.

Determination of the expected credit loss

Commerzbank calculates the LECL as the probability-weighted, unutilised and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within twelve months following the end of the reporting period.

The ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

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- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

The Group derives the PD by applying an internal ratings procedure, which is based on the respective customer group. The determination includes a wide variety of qualitative and quantitative variables, which are taken into account or weighted based on the respective procedure. The allocation of the PD ranges to the internal rating categories and the reconciliation to external ratings can be found in the master scale contained in the Group Management Report.

The LGD is the forecasted loss given default as a percentage of the exposure at default (EaD), taking into account collateral and the capital recovery potential on the unsecured portion. The Group's estimates, which are made specifically for different types of collateral and customer groups, are determined using both observed historical portfolio data and diverse external information, such as indices and data regarding the development of purchasing power.

The EaD is the expected loan utilisation as at the default date, taking into account a (partial) drawing of open lines.

All risk parameters used from the Bank's internal models have been adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

In the case of loan products that consist of a utilised loan amount and an open credit line and for which in customary commercial practice the credit risk is not limited to the contractual notice period (in Commerzbank this relates primarily to revolving products without a contractually agreed repayment structure, such as overdrafts and credit card facilities), the LECL must be determined via a performance-based term, which typically exceeds the maximum contractual period. In order to ensure that the LECL for these products is determined in an empirically sound manner in compliance with IFRS 9 requirements, Commerzbank calculates the LECL directly for these products based on realised historical losses.

As a rule, the Group estimates the risk parameters specific to IFRS-9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank's macroeconomic forecasts will have regarding the amount of the ECL, and

including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If needed, these models are supplemented with expert-based assumptions. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor.

All parameters used when determining the ECL are regularly validated by an independent unit (usually once a year). If needed, they are adjusted accordingly.

Assessment of a significant increase in default risk

Commerzbank's rating systems combine into the PD all available quantitative and qualitative information relevant for forecasting the default risk. This metric is based primarily on a statistical selection and weighting of all available indicators. In addition, the PD adjusted in accordance with IFRS 9 requirements takes into account not only historical information and the current economic environment, but also, in particular, forward-looking information such as the forecast for the development of macroeconomic conditions.

As a consequence, Commerzbank uses the PD only as a frame of reference for assessing whether the default risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the Bank's Group-wide credit-risk-management framework (in particular, early identification of credit risk, controlling of overdrafts and the re-rating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria. For further information on Commerzbank's processes and procedures as well as governance in credit risk management, please refer to the explanatory information in the interim Management Report (page 6 ff.).

The review to determine whether the default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the end of the reporting period. This review compares the observed probability of default over the residual maturity of the financial instrument (lifetime PD) against the lifetime PD over the same period as expected on the date of initial recognition. In

accordance with IFRS requirements, in some sub-portfolios, the original and current PD are compared based on the probability of default over a period of twelve months after the end of the reporting period (12-month PD). In these cases, the Bank uses equivalence analyses to demonstrate that no material variances have occurred compared with an assessment using the lifetime PD.

Thresholds are set using a statistical procedure in order to determine whether an increase in the PD compared with the initial recognition date is “significant”. These thresholds, which are dif-

ferentiated by rating models, represent a critical degree of variance compared with the average development of the PD. In order to ensure an economically sound assignment of the stage, transaction-specific factors are taken into account, including the extent of the PD at the initial recognition date, the term to date and the remaining term of the transaction.

Financial instruments are retransferred from stage 2 to stage 1 if at the end of the reporting period the default risk is no longer significantly elevated compared with the initial recognition date.

€m	As at 1.1.2018	Net- Additions/ Reversals	Utilisations	Change in the group of consolidated companies	Exchange rate changes/ Reclassifi- cation/ Unwinding	As at 31.3.2018
Loan loss provisions for on-balance-sheet loan losses	2,228	278	397	–	–7	2,102
Financial Assets – Amortised Cost	2,212	281	397	–	–10	2,086
Loans and advances	2,117	279	397	–	–9	1,990
Debt securities	95	2	0	–	–1	96
Financial Assets – Fair value OCI	16	–3	0	–	3	16
Loans and advances	7	–3	0	–	2	6
Debt securities	9	–0	0	–	1	10
Loan loss provisions for off-balance-sheet loan losses	293	–5	–	–	–3	285
Total	2,521	272	397	–	–10	2,386

The breakdown into the stages is as follows:

€m	Stage 1	Stage 2	Stage 3	POCI	Gesamt
Valuation allowances on loan losses for financial assets	245	360	1,438	60	2,102
Loans and advances	215	286	1,436	59	1,996
Debt securities	29	74	2	1	105
Loan loss provisions for off-balance-sheet loan losses	68	103	87	27	285

Loan loss provisions pursuant to IAS 39 for financial year 2017 changed as follows:

Development of provisioning €m	2018	2017
As at 1.1.	n/a	3,934
Allocations	n/a	422
Disposals	n/a	410
Utilisation/Inanspruchnahmen	n/a	194
Reversals	n/a	215
Changes in consolidated companies	n/a	–
Exchange rate changes/reclassifications/unwinding	n/a	11
As at 31.3.	n/a	3,957

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Loan loss provisions €m	31.3.2018	31.12.2017
Specific valuation allowances	n/a	2,672
Portfolio valuation allowances	n/a	454
Provisions for on-balance-sheet loan losses	n/a	3,125
Specific valuation allowances	n/a	112
Portfolio valuation allowances	n/a	99
Provisions for off-balance-sheet loan losses	n/a	211
Total	n/a	3,336

Other notes on financial instruments

(32) IFRS 13 fair value hierarchies and disclosure requirements

Fair value hierarchy

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

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

With respect to the methods of model-based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. 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. These valuations are subject to a higher degree to judgements by management. Market data or third-party inputs are relied on to the greatest possible extent, and company-specific inputs to a limited degree.

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.

The fair values that can be realised at a later date may fundamentally deviate from the estimated fair values.

All fair values are subject to the Commerzbank Group's internal controls and procedures, which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the finance function. The

models, inputs and resulting fair values are reviewed regularly by senior management and the risk function.

Disclosure obligations

In the following, a distinction is made between:

- financial instruments measured at fair value (fair value OCI, fair value option, mandatorily fair value P&L and held for trading);
- financial instruments measured at amortised cost.

