COMMERZBANK

Interim Report as at 30 June 2013

The bank at your side

Key figures

Income statement	1.1.–30.6.2013	1.1.–30.6.2012[1]
Operating profit (€m)	547	1,018
Operating profit per share[2] (€)	0.80	1.67
Pre-tax profit or loss (€m)	54	889
Consolidated profit or loss[3] (€m)	–51	625
Earnings per share[2] (€)	–0.07	1.01
Operating return on equity[4] (%)	3.8	7.1
Cost/income ratio in operating business (%)	71.7	68.3
Return on equity of consolidated profit or loss[3,4,5] (%)	–0.4	4.5

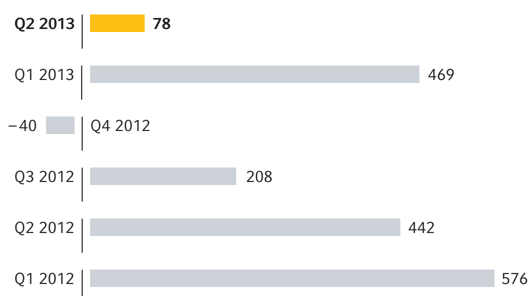
Balance sheet	30.6.2013	31.12.2012
Total assets (€bn)[1]	637.0	636.0
Risk-weighted assets (€bn)	206.3	208.1
Equity as shown in balance sheet (€bn)[1]	26.5	26.3
Total capital as shown in balance sheet (€bn)[1]	39.7	40.2

Capital ratios		
Tier I capital ratio (%)	12.6	13.1
Core Tier I capital ratio[6] (%)	12.1	12.0
Equity Tier I ratio[7] (%)	12.1	11.2
Total capital ratio (%)	17.6	17.8

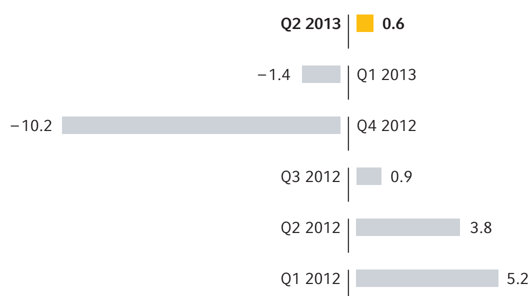
Staff	30.6.2013	30.6.2012
Germany	41,653	43,127
Abroad	11,890	13,094
Total	53,543	56,221

Long-/short-term rating		
Moody's Investors Service, New York	Baa1/P-2	A3/P-2
Standard & Poor's, New York	A-/A-2	A/A-1
Fitch Ratings, New York/London	A+/F1+	A+/F1+

Operating profit[1] (€m)



Return on equity of consolidated profit or loss[1,3,4,5] (%)



[1] Restatement of prior-year figures due to the first-time application of the amended IAS 19. [2] Restatement of prior-year figures due to 10-to-1 reverse stock split. [3] Insofar as attributable to Commerzbank shareholders. [4] Annualized. [5] The capital base comprises the average Group capital attributable to Commerzbank shareholders without the average revaluation reserve and the cash flow hedge reserve (investors' capital). [6] The core Tier I capital ratio is the ratio of core Tier I capital (ordinary shares, retained earnings and silent participations) to risk-weighted assets. [7] The equity Tier I ratio is the ratio of Tier I capital (core Tier I capital excluding silent participations) to risk-weighted assets.

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Letter from the Chairman of the Board of Managing Directors

Martin Blessing
Chairman of the Board of Managing Directors

Dear shareholders,

In the first half of 2013 we reached important milestones on the path to implementing our strategic agenda, which we shall be using to adjust our business model to the changing framework conditions in the financial sector over the next few years. We have made progress with all three of our strategic focuses: "investing in the earnings power of the core business", "rigorous cost management" and "optimising the capital base".

We successfully implemented the capital measure decided upon by the Annual General Meeting in April. We could with this measure additionally gain long term investors in the Bank. After the end of the subscription period, during which 99.7% of the rights were exercised we could raise €2.5bn as planned. This amount was used to repay the SoFFin silent participations of around €1.6bn and the Allianz silent participation of €750m in full. We have thus repaid early all the constituent parts of the government aid that we were in a position to redeem ourselves. At the same time, SoFFin reduced its stake in the Bank from 25% to about 17% as a result of this transaction, as previously announced. Overall, this marks the beginning of the end of the Federal Government's participation in Commerzbank.

Furthermore, the implementation of the capital measure as planned means on the one hand that yearly coupon payments will no longer become due, which will have a direct impact on the Bank's ability to pay future dividends, while on the other hand it will also lead to a further improvement in our capital base, particularly with a view to meeting the Basel III core Tier 1 capital ratio. Here we have the clear objective of achieving a Basel III ratio of 9% by the end of 2014 in accordance with the regulatory framework that does not come into effect until 2019.

Unfortunately, the necessary reorganisation includes not only investing in the earnings power of the core business but also adjusting personnel capacities to the changing market environment. Group-wide job cuts of around 5,200 posts by 2016 have been agreed with the central staff council. The successful conclusion of this agreement paves the way for the next steps that need to be taken in order to implement the reorganisation and adjust our cost base. The agreements in part necessary for this could be concluded with the employee representatives in the last months.

In addition, we have made progress in reducing the non-strategic portfolio: this portfolio was reduced by a total of €15bn in the first half of the year. The sale of the commercial real estate loan portfolio in the United Kingdom for €5.0bn in the middle of July has further reduced our risks in the Non-Core Assets run-off segment. The positive effects with respect to volume reduction and the decrease in risk weighted assets will be reflected in the third quarter figures.

In the first six months of 2013 the result was negatively impacted by restructuring expenses incurred in connection with the planned staff reduction measures, as well as by the significantly accelerated portfolio reduction in the Non-Core Assets segment. As mentioned already several times on other occasions, the current business year 2013 is a year of transition. Operating earnings are therefore in line with our expectations for 2013 as a whole.

Our earnings performance was also negatively affected by another significant year-on-year decrease in interest rates. However, there are positive signs for the future: we are growing again in both the Private Customer and German SME business areas, each of which has posted an increase in lending volumes. Net commission income in the Private Customer business was slightly higher than a year previously because of the recovery in customer activities in the securities business as well as our attractive range of asset management products. The rise in loan loss provisions resulted from lower reversals in the core bank, as expected, and higher loan loss provisions in the Non-Core Assets segment. Despite the investments already made, it was possible to cut administrative expenses further by means of active cost management.

In the first half of 2013 we achieved a total operating result of €547m, compared with €1,018m in the same period of the previous year. In the first quarter we incurred restructuring expenses amounting to around €500m in connection with Group job cuts, which had a negative impact on our pre-tax profit, so our overall consolidated profit for the first half of the year is slightly negative at €–3m. We were nevertheless able to improve our fully phased-in ratio under Basel III to 8.4%. By the end of 2014 at the latest we plan to achieve a ratio of 9%.

Valued shareholders, we are fully persuaded that we are on the right track, and we intend to press ahead systematically with the strategic measures that have been decided on, as planned. The early signs indicate that we are in fact on the right path, although there is certainly still a long way to go up to 2016. The Commerzbank brand stands for fairness and competence in dealing with our customers. In this respect we are examining a large number of internal processes, structures and technical platforms with the aim of positioning ourselves in a more streamlined and customer-focused way. We are thus creating a Bank which unites modern technology with traditional values, to the benefit of all its stakeholders: customers, employees and of course, you, the stockholders.

Valued shareholders, on 2 July our long-standing Supervisory Board member Prof. h. c. (CHN) Dr. rer. oec. Ulrich Middelmann died suddenly after a short illness. With Mr. Middelmann we have lost a valued personality who has actively contributed to the development of Commerzbank. We will remember Mr. Middelmann with gratitude.

Yours sincerely

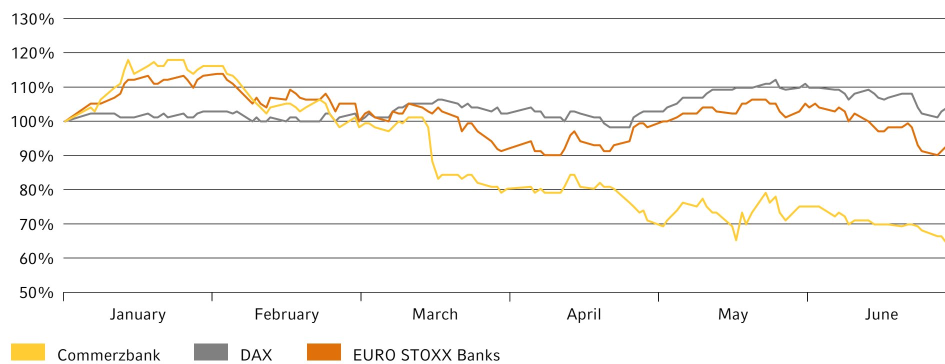
Martin Blessing, Chairman of the Board of Managing Directors

Development of Commerzbank shares

Developments on the stock markets in the second quarter were largely influenced by the central banks. At the start of the second quarter, the financial crisis in Cyprus was weighing on the European stock markets. The DAX fell to 7,460 points, the lowest level since December 2012. There was a trend reversal in the following month. Good economic figures from the USA, combined with the persistently loose monetary policy of the central banks – the ECB cut its leading interest rate to 0.5% at the beginning of May – pushed share prices up to new highs in May, especially in Europe and the USA.

In response to the positive economic data, on 12 June the Federal Open Market Committee made a concrete statement for the first time regarding a move away from its accommodative monetary policy. It signalled an initial reduction in the Federal Reserve's monthly bond purchases. The next day, share prices on the Tokyo stock exchange slumped by over 6% in reaction to this statement. There was also a marked fall in the DAX, which slid back below the 8,000-point mark. By the end of the quarter global stock markets had still not recovered from the disappointing signals on monetary policy given out by the Federal Reserve, and the DAX closed at 7,959 points on 30 June 2013.

Commerzbank share vs. performance indices in first half of 2013
Daily figures, 28.12.2012 = 100



In the first half of 2013 the EURO STOXX Banks index lost 9.8% while the Commerzbank share declined by at least a third in the same period, partly because of the announcement regarding the capital increase. On 24 April 2013, Commerzbank implemented the reverse 10-to-1 stock split as agreed by the Annual General Meeting. The converted shares were traded on the stock market with the new security identification number WKN CBK100 (ISIN DE000CBK1001). On the day of the reverse stock split, the closing price was €7.78.

On 14 May, Commerzbank set out the conditions for the capital increase aimed at completing full repayment of the SoFFin and Allianz silent participations. In all, Commerzbank issued 555,555,556 new shares. The subscription price for the new shares was €4.50 per share. The new shares were offered to shareholders in a ratio of 21:20. This means that shareholders could subscribe for 20 new shares for every 21 they already held. The subscription period ran from 15 May 2013 to 28 May 2013 inclusive. From 15 May 2013 to 24 May 2013, the subscription rights were traded on the regulated market (Xetra Frankfurt; WKN CBKBZR) of the Frankfurt Stock Exchange. The new shares were admitted to trading on the stock exchange on 29 May 2013. During the subscription period, around €2.5bn (gross) was raised as planned. This sum was used to repay the SoFFin silent participations of around

€1.6bn and the Allianz silent participation of €750m. 99.7% of the subscription rights were exercised.

During the subscription period, the Commerzbank share traded within a price range of €7.79 and €8.50. The subscription right traded between €2.745 and €3.775. The share closed at €8.01 on the day the new shares were admitted, and at €6.70 at the end of the quarter – a fall of 16.3% in the share price. This decline is mainly owing to market developments following the US central bank's statement about ending its accommodative monetary policy. The bank index fell by 13% in the same period.

The daily turnover in Commerzbank shares – measured by the number of shares traded – rose sharply in the first six months of 2013 compared with the same period last year (+51%), with an average daily trading volume of 11.3 million shares (first half of 2012: 7.5 million). Commerzbank's market capitalisation at the end of the first half of 2013 stood at €7.6bn.

Highlights of the Commerzbank share[1]	**1.1.–30.6.2013**	**1.1.–30.6.2012**
Shares issued in million units (30.6.)	1,138.5	511.3
Xetra intraday prices[2] in €		
High	12.96	16.53
Low	6.54	8.75
Closing price (30.6.)	6.70	10.02
Daily trading volume[3] in million units		
High	67.2	20.8
Low	2.9	2.2
Average	11.3	7.5
Index weighting in % (30.6.)		
DAX	0.9	1.0
EURO STOXX Banks	2.2	2.5
Earnings per share in €	–0.07	1.01
Book value per share[4] in € (30.6.)	22.53	40.22
Net asset value per share[5] in € (30.6.)	21.13	37.90
Market value/Net asset value[2] (30.6.)	0.32	0.26

[1] Figures for the same period or same record date of the previous year were adjusted to take account of the reverse stock split implemented in April 2013 for the purpose of reducing the share capital.
[2] For comparative purposes the share price for all periods before 15 May 2013 has been adjusted for the effect of the subscription rights issued in the capital increase.
[3] Total of all German stock exchanges.
[4] Excluding silent participations and non-controlling interests.
[5] Excluding silent participations, non-controlling interests as well as cash flow hedges and less goodwill.

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Business and overall conditions

Overall economic situation

There was a further improvement in the global economy in the first half of 2013, although it did not achieve the high growth rates recorded in 2010 and 2011. The reason was that gross domestic product increased significantly faster in the emerging markets than in the industrialised countries, although not at anything like the pace seen in recent years. This applies not only to China, but also to the other BRIC countries.

In the US, the economy improved despite the tax rises and spending cuts that came into effect in the first few months of the year. An economic divide is becoming increasingly apparent in that country. While it can be seen that the excesses of the past have now largely been corrected in sectors with a US focus, such as retail and construction, there has recently been only a small rise in production for industries that are more integrated with the global economy.

In the eurozone the recession seems to be gradually coming to an end. Preliminary figures indicate that the economy improved slightly again in the second quarter compared with the first three months of the year. However, there were considerable differences between the individual countries. The German economy, for example, grew noticeably between April and June according to the figures available so far. This is partly because the construction sector was hit by the unusually long winter in the first quarter and then caught up with the production backlog in the spring. The industry also made up for the marked drop in production in autumn 2012. There were also green shoots in a number of periphery countries, where the economy is thought to have stabilised slightly in the second quarter, according to current information. On the other hand, in some core countries the effects of previous excesses are increasingly making themselves felt, thus hampering economic recovery and in some cases leading to a further decline in GDP.

In the first half of the year, monetary policy continued to have a dominant influence on the financial markets. During the first few months of 2013, riskier types of investment in particular benefited from the loose monetary policy of the major central banks. The momentum increased in April when the ECB cut interest rates again and the Japanese central bank decided to purchase large amounts of government bonds. Turbulence on the financial markets was triggered by the Federal Reserve's announcement that it was considering reducing its bond purchases. Yields on first-class sovereign bonds rose strongly as a result, and the equity markets gave up some of their earlier gains. The euro came under marked pressure at times because the ECB stated that, unlike the Federal Reserve, it did not intend to scale down its expansionary monetary policy.

Important business policy events in the second quarter of 2013

Commerzbank successfully concludes capital increase to repay the silent participations of SoFFin and Allianz in full

At the end of May, Commerzbank successfully concluded the capital increase approved by the Annual General Meeting on 19 April 2013 to repay the silent participations of the Financial Market Stabilisation Fund (SoFFin) and Allianz early and in full. During the subscription period, around €2.5bn (gross) was raised as planned. This sum was used to repay the SoFFin silent participations of around €1.6bn and the Allianz silent participation of €750m.

Commerzbank has thus repaid early all the constituent parts of the government aid that it is able to redeem by itself. At the same time, SoFFin reduced its stake in the Bank from 25% to about 17% as a result of this transaction, as previously announced. The successful completion of the capital increase thus marks the beginning of the end of the Federal Government's engagement in Commerzbank.

In total, Commerzbank issued 555,555,556 new shares under the terms of the capital increase with subscription rights which ran from 15 May to 28 May 2013. The subscription price was €4.50 per share. 99.7% of the subscription rights were exercised. The unsubscribed 1,678,801 new shares and the fraction of 363,761 new shares excluded from the subscription right were sold on the market.

New stand-alone platform to support restructuring of shipping portfolio

At the end of May Commerzbank founded a stand-alone restructuring platform for ships, called "Hanseatic Ship Asset Management GmbH". The aim of the company, which is based in Hamburg and is a 100% subsidiary of Commerzbank, is to assist with managing the ship finance portfolio while preserving value. The new company will acquire individual ships that have potential, remove them from their existing, impaired credit relationships, operate them on the new platform and sell them when the market recovers. The ships will be operated by experienced, professional external partners (shipping companies). The Bank is thus giving itself more room for manoeuvre and creating an additional restructuring instrument in the Deutsche Schiffsbank group division.

Commerzbank and employee representative committees achieve reconciliation of interests in respect of planned staff reduction

As part of its implementation of the strategic agenda announced in November 2012, the Commerzbank Group is to eliminate around 5,200 full-time posts by 2016. In 2012 the decision was made to delete 800 full-time posts, with a particular focus on the Non-Core Assets segment. In addition, 500 full-time posts are being cut abroad and in the German subsidiaries. The elimination of the other 3,900 full-time posts was agreed with the works council of Commerzbank Aktiengesellschaft Germany in mid-June. Of these, around 1,800 full-time posts are in the Private Customer business, as announced in February this year. On the other hand, up to 1,000 full-time posts are being planned to be created within the Group in connection with investments to implement the strategic agenda. The agreements reached with the works council for the employees of Commerzbank Aktiengesellschaft Germany propose that the exclusion period for compulsory redundancies, which was originally due to continue up to the end of 2014, will be extended to 2016 as soon as the agreed staff reduction targets have been met.

The result for the first half of 2013 already includes restructuring costs in the order of €500m in connection with the job cuts.

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Moody's and Standard & Poor's cut Commerzbank's rating

On 23 April 2013, the rating agency Moody's downgraded Commerzbank's long-term debt rating by one notch from A3 to Baa1 with a stable outlook. The short-term debt rating remained unchanged at P–2. The financial strength rating fell one notch from Baa3 to Ba1. According to Moody's, the main reasons for the downgrade were the persistently challenging environment in the German private customer market as well as continuing high risks in parts of the Non-Core Assets segment, especially ship finance, and in relation to Italian and Spanish exposures.

On 28 May 2013, the rating agency Standard & Poor's downgraded Commerzbank's long-term debt rating by one notch from A to A–. The short-term debt rating was cut from A-1 to A–2, and the outlook was placed on "CreditWatch Negative" in February. The financial strength rating fell two notches from BBB+ to BBB–. S&P based its decision on worsening economic conditions in Germany and Europe, which could negatively impact Commerzbank's result in the future because of the Bank's existing portfolios in the Non-Core Assets segment, especially commercial real estate and ship finance. The agency regards the ongoing restructuring of the Private Customer business, which is still not sufficiently profitable, as a significant factor. However, it did at least recognise the results of the restructuring to date and acknowledge that further progress is expected.

Earnings performance, assets and financial position

As expected, implementing the strategic agenda had a negative impact on the result for the first half of 2013, which is a transitional year. This was attributable in particular to the restructuring expense of half a billion euros and higher loan loss provisions in the Non-Core Assets (NCA) segment in connection with the portfolio of commercial real estate loans in the United Kingdom. Income was also affected by a further drop in interest rates compared with the first half of 2012. However, the strategic measures we implemented in the second quarter stabilised the drop in income related to interest rates. Both the consolidated profit and the operating profit of the Commerzbank Group declined in the first half of the year.

In mid-2013, total assets were almost unchanged compared with 31 December 2012, at €637.0bn. A drop in lending volume in NCA contrasted with higher collateralised money market transactions. Risk-weighted assets stood at €206.3bn in the middle of the year; this was slightly below the figure for the end of 2012, primarily because of the decline in credit risk in the NCA segment. At the end of June 2013, Commerzbank reported a core Tier I ratio of 12.1% and a core capital ratio of 12.6%.

Various new IFRS requirements were implemented in the Commerzbank Group at the beginning of the first quarter of 2013. The prior-year figures were restated accordingly and a basis of comparison with the equivalent period in the previous year was established. The most significant reclassification resulted from the following: interest from trading activities is now reported as net interest income instead of net trading income. Detailed explanations about the changes are given in the notes to the interim financial statements on page 66 ff.

As a result of this reclassification, certain financially related transactions in the areas of trading and risk management are reported separately in net interest income as well as net trading income. The comments on net interest income and net trading income for the Group as a whole as well as the Corporates & Markets segment are presented together in consolidated form.

Income statement of the Commerzbank Group

Income before provisions declined by 7.4% to €4,774m year on year in the first half of 2013. This was primarily due to the performance of consolidated net interest income and net trading income. On the other hand, both net commission income and net income from financial investments improved.

The net interest and net trading result fell 11.6% to €3,293m overall. During the first half of 2013 net interest income fell by 14.2% year on year to €2,985m while net trading income and net income from hedge accounting rose 24.2% year on year to €308m. One reason for the whole development was that interest rates declined again compared with the previous year. This led to lower margins in the deposit business in particular, although the Private Customer and Central & Eastern Europe segments were also affected. Rising volumes and higher revenues in the lending business could only partially compensate for this development. The Others and Consolidation segment remained below the very high level achieved in the first half of 2012, mainly because of the performance of Group Treasury. By contrast, the Corporates & Markets segment posted a significant rise of €315m. Equity Markets & Commodities made a substantial contribution to the higher earnings thanks to increased customer activity, as did Credit Portfolio Management. Another €154m of the increase was attributable to the remeasurement of own liabilities to fair value and remeasurement effects of counterparty risks in derivatives business.

Losses from the valuation of derivatives and from credit default swaps almost ceased in the Non-Core Assets segment, and this made a significant contribution to the higher result for net interest income and net trading income, which was partially offset by the reduction in the credit portfolio.

Further information on the composition of net interest income and the trading result is given in the notes to the interim financial statements on pages 73 and 74.

Net commission income edged up 1.3% to €1,655m during the first half of this year. This was primarily attributable to an increase in revenues from securities transactions in the private customer business. Transaction-driven income relating to equities and investment funds rose, as did portfolio-based income. Revenues from loan syndication with our corporate customers also increased. In contrast, the suspension of new business in the Non-Core Assets segment led to a drop in revenues.

Net income from financial investments came to €–126m in the first half of 2013, compared with €–199m in the same period last year. This year's figures were affected by impairments, including impairments on the public finance exposure in the US, rather than disposal losses resulting from the reduction of the public finance portfolio, as was the case in 2012.

Other net income came to €–67m, compared with €–22m a year earlier. These charges resulted from net new provisions made in respect of legal and litigation risks.

During the reporting period the net allocation to loan loss provisions rose year on year by 30.5% to €804m. The increase was expected in the core bank, since reversals in the Mittelstandsbank segment were significantly lower than in the previous year. There were also several significant individual cases among our corporate customers. The Corporates & Markets segment reported a net reversal in the current reporting period. In the Non-Core Assets run-off segment, the commercial real estate portfolio in the United Kingdom had a negative impact on loan loss provisions in the second quarter. Loan loss provisions therefore rose in this segment, too, with loan loss provisions for ship finance as anticipated.

Operating expenses in the first six months of this year were down 2.8% on the prior-year first half, to €3,423m. Other operating expense including depreciation fell by 4.5%, despite higher investments. This was driven mainly by lower occupancy expense as a result of the branch mergers. Despite the salary increases agreed between the negotiating partners in 2012, personnel expense edged down by 1.6% because of the reduction in the number of employees.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €547m in the first half of the current year, compared with €1,018m in the same period last year.

Restructuring expenses of €493m for the reporting period were incurred in the first quarter. This was because of the scheduled job cuts, as personnel capacities are in the process of being adjusted to the changing market environment by 2016. In the middle of 2012 restructuring expenses of €43m were reported in connection with the European Commission's requirement that Hypothekenbank Frankfurt AG should be wound down. There was also a remeasurement of €–86m in connection with the sale of Bank Forum.

