COMMERZBANK
The bank at your side

Interim Report

as at 30 September 2017

Key figures

Income statement	1.1.–30.9.2017	1.1.–30.9.2016[1]
Operating profit (€m)	1,144	1,062
Operating profit per share (€)	0.91	0.85
Pre-tax profit or loss (€m)	337	338
Consolidated profit or loss[2] (€m)	66	96
Earnings per share (€)	0.05	0.08
Operating return on equity based on CET1[3,4] (%)	6.5	6.1
Return on equity of consolidated profit or loss[7] (%)	0.3	0.5
Cost/income ratio in operating business (%)	76.0	76.1

Balance sheet	30.9.2017	31.12.2016
Total assets (€bn)	489.9	480.4
Risk-weighted assets (€bn)	176.9	190.5
Equity as shown in balance sheet (€bn)	29.7	29.6
Total capital as shown in balance sheet (€bn)	40.1	40.6

Regulatory key figures	30.9.2017	31.12.2016
Tier 1 capital ratio (%)	14.6	13.9
Common Equity Tier 1 ratio[5] (%)	14.4	13.9
Common Equity Tier 1 ratio[5] (fully phased-in; %)	13.5	12.3
Total capital ratio (%)	17.8	16.9
Leverage ratio (%)	5.1	5.4
Leverage ratio (fully phased-in, %)	4.7	4.8

Staff	30.9.2017	30.6.2017
Germany	36,837	36,399
Abroad	12,385	12,471
Total	49,222	48,870

Ratings[6]	30.9.2017	30.6.2017
Moody’s Investors Service, New York	A2/Baa1/P-1	A2/Baa1/P-1
S&P Global, New York	A–/A–/A–2	A–/A–/A–2
Fitch Ratings, New York/London	A–/BBB+/F2	A–/BBB+/F2
Scope Ratings, Berlin	–/A/S–1	–/A/S–1

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

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Performance highlights 1 January to 30 September 2017

Key statements

- Commerzbank has continued to implement its "Commerzbank 4.0" strategy as planned, further improved its capital ratio and again reduced the workout portfolio. In the Private and Small-Business Customers segment the Bank has already gained around 587,000 net new customers in Germany since October 2016, thereof 450,000 net new customers since the start of the current year. The shipping portfolio in the Asset & Capital Recovery segment (ACR) was significantly reduced by €1.5bn in the first nine months of 2017, taking it to €3.3bn at the end of the third quarter.

- An operating result of €1,144m was recorded in the first nine months of 2017, compared with €1,062m in the prior-year period. Consolidated earnings attributable to Commerzbank shareholders were €66m, against €96m last year.

- Group loan loss provisions fell to €–530m, with corporate clients in particular requiring lower provisioning; the NPL ratio was 1.5%. At €5,297m, operating expenses remained stable despite spending on strategic development.

- Restructuring expenses of €807m impacted on profit in the period under review. They were connected with the implementation of the "Commerzbank 4.0" strategy and the agreement reached with the employee representative committees in this regard on an outline reconciliation of interests and an outline social plan. The negotiations on the partial reconciliation of interests with the Central Works Council were also concluded in mid-October. The Group Works Council approval is expected in December.

- The Common Equity Tier 1 ratio (based on fully implemented Basel 3 regulations) was 13.5%; the leverage ratio was 4.7%.

- The operating return on equity was 6.5%, compared with 6.1% in the prior-year period. The return on tangible equity based on consolidated profit was 0.3%, compared with 0.5% in the prior-year period. The cost/income ratio remained stable at 76.0%.

Development of Commerzbank shares

The international stock markets were dominated by a host of geopolitical events in the first nine months of 2017, including landmark parliamentary elections in the Netherlands, France and Germany, the ongoing Brexit negotiations between the UK and the European Union and continued political tensions in the Middle East and North Korea. General political stability and improving economic prospects in Europe – reflected in a stronger euro – led to a positive performance on European capital markets. Not least, the European banking sector benefited from expectations of higher interest rates and an increasingly solid economic recovery in the eurozone. The market does not consider the uncertainty surrounding the consolidation of the Italian banking sector, which is troubled by an above-average level of problem loans, to be a systemic risk for the eurozone. As a result, the EURO-STOXX Banks Index gained around 18% in the first nine months of 2017, while the Commerzbank share has recorded a well above-average performance since the start of the year, rising some

59%. This development was driven in particular by the fact that a possible increase in interest rates combined with the Bank's high rate sensitivity would likely have a positive impact on Commerzbank's profitability. Occasional M&A speculation is also driving up the Commerzbank share price, as is the fact that US financial investor Cerberus has started a position and now claims to hold 5.01%.

Highlights of the Commerzbank share	1.1.–30.9.2017	1.1.–30.9.2016
Shares issued in million units (30.9.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	11.73	6.70
Low	6.97	5.16
Closing price (30.9.)	11.51	5.74
Daily trading volume[1] in million units		
High	46.0	39.0
Low	3.3	4.8
Average	12.6	12.9
Index weighting in % (30.9.)		
DAX	1.1	0.7
EURO STOXX Banks	1.7	1.7
Earnings per share in €	0.05	0.08
Book value per share[2] in € (30.9.)	22.86	22.68
Net asset value per share[3] in € (30.9.)	21.70	21.11
Market value/Net asset value (30.9.)	0.53	0.27

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

Important business policy and staffing events in the third quarter of 2017

Commerzbank acquires €3.5bn instalment loan portfolio – Commerz Finance GmbH joint venture dissolved on 18 August 2017

Commerzbank reached an agreement with BNP Paribas Personal Finance S.A. on splitting out the banking business division of their Munich-based joint venture Commerz Finanz GmbH, which contains the instalment loans distributed by Commerzbank. The split put an end to the joint venture. Under a partial transfer of operations, around 300,000 customer agreements covering a portfolio of instalment loans totalling roughly €3.5bn were transferred from Commerz Finanz GmbH to Commerzbank. The transaction was coordinated with the regulatory authorities and completed on 18 August 2017. The Federal Cartel Office had already given its approval for the transaction. Instalment loans are an important growth area for Commerzbank. The Bank wants to bring the business back in-house and plans to digitalise and expand its operations. With this in mind, Commerzbank launched its own digital instalment loan in the first half of this year.

Dr. Bettina Orlopp officially appointed as a member of the Board of Managing Directors

With effect from 1 November 2017, Dr. Bettina Orlopp was officially appointed as a member of the Board of Managing Directors of Commerzbank. As planned, Dr. Orlopp will be responsible for the new Board portfolio Compliance, Human Resources and Legal.

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Economic conditions

Overall economic situation

Overall economic performance in the reporting period did not differ significantly from the assessment given in the 2017 half-year report.

Earnings performance, assets and financial position

Further information on the income statement and balance sheet can be found on page 48 ff. of the interim financial statements. Explanations regarding restatements of prior-year figures can be found on page 44 f. of the interim financial statements.

Income statement of the Commerzbank Group

Commerzbank posted an operating profit of €1,144m in the first nine months of 2017, after €1,062m in the prior-year period.

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

Net interest and trading income (including net income from hedge accounting) declined by 4.1% year-on-year to €3,953m overall. Net interest income for the period under review fell by €746m year-on-year to €3,075m, while net trading income and net income from hedge accounting was up €579m to €878m. In the Private and Small-Business Customers business segment, growing interest income in the domestic lending business thanks to rising portfolio volumes largely offset the generally declining margins on new business and the substantial drop in income from deposit business resulting from low and negative interest rates. Moreover, the prior-year figure was boosted by a special dividend of €44m. The rise in net interest income at mBank was due both to sustained growth in the consumer credit business and to higher contributions from the deposit business. In the Corporate Clients segment, the Mittelstand division recorded a drop in demand for credit year-on-year that was only partially compensated by ongoing solid demand for capital market solutions. The International Corporates division posted moderate growth in lending business year-on-year, while structured credit products recorded lower demand.

Income was stable at Equity Markets & Commodities thanks to the upward trend on the equity market. The sharp year-on-year rise in net interest and trading income in the Asset & Capital Recovery segment resulted from lower funding costs due to the portfolio reduction and a non-recurring income item. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

Net trading income for the period included positive measurement effects from both counterparty risks and the measurement of own liabilities of €41m, compared with €487m in the same period last year. Further information on the composition of net interest and net trading income is given in the notes to the interim financial statements on pages 48 and 49.

Net commission income in the period under review was €2,404m, on a par with the prior-year figure. In the Private and Small-Business Customers segment the rise in Germany is largely due to the strong performance of the securities business, even though it slowed down as the year progressed. In line with strategy, there was a further sharp rise in volume-based commissions. mBank recorded a double-digit increase in several areas of private customer business as well as in business with corporate clients. In the Corporate Clients segment, the positive trend in income from capital market products was offset in particular by lower income from documentary business as a result of the reduction in complexity in the Financial Institutions banking portfolio and a drop in customer activity.

Net investment income in the first nine months of 2017 was €365m, compared with €257m in the prior-year period. Both periods saw one-off effects impacting investment income. The figure for the current year includes income of €176m from the acquisition of the instalment loan portfolio and a gain of €89m on the disposal of a holding in the payment services provider Concardis.

Other net income was €228m for the reporting period, compared with €94m a year earlier. This includes one-off income relating to a property sale.

The net allocation to loan loss provisions was €–530m, €80m lower than in the prior-year period. While provisioning requirements in the Corporate Clients segment fell sharply as a result of lower additions to loan loss provisions for individual exposures, there was a small rise in loan loss provisions in the Private and Small-Business Customers segment, although these remained low at €130m. At the nine-month stage, loan loss provisions in the Asset & Capital Recovery segment were still almost entirely related to ship financing.

Operating expenses in the period under review were €5,297m, on a par with the prior-year figure. Investments in strategic development were offset by rigorous cost management. Personnel costs were €2,732m, compared with €2,761m in the prior-year period. Other operating expenses, including depreciation on fixed assets and amortisation of other intangible assets, were €2,565m and thus also in line with the level seen in the first nine months of 2016.

Restructuring expenses of €807m impacted on profit in the period under review. They were connected with the implementation of the "Commerzbank 4.0" strategy and the agreement reached with the employee representative committees in this regard on an outline reconciliation of interests and an outline social plan.

As a result of the developments described above, the Commerzbank Group posted a pre-tax profit of €337m in the first nine months of the current year, compared with €338m in the same period of the prior year.

Tax expense for the reporting period was €204m, compared with €161m in the prior-year period. Consolidated profit after tax was €133m, compared with €177m in the prior-year period. Net of non-controlling interests, a consolidated profit of €66m was attributable to Commerzbank shareholders for the period.

Operating earnings per share came to €0.91 and earnings per share to €0.05. The comparable figures in the prior-year period were €0.85 and €0.08 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2017 were €489.9bn, 2.0% above the figure for year-end 2016.

The cash reserve increased by €19.5bn to €54.3bn. This increase compared with the end of 2016 was due in particular to larger deposits with central banks. Claims on banks were €62.6bn, up 7.0% on the year-end 2016 level. An increase in the volume of reverse repos and money market trading was offset by a slight decline in other claims. Claims on customers were €229.4bn, €16.5bn higher than the level at the end of 2016.

The portfolio reduction in the Asset & Capital Recovery segment led to a decline in volumes, whereas customer claims in the operating segments grew, especially in the Private and Small-Business Customers segment, due to increased mortgage lending and the acquisition of the instalment loan portfolio.

Total lending to customers and banks was €228.3bn as at the reporting date, slightly above the level as at end-2016. While loans to banks fell by €4.1bn to €15.8bn, customer lending business was €212.5bn, 4.1% above the year-end 2016 level. As at the reporting date, trading assets totalled €70.0bn, compared with €88.9bn at year-end 2016. Holdings of equities, other equity-related securities and investment fund units decreased by €6.7bn, while positive fair values of financial derivatives, in particular interest-rate-related and currency-related derivative transactions, fell sharply by €12.6bn compared with year-end 2016. Financial investments decreased compared with year-end 2016, down 15.8% to €59.1bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks stood at €68.8bn, €1.9bn above the end-2016 level. Repos were up by €2.2bn and liabilities to central banks by €0.7bn, while cash collaterals fell by €1.1bn. Liabilities to customers rose by 8.9% compared with year-end 2016 to €273.4bn, owing mainly to volume growth in repos and deposits in the private customer business. Securitised liabilities were €36.7bn, €1.8bn lower than at year-end 2016. While bonds and notes issued fell slightly, down €1.1bn to €31.8bn – owing in particular to a lower volume of public-sector Pfandbriefe and other bonds and notes – money market instruments issued were down by €0.7bn to €4.9bn. Trading liabilities decreased in volume by €12.2bn overall to €59.4bn. This was largely due to the fall in negative fair values of derivatives, in particular interest-rate-related and currency-related derivative transactions. By contrast, there was an increase in certificates and other notes issued.

Off-balance-sheet liabilities were only slightly changed overall compared with the volume at the end of the previous year, with contingent liabilities unchanged year-on-year at €35.1bn and irrevocable lending commitments down €0.9bn to €77.3bn.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 30 September 2017 was €28.6bn, in line with the figure for year-end 2016. As at the reporting date, the revaluation reserve stood at €–0.7bn. This was a slight decline compared with the year-end, attributable in particular to the positive development of credit spreads on Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–1.0bn from equity, unchanged from year-end 2016.

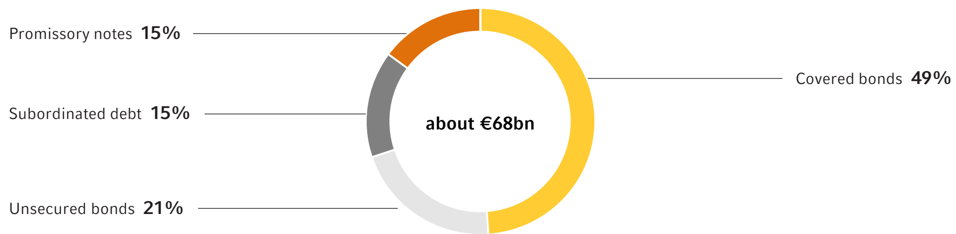
Risk-weighted assets (phase-in) were €176.9bn as at 30 September 2017, €13.6bn below the year-end 2016 level. The decrease was largely attributable to a reduction in risk-weighted assets from credit risks through active portfolio management, including a securitisation transaction and declines in the shipping portfolio, as well as a positive impact from foreign currency movements. Risk-weighted assets from market risks and operational risks also fell. Regulatory Tier 1 capital fell by around €0.7bn to €25.8bn compared with year-end 2016, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio rose to 14.6% due to the decline in risk-weighted assets. Common Equity Tier 1 capital was €25.4bn and the corresponding Common Equity Tier 1 ratio 14.4%. The total capital ratio was 17.8% on the reporting date. The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of full implementation of the Basel III regulations) was 13.5% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which compares Tier 1 capital with leverage exposure, was 5.1% (phase-in) or 4.7% (fully phased-in).

The Bank complies with all regulatory requirements.