The respective disclosure requirements regarding these financial instruments are set out in IFRS 7 and IFRS 13. For example, they require explanatory statements on the valuation techniques applied and the inputs used for levels 2 and 3, as well as quantitative disclosures on unobservable inputs (level 3). The reporting entity must also provide information about and reasons for reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured 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 measurement of liabilities must also take account of the Bank's 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.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group

determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVA), the funding costs or benefits of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio market values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVA is approximated by the Commerzbank

funding curve. Commerzbank in the reporting period adapted the calculation of the future market values of the derivative portfolios so that they match the current developments of the market standards. This adaptation resulted in a conversion effect of €-17m

IFRS 9 requires that all financial instruments be measured at fair value upon initial recognition. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IFRS 9 fair value category and by class.

Financial assets €bn		31.3.2018			
		Level 1	Level 2	Level 3	Gesamt
Financial Assets – Fair Value OCI	Debt instruments	19.2	3.5	0.0	22.7
	Equity instruments	0.0	–	0.0	0.1
	Loans and advances	–	1.7	0.0	1.7
Financial Assets – Fair Value Option	Debt instruments	–	–	–	–
	Equity instruments	–	–	–	–
	Loans and advances	–	–	–	–
Financial Assets – Mandatorily Fair Value P&L	Debt instruments	1.3	–	1.0	2.3
	Equity instruments	0.3	–	–	0.3
	Loans and advances	–	39.9	5.3	45.2
Financial Assets – Held for Trading	Derivatives	–	37.9	4.0	41.9
	Debt instruments	5.9	1.4	0.0	7.3
	Equity instruments	8.8	–	0.0	8.8
	Loans and advances	–	1.2	–	1.2
	Other trading assets	0.9	–	–	0.9
Positive fair values of derivative hedging instruments	Hedge accounting	–	1.5	–	1.5
Non-current assets held for sale and disposal groups	Debt instruments	0.0	–	–	0.0
	Equity instruments	–	–	–	–
	Loans and advances	–	0.2	–	0.2
Total		36.4	87.3	10.4	134.1

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Financial assets €bn		31.12.2017			
		Level 1	Level 2	Level 3	Gesamt
Financial Assets – Available for Sale	Debt instruments	24.1	6.5	0.1	30.7
	Equity instruments	0.4	–	0.0	0.4
Financial Assets – Fair Value Option	Debt instruments	0.0	0.4	0.0	0.4
	Equity instruments	0.4	–	–	0.4
	Loans and advances	–	22.5	0.5	23.0
Financial Assets – Held for Trading	Derivatives	–	43.5	4.3	47.8
	Debt instruments	1.3	0.7	0.9	3.0
	Equity instruments	11.3	–	0.0	11.3
	Loans and advances	–	1.1	–	1.1
	Others	0.5	–	–	0.5
Positive fair values of derivative hedging instruments	Hedge accounting	–	1.5	–	1.5
Non-current assets held for sale and disposal groups	Debt instruments	0.0	–	–	0.0
	Equity instruments	0.1	–	–	0.1
	Loans and advances	0.0	–	–	0.0
Total		38.1	76.1	5.9	120.1

Financial liabilities €bn		31.3.2018				31.12.2017			
		Level 1	Level 2	Level 3	Gesamt	Level 1	Level 2	Level 3	Gesamt
Financial liabilities – Fair value option	Deposits	–	32.7	0.1	32.9	–	14.2	0.1	14.3
	Bonds and notes issued	4.0	–	–	4.0	0.7	–	–	0.7
Financial liabilities – held for trading	Derivatives	–	41.8	3.8	45.6	–	44.5	3.9	48.5
	Certificates and other notes issued	5.9	–	–	5.9	5.6	–	–	5.6
	Delivery commitments arising from short sales of securities	2.3	0.1	0.0	2.4	2.2	0.3	–	2.5
Negative fair values of derivative hedging instruments	Hedge accounting	–	1.7	–	1.7	–	2.3	–	2.3
Total		12.2	76.3	3.9	92.4	8.4	61.2	4.0	73.7

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

In 2018, the Group did not make any meaningful reclassifications from level 1 to level 2. The changes in financial instruments in the level 3 category were as follows:

Financial Assets €m	Financial Assets – Fair Value OCI	Financial Assets – Mandatorily Fair Value P&L	Financial Assets – Held for Trading	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2018	74	6,281	4,183	–	10,538
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–	–151	–186	–	–337
of which unrealised gains or losses	–	–149	–183	–	–332
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	–	235	–8	–	226
Sales	–	–	–0	–	–0
Issues	–	–	–	–	–
Redemptions	–	–	–	–	–
Reclassifications to level 3	4	77	–	–	81
Reclassifications from level 3	–	–73	–3	–	–76
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–	–	–
Fair Value as at 31.3.2018	78	6,369	3,986	–	10,433

Financial Assets €m	Financial Assets – Available for Sale	Financial Assets – Fair Value Option	Financial Assets – Held for Trading	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2017	140	944	6,179	68	7,332
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–14	–31	–338	–2	–385
of which unrealised gains or losses	–14	–31	–348	–2	–395
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	4	413	164	–	581
Sales	–	–158	–751	–66	–975
Issues	–	–	–	–	–
Redemptions	–	–	–16	–	–16
Reclassifications to level 3	12	7	85	–	105
Reclassifications from level 3	–7	–661	–78	–	–747
Reclassifications from/to non-current assets held for sale and assets of disposal groups	–	–	–	–	–
Fair Value as at 31.12.2017	135	514	5,245	–	5,894

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Unrealised gains or losses on financial instruments held for trading (securities and derivatives) and on claims and securities measured at fair value through profit or loss are a component of the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

€0.1bn of securitised debt instruments in the IFRS 9 mFVPL category were reclassified in 2018 from level 3 back to level 2

because market parameters were again observable. In contrast, €0.1bn of loans and receivables in the mFVPL category were reclassified from level 2 to level 3 because market parameters were not observable

The changes in financial liabilities in the level 3 category during the reporting period were as follows:

Financial Liabilities €m	Financial Liabilities – Fair Value Option	Financial Liabilities – Held for Trading	Total
Fair Value as at 1.1.2018	100	3,930	4,030
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	–190	–190
of which unrealised gains or losses	–	–172	–172
Purchases	–	76	76
Sales	0	0	0
Issues	–	–	–
Redemptions	–	–17	–17
Reclassifications to level 3	–	2	2
Reclassifications from level 3	–	–24	–24
Reclassification from/to liabilities of disposal groups	–	–	–
Fair Value as at 31.3.2018	100	3,777	3,877

Financial Liabilities €m	Financial Liabilities – Fair Value Option	Financial Liabilities – Held for Trading	Total
Fair Value as at 1.1.2017	–	4,171	4,171
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–	–97	–97
of which unrealised gains or losses	–	–76	–76
Purchases	100	154	255
Sales	–	–65	–65
Issues	–	–	–
Redemptions	–	–33	–33
Reclassifications to level 3	–	63	63
Reclassifications from level 3	–	–263	–263
Reclassification from/to liabilities of disposal groups	–	–	–
Fair Value as at 31.12.2017	100	3,930	4,030

Unrealised gains or losses on financial liabilities held for trading are a component of the gain or loss from financial assets and liabilities measured at fair value through profit and loss.