Pre-tax profit came to €54m, compared with €889m in the same period of 2012.

Tax expense for the reporting period was €57m, compared with €211m for the equivalent prior-year period. Consolidated profit after tax amounted to €–3m, compared with €678m in the prior-year period. Net of non-controlling interests of €48m, a loss of €–51m was attributable to Commerzbank shareholders.

Operating earnings per share were €0.80 and the earnings per share €–0.07. In the prior-year period the comparable figures were €1.67 and €1.01 respectively.

Consolidated balance sheet

On 30 June 2013, total assets of the Commerzbank Group were €637.0bn, the same level as on the last day of 2012.

On the assets side, there was a big rise in volume for claims on banks. At €113.5bn these were significantly higher than the €88.0bn posted at the end of the previous year. The €25.5bn increase was due in particular to an increase in the reverse repos and cash collaterals held. Claims on customers were down slightly compared to year-end 2012, declining by €0.5bn to €278.1bn. While customer lending business decreased by €16.6bn, money market transactions rose by €16.1bn. Trading assets stood at €124.5bn on the reporting date, which was 13.6% below the figure for year-end 2012. While bonds and notes and other interest rate-related securities increased by €1.1bn and promissory note loans and equities went up by €5.6bn, the positive market values of derivative financial instruments, primarily interest rate derivatives, declined by €26.4bn. Financial investments came to €85.5bn, 4.1% lower than on 31 December 2012, mainly because of a decline in bonds and notes and other interest rate-related securities.

On the liabilities side there was an increase in liabilities to banks and customers, which was almost offset by a decrease in securitised liabilities and trading liabilities. Liabilities to banks rose by a substantial €14.1bn to €124.4bn, largely due to an increase in overnight deposits. Liabilities to customers were up compared to year-end 2012, rising by €24.7bn to €290.6bn. The €9.5bn decrease in securitised liabilities to €69.8bn versus the end of 2012 is attributable to maturing mortgage and public-sector Pfandbriefe issued by Hypothekenbank Frankfurt AG. At €91.4bn, trading liabilities were €24.7bn below the 2012 year-end figure. This was mainly attributable to a decline in negative market values of currency and interest rate derivatives. In contrast delivery commitments from securities transactions increased.

Capital and reserves

The equity capital reported in the balance sheet as at 30 June 2013 was €26.5bn, which was similar to the restated figure for year-end 2012. Information about the changes in the reporting of equity is given in the interim financial statements on page 67 ff.

While the capital reserve increased significantly compared with the end of 2012, rising by 82.6% to €15.9bn due to the capital reduction in connection with the capital measure, the subscribed capital decreased by €4.7bn to €1.1bn. Retained earnings remained at the 2012 level, at €10.7bn. As planned, around €2.5bn gross was raised in the capital increase approved by the AGM on 19 April. This sum was used to repay the SoFFin silent participations of around €1.6bn and the Allianz silent participation of €750m. Information about the capital increase is given in the interim financial statements on page 62 f.

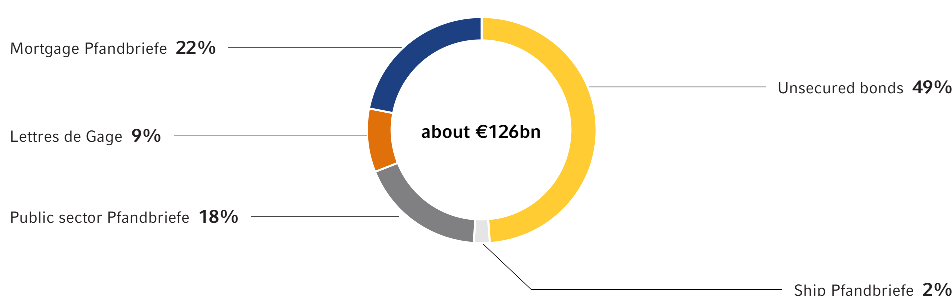
The revaluation reserve, the cash flow hedge reserve and the currency translation reserve came to €–2.1bn on the reporting date. Compared with the end of 2012, this was an improvement of €0.3bn.

As at 30 June 2013, risk-weighted assets were down slightly compared with year-end 2012, having fallen €1.8bn to €206.3bn. The drop of just under 1% was primarily due to a fall in risk-weighted assets in the areas of operational risk and credit risk. Regulatory Tier I capital fell by €1.3bn compared with the unadjusted year-end 2012, to €26.0bn. In conjunction with the slightly lower level of risk-weighted assets the Tier I ratio came to 12.6%. Core Tier I capital came to €24.9bn, or a ratio of 12.1%. The total capital ratio was 17.6% on the reporting date.

Funding and liquidity

Commerzbank had unrestricted access to the money and capital markets throughout the reporting period; its liquidity and solvency were adequate at all times. It was always able to raise the resources required for a balanced refinancing mix and continued to report a comfortable liquidity position in the first half of 2013.

Capital market funding structure
As at 30 June 2013



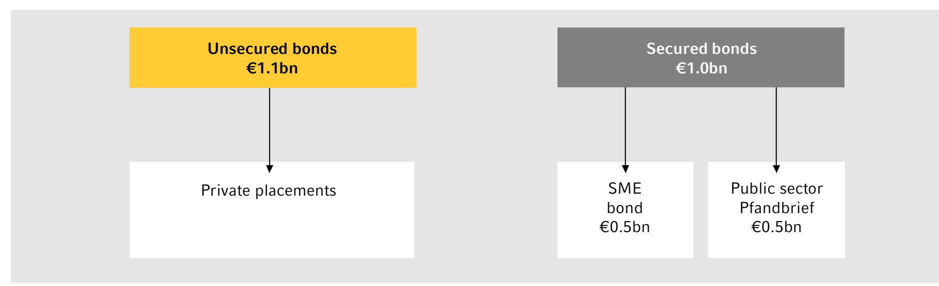
Commerzbank issued bonds totalling €2.1bn on the capital market in the first half of 2013.

In the secured segment, Commerzbank placed two successful benchmark transactions in the capital market. A public-sector Pfandbrief with a volume of €500m was issued in June. There was a very high level of interest from institutional investors and the issue was oversubscribed twice over. This was the first time Commerzbank Aktiengesellschaft had issued a Pfandbrief directly. The issue has a term of five years and carries a coupon of 1.00%. The public-sector Pfandbrief is to be used for financing long-term core business in the Mittelstandsbank. For this reason, export finance eligible for cover fund purposes and guaranteed by the export credit agency (ECA) Euler Hermes was included in the cover pool. In February Commerzbank issued a “Small- and Mid-sized Enterprises (SME) Structured Covered Bond” with a volume of €500m. The funding instrument is a contractual construct similar to a Pfandbrief; it is covered by a high-quality portfolio of selected SME loans. This Commerzbank issue has a maturity of five years and was the first transaction of this kind on the capital market.

In addition, private placements totalling €1.1bn with an average maturity of 5.1 years were issued in the unsecured segment. About 75% were structured bonds.

The funding spreads for secured bonds narrowed further in the first half of 2013. By contrast, in the unsecured segment Commerzbank’s spreads increased slightly, which was consistent with the significant widening of spreads in the market as a whole.

Group capital market funding in the first half of 2013
Volume €2.1bn



In order to compensate for unexpected short-term outflows of liquidity, Commerzbank has a central liquidity portfolio of highly liquid securities eligible for central bank borrowing purposes. This centrally managed liquidity portfolio, which is supplemented by freely available cash resources, credit balances with central banks and other liquid securities positions, forms Commerzbank's liquidity reserve. On 30 June 2013 this liquidity reserve was up €16bn compared with the end of 2012, to €99.3bn. It thus accounted for about 16% of total assets.

The regulatory provisions applicable to liquidity as set out in the German Liquidity Regulation were complied with at all times during the period under review. At the end of the quarter, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.22, still significantly higher than the minimum regulatory requirement of 1.00.

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

Key figures for the Commerzbank Group

Largely as a result of the decline in revenues described above, the main profitability ratios of the Commerzbank Group for the first six months of 2013 were lower overall than in the same period of 2012. The operating return on equity fell from 7.1% in the same period last year to 3.8%. The return on equity based on the consolidated surplus was –0.4%, compared with 4.5% a year earlier. On the other hand, thanks to reduced costs the cost/income ratio rose only slightly, despite the decline in revenues, to 71.7%, from 68.3% in the same period of 2012.

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Segment reporting

The comments on the segments' results for the first six months of 2013 are based on the segment structure that was applicable at year-end 2012. At the beginning of 2013 various new IFRS requirements were implemented in the Commerzbank Group, the effects of which are also reflected in the segment reporting. The corresponding prior-year figures have been restated for the purposes of comparison. Explanations on this topic and about the effects of the changes to accounting and measurement policies are given in the interim financial statements on page 66 ff.

The core bank achieved an operating profit of €1,020m in the reporting period. Compared with the same period of the previous year, this was a fall of €422m, mainly because of persistently low market interest rates and another increase in loan loss provisions. Moreover, the result for the previous year still included significantly higher revenues from Group Treasury. The Non-Core Assets segment's losses declined compared with the same period of 2012.

Private Customers

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %/%-points
Income before provisions	1,697	1,706	–0.5
Loan loss provisions	–62	–34	82.4
Operating expenses	1,512	1,505	0.5
Operating profit/loss	**123**	**167**	**–26.3**
Average capital employed	3,961	3,928	0.8
Operating return on equity (%)	6.2	8.5	–2.3
Cost/income ratio in operating business (%)	89.1	88.2	0.9

In the first six months of this year, the Private Customers segment benefited from the successful reorganisation of the business areas. A new and more transparent homebuild financing offer, backed up by persistently low interest rates and improved advisory processes, was well received by our customers. The increase in customer activity in relation to capital market transactions was also gratifying, although this eased off towards the end of the first half for seasonal reasons. Nonetheless, revenues from securities lending transactions were higher than in the same period of 2012. Operating profit was down 26.3% year on year to €123m because the first quarter of 2012 had still been very strong, but the trend over the past few quarters has been positive.

In the first half of 2013, income before provisions came to €1,697m, which was similar to the figure for the first six months of the previous year. Net interest income was down 4.9% year on year to €875m in an interest rate environment that had once again declined significantly. However, active interest rate management enabled significant progress to be made in improving the interest margin in the deposit business, especially in the second quarter of the current year. Together with volume growth in new lending business, this had a positive impact on the earnings position. Commission income rose 4.2% to €817m and reflected the recovery in customer activities in the securities business as well as our attractive range of asset management products.

Loan loss provisions in private customer business stood at €62m in the first half of 2013, which was a rise of €28m on the previous year. Adjusted for the effects of parameter updat-

ing in the first quarter of 2012, loan loss provisions overall were slightly below the previous year's level.

There was only a slight rise in operating expenses, which increased by €7m to €1,512m. Personnel expenses fell by around 0.7% while other operating expenses went up by 6.6%, which was attributable to the initial investments made in accordance with the strategic agenda.

The Private Customers segment reported a pre-tax profit of €123m in the first half of this year, compared with €167m in the same period of 2012.

The operating return on equity based on average capital employed of €4.0bn was 6.2% (prior-year period: 8.5%). At 89.1%, the cost/income ratio was slightly higher than in the first six months of 2012 (88.2%).

Mittelstandsbank

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %/%-points
Income before provisions	1,423	1,538	–7.5
Loan loss provisions	–225	3	.
Operating expenses	656	667	–1.6
Operating profit/loss	**542**	**874**	**–38.0**
Average capital employed	5,839	5,841	0.0
Operating return on equity (%)	18.6	29.9	–11.3
Cost/income ratio in operating business (%)	46.1	43.4	2.7

The Mittelstandsbank segment achieved an operating profit of €542m, compared with €874m in the prior-year period, against the backdrop of a further fall in interest rates during the reporting period and an (expected) increase in loan loss provisions owing to a significant decline in reversals.

In the period under review, income before provisions came to €1,423m, which was 7.5% below the prior-year figure. At €889m, net interest income, which was hit by low interest rates, was 13.6% lower than in the same period of 2012. In the deposit business, significantly reduced margins caused by low market interest rates led – despite higher volumes – to a fall in net interest income, whereas the lending business contributed more to net interest income and lending margins were higher than last year. At €552m, net commission income was just under 2% higher than in the prior-year period. Slight increases were recorded, particularly in documentary business and as a result of customer demand for capital market products.

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Net trading income was €–26m, compared with €–11m in the first half of 2012. The negative result was largely caused by remeasurement effects of counterparty risks in the derivatives business with our customers. Net investment income for the reporting period was €–21m compared with €–7m in the same period of the previous year. Other net income came to €28m. The year-on-year increase of €44m resulted in particular from the release of provisions and from remeasurement effects on restructured loans.

Loan loss provisions for the first six months of 2013 were €–225m, compared with a net reversal of €3m in the same period of 2012. The first half of 2013 was characterised by additional loan loss provisions for individual commitments and lower releases of provisions compared with the prior-year period.

Operating expenses fell to €656m which was 1.6% below the previous year's figure of €667m. This fall in costs resulted from a decline in indirect costs.

All in all, the Mittelstandsbank segment generated pre-tax earnings of €542m in the first half of the current year, which represents a decrease of 38.0% on the same period of the previous year.

The operating return on equity based on average capital employed of €5.8bn was 18.6% (prior-year period: 29.9%). The cost/income ratio was 46.1% compared with 43.4% in the same period of 2012.

Central & Eastern Europe

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %/%-points
Income before provisions	379	430	−11.9
Loan loss provisions	−42	−53	−20.8
Operating expenses	210	231	−9.1
Operating profit/loss	**127**	**146**	**−13.0**
Average capital employed	1,688	1,889	−10.6
Operating return on equity (%)	15.0	15.5	−0.5
Cost/income ratio in operating business (%)	55.4	53.7	1.7

The Central & Eastern Europe segment contains the universal banking and direct banking activities of the Polish subsidiary BRE Bank in Poland, the Czech Republic and Slovakia. Owing to the fact that the Ukrainian Bank Forum was sold in the second half of 2012, its activities are included in the prior-year figures only.

The muted economic growth that had been apparent in Central and Eastern Europe for several quarters persisted during the second quarter of this year. The Polish central bank countered this with further monetary easing in the first half of the year. Since the second half of 2012 it has cut the refinancing rate by 200 basis points, from 4.75% to 2.75%, in seven steps. In the first six months of this year the segment generated an operating profit of €127m, compared with €146m in the prior-year period.

In the period under review, income before provisions came to €379m, which was €51m below the figure for the first half of 2012. This fall was partly a consequence of the National Bank of Poland's interest rate cuts, and partly because the positive net interest income generated by the Ukrainian subsidiary Bank Forum had boosted the figure for the previous year. Furthermore, in the first half of 2012 income included the remeasurement effect of the sale option on the Russian Promsvyazbank, which amounted to €22m.

During the reporting period, loan loss provisions improved year on year by €11m to €–42m, owing in particular to successful restructuring in the first quarter of 2013.

Operating expenses fell to €210m, which was 9.1% lower than the previous year's figure of €231m. Ongoing active cost management at BRE Bank had a positive impact here, as did lower expenditure following the sale of Bank Forum.

The Central & Eastern Europe segment reported a pre-tax profit of €127m in the first half of this year, compared with €60m in the same period of last year, resulting from the write-down of €–86m in connection with the sale of Bank Forum.

The operating return on equity based on average capital employed of €1.7bn was 15.0% (prior-year period: 15.5%). The cost/income ratio rose to 55.4% compared with 53.7% in the prior-year period.

Corporates & Markets

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %/%-points
Income before provisions	1,152	788	46.2
Loan loss provisions	45	–50	.
Operating expenses	673	661	1.8
Operating profit/loss	**524**	**77**	**.**
Average capital employed	3,297	3,238	1.8
Operating return on equity (%)	31.8	4.8	27.0
Cost/income ratio in operating business (%)	58.4	83.9	–25.5

The first half of 2013 was marked by a positive capital market environment, featuring higher investor confidence compared with 2012 and an increase in customer activity. European equity markets gained overall during the first six months of the year. During the second quarter there was a significant rise in volatility both on the equity and the bond markets, after the US central bank announced the possibility of winding down the bond-buying programme it has been using to support the economy. Against this backdrop, the Corporates & Markets segment posted an operating profit of €524m in the first half of 2013, well up on the €77m reported in the same period last year. The result includes a positive effect of €45m from the remeasurement of own liabilities, which compares with a negative effect of €–142m in the same period of 2012, as well as a remeasurement effect of counterparty risks in derivatives business amounting to €–24m, compared with €9m in the prior-year period.

In Corporate Finance, the bonds and syndicated loans business remained stable. Income was slightly below last year's level because of weaker transaction activity, particularly in structured corporate solutions. Equity Markets & Commodities was able significantly to increase its income year on year in the first half of 2013, mainly thanks to higher customer activity in equity and derivatives business. During the reporting period, income in Fixed In-

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come & Currencies – excluding effects of the remeasurement of own liabilities – was higher than in the previous year thanks to better performance in interest rate trading and despite slightly weaker results in currency trading and trading with credit products. Credit Portfolio Management, which is responsible for managing and optimising the credit portfolios and counterparty risk, increased its income compared with the first half of 2012. There was also a positive contribution from the structured credit legacy portfolio, which was taken over from the former Portfolio Restructuring Unit and was not included in the prior-year figures.

Overall, income before loan loss provisions rose significantly, rising by €364m year on year to €1,152m. At €918m, net interest income and net trading income were significantly higher than the previous year's €603m due to stronger customer activity in equity product trading and the above-mentioned effects of the remeasurement of own liabilities and counterparty risks. At €175m, commission income was almost unchanged compared with the same period last year.

In the first half the net reversal of loan loss provisions amounted to €45m, while in the same period of 2012 there was a net allocation of €–50m.

Operating expenses were down slightly compared with the first half of last year, falling by €12m to €673m.

Pre-tax profit amounted to €524m, compared with €77m a year earlier.

The operating return on equity based on average capital employed of €3.3bn improved to 31.8% (previous year: 4.8%). The cost/income ratio was 58.4%, compared with 83.9% in 2012. Adjusted for the effects of measurement of own liabilities and counterparty risks in derivatives business, the operating return on equity would be 30.5% (prior-year period: 12.9%). The adjusted cost/income ratio would be 59.5%, compared with 71.8% a year earlier.

Non-Core Assets

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %/%-points
Income before provisions	227	57	.
Loan loss provisions	–522	–479	9.0
Operating expenses	178	186	–4.3
Operating profit/loss	**–473**	**–608**	**–22.2**
Average capital employed	9,854	10,172	–3.1
Operating return on equity (%)	–9.6	–12.0	2.4
Cost/income ratio in operating business (%)	78.4	326.3	.

In the first half of 2013 the Non-Core Assets (NCA) run-off segment posted a negative operating result of €–473m. The operating loss was €135m lower than in the same period of last year.

During the reporting period the earnings situation was substantially influenced by active measures to accelerate the portfolio reduction programme and improve the risk profile, especially in the area of commercial real estate loans.

Income before loan loss provisions for the reporting period was €227m, compared with €57m in the same period of the previous year. Despite the drop in lending volume, net interest income of €351m was 3.2% higher than the prior-year figure, thanks to significant changes to the conditions and lower refinancing costs. Since there was no contribution from new business activities, net commission income of €38m was 17.4% below the prior-year level. Net trading income of €–20m (previous year: €–91m) largely reflects the improvement in the result from the remeasurement of derivatives in accordance with IAS 39 and the remeasurement of counterparty risks. At €–149m, net income from financial investments was significantly affected by write-downs on securities classified as loans and receivables. Net income from financial investments was also negative in the same period of 2012, at €–257m, and included losses from the sale of the remaining Greek sovereign bond portfolio and negative effects from the targeted reduction of other European government bonds.

Provisions for loan losses amounted to €–522m, compared with €–479m in the same period of 2012. This rise was connected with the portfolio of commercial real estate loans in the United Kingdom. Ongoing cost management pushed operating expenses down by another €8m to €178m in the reporting period.

In the first half of 2013, the NCA segment reported an overall pre-tax loss of €–473m (prior-year period: €–651m).

Average capital employed stood at €9.9bn.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. The reporting for this segment under “Others” comprises equity holdings that are not assigned to business segments, as well as Group Treasury. The costs of the service units, which – except for integration and restructuring costs – are charged in full to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of the Group management units which are charged in full to the segments, except for integration and restructuring costs, are also reported under this heading.

Operating profit for the first half of 2013 came to €–296m compared with €178m in the prior-year period. Operating income before loan loss provisions declined from €421m in the first half of 2012 to €–104m in the same period of 2013. This decrease of €525m was primarily due to the performance of Group Treasury, which was unable to repeat the very good result achieved in the previous year, and also to net new provisions made in respect of litigation risks. Operating expenses were €49m lower than in the prior-year period. Taking into account restructuring expenses of €493m, pre-tax profit for the first half of 2013 came to €–789m, compared with €178m in the first half of 2012.

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Outlook and opportunities report

The following information should be read in conjunction with the Business and overall conditions section of this interim report as well as the Outlook and opportunities report of the 2012 Annual Report.

Future economic situation

The global economy is expected to recover further in the second half of 2013 and in 2014, while expanding somewhat faster than in the first six months of this year. One risk for this outlook would be a new flare-up of the sovereign debt crisis, which is currently being contained by the massive verbal interventions of the ECB. In addition, growth in China and other Asian countries could weaken further if the problems in the Chinese financial sector worsen. Overall, however, the economy in the emerging markets should pick up speed and once again demonstrate significantly stronger growth than in the industrialised countries.

The US is also expected to contribute to stronger global economic growth in the second half of 2013 because tax rises and spending cuts will act as less of a brake on the economy than in the first six months of the year. Furthermore, past excesses in the real estate sector and in consumer debt levels have largely been corrected, so these are no longer hampering the economy as they have done in recent years. In view of the likelihood that the labour market will continue to improve, it may be assumed that the US central bank will begin winding down its bond purchase programme during the second half of the year.

The recession in the eurozone ended this spring, although a strong upturn is not expected. Germany certainly has the best outlook for the next few quarters: its economy is set to benefit most from the ECB's expansionary monetary policy thanks to its continuing high level of competitiveness and the absence of earlier excesses. However, before a sustained period of strong growth can set in, the uncertainty about the future fate of the currency union needs to be removed, so that companies stop being reluctant to invest and the low interest rates filter through to the real economy. In the periphery countries, the economy should stabilise after spiralling down for so long, since financial policy is no longer so restrictive and some of these countries have become considerably more competitive in the past few years. Nevertheless strong growth is not expected for the time being. On the other hand, some core countries are now experiencing similar problems to those observed in the periphery countries in recent years, as their economies have become less competitive, and, after increasing significantly, property prices have either started declining or can be expected to do so shortly. Overall the eurozone economy is likely to grow only slowly until the end of 2014, so the ECB will keep key interest rates at the current low level for some time, as was announced recently. Another interest rate cut cannot be ruled out.

It is probable that the financial markets will continue to be affected by the debate about the Federal Reserve's gradual withdrawal from its policy of quantitative easing. Against this backdrop, yields on long-dated US Treasuries are likely to increase further, as should those on German Bunds, although to a lesser extent. Since US monetary policy will nevertheless remain accommodative, and the other central banks have not so far made their policies less expansionary, it may be assumed that there will be an increase in riskier types of investment once more. Given the differing approaches to monetary policy on either side of the Atlantic, it is probable that the euro will tend to lose ground against the US dollar.

Future situation in the banking sector

Our views regarding the expected development of the banking sector over the medium term have not changed significantly since the statements published in the Interim Report for the first quarter of 2013.