Funding and liquidity

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

Capital market funding structure[1]
As at 30 September 2017



[1] Based on reported figures.

The Commerzbank Group raised a total of €5.2bn in long-term funding on the capital market in the first nine months of 2017.

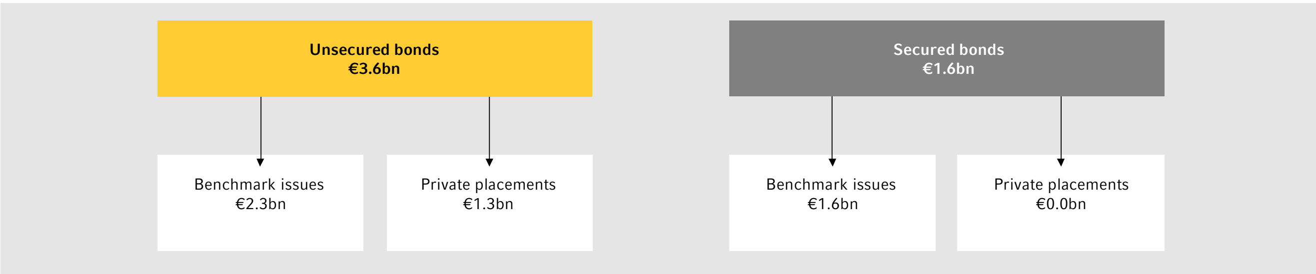
An unsecured benchmark subordinated bond with a volume of €500m and a term of just over ten years was issued in the first quarter. In the second quarter the Bank placed a subordinated bond worth SGD 500m in the Asian market for the first time. The issue has a term of ten years with an issuer call option after five years.

Most investor demand (over 90%) came from Singapore investors. This further diversified the Commerzbank investor base. Commerzbank also issued two senior unsecured benchmark bonds with volumes of €500m each and terms of seven and eight years respectively. A further €1.3bn was raised in private placements. The Polish subsidiary mBank also issued a senior unsecured bond with a benchmark volume of CHF 200m and a term of six years.

In the collateralised area, a mortgage Pfandbrief with a six-year term was topped up by €500m at the start of the year, taking it to €1bn. This was followed in the third quarter by a mortgage Pfandbrief with a ten-year term and a volume of €750m, which was topped up by a further €250m. In September mBank placed a PLN 500m floating-rate covered bond under Polish law with a five-year term.

The focus has been on the long end, so the average term of securities issued in 2017 has been around eight years.

Group capital market funding in the first nine months of 2017
Volume €5.2bn



As at the reporting date, the Bank had a liquidity reserve of €93.7bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. This liquidity reserve portfolio is funded in line with liquidity risk appetite in order to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8.3bn as at the reporting date. The regulatory liquidity requirements of the German Liquidity Regulation were met at all times in the reporting period. As at the reporting date, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.45, again significantly higher than the minimum regulatory requirement of 1.00. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Segment performance

The comments on the segments' results for the first nine months of 2017 are based on the segment structure described on pages 50 and 173 ff. of the Annual Report 2016.

Further information on this subject and on segment reporting in general can be found on page 52 ff. of the interim financial statements. Explanations regarding restatements of prior-year figures can be found on page 44 f. of the interim financial statements.

Private and Small-Business Customers

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %/%-points
Income before loan loss provisions	3,642	3,643	0.0
Loan loss provisions	–130	–105	23.8
Operating expenses	2,795	2,693	3.8
Operating profit/loss	**717**	**845**	**–15.1**
Average capital employed	4,080	4,149	–1.7
Operating return on equity (%)	23.4	27.2	–3.8
Cost/income ratio in operating business (%)	76.7	73.9	2.8

[1] Figures adjusted due to restatements (see page 44 f. of the interim financial statements).

Nine months into 2017, the business growth trend in the Private and Small-Business Customers segment remains intact. This is reflected both in Germany and at mBank in (sometimes considerable) increases in loan, deposit and portfolio volumes and in significant growth in net new customers. Operating income remained stable despite still increasing negative effects in Germany from the low interest rate environment and a temporary slowdown in new instalment loan business. One-off income of €239m also contributed, primarily from the acquisition of the instalment loan portfolio and a gain on the disposal of a holding in the payment services provider Concardis. Overall, one-off income in the first nine months of 2017 was significantly higher than in the prior-year period, when effects of around €187m were recognised. Overall, operating profit in the segment fell by €128m to €717m.

At €3,642m in the period under review, total income before loan loss provisions was at the same level as the previous year (€3,643m). Net interest income was down €63m to €1,795m, largely due to the absence of a special dividend of €44m received last year. In the domestic lending business, growing interest income in the domestic lending business thanks to rising portfolio volumes largely offset the generally declining margins on new business and the substantial drop in income from deposit business resulting from low and negative interest rates. The rise in net interest income at mBank was due both to sustained growth in the consumer credit business and to higher contributions from the deposit business. Net commission income improved by €35m year-on-year to €1,487m. The rise in Germany is largely due to the strong performance of the securities business, even though it slowed down as the year progressed. In line with strategy, there was a further sharp rise in volume-based commissions. mBank recorded a double-digit increase in several areas of private customer business as well as in business with corporate clients.

Loan loss provision expense was up €25m year-on-year to €–130m. Despite this slight increase the quality of the credit portfolio is still very good, especially domestically.

Operating expenses were €2,795m, an increase of €102m year-on-year. A slight fall in personnel expenses was offset by a rise in other operating expenses and, in particular, higher indirect operating expenses. Part of the increase is related to investments to expand the future income base. In addition, the increase of €24m in regulatory costs in Poland is a factor that can only be influenced to a limited extent. These costs are essentially driven by the European bank levy and the bank tax.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €717m in the first nine months of 2017, after €845m in the prior-year period.

Corporate Clients

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %/%-points
Income before loan loss provisions	3,013	3,361	–10.4
Loan loss provisions	–123	–215	–42.8
Operating expenses	2,148	2,219	–3.2
Operating profit/loss	**742**	**927**	**–20.0**
Average capital employed	10,629	11,660	–8.8
Operating return on equity (%)	9.3	10.6	–1.3
Cost/income ratio in operating business (%)	71.3	66.0	5.3

[1] Figures adjusted due to restatements (see page 44 f. of the interim financial statements).

Due to the numerous geopolitical events and landmark elections in Europe, a difficult capital market environment and the challenges posed by low interest rates, the Corporate Clients segment reported a lower operating profit of €742m in the first nine months of 2017, down from €927m in the corresponding prior-year period.

Compared with the first nine months of 2016, the Mittelstand division recorded a drop in demand for credit, only partially compensated by ongoing solid demand for capital market solutions. The International Corporates division posted moderate growth in lending business year-on-year, while structured capital market products recorded lower demand. As expected, the strategic realignment of the Financial Institutions division carried out in 2016 to comply with stricter internal risk and compliance requirements resulted in a customer and income base that has stabilized at a lower level compared with the first nine months of the previous year. Income was stable at Equity Markets & Commodities thanks to the benign equity market environment.

In the period under review, income before loan loss provisions fell 10.4% year-on-year to €3.013m. Net interest and trading income was €2,020m, down 12.8% year-on-year. Net commission income was €938m, almost in line with the prior-year period. The positive trend in income from capital market products was offset in particular by lower income from documentary business as a result of the reduction in complexity in the Financial Institutions banking portfolio and a drop in customer activity.

Loan loss provisions were €–123m in the first nine months of 2017, a fall of €92m year-on-year. The lower provisioning requirements were related to the lower additions to loan provisions for individual exposures.

Operating expenses were €2,148m, down €71m on the prior-year figure, while spending on strategic development continued. The 3.2% decline was primarily attributable to strict cost management and lower personnel costs, enabling the Bank to offset higher regulatory expenses in particular.

Overall, the Corporate Clients segment posted a pre-tax profit of €742m in the first nine months of 2017. This compared to €278m in the prior-year period, which was heavily affected by goodwill write-offs of €627m.

Asset & Capital Recovery

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %/%-points
Income before loan loss provisions	141	30	.
Loan loss provisions	–277	–292	–5.1
Operating expenses	79	97	–18.6
Operating profit/loss	**–215**	**–359**	**–40.1**
Average capital employed	3,063	3,351	–8.6
Operating return on equity (%)	–9.4	–14.3	4.9
Cost/income ratio in operating business (%)	56.0	.	.

[1] Figures adjusted due to restatements (see page 44 f. of the interim financial statements).

Since the transfer of assets with good credit quality and low earnings volatility from the former Non-Core Assets (NCA) segment to various Bank segments with effect from 1 January 2016, the assets remaining in Asset & Capital Recovery (ACR) mainly comprise more complex sub-portfolios, some of which have very long maturities. In the year to date, efforts to reduce assets have focused on ship financing and commercial real estate in particular; the total volume (exposure at default including non-performing loans) at the end of September 2017 was €14.3bn, down €1.9bn compared with the end of 2016.

Income before loan loss provisions after the first nine months of 2017 was €141m, compared with €30m in the year-earlier period. This significant improvement was due to lower funding costs as a result of the ongoing reduction in the credit portfolio and notably to a one-off income item of €68m recorded in the first quarter. This was the result of a write-up on a previously written off position with a counterparty with which Commerzbank had taken out hedges in the Public Finance division.

The loan loss provisions of €–277m, after €–292m in the first nine months of the previous year, were attributable almost exclusively to ship financing.

In line with the reduction in the size of the portfolio, operating expenses were down by a further €18m to €79m.

Overall, the ACR segment posted a pre-tax loss of €–215m in the first nine months of 2017. This represents a substantial €144m reduction in the loss compared with the same period of the previous year.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under Others comprises equity participations that are not assigned to business segments, overarching Group matters such as expenditure on regulatory fees, specific individual matters that cannot be allocated to the segments and Group Treasury. The costs of the support functions, which are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. The costs of the staff and management functions are also mainly charged to the segments and shown here. Restructuring costs for support functions and staff and management functions are not included in this charging.

An operating result of €–100m was recorded in the first nine months of 2017, compared with €–351m in the prior-year period. This increase of €251m was largely the result of one-off income from a property sale. Taking into account restructuring expenses of €807m in connection with the implementation of the headcount reduction as part of the “Commerzbank 4.0” strategy, Others and Consolidation recorded a pre-tax result of €–907m in the first nine months of 2017, compared with €–426m in the first nine months of 2016.

Outlook and opportunities report

Future economic situation and future situation in the banking sector

Our view regarding the expected development of the overall economy and banking sector in the final months of the current financial year has not changed substantially compared with our comments published in the interim report on the first half of 2017.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates a capital market funding requirement of less than €10bn over the coming years. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments such as senior unsecured and Tier 2, Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. As such, Pfandbriefe are a key element of Commerzbank's funding mix. Issuance formats range from large-volume benchmark bonds to private placements.

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

Planned investments

The Bank's investment plans have not changed significantly in the first nine months of the current year from the plans set out on pages 85 to 86 of the Annual Report 2016. Commerzbank's current and planned investment activity relates to measures under the "Commerzbank 4.0" strategy. We will be spending the coming years making our business model consistently more focused, implementing digital transformation and boosting efficiency.

Anticipated liquidity trends

In the third quarter of 2017 the eurozone money and capital markets were again characterised by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone and prevent deflationary trends.

The ECB made an additional €60bn of liquidity available each month up to the end of September 2017 through the securities purchase programme. From January 2018 onwards it intends to buy government bonds and other securities worth €30bn every month. The programme is to run until at least the end of September 2018, nine months longer than previously planned. There was a further increase in excess liquidity to just under €1,800bn as at the end of September 2017. We expect a further increase in excess liquidity in the eurozone due to the continuation of the purchase programme. The translation into demand for credit will remain modest.

Overall, we expect secondary market liquidity on European bond markets to decline further as a result of the heavy activity by the ECB and the persistently negative yields on many government bonds. Discussions about the timing and impact of a possible end to the purchase programme have increased as the year has gone on. The restrictive regulatory environment and ECB interest rate policy are still having a limiting effect on turnover in the repo market. The ECB's purchase programme is continuing to cause a shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. Liquidity trends on the bond markets are still dictated largely by the ECB's activities. Secondary market liquidity, which has already been significantly reduced, will remain modest due to the ECB's activities. We still anticipate that interest rates will be negative out to three years, with persistently high demand from investors for high-quality securities, and therefore expect credit spreads to remain tight.

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

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

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Anticipated performance of the Commerzbank Group

We essentially stand by what we said in the interim report on the first half of 2017 about the anticipated performance of the Commerzbank Group. However, we expect a slight shift between the segments within loan loss provisions. We continue to anticipate a provisioning requirement of around €800m for 2017 as a whole, but from the present perspective we assume that roughly €400m of this will be incurred in the ACR segment, which is somewhat less than previously thought.

Overall, given the conditions and risk factors described, we still expect consolidated net profit to be slightly positive in 2017.

We are aiming for a Common Equity Tier 1 capital ratio (fully phased-in) of at least 12.5%, including the impact of IFRS 9 effective from 1 January 2018.

Interim Risk Report

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

Interim Risk Report

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

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Risk-oriented overall bank management

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

Risk management organisation

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

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

Further details on the risk management organisation within Commerzbank can be found in the Group Risk Report 2016.

Risk-bearing capacity and stress testing

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

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

In addition, risk-bearing capacity is assessed using macroeconomic stress scenarios. The Group Risk Report 2016 provides further details on the methodology used. The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2017. In addition to regularly updating the economic capital model's risk parameters, we also included deposit model risk. Deposit model risk is the risk arising from the deposit model used by Commerzbank and from modelling unscheduled repayment rights in commercial credit business.

The monitoring and management by means of risk-bearing capacity is carried out monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In the year to date, the RBC ratio has consistently been above 100% and stood at 221% as at 30 September 2017. The increase in the RBC ratio compared to December 2016 is mainly due to the decline in market risk because of lower market volatilities and the active portfolio management of credit risks. The RBC ratio remains at a high level.

Risk-bearing capacity Group | €bn	30.9.2017	31.12.2016
Economic risk coverage potential[1]	**30**	**30**
Economically required capital[2]	**14**	**17**
thereof for default risk	10	11
thereof for market risk[3]	3	5
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio[4]	**221%**	**178%**

[1] Including deductible amounts for business risk.
[2] Including property value change risk, risk of unlisted investments and reserve risk.
[3] Including deposit model risk.
[4] RBC ratio = economic risk coverage potential/economically required capital.

Default risk

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

Commerzbank Group

At the end of September 2016, Commerzbank presented its new strategic programme "Commerzbank 4.0". Its business is focused on two customer segments, "Private and Small-Business Customers" and "Corporate Clients". The Mittelstandsbank and Corporates & Markets segments were consolidated into a single unit and trading activities in investment banking were scaled back.

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

The credit risk parameters in the rating classes 1.0 to 5.8 are as follows as at 30 September 2017:

Credit risk parameters as at 30.9.2017	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	151	385	25	2,404
Corporate Clients	187	482	26	5,471
Others and Consolidation[1]	80	44	6	1,278
Asset & Capital Recovery	12	284	230	663
Group	**430**	**1,195**	**28**	**9,815**

[1] Mainly Treasury liquidity portfolios.