In the first quarter of 2018, there were no other significant reclassifications of financial liabilities into or out of level 3.

Sensitivity analysis

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

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

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

- **Internal rate of return (IRR):**
The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- **Credit spread:**
The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in

terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.

- **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 instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- **Recovery rates, survival and default probabilities:**
Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps (CDS). Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates are 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 rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability. There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: 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

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also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.

- Repo curve:

The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore,

mutual-fund-related repos may also contain unobservable repo curve exposures.

- Price:

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

- Investment fund volatility:

In general, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

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

€m		31.3.2018			31.3.2018	
	Valuation Techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		3,985	3,773			
Equity-related transactions	Discounted cash flow model	115	433	IRR (%), Price (%), Investmentfund volatility	1	9
Credit derivatives	Discounted cash flow model	3,870	3,163	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	–	177	IR-FX correlation (%)	–30	52
Other transactions		–	–		–	–
Securities		1,045	4			
Interest-rate-related transactions	Spread based model	1,045	4	Credit spread (bps)	100	500
of which ABS	Spread based model	–	–	Credit spread (bps)	100	500
Equity instruments		39	–			
Equity-related transactions	Discounted cash flow model	39	–	Price (%)	90	110
Loans and advances		5,364	100			
Repo	Discounted cash flow model	–	100	Repo-curve (bps)	126	257
Ship finance	Discounted cash flow model	1,856	–	Credit spread (bps)	600	1200
Other loans	Discounted cash flow model	3,508	–	Credit spread (bps)	70	700
Total		10,433	3,877			

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

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

€m	31.3.2018		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
Derivatives	26	- 28	
Equity-related transactions	15	- 15	IRR, price based, investment fund volatility
Credit derivatives	11	- 11	credit spread, recovery rate, price
Interest-rate-related transactions	-	- 2	Price, IR-FX correlation
Other transactions	-	-	
Securities	75	- 75	
Interest-rate-related transactions	71	- 71	Price, repo curve
of which ABS	6	- 6	IRR, recovery rate, credit spread
Equity instruments	4	- 4	
Equity-related transactions	4	- 4	Price
Loans and advances	103	- 103	
Ship finance	27	- 27	Credit spread
Other liabilities	76	- 76	Credit spread, repo-curve

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

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all

material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the “day one profit or loss”. The day one profit or loss is not recognised immediately in the income statement but pro rata over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in the income statement in the gain or loss from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between the transaction price and fair value determined by the model is calculated for the level 3 items in all categories. Material impacts result only from financial instruments held for trading.

The amounts changed as follows:

€m	Day-One Profit or Loss		
	Financial Assets – Held for Trading	Financial Liabilities – Held for Trading	Total
Balance as at 1.1.2017	-	4	4
Allocations not recognised in income statement	-	37	37
Reversals recognised in income statement	-	- 8	- 8
Balance as at 31.12.2017	-	34	34
Allocations not recognised in income statement	-	4	4
Reversals recognised in income statement	-	-	-
Balance as at 31.3.2018	-	38	38

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b) Financial instruments measured at amortised cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal administrative costs or maintenance costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2. Market prices are not available for loans, as there are no organised markets for trading these financial instruments. The discounted cash flow model is used for loans, with parameters based on a risk-free yield curve (swap curve) plus credit spreads and maturity-based premiums to cover funding spreads, plus fixed premiums for administrative expenses and the cost of capital. Data on the credit spreads of major banks and corporate customers is available, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

In the case of securities accounted for in the amortised cost category of IFRS 9, fair value is determined based on available market prices (level 1), assuming an active market exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for the valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of bonds and notes issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value. If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models rely to a high degree on observable input parameters.

31.3.2018 €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	322.4	324.7	-2.3	-	114.3	208.1
Cash on hand and cash on demand	53.4	53.4	-	-	53.4	-
Financial Assets – Amortised Cost	269.0	271.3	-2.2	-	60.9	208.1
Loans and advances	240.2	240.1	0.1	-	33.2	207.1
Debt securities	28.8	31.1	-2.3	-	27.8	1.0
Value adjustment on portfolio fair value hedges	-	0.1	-0.1	-	-	-
Liabilities	343.8	342.1	1.7	0.1	338.9	4.9
Financial Liabilities – Amortised Cost	343.8	341.7	2.1	0.1	336.0	4.9
Deposits	302.2	302.1	0.1	-	302.2	-
Bonds and notes issued	41.5	39.5	2.0	0.1	36.6	4.9
Value adjustment on portfolio fair value hedges	-	0.4	-0.4	-	-	-

31.12.2017 €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	319.1	321.6	-2.5	-	109.5	209.7
Cash on hand and cash on demand	55.7	55.7	-	-	55.7	-
Financial Assets – Loans and Receivables	263.4	265.7	-2.3	-	53.7	209.7
Loans and advances	241.3	241.7	-0.4	-	32.5	208.8
Debt securities	22.1	24.0	-1.9	-	21.2	0.9
Value adjustment on portfolio fair value hedges	-	0.2	-0.2	-	-	-
Non-current assets held for sale and disposal groups	0.0	0.0	-	-	-	-
Loans and advances	0.0	0.0	-	-	-	0.0
Debt securities	-	-	-	-	-	-
Liabilities	344.5	341.8	2.8	0.2	339.2	5.2
Financial Liabilities – Amortised Cost	344.5	341.3	3.3	0.2	339.2	5.2
Deposits	298.3	297.9	0.4	-	298.3	-
Bonds and notes issued	46.3	43.4	2.9	0.2	40.9	5.2
Value adjustment on portfolio fair value hedges	-	0.5	-0.5	-	-	-

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(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
- 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, e.g. 1992 ISDA Master Agreement (Mul-

ticurrency – Cross Border) and 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) with central and bilateral counterparties, provided they have the same term. OTC derivatives with customers and cleared own portfolios are likewise netted.