Although the first half of 2013 was generally positive, it is still too early to sound the all-clear for the banking environment on major financial markets. The interventions by the ECB and European politicians are having a stabilising effect, but they are nevertheless impairing the role of market prices as a reliable risk measure. Expectations of overall economic growth have had to be revised in some industrialised countries and major emerging markets, at least for this year. The communication regarding the Federal Reserve's conditional exit strategy from its very expansionary monetary policy triggered a certain degree of uneasiness on the financial markets, which in turn led to increased volatility and caused the price of certain asset classes to be revised. There were also temporary concerns about systemic risk in the Chinese banking system and new worries about debt sustainability in EMU programme countries. A number of countries hit by the euro crisis have therefore again had to pay significant interest rate premiums at their auctions. The EU's efforts to reduce the link between banks and states are also having a negative impact on the credit ratings of banks and pushed up the risk premiums on European bank bonds again recently. Overall, the financial environment in the eurozone worsened towards the end of the reporting period.

All in all, 2013 will be another year of transition for the European banking sector. A further reduction in debt levels and an improvement in asset quality are key preconditions if the bank sector is to meet the tougher requirements of the regulators and fulfil investor expectations. In the short term there will be only a gradual improvement in the earnings situation for banks. This is because the regulatory processes already under way and the persistently fierce competition are restricting earnings potential. Restrictive fiscal policy and high unemployment in the eurozone are negative factors. The deleveraging process initiated in many countries and households will lead to comparatively weak demand for credit for the time being and will also increase the pressure on the deposit business. Net interest income will be hit by the continuing lack of scope for generating a structural contribution, despite a slight rise in long-term interest rates. Opportunities to use the ample supply of liquidity from central bank funds on the assets side of a bank's balance sheet are restricted because of the requirement to reduce risks.

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The pressure for renewal in the banking sector has strengthened as a result of regulation, structural transformation and competition, and it will be more difficult to keep this under control because the major profit drivers of the past, such as lending growth and falling credit default rates, will be significantly less available. Loan loss provisions will initially have an adverse impact – partly because of the decline in releases of provisions – and will thus act as a constraint on earnings growth in the corporate customer business. Corporate investment activity is not likely to boost demand for credit, even modestly, until 2014, although the ongoing economic uncertainties and the less positive outlook for the European markets could prove to be obstacles to a strong investment boom. In private customer business, commission income will remain under pressure due to the still relatively pronounced preference for low-commission, highly liquid forms of investment. Aggressive price competition (particularly for deposits) and low interest rates, together with increasing price sensitivity on the part of customers and tougher competition from online banks, are also hampering the expansion of earnings potential. We do not expect a rapid recovery in investment banking given the still subdued levels of activity, especially in mergers and acquisitions, and globally we expect market adjustments as banks focus on core competencies and their own home regions.

Against this background competition will intensify further, both in terms of deposits, which are the main way of refinancing independently of the interbank market, and as regards internationally active corporate customers and German SMEs, which are becoming increasingly attractive because they are regarded as comparatively crisis-proof customers. For the time being there will be no change in the fragmented market structure, which in some cases is also characterised by overcapacities. This will not make the competitive situation any easier, and will limit the potential for generating capital from retained profit. Overall, the outlook – especially in the core business areas – will be largely dependent on the extent to which it proves possible to regain the customer confidence that has been lost, while keeping costs under control.

Financial outlook for the Commerzbank Group

Financing plans

Commerzbank forecasts a capital market funding requirement of less than €10bn per annum over the medium term. The Bank plans to raise the greater part of its refinancing requirements in collateralised form, primarily through Pfandbriefe issued by Commerzbank Aktiengesellschaft. In June of this year Commerzbank Aktiengesellschaft issued a public-sector Pfandbrief for the first time.

Collateralised funding instruments have gained in importance as a result of the financial crisis and the accompanying new regulatory requirements, and this is reflected in part in higher investor demand for these products. They offer issuers relatively stable access to long-term funding with cost advantages compared with unsecured sources of funding.

Commerzbank intends to launch unsecured capital market issues in the future as well: firstly private placements to meet demand from customers and secondly in the form of products that further diversify the Bank's funding base.

Hypothekenbank Frankfurt AG will have no significant funding requirements on the capital market in 2013 because of the business strategy it has adopted.

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

Planned investments

In order to implement its strategic agenda for the period to 2016, as announced in November 2012, the Commerzbank Group has formulated growth initiatives and cost-cutting programmes. By 2016, operating expenses will therefore be around €7.1bn to €7.3bn despite the investments in the core business, the expected wage increases and rising operating costs. Against this backdrop around 5,200 full-time posts will be eliminated in the Group. At the end of 2012 and the beginning of 2013 the decision was made to delete 800 full-time posts, with a particular focus on the Non-Core Assets segment. In addition, 500 full-time posts are being cut abroad and in the German subsidiaries. Of the remaining 3,900 full-time posts to be cut, around 1,800 full-time posts are in the Private Customer business, as announced in February this year. €493m in restructuring costs were set aside for this purpose at Group level in the first quarter of 2013. On the other hand, up to 1,000 full-time posts are being planned to be created within the Group in connection with investments to implement the strategic agenda.

In the period under review there has been no significant change in the investment planning discussed on pages 122–125 of the 2012 Annual Report.

Liquidity outlook

During the reporting period the money markets and capital markets in the eurozone were characterised by the ECB's cut in leading interest rates and the persistently difficult economic environment. Uncertainty resulting from the bail-out of Cypriot banks and doubts about the economic recovery in Europe and China led to a volatile market environment. The market remains liquid following the repayment of around one-third of the ECB's three-year long-term refinancing operation. The money market interest rate increased only marginally. After reaching record lows in December 2012, the three-month Euribor stood at 0.22% on 30 June 2013 (year-end 2012: 0.19%).

The recent worsening of the financial crisis owing to the government crisis in Portugal in the middle of this year had a negative impact on the liquidity and credit markets for government bonds, particularly in the peripheral eurozone countries, where yields remained a long way off their 2012 highs. Nonetheless the ECB is keeping a close eye on developments in the eurozone and discussing further measures to counteract the impact of the financial crisis. These include making it much easier to deposit commercial loans as security with the ECB, and expanding the opportunities to do so. This should stimulate lending growth in the eurozone.

As announced at the end of 2012, the ECB is also prepared to cut interest rates again later in 2013 if the economic situation in Europe should deteriorate further. In accordance with this announcement, the ECB cut the marginal and main refinancing rate by 25 basis points in May 2013, while leaving the deposit facility at 0%. As 2013 progresses we expect the interest rate markets to move sideways. The same applies to refinancing costs in the major foreign currencies, since we are assuming that cross-currency basis swaps will also trend sideways at a low level. The Bank expects the credit markets to move sideways, despite the latest government crisis in Portugal. In an environment featuring very low interest rates, credit risk premiums remain at a low level because of demand, and this is true of good quality credit in particular.

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

In order to compensate for unexpected outflows of liquidity, the Bank has a liquidity buffer comprising highly liquid assets eligible for central bank borrowing purposes. Our business planning is done such that a liquidity cushion can be maintained commensurate with the prevailing market conditions and related uncertainties as we see them. This is supported by the Bank's stable franchise in private and corporate customer business and its continued access to secured and unsecured loans in the money and capital markets.

General statement on the outlook for the Group

The Commerzbank Group's strategic realignment, which was launched in the past year, is being implemented in what continues to be a challenging environment for the economy and the capital markets. The factors affecting the earnings situation, in particular low interest rates and muted demand in the lending business, will probably persist for the time being. However, in the core bank the first positive influences of the growth and cost-cutting initiatives that have been introduced are now filtering through to the figures for the first six months of 2013.

In the second half of the year we expect earnings in the Private Customer and Mittelstandsbank segments to reach a similar level to the first half, as the active countermeasures designed to offset the negative effects of the generally muted demand for credit and the low interest rate environment begin to bear fruit. This can be seen in the slight rise in lending volumes to German SMEs and in residential mortgage loans. We are also seeing a rise in customer activity in the securities business. Mittelstandsbank should continue to benefit from its large, and still increasing, market share for foreign business and from its new cash management services. In the NCA segment, significant progress in the strategic reduction of the portfolio is reducing the holdings of interest-bearing assets faster than planned. We are thus forgoing the chance of improving margins by extending loans; instead we are improving the risk profile. It is therefore assumed that NCA will not maintain the earnings base achieved in the first half of the year.

Group loan loss provisions for full-year 2013 are expected to be above their 2012 level because of the accelerated portfolio reduction in the NCA segment and the normalisation of loan loss provisions in the core bank. Reversals of loan loss provisions in the core bank will not match last year's high levels, and the economic recovery is still hesitant. In the NCA segment we are expecting loan loss provisions to remain at a similar level to last year, mainly because of the ongoing crisis on the shipping market. However, other market participants see signs of recovery on the shipping markets at present. Nevertheless, we are sticking to our cautious prediction that the market will not bottom out until 2014.

Commerzbank is confident that costs will not exceed €7bn in the year as a whole. Rigorous cost management will enable us to compensate for investments recognised as expenses and aimed at increasing future earnings potential.

All in all, we therefore think it probable that in the second half of the year, and in 2013 as a whole, the pressure on earnings in the Commerzbank Group that we have already described – caused by the low interest rate environment, seasonal effects and rising loan loss provisions – will overshadow the successes gained through the continued development of our business model.

The strengthening of the capital base by means of the capital increase and the repayment of the silent participations in the spring is connected with our intention to take the fully phased-in Basel III core Tier 1 capital ratio as our internal yardstick in future. We remain committed to our objective of achieving a Basel III ratio of 9% by the end of 2014 in accordance with the regulatory framework that does not come into effect until 2019. At present this ratio stands at 8.4% and we do not expect it to change significantly between now and the end of 2013.

Report on events after the reporting period

Change in the Supervisory Board

On 2 July our long-standing Supervisory Board member Prof. h. c. (CHN) Dr. rer. oec. Ulrich Middelmann died suddenly after a short illness. With effect from 3 July, Dr. Roger Müller, the substitute member elected at the AGM on 19 April 2013, therefore became a member of the Commerzbank Supervisory Board.

Commerzbank sells commercial real estate portfolio in the United Kingdom

In mid-July Commerzbank signed an agreement regarding the sale of its commercial real estate (CRE) portfolio in the United Kingdom to a consortium of Wells Fargo and Lone Star. The transaction covers commercial real estate loans totalling €5.0bn, including the associated interest rate and currency hedging derivatives as well as the entire operating business of Hypothekenbank Frankfurt in the UK. This makes it one of Europe's biggest transactions involving commercial real estate loans in recent years. The employees are being transferred to the purchaser while retaining the terms of their existing employment contracts. The parties have agreed to maintain confidentiality about the other details of the contract.

This transaction, which transfers the risk completely to the purchasers, means that Commerzbank will reach its original reduction target of €93bn in the Non-Core Assets (NCA) segment sooner than planned. The Bank now expects exposure at default (EaD, including problem loans) to be well under €90bn at the end of 2016.

Commerzbank sells its "Depotbank" business to BNP Paribas Securities Services

At the end of July Commerzbank reached an agreement with BNP Paribas regarding the sale of its "Depotbank" business. In the course of the transaction the customer relationships are being transferred to BNP Paribas; all the employees of the Commerzbank business unit have the option of moving to BNP Paribas. The parties have agreed to maintain confidentiality about the contractual details. This transaction is still subject to the approval of the relevant supervisory authorities.

The "Depotbank" business offers services for investment companies (mutual and special funds in the securities and real estate sectors) and institutional investors, such as the settlement of securities transactions, the administration and safekeeping of assets as well as the control of the fund administration. As of the end of April 2013, "Depotbank" managed a volume of approximately €93bn.

The custody business for customers of Commerzbank, which provides a comprehensive custody service for the Bank's private, business and corporate customers as well as for institutional investors, and forms part of Commerzbank's core business, is not affected by the deal.

There were no other personnel changes in the Bank's management or other business transactions of material significance after the end of the reporting period.

Interim Risk Report

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Risk-oriented overall bank management

Risk management organisation

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 risks – those to which a value can normally be attached in financial statements or in regulatory capital requirements – and non-quantifiable types of risk such as reputational and compliance risk.

The Bank's Chief Risk Officer (CRO) is responsible for implementing the Group's risk policy guidelines for quantifiable risks laid down by the Board of Managing Directors. 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.

Risk management activities are split between Credit Risk Management Core Bank, Credit Risk Management Non-Core Assets (NCA), Intensive Care, Market Risk Management and Risk Controlling and Capital Management. In contrast to the other business areas, responsibilities in the NCA segment are not separated into a performing loan area and Intensive Care, as credit risk management here has been merged into one unit across all rating levels. All areas have a structure which spans the Group and report directly to the CRO. The heads of these five risk management divisions together with the CRO make up the Risk Management Board within Group Management.

Detailed information on the risk management organisation at Commerzbank can be found in the Annual Report 2012.

Risk-bearing capacity and stress testing

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

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event. In addition risk-bearing capacity is assessed using macroeconomic stress scenarios. Details of the methodology used can be found in the Annual Report 2012 as well as in the first quarter Interim Report 2013.

The following table shows the change in risk-bearing capacity during the first half of 2013:

Risk-bearing capacity Group | €bn	30.6.2013	31.12.2012
Economic risk coverage potential[1]	**28**	**29**
Economically required capital	**18**	**17**
thereof for credit risk	13	13
thereof for market risk	4	4
thereof for property value change risk[2]	< 1	–
thereof for OpRisk	2	2
thereof diversification between risk types	−2	−2
RBC-ratio[3]	**156%**	**161%**

[1] Business risk is considered as a deductable amount in risk coverage potential.
[2] Including risk of unlisted investments; separate disclosure since 2013.
[3] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

In the following sections we report in detail on the risks Commerzbank is exposed to, beginning with the most important, namely default risk.

Default risk

Default risk refers to the risk of losses due to defaults by counterparties as well as to changes in this risk. In addition to credit default risk and risk from third-party debtors, Commerzbank also includes under default risk issuer and counterparty risk as well as country and transfer risk.

Commerzbank Group

In looking at Commerzbank Group, we will go into more detail on credit risk parameters, the breakdown of the portfolio by region, loan loss provisions and the default portfolio. To manage and limit default risks, we use the following risk parameters: exposure at default (EaD)[1], loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economic capital required for credit risk with a confidence interval of 99.91% and a holding period of one year), risk-weighted assets and “all-in” for bulk risk.

[1] Expected exposure amount taking into account a potential (partial) drawing of open lines and contingent liabilities that will adversely affect risk-bearing capacity in the event of default. For Public Finance securities the nominal is reported as EaD.

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Credit risk parameters The credit risk parameters in the Commerzbank Group are distributed in the rating levels 1.0 to 5.8 as follows over the Core Bank and Non-Core Assets:

Credit risk parameters as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Core Bank	328	898	27	7,386
Non-Core Assets	124	871	70	5,503
Group	**452**	**1,769**	**39**	**12,889**

The following table shows the breakdown of the Group portfolio by internal rating classifications, based on the PD ratings:

Rating breakdown as at 30.6.2013 EaD in %	1.0 –1.8	2.0 –2.8	3.0 –3.8	4.0 –4.8	5.0 –5.8
Core Bank	31	48	15	4	2
Non-Core Assets	30	40	15	9	5
Group	**31**	**46**	**15**	**5**	**3**

The regional breakdown of the exposure is in line with the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 7% to North America. The rest is broadly diversified and is split between a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. A main driver of the expected loss in the region "Other" is ship finance.

Group portfolio by region as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	227	561	25
Western Europe	110	419	38
Central and Eastern Europe	41	204	50
North America	31	63	20
Other	44	522	119
Group	**452**	**1,769**	**39**

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

EaD[1] as at 30.6.2013 €bn	Sovereign[2]	Banks	CRE	Corporates/ Other	Total 30.6.2013	Total 31.12.2012
Greece	0.0	0.0	0.2	0.1	0.3	0.2
Ireland	0.0	0.5	0.1	0.9	1.6	1.6
Italy	9.4	0.8	2.0	2.4	14.6	14.2
Portugal	0.8	0.3	1.4	0.3	2.8	3.0
Spain	2.6	3.6	3.4	2.4	12.1	12.8

[1] Excluding exposure from ship finance.
[2] Including sub-sovereigns.

Provisions for loan losses The following table illustrates the development of Group loan loss provisions:

	2013			2012					
Loan loss provisions | €m	**H1**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**H1**	**Q2**	**Q1**
Core Bank	282	190	92	**283**	102	47	134	116	18
Non-Core Assets	522	347	175	**1,374**	512	383	479	301	178
Group[1]	**804**	**537**	**267**	**1,660**	**614**	**430**	**616**	**404**	**212**

[1] Including the PRU's provisions for loan losses of €3m in 2012.

The loan loss provisions relating to the Group's credit business in the first half of 2013 amounted to €804m and thus were €188m higher than in the first half of the previous year. The first half of 2013 was dominated by a number of larger defaults in the Core Bank's corporate portfolio and ongoing high allocations to provisions in the NCA segment. Hereof a large part was realised in the UK's commercial real estate portfolio. Write-downs on securities are not considered as risk provisions but as income from financial assets. Details on this are given in note (5) of the Interim Financial Statements.

Due to the accelerated reduction in the NCA segment and the normalisation of the Core Bank's loan loss provisions, for 2013 as a whole, we expect the Group's loan loss provisions to be higher than in 2012.

The risks related to the macroeconomic framework are still high. If a massive economic downturn or defaults at financial institutions should arise, fuelled by the impact of the continuing sovereign debt crisis on the real economy, it is possible that significantly higher loan loss provisions may be necessary under certain circumstances.

Default portfolio The table below illustrates the development of the default portfolio in the Group:

	30.6.2013			31.12.2012		
Default portfolio | €m	**Group**	**Core Bank**	**NCA**	**Group**	**Core Bank**	**NCA**
Default volume	17,781	6,073	11,708	18,926	6,799	12,128
Loan loss provisions	7,067	3,221	3,846	7,148	3,264	3,884
GLLP	857	463	394	887	470	417
Collaterals	8,607	1,276	7,332	9,296	1,451	7,845
Coverage ratio excl. GLLP (%)	88	74	95	87	69	97
Coverage ratio incl. GLLP (%)	93	82	99	92	76	100
NPL ratio (%)[1]	3.8	1.8	8.6	4.0	2.1	8.1

[1] NPL ratio: default volume (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

The default portfolio was reduced by more than €1.1bn during the first half of 2013. The volume is equivalent to claims that are in default in the category LaR.

Core Bank

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

Credit risk parameters The credit risk parameters are distributed in the rating levels 1.0 to 5.8 as follows over the Core Bank's segments:

Credit risk parameters as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	81	216	27	1,007
Mittelstandsbank	116	354	30	3,092
Central & Eastern Europe	26	140	53	537
Corporates & Markets	70	151	21	2,039
Others and Consolidation	33	37	11	710
Core Bank	**328**	**898**	**27**	**7,386**

Exposure in the Core Bank increased slightly to €328bn (31 December 2012: €321bn). Risk density remained stable at 27 basis points.

The following table shows the breakdown of the Core Bank portfolio by internal rating classifications based on PD ratings:

Rating breakdown as at 30.6.2013 EaD in %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	29	49	16	3	2
Mittelstandsbank	13	59	20	5	2
Central & Eastern Europe	26	40	22	9	3
Corporates & Markets	47	41	9	2	1
Core Bank[1]	**31**	**48**	**15**	**4**	**2**

[1] Including Others and Consolidation.

Loan loss provisions The following table shows the development of loan loss provisions in the Core Bank's segments:

	2013			2012					
Loan loss provisions | €m	**H1**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**H1**	**Q2**	**Q1**
Private Customers	62	27	35	**95**	16	45	34	26	8
Mittelstandsbank	225	147	78	**30**	42	–9	–3	32	–35
Central & Eastern Europe	42	36	6	**105**	24	28	53	35	18
Corporates & Markets	–45	–19	–26	**52**	19	–17	50	23	27
Others and Consolidation	–2	–1	–1	**1**	1	0	0	0	0
Core Bank	**282**	**190**	**92**	**283**	**102**	**47**	**134**	**116**	**18**

Loan loss provisions in the Core Bank amounted to €282m in the first half of 2013 and thus were €148m higher than in the first half of the previous year. The first half of 2013 was dominated by the recognition of new provisions for a number of larger counterparties in the

corporate portfolio. Moreover, loan loss provisions in the same period of 2012 were positively influenced by reversals due to the updating of parameters and an exceptionally good seasonal performance resulting into low recognition of loan loss provisions.

Default portfolio The Core Bank's default portfolio was further reduced compared to 31 December 2012, mainly in the Corporates & Markets' segment.

Default portfolio Core Bank | €m	30.6.2013	31.12.2012
Default volume	6,073	6,799
Loan loss provisions	3,221	3,264
GLLP	463	470
Collaterals	1,276	1,451
Coverage ratios excl. GLLP (%)	74	69
Coverage ratios incl. GLLP (%)	82	76
NPL ratio (%)	1.8	2.1

Private Customers

The Private Customers segment covers the activities of the Private Customers Group division, which includes branch business in Germany for private and business customers, Wealth Management, Direct Banking and Commerz Real.

The risks in private customer business depend mainly on the economic environment, trends in unemployment levels and real estate prices. Risks are managed in part through defined credit standards, active new business controlling, close monitoring of the real estate market and IT-supported overdraft management. Furthermore, loans that stand out are identified through selected triggers and processed in a special way in the early risk identification area.

Credit risk parameters as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp
Residential mortgage loans	47	95	20
Investment properties	5	12	22
Individual loans	12	45	38
Consumer and instalment loans/credit cards	9	38	40
Domestic subsidiaries	3	7	28
Foreign subsidiaries and other	5	19	36
Private Customers	**81**	**216**	**27**

We meet the financing needs of our customers with a broad and modern product range. The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with EaD of €52bn). Another major activity is to ensure the supply of credit services for our business customers (individual loans €12bn). In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans, credit cards €9bn).

There was continued growth in the private customer business, particularly in construction financing.

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In the second quarter capitalised plan assets were reclassified from the segment Others and Consolidation into the segments of the Core Bank. This led to an increase in exposure in the area foreign subsidiaries and other. Compared to the year-end, the risk density remained stable at 27 basis points.

Loan loss provisions in private customer business stood at €62m in the first half of 2013, which was a rise on the previous first half-year of €28m. Adjusted for the effects of parameter updating in the first quarter of 2012, loan loss provisions overall were slightly below the previous year's level.

The default volume in private customer business was slightly reduced compared to 31 December 2012.

Default portfolio Private Customers | €m	**30.6.2013**	**31.12.2012**
Default volume	1,044	1,135
Loan loss provisions	365	392
GLLP	125	128
Collaterals	483	527
Coverage ratios excl. GLLP (%)	81	81
Coverage ratios incl. GLLP (%)	93	92
NPL ratio (%)	1.3	1.5

Mittelstandsbank

This segment comprises all the Group's activities with mainly mid-size corporate customers, the public sector and institutional customers (where they are not assigned to other segments). The segment is also responsible for the Group's relationships with domestic and foreign banks, financial institutions and central banks. In the areas German corporate customers and international corporate customers with a connection to Germany, growth is pursued. The risk appetite is geared towards the assessment of the relevant sector, but also towards a company's economic and competitive conditions. Every exposure is subject to an individual analysis with regard to the sustainability of the business model, the strategic orientation and the creditworthiness of the company.

Credit risk parameters as at 30.6.2013	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Financial Institutions	23	75	33
Corporates Domestic	79	226	29
Corporates International	15	53	36
Mittelstandsbank	**116**	**354**	**30**

The economic environment in Germany remained satisfactory in the first half of 2013. This was reflected in the Corporates Domestic sub-portfolio by still above average risk parameters. The risk density in this area was at a comparatively low 29 basis points as at 30 June 2013.

In Corporates International, EaD totalled €15bn as at 30 June 2013. Risk density here was 36 basis points.

Despite demand for credit still being low, the EaD figure in Mittelstandsbank of €116bn was relatively constant in the first half year of 2013. For details of developments in the Financial Institutions portfolio please see page 45.

Loan loss provisions in the Mittelstandsbank amounted to €225m in the first half of 2013 and thus were €228m higher than in the first half of the previous year. The large increase was driven by additional loan loss provisions for individual cases, whereas the first half of 2012 benefited from releases of provisions due to good portfolio quality and good economic conditions.