When broken down on the basis of PD ratings, 83% of the Group's portfolio is in the internal rating classes 1 and 2, which constitute the investment-grade area.

Rating breakdown as at 30.9.2017 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private and Small-Business Customers	31	51	14	3	1
Corporate Clients	21	59	16	3	2
Others and Consolidation	61	35	3	0	0
Asset & Capital Recovery	5	65	5	9	17
Group	**31**	**52**	**13**	**2**	**2**

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 6% to North America and Asia, respectively. The rest is broadly diversified and is split among a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries. A main driver of the expected loss in the region "Other" is ship financing.

Group portfolio by region as at 30.9.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	221	475	21
Western Europe	103	130	13
Central and Eastern Europe	40	196	49
North America	27	74	28
Asia	26	44	17
Other	13	277	207
Group	**430**	**1,195**	**28**

In view of current geopolitical developments, national economies such as Russia, Ukraine, Turkey and China are closely monitored. As at the end of the third quarter of 2017, exposure to Russia was €2.3bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.1bn and exposure to China was €5.9bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the third quarter of 2017, Commerzbank's Italian sovereign exposure was €9.1bn, while its Spanish sovereign exposure was €1.7bn.

Loan loss provisions The Group's loan loss provisions in the first three quarters of 2017 amounted to €530m, representing a year-on-year fall of €80m.

Write-downs on securities are not recognised in loan loss provisions but in net investment income. Note (5) of the interim financial statements gives further details on this.

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	2017				2016					
Loan loss provisions | €m	**Q1–Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1–Q3**	**Q3**	**Q2**	**Q1**
Private and Small-Business Customers	130	55	42	33	119	14	105	40	42	23
Corporate Clients	123	47	33	43	185	–30	215	87	72	56
Others and Consolidation	0	0	0	0	–3	–1	–2	1	–2	–1
Asset & Capital Recovery	277	66	92	119	599	307	292	147	75	70
Group	**530**	**168**	**167**	**195**	**900**	**290**	**610**	**275**	**187**	**148**

For the whole year 2017, we expect loan loss provisions of around €800m, of which from today's perspective about €400m will be allocated to the ACR segment. In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

Default portfolio The default portfolio decreased by €0.4bn in the first three quarters of 2017.

The following table shows claims in the default portfolio in the category LaR.

Default portfolio Group | €m	**30.9.2017**	**31.12.2016**
Default portfolio	6,549	6,914
SLLP[1]	3,118	3,243
GLLP[2]	624	673
Collaterals	2,153	2,256
Coverage Ratio excluding GLLP (%)[3]	80	80
Coverage Ratio including GLLP (%)[3]	90	89
NPL ratio (%)[4]	1.5	1.6

[1] Specific loan loss provision.
[2] General loan loss provision.
[3] Coverage ratio: total of risk provisions, collateral (and GLLP) as a proportion of the default portfolio.
[4] NPL ratio: default portfolio (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €74bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €19bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans and credit cards, to a total of €14bn). The portfolio's expansion in the first nine months was largely the result of residential mortgage loans.

Risk density rose by 4 basis points compared with year-end 2016 to 25 basis points, with the increase due almost entirely to the takeover of the instalment loan business of Commerz Finanz GmbH.

Credit risk parameters as at 30.9.2017	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Private Customers	91	163	18
Business Customers	26	63	24
comdirect bank	4	8	23
Commerz Real	0	3	64
mBank	31	147	48
Private and Small-Business Customers	**151**	**385**	**25**

Private and Small-Business Customers segment

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

In the first three quarters of 2017 loan loss provisions in the Private and Small-Business Customers segment increased by €25m compared with the year-earlier period, but remained at a low level of €130m.

The default portfolio in the segment slightly rose by €67m to €1,803m compared with 31 December 2016.

Default portfolio Private and Small-Business Customers I €m	30.9.2017	31.12.2016
Default portfolio	1,803	1,737
SLLP	942	834
GLLP	185	155
Collaterals	595	675
Coverage ratio excluding GLLP (%)	85	87
Coverage ratio including GLLP (%)	96	96
NPL ratio (%)	1.2	1.2

Corporate Clients segment

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

The Group's customer-oriented capital markets activities are also bundled in this segment.

Credit risk parameters as at 30.9.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	79	175	22
International Corporates	65	146	22
Financial Institutions	26	80	30
Equity Markets & Commodities	4	3	9
Other	12	78	63
Corporate Clients	**187**	**482**	**26**

The EaD of the Corporate Clients segment decreased from €195bn to €187bn, compared to 31 December of the previous year. The decrease was mainly attributable to the Mittelstand area and the Financial Institutions portfolio. Risk density fell from 28 basis points to 26 basis points.

The German economy continued to perform well in the third quarter of 2017, although it was slightly weaker than in the first two quarters. In addition, the third quarter was dominated by political uncertainty surrounding the German parliamentary elections and foreign political conflicts, although these did not have a major impact on our credit portfolio.

For details of developments in the Financial Institutions portfolio, please see page 22.

Supported by continuing robustness in the overall economy, loan loss provisions in the Corporate Clients segment in the first three quarters of 2017, at €123m, were once more significantly below the year-earlier figure of €215m.

The default portfolio in the segment also decreased considerably compared with 31 December 2016, by €532m.

Default portfolio Corporate Clients I €m	30.9.2017	31.12.2016
Default portfolio	2,832	3,363
SLLP	1,431	1,563
GLLP	310	323
Collaterals	460	780
Coverage ratio excluding GLLP (%)	67	70
Coverage ratio including GLLP (%)	78	79
NPL ratio (%)	1.5	1.7

Asset & Capital Recovery segment

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

EaD for the segment in the performing portfolio totalled €12bn as at 30 September 2017, which means a decrease of €2.0bn compared with the end of the previous year.

Credit risk parameters as at 30.9.2017	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	1	25	222
Ship Finance	2	212	1,105
Public Finance	9	46	50
Asset & Capital Recovery	**12**	**284**	**230**

Commercial Real Estate The portfolio further decreased due to redemptions and repayments. Compared with 31 December 2016 risk density increased from 174 basis points to 222 basis points. The default portfolio remained nearly unchanged at €0.6bn.

Stable market conditions are expected for the short to medium term.

Ship Finance Compared with 31 December 2016, exposure to ship finance in the performing portfolio was reduced by €1.6bn in total, in line with our reduction strategy, while the default portfolio increased by €0.1bn to €1.4bn.

Overall our portfolio is mainly made up of the following three standard types of ship: container ships (€1.3bn), tankers (€0.6bn) and bulkers (€0.6bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

We do not expect a lasting market recovery across all asset classes in the short term.

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Public Finance The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€4.2bn EaD), a private finance initiative (PFI) portfolio (€3.7bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.4bn EaD).

The future performance of the Public Finance portfolio is dependent on political, economic and monetary developments, particularly in Europe and the USA.

	2017				2016					
Loan loss provisions I €m	**Q1–Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1–Q3**	**Q3**	**Q2**	**Q1**
Commercial Real Estate	2	2	–3	3	42	68	–26	5	–26	–5
Ship Finance	276	64	96	116	559	240	319	146	99	74
Public Finance	–1	–1	0	0	–1	0	–2	–4	3	0
Asset & Capital Recovery	**277**	**66**	92	**119**	**599**	**307**	292	**147**	**75**	**70**

Loan loss provisions in the ACR segment stood at €277m in the first three quarters of 2017, representing a fall of €15m compared with the year-earlier period. Loan loss provisions were almost completely attributable to the shipping portfolio.

	30.9.2017			31.12.2016		
Default portfolio ACR | €m	**ACR**	**CRE**	**SF**	**ACR**	**CRE**	**SF**
Default portfolio	1,914	564	1,351	1,805	562	1,243
SLLP	737	149	588	838	210	628
GLLP	127	13	114	192	20	172
Collaterals	1,098	359	739	800	334	466
Coverage ratio excluding GLLP (%)	96	90	98	91	97	88
Coverage ratio including GLLP (%)	102	92	107	101	101	102
NPL ratio (%)	13.4	33.0	41.3	11.2	22.7	26.2

Further portfolio analyses

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

Corporates portfolio by sector

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

Corporates portfolio by sector as at 30.9.2017	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	17	36	21
Consumption	15	48	32
Wholesale	12	44	36
Technology/Electrical industry	11	29	25
Transport/Tourism	11	22	21
Services/Media	10	23	24
Chemicals/Plastics	9	40	42
Automotive	9	21	23
Mechanical engineering	9	24	26
Basic materials/Metals	9	29	31
Construction	5	13	26
Pharmaceutical/Healthcare	5	36	75
Other	5	14	26
Total	**128**	**378**	**29**

Financial Institutions portfolio

The focus remains – after the reduction in the number of our correspondent banks in 2016 – on capital market activities and on the trade finance activities that we carry out on behalf of our corporate clients and on capital market activities. In derivatives, we are entering into trades with selected counterparties under the new EMIR standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, our strategy is to reduce the exposure which might absorb losses in the case of a bail-in.

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

	30.9.2017			31.12.2016		
FI portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	4	5	11	6	6	11
Western Europe	14	11	8	17	21	12
Central and Eastern Europe	4	18	48	5	21	43
North America	2	2	11	2	3	15
Asia	11	29	25	10	27	27
Other	5	23	47	6	36	58
Total	**40**	**87**	**22**	**46**	**114**	**25**

Non-Bank Financial Institutions portfolio

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

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

The increase in expected loss in North America is due to the recovery of a written-down engagement in the Public Finance hedging business.

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	30.9.2017			31.12.2016		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	17	25	15	17	26	15
Western Europe	14	21	16	12	24	20
Central and Eastern Europe	1	7	90	1	4	65
North America	7	41	57	8	10	14
Asia	1	1	9	1	1	11
Other	1	1	17	1	1	14
Total	**41**	**97**	**24**	**39**	**67**	**17**

Originator positions
Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €7.6bn, primarily for capital management purposes.

As at the reporting date 30 September 2017, risk exposures with a value of €7.1bn were retained. By far the largest portion of these positions is accounted for by €7.0bn of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1] 30.9.2017**	**Total volume[1] 31.12.2016**
Corporates	2025 – 2036	7.0	0.1	<0.1	7.6	6.1
Total		**7.0**	**0.1**	**<0.1**	**7.6**	**6.1**

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

Conduit exposure and other asset-backed exposures
Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). In the third quarter of 2017, the volume and risk values in the Silver Tower conduit fell slightly. They stood at €3.9bn as at the end of September 2017, around €0.2bn below the figure as at 31 December 2016.

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

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. As at the reporting date, the volume fell to €4.7bn (December 2016: €5.3bn) and risk values to €4.5bn (December 2016: €5.2bn).

Market risk

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

Risk management

A standardised value at risk model (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Group Risk Report 2016. In order to provide a consistent presentation in this report, all figures relating to the VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254 days' history.

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

By the end of the third quarter, the VaR for the overall book had fallen by €27m to €58m due to lower market volatility. The VaR of the trading book fell slightly since the beginning of the year, from €15m to €13m.

VaR contribution | €m	30.9.2017	31.12.2016
Overall book	**58**	**85**
thereof trading book	13	15

Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients and Treasury divisions.

A comparison of the mean and extreme values shows that the variations in the VaR in the first nine months of 2017 were significantly below those in 2016.

VaR of portfolios in the trading book | €m	Q1–Q3 2017	2016
Minimum	10	14
Mean	15	30
Maximum	25	46
VaR at end of reporting period	**13**	**15**

The market risk profile is diversified across all asset classes. The dominant asset classes are foreign exchange, interest rate and credit spread risks, followed by equity price risks. To a lesser extent, value at risk is also affected by commodity and inflation risks.

The change in VaR in the first nine months of 2017 shows a decrease in credit spread risks and an increase in interest rate risk. This is mainly due to position changes in the Corporate Clients segment.

VaR contribution by risk type in the trading book | €m	30.9.2017	31.12.2016
Credit spreads	2	5
Interest rates	4	3
Equities	2	2
FX	5	4
Commodities	1	1
Total	**13**	**15**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. Stressed VaR fell from €48m at end-2016 to €24m at the end of the third quarter, due to position changes in the Corporate Clients segment and the business area Treasury.

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

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

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Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first nine months of 2017, we saw one negative clean P&L outlier and no negative dirty P&L outliers. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses on the assumption of normal market conditions, it is supplemented by the calculation of stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve or changes to the curve's gradient. Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

The VaR and stress test models are validated independently on a regular basis. The identification and elimination of model weaknesses are of particular importance in this. Against this background, regulatory and internal model adjustments were implemented in the course of the year to date to further improve the accuracy of risk measurement.

Banking book

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

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) fell from €50m to €43m in the course of the year.

Most credit spread sensitivities relate to securities positions classified as loans and receivables (LaR). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

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

The outcome of the +200 basis points scenario would be a potential loss of €2,461m, while the –200 basis points scenario would result in a potential loss of €325m as at 30 September 2017. Commerzbank does not therefore need to be classified as a bank with higher interest rate risk as the negative changes in present value account for less than 20% of regulatory capital.

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

Market liquidity risk

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

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

As at the end of the third quarter of 2017, Commerzbank had earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking books. Asset-backed securities and structured products in particular had a higher market liquidity risk.

Liquidity risk

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

Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Additional information on this subject can be found in the section "Funding and liquidity" in the Interim Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

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

Quantification and stress testing

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

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

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

The table below shows the liquidity gap profile after application of the respective stress scenarios for periods of one and three months. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at 30 September 2017, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €21.0bn and €24.4bn respectively.

Net liquidity in the stress scenario | €bn		30.9.2017
Idiosyncratic scenario	1 month	25.1
	3 months	30.7
Market-wide scenario	1 month	30.1
	3 months	33.9
Combined scenario	1 month	21.0
	3 months	24.4

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €93.7bn in the form of highly liquid assets. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio in the amount of €8.3bn as at the reporting date.

Liquidity reserves from highly liquid assets €bn	30.9.2017
Highly liquid assets	93.7
of which level 1	86.5
of which level 2A	6.2
of which level 2B	1.0

Liquidity ratios

In 2017, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), have at all times been above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the external regulatory German Liquidity Regulation; at the reporting date, the liquidity ratio under the German Liquidity Regulation stood at 1.45.

The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards. At the start of the new financial year 2017, the ratio to be complied with was 80%.

Commerzbank significantly exceeded the stipulated minimum ratio of 80% on every reporting date in the first nine months of 2017.

Operational risk

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

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €22.7bn at the end of the third quarter of 2017 (31 December 2016: €23.9bn), while economically required capital was €1.9bn (31 December 2016: €2.0bn).

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

The total charge for OpRisk events at the end of the third quarter of 2017 was around €38m (full-year 2016: €36m). The events were dominated by losses in the categories "Process related" and "Products and business practices".