Assets €m	31.3.2018		31.12.2017	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	55,337	96,107	33,195	101,586
Book values not eligible for netting	9,784	2,782	5,784	4,514
a) Gross amount of financial instruments I and II	45,553	93,325	27,411	97,072
b) Amount netted in the balance sheet for financial instruments I ¹	20,486	52,778	13,912	52,339
c) Net amount of financial instruments I and II = a) – b)	25,067	40,547	13,499	44,733
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42 ²	941	26,970	379	29,662
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collaterals ⁴	21,950	30	12,227	43
Cash collaterals	15	8,133	3	8,990
e) Net amount of financial instruments I and II = c) – d)	2,162	5,414	890	6,038
f) Fair value of financial collateral of central counterparties relating to financial instruments	2,156	–	890	–
g) Net amount of financial instruments I and II = e) – f)	5	5,414	–	6,038

¹ Of which for positive fair values €2,492m (previous year: €2,553m) is attributable to margins.

² Lesser amount of assets and liabilities.

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

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

Liabilities €m	31.3.2018		31.12.2017	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	49,955	98,075	26,091	101,810
Book values not eligible for netting	6,163	651	5,248	675
a) Gross amount of financial instruments I and II	43,791	97,424	20,843	101,135
b) Amount netted in the balance sheet for financial instruments I ¹	20,486	50,836	13,912	51,103
c) Net amount of financial instruments I and II = a) – b)	23,305	46,588	6,931	50,032
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42 ²	941	26,970	379	29,662
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collaterals ⁴	13,855	728	6,320	934
Cash collaterals	5,997	12,451	1	13,358
e) Net amount of financial instruments I and II = c) – d)	2,513	6,438	231	6,078
f) Fair value of financial collateral of central counterparties relating to financial instruments I	2,420	–	231	–
g) Net amount of financial instruments I and II = e) – f)	92	6,438	–	6,078

¹ Of which for negative fair values €4,434m (previous year: €3,789m) is attributable to margins.

² Lesser amount of assets and liabilities.

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

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

(34) Derivatives

The total effect of netting amounted to €55,270m as at 31 March 2018 (previous year: €54,892m). On the assets side, €52,778m of this was attributable to positive fair values (previous year: €52,339m) and €2,492m to variation margins received (previous

year: €2,553m). Netting on the liabilities side involved negative fair values of €50,836m (previous year: €51,103m) and liabilities for variation margins payable of €4,434m (previous year: €3,789m).

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(35) Maturities of liabilities

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

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

31.3.2018	Residual terms			
€m	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Financial Assets – Amortised Cost	241,658	20,624	31,804	34,263
Financial Assets – Fair Value Option	30,965	1,296	2,839	1,756
Financial Assets – Held for Trading	1,634	2,533	1,585	125
Derivatives	2,472	4,099	10,859	26,782
Financial guarantees	2,143	–	–	–
Irrevocable lending commitments	80,083	–	–	–
Total	358,956	23,486	43,917	62,676

31.12.2017¹	Residual terms			
€m	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Financial Liabilities – Amortised Cost	228,069	27,380	38,651	33,578
Financial Liabilities – Fair Value Option	12,494	541	326	1,356
Financial Liabilities – Held for Trading	1,610	2,388	1,435	132
Derivatives	3,237	3,823	11,707	28,704
Financial guarantees	2,024	–	–	–
Irrevocable lending commitments	79,965	–	–	–
Total	327,399	34,132	52,120	63,770

¹ Prior-year figures adjusted due to restatements (see page 42).

Notes to the balance sheet (non-financial instruments)

(36) Intangible assets

€m	31.3.2018	31.12.2017	Change in %
Goodwill	1,507	1,507	-
Other intangible assets	1,784	1,806	-1.2
Customer relationships	209	219	-4.6
In-house developed software	1,132	1,121	1.0
Purchased software and other intangible assets	443	466	-4.9
Total	3,290	3,312	-0.7

(37) Fixed assets

€m	31.3.2018	31.12.2017	Change in %
Land and buildings	418	422	-1.1
Office furniture and equipment	474	490	-3.1
Leased equipment	665	688	-3.3
Total	1,558	1,600	-2.7

(38) Assets held for sale and assets of disposal groups

€m	31.3.2018	31.12.2017	Change in %
Financial Assets – Loans and Receivables	-	7	.
Loans and advances	n/a	7	.
Debt instruments	n/a	-	.
Financial Assets – Available for Sale	-	54	.
Debt instruments	n/a	-	.
Equity instruments	n/a	54	.
Financial Assets – Fair Value Option	-	18	.
Loans and advances	-	-	.
Debt instruments	-	18	.
Equity instruments	-	-	.
Financial Assets – Mandatorily Fair Value P&L	259	-	.
Loans and advances	235	n/a	.
Debt instruments	23	n/a	.
Equity instruments	-	n/a	.
Total	259	78	.

In all cases of non-current assets held for sale and assets of disposal groups, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in the course of 2018.

In the Private Customers Business Segment, a decision was made in the fourth quarter of 2017 to place shares in closed investment funds. This transaction was closed in the first quarter of 2018 and the shares were derecognised.

In the Business Segment Corporate Clients, loans assigned to the amortised cost category (formerly loans and receivables) were

classified as held for sale in the third quarter of 2017 and reclassified accordingly. This transaction was closed in the first quarter of 2018 and the loans were derecognised.

In the first quarter of 2018, a loan portfolio assigned to the category mandatorily fair value P&L in the Asset & Capital Recovery segment was newly categorised as held for sale and reclassified accordingly. The transaction is scheduled to close within the next twelve months.

(39) Liabilities from disposal groups held for sale

There were no liabilities from disposal groups held for sale in the first quarter of 2018, as was also the case at the end of 2017.

(40) Other assets

€m	31.3.2018	31.12.2017	Change in%
Precious metals	21	23	-7.9
Accrued and deferred items	279	218	28.3
Defined benefit assets recognised	411	390	5.4
Other assets	1,477	1,331	11.0
Total	2,189	1,961	11.6

(41) Other liabilities

€m	31.3.2018	31.12.2017	Change in%
Liabilities attributable to film funds	573	1,004	-43.0
Liabilities attributable to non-controlling interests	62	100	-38.6
Accrued and deferred items	276	274	0.8
Other liabilities	1,638	1,646	-0.5
Total	2,548	3,024	-15.7

(42) Provisions

€m	31.3.2018	31.12.2017	Change in%
Provisions for pensions and similar commitments	1,008	890	13.3
Other provisions	2,422	2,401	0.9
Total	3,430	3,291	4.2

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 220 ff. of our 2017 Group financial statements). The actuarial assumptions underlying these obligations at 31 March 2018 were a discount rate of 1.9% (previous year: 1.9%) and, similar to the previous year, an adjustment to pensions of 1.6%.