The Mittelstandsbank's default portfolio remained almost constant since 31 December 2012.

Default portfolio Mittelstandsbank | €m	30.6.2013	31.12.2012
Default volume	2,621	2,632
Loan loss provisions	1,484	1,439
GLLP	240	232
Collaterals	418	482
Coverage ratios excl. GLLP (%)	73	73
Coverage ratios incl. GLLP (%)	82	82
NPL ratio (%)	2.2	2.3

Central & Eastern Europe

The Central & Eastern Europe segment mainly covers the activities of BRE Bank in Poland. The BRE Bank Group's main areas of business cover private customer business with complementary direct bank units in Poland, the Czech Republic and Slovakia as well as corporate business with a broad and modern product range which includes corporate finance, corporate treasury sales, leasing and factoring. The Central & Eastern Europe segment's strategic focus lies on organic growth in Polish small and medium-sized businesses and the private customer business.

Credit risk parameters as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**26**	**140**	**53**

After several years of above-average performance, growth in Poland has slowed this year to a normal level. Despite the economic slowdown, we are still expecting positive economic growth in Poland. The economy will benefit from the expansive monetary policy between now and the end of the year, and we anticipate satisfactory domestic demand as a result.

Through rigorous risk management, risk density was reduced to 53 basis points after 59 basis points at year-end 2012. Given the current environment we expect the portfolio quality to deteriorate slightly by the end of 2013.

Loan loss provisions for Central & Eastern Europe in the first half of 2013 amounted to €42m, a fall of €11m compared to the period of the preceding year. This was mainly due to reversals as a result of successful restructurings.

In the Central & Eastern Europe segment, default volume slightly decreased compared to 31 December 2012.

Default portfolio Central & Eastern Europe | €m	30.6.2013	31.12.2012
Default volume	985	1,069
Loan loss provisions	563	579
GLLP	49	54
Collaterals	366	383
Coverage ratios excl. GLLP (%)	94	90
Coverage ratios incl. GLLP (%)	99	95
NPL ratio (%)	3.6	4.0

Corporates & Markets

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

The regional focus of the segment is on Germany and Western Europe, which account for just under three-quarters of exposure; North America accounted for around 16% at the end of June 2013. At €70bn, the EaD figure was marginally higher than the figure at the end of December 2012 of €68bn.

Credit risk parameters as at 30.6.2013	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	22	49	22
Western Europe	28	62	22
Central and Eastern Europe	2	6	35
North America	12	23	19
Other	8	12	16
Corporates & Markets	**70**	**151**	**21**

Corporates & Markets focuses among others on actively supporting its customers over the long term in all funding opportunities (such as equities, bonds, syndicated loans) with a range of services in underwriting and new issues. Underwriting risk for all product types is necessarily restricted through strict guidelines and defined limits. The positions that remain on the Bank's books through its activity as lead arranger or market maker are closely monitored from market and credit risk perspectives as well as at counterparty and portfolio level. For certain products such as leveraged buy-outs, more dynamic developments have been evident on the market in recent months. Market developments are being closely monitored. Emphasis will continue to be placed on maintaining the risk quality of the portfolio in line with existing credit policies.

There is a focus on close monitoring of counterparties (such as banks) in critical countries. There has been closer scrutiny of risk management in relation to stock exchanges and clearing houses due to the changes in regulatory requirements on derivatives.

Since the beginning of the year, the nominal volume of the structured credit sub-portfolio has fallen by €0.9bn to €9.9bn, and risk values[1] have declined by €0.6bn to €4.8bn (including the default portfolio in each case). The following table shows the composition and changes in the structured credit portfolio.

	30.6.2013			31.12.2012		
Structured credit portfolio	**Nominal values** €bn	**Risk values** €bn	**Markdown ratio[1]** %	**Nominal values** €bn	**Risk values** €bn	**Markdown ratio[1]** %
RMBS	1.5	1.1	28	1.6	1.1	30
CMBS	0.2	0.1	51	0.2	0.1	51
CDO	3.9	2.7	31	4.5	3.1	30
Other ABS	1.2	0.9	19	1.3	1.1	20
Further structured credit exposure	3.1	0.0		3.2	0.0	
Total	**9.9**	**4.8**		**10.8**	**5.4**	

[1] Markdown ratio = 1 – (risk value/nominal value).

The bulk of the portfolio consists of collateralised debt obligations (CDOs). These largely securitise corporate loans in the USA and Europe (CLOs). Residential mortgage-backed securities (RMBSs) are instruments that securitise private, largely European, real estate loans.

The overall development of the sub-portfolio structured credit during the first half of 2013 came up to our expectations. Further potential appreciations in value might occur over the residual life of the portfolio, but are limited due to the sizeable reduction of holdings. The long period that has now passed since the structures were launched enables a more and more reliable basis for the assessment of the future performance of the portfolio.

Corporates & Markets is heavily influenced by movements in individual exposures. The net reversal of €45m in the first half of 2013 was largely a result of some successful major restructurings. By contrast, the need for provisions in the prior-year period was characterised by the recognition of loan loss provisions for one large individual case.

The default volume in the Corporates & Markets segment was further reduced in the first half of 2013, mainly due to the restructuring of a large individual case.

Default portfolio Corporates & Markets | €m	**30.6.2013**	**31.12.2012**
Default volume	1,422	1,961
Loan loss provisions	808	853
GLLP	48	54
Collaterals	9	59
Coverage ratios excl. GLLP (%)	57	47
Coverage ratios incl. GLLP (%)	61	49
NPL ratio (%)	2.0	2.8

[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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Non-Core Assets

Commercial Real Estate (CRE), Deutsche Schiffsbank (DSB) and Public Finance are bundled in the Non-Core Assets run-off segment. All portfolios in these areas are due to be wound up completely in the course of time.

Exposure at default for the segment in the performing loan book totalled €124bn as at 30 June 2013, which is €15bn less than at the end of 2012.

Credit risk parameters as at 30.6.2013	Exposure at Default €bn	Expected loss €m	Risk density bp	CVaR €m
Commercial Real Estate	40	256	63	
Deutsche Schiffsbank	12	453	365	
Public Finance	71	163	23	
Non-Core Assets	**124**	**871**	**70**	**5,503**

The table below illustrates the development of loan loss provisions in the Non-Core Assets segment:

	2013			2012					
Loan loss provisions I €m	**H1**	**Q2**	**Q1**	**Total**	**Q4**	**Q3**	**H1**	**Q2**	**Q1**
Commercial Real Estate	278	240	38	**623**	222	213	188	131	57
Deutsche Schiffsbank	248	110	138	**743**	299	160	284	170	114
Public Finance	−5	−3	−2	**8**	−9	10	7	0	7
Non-Core Assets	**522**	**347**	**175**	**1,374**	**512**	**383**	**479**	**301**	**178**

Loan loss provisions in Non-Core Assets increased by €43m to €522m in the first half of 2013 and were attributable to additional loan loss provisions in the UK's commercial real estate portfolio. In addition loan loss provisions in the shipping portfolio are remaining on a high level as a result of the persistently tough conditions on the shipping market.

The default volume for Non-Core Assets fell by €420m compared to 31 December 2012.

Default portfolio Non-Core Assets I €m	**30.6.2013**	**31.12.2012**
Default volume	11,708	12,128
Loan loss provisions	3,846	3,884
GLLP	394	417
Collaterals	7,332	7,845
Coverage ratio excl. GLLP (%)	95	97
Coverage ratio incl. GLLP (%)	99	100
NPL ratio (%)	8.6	8.1

Commercial Real Estate

The value-preserving reduction of EaD continued successfully in the first half of 2013 despite the difficult environment. Holdings, primarily at Hypothekenbank Frankfurt AG, were further reduced. EaD in the performing loan book was reduced by €7bn to €40bn since the end of 2013, meaning that the sub-segment CRE has achieved its planned EaD reduction targets for 2013 ahead of schedule.

The relative portfolio composition by type of uses remains unchanged. The main components of exposure are the sub-portfolios office (€15bn), retail (€13bn) and residential real estate (€7bn).

The recession in the eurozone, which after the southern European countries has now also hit France and the Netherlands, continues to affect the CRE markets. Many European office markets are thus characterised by rental activity that is dominated by lease extensions or replacement leases, often with reduced space requirements. This is particularly true for southern European countries, with the result that the CRE markets in these countries are showing an ongoing slowdown and a decline in fair values. By contrast, the CRE markets in countries with a comparatively solid economic situation, particularly the US and Germany, benefit from high, albeit selective, demand.

CRE-portfolio by region | EaD in €bn	**30.6.2013**	**31.12.2012**
Germany	19	22
Western Europe[1]	15	18
Central and Eastern Europe	4	4
North America	1	2
Other	1	1
Commercial Real Estate	**40**	**47**

[1] Including the real estate portfolio in the UK which was sold in the meantime.

Loan loss provisions for Commercial Real Estate amounted to €278m as at 30 June 2013, a large part of which was attributable to the sale of a commercial real estate financing portfolio in the UK.

The default portfolio for Commercial Real Estate fell significantly compared to 31 December 2012, though the reduction determined through the sale of the UK portfolio is not yet considered here. The positive effects with regard to cutback in volume and reduction in risk weighted assets will be reflected in the reporting on the third quarter 2013.

	30.6.2013				**31.12.2012**
Default portfolio CRE by country | €m	**Total**	**Germany**	**Spain**	**US**	**Total**
Default volume	**7,136**	2,368	1,700	409	7,643
Loan loss provisions	**2,522**	666	735	85	2,672
GLLP	**136**	36	20	7	130
Collaterals	**4,687**	1,663	987	398	5,056
Coverage ratio excl. GLLP (%)	**101**	98	101	118	101
Coverage ratio incl. GLLP (%)	**103**	100	103	120	103
NPL ratio (%)	**15.0**	10.9	33.2	24.6	14.0

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Deutsche Schiffsbank

Compared to 31 December 2012, exposure to ship finance in the performing loan book fell from €14bn to €12bn.

The exposure is mainly divided into three standard types of ship, i.e. containers (€4bn), tankers (€3bn) and bulkers (€3bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

In the first half of 2013 market trends in the container, tanker and bulker segment were still dominated by excess capacity, putting pressure on and causing falls in charter rates.

The continued systematic reduction in risk in the existing portfolio is once again the focus of our activities in 2013 in line with the defined strategy of value-preserving reduction. A recovery of the shipping markets for the year 2013 is not foreseeable.

Loan loss provisions at Deutsche Schiffsbank stood at €248m in the first half of 2013 (first half of 2012: €284m). Hence loan loss provisions in the shipping portfolio stay at a high level. Given the ongoing difficult market conditions, further defaults and associated loan loss provisions are expected in subsequent quarters.

The default portfolio remained almost stable compared to 31 December 2012.

	30.6.2013				31.12.2012
Default portfolio DSB by ship type | €m	**Total**	**Container**	**Tanker**	**Bulker**	**Total**
Default volume	**4,570**	2,173	1,195	631	4,482
Loan loss provisions	**1,323**	660	347	162	1,211
GLLP	**248**	100	92	43	272
Collaterals	**2,644**	1,203	708	396	2,789
Coverage ratio excl. GLLP (%)	**87**	86	88	88	89
Coverage ratio incl. GLLP (%)	**92**	90	96	95	95
NPL ratio (%)	**26.9**	34.5	29.4	19.4	23.7

Public Finance

Commerzbank's NCA segment comprises the government financing plus, in particular, secured and unsecured bond issues/loans from banks, held available as substitute cover for Pfandbrief issues. The Public Finance portfolio contains receivables and securities largely held in our subsidiaries Hypothekenbank Frankfurt and Erste Europäische Pfandbrief- und Kommunalkreditbank (EEPK).

The Private Finance Initiative (PFI) portfolio was transferred to the NCA segment from the Portfolio Restructuring Unit in the third quarter of 2012. It comprises the long-term financing of public sector facilities and services, such as hospitals and water utilities in the United Kingdom. Most of the PFI portfolio is secured, and in accordance with NCA strategy is set to be wound down over time in a value-preserving manner.

The borrowers in the Public Finance business in NCA (€47bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in NCA is accounted for by banks (€22bn EaD), where the focus is again on Germany and Western Europe (approximately 93%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The Public Finance EaD, cut by €52bn to €77bn in the period from 2010 to 2012 largely by using maturities but also through active portfolio reduction, was further reduced to €71bn as at 30 June 2013. It is planned to reduce the portfolio to around €55bn by the end of 2016.

As in the first half of 2012, loan loss provisions in Public Finance were driven almost solely by portfolio loan loss provisions in the first half of 2013. With net reversals of €5m in the first half of 2013, loan loss provisions were €12m lower than the respective previous year's figure. Write-downs on securities are not considered as risk provisions but as income from financial assets. Details on this are given in note (5) of the Interim Financial Statements.

Other portfolio analyses

It is important to note that the following positions are already contained in full in the preceding Group and segment presentations.

Corporates portfolio by sector

The table below shows the breakdown of the Bank's corporates exposure by sector, regardless of the existing segment allocation:

	30.6.2013			31.12.2012		
Sub-portfolio corporates by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Basic materials/ Energy/Metals	24	121	50	25	130	51
Consumption	21	85	40	22	85	39
Transport/Tourism	11	26	23	11	22	20
Chemicals/Plastics	11	53	48	11	48	43
Services/Media	8	27	33	8	29	35
Technology/ Electrical industry	8	29	35	9	25	27
Automotive	8	22	27	9	21	23
Mechanical engineering	8	19	24	8	20	26
Construction	4	20	47	4	17	39
Other	15	28	19	15	34	23
Total	**119**	**430**	**36**	**122**	**430**	**35**

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Financial Institutions portfolio

The focus of our risk strategy for the Financial Institutions (FI) sub-portfolio in the first half of 2013 continued to be both on proactive risk reduction, especially in the Public Finance business, and selective new business with clients with a good credit standing, either through trade finance activities performed on behalf of our corporate customers in Mittelstandsbank or through capital market activities in Corporates & Markets. Consideration of country risks played a major part in this. Bulk risk in the portfolio was cut back further. The development of risk in the portfolio will also be influenced by the progress of the European and sovereign debt crisis.

	30.6.2013			31.12.2012		
FI portfolio by region[1]	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	16	9	6	14	8	6
Western Europe	28	62	22	28	49	18
Central/Eastern Europe	8	25	31	9	22	25
North America	2	1	4	1	< 1	3
Asia	11	29	25	7	19	27
Other	7	35	49	6	21	35
Total	**73**	**160**	**22**	**65**	**121**	**19**

[1] Excluding exceptional debtors.

Non-Bank Financial Institutions portfolio

The Non-Bank Financial Institutions (NBFI) portfolio continues to focus on attractive new business with clients of good credit standing, which include in particular insurance companies, asset manager and mutual funds, and further portfolio optimisation.

	30.6.2013			31.12.2012		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	10	17	18	11	24	22
Western Europe	16	42	26	18	41	23
Central/Eastern Europe	3	6	22	1	4	27
North America	8	23	28	8	22	29
Other	2	2	11	2	4	23
Total	**39**	**90**	**23**	**40**	**96**	**24**

Originator positions

Commerzbank and Hypothekenbank Frankfurt have in recent years securitised loan receivables due from the Bank's customers with a current volume of €7.3bn, primarily for capital management purposes. As at the reporting date of 30 June 2013, risk positions of €5.1bn were retained, with by far the largest portion of these positions (€4.9bn) consisting of senior tranches which are nearly all rated as good to very good.

		Commerzbank volume[1]				
Securitisation pool €bn	Maturity	Senior	Mezzanine	First loss piece	Total volume[1] 30.6.2013	Total volume[1] 31.12.2012
Corporates[2]	2020 – 2036	4.6	0.1	< 0.1	5.1	5.1
RMBS	2048	< 0.1	< 0.1	< 0.1	0.1	0.1
CMBS	2013 – 2084	0.3	< 0.1	< 0.1	2.1	2.3
Total		**4.9**	**0.1**	**0.1**	**7.3**	**7.5**

[1] Tranches/retentions (nominal): banking and trading book.
[2] Including MezzCAP transaction.

Conduit exposure and other asset-backed exposures

Commerzbank sponsors the multi-seller asset-backed commercial paper conduit Silver Tower and in this conduit arranges the securitisation of receivables of Mittelstandsbank and Corporates & Markets customers, mainly trading and leasing receivables. The conduit in turn is usually financed through the issue of asset-backed commercial papers (ABCPs) or – if no ABCP is placed – through the drawing of credit lines (liquidity lines).

Other asset-backed exposures comprise mainly government guaranteed ABSs issued by Hypothekenbank Frankfurt in the Public Finance area and Commerz Europe (Ireland).

	30.6.2013		31.12.2012	
Conduit and other asset-backed exposures | €bn	Nominal values	Risk values	Nominal values	Risk values
Conduit exposure	3.5	3.5	3.1	3.1
Other asset-backed exposures	5.2	5.1	5.5	5.4
Total	**8.7**	**8.6**	**8.6**	**8.5**

Market risk

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

Market risk in the trading book

A standardised value at risk model incorporating all positions is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments as a result of changed market conditions during a pre-defined time horizon and with a fixed probability. For internal management purposes, a confidence level of 97.5% and a holding period of 1 day are assumed. The value at risk concept allows risks in various business areas to be compared and enables many positions to be aggregated, taking account of correlations between different assets. This ensures a consolidated view of the market risk at all times.

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

VaR in the trading book was €20m as at the reporting date compared to €28m at the year-end 2012. The main reason for the fall is that the VaR calculation is no longer affected by crisis days from 2012, as these are no longer contained in the model time series (being older than 1 year). The lower risk positions of Corporates & Markets and Treasury delivered additional improvement.

VaR of portfolios in the trading book[1] | €m	**H1 2013**	**2012**
Minimum	17	21
Median	25	39
Maximum	34	70
Midyear/year-end figure	**20**	**28**

[1] 99% confidence level, holding period 1 day, equally-weighted market data, 254 day history.

The market risk profile is diversified across all asset classes. The dominant asset classes are credit spread risk, followed by interest risk and currency risk. The VaR trend in the first half of 2013 shows a marked fall in interest risk and a rise in credit spread risk. The shift within these risk types was attributable to the removal of the aforementioned crisis situations from the model time series (being older than 1 year). The interest rate risk class also contains basis and inflation risk. Basis risk arises if, for example, positions are closed through hedging transactions with a different pricing type to the underlying transaction. The other risk types were largely stable.

VaR contribution by risk type in the trading book[1] | €m	**30.6.2013**	**31.12.2012**
Credit spreads	10	7
Interest rates	4	15
Equities	1	2
FX	4	3
Commodities	1	1
Total	**20**	**28**

[1] 99% confidence level, holding period 1 day, equally-weighted market data, 254 day history.

Further risk parameters are being calculated for regulatory capital adequacy as part of Basel 2.5 reporting. This includes in particular the calculation of stressed VaR, which evaluates the risk arising from the current positioning in the trading book with market movements in a fixed crisis period. The stressed VaR was €36m as at the reporting date which is €1m more than at year-end 2012. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. Last adjustment was made accordingly in the first half of 2012.

The reliability of the internal models is checked on a daily basis using backtesting methods. The calculated VaR data is compared with the profits and losses generated from actual price changes on the market. This provides the basis for the assessment of the internal risk models by the supervisory authorities. If the actual resulting loss exceeds the loss predicted using the value at risk model, this is referred to as a negative backtesting outlier. If, however, the resulting profit exceeds the predicted return, this is referred to as a positive backtesting outlier.

Analysing the results of backtesting provides important guidance for checking parameters and improving the market risk model. Furthermore, all negative outliers at Group level are classified under a traffic-light system laid down by the supervisory authorities and are reported immediately to the supervisory authorities with details on the extent and cause of the failure. No negative outliers were measured in the first half of 2013.

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 tests measure the risk which Commerzbank is exposed to, based on extraordinary but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Extensive group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

VaR and stress test models are permanently validated. In the first half of 2013, model adjustments were implemented that helped improve the accuracy of risk measurement.

Market risk in the banking book

The key driver of market risk in the banking book is the credit spread risk in the Public Finance portfolio, including the positions held by the subsidiaries Hypothekenbank Frankfurt and Erste Europäische Pfandbrief- und Kommunalkreditbank. This area, which was managed under a strict downsizing strategy for several years, was allocated to Non-Core Assets in 2012 and continues to be systematically run down. Tthe Treasury portfolios with their credit spread risk, interest rate risk, and basis risk also have a particular impact on market risk in the banking book.

The following diagram documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) at Commerzbank Group. Credit spread sensitivities fell slightly in the first half of 2013 to €54m. Close on 75% of credit spread sensitivities relate to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

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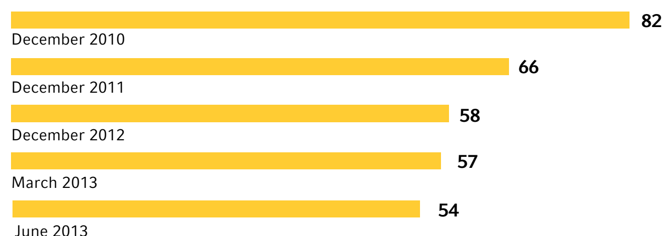
Credit spread sensitivities
Downshift 1 bp | €m



Market liquidity risk

Market liquidity risk is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market.

Market liquidity risk is measured by creating a liquidation profile for each portfolio in order to classify the portfolio in terms of its convertibility into cash using a market liquidity factor. Market risk based on a one-year view is weighted with the market liquidity factor to calculate the market liquidity risk.

At the end of the first half of 2013, Commerzbank earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking book. Securities which are more susceptible to market liquidity risk include in particular asset-backed securities and restructuring portfolios.

Liquidity risk

Liquidity risk is defined in the 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 is the risk that future payments cannot be funded as and when they fall due, in full, in the correct currency and at standard market conditions.

Management and monitoring

Commerzbank uses a wide range of quantitative and qualitative tools – based on an internal liquidity risk model – to manage and monitor liquidity risks. Key decisions on liquidity risk management and monitoring are taken by the central Asset Liability Committee, with final approval coming from the Board of Managing Directors. At an operating level, additional sub-committees are responsible for dealing with liquidity risk issues at a local level and with methodological issues regarding the quantification and limitation of liquidity risks that are of lesser significance for the Group.

Quantification and stress testing

The internal bank liquidity risk model is the basis for liquidity management and reporting to the Board of Managing Directors. This risk measurement approach calculates the available net liquidity (ANL) for the next twelve months based on various scenarios. Commerzbank's available net liquidity is calculated for various stress scenarios using the following three components: deterministic, i.e. contractually agreed cash flows, statistically expected economic cash flows for the relevant scenario, and the realisable assets in the relevant scenario.

Liquidity risk management is performed centrally through the existing liquidity risk limit structure and takes into account liquidity risk tolerance. The stress scenario used by management which underlies the modelling allows for the impact of both a bank-specific stress event and a broader market crisis when calculating liquidity and setting limits. The parameterisation of the stress scenario comes from the risk tolerance that was set in accordance with the overall risk strategy. This also includes defining scenarios that are not covered by risk tolerance.

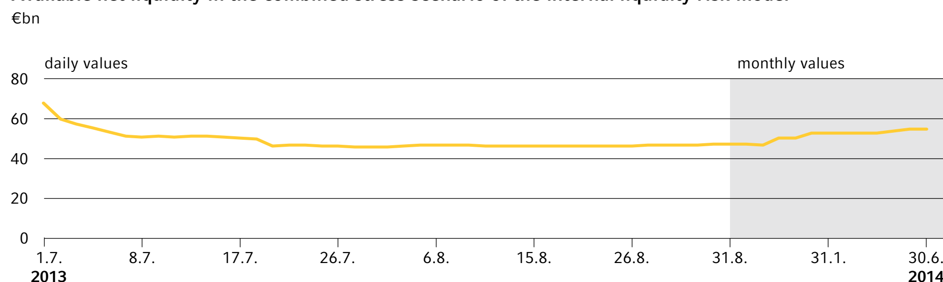
Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. Risk concentrations occur in the liquidity risk management environment in various forms, for example, in terms of maturities, large individual creditors or currencies. With the support of ongoing monitoring and reporting, risk concentrations on the funding front are recognised through this in a timely manner.