OpRisk events[1] | €m	30.9.2017	31.12.2016
Internal fraud	1	1
External fraud	4	26
Damages and IT failure	0	1
Products and business practices	13	–21
Process related	19	29
HR related	1	0
Group	**38**	**36**

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

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. Details of legal risk, compliance risk and human resources risk are shown below. In terms of all other risks, there were no significant changes in the first nine months of 2017 compared with the position reported in detail in the Group Risk Report 2016.

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

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

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

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

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

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

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

Some of these cases could also have an impact on the reputation of Commerzbank and its subsidiaries. The Group recognises provisions for such proceedings if liabilities are likely to result from them and the amounts to which the Group is likely to be liable can be sufficiently accurately determined. As there are considerable uncertainties as to how such proceedings will develop, the possibility cannot be excluded that some of the reserves created for them may prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is also true in the case of legal proceedings for which the Group did not consider it necessary to create reserves. The eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cash flow in a specified reporting period; in the worst case it cannot be fully ruled out that the liabilities that might result from them may also have a significant impact on Commerzbank's earnings performance, assets and financial position.

Further information on legal proceedings may be found in Note (26) regarding provisions and Note (30) regarding contingent liabilities and irrevocable lending commitments in the Group Financial Statements.

Compliance risk In March 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions, as reported in the Group Risk Report 2016. The settlements also specify a three-year period of good conduct. In light of the experiences of other banks, it cannot be totally ruled out that Commerzbank will be subject to further measures during the period of good conduct and from the activities of the monitor.

According to the requirements of the Financial Services and Markets Act 2000 (FSMA) Commerzbank London has mandated a consulting company as so-called Skilled Person. The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the British Financial Conduct Authority (FCA). Following this, the efficiency of the resulting implementation plan will be evaluated and the Skilled Person will report to the FCA on a semi-annual basis. It cannot be ruled out that additional expenses might be implied, e.g. for staff or other resources.

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

Disclaimer Commerzbank's internal risk measurement methods and models which form the basis for the calculation of the figures shown in this report are state-of-the-art and based on banking sector practice. The risk models produce results appropriate to the management of the Bank. The measurement approaches are regularly reviewed by risk control and internal audit, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, models cannot cover all the influencing factors that have an impact in reality or illustrate their complex behaviour and interactions. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %
Interest income		6,669	7,447	−10.4
Interest expenses		3,594	3,626	−0.9
Net interest income	(1)	3,075	3,821	−19.5
Loan loss provisions	(2)	−530	−610	−13.1
Net interest income after loan loss provisions		2,545	3,211	−20.7
Commission income		2,963	2,848	4.0
Commission expenses		559	461	21.3
Net commission income	(3)	2,404	2,387	0.7
Net trading income	(4)	975	329	.
Net income from hedge accounting		−97	−30	.
Net trading income and net income from hedge accounting		878	299	.
Net investment income	(5)	365	257	42.0
Current net income from companies accounted for using the equity method		21	142	−85.2
Other net income	(6)	228	94	.
Operating expenses	(7)	5,297	5,328	−0.6
Impairments on goodwill and other intangible assets	(8)	–	627	−100.0
Restructuring expenses	(9)	807	97	.
Pre-tax profit or loss		**337**	**338**	**−0.3**
Taxes on income	(10)	204	161	26.7
Consolidated profit or loss		**133**	**177**	**−24.9**
Consolidated profit or loss attributable to non-controlling interests		67	81	−17.3
Consolidated profit or loss attributable to Commerzbank shareholders		66	96	−31.3

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

Earnings per share | €	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Earnings per share	0.05	0.08	−37.5

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. The restatement of the prior-year figures had no effect on earnings per share of the previous year.

Condensed statement of comprehensive income

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Consolidated profit or loss	133	177	–24.9
Change from remeasurement of own credit risk not recognised in the income statement	–105	–	.
Change from remeasurement of defined benefit plans not recognised in income statement	127	–538	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**22**	**–538**	**.**
Change in revaluation reserve			
Reclassified to income statement	–108	–115	–6.1
Change in value not recognised in income statement	243	–26	.
Change in cash flow hedge reserve			
Reclassified to income statement	25	43	–41.9
Change in value not recognised in income statement	8	–1	.
Change in currency translation reserve			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–67	–125	–46.4
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–66	–89	–25.8
Change in value not recognised in income statement	–3	–	.
Change in companies accounted for using the equity method	–9	–	.
Items recyclable through profit or loss	**23**	**–313**	**.**
Other comprehensive income	**45**	**–851**	**.**
Total comprehensive income	**178**	**–674**	**.**
Comprehensive income attributable to non-controlling interests	97	44	.
Comprehensive income attributable to Commerzbank shareholders	81	–718	.

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3rd quarter | €m	1.7.–30.9.2017	1.1.–30.9.2016	Change in %
Consolidated profit or loss	494	–269	.
Change from remeasurement of own credit risk not recognised in the income statement	–24	–	.
Change from remeasurement of defined benefit plans not recognised in income statement	–51	–150	–66.0
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**–75**	**–150**	**–50.0**
Change in revaluation reserve			
Reclassified to income statement	–28	–42	–33.3
Change in value not recognised in income statement	88	227	–61.2
Change in cash flow hedge reserve			
Reclassified to income statement	8	12	–33.3
Change in value not recognised in income statement	2	4	–50.0
Change in currency translation reserve			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–89	51	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–66	–	.
Change in value not recognised in income statement	–1	–	.
Change in companies accounted for using the equity method	–7	1	.
Items recyclable through profit or loss	**–93**	**253**	**.**
Other comprehensive income	**–168**	**103**	**.**
Total comprehensive income	**326**	**–166**	**.**
Comprehensive income attributable to non-controlling interests	5	39	–87.2
Comprehensive income attributable to Commerzbank shareholders	321	–205	.

The breakdown of other comprehensive income for the first nine months was as follows:

Other comprehensive income | €m	1.1.–30.9.2017			1.1.–30.9.2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk	–112	7	–105	–	–	–
Change from remeasurement of defined benefit plans	182	–55	127	–761	223	–538
of which companies accounted for using the equity method	–	–	–	–	–	–
of which non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in revaluation reserve	159	–24	135	–32	–109	–141
Change in cash flow hedge reserve	45	–12	33	62	–20	42
Change in currency translation reserve	–68	1	–67	–124	–1	–125
Change from non-current assets held for sale and disposal groups	–70	1	–69	–96	7	–89
Change in companies accounted for using the equity method	–9	–	–9	–	–	–
Other comprehensive income	**127**	**–82**	**45**	**–951**	**100**	**–851**

The breakdown of other comprehensive income for the third quarter was as follows:

Other comprehensive income | €m	1.7.–30.9.2017			1.7.–30.9.2016		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of own credit risk	–28	4	–24	–	–	–
Change from remeasurement of defined benefit plans	–73	22	–51	–195	45	–150
of which companies accounted for using the equity method	–	–	–	–	–	–
of which non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in revaluation reserve	74	–14	60	209	–24	185
Change in cash flow hedge reserve	13	–3	10	21	–5	16
Change in currency translation reserve	–89	–	–89	59	–8	51
Change from non-current assets held for sale and disposal groups	–68	1	–67	–	–	–
Change in companies accounted for using the equity method	–7	–	–7	1	–	1
Other comprehensive income	**–178**	**10**	**–168**	**95**	**8**	**103**

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Income statement (by quarter)

€m	2017			2016			
	3rd quarter	2nd quarter	1st quarter[2]	4th quarter[1]	3rd quarter[1]	2nd quarter[1]	1st quarter[1]
Net interest income	954	1,039	1,082	1,256	1,141	1,349	1,331
Loan loss provisions	– 168	– 167	– 195	– 290	– 275	– 187	– 148
Net interest income after loan loss provisions	786	872	887	966	866	1,162	1,183
Net commission income	738	779	887	825	781	783	823
Net trading income	300	259	416	28	337	– 75	67
Net income from hedge accounting	– 8	– 55	– 34	– 7	27	– 2	– 55
Net trading income and net income from hedge accounting	292	204	382	21	364	– 77	12
Net investment income	300	34	31	87	94	131	32
Current net income from companies accounted for using the equity method	6	8	7	8	79	14	49
Other net income	221	4	3	202	– 22	40	76
Operating expenses	1,714	1,718	1,865	1,772	1,733	1,702	1,893
Impairments on goodwill and other intangible assets	–	–	–	–	627	–	–
Restructuring expenses	–	807	–	32	57	40	–
Pre-tax profit or loss	**629**	**– 624**	**332**	**305**	**– 255**	**311**	**282**
Taxes on income	135	– 12	81	100	14	58	89
Consolidated profit or loss	**494**	**– 612**	**251**	**205**	**– 269**	**253**	**193**
Consolidated profit or loss attributable to non-controlling interests	22	25	20	22	19	38	24
Consolidated profit or loss attributable to Commerzbank shareholders	472	– 637	231	183	– 288	215	169

[1] Prior-year figures adjusted due to restatements (see page 44 f.).
[2] Adjustment due to early application of IFRS 9 regarding own credit risk (see page 42 ff.).
The comparable figures have been adjusted with retroactive effect from 1 January 2017.

Balance sheet

Assets | €m	Notes	30.9.2017	31.12.2016[1]	Change in %
Cash reserve		54,267	34,802	55.9
Claims on banks	(12,14,15)	62,640	58,529	7.0
of which pledged as collateral		–	–	.
Claims on customers	(13,14,15)	229,374	212,848	7.8
of which pledged as collateral		–	–	.
Value adjustment on portfolio fair value hedges		115	310	−62.9
Positive fair values of derivative hedging instruments		2,129	2,075	2.6
Trading assets	(16)	70,011	88,862	−21.2
of which pledged as collateral		7,542	1,917	.
Financial investments	(17)	59,122	70,180	−15.8
of which pledged as collateral		6,743	3,175	.
Holdings in companies accounted for using the equity method		182	180	1.1
Intangible assets	(18)	3,186	3,047	4.6
Fixed assets	(19)	1,587	1,723	−7.9
Investment properties		16	16	0.0
Non-current assets held for sale and assets of disposal groups	(20)	440	1,188	−63.0
Current tax assets		857	629	36.2
Deferred tax assets		2,823	3,035	−7.0
Other assets	(21)	3,156	3,012	4.8
Total		**489,905**	**480,436**	**2.0**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

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Liabilities and equity | €m	**Notes**	**30.9.2017**	**31.12.2016[1]**	**Change in %**
Liabilities to banks	(22)	68,833	66,903	2.9
Liabilities to customers	(23)	273,364	250,920	8.9
Securitised liabilities	(24)	36,729	38,494	−4.6
Value adjustment on portfolio fair value hedges		626	1,001	−37.5
Negative fair values of derivative hedging instruments		2,675	3,080	−13.1
Trading liabilities	(25)	59,399	71,644	−17.1
Provisions	(26)	3,665	3,436	6.7
Current tax liabilities		556	627	−11.3
Deferred tax liabilities		59	49	20.4
Liabilities of disposal groups		–	–	.
Other liabilities	(27)	3,866	3,695	4.6
Subordinated debt instruments	(28)	10,406	10,969	−5.1
Equity		29,727	29,618	0.4
Subscribed capital		1,252	1,252	0.0
Capital reserve		17,192	17,192	0.0
Retained earnings		11,201	11,162	0.3
Other reserves		−1,022	−1,015	0.7
Total before non-controlling interests		28,623	28,591	0.1
Non-controlling interests		1,104	1,027	7.5
Total		**489,905**	**480,436**	**2.0**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves: Revaluation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Total before non-controlling interests[1]	Non-controlling interests	Equity[1]
Equity as at 31.12.2015	**1,252**	**17,192**	**11,458**	**–597**	**–159**	**–25**	**29,121**	**1,004**	**30,125**
Change due to retrospective adjustments			–22				–22		–22
Equity as at 1.1.2016	**1,252**	**17,192**	**11,436**	**–597**	**–159**	**–25**	**29,099**	**1,004**	**30,103**
Total comprehensive income	–	–	–99	–184	62	–112	–333	32	–301
Consolidated profit or loss			279				279	103	382
Change from remeasurement of defined benefit plans			–378				–378	–1	–379
Change in revaluation reserve				–114			–114	–21	–135
Change in cash flow hedge reserve					62		62	–	62
Change in currency translation reserve						–113	–113	–30	–143
Change from non-current assets held for sale and disposal groups				–70			–70	–19	–89
Change in companies accounted for using the equity method						1	1	–	1
Dividend paid on shares			–250				–250	–13	–263
Changes in ownership interests			6				6	2	8
Other changes			69				69	2	71
Equity as at 31.12.2016	**1,252**	**17,192**	**11,162**	**–781**	**–97**	**–137**	**28,591**	**1,027**	**29,618**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

Other changes primarily comprise changes in the group of consolidated companies and changes arising from taxes not recognised in the income statement.

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves			Total before non-controlling interests[1]	Non-controlling interests	Equity[1]
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2016	**1,252**	**17,192**	**11,162**	**−781**	**−97**	**−137**	**28,591**	**1,027**	**29,618**
Total comprehensive income	–	–	88	59	33	−99	81	97	178
Consolidated profit or loss			66				66	67	133
Change from remeasurement of own credit risk			−105				−105	–	−105
Change from remeasurement of defined benefit plans			127				127	–	127
Change in revaluation reserve				127			127	8	135
Change in cash flow hedge reserve					33		33	–	33
Change in currency translation reserve						−89	−89	22	−67
Change from non-current assets held for sale and disposal groups				−68		−1	−69	–	−69
Change in companies accounted for using the equity method						−9	−9	–	−9
Dividend paid on shares							–	−10	−10
Changes in ownership interests			−6				−6	−6	−12
Other changes			−43				−43	−4	−47
Equity as at 30.9.2017	**1,252**	**17,192**	**11,201**	**−722**	**−64**	**−236**	**28,623**	**1,104**	**29,727**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

As at 30 September 2017, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was unchanged from 31 December 2016 at €1,252m and was divided into 1 252 357 634 no-par-value shares (accounting value per share of €1.00).

In the third quarter of 2017, the revaluation reserve in other reserves was reclassified from assets held for sale to the income statement because the transaction was derecognised. Additional significant effects are not included.

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

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

The changes in ownership interests of €–12m in the first nine months of 2017 resulted from the purchase of additional shares in a company that was already consolidated.