Other provisions consisted primarily of restructuring provisions and provisions for personnel-related matters. The provisions created for restructuring purposes amounted to €691m (previous year: €850m). We expect these provisions to be utilised in the period from 2018 to 2020.

Legal disputes

With respect to legal proceedings and potential recourse claims for which provisions of €290m (previous year: €301m) were recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the future costs expected according to our judgement, discounted as at the balance sheet

date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

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

- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. Commerzbank anticipates the recovery of the corresponding charges by its customers.
- Commerzbank is exposed to claims from customers owing to “cancellation joker” (“Widerrufsjoker”) issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- A subsidiary of Commerzbank was involved in two South American banks which in the meantime have gone into liquidation. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks’ supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition, the company’s insolvency administrator has raised recourse claims against the company arising from its joint liability and for other legal reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. Should the claimants win their appeal in the higher courts, Commerzbank expects that recourse claims against other members of the consortium and third parties will be possible based on the contractual agreements.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. The court of first instance upheld the suit against the subsidiary of Commerzbank, which is now appealing the decision. The case is ongoing.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- A class action lawsuit was granted in May 2017 against a Commerzbank subsidiary, and a notice of initiation of the class action proceedings was published. The subject matter of the lawsuit is the alleged ineffectiveness of index clauses in loan agreements denominated in foreign currency. The subsidiary has defended itself against the claim.
- A customer has sued Commerzbank for alleged false advice in connection with an interest derivative. Commerzbank has defended itself against the claim.

(43) Contingent liabilities and lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for loan losses.

The contingent liabilities include the irrevocable payment obligation provided by the Federal Republic of Germany – Finanzagentur GmbH (Deutsche Finanzagentur) after approval of the Bank’s request for security for payment of part of the banking levy.

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The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities

expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements.

€m	31.3.2018	31.12.2017	Change in%
Contingent liabilities	36,715	36,179	1.5
Banks	6,212	6,669	-6.9
Corporate clients	27,605	26,570	3.9
Private customers	292	291	0.5
Other financial corporations	2,494	2,531	-1.5
General governments	111	117	-5.1
Lending commitments	80,013	79,896	0.1
Banks	1,269	1,382	-8.2
Corporate clients	59,327	59,543	-0.4
Private customers	10,590	10,618	-0.3
Other financial corporations	8,656	8,130	6.5
General governments	171	222	-23.0
Total	116,727	116,074	0.6

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 31 March 2018, the contingent liabilities for legal and tax risks amounted to €557m (previous year: €558m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.

- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal on point of law against the judgement of the appellate court of May 2016. A decision on the appeal is expected in the course of this year.
- Commerzbank held an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against the Commerzbank Group and others for repayment of the proceeds it received from the sale of its stake. Two of these suits were rejected on appeal. Whether the appeal will be upheld on review has not yet been decided. A third suit has in the meantime been dismissed, in favour of the banking consortium. This decision is being appealed.

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

The contingent liabilities for tax risks relate to the following material issues:

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenord-

nung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes.

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions of €12m as at the end of 2017 for potentially refundable own investment income taxes.

With respect to securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. In this respect a lawsuit had been initially filed in one case. In the meantime it has been withdrawn. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, including interest on arrears.

For the other cum-cum-relevant transactions, Commerzbank has concluded that no inappropriate legal structuring is present under Article 42 of the German Tax Code.

The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

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Segment reporting

(44) Segment reporting

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

Our segment reporting addresses the segment structure introduced as at 30 September 2016, comprising Private and Small-Business Customers, Corporate Clients and Asset & Capital Recovery, 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 defined by differences in their products, services and/or customer target groups. A modification to the business model of the Corporate Clients segment in the first quarter of 2018 led to minor changes in business responsibilities; tasks related to sales assistance were transferred to the support functions. The prior-year figures have been restated accordingly. Further information on the segments is provided in the management report section of this interim report. In 2018, the Commerzbank Group implemented the new requirements of IFRS 9 (see page 45 ff.). The effects of this implementation are also reflected in the Group's segment reporting. The operating segments' capital requirement for risk-weighted assets based on the fully phased-in application of Basel 3 regulations is 12 % since 2018, as the capital adequacy requirements have increased. A capital requirement of 15 % of risk-weighted assets on a fully phased-in basis under Basel 3 continues to be applied to the Business Segment Asset & Capital Recovery. The prior-year figures have been restated accordingly.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss in 2018 is defined as the sum of net interest income, dividend income, risk result, net commission income, gain or loss from financial assets and liabilities measured at fair value through profit and loss, net income from hedge accounting, other net gain or loss from financial instruments, current net income from companies accounted for using the equity method and other net income less operating expenses. The operating profit does not include impairments of goodwill and other intangible assets or restructuring expenses. The Group has reported its prior-year figures based on the IAS 39 measurement categories, which was also the basis for

the figures reported as at 31 December 2017. As we report pre-tax profits, non-controlling interests are included in the figures for both profit and loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting, the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments. For 2018, it is calculated from the ratio of operating expenses to income before the risk result. For 2017, it is calculated from the ratio of operating expenses to income before loan loss provisions.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. At Group level, Common Equity Tier 1 (CET 1) capital is shown, which is used to calculate the operating return on equity. The calculation for both the segments and the Group is based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET 1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses are attributed to

the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at market prices or at full cost.

1.1.–31.3.2018 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	616	373	14	42	1,045
Dividend income	2	10	–	3	14
Risk result	–52	–23	–0	–2	–77
Net commission income	509	294	1	–7	797
Net income from financial assets and liabilities at fair value through profit or loss	32	261	67	–15	345
Net income from hedge accounting	–0	–1	–5	–11	–16
Other realised profit or loss from financial instruments	11	1	–39	8	–19
Current net income from companies accounted for using the equity method	0	6	–0	–	6
Other net income	67	23	7	33	129
<i>Income before risk result</i>	<i>1,237</i>	<i>966</i>	<i>45</i>	<i>54</i>	<i>2,302</i>
<i>Income after risk result</i>	<i>1,186</i>	<i>944</i>	<i>45</i>	<i>51</i>	<i>2,226</i>
Operating expenses	984	799	27	127	1,936
Operating profit or loss	202	145	18	–76	289
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss	202	145	18	–76	289
Assets	130,449	176,883	21,374	141,326	470,032
Liabilities	155,971	193,597	19,017	101,448	470,032
Carrying amount of companies accounted for using the equity method	11	149	1	–	160
Average capital employed¹	4,633	10,636	2,483	4,716	22,468
Operating return on equity (%)²	17.4	5.5	2.9	–	5.2
Cost/income ratio in operating business (%)	79.5	82.6	59.7	–	84.1

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

² Annualised.