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

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

The following ANL graph shows that under the stress scenario relevant for risk management calculated at the end of June 2013, a comfortable liquidity surplus existed throughout the period analysed.

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



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In the first half of 2013, Commerzbank's internal liquidity risk ratios were once again always significantly higher than the limit set by the Board of Managing Directors. The same applies to compliance with the external regulatory German Liquidity Regulation and the survival period calculation set down by MaRisk.

In liquidity management, Commerzbank continues to benefit from its core business activities in retail and corporate banking and a widely diversified funding base in terms of products, regions and investors in the money and capital markets. In order to cope with short-term liquidity bottlenecks, the Bank holds a liquidity reserve in the form of assets eligible for discounting at the central bank and cash reserves. The amount, composition and availability of these assets are checked and reported on daily. At the end of June 2013 the liquidity reserve was almost unchanged compared with the previous quarter at €99.3bn.

The regular analyses focus in particular on the quality of the assets contained and on reasonable diversification.

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

Operational risk

Commerzbank actively measures and manages operational risk (OpRisk) using a group-wide consistent framework aimed at systematically identifying OpRisk profile and risk concentrations as well as defining and prioritising measures to mitigate risk. Operational risk is defined according to the German Solvency Regulation as the risk of loss resulting from the inadequacy or failure of internal processes, systems and people or from external events. This definition includes legal risks; it does not cover reputational and strategic risks.

OpRisk and governance of the internal control system (ICS) are closely linked at Commerzbank both in terms of organisational structure and methodology. This close connection is due to the fact that the causes of many OpRisk cases are linked to the failure of control mechanisms. This means that an effective ICS plays a part in reducing or avoiding operational risk. Conversely, the systems for operational risk offer the possibility of gearing the ICS so that it is risk-oriented and consistent with OpRisk management.

The management and limitation of operational risks differs systematically from limiting credit and market risk, since the relevant management units are not made up of individual clients or positions but internal processes. For this type of risk, the focus is on anticipatory management by the segments and cross-sectional units based on an overarching risk strategy for operational risks and their specific aspects.

OpRisk ratios at Group level are managed through economic capital and regulatory capital. Commerzbank uses various methods for OpRisk management. These include:

- annual evaluation of the Bank's ICS and carrying out risk scenario assessments,
- continuous analysis of OpRisk loss events,
- carrying out lessons learned activities for loss events ≥ €1m,
- systematic evaluation of external OpRisk events at competitors.

Risk weighted assets for operational risks using the internal AMA model amounted to €21.7bn at the end of the first half of 2013 (31 December 2012: €22.6bn). Of this amount, approximately 96% related to the Core Bank. The use of the integrated AMA model allows the Bank to manage economic and regulatory capital for operational risk within one model approach.

Other risks

In terms of all other risks, there were no significant changes in the first half of 2013 compared with the position reported in detail in the Annual Report 2012.

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 results obtained with the risk models are suitable for the purposes of the management of the Bank. The measurement approaches are regularly reviewed by Risk Control and Internal Audit, external auditors and the German supervisory authorities. Despite the careful development of the models and regular controls, models cannot capture all the influencing factors that may arise in reality, nor the complex behaviour and interactions of these factors. 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; stress testing all imaginable scenarios however is unfeasible. The analyses cannot give a definitive indication of the maximum loss in the case of an extreme event.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.–30.6.2013	1.1.–30.6.2012[1]	Change in %
Interest income		7,514	8,658	– 13.2
Interest expense		4,529	5,180	– 12.6
Net interest income	(1)	2,985	3,478	– 14.2
Loan loss provisions	(2)	– 804	– 616	30.5
Net interest income after loan loss provisions		2,181	2,862	– 23.8
Commission income		1,924	1,893	1.6
Commission expense		269	260	3.5
Net commission income	(3)	1,655	1,633	1.3
Net trading income	(4)	272	274	– 0.7
Net income from hedge accounting		36	– 26	.
Net trading income and net income from hedge accounting		308	248	24.2
Net investment income	(5)	– 126	– 199	– 36.7
Current net income from companies accounted for using the equity method		19	18	5.6
Other net income	(6)	– 67	– 22	.
Operating expenses	(7)	3,423	3,522	– 2.8
Impairments of goodwill and brand names		–	–	.
Restructuring expenses	(8)	493	43	.
Net gain or loss from sale of disposal groups		–	– 86	– 100.0
Pre-tax profit or loss		**54**	**889**	**– 93.9**
Taxes on income	(9)	57	211	– 73.0
Consolidated profit or loss		**– 3**	**678**	**.**
Consolidated profit or loss attributable to non-controlling interests		48	53	– 9.4
Consolidated profit or loss attributable to Commerzbank shareholders		– 51	625	.

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

Earnings per share | €	1.1.–30.6.2013	1.1.–30.6.2012[1]	Change in %
Earnings per share	– 0.07	1.01	.

[1] Prior-year figures restated due to 10-to-1 reverse stock split of Commerzbank shares.

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

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Condensed statement of comprehensive income

€m	1.1.–30.6.2013	1.1.–30.6.2012[1]	Change in %
Consolidated profit or loss	– 3	678	.
Change in actuarial gains or losses not recognised in income statement	76	– 145	.
Items not recyclable through profit or loss	**76**	**– 145**	**.**
Change in revaluation reserve			
Reclassified to income statement	44	– 14	.
Change in value not recognised in income statement	259	388	– 33.2
Change in cash flow hedge reserve			
Reclassified to income statement	95	92	3.3
Change in value not recognised in income statement	29	– 5	.
Change in currency translation reserve			
Reclassified to income statement	4	31	– 87.1
Change in value not recognised in income statement	– 222	147	.
Change in companies accounted for using the equity method	2	1	100.0
Items recyclable through profit or loss	**211**	**640**	**– 67.0**
Other comprehensive income	**287**	**495**	– 42.0
Total comprehensive income	**284**	**1,173**	**– 75.8**
Comprehensive income attributable to non-controlling interests	– 9	92	.
Comprehensive income attributable to Commerzbank shareholders	293	1,081	– 72.9

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

The condensed statement of comprehensive income for the second quarter of 2013 was as follows:

2nd quarter | €m	1.4.–30.6.2013	1.4.–30.6.2012[1]	Change in %
Consolidated profit or loss	66	295	– 77.6
Change in actuarial gains or losses not recognised in income statement	– 74	8	.
Items not recyclable through profit or loss	**– 74**	**8**	**.**
Change in revaluation reserve			
Reclassified to income statement	76	– 22	.
Change in value not recognised in income statement	114	– 329	.
Change in cash flow hedge reserve			
Reclassified to income statement	48	45	6.7
Change in value not recognised in income statement	24	– 18	.
Change in currency translation reserve			
Reclassified to income statement	4	9	– 55.6
Change in value not recognised in income statement	– 164	80	.
Change in companies accounted for using the equity method	1	1	0.0
Items recyclable through profit or loss	**103**	**– 234**	**.**
Other comprehensive income	**29**	**– 226**	.
Total comprehensive income	**95**	**69**	**37.7**
Comprehensive income attributable to non-controlling interests	– 14	12	.
Comprehensive income attributable to Commerzbank shareholders	109	57	91.2

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

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Other comprehensive income | €m	**1.1.–30.6.2013**			**1.1.–30.6.2012[1]**		
	Before taxes	**Taxes**	**After taxes**	**Before taxes**	**Taxes**	**After taxes**
Change in actuarial gains or losses	110	– 34	76	– 196	51	– 145
Change in revaluation reserve	437	– 134	303	491	– 117	374
Change in cash flow hedge reserve	168	– 44	124	128	– 41	87
Change in currency translation reserve	– 218	–	– 218	178	–	178
Change in companies accounted for using the equity method	2	–	2	1	–	1
Other comprehensive income	**499**	**– 212**	**287**	**602**	**– 107**	**495**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

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

Other comprehensive income | €m	**1.4.–30.6.2013**			**1.4.–30.6.2012[1]**		
	Before taxes	**Taxes**	**After taxes**	**Before taxes**	**Taxes**	**After taxes**
Change in actuarial gains orlosses	– 90	16	– 74	15	– 7	8
Change in revaluation reserve	284	– 94	190	– 495	144	– 351
Change in cash flow hedge reserve	95	– 23	72	47	– 20	27
Change in currency translation reserve	– 160	–	– 160	89	–	89
Change in companies accounted for using the equity method	1	–	1	1	–	1
Other comprehensive income	**130**	**– 101**	**29**	**– 343**	**117**	**– 226**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

Income statement (by quarter)

€m	2013		2012[1]			
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	1,629	1,356	1,728	1,281	1,784	1,694
Loan loss provisions	– 537	– 267	– 614	– 430	– 404	– 212
Net interest income after loan loss provisions	1,092	1,089	1,114	851	1,380	1,482
Net commission income	808	847	764	852	769	864
Net trading income	– 4	276	– 411	218	103	171
Net income from hedge accounting	– 5	41	28	6	– 19	– 7
Net trading income and net income from hedge accounting	– 9	317	– 383	224	84	164
Net investment income	– 120	– 6	250	30	– 23	– 176
Current net income from companies accounted for using the equity method	11	8	12	16	7	11
Other net income	– 5	– 62	– 22	– 33	– 43	21
Operating expenses	1,699	1,724	1,775	1,732	1,732	1,790
Impairments of goodwill and brand names	–	–	–	–	–	–
Restructuring expenses	–	493	–	–	9	34
Net gain or loss from sale of disposal groups	–	–	– 185	3	– 86	–
Pre-tax profit or loss	**78**	**– 24**	**– 225**	**211**	**347**	**542**
Taxes on income	12	45	477	118	52	159
Consolidated profit or loss	**66**	**– 69**	**– 702**	**93**	**295**	**383**
Consolidated profit or loss attributable to non-controlling interests	23	25	24	26	25	28
Consolidated profit or loss attributable to Commerzbank shareholders	43	– 94	– 726	67	270	355

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

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Balance sheet

Assets | €m	**Notes**	**30.6.2013**	**31.12.2012**	**Change in %**	**1.1.2012[1]**
Cash reserve		11,937	15,755	– 24.2	6,075
Claims on banks	(11,13,14)	113,522	88,028	29.0	87,790
of which pledged as collateral		46	45	2.2	77
Claims on customers	(12,13,14)	278,069	278,546	– 0.2	296,586
of which pledged as collateral		–	–	.	–
Value adjustment portfolio fair value hedges		105	202	– 48.0	147
Positive fair values of derivative hedging instruments		4,448	6,057	– 26.6	5,132
Trading assets	(15)	124,540	144,144	– 13.6	155,700
of which pledged as collateral		9,128	12,680	– 28.0	16,025
Financial investments	(16)	85,455	89,142	– 4.1	94,523
of which pledged as collateral		2,560	2,495	2.6	3,062
Holdings in companies accounted for using the equity method		736	744	– 1.1	694
Intangible assets	(17)	3,081	3,051	1.0	3,038
Fixed assets	(18)	1,700	1,372	23.9	1,399
Investment properties		729	637	14.4	808
Non-current assets and disposal groups held for sale		4,932	757	.	1,759
Current tax assets		604	790	– 23.5	716
Deferred tax assets		3,183	3,216	– 1.0	4,229
Other assets	(19)	3,922	3,571	9.8	3,242
Total		**636,963**	**636,012**	**0.1**	**661,838**

[1] 1 January 2012 is equivalent to 31 December 2011 after restatement due to the first-time application of the amended IAS 19 and changes in the reporting of equity (see page 66 ff.).

Liabilities and equity | €m	Notes	30.6.2013	31.12.2012	Change in %	1.1.2012[1]
Liabilities to banks	(20)	124,386	110,242	12.8	98,481
Liabilities to customers	(21)	290,585	265,842	9.3	255,344
Securitised liabilities	(22)	69,802	79,332	– 12.0	105,673
Value adjustment portfolio fair value hedges		825	1,467	– 43.8	938
Negative fair values of derivative hedging instruments		9,175	11,739	– 21.8	11,427
Trading liabilities	(23)	91,362	116,111	– 21.3	137,847
Provisions	(24)	4,017	4,099	– 2.0	4,107
Current tax liabilities		318	324	– 1.9	680
Deferred tax liabilities		199	91	.	189
Liabilities from disposal groups held for sale		23	2	.	592
Other liabilities	(25)	6,542	6,523	0.3	6,568
Subordinated capital	(26)	11,739	12,316	– 4.7	13,285
Hybrid capital	(27)	1,513	1,597	– 5.3	2,175
Equity		26,477	26,327	0.6	24,532
Subscribed capital		1,139	5,828	– 80.5	5,113
Capital reserve		15,938	8,730	82.6	8,232
Retained earnings		10,656	10,860	– 1.9	11,477
Silent participations		–	2,376	– 100.0	2,687
Other reserves		– 2,085	– 2,353	– 11.4	– 3,676
Total before non-controlling interests		25,648	25,441	0.8	23,833
Non-controlling interests		829	886	– 6.4	699
Total		**636,963**	**636,012**	**0.1**	**661,838**

[1] 1 January 2012 is equivalent to 31 December 2011 after restatement due to the first-time application of the amended IAS 19 and changes in the reporting of equity (see page 66 ff.).

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Statement of changes in equity

€m	Sub-scribed capital	Capital reserve	Retained earnings	Silent partici-pations	Other reserves			Total before non-control-ling interests	Non-control-ling interests	Equity
					Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2011	**5,113**	**11,158**	**8,822**	**2,687**	**– 2,511**	**– 810**	**– 355**	**24,104**	**699**	**24,803**
Change due to retrospective adjustments		– 2,926	2,655					– 271		– 271
Equity as at 1.1.2012	**5,113**	**8,232**	**11,477**	**2,687**	**– 2,511**	**– 810**	**– 355**	**23,833**	**699**	**24,532**
Total comprehensive income	–	–	– 422	–	813	194	142	727	206	933
Consolidated profit or loss			– 34					– 34	103	69
Change in actuarial gains/losses			– 388					– 388	– 1	– 389
Change in revaluation reserve					813			813	51	864
Change in cash flow hedge reserve						194		194		194
Change in currency translation reserve							137	137	53	190
Change in companies accounted for using the equity method							5	5		5
Dividend paid on silent participations			– 221					– 221		– 221
Dividend paid on shares								–	– 16	– 16
Capital increases	717	498						1,215	– 2	1,213
Withdrawal from retained earnings								–		–
Decrease in silent participations				– 311				– 311		– 311
Change in ownership interests			– 5					– 5	– 2	– 7
Other changes[1]	– 2	–	31		– 1		175	203	1	204
Equity as at 31.12.2012	**5,828**	**8,730**	**10,860**	**2,376**	**– 1,699**	**– 616**	**– 38**	**25,441**	**886**	**26,327**

[1] Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

€m	Sub-scribed capital	Capital reserve	Retained earnings	Silent partici-pations	Other reserves			Total before non-control-ling interests	Non-control-ling interests	Equity
					Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2012	**5,828**	**8,730**	**10,860**	**2,376**	**–1,699**	**–616**	**–38**	**25,441**	**886**	**26,327**
Total comprehensive income	–	–	25	–	316	124	–176	289	–9	280
Consolidated profit or loss			–51					–51	48	–3
Change in actuarial gains/losses			76					76	–	76
Change in revaluation reserve					317			317	–14	303
Change in cash flow hedge reserve						124		124	–	124
Change in currency translation reserve							–179	–179	–43	–222
Change in companies accounted for using the equity method					–1		3	2		2
Dividend paid on silent participations								–		–
Dividend paid on shares								–	–43	–43
Reverse stock split	–5,247	5,247						–		–
Capital increases	556	1,951						2,507		2,507
Withdrawal from retained earnings			–88					–88		–88
Decrease in silent participations				–2,376				–2,376		–2,376
Change in ownership interests								–		–
Other changes[1]	2	10	–141				4	–125	–5	–130
Equity as at 30.6.2013	**1,139**	**15,938**	**10,656**	**–**	**–1,383**	**–492**	**–210**	**25,648**	**829**	**26,477**

[1] Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

The restatement of retained earnings on 1 January 2012 was due in part to the retrospective application of the amended IAS 19. In addition, retained earnings and the capital reserve were affected by the changes in the accounting treatment of certain items within equity (see page 66 ff.).

The capital increase for cash and non-cash capital contributions announced on 13 March 2013 and approved by the Commerzbank AGM on 19 April 2013 was implemented as follows:

- The 10-to-1 reverse stock split of Commerzbank shares was carried out on 22 April 2013, and the shares have been traded under a new securities identification number since 24 April 2013. After the reverse stock split, the number of Commerzbank shares in issue fell to 582,951,385 and the subscribed capital was reduced by €5,247m to €583m. Simultaneously, the capital reserve increased by €5,247m.
- In May 2013 a capital increase with pre-emptive rights was carried out, which gave shareholders the right to subscribe to 20 new shares for every 21 existing shares held, and 555,555,556 no-par-value shares were issued at a price of €4.50 per share. The total amount raised in the capital increase was €2.5bn, with subscribed capital rising by €556m and the capital reserve by €1,951m.
- The Financial Market Stabilisation Fund (SoFFin) exercised its pre-emptive rights in full and converted silent participations of €0.6bn into Commerzbank shares in proportion to its stake in Commerzbank of 25% plus 1 share, which led to a corresponding reduction in its silent participation. At the same time €0.6bn of shares previously held by SoFFin were placed with investors by a banking consortium at the beginning of the subscription period.

- SoFFin's remaining silent participation of around €1bn and Allianz SE's silent participation of €0.75bn were redeemed early and in full out of the issuance proceeds of the cash capital increase. As a result of the early redemption, compensation of €60.5m was paid to SoFFin and €27.9m to Allianz SE. This is reported as a withdrawal from retained earnings. The compensation payments comprise interest payments on the silent participations up to their normal redemption date.

SoFFin's stake in Commerzbank Aktiengesellschaft fell to around 17% as a result of these capital measures.

The costs incurred in the capital increase were €73m, which were recognised in retained earnings.

As at 30 June 2013, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €1,139m and was divided into 1,138,506,941 no-par-value shares with an accounting value per share of €1.00. The average number of ordinary shares in issue was 684,104,923 (30 June 2012: 542,051,970[1]).

There was no impact on the other reserves from assets and disposal groups held for sale as at 30 June 2013.

There were no changes in ownership interests in the first six months of 2013 as there were neither disposals of shares in subsidiaries that continue to be consolidated nor purchases of additional shares in already consolidated companies.

[1] After completion of the 10-to-1 reverse stock split of Commerzbank shares.

For information: Statement of changes in equity from 1 January to 30 June 2012

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2011	**5,113**	**11,158**	**8,822**	**2,687**	**–2,511**	**–810**	**–355**	**24,104**	**699**	**24,803**
Change due to retrospective adjustments[1]		–2,926	2,655					–271		–271
Equity as at 1.1.2012	**5,113**	**8,232**	**11,477**	**2,687**	**–2,511**	**–810**	**–355**	**23,833**	**699**	**24,532**
Total comprehensive income	–	–	481	–	361	87	152	1,081	92	1,173
Consolidated profit or loss			625					625	53	678
Change in actuarial gains/losses			–144					–144	–1	–145
Change in revaluation reserve					361			361	13	374
Change in cash flow hedge reserve						87		87		87
Change in currency translation reserve							151	151	27	178
Change in companies accounted for using the equity method							1	1		1
Dividend paid on silent participations								–		–
Dividend paid on shares								–	–15	–15
Capital increases	717	498						1,215		1,215
Withdrawal from retained earnings								–		–
Decrease in silent participations				–311				–311		–311
Change in ownership interests			–1					–1	1	–
Other changes[1,2]	–2	–	82					80	3	83
Equity as at 30.6.2012	**5,828**	**8,730**	**12,039**	**2,376**	**–2,150**	**–723**	**–203**	**25,897**	**780**	**26,677**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).
[2] Including change in treasury shares, change in derivatives on own equity instruments and changes in the group of consolidated companies.

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Cash flow statement (condensed version)

€m	2013	2012[1]
Cash and cash equivalents as at 1.1.	**15,755**	**6,075**
Net cash from operating activities	– 5,743	– 45
Net cash from investing activities	2,666	3,494
Net cash from financing activities	– 606	– 2,778
Total net cash	**– 3,683**	**671**
Effects from exchange rate changes	– 87	78
Effects from non-controlling interests	– 48	– 53
Cash and cash equivalents as at 30.6.	**11,937**	**6,771**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

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

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

Selected notes

General information

Accounting policies

The interim financial statements of the Commerzbank Group as at 30 June 2013 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation), together with other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we predominantly used financial statements prepared as at 30 June 2013. The reporting currency of the consolidated financial statements is the euro. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes amounts rounded down to €0m and zero items are both indicated by a dash.

Application of new and revised standards and changes to accounting policies

Except for the amendments listed below, we have employed the same accounting policies in preparing these financial statements as in our consolidated financial statements as at 31 December 2012 (see page 190 ff. of our 2012 Annual Report). These financial statements take into account the standards and interpretations that must be applied in the EU from 1 January 2013.

The new IFRS 10, 11 and 12 standards and the amended IAS 27 and 28 standards were voluntarily applied for the first time during the current financial year; application of the new IFRS 13 standard and the amended standards IAS 1 and 19 as well as IFRS 7 was mandatory. Where retrospective application of the new or amended standards was required, the prior-year figures were restated accordingly so as to allow comparisons with the previous year or period. We also made several changes to the accounting policies. Where necessary, we have restated the prior-year figures accordingly. Significant changes from the previous year are set out below.

Effects of new and amended standards

As a consequence of the application of the amended IAS 1, information about reclassifications from equity to profit or loss ("recycling") has been added to the statement of comprehensive income.

The new IFRS 10 (consolidated financial statements) stipulates rules for the consolidation of companies and replaces IAS 27 and SIC Interpretation 12. The most important change is the new definition of "control" within the context of the parent-subsidiary relationship. Under IFRS 10, a company has control if:

- it has the power to direct the activities of the other company,
- it has exposure, or rights, to variable returns from its involvement, and
- it is able to use its power over the other company to affect the amount of its returns.

This principle is also to be applied to special purpose entities. Please refer to the information on consolidated companies (page 71 f.) for details of the first-time consolidations and deconsolidations resulting from the first-time application of this standard.

The new IFRS 11 (joint arrangements) governs the accounting of jointly controlled entities or joint arrangements where two or more companies share joint control. It replaces IAS 31 and SIC Interpretation 13. Commensurate with the changes to the definitions under IFRS 11, joint arrangements are now classified as either:

- a joint venture or
- a joint operation.

The most significant change is the cessation of proportionate consolidation. Partner companies of a joint venture are now required to apply the equity method.

Companies participating in joint operations are subject to accounting rules similar to those which applied previously to joint assets or joint operations (proportionate recognition of assets, liabilities, expense and income).

The first-time application of this standard did not result in any changes in the companies accounted for using the equity method.

The new IFRS 12 (disclosure of interests in other entities) incorporates the requirements of IFRS 10 and IFRS 11, the application of which is not binding until 31 December 2013.

IFRS 10, 11 and 12 will be applied prospectively in the current financial year for the first time. The restatement of retained earnings amounted to €–69m and was entirely attributable to the changes in the group of consolidated companies. The first-time consolidations and deconsolidations resulted in a net increase of total assets by €0.2bn.

The new IFRS 13, which is to be applied prospectively, brings together the rules for measuring fair value, which until now were spread across several standards. We have also harmonised and expanded the relevant notes in these interim financial statements (see Note 31).