For information[1]: Statement of changes in equity from 1 January to 30 September 2016

€m	Subscribed capital	Capital reserve	Retained earnings[2]	Other reserves			Total before non-controlling interests[2]	Non-controlling interests	Equity[2]
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	**1,252**	**17,192**	**11,616**	**−597**	**−159**	**−25**	**29,279**	**1,004**	**30,283**
Change due to retrospective adjustments			−180				−180		−180
Equity as at 1.1.2016	**1,252**	**17,192**	**11,436**	**−597**	**−159**	**−25**	**29,099**	**1,004**	**30,103**
Total comprehensive income	–	–	−441	−205	42	−114	−718	44	−674
Consolidated profit or loss			96				96	81	177
Change from remeasurement of defined benefit plans			−537				−537	−1	−538
Change in revaluation reserve				−135			−135	−6	−141
Change in cash flow hedge reserve					42		42	–	42
Change in currency translation reserve						−114	−114	−11	−125
Change from non-current assets held for sale and disposal groups				−70			−70	−19	−89
Change in companies accounted for using the equity method						–	–	–	–
Dividend paid on shares			−250				−250	−11	−261
Changes in ownership interests			6				6	2	8
Other changes			41				41	1	42
Equity as at 30.9.2016	**1,252**	**17,192**	**10,792**	**−802**	**−117**	**−139**	**28,178**	**1,040**	**29,218**

[2] Prior-year figures adjusted due to restatements (see page 44 f.).

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

[1] The basis for this presentation is the published interim financial statements as at 30 September 2016, which were restated retrospectively as at 31 December 2016.

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Cash flow statement (condensed version)

€m	2017	2016
Cash and cash equivalents as at 1.1.	**34,802**	**28,509**
Net cash from operating activities	8,751	–9,846
Net cash from investing activities	11,252	6,486
Net cash from financing activities	–355	1,157
Total net cash	**19,648**	**–2,203**
Effects from exchange rate changes	–183	–180
Cash and cash equivalents as at 30.9.	**54,267**	**26,126**

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 and debt issues of public-sector borrowers.

With regard to the Commerzbank Group, the cash flow statement is not very informative. For us, the cash flow statement replaces neither liquidity planning nor financial planning, nor is it employed as a management tool. The restatement of the prior-year figures had no effect on the cash flow statement.

Selected notes

General information

Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 30 September 2017 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim 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 September 2017. The Group Financial Statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the 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

We have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2016, with the exception of the early partial application of the amendment to IFRS 9 as mentioned (see page 136 ff. of the 2016 Group financial report). These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2017 (IFRS 14); this had no material impact on the Commerzbank Group financial statements.

The new and revised standards (IAS 28 and 40 and IFRS 2, 4, 9, 10, 15 and 16) and interpretations (IFRIC Interpretations 22 and 23) for which application is not yet mandatory impacted the Group’s accounting and measurement practices as set out below.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014. It was transposed into European law in November 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018, but earlier application is also possible. The previous standard for the accounting treatment of financial instruments (IAS 39) will largely be replaced.

IFRS 9 contains new rules for classifying and measuring financial instruments. In general, all financial assets must be measured at fair value. The remeasurement effects are taken through profit or loss. A different measurement is permitted for a debt instrument on the assets side only if it is included in a portfolio that operates under a “hold” or “hold and sell” business model and the financial instrument in question as a rule has only cash flows that are payments of principal and interest on the principal amount outstanding (SPPI criterion). However, measurement at fair value also remains possible in these cases if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

The classification and measurement of financial liabilities are nearly unchanged from the current provisions of IAS 39. As before, a fair value option also exists for financial liabilities under certain circumstances. However, gains or losses deriving from a change in own credit risk are no longer reported through profit and loss, but instead in other comprehensive income, unless this would create or enlarge an accounting mismatch in profit or loss.

The Commerzbank Group has already applied this portion of the new IFRS 9 as at 30 June 2017. The comparable figures as of 31 March 2017 were adjusted retroactively (see adjustments page 44 f.).

IFRS 9 also contains improvements for hedge accounting. These new rules aim to improve the harmonisation between the accounting treatment of hedging relationships and (economic) risk management. However, the new standard also includes an option under which the current provisions of IAS 39 may still be applied.

Commerzbank Aktiengesellschaft will utilise this option for hedge accounting.

The "IFRS 9" project launched in 2014 in Commerzbank under the responsibility of Group Finance has analysed the new requirements under the standard in terms of methodology, data procurement and processes. Experts from the Finance, Risk and IT divisions supported the project. The results of these analyses were described in detail in technical concepts and incorporated into the Group-wide accounting guidelines. Several questions regarding methodology and content are still under discussion, including, for example, the definition of the business model for the respective portfolios based on the requirements of IFRS 9 in alignment with the business segments.

With the implementation phase largely concluded, in which the processes and IT systems impacted by the conversion were modified, we are now in a testing phase. The testing phase will involve the material entities consolidated in the Group financial statements. We anticipate that the change in risk-provisioning methodology compared with IAS 39 will result in a moderate increase in provisions as at the changeover date. The new classification of the respective financial instruments to be made as of 1 January 2018 leads additionally to measurement at fair value for a range of financial assets. This will probably decrease equity. Given the current regulatory rules, the changes in classification and provisioning requirements will on balance have a moderate negative impact on the Common Equity Tier 1 ratio. However, the effects of the change will only be able to be determined reliably and definitively during the fourth quarter of 2017.

As a preview of the Group financial statements as at 31 December 2017 we would like to point out that we will make structural changes to the reporting of items in the balance sheet and income statement. In the future, our reporting will focus on the respective valuation categories. As at 31 December 2017, the reporting will be based on the valuation categories under IAS 39, and from 1 January 2018 on the valuation categories to be applied under IFRS 9.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over twelve months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessee will in future recognise a right-of-use asset and a lease liability, which represents the obligation to make the lease payments. IFRS 16 adopts the criteria of IAS 17 for the classification of finance and operating leases by the lessor. The standard also contains further provisions on recognition, on the information in the notes and on sale-and-leaseback transactions. IFRS 16 will become effective for financial years beginning on or after 1 January 2019, subject to the endorsement of the EU. Based on our knowledge as of today, we anticipate that the application of IFRS 16 will result in minor reporting changes in the income statement and an increase in total assets by a low-to-mid single-digit billion amount.

We do not expect any significant effects on the Group financial statements from the other standards and interpretations set out below for which application is not yet mandatory (including the changes from the IASB's annual improvement process).

IFRS 15 Revenue from Contracts with Customers introduces a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC Interpretations 13, 15 and 18, and SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. It was transposed into European law in October 2016. The standard must be applied in the EU for financial years beginning on or after 1 January 2018.

The amendments to the standards IAS 28 and IFRS 10 published in September 2014 mean that unrealised gains or losses from transactions with an associate or joint venture are recognised if assets that constitute a business are sold or contributed to the associate or joint venture. The endorsement has been postponed indefinitely.

The clarifications in IFRS 2 Share-based Payment provide guidance on a number of issues relating to the measurement of cash-settled share-based payments. The main change is the addition of rules on determining the fair value of liabilities arising from share-based payments. The change is expected to be transposed into EU law in the fourth quarter of 2017. It becomes effective for EU companies for financial years beginning on or after 1 January 2018.

The clarification in IAS 40 Investment Properties relates to the classification of properties if their usage changes. A comment was added to the existing list noting that the list is not exhaustive. It becomes effective for EU companies for financial years beginning on or after 1 January 2018.

The interpretation set out in IFRIC 22 Foreign Currency Transactions and Advance Consideration stipulates that the exchange rate prevailing on the date an advance consideration is received or paid is applicable to transactions in foreign currency. This interpretation is to be applied from 1 January 2018.

The interpretation set out in IFRIC 23 Uncertainty over Income Tax Treatments fills the gap in the regulations under IAS 12.5 with regard to the measurement and recognition of uncertain tax assets and liabilities. This interpretation must be applied from 1 January 2019; early application is permitted.

The purpose of the amendments to IFRS 4 Insurance Contracts is to prevent an increase in earnings volatility and avoid duplicate work for implementing two separate rounds of changes due to the different effective dates of IFRS 9 and the new standard for insurance contracts. Two new options are being introduced in the form of the overlay approach and the deferral approach, which insurers can use under certain conditions. The standard is expected to be transposed into EU law in the fourth quarter of 2017 and to become effective for EU companies for financial years beginning on or after 1 January 2018.

In May 2017, the IASB published the new standard IFRS 17 Insurance Contracts, which governs the recognition, measurement and reporting of insurance contracts. This standard presentation will create greater comparability and boost transparency of insurance contracts around the world. It becomes effective for EU companies for financial years beginning on or after 1 January 2021. IFRS 17 therefore replaces the current standard IFRS 4. It has not yet been transposed into European law.

Changes in presentation

An error that was corrected last year led to the retrospective restatement of prior-year data. The 2016 Group financial statements contain a detailed list of the restatements on pages 139 ff. This gave rise to the following changes in the first nine months of 2016 compared with the previous presentation:

- The Commerzbank Group corrected an error by retrospectively deconsolidating as at 30 September 2016 three exchange-traded funds (ETFs) that had been previously consolidated. This correction was necessary because control had been permanently relinquished. In the first nine months of 2016, commission expenses declined by €8m, while net trading income decreased by €6m and other income by €2m. In addition, trading assets increased by €266m, liabilities to customers by €1,711m, and trading liabilities by €29m, and other liabilities were reduced by €1,474m. Thus, there was no impact on consolidated profit, equity or earnings per share.

In the current financial year, an error was also corrected in connection with tax audit risks for Commerzbank Aktiengesellschaft. The prior-year figures have been restated as follows: As at 1 January 2016 and at 31 December 2016, retained earnings were reduced by €53m and current tax liabilities increased by the same amount. Thus, there was no impact on consolidated profit or earnings per share.

In addition, a correction was made in financial year 2017 for the portfolio of own promissory note loans due to an erroneous write-up. As at both 1 January 2016 and at 31 December 2016, this correction increased retained earnings by €31m and decreased deferred tax assets by €14m and liabilities to banks by €45m. Thus, there was no impact on consolidated profit or earnings per share.

In addition, the prior-year figures in Note 33 have been restated.

The Commerzbank Group has already applied part of IFRS 9 retrospectively as at 1 January 2017. Gains or losses deriving from own credit risk are therefore no longer reported through profit and loss, but instead directly in retained earnings. This means the income statement will be less volatile in the future. As at 31 March 2017, retained earnings decreased by €14m and net trading income increased correspondingly. Taxes on income and profit increased by €4m and current tax liabilities were higher by the same amount. Consolidated profit therefore rose by €14m and earnings per share by €0.01.

The tables below show the impact of the main restatements for the first nine months of 2016 on the income statement and the balance sheet, and the balance sheet as at 31 December 2016:

Income statement | €m	**Original Group financial statements 1.1.–30.9.2016**	**Adjustment**	**Restated Group financial statements 1.1.–30.9.2016**
Commission income	2,848	–	2,848
Commission expenses	469	−8	461
Net commission income	2,379	8	2,387
Net trading income and net income from hedge accounting	305	−6	299
Other net income	96	−2	94
Pre-tax profit or loss	**338**	**–**	**338**
Taxes on income	161	–	161
Consolidated profit or loss	**177**	**–**	**177**
Consolidated profit or loss attributable to non-controlling interests	81	–	81
Consolidated profit or loss attributable to Commerzbank shareholders	96	–	96

Balance sheet | €m	**Original Group financial statements 1.1.–30.9.2016[1]**	**Adjustment**	**Restated Group financial statements 1.1.–30.9.2016**
Equity	29,398	−180	29,218
of which retained earnings	10,972	−180	10,792
Total assets	513,444	257	513,701

[1] The basis for this presentation is the published interim financial statements as at 30 September 2016, which were restated retrospectively as at 31 December 2016.

Balance sheet | €m	**Original Group financial statements 1.1.–31.12.2016**	**Adjustment**	**Restated Group financial statements 1.1.–31.12.2016**
Deferred tax assets	3,049	−14	3,035
Liabilities to banks	66,948	−45	66,903
Current tax liabilities	574	53	627
Equity	29,640	−22	29,618
of which retained earnings	11,184	−22	11,162

Consolidated companies

Acquisition onvista Aktiengesellschaft

On 3 April 2017, our subsidiary comdirect bank Aktiengesellschaft, Quickborn, acquired from Boursorama S.A. a 100% interest in onvista Aktiengesellschaft in Frankfurt/Main and its affiliated companies. Onvista operates an established online platform for brokerage transactions as well as a financial information portal in Germany. The purchase price, which totalled €40m, was comprised of €42m in cash and a claim from a purchase price adjustment in the amount of €2m. With the purchase of the onvista Group, cash and cash equivalents amounting to €421m were acquired. Onvista bank GmbH has meanwhile been merged with comdirect bank Aktiengesellschaft. The group of consolidated companies thus includes onvista Aktiengesellschaft, Frankfurt/Main, as well as onvista media GmbH, Frankfurt/Main.

The preliminary purchase price allocation performed at the acquisition date resulted in other intangible assets of €24m and deferred tax liabilities of €7m. The other intangible assets are derived from the customer base of the former onvista bank GmbH, internally produced software, the portal onvista.de, the brand name and from a favourable contract.

The acquisition resulted in badwill in the amount of €1m, which was recognised through profit and loss in the income statement under other net income. This badwill is primarily attributable to the conservative valuations for companies from the financial services sector that prevailed in the market environment at the date of the acquisition.

In the period between the acquisition on 3 April 2017 and 30 September 2017, the acquired company contributed €1m, including the effects of the purchase price allocation, to the consolidated net profit in the Commerzbank Group. If the initial consolidation had taken place as at 1 January 2017, the contribution to consolidated net profit would have been less than €0m. These figures were determined solely for comparison purposes based on estimates. They do not provide information about actual operating results or future results.

The following table shows the acquired assets and assumed liabilities recognised in the balance sheet as at the acquisition date.

€m	**3.4.2017**
Cash reserve	421
Claims on banks	147
Claims on customers	72
Financial investments	97
Intangible assets	24
Fixed assets	1
Other assets	2
Total of identified assets	**763**
Liabilities to banks	5
Liabilities to customers	700
Provisions	4
Deferred tax liabilities	7
Other liabilities	6
Total of identified liabilities	**722**
Net asset value	**41**
Purchase price/consideration	**40**
Badwill	**1**

Acquisition Commerz Finanz GmbH

Commerzbank Aktiengesellschaft previously owned a 49.9% interest in Commerz Finanz GmbH, a joint venture with BNP Paribas. On 18 August 2017, the instalment loan business of Commerzbank Aktiengesellschaft, which prior to this date had been isolated in Commerz Finanz GmbH, was transferred to Commerzbank Aktiengesellschaft in exchange for the return of the interest in Commerz Finanz GmbH. This transfer also involved the assumption of liabilities of Commerz Finanz GmbH, which, however, were largely owed to Commerzbank Aktiengesellschaft. These liabilities, together with the receivables owed to Commerz Finanz GmbH at the time in the amount of €3.2bn, were therefore extinguished upon closing.

In accordance with the requirements of IFRS 3, the transaction resulted in the recognition of the hidden reserves in the previous interest in Commerz Finanz GmbH and in the acquired receivables. Overall, this transaction added €176m in reported income to net investment income – because of the recognition of hidden reserves associated with the disposed interest in Commerz Finanz GmbH – and triggered the recognition of goodwill totalling €23m. The latter is the accounting consequence of the carve-out of the instalment loan business from Commerz Finanz GmbH and the corresponding return of the previous interest in Commerz Finanz GmbH, which on the date of the return was measured for the last time at its fair value as part of the merger.