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1.1.–31.3.2017 ¹ €m	Private- and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	567	483	34	-35	1,049
Dividend income	4	18	-	6	28
Loan loss provisions	-33	-43	-119	-0	-195
Other realised profit or loss and net remeasurement gain or loss	-0	-7	-1	5	-3
Net commission income	545	347	0	-5	887
Net income from financial assets and liabilities at fair value through profit or loss	39	257	72	33	402
Net income from hedge accounting	-0	-2	-4	-28	-34
Other realised profit or loss from financial instruments	6	2	-	43	50
Current net income from companies accounted for using the equity method	-	7	-0	-	7
Other net income	7	-5	13	-12	3
<i>Income before loan loss provisions</i>	<i>1,168</i>	<i>1,100</i>	<i>115</i>	<i>7</i>	<i>2,390</i>
<i>Income after loan loss provisions</i>	<i>1,135</i>	<i>1,057</i>	<i>-4</i>	<i>7</i>	<i>2,195</i>
Operating expenses	941	790	29	105	1,865
Operating profit or loss	194	267	-33	-98	330
Restructuring expenses	-	-	-	-	-
Pre-tax profit or loss	194	267	-33	-98	330
Assets	120,480	208,707	25,905	135,169	490,262
Liabilities	144,563	232,754	19,664	93,281	490,262
Carrying amount of companies accounted for using the equity method	9	176	1	-	186
Average capital employed²	4,327	12,246	3,165	3,637	23,375
Operating return on equity (%)³	17.9	8.7	-4.2	-	5.6
Cost/income ratio in operating business (%)	80.6	71.8	25.3	-	78.0

¹ Prior-year figures adjusted due to restatements (see page 42).

² Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.

³ Annualised.

Details for Others and Consolidation:

€m	1.1.-31.3.2018		
	Others	Consolidation	Others and Consolidation
Net interest income	26	16	42
Dividend income	3	0	3
Risk result	-2	0	-2
Net commission income	-6	-1	-7
Net income from financial assets and liabilities at fair value through profit or loss	1	-16	-15
Net income from hedge accounting	-11	-	-11
Other realised profit or loss from financial instruments	9	-1	8
Current net income from companies accounted for using the equity method	-	-	-
Other net income	35	-3	33
Operating expenses	131	-5	127
Operating profit or loss	-76	1	-76
Assets	140,900	426	141,326
Liabilities	101,169	279	101,448

€m	1.1.-31.3.2017 ¹		
	Others	Consolidation	Others and Consolidation
Net interest income	-40	5	-35
Dividend income	6	-	6
Loan loss provisions	-0	0	-0
Other realised profit or loss and net remeasurement gain or loss	-0	6	5
Net commission income	-4	-1	-5
Net income from financial assets and liabilities at fair value through profit or loss	32	1	33
Net income from hedge accounting	-28	-	-28
Other realised profit or loss from financial instruments	46	-3	43
Current net income from companies accounted for using the equity method	-	-	-
Other net income	-7	-5	-12
Operating expenses	113	-8	105
Operating profit or loss	-108	10	-98
Assets	134,887	282	135,169
Liabilities	93,152	129	93,281

¹ Prior-year figures adjusted due to restatements (see page 42).

Under “Consolidation” we report consolidation and reconciliation items from the results of the segments and “Others” and the Group financial statements. This includes the following items, among others:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;

- Effects from the consolidation of intragroup-transactions between segments
- Effects from the consolidation of expenses and income
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

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

1.1.-31.3.2018 €m	Germany	Europe without Germany	America	Asia	Others	Total
Net interest income	666	350	2	27	–	1,045
Dividend income	14	0	–	–	–	14
Risk result	–35	–43	1	–0	–	–77
Other realised profit or loss and net remeasurement gain or loss	–	–0	–	–	–	–0
Net commission income	654	120	8	16	–	797
Net income from financial assets and liabilities at fair value through profit or loss	138	143	14	50	–	345
Net income from hedge accounting	–14	–4	1	0	–	–16
Other realised profit or loss from financial instruments	17	–36	–	–	–	–19
Current net income from companies accounted for using the equity method	5	0	1	–	–	6
Other net income	44	55	–2	32	–	129
Operating expenses	1,518	352	28	37	0	1,936
Operating profit or loss	–29	234	–2	87	–0	289
Credit-risk-weighted assets (phase-in)	84,650	44,896	3,927	3,545	–	137,018

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

1.1.-31.3.2017 ¹ €m	Germany	Europe without Germany	America	Asia	Others	Total
Net interest income	658	365	–5	31	–	1,049
Dividend income	27	0	0	–	–	28
Loan loss provisions	–157	–38	–2	2	–	–195
Other realised profit or loss and net remeasurement gain or loss	4	–7	–	–	–	–3
Net commission income	747	125	12	3	–	887
Net income from financial assets and liabilities at fair value through profit or loss	196	162	18	26	–	402
Net income from hedge accounting	–30	–3	–0	0	–	–34
Other realised profit or loss from financial instruments	51	–0	–	–	–	50
Current net income from companies accounted for using the equity method	5	–0	1	–	–	7
Other net income	3	1	–0	–0	–	3
Operating expenses	1,452	341	34	39	0	1,865
Operating profit or loss	54	263	–10	23	–0	330
Risk assets without credit risks (phase-in)	87,839	48,223	4,370	4,480	–	144,912

¹ Prior-year figures adjusted due to restatements (see page 42).

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

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

Other notes

(45) Regulatory capital requirements

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

reported in the balance sheet with regulatory capital is already integrated in these figures.

