

Your details

1 Please provide the following details:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Commerzbank AG

(b) Are you a:

ij Preparer EI User 11 Other (please specify)

Preparer

(c) Please provide a short description of your activity:

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries.

(d) Country where you are located:

Germany

(e) Contact details, including e-mail address:

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Appendix 3 of the draft endorsement advice

Potential effects on stakeholders' behaviours

2 EFRAG has assessed the potential effects on stakeholders' behaviours, including lessees, users of financial statements, lessors and other lenders (see Appendix 3, paragraphs 48-78). To support the assessment, EFRAG commissioned a study from an economic consultancy to provide input into EFRAG's analysis of potential changes in the behaviour of preparers, investors and lenders.

3 Overall EFRAG does not anticipate that IFRS 16 will have any material effect on entities' access to and the pricing of leasing as a source of finance. EFRAG however notes that some lessees may seek changes to their contract terms and conditions and that lessors may be requested to provide lessees with more information than in the past.

4 Do you agree with this assessment?

Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

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Potential impact of IFRS 16 on the leasing industry

5 EFRAG has assessed the potential impact of IFRS 16 on the leasing industry in Europe. The assessment was informed by the economic study commissioned by EFRAG which considered the extent to which IFRS 16 is expected to lead to changes in behaviours of lessees and, specifically, changes in the demand for leases (Appendix 3, paragraphs 79-88).

IFRS 16 Leases
Note to Constituents and Invitation to Comment

- 6 To summarise, EFRAG has assessed that IFRS 16 is likely to have some negative effect on the leasing industry but that this effect should be modest in scale and would not represent a threat to the overall viability of the industry.

Do you agree with this assessment? Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Potential impact of IFRS 16 on SMEs

- 7 EFRAG has assessed how IFRS 16 could affect small and medium-sized entities (SMEs) (Appendix 3, paragraphs 89-127). EFRAG has determined that only a very small proportion of SMEs in Europe are required or choose to apply IFRS.

- 8 Based on the evidence available to EFRAG and the analysis undertaken, EFRAG's initial assessment is that IFRS 16 is not expected to have any material adverse or disproportionate impact on the SME sector in Europe. EFRAG however acknowledge that these SMEs generally experience greater challenges than larger entities in implementing any significant accounting change.

Do you agree with this assessment? Yes No

If you do not agree, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Costs and benefits

- 9 EFRAG is assessing the costs that are likely to arise for preparers and for users in the EU, both on initial implementation of IFRS 16 and in subsequent years (Appendix 3, paragraphs 161-233)?

- 10 To summarise, EFRAG's initial assessment is that lessees will incur implementation costs (both one-off and ongoing). The amounts will vary considerably, depending on a range of factors including the size of an entity's lease portfolio, the terms and conditions of those leases and the systems already in place to account for leases applying IAS 17. Costs may be mitigated by the use of the various options and exemptions available in IFRS 16. Part of the cost may also be 'shifted' to lessors if lessees rely on lessors to provide some of the information needed to implement the requirements.

- 11 EFRAG has received some broad and indicative estimates of the expected costs of implementation of IFRS 16 and expected ongoing costs (Appendix 3, paragraphs 217-222. EFRAG acknowledges that any such estimates are necessarily subject to a high degree of uncertainty.

Are you able to provide any additional cost estimates? If so, please provide these estimates along with any relevant explanation (e.g. the source of and basis for the amounts):

- 12 In addition, EFRAG has assessed the benefits that are likely to be derived from IFRS 16 (Appendix 3, paragraphs 234-241).

IFRS 16 Leases
Note to Constituents and Invitation to Comment

- 13 To summarise, EFRAG's initial assessment is that users are likely to benefit from IFRS 16 including greater transparency about an entity's financial leverage and capital employed, enhanced information about leasing activity, improved comparability between entities that lease assets and entities that borrow to buy assets. Benefits to users may be reduced by some of the options available in IFRS 16, and on the basis that a significant proportion of users do not anticipate that IFRS 16 will lead to a reduction in the effort they currently expend in understanding and/or adjusting for the effects of operating leases in their analysis of lessees' financial statements. EFRAG assesses that preparers may also derive some benefits, although to a lesser extent than users, as a result of improvements in the quality and/or availability of internal management information about the effects of leases and enhanced investor sentiment.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

- 14 EFRAG's initial assessment is that IFRS 16 would reach a cost-benefit trade-off that is acceptable.

- 15 EFRAG acknowledges that the distribution of costs and benefits may be uneven among stakeholders insofar as costs are largely expected to be incurred by entities preparing IFRS financial statements whereas benefits are shared by them, users of financial statements (including investors) and the wider economy.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this could affect EFRAG's endorsement advice.

Other comments

- 16 Do you have any other comments in relation to this draft endorsement advice that should be considered by EFRAG?

Yes No