The fair value of the disposed interest amounts to €0.6bn and the fair values of the disposed receivables due from the banking sub-operation of Commerz Finanz GmbH total €3.2bn minus the existing receivables of Commerz Finanz GmbH due from Commerzbank in the amount of €0.4bn. Combined, this results in consideration provided totalling €3.4bn The primary items added included loans of private customers measured as at the acquisition date at fair value with fair values in the amount of €3.6bn, nominal amounts totalling €3.5bn and an estimated loan loss provision of €0.2bn. These loans will be measured subsequently at amortised cost.

As at 30 September 2017, the instalment loan business acquired from Commerz Finanz GmbH contributed €8m to consolidated net profit.

The following table shows the acquired assets and assumed liabilities recognised in the balance sheet as at the acquisition date.

€m	18.08.2017
Claims on customers	3,589
Other assets	162
Total of identified assets	**3,751**
Liabilities to banks	1
Provisions	9
Deferred tax liabilities	100
Other liabilities	282
Total of identified liabilities	**392**
Net asset value	**3,359**
Purchase price/consideration	**3,382**
Goodwill	**23**

Divestment of mLocum S.A.

On 2 June 2017, mBank S.A., Warsaw, Poland signed a preliminary sales agreement with Archicom S.A. to divest its interest in mLocum S.A., Lódz, Poland. After the fulfilment of several conditions precedent as well as a guarantee and pledge agreement between mBank S.A. and DRK Investment Sp, z o.o., the majority shareholder of Archicom S.A., 14 120 880 shares, representing 51% of the share capital, were sold on 31 July 2017. The sale of the remaining 8 026 120 shares (28,99% of the share capital) will take place by 30 June 2020 at the latest. Since 31 July 2017, the interest in mLocum S.A. has been reported under Holdings in companies accounted for using the equity method.

The transaction was the result of the mBank Group's initiative to focus on its core activities. The sale of the interest in mLocum S.A. will improve the ability of the mBank Group to exploit its potential and achieve its business objectives on the Polish market.

Report on events after the reporting period

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

Notes to the income statement

(1) Net interest income

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %
Interest income	6,669	7,447	−10.4
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	519	625	−17.0
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	5,083	5,493	−7.5
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	244	169	44.4
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	301	555	−45.8
Prepayment penalty fees	79	89	−11.2
Gains on the sale of loans and receivables and repurchase of liabilities	12	126	−90.5
Dividends from securities	51	43	18.6
Current net income from equity holdings and non-consolidated subsidiaries	21	67	−68.7
Positive interest from financial instruments held as liabilities	346	180	92.2
Unwinding	13	15	−13.3
Other interest income	–	85	−100.0
Interest expenses	3,594	3,626	−0.9
Interest expenses on subordinated debt instruments and on securitised and other liabilities	2,449	2,993	−18.2
Interest expenses from applying the fair value option	259	258	0.4
Interest expenses on securitised liabilities held for trading	114	79	44.3
Loss on the sale of loans and receivables and repurchase of liabilities	77	52	48.1
Negative interest from financial instruments held as assets	436	230	89.6
Other interest expense	259	14	.
Total	**3,075**	**3,821**	**−19.5**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

Net interest from derivatives (including negative interest income and interest expenses) from the banking and trading book is recognised in other interest income or other interest expense, depending on the net balance.

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(2) Loan loss provisions

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Allocation to loan loss provisions[1]	–993	–1,142	–13.0
Reversals of loan loss provisions[1]	554	533	3.9
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	–91	–1	.
Total	**–530**	**–610**	**–13.1**

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

(3) Net commission income

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %
Securities transactions	689	640	7.7
Asset management	214	180	18.9
Payment transactions and foreign business	931	918	1.4
Guarantees	142	149	–4.7
Net income from syndicated business	207	202	2.5
Intermediary business	96	180	–46.7
Fiduciary transactions	8	7	14.3
Other income	117	111	5.4
Total	**2,404**	**2,387**	**0.7**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

We have changed our presentation compared with the previous year. We have reclassified net income from the real estate business in the reporting items asset management and guarantees.

(4) Net trading income

Net trading income is comprised of two components:

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

The net gain or loss from applying the fair value option includes the changes in fair value of the underlying derivatives.

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %
Net trading gain or loss	1,015	253	.
Net gain or loss from applying the fair value option	–40	76	.
Total	**975**	**329**	**.**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

(5) Net investment income

Net investment income contains gains or losses on the disposal and measurement 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.–30.9.2017	1.1.–30.9.2016	Change in %
Net gain or loss from interest-bearing business	**70**	**58**	**20.7**
In the available-for-sale category	83	54	53.7
Gain on disposals (including reclassification from revaluation reserve)	87	74	17.6
Loss on disposals (including reclassification from revaluation reserve)	–21	–22	–4.5
Net remeasurement gain or loss	17	2	.
In the loans and receivables category	–13	4	.
Gains on disposals	5	24	–79.2
Loss on disposals	–16	–30	–46.7
Net remeasurement gain or loss	–2	10	.
Net gain or loss on equity instruments	**295**	**199**	**48.2**
In the available-for-sale category	106	162	–34.6
Gain on disposals (including reclassification from revaluation reserve)	108	162	–33.3
Loss on disposals (including reclassification from revaluation reserve)	–2	–	.
In the available-for-sale category, measured at acquisition cost	–2	41	.
Net remeasurement gain or loss	–3	–4	–25.0
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	194	–	.
Total	**365**	**257**	**42.0**

The net remeasurement gain or loss in the loans and receivables category includes reversals of portfolio valuation allowances amounting to €5m (previous year: reversal of €16m) for reclassified securities.

(6) Other net income

€m	1.1.–30.9.2017	1.1.–30.9.2016[1]	Change in %
Other material items of expense	**213**	**247**	**–13.8**
Allocations to provisions	77	90	–14.4
Operating lease expenses	87	120	–27.5
Expenses arising from building and architects' services	15	18	–16.7
Hire-purchase expenses and sublease expenses	4	7	–42.9
Expenses from investment properties	–	2	.
Expenses from non-current assets held for sale	–	1	.
Expenses from disposal of fixed assets	3	2	50.0
Expenses from FX rate differences	27	7	.
Other material items of income	**506**	**364**	**39.0**
Reversals of provisions	94	164	–42.7
Operating lease income	133	134	–0.7
Income from building and architects' services	1	2	–50.0
Hire-purchase income and sublease income	7	18	–61.1
Income from investment properties	1	7	–85.7
Income from non-current assets held for sale	240	6	.
Income from disposal of fixed assets	8	23	–65.2
Income from FX rate differences	22	10	.
Balance of sundry tax income/expenses	–52	–36	44.4
Balance of sundry other income/expenses	–13	13	.
Other net income	**228**	**94**	**.**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

(7) Operating expenses

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Personnel expenses	2,732	2,761	–1.1
Administrative expenses	2,123	2,147	–1.1
Depreciation/amortisation of fixed assets and other intangible assets	442	420	5.2
Total	**5,297**	**5,328**	**–0.6**

In the current financial year, administrative expenses include €186m for bank levies (previous year: €155m) and Polish bank tax of €65m (previous year: €54m).

(8) Impairments of goodwill and other intangible assets

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Goodwill	–	592	–100.0
Other intangible assets	–	35	–100.0
Total	**–**	**627**	**–100.0**

The impairment losses recognised in the prior year resulted from the impairment test performed as at 30 September 2016 as part of the “Commerzbank 4.0” strategy. This test identified an impairment need of €592m on the goodwill in the Corporate Clients segment. We also recognised an impairment of €35m on the customer base of the Corporate Clients segment. This depreciation is associated exclusively with the impairment test.

(9) Restructuring expenses

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Expenses for restructuring measures introduced	807	97	.
Total	**807**	**97**	**.**

The restructuring expenses in the first nine months of 2017 in the amount of €807m are connected with the implementation of the “Commerzbank 4.0” strategy in Germany and abroad.

The restructuring expenses in the previous year were related to the restructuring of various back office units in Germany and the realignment of the Corporate Clients segment in London and New York.

(10) Taxes on income

Group tax expense was €204m as at 30 September 2017. With pre-tax profit of €337m the Group’s effective tax rate was 60.5% (Group income tax rate: 31.5 %). Group tax expense mainly comprised the current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft in London for the reporting period. The change in the deferred tax assets of Commerzbank Aktiengesellschaft in Germany was one of the main items that raised the tax rate.

However, the lower tax rates in Poland and the UK on the operating profits generated there continue to reduce the Group’s tax rate.

(11) Segment reporting

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

Our segment reporting addresses the three business segments which we established as at 30 September 2016: Private and Small-Business Customers, Corporate Clients and Asset & Capital Recovery, plus the Others and Consolidation segment. This reflects the Commerzbank Group’s organisational structure and forms the basis for internal management reporting. The business segments

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are defined by differences in their products, services and/or customer target groups. A modification to the business model of the Corporate Clients segment in the first quarter of 2017 led to minor changes in business responsibilities; tasks related to loan administration were transferred to the support functions. Further information on the segments is provided in the management report section of this interim report.

The performance of each segment is measured in terms of operating profit or loss and pre-tax profit or loss, as well as operating return on equity and the cost/income ratio. Operating profit or loss is defined as the sum of net interest income after loan loss provisions, net commission income, net trading income and net income from hedge accounting, net investment income, current net income from companies accounted for using the equity method and other net income less operating expenses. The operating profit does not include impairments of goodwill and other intangible assets and restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit or loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

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

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual businesses and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The calculation for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

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

The tables below contain information on the segments as at 30 September 2017 and on the comparative figures for the prior-year period.

1.1.–30.9.2017 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,795	1,288	199	–207	3,075
Loan loss provisions	–130	–123	–277	–	–530
Net interest income after loan loss provisions	1,665	1,165	–78	–207	2,545
Net commission income	1,487	938	1	–22	2,404
Net trading income and net income from hedge accounting	54	732	–81	173	878
Net investment income	274	39	–1	53	365
Current net income from companies accounted for using the equity method	2	19	–	–	21
Other net income	30	–3	23	178	228
Income before loan loss provisions	*3,642*	*3,013*	*141*	*175*	*6,971*
Income after loan loss provisions	*3,512*	*2,890*	*–136*	*175*	*6,441*
Operating expenses	2,795	2,148	79	275	5,297
Operating profit or loss	**717**	**742**	**–215**	**–100**	**1,144**
Impairments on goodwill and other intangible assets	–	–	–	–	–
Restructuring expenses	–	–	–	807	807
Pre-tax profit or loss	**717**	**742**	**–215**	**–907**	**337**
Assets	**125,463**	**189,818**	**23,583**	**151,041**	**489,905**
Liabilities and equity	**149,951**	**212,675**	**19,347**	**107,932**	**489,905**
Carrying amount of companies accounted for using the equity method	11	170	1	–	182
Average capital employed[1]	**4,080**	**10,629**	**3,063**	**5,679**	**23,451**
Operating return on equity[2] **(%)**	**23.4**	**9.3**	**–9.4**	**.**	**6.5**
Cost/income ratio in operating business (%)	**76.7**	**71.3**	**56.0**	**.**	**76.0**

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

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1.1.–30.9.2016[1] €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,858	2,366	14	–417	3,821
Loan loss provisions	–105	–215	–292	2	–610
Net interest income after loan loss provisions	1,753	2,151	–278	–415	3,211
Net commission income	1,452	955	1	–21	2,387
Net trading income and net income from hedge accounting	43	–50	31	275	299
Net investment income	148	52	–5	62	257
Current net income from companies accounted for using the equity method	124	18	–	–	142
Other net income	18	20	–11	67	94
Income before loan loss provisions	*3,643*	*3,361*	*30*	*–34*	*7,000*
Income after loan loss provisions	*3,538*	*3,146*	*–262*	*–32*	*6,390*
Operating expenses	2,693	2,219	97	319	5,328
Operating profit or loss	**845**	**927**	**–359**	**–351**	**1,062**
Impairments on goodwill and other intangible assets	–	627	–	–	627
Restructuring expenses	–	22	–	75	97
Pre-tax profit or loss	**845**	**278**	**–359**	**–426**	**338**
Assets	**117,035**	**229,794**	**30,940**	**135,932**	**513,701**
Liabilities	**137,413**	**238,993**	**22,427**	**114,868**	**513,701**
Carrying amount of companies accounted for using the equity method	**478**	**233**	**1**	**–**	**712**
Average capital employed[2]	**4,149**	**11,660**	**3,351**	**4,021**	**23,181**
Operating return on equity[3] (%)	**27.2**	**10.6**	**–14.3**	**.**	**6.1**
Cost/income ratio in operating business (%)	**73.9**	**66.0**	**.**	**.**	**76.1**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).
[2] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation.
[3] Annualised.

Details for Others and Consolidation:

	1.1.–30.9.2017			1.1.–30.9.2016[1]		
€m	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	–225	18	–207	–264	–153	–417
Loan loss provisions	–	–	–	2	–	2
Net interest income after loan loss provisions	–225	18	–207	–262	–153	–415
Net commission income	–19	–3	–22	–17	–4	–21
Net trading income and net income from hedge accounting	143	30	173	244	31	275
Net investment income	57	–4	53	78	–16	62
Current net income from companies accounted for using the equity method	–	–	–	–	–	–
Other net income	194	–16	178	79	–12	67
Income before loan loss provisions	*150*	*25*	*175*	*120*	*–154*	*–34*
Income after loan loss provisions	*150*	*25*	*175*	*122*	*–154*	*–32*
Operating expenses	301	–26	275	343	–24	319
Operating profit or loss	**–151**	**51**	**–100**	**–221**	**–130**	**–351**
Impairments on goodwill and other intangible assets	–	–	–	–	–	–
Restructuring expenses	807	–	807	69	6	75
Pre-tax profit or loss	**–958**	**51**	**–907**	**–290**	**–136**	**–426**
Assets	**150,702**	**339**	**151,041**	**135,688**	**244**	**135,932**
Liabilities and equity	**107,617**	**315**	**107,932**	**114,719**	**149**	**114,868**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

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

- Elimination of the net measurement gains or losses on own bonds incurred in the segments.
- Effects from the consolidation of intragroup-transactions between segments
- Effects from the consolidation of expenses and income
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

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The breakdown of the results by geographical region, which is based mainly on the location of the branch or group entity (geographical markets), was as follows:

1.1.–30.9.2017 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,032	955	33	55	–	3,075
Loan loss provisions	–378	–148	–8	4	–	–530
Net interest income after loan loss provisions	1,654	807	25	59	–	2,545
Net commission income	2,013	354	28	9	–	2,404
Net trading income and net income from hedge accounting	344	415	14	105	–	878
Net investment income	382	–17	–	–	–	365
Current net income from companies accounted for using the equity method	17	–	4	–	–	21
Other net income	196	18	15	–1	–	228
Income before loan loss provisions	*4,984*	*1,725*	*94*	*168*	–	*6,971*
Income after loan loss provisions	*4,606*	*1,577*	*86*	*172*	–	*6,441*
Operating expenses	4,129	957	97	114	–	5,297
Operating profit or loss	**477**	**620**	**–11**	**58**	**–**	**1,144**
Credit-risk-weighted assets	**85,690**	**45,738**	**4,176**	**3,415**	**–**	**139,019**

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

1.1.–30.9.2016[1] €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,619	1,015	64	123	–	3,821
Loan loss provisions	–425	–186	9	–8	–	–610
Net interest income after loan loss provisions	2,194	829	73	115	–	3,211
Net commission income	1,997	333	36	21	–	2,387
Net trading income and net income from hedge accounting	–152	415	–14	50	–	299
Net investment income	115	137	3	2	–	257
Current net income from companies accounted for using the equity method	133	5	4	–	–	142
Other net income	51	41	3	–1	–	94
Income before loan loss provisions	*4,763*	*1,946*	*96*	*195*	–	*7,000*
Income after loan loss provisions	*4,338*	*1,760*	*105*	*187*	–	*6,390*
Operating expenses	4,176	950	94	108	–	5,328
Operating profit or loss	**162**	**810**	**11**	**79**	**–**	**1,062**
Credit-risk-weighted assets	**96,892**	**47,173**	**4,029**	**2,935**	–	**151,029**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

Credit-risk-weighted assets are shown for the geographical segments rather than non-current assets. In accordance with IFRS 8.32, Commerzbank Aktiengesellschaft has decided not to provide a breakdown of the Commerzbank Group's total profits by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor management reporting.