Position €m	31.3.2018 Phase-in	31.12.2017 Phase-in	31.3.2018 Fully phased-in	31.12.2017 Fully phased-in
Equity as shown in balance sheet	29,047	30,041	29,047	30,041
Effect from debit valuation adjustments	-129	-86	-129	-108
Correction to revaluation reserve	-	114	-	-
Correction to cash flow hedge reserve	31	54	31	54
Correction to phase-in (IAS 19)	-	260	-	-
Correction to non-controlling interests (minorities)	-447	-421	-447	-495
Goodwill	-1,507	-1,507	-1,507	-1,507
Intangible assets	-1,363	-1,381	-1,363	-1,381
Surplus in plan assets	-336	-257	-336	-322
Deferred tax assets from loss carryforwards	-735	-566	-735	-707
Shortfall due to expected loss	-574	-608	-574	-676
Prudential Valuation	-571	-264	-571	-264
Direct, indirect and synthetic positions of the bank's own instruments in Core Tier 1	-29	-49	-29	-60
First loss positions from securitisations	-205	-213	-205	-213
Advance payment risks	-	-	-	-
Allocation of components from additional Equity Tier 1	-	647	-	-
Deferred tax assets from temporary differences which exceed the 10 % threshold	-540	-110	-540	-278
Dividend accrued	-63	-	-63	-
Others and rounding	-36	-47	-36	-45
Common Equity Tier 1¹	22,543	25,607	22,543	24,039
Additional Equity Tier 1²	903	378	-	-
Tier 1 capital	23,446	25,985	22,543	24,039
Tier 2 capital	5,250	5,404	5,486	5,808
Equity	28,696	31,389	28,029	29,847
Risk-weighted assets	170,089	171,369	170,089	171,019
of which Credit risk	137,018	137,486	137,018	137,136
of which Market risk ³	11,981	12,842	11,981	12,842
of which operational risk	21,090	21,041	21,090	21,041
Common Equity Tier 1 ratio (%)	13.3 %	14.9 %	13.3 %	14.1 %
Equity Tier 1 ratio (%)	13.8 %	15.2 %	13.3 %	14.1 %
Total capital ratio (%)	16.9 %	18.3 %	16.5 %	17.5 %

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

² Under the transitional provisions for the eligible former balance of additional Tier 1 capital; until 31 December 2017 after offsetting of the corresponding deductions.

³ Includes credit valuation adjustment risk.

The primary changes compared with 31 December 2017 result from two factors: the introduction of IFRS 9 in the amount of around €–1.8bn and the conclusion of the Basel-3 transitional pro-

visions in the amount of €–1.4bn. The decrease in the capital ratios compared with the previous year-end is primarily the result of the decline in regulatory equity

(46) Leverage Ratio

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securi-

ties financing transactions and off-balance-sheet positions is calculated is laid down by regulators. The leverage ratio was calculated on the basis of the CRR as revised in January 2015. As a non-risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Leverage ratio according to revised CRR (delegated act)	31.3.2018 ¹	31.12.2017	Change in%
Leverage exposure "Phase-in" (€m)	495,438	471,317	5.1
Leverage exposure "Fully phased-in" (€m)	495,438	470,491	5.3
Leverage ratio "Phase-in" (%)	4.7	5.5	
Leverage ratio "Fully phased-in" (%)	4.6	5.1	

¹ Differences between "fully phased-in" and phase-in" LR only from Tier 1 capital; transitional provisions for the leverage ratio exposure expired at the end of 2017.

(47) Liquidity coverage ratio

The liquidity coverage ratio (LCR) is the regulatory minimum liquidity ratio. It is a measure of the near-term solvency of the Bank under a predetermined stress scenario. Based on the requirements of the Basel Committee, the EU Commission set out the legal foundation for the LCR in the Capital Requirements Regulation (CRR) and in Regulation (EU) No. 575/2013, in conjunction with Delegated Regulation EU/2015/61 (D-REG).

The ratio itself is defined as the relationship between high quality liquid assets (HQLA) and net liquidity outflows (NLOs) within a 30-day period. It has been reported to the supervisory authorities in this form since 30 September 2016. The CRR stipulates that the LCR has to be at least 80 % for 2017 and at least 100 % from 1 January 2018 onwards. Commerzbank has included the LCR in the internal liquidity risk model as a binding secondary condition, and the development of the LCR is regularly monitored.

The Bank has established internal early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity. Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging

risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures. This also applies to payment obligations in foreign currencies. The Bank also mitigates concentrations through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures liquidity resources are used efficiently across all time zones, as Commerzbank Treasury units are located in Frankfurt, London, New York and Singapore.

For further information about the responsibilities for managing liquidity risk and the corresponding internal models, please refer to the liquidity risk section of the Risk Report in this document.

The calculation of the LCR for the current reporting year is shown below. The averages of the respective previous twelve month-end values are calculated for each quarter of the reporting year. The resulting values are shown in the table below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group. The EBA's transitional provisions limit the disclosure requirement in this interim report to the third and fourth quarters of 2017 and the first quarter of 2018.

€m		Total unweighted value (average)			Total weighted value (average)		
		30.9.2017	31.12.2017	31.3.2018	30.9.2017	31.12.2017	31.3.2018
	Number of data points used in the calculation of averages	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS							
1	Total high-quality liquid assets (HQLA)				93,004	95,086	93,791
CASH-OUTFLOWS							
2	Retail deposits and deposits from small business customers, of which:	98,744	101,885	104,422	6,943	7,043	7,119
3	Stable Deposits	64,724	68,617	71,861	3,236	3,431	3,593
4	Less stable Deposits	34,013	33,262	32,557	3,700	3,606	3,523
5	Unsecured Wholesale Funding	107,525	107,061	107,041	55,309	54,187	53,647
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	31,909	33,722	34,619	7,953	8,405	8,631
7	Non-operational deposits (all counterparties)	74,184	72,000	71,172	45,923	44,442	43,766
8	Unsecured debt	1,432	1,340	1,251	1,432	1,340	1,251
9	Secured Wholesale Funding				5,992	5,384	5,188
10	Additional requirements	85,147	85,597	85,719	24,998	24,915	24,592
11	Outflows related to derivative exposures and other collateral requirements	10,475	10,404	10,140	9,871	9,733	9,410
12	Outflows related to loss of funding on debt products	306	182	142	306	182	142
13	Credit and liquidity facilities	74,367	75,011	75,437	14,821	15,000	15,040
14	Other contractual funding obligations	1,786	1,612	1,594	902	834	950
15	Other contingent funding obligations	96,397	98,857	102,231	606	688	682
16	TOTAL CASH OUTFLOWS				94,750	93,051	92,179
CASH-INFLOWS							
17	Secured lending (eg reverse repos)	71,799	69,603	67,758	4,597	4,126	3,702
18	Inflows from fully performing exposures	27,852	27,431	27,712	20,352	19,901	20,160
19	Other cash inflows	3,463	3,232	2,934	3,324	3,093	2,789
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)				0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)				0	0	0
20	TOTAL CASH INFLOWS	103,114	100,267	98,403	28,273	27,120	26,651
EU-20a	Fully Exempt Inflows	0	0	0	0	0	0
EU-20b	Inflows subject to 90 % Cap	0	0	0	0	0	0
EU-20c	Inflows subject to 75 % Cap	90,375	89,904	90,321	28,273	27,120	26,651
21	LIQUIDITY BUFFER				93,004	95,086	93,791
22	TOTAL NET CASH OUTFLOWS				66,476	65,931	65,528
23	LIQUIDITY COVERAGE RATIO (%)				140.01 %	144.61 %	143.42 %

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The average quarterly LCR values have been consistently high at above 140 %. As at each of the reporting dates, Commerzbank has considerably surpassed the required minimum ratio of 80 % for

2017 and 100 % for 2018. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below.