Fair value is now defined as the realisable price, i.e. the price that the market participant would receive to sell a financial instrument or pay to transfer a liability in an orderly transaction. As previously, the 3-level fair value hierarchy is applied in the measurement of fair value in accordance with IFRS 7. When valuing liabilities, non-performance risk must also be taken into account and a graduated valuation procedure applied. If it is not possible to value a liability due to a lack of quoted market prices, the valuation may instead be based on an identical instrument held as an asset by a third party. If this is not possible either, another appropriate valuation method is to be used. Moreover, under certain circumstances, a group valuation may also be possible for financial assets and liabilities which are managed on a net basis with respect to the market and credit risk. The first-time application of this standard had no significant impact on the statement of comprehensive income or the balance sheet as compared with the rules applicable up until now (see also the 2012 Annual Report, page 274 ff.).

Application of the amended IAS 19 (employee benefits) changes the treatment of actuarial gains and losses.

As previously, pension obligations are valued according to a number of parameters (including retirement age, life expectancy, staff turnover). The difference between the revaluation of the pension obligation on the balance sheet date as compared with the value projected at the beginning of the year is the actuarial gain or loss. The "corridor" option for recognising actuarial gains or losses, which the Commerzbank Group has used up until now, has been abolished. Instead, actuarial gains and losses are recognised directly in equity in retained earnings.

In addition, the past service cost resulting from retrospective plan changes must now be recognised in the income statement immediately and in full. Up to now, this was distributed on a straight-line basis until commencement of the vested benefits. In addition, partial retirement top-up payments are now also accumulated on a straight-line basis up to the end of the working period instead of being recognised in full on the grant date as previously.

Offsetting pension liabilities and plan assets while recognising actuarial gains or losses means that the effective net pension obligation is recognised in the balance sheet.

Furthermore, net interest costs must be calculated pursuant to the amended IAS 19 when pension liabilities are financed by plan assets. This involves calculating the interest on the net debt or net assets (defined benefit obligation less fair value of plan assets) at a uniform interest rate. In the previous standard, there were different rules for determining the interest rate used to discount the obligation and the interest rate used to calculate the anticipated income from plan assets.

The changes described above are coupled with certain requirements concerning reporting in the statement of comprehensive income. Past service cost and net interest must be recognised in profit or loss, while remeasurement effects (actuarial gain or loss) must be recognised in other comprehensive income.

In the first half of 2012, the impact of the retrospective restatements due to the first-time application of the amended IAS 19 was €10m for interest expense, €2m for operating expenses and €7m for taxes on income, which resulted in a reduction in consolidated profit by €–19m from €644m to €625m as at 30 June 2012. In the quarters of the 2012 financial year, the retrospective restatement of consolidated profit attributable to Commerzbank shareholders was as follows:

€m	Original Group financial statements	Adjustment	Restated Group financial statements
1.1.–31.3.2012	369	–14	355
1.4.–30.6.2012	275	–5	270
1.7.–30.9.2012	78	–11	67
1.10.–31.12.2012	–716	–10	–726

For the 2012 financial year, the earnings per share were €–0.45[1], compared to the earnings per share of €–0.38[1] as published for the previous year; in the first half of 2012, earnings per share were unchanged at €1.01[1]. Retained earnings were adjusted downwards by €271m as at 1 January 2012 and by €705m as at 31 December 2012. Provisions for pensions and similar commitments increased by a net €346m as at 1 January 2012 (of which €–7m related to provisions for age-related part-time working) and by €840m as at 31 December 2012 (of which €–2m related to provisions for age-related part-time working). As compared with 31 December 2012, other assets declined by €67m and non-controlling interests by €2m, while deferred tax assets increased by €201m (€75m as at 1 January 2012) and deferred tax liabilities by €1m as at 31 December 2012.

The restatements affected the statement of comprehensive income, the balance sheet, the statement of changes in equity, segment reporting and other notes.

The amendments to IFRS 7 require further information to be provided in the notes on the netting of financial instruments for the 2013 financial year and the preceding year. This must disclose the gross and net amounts of financial assets and liabilities resulting from offsetting and amounts of existing netting rights which do not satisfy the netting criteria (see Note 34). This improves the comparability of the netting of financial instruments with users of US GAAP.

[1] After completion of the 10-to-1 reverse stock split of Commerzbank shares.

Changes to accounting policies

The IFRS standards do not lay down any particular rules on how to structure equity, and nor do they define clear criteria for the treatment of certain items. These items include the transaction costs of capital-raising measures, share-based payments settled in the form of equity instruments, and withdrawals from capital reserves to balance net losses in Commerzbank Aktiengesellschaft's parent company financial statements under German GAAP.

The composition of equity in the Commerzbank Group applies a structure common within the German legal system. For capital components that have a guarantee function (subscribed capital and capital reserve), we now apply the definition of Art. 272 (1) and (2) HGB for the Group, as for the individual financial statements under German GAAP. Since 1 January 2013, transaction costs in connection with capital increases, which under IAS 32.35 are to be shown as a deduction from equity, have therefore been deducted from retained earnings instead of from the capital reserve as was previously the case.

IFRS 2.10 stipulates that the fair value of share-based payments settled in the form of equity instruments is to be recognised in equity as at the grant date. Since 1 January 2013, we have also recognised these instruments in retained earnings instead of the capital reserve, as was previously the case. As under German GAAP, they are not shown in subscribed capital and the capital reserve until they are definitively drawn down by the recipient.

If the Company reports a net loss for the year under German GAAP and this is wholly or partly offset by a withdrawal from the capital reserve, the same amount is also transferred from the capital reserve in the consolidated financial statements under IFRS to the Group's retained earnings.

As a result, subscribed capital and capital reserves are consistent with the definitions under German company law and accounting regulations, thus increasing transparency.

We have restated the prior-year figures in the balance sheet and the statement of changes in equity accordingly. The reclassification from capital reserves to retained earnings amounted to €2,926m as at 1 January 2012 and €2,951m as at 1 January 2013. However, these reclassifications had no impact on consolidated profit or loss or earnings per share for the financial years 2011 and 2012.

In 2013 we have refined the process of recognising counterparty default adjustments (CDA), which reflect the expected loss in the event the counterparty should default, in particular for OTC derivatives. Since 1 January 2013, counterparty default risk has been accounted for by recognising credit valuation adjustments (CVA) for positive derivative exposures and debit valuation adjustments (DVA) for negative derivative exposures. This change led to an income of €41m within net trading income in the first half of 2013.

Furthermore, a refinement in the method of bid-offer adjustments in the second quarter of 2013 had a positive impact on trading income of €39m.

IAS 1.82 requires that financing costs be reported separately. Up until 31 December 2012 we reported these costs as interest expense in net interest income or net trading income. However, it is now common practice to show interest from trading activities within net interest income. In order to report interest within the Commerzbank Group on a consistent basis, we have therefore decided to report interest from both the banking and trading books in net interest income with effect from 1 January 2013.

Income and expenses from trading transactions are only reported as interest income and expense if they clearly have interest-like characteristics and are not included in the valuation of the instrument. This also applies to interest effects from the purchase or sale of financial instruments in the trading transactions related to capital commitments.

To ensure that net trading income only reflects gains and losses on disposal and remeasurement of trading transactions, we also decided to reclassify commission income from syndication business to net commission income, previously recorded in net trading income.

In the first half of 2012, reclassifications of €764m from net trading income to net interest income were €731m (net balance of €1,216m in interest income and €485m in interest expense) and reclassifications to net commission income were €33m. However, the reclassifications had no impact on the consolidated profit, the balance sheet, the statement of changes in equity or earnings per share.

In order to present interest income and expense on a consistent basis we have also decided to recognise the interest components of IAS 19 (net interest) in net interest income as at 1 January 2013, instead of in operating expenses, as has been the case until now. The reclassification for the first half of 2012 amounted to €5m and increased interest expense. Operating expenses declined accordingly. However, the reclassifications had no impact on the consolidated profit, the balance sheet, the statement of changes in equity or earnings per share.

Moreover, since 1 January 2013 we have reported all effects arising from the dedesignation of hedge accounting in other interest expense. This pertains to the amortisation of effects from underlying transactions and the reversal of hedged transactions when fair value hedge accounting is ended. The cash flow hedge reserve and the associated hedging instruments from the cash flow hedge accounting ended in the 2009 financial year are also recognised. The effects arising from the ending of hedge accounting are recognised in other interest income or other interest expense, depending on the net balance. In the first half of 2012, the net balance in other interest expense was €18m. Thus far, €168m of this was recognised in interest income in the loans and receivables category and €134m as other interest expense. A further €–52m was offset against interest income from available-for-sale financial instruments. However, these reclassifications had no impact on the consolidated profit, the balance sheet, the statement of changes in equity or earnings per share.

In addition, since 1 January 2013, we have recognised commission income from electronic banking in commission income from payment transactions and foreign business, instead of in other commission income as previously. The reclassification for the first half of 2012 totalled €34m. Since 1 January 2013 we have also reported commission from syndicated business and similar transactions in commission income from syndications across the Group. The reclassification from intermediary business in the first half of 2012 amounted to €18m. However, these reclassifications had no impact on the consolidated profit, the balance sheet, the statement of changes in equity or earnings per share.

The table below shows the material restatements for the 2012 financial year and for each quarter, including the effects of the application of the amended IAS 19 on the income statement:

€m	Original Group financial statements	Adjustment					Restated Group financial statements
	1.1.–31.12.2012	1.1.–31.3.2012	1.4.–30.6.2012	1.7.–30.9.2012	1.10.–31.12.2012	1.1.–31.12.2012	1.1.–31.12.2012
Net interest income	5,539	265	451	– 98	330	948	6,487
Interest income	14,559	389	711	174	547	1,821	16,380
Interest expense	9,020	124	260	272	217	873	9,893
Net commission income[1]	3,191	21	12	12	13	58	3,249
Net trading income	1,113	– 293	– 471	78	– 346	– 1,032	81
Operating expenses	7,025	1	1	–	2	4	7,029
Pre-tax profit or loss	905	– 8	– 9	– 8	– 5	– 30	875
Taxes on income	796	6	– 4	3	5	10	806
Consolidated profit or loss	109	– 14	– 5	– 11	– 10	– 40	69
Consolidated profit or loss attributable to Commerzbank shareholders	6	– 14	– 5	– 11	– 10	– 40	– 34

[1] Restatement affected commission income only.

We have restated the prior-year figures for the changes noted above in net interest income, net commission income, net trading income and operating expenses in the income statement, the relevant notes and the segment reporting.

Consolidated companies

The following companies were consolidated for the first time as at 30 June 2013:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
Agate Assets S.A. (S014), Luxembourg	0.0	0.0	87.0	87.0
Aspiro S.A., Lodz, Poland	69.7	12.4	37.2	5.0
BRE Centrum Operacji Sp. z o.o, Aleksandrów Lódzki, Poland	69.7	7.5	13.9	3.1
BRE Wealth Management S.A., Warsaw, Poland	69.7	2.9	6.8	0.8
ComStage ETF S&P SMIT 40 Index TRN, Luxembourg	77.6	0.0	30.3	30.3
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Alpha Objekt Hauptverwaltung Frankfurt KG, Düsseldorf[1]	0.0	0.0	218.9	218.9
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Beta Objekt Hauptverwaltung Frankfurt KG, Düsseldorf[1]	0.0	0.0	219.0	219.0
Dr. Gubelt Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Frankfurt Neue Mainzer Straße KG, Düsseldorf[1]	0.0	0.0	113.9	191.0
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Halle am Markt KG, Düsseldorf[1]	0.0	0.0	7.5	10.9
Dr. Gubelt Beteiligungsgesellschaft mbH & Co. Objekt Erfurt KG, Düsseldorf[1]	0.0	0.0	20.1	22.8
Dr. Gubelt Grundstücks-Vermietungsges. mbH & Co. Objekt Schwabing KG, Düsseldorf[1]	0.0	0.0	37.3	39.4
Dr. Gubelt Grundstücks-Vermietungsges. mbH & Co. Objekt Essen, Linden KG, Düsseldorf[1]	0.0	0.0	11.6	17.6
Garbary Sp. z.o.o., Poznan, Poland	69.7	13.6	11.1	2.1
GRAMOLINDA Vermietungsgesellschaft mbH, Grünwald[1]	50.0	0.0	0.0	0.0
GRAMOLINDA Vermietungsgesellschaft mbH & Co. Objekt Frankfurt KG, Grünwald[1,2]	97.0	0.0	80.3	80.4
Green Loan Fund I, Luxembourg	0.0	0.0	87.2	87.0
Groningen Urban Invest B.V., Amsterdam, Netherlands	100.0	5.4	18.0	12.6
Hanseatic Ship Asset Management GmbH, Hamburg	100.0	1.0	1.0	0.0
MOLARIS Verwaltungs- und Vermietungsgesellschaft mbH, Düsseldorf[1]	0.0	0.0	12.6	12.4
Netherlands Urban Invest B.V., Amsterdam, Netherlands	100.0	8.4	14.6	6.1
Number X Bologna S.r.l., Milan, Italy	100.0	7.5	11.3	4.3
SME Commerz SCB GmbH, Frankfurt/Main	100.0	0.0	605.4	605.2
Urban Invest Holding GmbH, Eschborn	100.0	8.4	8.4	0.0

[1] As a result of the first-time application of IFRS 10.
[2] Differing voting rights of 70.0%.

The entities listed above, which were consolidated for the first time, were consolidated due to the first-time application of IFRS 10 or were newly formed or acquired, some in the course of structured financing transactions. The first-time consolidations did not give rise to any goodwill.

The following companies were liquidated, permanently fell below our materiality threshold for consolidation, or are no longer consolidated due to the first-time application of IFRS 10:

- Asset Securitisation Programme for Insured Receivables Ltd. (ASPIRE), Dublin, Ireland[1]
- Classic I (Netherlands) BV 2008–1, Amsterdam, Netherlands
- CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED, Johannesburg, South Africa[2]
- EH MoLu IV, LLC, Dover, Delaware, USA[2]
- FAF Inc., George Town, Grand Cayman[1]
- Idilias SPC Inc., George Town, Grand Cayman[1]
- Loxodrome Inc., George Town, Grand Cayman[1]
- MLV 35 Sp. z o.o. SKA, Warsaw, Poland
- MORE Global Inc., George Town, Grand Cayman[1]
- Real Estate Holdings Limited, Hamilton, Bermuda
- Semper Finance 2006–1 Ltd., St. Helier, Jersey[1]
- Semper Finance 2007–1 GmbH, Frankfurt/Main[1]
- Steel Finance Inc., George Town, Grand Cayman[1]
- Truckman Inc, George Town, Grand Cayman[1]

The following companies are no longer accounted for using the equity method:

- Captain Holdings S.à.r.l., Luxembourg
- GIE Northbail, Puteaux, France and
- Reederei MS “E.R. INDIA” Beteiligungsgesellschaft mbH & Co. KG, Hamburg.

There were no other changes in the companies accounted for using the equity method.

The following companies:

- Real Estate TOP TEGEL Drei GmbH, Eschborn
- Real Estate TOP TEGEL Eins GmbH, Eschborn
- Real Estate TOP TEGEL Sechs GmbH, Eschborn
- Real Estate TOP TEGEL Vier GmbH, Eschborn and
- Real Estate TOP TEGEL Zwei GmbH, Eschborn

are reported as held for sale in accordance with IFRS 5 as there are plans to sell them and their sale is highly probable within one year.

Receivables and investment fund units are also held for sale in the Non-Core Assets (NCA) and Private Customers segments. The receivables in the NCA segment mainly relate to commercial real estate (CRE) portfolios in the UK. As part of the wind-down of this segment we agreed the sale of these portfolios for a gross consideration of €5.0bn in July 2013. The agreement also covers the associated interest rate and currency hedging derivatives as well as the entire operating business of Hypothekenbank Frankfurt in the UK.

Until the definitive transfer of the holdings, we measure non-current assets and disposal groups held for sale and liabilities from disposal groups held for sale in accordance with IFRS 5 and report them separately in the relevant balance sheet items and in the statement of changes in equity.

The negotiations to sell GO German Office GmbH, Wiesbaden[3] have been terminated. As a result these assets have mainly been reported as investment properties since June 2013.

[1] Deconsolidation due to the first-time application of IFRS 10.
[2] Fell below materiality threshold.
[3] CG New Venture 2 Verwaltungsgesellschaft mbH, Wiesbaden and CG New Venture 4 GmbH & Co. KG, Wiesbaden, were merged with GO German Office GmbH, Wiesbaden.

Notes to the income statement

(1) Net interest income

€m	1.1.–30.6.2013	1.1.–30.6.2012[1]	Change in %
Interest income	7,514	8,658	– 13.2
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	530	476	11.3
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	5,365	6,646	– 19.3
Interest income from lending and money market transactions and from the securities portfolio (due to application of fair value option)	314	377	– 16.7
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	1,064	572	86.0
Prepayment penalty fees	68	55	23.6
Gains on the sale of loans and receivables and repurchase of liabilities	101	121	– 16.5
Dividends from securities	25	42	– 40.5
Current net income from equity holdings and non-consolidated subsidiaries	12	11	9.1
Current income from properties held for sale and from investment properties	35	35	0.0
Other interest income	–	323	– 100.0
Interest expense	4,529	5,180	– 12.6
Interest expense from subordinated and hybrid capital and from securitised and other liabilities	3,557	4,552	– 21.9
Interest expense from applying the fair value option	446	437	2.1
Interest expense from securitised liabilities held for trading	56	60	– 6.7
Loss on the sale of loans and receivables and repurchase of liabilities	37	72	– 48.6
Current expenses from properties held for sale and from investment properties	31	22	40.9
Other interest expense	402	37	.
Total	**2,985**	**3,478**	**– 14.2**

[1] Prior-year restated (see page 66 ff.). Before the restatement interest income was €7,558m, interest expense was €4,796m and net interest income was €2,762m.

The unwinding effect for the period 1 January to 30 June 2013 was €72m (previous year: €86m).

Other interest expense includes net interest expense for pensions. Net interest from derivatives (banking and trading books) is recognised in other interest income or other interest expense, depending on the net balance.

(2) Loan loss provisions

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

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Allocations to loan loss provisions[1]	– 1,596	– 1,560	2.3
Reversals of loan loss provisions[1]	861	992	– 13.2
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	– 69	– 48	43.8
Total	**– 804**	**– 616**	**30.5**

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

(3) Net commission income

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Securities transactions	489	425	15.1
Asset management	73	70	4.3
Payment transactions and foreign business[1]	629	651	– 3.4
Real estate lending business	40	59	– 32.2
Guarantees	90	85	5.9
Net income from syndicated business[1]	140	128	9.4
Intermediary business[1]	84	107	– 21.5
Fiduciary transactions	3	2	50.0
Other[1]	107	106	0.9
Total[2]	**1,655**	**1,633**	**1.3**

[1] Prior-year restated (see page 66 ff.). Before the restatement commission income was €1,860m and net commission income was €1,600m.
[2] Of which commission expense: €269m (prior year: €260m).

(4) Net trading income

We have split net trading income into two components:

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

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

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€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Net trading gain or loss[1,2]	161	350	– 54.0
Net gain or loss from applying the fair value option	111	– 76	.
Total	**272**	**274**	**– 0.7**

[1] Including net gain or loss on the remeasurement of derivative financial instruments.
[2] Prior-year restated (see page 66 ff.). Before the restatement, the net trading gain was €1,114m and overall net trading income was €1,038m.

(5) Net investment income

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

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Net gain or loss from interest-bearing business	**– 150**	**– 144**	**4.2**
In the available-for-sale category	19	32	– 40.6
Gain on disposals (including reclassification from revaluation reserve)[1]	101	203	– 50.2
Loss on disposals (including reclassification from revaluation reserve)[1]	– 74	– 168	– 56.0
Net remeasurement gain or loss[1]	– 8	– 3	.
In the loans and receivables category	– 169	– 176	– 4.0
Gain on disposals	1	18	– 94.4
Loss on disposals	– 7	– 203	– 96.6
Net remeasurement gain or loss[2]	– 163	9	.
Net gain or loss on equity instruments	**24**	**– 55**	**.**
In the available-for-sale category	11	7	57.1
Gain on disposals (including reclassification from revaluation reserve)[1]	11	7	57.1
Loss on disposals (including reclassification from revaluation reserve)[1]	–	–	.
In the available-for-sale category, measured at acquisition cost	40	1	.
Net remeasurement gain or loss[1]	– 13	– 8	62.5
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	– 14	– 55	– 74.5
Total	**– 126**	**– 199**	**– 36.7**

[1] Includes a net €– 7m (previous year: €75m) of reclassifications from the revaluation reserve created in the financial year 2013.
[2] Includes reversals of portfolio valuation allowances of €44m (previous year: allocations of €6m) for reclassified securities.

(6) Other net income

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Other material items of expense	**291**	**268**	**8.6**
Operating lease expenses	67	82	– 18.3
Allocations to provisions	224	186	20.4
Other material items of income	**221**	**229**	**– 3.5**
Operating lease income	82	116	– 29.3
Reversals of provisions	139	113	23.0
Balance of sundry other income/expenses	**3**	**17**	**– 82.4**
Total	**– 67**	**– 22**	**.**

The increase in allocations to provisions in the first half of 2013 compared with the same period last year was due to revisions of our estimates of litigation losses.

(7) Operating expenses

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Personnel expenses[1]	1,991	2,023	– 1.6
Operating expenses	1,238	1,304	– 5.1
Depreciation/amortisation of fixed assets and other intangible assets	194	195	– 0.5
Total	**3,423**	**3,522**	**– 2.8**

[1] Prior-year restated (see page 66 ff.). Before the restatement personnel expenses were €2,021m and the overall operating expenses were €3,520m.

(8) Restructuring expenses

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Expenses for restructuring measures initiated	493	43	.
Total	**493**	**43**	**.**

The restructuring expenses in the first six months of 2013 were due to Commerzbank's new strategy and the resultant planned adjustment to personnel capacities. The expenses in the previous year mainly derived from the realignment of the Group in compliance with the European Commission requirement to wind down Hypothekenbank Frankfurt (formerly Eurohypo).

(9) Taxes on income

Group tax expense was €57m as at 30 June 2013. With pre-tax profit of €54m the Group's effective tax rate was therefore 105.5% (Group income tax rate: 31.23%). Tax expense in the first half of 2013 derived primarily from current tax expenses of the BRE Bank sub-group, comdirect and Commerzbank Aktiengesellschaft in Luxembourg and New York.

(10) Segment reporting

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

Our segment reporting covers five operating segments plus the Others and Consolidation segment. The Portfolio Restructuring Unit (PRU), which was wound up on 1 July 2012, is shown separately with its results for the same period last year. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are divided up on the basis of distinctions between products, services and/or customer target groups. In 2013 we have further refined the segmentation of assets. Minor modifications in the segments' business models led to slight adjustments in the business responsibilities of the segments. The prior-year figures were restated accordingly. Various new IFRS requirements were implemented in the Commerzbank Group in 2013 (see page 66 ff.), the effects of which are also reflected in the segment reporting.

- The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. The Private Customers division combines the classic branch business with retail and corporate customers and private banking. The dense national network of local branches offers a full service range of banking products including loan, deposit, security, payments traffic and pension products. Wealth Management provides services to wealthy clients in Germany and abroad and also contains the Group's portfolio management activities. The focus is on services such as securities and portfolio management, credit management and loans and real estate management. We also provide advice on trust and inheritance issues and corporate investments. Moreover, this segment includes Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The joint venture Commerz Finanz, which is focused on consumer lending, is managed centrally by the Private Customers segment and also reports its results there. Since 1 July 2012 the private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft) has been part of the Private Customers division. The Direct Banking division comprises the activities of the comdirect Group. The B2B (ebase) and B2C businesses (comdirect) contained in Direct Banking provide standardised, primarily internet-based advisory and service offerings for customers. Commerz Real has been a division of the Private Customers segment since July 2012 (except for the warehouse section). Its products range from open-ended real estate funds (hausinvest), to closed-end funds in real estate, aircraft, ships and renewable energy, institutional investments and structured investments as well as equipment leasing.
- The Mittelstandsbank segment is divided into the three group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. Our comprehensive service offering includes payments and cash management solutions, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. In the Corporate Banking & International division we concentrate on serving corporate groups with revenues of over €500m (except for multinational corporates, which are handled by Client Relationship Management within the Corporates & Markets segment). Smaller groups with a strong capital market affinity or significant operations outside Germany are also serviced by this division. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. The Corporate Banking & International division also includes the competence centre for companies from

the renewable energy sector. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance services. Financial Institutions uses a global network of correspondent banks, together with business relationships in emerging markets, to support the Group's financing and processing of foreign trade activities on behalf of all Commerzbank Group customers throughout the world.