Notes to the balance sheet

(12) Claims on banks

€m	30.9.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	39,469	33,395	18.2
Claims from money market transactions	2,010	1,662	20.9
Promissory note loans	468	1,241	−62.3
Other claims	20,756	22,290	−6.9
Total	**62,703**	**58,588**	**7.0**
of which relate to the category:			
Loans and receivables	34,725	43,033	−19.3
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	27,978	15,555	79.9

Claims on banks after deduction of loan loss provisions amounted to €62,640m (previous year: €58,529m).

(13) Claims on customers

€m	30.9.2017	31.12.2016	Change in %
Reverse repos and cash collaterals	20,304	12,362	64.2
Claims from money market transactions	506	522	−3.1
Promissory note loans	12,373	13,290	−6.9
Construction and ship financing	96,231	92,994	3.5
Other claims	103,392	97,350	6.2
Total	**232,806**	**216,518**	**7.5**
of which relate to the category:			
Loans and receivables	215,296	208,095	3.5
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	17,510	8,423	.

Claims on customers after deduction of loan loss provisions amounted to €229,374m (previous year: €212,848m).

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(14) Total lending

€m	30.9.2017	31.12.2016	Change in %
Loans to banks	15,783	19,894	−20.7
Loans to customers	212,502	204,156	4.1
Total	**228,285**	**224,050**	**1.9**

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.

(15) Loan loss provisions

Provisions for loan losses are made in accordance with rules that apply Group-wide and cover all discernible credit risks. For loan losses that have already occurred but are not yet known, portfolio valuation allowances have been calculated in line with procedures derived from Basel 3 methodology.

Development of provisioning | €m	2017	2016	Change in %
As at 1.1.	**3,934**	**4,192**	**−6.2**
Allocations	992	1,142	−13.1
Disposals	1,306	1,304	0.2
Utilisation	752	771	−2.5
Reversals	554	533	3.9
Changes in consolidated companies	53	–	.
Exchange rate changes/reclassifications/unwinding	18	−7	.
As at 30.9.	**3,691**	**4,023**	**−8.3**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in loan loss provisions of €530m (previous year: €610m) (see Note 2).

Loan loss provisions | €m	30.9.2017	31.12.2016	Change in %
Specific valuation allowances	2,991	3,186	−6.1
Portfolio valuation allowances	504	543	−7.2
Provisions for on-balance-sheet loan losses	**3,495**	**3,729**	**−6.3**
Specific loan loss provisions	66	76	−13.2
Portfolio loan loss provisions	130	129	0.8
Provisions for off-balance-sheet loan losses	**196**	**205**	**−4.4**
Total	**3,691**	**3,934**	**−6.2**

For claims on banks, loan loss provisions amounted to €63m (previous year: €59m) and for claims on customers to €3,432m (previous year: €3,670m).

(16) Trading assets

The Group's trading activities include trading in:

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

The positive fair values also include derivative financial instruments which are used for hedging purposes but that cannot be used as hedging instruments in hedge accounting.

€m	30.9.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities	5,384	4,361	23.5
Promissory note loans and other claims	865	1,044	–17.1
Shares, other equity-related securities and units in investment funds	13,926	20,642	–32.5
Positive fair values of derivative financial instruments	49,594	62,205	–20.3
Interest-rate-related derivative transactions	33,467	42,551	–21.3
Currency-related derivative transactions	10,469	15,049	–30.4
Equity derivatives	3,587	2,328	54.1
Credit derivatives	1,364	1,489	–8.4
Other derivative transactions	707	788	–10.3
Other trading assets	242	610	–60.3
Total	**70,011**	**88,862**	**–21.2**

(17) Financial investments

Financial investments are financial instruments not assigned to any other balance sheet item. They comprise bonds, notes and other interest-rate-related securities, shares and other equity-related securities not used for trading purposes, as well as units in investment funds, equity holdings (including associates not accounted for using the equity method for materiality reasons and jointly controlled entities) and, also for materiality reasons, not fully consolidated holdings in subsidiaries.

€m	30.9.2017	31.12.2016	Change in %
Bonds, notes and other interest-rate-related securities[1]	58,210	69,094	–15.8
Shares, other equity-related securities and units in investment funds	540	712	–24.2
Equity holdings	228	222	2.7
Holdings in non-consolidated subsidiaries	144	152	–5.3
Total	**59,122**	**70,180**	**–15.8**
of which relate to the category:			
Loans and receivables[1]	23,734	29,698	–20.1
Available-for-sale financial assets	34,612	39,635	–12.7
of which measured at amortised cost	158	188	–16.0
At fair value through profit or loss (fair value option)	776	847	–8.4

[1] Reduced by portfolio valuation allowances for reclassified securities of €10m (previous year: €15m).

As at 30 September 2017 the financial investments included €158m (previous year: €188m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

In the first nine months of 2017, equity-related financial instruments with a carrying amount of €29m (previous year: €6m) measured at amortised cost were derecognised from the category of available-for-sale financial assets. This had no impact on net income (previous year: €7m).

The revaluation reserve after deferred taxes for the securities reclassified from the available-for-sale financial assets category to the loans and receivables category in the 2008 and 2009 financial years was €–0.3bn as at 30 September 2017 (previous year: €–0.4bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €–1.7bn as at 30 September 2017 (previous year: €–2.2bn); the carrying amount of these portfolios on the balance sheet date was €22.2bn (previous year: €28.0bn); the fair value was €20.2bn (previous year: €25.3bn).

(18) Intangible assets

€m	30.9.2017	31.12.2016	Change in %
Goodwill	1,507	1,484	1.5
Other intangible assets	1,679	1,563	7.4
Customer relationships	224	241	–7.1
Brand names	5	–	.
In-house developed software	1,042	882	18.1
Purchased software	391	423	–7.6
Other	17	17	0.0
Total	**3,186**	**3,047**	**4.6**

The acquisition of onvista Aktiengesellschaft resulted in an addition for the brand name in the amount of €5m as at 30 September 2017.

The initial consolidation of the acquired instalment loan business of Commerz Finanz GmbH resulted in the recognition of goodwill totalling €23m (see note on the group of consolidated companies); no further changes to goodwill were made.

(19) Fixed assets

€m	30.9.2017	31.12.2016	Change in %
Land and buildings	425	443	–4.1
Office furniture and equipment	458	477	–4.0
Leased equipment	704	803	–12.3
Total	**1,587**	**1,723**	**–7.9**

(20) Non-current assets and disposal groups held for sale and liabilities from disposal groups held for sale

€m	30.9.2017	31.12.2016	Change in %
Claims on customers	350	–	.
Financial investments	24	94	–74.5
Fixed assets	66	520	–87.3
Other asset items	–	574	.
Total	**440**	**1,188**	**–63.0**

In all cases of non-current assets and disposal groups held for sale, sales agreements have either already been concluded or will be concluded shortly. The contracts are expected to be fulfilled in 2017.

The sale of an investment relating to the credit card business in the Private and Small-Business Customers segment was concluded. The transaction has been completed on 26 July 2017 and the derecognition has been made. In addition, the contract with the business partner was concluded in July 2017 concerning a holding involved in the instalment loan business, the disposal of which will result in the simultaneous acquisition of assets derived from banking business. The closing of the transaction took place during the third quarter of 2017. Furthermore, a decision was made in June 2017 to sell holdings in the fully consolidated subsidiary mLocum S.A. Lódz, Poland, as part of the Private and Small-Business Customers segment. The transaction was closed during the third quarter of 2017.

In the Corporate Clients segment, a purchase agreement was concluded in the second quarter of 2017 for an investment relating to the precious metals processing sector. This transaction closed on 13 July 2017.The loans were derecognised. In the third quarter of 2017, claims on customers were newly categorised as held for sale and reclassified accordingly. The transaction is scheduled to close within the next 12 months.

In the third quarter of 2017, claims on customers (including loan loss provisions) in the Asset & Capital Recovery segment were newly categorised as held for sale and reclassified accordingly. The transaction is scheduled to close within the next 12 months.

Additionally, properties held as fixed assets and investment properties were classified as non-current assets held for sale as at 30 September 2017.

There were no liabilities from disposal groups held for sale as at 30 September 2017, as was also the case at the end of 2016.

(21) Other assets

€m	30.9.2017	31.12.2016	Change in %
Collection items	22	11	100.0
Precious metals	29	357	−91.9
Accrued and deferred items	262	236	11.0
Initial/variation margins receivables	1,235	857	44.1
Defined benefit assets recognised	388	443	−12.4
Other assets	1,220	1,108	10.1
Total	**3,156**	**3,012**	**4.8**

(22) Liabilities to banks

€m	30.9.2017	31.12.2016[1]	Change in %
Repos and cash collaterals	19,313	18,171	6.3
Liabilities from money market transactions	15,941	15,051	5.9
Other liabilities	33,579	33,681	−0.3
Total	**68,833**	**66,903**	**2.9**
of which relate to the category:			
Liabilities measured at amortised cost	56,462	56,110	0.6
At fair value through profit or loss (fair value option)	12,371	10,793	14.6

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

(23) Liabilities to customers

€m	30.9.2017	31.12.2016	Change in %
Repos and cash collaterals	23,114	7,047	.
Liabilities from money market transactions	42,179	46,985	−10.2
Savings deposits	7,398	7,189	2.9
Other liabilities	200,673	189,699	5.8
Total	**273,364**	**250,920**	**8.9**
of which relate to the category:			
Liabilities measured at amortised cost	252,114	244,655	3.0
At fair value through profit or loss (fair value option)	21,250	6,265	.

(24) Securitised liabilities

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

Securitised liabilities contained mortgage Pfandbriefe of €13,035m (previous year: €11,857m) and public-sector Pfandbriefe of €4,268m (previous year: €5,203m).

€m	30.9.2017	31.12.2016	Change in %
Bonds and notes issued	31,834	32,884	−3.2
Money market instruments issued	4,893	5,566	−12.1
Own acceptances and promissory notes outstanding	2	44	−95.5
Total	**36,729**	**38,494**	**−4.6**
of which relate to the category:			
Liabilities measured at amortised cost	35,967	37,481	−4.0
At fair value through profit or loss (fair value option)	762	1,013	−24.8

In the first nine months of 2017, material new issues with a total volume of €12.1bn were floated. In the same period the volume of redemptions and repurchases amounted to €2.0bn and the volume of bonds maturing to €12.0bn.

(25) Trading liabilities

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

€m	30.9.2017	31.12.2016	Change in %
Certificates and other notes issued	5,833	4,828	20.8
Delivery commitments arising from short sales of securities	3,228	864	.
Negative fair values of derivative financial instruments	50,338	65,952	−23.7
Interest-rate-related derivative transactions	33,072	42,117	−21.5
Currency-related derivative transactions	10,529	18,561	−43.3
Equity derivatives	4,553	2,437	86.8
Credit derivatives	1,622	2,225	−27.1
Other derivative transactions	562	612	−8.2
Total	**59,399**	**71,644**	**−17.1**

(26) Provisions

€m	30.9.2017	31.12.2016	Change in %
Provisions for pensions and similar commitments	1,034	1,356	−23.7
Other provisions	2,631	2,080	26.5
Total	**3,665**	**3,436**	**6.7**

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 204 ff. of our 2016 Group financial statements). The actuarial assumptions underlying these obligations at 30 September 2017 were: a discount rate of 2.0% (previous year: 1.8%), a change in salaries of 2.5%, which was unchanged on the previous year, and an adjustment to pensions of 1,6%.

Other provisions consisted primarily of restructuring provisions and provisions for personnel-related matters. The provisions created for restructuring purposes amounted to €1,046m (previous year: €425m). We expect these provisions to be utilised in the period from 2017 to 2020.

In case of legal proceedings and potential recourse claims for which provisions of €321m (previous year: €339m) need to be recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the future costs expected according to our judgement, discounted as at the balance sheet date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

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

- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. Commerzbank anticipates the recovery of the corresponding charges by its customers.
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 would lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- In the past few years, Commerzbank and its subsidiaries have sold a number of subsidiaries and equity holdings in Germany and abroad as well as some major properties. These contracts contain guarantees and certain indemnities and financial commitments and could lead to claims being raised against the Commerzbank Group. In some cases, complaints have been filed claiming failure to honour the agreements in question.
- In connection with the acquisition of an equity stake by a Commerzbank subsidiary, the vendor took the case to court disputing the way in which the share price had been determined through the transfer of properties by way of a capital contribution in kind. The appeal court decided in April 2014 that the transfer of the properties by way of a capital contribution in kind was invalid. The Commerzbank subsidiary appealed this ruling. The appeal was rejected in August 2015 and a drawdown of the provision is therefore likely. Adequate provision has been made for this outcome. The proceedings have been concluded in the meantime through a settlement because the ruling from August 2015 cannot be legally enforced.
- A subsidiary of Commerzbank was involved in two South American banks which in the meantime have gone into liquidation. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and in some cases Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks' supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition, the company's insolvency administrator has raised recourse claims against the company arising from its joint liability and for other legal reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. Should the claimants win their appeal in the higher courts, Commerzbank expects that recourse claims against other members of the consortium and third parties will be possible based on the contractual agreements.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. The case is ongoing.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.