Highliquid assets in accordance with EU/2015/61 (Average of the last twelve month-end-values) in €m	30.9.2017	31.12.2017	31.3.2018
Total:	93,004	95,086	93,791
thereof Level 1	83,591	86,980	86,720
thereof Level 2A	7,803	6,695	5,893
thereof Level 2B	1,610	1,411	1,178

Commerzbank additionally reports the LCR in US dollars, because under the CRR the US dollar is deemed to be an important foreign currency. Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity

inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and a possible deterioration in credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions.

(48) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include

- subsidiaries that are controlled but not consolidated for reasons of materiality;
- joint ventures;
- associated companies;
- equity holdings;
- external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft;
- key management personnel and members of their families; and
- companies controlled by these persons/entities.

Banking transactions with related parties are carried out at normal market terms and conditions.

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the reporting period.

Besides the stake held by the German federal government, other factors (including membership of the supervisory board) that could potentially allow a significant influence to be exerted on Commerzbank Aktiengesellschaft also need to be taken into

account. Consequently, the German federal government and entities controlled by it constitute related parties as defined by IAS 24.

Transactions with non-consolidated subsidiaries

The assets relating to non-consolidated subsidiaries in the amount of €279m (previous year: €324m) as at 31 March 2018 included primarily loans and receivables. Liabilities in the amount of €241m (previous year: €202m) comprised mostly deposits.

The income of €6m (previous year's period: €11m) comprised interest income, and the expenses in the amount of €18m (previous year's period: €15m) comprised mainly operating expenses.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €2m (previous year: €1m).

Transactions with associated companies

The assets relating to associated companies in the amount of €39m (previous year: €3,556m) as at 31 March 2018 included primarily loans and receivables. The decline on the previous year is attributable to Commerz Finanz GmbH, which has since been fully consolidated. Liabilities in the amount of €44m (previous year: €60m) comprised mostly deposits.

The income of €6m (previous year's period: €51m) resulted primarily from commission income and current net income from companies accounted for using the equity method.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €44m (previous year: €42m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 March 2018 in the amount of €79m (previous year: €292m) included primarily loans and receivables as well as securitised debt instruments. The liabilities of €211m (previous year: €236m) were primarily deposits. The deposits were mostly attributable to external providers of occupational pensions.

As at 31 March 2018, there was no significant income (previous year's period: €360m).

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €1m (previous year: €1m).

Transactions with key management personnel

As at 31 March 2018, there were no significant assets or liabilities relating to key management personnel.

The expenses represent personnel expenses in the amount of €4m (previous year's period: €5m) and include remuneration for key management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group and value-added tax reimbursed to members of the Supervisory Board.

Transactions with entities controlled by the German federal government

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

The assets relating to entities controlled by the German federal government at 31 March 2018 were €26,712m (previous year: €21,661m) and comprised primarily balances with Deutsche Bundesbank totalling 23,835m (previous year: €16,443m). Liabilities related to entities controlled by the German federal government amounted to €13,669m (previous year: 13,542m), of which €12,905m (previous year: €12,737m) were deposits. As at 31 March 2018, the Bank had granted guarantees and collateral totalling €310m (previous year: €271m) to entities controlled by the German federal government.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
 Chairman
 (until 8.5.2018)

Dr. Stefan Schmittmann
 Chairman
 (since 8.5.2018)

Uwe Tschäge¹
 Deputy Chairman

Hans-Hermann Altenschmidt¹

Heike Anscheit¹

Gunnar de Buhr¹

Stefan Burghardt¹

Sabine U. Dietrich

Karl-Heinz Flöther
 (until 8.5.2018)

Dr. Tobias Guldemann

Dr. Rainer Hillebrand
 (since 8.5.2018)

Stefan Jennes¹

Dr. Markus Kerber

Alexandra Krieger¹

Oliver Leiberich¹

Dr. Stefan Lippe
 (until 8.5.2018)

Beate Mensch¹

Anja Mikus

Dr. Victoria Ossadnik
 (since 8.5.2018)

Dr. Helmut Perlet
 (until 8.5.2018)

Mark Roach¹

Margit Schoffer¹

Robin J. Stalker
 (since 8.5.2018)

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

Klaus-Peter Müller
 Honorary Chairman
 (since 8.5.2018)

¹ Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
 Chairman

Stephan Engels

Michael Reuther

Frank Annuscheit

Michael Mandel

Dr. Marcus Chromik

Dr. Bettina Orlopp

Frankfurt/Main, 9 May 2018
The Board of Managing Directors



Martin Zielke



Frank Annuscheit



Marcus Chromik



Stephan Engels



Michael Mandel



Bettina Orlopp



Michael Reuther

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Translation from the German language of the review report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, comprising the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the condensed statement of cash flows 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 2018, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) No. 1 and No. 2 and (3) and (4) WpHG [“Wertpapier-handelsgesetz”: German Securities Trading Act]. The preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on

interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn/ Frankfurt am Main, 11 May 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

signed

Claus-Peter Wagner

Wirtschaftsprüfer

(German Public Auditor)

signed

Marcus Binder

Wirtschaftsprüfer

(German Public Auditor)

Significant Group companies

Germany

comdirect bank AG, Quickborn

Commerz Real AG, Eschborn

Abroad

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

Commerzbank (Eurasija) AO, Moscow

Commerzbank Finance & Covered Bond S.A., Luxembourg

Commerzbank Zrt., Budapest

Commerz Markets LLC, New York

mBank S.A., Warsaw

Operative foreign branches

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

Representative Offices and Financial Institutions Desks

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

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

Disclaimer

Reservation regarding forward-looking statements

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

2018/2019 Financial calendar

7 August 2018	Interim Report as at 30 June 2018
8 November 2018	Interim Report as at 30 September 2018
End-March 2019	Annual Report 2018
Early-May 2019	Interim Report as at 31 March 2019

Commerzbank AG

Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

Postal address
60261 Frankfurt am Main
Tel. +49 69 136-20
info@commerzbank.com

Investor Relations
Tel. +49 69 136-21331
Fax +49 69 136-29492
ir@commerzbank.com