- The Central & Eastern Europe (CEE) segment comprises the universal banking and direct banking activities in this region during the reporting period. It includes in particular our Polish subsidiary BRE Bank, which offers banking products for corporate customers as well as financial services for private customers in Poland, the Czech Republic and Slovakia. The CEE segment also has an investment in a microfinance bank which has not yet been sold.
- Corporates & Markets consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity and commodity-related financial products. Fixed Income & Currencies includes trading and sales of interest rate, credit and currency instruments. Corporate Finance provides arrangement and advisory services for equity, debt and hybrid instruments, securitisation solutions and mergers & acquisitions. Credit Portfolio Management is responsible for actively managing the credit risk portfolio of Corporates & Markets on a uniform global basis. The assets transferred from the Portfolio Restructuring Unit are also worked out in this division in a value-maximising manner. Corporates & Markets also houses Client Relationship Management, which is responsible for servicing German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public-sector customers.
- The Non-Core Assets (NCA) segment groups together the results from the Commercial Real Estate (CRE) Germany, Commercial Real Estate (CRE) International, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions. CRE Germany, CRE International and Public Finance belong almost entirely to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft. The DSB division contains the ship financing business of the Commerzbank Group, including all ship financing activities of the former Deutsche Schiffsbank Aktiengesellschaft. The NCA segment also comprises the warehouse assets of Commerz Real Aktiengesellschaft.
- The Portfolio Restructuring Unit segment was dissolved as at 1 July 2012. The remaining assets were transferred either to the Corporates & Markets segment or to the Non-Core Assets (NCA) segment. The Portfolio Restructuring Unit was responsible for reducing assets related to proprietary trading and investment activities which no longer fitted into Commerzbank's client-centric strategy and were discontinued in 2009. The segment's goal was to reduce the portfolio in a way that optimised the bank's capital position. The positions managed by this segment initially included asset-backed securities (ABSs) without a state guarantee, other structured credit products, proprietary trading positions in corporate or financial bonds and exotic credit derivatives. These positions were primarily transferred from the Corporates & Markets and former Commercial Real Estate segments to the Portfolio Restructuring Unit.
- The Others and Consolidation segment contains the income and expenses which are not attributable to the operating business segments. The Others category within this segment includes equity holdings which are not assigned to the operating segments as well as Group Treasury. The costs of the service units, which – except for integration and restructuring costs which are shown under "Others" – are charged in full to the segments, are also shown here. The restructuring expenses for implementing the strategic agenda up until 2016 are recognised under "Others". Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the consolidated financial statements in accordance with IFRS. The costs of the Group management units which are charged in full to the segments – except for integration and restructuring costs, which are recognised under "Others" – are also reported under this heading.

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

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

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

The segment reporting of the Commerzbank Group shows the segments' pre-tax profit or loss. To reflect the impact on earnings of specific tax-related transactions in the Corporates & Markets segment, the net interest income of Corporates & Markets includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation.

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

The carrying amounts of companies accounted for using the equity method were €736m (previous year: €663m) and were divided over the segments as follows: Private Customers €369m (previous year: €288m), Mittelstandsbank €94m (previous year: €93m), Corporates & Markets €88m (previous year: €90m), Non-Core Assets €106m (previous year: €114m) and Others and Consolidation €79m (previous year: €78m).

With respect to the Portfolio Restructuring Unit, which was dissolved, assets of €6.7bn were attributable to the Corporates & Markets segment and assets of €859m to the Non-Core Assets segment with effect as at 30 June 2013. The main profit components arising from these assets were as follows: €137m net trading income, €–30m loan loss provisions and €132m pre-tax profit was attributable to the Corporates & Markets segment, while €–46m net trading income and €–49m pre-tax profit was attributable to the NCA segment.

The tables below contain information on the segments as at 30 June 2013 and on the comparative figures for the previous financial year.

1.1.–30.6.2013 €m	Private Customers	Mittelstandsbank	Central & Eastern Europe	Corporates & Markets	Non-Core Assets	Others and Consolidation	Group
Net interest income	875	889	202	750	351	– 82	2,985
Loan loss provisions	– 62	– 225	– 42	45	– 522	2	– 804
Net interest income after loan loss provisions	813	664	160	795	– 171	– 80	2,181
Net commission income	817	552	100	175	38	– 27	1,655
Net trading income and net income from hedge accounting	1	– 26	51	168	– 20	134	308
Net investment income	8	– 21	9	12	– 149	15	– 126
Current net income from companies accounted for using the equity method	15	1	–	8	– 2	– 3	19
Other net income	– 19	28	17	39	9	– 141	– 67
Income before loan loss provisions	*1,697*	*1,423*	*379*	*1,152*	*227*	*– 104*	*4,774*
Income after loan loss provisions	*1,635*	*1,198*	*337*	*1,197*	*– 295*	*– 102*	*3,970*
Operating expenses	1,512	656	210	673	178	194	3,423
Operating profit or loss	**123**	**542**	**127**	**524**	**– 473**	**– 296**	**547**
Impairments of goodwill and brand names	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	493	493
Net gain or loss from sale of disposal groups	–	–	–	–	–	–	–
Pre-tax profit or loss	**123**	**542**	**127**	**524**	**– 473**	**– 789**	**54**
Assets	**68,511**	**78,447**	**24,748**	**234,374**	**148,966**	**81,917**	**636,963**
Average capital employed	**3,961**	**5,839**	**1,688**	**3,297**	**9,854**	**3,921**	**28,560**
Operating return on equity[1] (%)	**6.2**	**18.6**	**15.0**	**31.8**	**– 9.6**		**3.8**
Cost/income ratio in operating business (%)	**89.1**	**46.1**	**55.4**	**58.4**	**78.4**		**71.7**
Return on equity of pre-tax profit or loss[1] (%)	**6.2**	**18.6**	**15.0**	**31.8**	**– 9.6**		**0.4**
Staff (average headcount)	16,798	5,425	7,706	1,870	657	17,956	50,412

[1] Annualised.

1.1.–30.6.2012[1] €m	**Private Customers**	**Mittelstandsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Non-Core Assets**	**Portfolio Restructuring Unit[2]**	**Others and Consolidation**	**Group**
Net interest income	920	1,029	250	831	340	66	42	3,478
Loan loss provisions	– 34	3	– 53	– 50	– 479	– 3	–	– 616
Net interest income after loan loss provisions	886	1,032	197	781	– 139	63	42	2,862
Net commission income	784	543	97	177	46	–	– 14	1,633
Net trading income and net income from hedge accounting	1	– 11	57	– 228	– 91	122	398	248
Net investment income	2	– 7	6	4	– 257	28	25	– 199
Current net income from companies accounted for using the equity method	10	–	–	9	–	–	– 1	18
Other net income	– 11	– 16	20	– 5	19	–	– 29	– 22
Income before loan loss provisions	*1,706*	*1,538*	*430*	*788*	*57*	*216*	*421*	*5,156*
Income after loan loss provisions	*1,672*	*1,541*	*377*	*738*	*– 422*	*213*	*421*	*4,540*
Operating expenses	1,505	667	231	661	186	29	243	3,522
Operating profit or loss	**167**	**874**	**146**	**77**	**– 608**	**184**	**178**	**1,018**
Impairments of goodwill and brand names	–	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	43	–	–	43
Net gain or loss from sale of disposal groups	–	–	– 86	–	–	–	–	– 86
Pre-tax profit or loss	**167**	**874**	**60**	**77**	**– 651**	**184**	**178**	**889**
Assets	**67,621**	**85,023**	**23,252**	**210,669**	**179,895**	**12,091**	**94,162**	**672,713**
Average capital employed	**3,928**	**5,841**	**1,889**	**3,238**	**10,172**	**1,378**	**2,263**	**28,709**
Operating return on equity[3] (%)	**8.5**	**29.9**	**15.5**	**4.8**	**– 12.0**			**7.1**
Cost/income ratio in operating business (%)	**88.2**	**43.4**	**53.7**	**83.9**	**326.3**			**68.3**
Return on equity of pre-tax profit or loss[3] (%)	**8.5**	**29.9**	**6.4**	**4.8**	**– 12.8**			**6.2**
Staff (average headcount)	17,261	5,542	8,959	1,864	766	25	18,959	53,376

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).
[2] The assets of the dissolved Portfolio Restructuring Unit (PRU) segment were transferred as at 1 July 2012 either to the Corporates & Markets segment or the Non-Core Assets (NCA) segment. The results of this segment up to then will continue to be reported.
[3] Annualised.

Details for Others and Consolidation:

€m	1.1.–30.6.2013			1.1.–30.6.2012[1]		
	Others	Consoli-dation	Others and Consoli-dation	Others	Consoli-dation	Others and Consoli-dation
Net interest income	– 61	– 21	– 82	72	– 30	42
Loan loss provisions	2	–	2	–	–	–
Net interest income after loan loss provisions	– 59	– 21	– 80	72	– 30	42
Net commission income	– 27	–	– 27	– 11	– 3	– 14
Net trading income and net income from hedge accounting	120	14	134	375	23	398
Net investment income	22	– 7	15	27	– 2	25
Current net income from companies accounted for using the equity method	– 3	–	– 3	– 1	–	– 1
Other net income	– 134	– 7	– 141	– 31	2	– 29
Income before loan loss provisions	*– 83*	*– 21*	*– 104*	*431*	*– 10*	*421*
Income after loan loss provisions	*– 81*	*– 21*	*– 102*	*431*	*– 10*	*421*
Operating expenses	208	– 14	194	246	– 3	243
Operating profit or loss	**– 289**	**– 7**	**– 296**	**185**	**– 7**	**178**
Impairments of goodwill and brand names	–	–	–	–	–	–
Restructuring expenses	493	–	493	–	–	–
Net gain or loss from sale of disposal groups	–	–	–	–	–	–
Pre-tax profit or loss	**– 782**	**– 7**	**– 789**	**185**	**– 7**	**178**
Assets	**81,917**	**–**	**81,917**	**94,162**	**–**	**94,162**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

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

- Remeasurement effects from the application of hedge accounting to intra-bank transactions as per IAS 39 are shown in Consolidation.
- The pre-tax equivalent of tax-related transactions allocated to net interest income in the Corporates & Markets segment is eliminated again under Consolidation.
- Net remeasurement gains or losses on own bonds and shares incurred in the segments are eliminated under Consolidation.
- Other consolidation effects from intra-group transactions are also reported here.

Segmentation on the basis of the location of the branch or group company (geographic markets) produced the following breakdown:

1.1.–30.6.2013 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,200	716	39	30	–	2,985
Loan loss provisions	– 458	– 380	28	6	–	– 804
Net interest income after loan loss provisions	1,742	336	67	36	–	2,181
Net commission income	1,358	237	22	38	–	1,655
Net trading income and net income from hedge accounting	– 266	460	39	75	–	308
Net investment income	– 37	– 88	–	– 1	–	– 126
Current net income from companies accounted for using the equity method	15	–	2	2	–	19
Other net income	– 127	63	– 1	– 2	–	– 67
Income before loan loss provisions	*3,143*	*1,388*	*101*	*142*	*–*	*4,774*
Income after loan loss provisions	*2,685*	*1,008*	*129*	*148*	*–*	*3,970*
Operating expenses	2,689	622	61	51	–	3,423
Operating profit or loss	**– 4**	**386**	**68**	**97**	**–**	**547**
Credit-risk-weighted assets	**113,034**	**52,515**	**3,762**	**3,477**	**–**	**172,788**

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

1.1.–30.6.2012[1] €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,450	928	53	47	–	3,478
Loan loss provisions	– 305	– 286	7	– 32	–	– 616
Net interest income after loan loss provisions	2,145	642	60	15	–	2,862
Net commission income	1,391	205	20	17	–	1,633
Net trading income and net income from hedge accounting	2	221	20	5	–	248
Net investment income	– 199	2	1	– 3	–	– 199
Current net income from companies accounted for using the equity method	8	7	3	–	–	18
Other net income	– 125	79	– 4	28	–	– 22
Income before loan loss provisions	*3,527*	*1,442*	*93*	*94*	*–*	*5,156*
Income after loan loss provisions	*3,222*	*1,156*	*100*	*62*	*–*	*4,540*
Operating expenses	2,736	663	69	54	–	3,522
Operating profit or loss	**486**	**493**	**31**	**8**	**–**	**1,018**
Credit-risk-weighted assets	**110,563**	**55,780**	**5,285**	**3,434**	**–**	**175,062**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 and other disclosure changes (see page 66 ff.).

Credit risk-weighted assets are shown for the geographic segments rather than assets. In accordance with IFRS 8.32, Commerzbank has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. Neither internal management activities nor management reporting are based on this information.

Notes to the balance sheet

(11) Claims on banks

€m	30.6.2013	31.12.2012	Change in %
Due on demand	42,484	34,492	23.2
With a residual term	71,131	53,642	32.6
up to three months	50,485	34,180	47.7
over three months to one year	12,320	10,597	16.3
over one year to five years	7,945	8,125	– 2.2
over five years	381	740	– 48.5
Total	**113,615**	**88,134**	**28.9**
of which reverse repos and cash collaterals	78,929	55,861	41.3
of which relate to the category:			
Loans and receivables	51,585	53,453	– 3.5
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	62,030	34,681	78.9

Claims on banks after deduction of loan loss provisions amounted to €113,522m (previous year: €88,028m).

(12) Claims on customers

€m	30.6.2013	31.12.2012	Change in %
With an indefinite residual term	39,416	29,308	34.5
With a residual term	245,791	256,892	– 4.3
up to three months	41,673	45,564	– 8.5
over three months to one year	41,958	37,340	12.4
over one year to five years	77,231	84,913	– 9.0
over five years	84,929	89,075	– 4.7
Total	**285,207**	**286,200**	**– 0.3**
of which reverse repos and cash collaterals	50,026	33,924	47.5
of which relate to the category:			
Loans and receivables	237,542	255,157	– 6.9
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	47,665	31,043	53.5

Claims on customers after deduction of loan loss provisions amounted to €278,069m (previous year: €278,546m).

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(13) Total lending

€m	30.6.2013	31.12.2012	Change in %
Loans to banks	22,372	21,041	6.3
Loans to customers	235,184	251,807	– 6.6
Total	**257,556**	**272,848**	**– 5.6**

We distinguish loans from claims on banks and customers such that only claims for which a special loan agreement has been concluded with the borrower are shown as loans. Interbank money market transactions and reverse repo transactions, for example, are thus not shown as loans. Acceptance credits are also included in loans to customers.

(14) Loan loss provisions

Provisions for loan losses are made in accordance with rules that apply Group-wide and cover all discernible credit risks. For loan losses that have already occurred but are not yet known, portfolio valuation allowances have been calculated in line with procedures derived from Basel II methodology.

Development of provisioning | €m	2013	2012	Change in %
As at 1.1.	**8,092**	**8,663**	**– 6.6**
Allocations	1,596	1,560	2.3
Deductions	1,582	1,707	– 7.3
Utilisation	721	715	0.8
Reversals	861	992	– 13.2
Changes in group of consolidated companies	–	–	.
Exchange rate changes/reclassifications/unwinding	– 544	– 418	30.1
As at 30.6.	**7,562**	**8,098**	**– 6.6**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in provisions of €804m (30 June 2012: €616m) (see Note 2).

Loan loss provisions | €m	30.6.2013	31.12.2012	Change in %
Specific valuation allowances	6,498	6,993	– 7.1
Portfolio valuation allowances	733	767	– 4.4
Provisions for on-balance-sheet loan losses	**7,231**	**7,760**	**– 6.8**
Specific loan loss provisions	211	212	– 0.5
Portfolio loan loss provisions	120	120	0.0
Provisions for off-balance-sheet loan losses	**331**	**332**	**– 0.3**
Total	**7,562**	**8,092**	**– 6.5**

For claims on banks, loan loss provisions amounted to €93m (previous year: €106m) and for claims on customers to €7,138m (previous year: €7,654m).

(15) Trading assets

The Group's trading activities include trading in:

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

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

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

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

€m	30.6.2013	31.12.2012	Change in %
Bonds, notes and other interest-rate-related securities	19,528	18,381	6.2
Promissory note loans	1,373	1,366	0.5
Shares, other equity-related securities and units in investment funds	23,384	17,759	31.7
Positive fair values of derivative financial instruments	80,042	106,400	– 24.8
Currency-related derivative transactions	11,578	12,939	– 10.5
Interest-rate-related derivative transactions	62,845	89,139	– 29.5
Other derivative transactions	5,619	4,322	30.0
Other trading assets	213	238	– 10.5
Total	**124,540**	**144,144**	**– 13.6**

Other transactions involving positive fair values of derivative financial instruments consist mainly of €2,833m in equity derivatives (previous year: €1,917m) and €2,223m in credit derivatives (previous year: €2,104m).

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(16) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They comprise bonds, notes and other interest-rate-related securities, shares and other equity-related securities not used for trading purposes, as well as units in investment funds, equity holdings (including companies not accounted for using the equity method and joint ventures) and holdings in non-consolidated subsidiaries.

€m	30.6.2013	31.12.2012	Change in %
Bonds, notes and other interest-rate-related securities[1]	84,024	87,548	– 4.0
Shares, other equity-related securities and units in investment funds	1,159	1,299	– 10.8
Equity holdings	134	138	– 2.9
Holdings in non-consolidated subsidiaries	138	157	– 12.1
Total	**85,455**	**89,142**	**– 4.1**
of which relate to the category:			
Loans and receivables[1]	48,351	52,427	– 7.8
Available-for-sale financial assets	34,621	34,268	1.0
of which measured at amortised cost	211	423	– 50.1
At fair value through profit or loss (fair value option)	2,483	2,447	1.5

[1] Reduced by portfolio valuation allowances for reclassified securities of €105m (previous year: €149m).

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

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €– 0.6bn as at 30 June 2013 (previous year: €– 0.7bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €– 3.4bn (previous year: €– 4.2bn) as at 30 June 2013; the carrying amount of these portfolios on the balance sheet date was €46.0bn (previous year: €50.0bn) and fair value was €41.9bn (previous year: €45.0bn).

(17) Intangible assets

€m	30.6.2013	31.12.2012	Change in %
Goodwill	2,080	2,080	0.0
Other intangible assets	1,001	971	3.1
Customer relationships	416	438	– 5.0
Brand names	–	–	.
In-house developed software	369	349	5.7
Other	216	184	17.4
Total	**3,081**	**3,051**	**1.0**

(18) Fixed assets

€m	30.6.2013	31.12.2012	Change in %
Land and buildings	1,219	851	43.2
Office furniture and equipment	481	521	– 7.7
Total	**1,700**	**1,372**	**23.9**

(19) Other assets

€m	30.6.2013	31.12.2012	Change in %
Collection items	11	311	– 96.5
Precious metals	541	666	– 18.8
Leased equipment	833	851	– 2.1
Accrued and deferred items	397	256	55.1
Initial/variation margins receivable	241	296	– 18.6
Other assets[1]	1,899	1,191	59.4
Total	**3,922**	**3,571**	**9.8**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 (see page 66 ff.).

(20) Liabilities to banks

€m	30.6.2013	31.12.2012	Change in %
Due on demand	56,541	43,089	31.2
With a residual term	67,845	67,153	1.0
up to three months	38,210	21,670	76.3
over three months to one year	5,793	5,382	7.6
over one year to five years	12,814	27,396	– 53.2
over five years	11,028	12,705	– 13.2
Total	**124,386**	**110,242**	**12.8**
of which repos und cash collaterals	51,139	23,850	.
of which relate to the category:			
Liabilities measured at amortised cost	74,478	90,206	– 17.4
At fair value through profit or loss (fair value option)	49,908	20,036	.

(21) Liabilities to customers

€m	30.6.2013	31.12.2012	Change in %
Savings deposits	5,825	12,960	– 55.1
With an agreed period of notice of			
three months	5,722	10,807	– 47.1
over three months	103	2,153	– 95.2
Other liabilities to customers	284,760	252,882	12.6
Due on demand	162,078	142,377	13.8
With a residual term	122,682	110,505	11.0
up to three months	62,018	50,556	22.7
over three months to one year	19,061	14,610	30.5
over one year to five years	15,330	16,049	– 4.5
over five years	26,273	29,290	– 10.3
Total	**290,585**	**265,842**	**9.3**
of which repos und cash collaterals	58,351	31,997	82.4
of which relate to the category:			
Liabilities measured at amortised cost	224,468	228,643	– 1.8
At fair value through profit or loss (fair value option)	66,117	37,199	77.7

(22) Securitised liabilities

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

€m	30.6.2013	31.12.2012	Change in %
Bonds and notes issued	67,908	78,855	– 13.9
of which Mortgage Pfandbriefe	19,614	21,530	– 8.9
Public Pfandbriefe	20,879	27,758	– 24.8
Money market instruments issued	1,892	466	.
Own acceptances and promissory notes outstanding	2	11	– 81.8
Total	**69,802**	**79,332**	**– 12.0**
of which relate to the category:			
Liabilities measured at amortised cost	66,826	75,903	– 12.0
At fair value through profit or loss (fair value option)	2,976	3,429	– 13.2

Residual maturities of securitised liabilities | €m	30.6.2013	31.12.2012	Change in %
Due on demand	–	–	.
With a residual term	69,802	79,332	– 12.0
up to three months	4,704	8,301	– 43.3
over three months to one year	14,308	9,662	48.1
over one year to five years	40,406	47,302	– 14.6
over five years	10,384	14,067	– 26.2
Total	**69,802**	**79,332**	**– 12.0**

In the first six months of 2013, material new issues with a total volume of €6.7bn were floated. In the same period the volume of redemptions and repurchases amounted to €1.4bn and the volume of bonds maturing to €14.1bn.

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(23) Trading liabilities

Trading liabilities show the negative fair values of derivative financial instruments that do not qualify for hedge accounting as well as lending commitments with negative fair values. Own issues in the trading book and delivery commitments arising from short sales of securities are also included under trading liabilities.

€m	30.6.2013	31.12.2012	Change in %
Currency-related derivative transactions	12,713	13,959	– 8.9
Interest-rate-related derivative transactions	59,176	85,503	– 30.8
Other derivative transactions	5,817	5,672	2.6
Certificates and other notes issued	5,034	5,201	– 3.2
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	8,622	5,776	49.3
Total	**91,362**	**116,111**	**– 21.3**

Other derivative transactions consisted mainly of €3,395m in equity derivatives (previous year: €3,220m) and €2,039m in credit derivatives (previous year: €2,183m).

(24) Provisions

€m	30.6.2013	31.12.2012	Change in %
Provisions for pensions and similar commitments[1]	831	1,050	– 20.9
Other provisions	3,186	3,049	4.5
Total	**4,017**	**4,099**	**– 2.0**

[1] Prior-year figures restated due to the first-time application of the amended IAS 19 (see page 66 ff.).

Following restatement due to the retrospective application of the amended IAS 19, provisions were €4,107m as at 31 December 2011 or 1 January 2012 respectively.

(25) Other liabilities

€m	30.6.2013	31.12.2012	Change in %
Liabilities attributable to film funds	1,831	1,915	– 4.4
Liabilities attributable to non-controlling interests	2,572	2,441	5.4
Accrued and deferred items	533	439	21.4
Variation margins payable	137	162	– 15.4
Other liabilities	1,469	1,566	– 6.2
Total	**6,542**	**6,523**	**0.3**

(26) Subordinated capital

€m	30.6.2013	31.12.2012	Change in %
Subordinated liabilities	10,673	11,186	– 4.6
Profit-sharing certificates	893	865	3.2
Accrued interest, including discounts	– 194	– 161	20.5
Remeasurement effects	367	426	– 13.8
Total	**11,739**	**12,316**	**– 4.7**
of which relate to the category:			
Liabilities measured at amortised cost	11,729	12,308	– 4.7
At fair value through profit or loss (fair value option)	10	8	25.0

€0.3bn of subordinated liabilities matured in the first six months of 2013. There were no other material changes.

(27) Hybrid capital

€m	30.6.2013	31.12.2012	Change in %
Hybrid capital	2,054	2,057	– 0.1
Accrued interest, including discounts	– 909	– 969	– 6.2
Remeasurement effects	368	509	– 27.7
Total	**1,513**	**1,597**	**– 5.3**
of which relate to the category:			
Liabilities measured at amortised cost	1,513	1,597	– 5.3
At fair value through profit or loss (fair value option)	–	–	.

There were no material changes to report in the first six months of financial year 2013.

Other notes

(28) Capital requirements and capital ratios

€m	30.6.2013	31.12.2012	Change in %
Core Tier I	24,871	24,986	– 0.5
Hybrid capital	1,088	2,259	– 51.8
Total Tier I	**25,959**	**27,245**	**– 4.7**
Tier II capital	10,288	9,878	4.2
Total capital	**36,247**	**37,123**	**– 2.4**

	Capital adequacy requirement		Risk-weighted assets[1]		
€m	30.6.2013	31.12.2012	30.6.2013	31.12.2012	Change in %
Credit risk	13,823	13,967	172,788	174,584	– 1.0
Market risk	946	880	11,825	10,999	7.5
Operational risk	1,734	1,804	21,675	22,552	– 3.9
Total capital requirement	**16,503**	**16,651**	**206,288**	**208,135**	**– 0.9**
Core Tier I	24,871	24,986			
Tier I capital	25,959	27,245			
Total capital	36,247	37,123			
Core Tier I capital ratio (%)	12.1	12.0			
Tier I capital ratio (%)	12.6	13.1			
Total capital ratio (%)	17.6	17.8			

[1] Risk-weighted assets are calculated by multiplying the capital requirements by 12.5.

(29) Contingent liabilities and irrevocable lending commitments

€m	30.6.2013	31.12.2012	Change in %
Contingent liabilities	35,130	35,837	– 2.0
from rediscounted bills of exchange credited to borrowers	3	5	– 40.0
from guarantees and indemnity agreements	35,087	35,783	– 1.9
from other commitments	40	49	– 18.4
Irrevocable lending commitments	51,238	49,747	3.0

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

(30) Derivative transactions

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

The netting volume as at 30 June 2013 totalled €115,708m (previous year: €162,271m). On the assets side, €112,175m of this was attributable to positive fair values and €3,533m to variation margins received. Netting on the liabilities side involved negative fair values of €115,601m and liabilities for variation margin payments of €107m.

	Nominal amount by residual term						Fair values	
30.6.2013 €m	**due on demand**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	12	283,931	174,345	179,787	116,861	754,936	12,099	12,817
Interest-based forward transactions	22	519,754	2,525,948	1,902,593	1,641,404	6,589,721	178,918	183,818
Other forward transactions	1,253	55,322	65,857	135,467	17,655	275,554	5,648	5,847
Total	**1,287**	**859,007**	**2,766,150**	**2,217,847**	**1,775,920**	**7,620,211**	**196,665**	**202,482**
of which exchange-traded	*–*	*33,059*	*66,829*	*25,867*	*12,125*	*137,880*		
Net position in the balance sheet							**84,490**	**86,881**

	Nominal amount by residual term						Fair values	
31.12.2012 €m	**due on demand**	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	6	283,437	159,023	170,519	118,569	731,554	13,592	14,119
Interest-based forward transactions	16	525,624	2,092,073	2,024,487	1,739,143	6,381,343	253,072	259,183
Other forward transactions	1,013	44,994	76,422	129,138	17,155	268,722	4,354	5,704
Total	**1,035**	**854,055**	**2,327,518**	**2,324,144**	**1,874,867**	**7,381,619**	**271,018**	**279,006**
of which exchange-traded	*–*	*30,304*	*112,507*	*22,591*	*11,174*	*176,576*		
Net position in the balance sheet							**112,457**	**116,873**

(31) Fair value and fair value hierarchy of financial instruments

Under IAS 39, all financial instruments are initially recognised at fair value; in the case of financial instruments that are not classified as at fair value through profit or loss, fair value plus certain transaction costs. The subsequent measurement of financial instruments classified as at fair value through profit or loss or available-for-sale financial assets are measured at fair value on an ongoing basis. For this purpose, at fair value through profit or loss includes derivatives, instruments held for trading and instruments designated at fair value.

Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore corresponds to a realisable price. For liabilities, fair value is defined as the price which would be paid to transfer the liability in question in an orderly transaction with a third party. The fair value of a liability also reflects non-performance risk. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

The most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy level I). Thus, quoted prices are to be used if they are available. The relevant market for determining the fair value is generally the most active market. To reflect the price at which an asset could be exchanged or a liability settled, asset positions are measured at the bid price and liability positions are measured at the offer price.

If quoted prices are not available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs are obtained, as far as possible, from observable market sources (fair value hierarchy level II).

While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate other inputs for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. The market approach relies on measurements based on information about identical or comparable assets and liabilities. The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuation methods inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (fair value hierarchy level III).

The fair values which can be realised at a later date can deviate from the fair values as calculated under Level III.

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price. All fair values are subject to the Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are managed 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.

Fair value hierarchy

Under IFRS 13, financial instruments carried at fair value are assigned to the three levels of the fair value hierarchy as follows (see also measurement of financial instruments above):

- Level I: Financial instruments where the fair value is based on quoted prices for identical financial instruments in an active market;
- Level II: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques;
- Level III: Financial instruments where valuation techniques are used that incorporate inputs for which there is insufficient observable market data and where these inputs have a more than insignificant impact on the fair value.

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

In the tables below the financial instruments reported in the balance sheet at fair value are grouped by balance sheet item and valuation category. They are broken down according to whether fair value is based on quoted market prices (Level I), observable market data (Level II) or unobservable market data (Level III).

Financial assets | €bn		**30.6.2013**				**31.12.2012**			
		Level I	**Level II**	**Level III**	**Total**	**Level I**	**Level II**	**Level III**	**Total**
Claims on banks	At fair value through profit or loss	–	62.0	–	62.0	–	34.7	–	34.7
Claims on customers	At fair value through profit or loss	–	47.4	0.3	47.7	–	30.7	0.3	31.0
Positive fair values of derivative hedging instruments	Hedge accounting	–	4.4	–	4.4	–	6.1	–	6.1
Trading assets	Held for trading	41.0	81.3	2.2	124.5	34.6	107.3	2.2	144.1
of which positive fair values from derivatives		–	79.2	0.8	80.0	–	105.4	1.0	106.4
Financial investments	At fair value through profit or loss	1.6	0.8	0.1	2.5	2.3	–	0.1	2.4
	Available-for-sale financial assets	31.9	1.9	0.8	34.6	30.7	3.0	0.6	34.3
Total		**74.5**	**197.8**	**3.4**	**275.7**	**67.6**	**181.8**	**3.2**	**252.6**

Financial liabilities | €bn		30.6.2013				31.12.2012			
		Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Liabilities to banks	At fair value through profit or loss	–	49.9	–	49.9	–	20.0	–	20.0
Liabilities to customers	At fair value through profit or loss	–	66.1	–	66.1	–	37.2	–	37.2
Securitised liabilities	At fair value through profit or loss	3.0	–	–	3.0	3.4	–	–	3.4
Negative fair values of derivative hedging instruments	Hedge accounting	–	9.2	–	9.2	–	11.7	–	11.7
Trading liabilities	Held for trading	13.6	77.0	0.8	91.4	10.8	104.5	0.8	116.1
of which negative fair values from derivatives		–	77.0	0.7	77.7	–	104.5	0.7	105.2
Subordinated capital	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**16.6**	**202.2**	**0.8**	**219.6**	**14.2**	**173.4**	**0.8**	**188.4**

In the second quarter of 2013 we reclassified €0.1bn of available-for-sale bonds and €0.4bn of securities held for trading from Level I to Level II, as no quoted market prices were available. We also reclassified €0.2bn of available-for-sale bonds and €0.2bn of securities held for trading from Level I to Level III, as neither quoted market prices nor observable market data were available for valuation purposes. The reclassifications were determined on the basis of the holdings on 31 March 2013. Apart from this, there were no other significant reclassifications between Level I, Level II and Level III.

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

Financial assets €m	Claims on customers	Trading assets	of which positive fair values from derivatives	Financial investments		Total
	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	
Fair value as at 1.1.2012	**192**	**4,224**	**2,536**	**163**	**827**	**5,406**
Changes in group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in the income statement during the period	– 6	– 60	– 48	8	–	– 58
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–
Purchases	–	98	3	–	–	98
Sales	–	– 1,232	– 760	– 18	– 164	– 1,414
Issues	–	–	–	–	–	–
Redemptions	–	– 61	– 1	– 96	– 8	– 165
Reclassification	116	– 794	– 776	– 4	– 10	– 692
Fair value as at 31.12.2012	**302**	**2,175**	**954**	**53**	**645**	**3,175**
Changes in group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in the income statement during the period	– 22	– 77	18	32	– 8	– 75
of which unrealised gains/losses	– 18	– 65	– 4	– 2	–	– 85
Gains or losses recognised in revaluation reserve	–	–	–	–	25	25
Purchases	–	350	2	47	165	562
Sales	–	–	–	–	–	–
Issues	–	–	–	–	–	–
Redemptions	–	– 31	– 4	– 31	– 3	– 65
Reclassification into level III	–	18	–	–	–	18
Reclassifications out of level III	–	– 218	– 122	–	– 33	– 251
Fair value as at 30.6.2013	**280**	**2,217**	**848**	**101**	**791**	**3,389**

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

Financial liabilities €m	**Trading liabilities** **Held for trading**	**of which negative fair values from derivatives** **Held for trading**	**Total**
Fair value as at 1.1.2012	**1,403**	**1,162**	**1,403**
Changes in group of consolidated companies	–	–	–
Gains or losses recognised in the income statement during the period	– 48	– 48	– 48
Purchases	89	89	89
Sales	2	2	2
Issues	–	–	–
Redemptions	– 47	– 47	– 47
Reclassification	– 559	– 476	– 559
Fair value as at 31.12.2012	**840**	**682**	**840**
Changes in group of consolidated companies	–	–	–
Gains or losses recognised in the income statement during the period	– 81	– 81	– 81
of which unrealised gains/losses	– 4	– 4	– 4
Purchases	113	12	113
Sales	–	–	–
Issues	–	–	–
Redemptions	– 37	– 37	– 37
Reclassification into level III	142	142	142
Reclassifications out of level III	– 186	– 56	– 186
Fair value as at 30.6.2013	**791**	**662**	**791**

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

Sensitivity analysis

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

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in the fair value hierarchy Level III. This sensitivity analysis for financial instruments in the fair value hierarchy Level III is broken down by type of instrument:

€m	2013		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**69**	**– 71**	
Equity-related transactions	–	–	Cash flow
Credit derivatives	49	– 51	Correlation, discount yield
Interest-rate-related transactions	20	– 20	Mean reversion, correlation
Other transactions	–	–	
Securities	**121**	**– 108**	
Interest-rate-related transactions	121	– 108	Credit spread, discount yield
of which ABS	36	– 24	Yield, recovery rate, credit spread
Equity-related transactions	–	–	
Loans	**–**	**–**	

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model and where not all material input parameters are based on observable market parameters. The initial carrying value of such transactions is the transaction price. The difference between the transaction price and the fair value of the valuation model is termed the “day one profit or loss”. The day one profit or loss is not recognised in profit or loss immediately, but over the tenor of the respective transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in net trading income. A cumulated difference between transaction price and model valuation is calculated for all Level III inventory.

Material impacts only result from financial instruments held for trading; the development was as follows:

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
Balance as at 1.1.2012	**–**	**3**	**3**
Allocations not recognised in income statement	–	1	1
Reversals recognised in income statement	–	2	2
Balance as at 31.12.2012	**–**	**2**	**2**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	2	2
Balance as at 30.6.2013	**–**	**–**	**–**

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

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

Market prices are not available for loans and deposits as there are no organised markets in which these financial instruments are traded. Fair value is determined for these instruments by using recognised mathematical valuation methods with current market parameters.

A discounted cash flow model is used for loans with parameters based on a risk-free yield curve (swap curve), credit spreads and a maturity-based premium to cover liquidity spreads, plus fixed premiums for administrative expenses and the cost of capital.

A risk-free yield curve is also used to determine the fair value of liabilities, with Commerzbank Aktiengesellschaft's own credit spread and a premium for administrative costs being incorporated separately. The model also uses market risk premiums for mortgage Pfandbriefe, public-sector Pfandbriefe and loans taken out by the Bank.

The fair value of securitised liabilities, subordinated liabilities and hybrid capital is determined on the basis of available market prices. A number of different factors, including current market interest rates and the Group's credit rating are taken into account in determining fair value. If market prices are not available, the fair values are determined on the basis of mathematical valuation models (e.g. discounted cash flow or option price models), which are in turn based on yield curves, volatilities, own credit spreads etc. Particularly in cases where the Bank has issued structured debt instruments, which are measured at fair value, the Bank's own credit spread is used in determining fair value.

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

	Fair value		Carrying amount		Difference	
€bn	30.6.2013	31.12.2012	30.6.2013	31.12.2012	30.6.2013	31.12.2012
Assets						
Cash reserve	11.9	15.8	11.9	15.8	–	–
Claims on banks	113.6	87.9	113.5	88.0	0.1	– 0.1
Claims on customers	280.3	281.5	278.1	278.5	2.2	3.0
Value adjustment portfolio fair value hedges[1]	0.0	0.0	0.1	0.2	– 0.1	– 0.2
Positive fair values of derivative hedging instruments	4.4	6.1	4.4	6.1	–	–
Trading assets	124.5	144.1	124.5	144.1	–	–
Financial investments	81.4	84.3	85.5	89.1	– 4.1	– 4.8
Other assets[2]	18.9	14.1	18.9	14.1	–	–
Liabilities						
Liabilities to banks	124.5	110.3	124.4	110.2	0.1	0.1
Liabilities to customers	290.6	266.1	290.6	265.8	0.0	0.3
Securitised liabilities	72.2	83.0	69.8	79.3	2.4	3.7
Value adjustment portfolio fair value hedges[1]	0.0	0.0	0.8	1.5	– 0.8	– 1.5
Negative fair values of derivative hedging instruments	9.2	11.7	9.2	11.7	–	–
Trading liabilities	91.4	116.1	91.4	116.1	–	–
Subordinated and hybrid capital	13.3	13.2	13.3	13.9	0.0	– 0.7
Other liabilities[2]	11.1	11.0	11.1	11.0	–	–

[1] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.
[2] Prior-year figures restated due to the first-time application of the amended IAS 19 (see page 66 ff.).

(32) Treasury shares

	Number of shares in units[1]	Accounting par value[2] in €1,000	Percentage of share capital
Balance as at 30.6.2013	–	–	–
Largest number acquired during the financial year	536,806	537	0.05
Total shares pledged by customers as collateral as at 30.6.2013	5,103,265	5,103	0.45
Shares acquired during the current financial year	6,072,771	6,073	
Shares disposed of during the current financial year	6,192,106	6,192	

[1] After completion of the 10-to-1 reverse stock split of Commerzbank shares.
[2] Accounting par value per share €1.00.

(33) Related party transactions

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

As a result of the capital measures carried out in April and May 2013 (reverse stock split, capital increase and redemption of silent participations), the stake held by the German federal government as guarantor of the Financial Market Stabilisation Authority, which administers the Financial Market Stabilisation Fund (SoFFin), in Commerzbank Aktiengesellschaft fell to around 17%. However, besides the size of a stake, other factors (including membership of the supervisory board) which could allow a shareholder to exert a significant influence on Commerzbank Aktiengesellschaft also need to be taken into account. As a result the German federal government and entities controlled by it continue to constitute related parties as defined by IAS 24. In the tables below we present relationships with federal government-controlled entities and agencies separately from relationships with other related parties.

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

€m	30.6.2013	31.12.2012	Change in %
Claims on banks	116	172	– 32.5
Claims on customers	1,908	1,569	21.6
Trading assets	34	37	– 8.3
Financial investments	12	188	– 93.6
Other assets	169	271	– 37.7
Total	**2,239**	**2,237**	**0.1**
Liabilities to banks	3	–	.
Liabilities to customers	1,521	1,145	32.8
Securitised liabilities	668	–	.
Trading liabilities	1	–	.
Subordinated capital	634	620	2.3
Other liabilities	27	21	29.0
Total	**2,854**	**1,786**	**59.8**
Off-balance-sheet items			
Guarantees and collaterals granted	120	109	10.1
Guarantees and collaterals received	–	8	– 100.0

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

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Income			
Interest	63	58	8.6
Commission income	12	9	33.3
Goods and services	1	1	0.0
Expenses			
Interest income	24	27	– 11.1
Commission income	3	21	– 85.7
Operating expenses	8	4	.
Goods and services	29	15	93.3
Write-downs/impairments[1]	14	55	– 74.5

[1] Prior-year figures restated.

The Commerzbank Group conducts transactions with federal government-controlled entities as part of its ordinary business activities on standard market terms and conditions. Assets and liabilities and off-balance-sheet items in connection with federal government-controlled entities changed as follows:

€m	30.6.2013	31.12.2012	Change in %
Cash reserve	3,463	5,637	– 38.6
Claims on banks	123	129	– 4.5
Claims on customers	2,100	2,114	– 0.6
Trading assets	2,474	2,761	– 10.4
Financial investments	4,022	4,066	– 1.1
Total	**12,182**	**14,707**	**– 17.2**
Liabilities to banks	12,715	14,866	– 14.5
Liabilities to customers	319	382	– 16.5
Trading liabilities	2,061	1,312	57.1
Silent participation	–	1,626	– 100.0
Total	**15,096**	**18,186**	**– 17.0**
Off-balance-sheet items			
Guarantees and collaterals granted	253	333	– 24.0
Guarantees and collaterals received	–	–	.

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Income and expenses for transactions with federal government-controlled entities were as follows:

€m	1.1.–30.6.2013	1.1.–30.6.2012	Change in %
Income			
Interest income	121	236	– 48.7
Commission income	3	2	50.0
Goods and services	–	2	– 100.0
Expenses			
Interest income	33	28	17.9
Commission income	–	2	– 100.0
Goods and services	–	–	.
Write-downs/impairments	4	–	.

(34) Information on netting of financial instruments

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

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

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

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

Assets | €m	**30.6.2013**		**31.12.2012**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	111,933	196,665	71,208	271,018
Book values not eligible for netting	10,641	6,085	4,606	9,244
a) Gross amount of financial instruments I & II	101,292	190,580	66,602	261,774
b) Amount netted in the balance sheet for financial instruments I	19,345	112,175	13,323	158,561
c) Net amount of financial instruments I & II = a) – b)	81,947	78,405	53,279	103,213
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[1]	4,514	61,326	4,595	82,974
Fair value of financial collaterals relating to financial instruments I & II not already accounted for in b)[2]				
Non-cash collaterals[3]	50,253	897	30,891	1,260
Cash collaterals	410	8,668	23	10,678
e) Net amount of financial instruments I & II = c) – d)	26,770	7,514	17,770	8,301
f) Fair value of financial collaterals of central counterparties relating to financial instruments I	25,879	177	13,480	172
g) Net amount of financial instruments I & II = e) – f)	891	7,337	4,290	8,129

[1] Lesser amount of assets and liabilities.
[2] Excluding rights or obligations to return arising from the transfer of securities.
[3] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

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Liabilities | €m	30.6.2013		31.12.2012	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	104,847	202,482	50,185	279,006
Book values not eligible for netting	3,897	4,448	2,843	6,439
a) Gross amount of financial instruments I & II	100,950	198,034	47,342	272,567
b) Amount netted in the balance sheet for financial instruments I	19,345	115,601	13,323	162,133
c) Net amount of financial instruments I & II = a) – b)	81,605	82,433	34,019	110,434
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[1]	4,514	61,326	4,595	82,974
Fair value of financial collaterals relating to financial instruments I & II not already accounted for in b)[2]				
Non-cash collaterals[3]	42,531	905	13,280	1,876
Cash collaterals	35	17,469	1	22,366
e) Net amount of financial instruments I & II = c) – d)	34,525	2,733	16,143	3,218
f) Fair value of financial collaterals of central counterparties relating to financial instruments I	34,500	177	12,004	172
g) Net amount of financial instruments I & II = e) – f)	25	2,556	4,139	3,046

[1] Lesser amount of assets and liabilities.
[2] Excluding rights or obligations to return arising from the transfer of securities.
[3] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

Hans-Hermann Altenschmidt[1]

Dr.-Ing. Burckhard Bergmann
(until 19.4.2013)

Dr. Nikolaus von Bomhard

Karin van Brummelen[1]
(until 19.4.2013)

Gunnar de Buhr[1]
(since 19.4.2013)

Stefan Burghardt[1]
(since 19.4.2013)

Astrid Evers[1]
(until 19.4.2013)

Karl-Heinz Flöther
(since 19.4.2013)

Uwe Foullong[1]
(until 19.4.2013)

Daniel Hampel[1]
(until 19.4.2013)

Dr.-Ing. Otto Happel
(until 19.4.2013)

Beate Hoffmann[1]
(until 19.4.2013)

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

Dr. Markus Kerber
(since 19.4.2013)

Alexandra Krieger[1]

Oliver Leiberich[1]
(since 19.4.2013)

Dr. h. c. Edgar Meister
(until 19.4.2013)

Beate Mensch[1]
(since 19.4.2013)

Prof. h.c. (CHN) Dr. rer. oec. Ulrich Middelmann
(until 2.7.2013)

Dr. Roger Müller
(since 3.7.2013)

Dr. Helmut Perlet

Barbara Priester[1]

Mark Roach[1]

Petra Schadeberg-Herrmann
(since 19.4.2013)

Dr. Marcus Schenck

Margit Schoffer[1]
(since 19.4.2013)

Dr. Gertrude Tumpel-Gugerell

Dr. Walter Seipp
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Blessing
Chairman

Frank Annuscheit

Markus Beumer

Stephan Engels

Jochen Klösges

Michael Reuther

Dr. Stefan Schmittmann

Ulrich Sieber

Martin Zielke

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Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we confirm that the consolidated interim Group financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and that the interim Group management report provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Frankfurt am Main, 30 July 2013
The Board of Managing Directors

Martin Blessing

Frank Annuscheit

Markus Beumer

Stephan Engels

Jochen Klösges

Michael Reuther

Stefan Schmittmann

Ulrich Sieber

Martin Zielke

Review report

To COMMERZBANK Aktiengesellschaft,
Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 June 2013 which are part of the half-year financial report pursuant to § (Article) 37 w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 31 July 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Peter Goldschmidt	Caroline Gass
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüferin (German Public Auditor)

Significant subsidiaries and associates

Germany
Atlas Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main
comdirect bank AG, Quickborn
Commerz Real AG, Eschborn
Hypothekenbank Frankfurt AG, Eschborn

Abroad
BRE Bank SA, Warsaw
Commerzbank (Eurasija) SAO, Moscow
Commerzbank International S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Europe (Ireland), Dublin
Commerz Markets LLC, New York
Erste Europäische Pfandbrief- und Kommunalkreditbank AG, Luxembourg

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

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

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

Disclaimer

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

Cover
Lena Kuske
Manager of a Commerzbank branch
in Hamburg

2013/2014 Financial calendar	
7 November 2013	Interim Report as at 30 September 2013
End-March 2014	Annual Report 2013
Early-May 2014	Interim Report as at 31 March 2014
Early-August 2014	Interim Report as at 30 June 2014
Early-November 2014	Interim Report as at 30 September 2014

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