(27) Other liabilities

€m	30.9.2017	31.12.2016	Change in %
Liabilities attributable to film funds	1,182	1,184	−0.2
Liabilities attributable to non-controlling interests	66	169	−60.9
Accrued and deferred items	278	322	−13.7
Variation margins payable	881	725	21.5
Other liabilities	1,459	1,295	12.7
Total	**3,866**	**3,695**	**4.6**

(28) Subordinated debt instruments

€m	30.9.2017	31.12.2016	Change in %
Subordinated debt instruments	10,353	10,866	−4.7
Accrued interest, including discounts[1]	−631	−664	−5.0
Remeasurement effects	684	767	−10.8
Total	**10,406**	**10,969**	**−5.1**
of which relate to the category:			
Liabilities measured at amortised cost	10,393	10,955	−5.1
At fair value through profit or loss (fair value option)	13	14	−7.1

[1] Including the impact of the adjustment of fair values of subordinated debt instruments at the date of acquisition of Dresdner Bank.

In the first nine months of 2017 the volume of subordinated debt instruments maturing amounted to €1.5bn, repayments were €0.2bn and new issues were €1.4bn.

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Other notes

(29) Capital requirements and leverage ratio

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

Position | €m	30.9.2017 Phase-in	31.12.2016 Phase-in	30.9.2017 Fully phased-in	31.12.2016 Fully phased-in
Equity as shown in balance sheet	**29,727**	**29,640**	**29,727**	**29,640**
Effect from debit valuation adjustments	–140	–177	–175	–295
Correction to revaluation reserve	145	313	–	–
Correction to cash flow hedge reserve	64	97	64	97
Correction to phase-in (IAS 19)	264	578	–	–
Correction to non-controlling interests (minority)	–386	–258	–452	–426
Goodwill	–1,507	–1,496	–1,507	–1,496
Intangible assets	–1,276	–1,206	–1,276	–1,206
Surplus in plan assets	–257	–231	–322	–385
Deferred tax assets from loss carryforwards	–489	–297	–611	–494
Shortfall due to expected loss	–601	–420	–668	–525
Prudential valuation	–262	–367	–262	–367
Direct, indirect and synthetic positions of the bank in own Tier 1 instruments	–45	–33	–56	–51
First loss positions from securitisations	–247	–301	–247	–301
Advance payment risks	–	–1	–	–1
Allocation of components from additional core capital (AT 1)	624	1,066	–	–
Deferred tax assets from temporary differences which exceed the 10% threshold	–90	–166	–252	–548
Accrued dividends	–	–	–	–
Others and rounding	–81	–247	–79	–247
Common Equity Tier 1 (CET1)[1]	**25,443**	**26,494**	**23,884**	**23,395**
Additional Tier 1	400	–	–	–
Tier 1 capital	**25,843**	**26,494**	**23,884**	**23,395**
Tier 2 capital	**5,660**	**5,677**	**5,646**	**5,691**
Equity	**31,503**	**32,171**	**29,530**	**29,086**
Risk-weighted assets	**176,946**	**190,527**	**176,597**	**189,848**
of which: Credit risk[3]	139,019	146,880	138,670	146,201
of which: Market risk[2,3]	15,205	19,768	15,205	19,768
of which: Operational risk	22,722	23,879	22,722	23,879
Common Equity Tier 1 ratio (%)	**14.4**	**13.9**	**13.5**	**12.3**
Tier 1 ratio (%)	**14.6**	**13.9**	**13.5**	**12.3**
Total capital ratio (%)	**17.8**	**16.9**	**16.7**	**15.3**

[1] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[2] Includes credit valuation adjustment risk.
[3] Settlement risk of €12m was reallocated from market risk to credit risk as at 31 December 2016.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. The main changes compared to 31 December 2016 relate to phase-in capital and arise from the impact of the Basel 3 transitional provisions. The increase in the capital ratios over the previous year is primarily the result of the decrease in risk-weighted assets.

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid down by regulators. The leverage ratio at the end of the third quarter of 2017 was calculated on the basis of the CRR as revised in January 2015. As a non-risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Leverage ratio according to revised CRR (delegated act)	30.9.2017	31.12.2016	Change in %
Leverage exposure "phase-in" (€m)	506,802	489,362	3.6
Leverage exposure "fully phased-in" (€m)	505,968	487,615	3.8
Leverage ratio "phase-in" (%)	5.1	5.4	
Leverage ratio "fully phased-in" (%)	4.7	4.8	

(30) Contingent liabilities and irrevocable lending commitments

€m	30.9.2017	31.12.2016	Change in %
Contingent liabilities	35,139	34,997	0.4
from rediscounted bills of exchange credited to borrowers	0	2	.
from guarantees and indemnity agreements	35,074	34,917	0.4
from other commitments	65	78	−16.7
Irrevocable lending commitments	77,325	78,245	−1.2

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

The other commitments include the irrevocable payment obligation provided by the Federal Financial Market Stabilisation Authority (FMSA) after approval of the Bank's request for security for payment of part of the banking levy.

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or of any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, the large majority of contingent liabilities for legal risks is unlikely to ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 30 September 2017, the contingent liabilities for legal risks amounted to €547m (previous year: €544m) and for tax risks in the upper double-digit million range and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal on point of law against the judgement of the appellate court of May 2016. A decision on the appeal is expected in the course of this year.

- Commerzbank held an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against the Commerzbank Group and others for repayment of the proceeds it received from the sale of its stake. Two of these suits were rejected on appeal. Whether the appeal will be upheld on review has not yet been decided. A third suit has in the meantime been dismissed, in favour of the banking consortium. This decision is being appealed.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. Commerzbank will defend itself against the action.
- Commerzbank is currently involved in several legal disputes with the guarantor of a ship finance loan. As the borrower did not fulfil its payment obligation on the due date, Commerzbank launched a lawsuit in London and moved to hold the guarantor liable under the guarantee. The guarantor in turn applied to a court in Piraeus, Greece, for a negative finding that it does not owe Commerzbank any amount for the borrower under the guarantee. Finally, in May 2016 the guarantor and the shipping company jointly sued Commerzbank in Piraeus for damages. They are claiming they suffered a loss as a result of the attachment of a tanker by Commerzbank in 2014 and the subsequent sale of the ship on the open market. The claim for damages was partly withdrawn in September 2016. The cases are ongoing.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank will defend itself against the action.
- Supervisory authorities and other relevant authorities in a number of countries have been investigating market manipulation and irregularities in connection with exchange rate fixing and the foreign exchange market in general for some time.

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

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted for cum-cum transactions, the Bank recognised precautionary provisions of €10.5m in the third quarter of 2017 for potentially refundable own capital gains taxes.

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

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

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

(31) 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 in the following notes.

The netting volume as at 30 September 2017 totalled €54,924m (previous year: €62,814m). On the assets side, €52,572m (previous year: €60,544m) of this was attributable to positive fair values and €2,352m (previous year: €2,270m) to variation margins received. Netting on the liabilities side involved negative fair values of €50,717m (previous year: €59,868m) and liabilities for variation margin payments of €4,207m (previous year: €2,946m).

(32) Maturities of liabilities

In the maturity breakdown, we show the residual terms of non-derivative financial instruments that are subject to contractual maturities on the basis of undiscounted cash flows. Derivative liabilities are reported on the basis of their fair values in the relevant maturity range. In the case of interest-rate-related derivatives, interest payments also occur in the maturity ranges before final maturity, due to interest payment obligations. The residual term is defined as the period between the balance sheet date and the contractual maturity date of the financial instruments. In the case of financial instruments which are paid in stages, the residual term of each payment stage has been used.

30.9.2017	Residual terms			
€m	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**
Liabilities to banks	42,340	4,883	8,399	12,274
Liabilities to customers	230,162	13,495	12,129	16,012
Securitised liabilities	2,057	6,958	12,107	7,455
Trading liabilities	1,557	2,299	1,072	98
Derivatives	3,265	4,628	12,389	28,937
Subordinated debt instruments	392	1,289	2,356	3,696
Financial guarantees	2,001	–	–	–
Irrevocable lending commitments	77,325	–	–	–
Total	**359,099**	**33,552**	**48,453**	**68,472**

31.12.2016[1]	Residual terms			
€m	**up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**more than 5 years**
Liabilities to banks	39,208	5,711	8,898	9,987
Liabilities to customers	198,043	25,172	8,411	14,913
Securitised liabilities	4,043	5,521	13,429	6,665
Trading liabilities	1,175	2,139	756	44
Derivatives	4,926	6,906	17,545	36,564
Subordinated debt instruments	409	918	3,526	3,116
Financial guarantees	2,393	–	–	–
Irrevocable lending commitments	78,331	–	–	–
Total	**328,528**	**46,367**	**52,565**	**71,289**

[1] Prior-year figures adjusted due to restatements (see page 44 f.).

(33) Information on the fair value hierarchies of financial instruments measured at fair value

Measurement of financial instruments

Under IAS 39, all financial instruments are initially recognised at fair value; financial instruments that are not classified as at fair value through profit or loss are recognised at fair value plus transaction costs. Subsequently, those financial instruments that are classified as at fair value through profit or loss and available-for-sale financial assets are measured at fair value on an ongoing basis. For this purpose, financial instruments classified at fair value through profit or loss include derivatives, instruments held for trading and instruments designated for measurement at fair value. Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction. The fair value of a liability also reflects own credit risk. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same. The most suitable measure of fair value is the quoted price for an identical instrument in an active market (Level 1 of the fair value hierarchy). An active market is one in which transactions in the asset or liability take place sufficiently regularly and with sufficient volume to ensure pricing data is available continuously. As a rule, therefore, quoted prices are to be used if they are available. The relevant market used to determine the fair value is generally the market with the greatest activity (main market). To reflect the price at which an asset could be exchanged or a liability settled, asset positions are valued at the bid price and liability positions are valued at the ask price. In cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs – except for non-material parameters – are obtained from verifiable market sources (Level 2 of the fair value hierarchy). In accordance with IFRS 13, valuation methods are to be chosen that are commensurate with the situation and for which the required information is available. For the selected methods, observable input parameters are to be used to the maximum extent possible and unobservable input parameters to the least extent possible. While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate at least one material input for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities. The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (Level 3 of the fair value hierarchy). Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price. All fair values are subject to the Commerzbank Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within Group Finance. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function. The fair values which can be realised at a later date may deviate from the estimated fair values. The following summary shows how these measurement principles are applied to the key classes of financial instrument held by the Commerzbank Group:

- The fair value of OTC derivatives is determined using valuation models that are well established on the financial markets. On the one hand, models may be used that measure the expected future cash flows and discount these to determine the net present value of the financial instruments. On the other hand, alternative models may be used that determine the value at which there is no scope for arbitrage between a given instrument and other related traded instruments. For some derivatives, the valuation models used in the financial markets may differ in the way that they model the fair value and may use different input parameters or use identical input but to different degrees. These models are regularly calibrated to recent market prices. Input parameters for these models are derived, wherever possible, from observable data such as prices or indices that are published by the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. Where input parameters are not directly observable, they may be derived from observable data through extrapolation or interpolation, or may be approximated by reference to historical or correlated data. Input parameters for derivative valuations would typically include underlying spot or forward security prices, volatility, interest rates and exchange rates. The fair value of options is comprised of two parts, the intrinsic value and the time value. The factors used to determine the time value include the strike price compared to the underlying, the volatility of the underlying market, the time to expiry and the correlations between the underlying assets and underlying currencies.
- Equities, bonds and asset-backed securities (ABS) are valued using market prices from the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. In the absence of such prices, the price for similar quoted instruments is used and adjusted to reflect the contractual differences between the instruments. In the case of more complex securities traded in markets that are not active, the fair value is derived using a valuation model that calculates the present value of the expected future cash flows. In such cases, the input parameters reflect the credit risk associated with those cash flows. Unlisted equity instruments are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.
- Structured instruments are securities that combine features of fixed-income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable return based on the performance of an underlying asset, with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly, as each instrument is individually customised and, therefore, the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign-exchange, interest-rate, credit and fund products.

Fair value hierarchy

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

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

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

In the following tables, the financial instruments reported in the balance sheet at fair value are grouped by balance sheet item and valuation method. They are broken down according to whether fair value is based on quoted market prices (Level 1), observable market data (Level 2) or unobservable market data (Level 3).

Financial assets | €bn		30.9.2017				31.12.2016[1]			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	27.6	0.4	28.0	–	14.9	0.7	15.6
Claims on customers	At fair value through profit or loss	–	17.4	0.1	17.5	–	8.2	0.2	8.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	2.1	–	2.1	–	2.1	–	2.1
Trading assets	Held for trading	17.4	47.0	5.6	70.0	23.5	59.3	6.1	88.9
of which positive fair values from derivatives		–	45.0	4.6	49.6	–	56.9	5.3	62.2
Financial investments	At fair value through profit or loss	0.4	0.4	–	0.8	0.4	0.4	0.1	0.9
	Available-for-sale financial assets	27.5	6.9	0.1	34.5	31.0	8.3	0.1	39.4
Non-current assets held for sale and assets of disposal groups	Available-for-sale financial assets	–	–	–	–	–	–	0.1	0.1
Total		**45.3**	**101.4**	**6.2**	**152.9**	**54.9**	**93.2**	**7.3**	**155.4**

[1] Prior-year figures restated due to a correction in Level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from Level 2 to Level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from Level 3 to Level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

Financial liabilities | €bn		30.9.2017				31.12.2016[1]			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	12.3	0.1	12.4	–	10.8	–	10.8
Liabilities to customers	At fair value through profit or loss	–	21.3	–	21.3	–	6.3	–	6.3
Securitised liabilities	At fair value through profit or loss	0.8	–	–	0.8	1.0	–	–	1.0
Negative fair values of derivative hedging instruments	Hedge accounting	–	2.7	–	2.7	–	3.1	–	3.1
Trading liabilities	Held for trading	8.7	47.0	3.7	59.4	5.6	61.8	4.2	71.6
of which negative fair values from derivatives		–	46.6	3.7	50.3	–	61.8	4.2	66.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**9.5**	**83.3**	**3.8**	**96.6**	**6.6**	**82.0**	**4.2**	**92.8**

[1] Prior-year figures restated due to a correction in Level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from Level 2 to Level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.

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

A number of reclassifications from Level 1 to Level 2 were carried out in the third quarter of 2017, as quoted market prices were no longer available. This involved €0.3bn in available-for-sale securities. Opposite reclassifications from Level 2 to Level 1 were made for €0.1bn of available-for-sale securities, as quoted market prices became available again. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

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

Financial assets €m	Claims on banks[2]	Claims on customers[2]	Trading assets[1,3]	of which positive fair values from derivatives[1,3]	Financial investments[4]	Financial investments[2]	Non-current assets held for sale and disposal groups	Total
Fair value as at 1.1.2016	**–**	**428**	**5,373**	**4,354**	**50**	**131**	**97**	**6,079**
Changes in consolidated companies	–	–148	–	–	–	–	–	–148
Gains or losses recognised in income statement during the period	–	–29	2	133	–	–	–8	–35
of which unrealised gains/losses	–	1	29	154	–	–	–	30
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	–	–	237	9	–	2	–	239
Sales	–	–	–61	–3	–	–	–192	–253
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–2	–174	–1	–	–	–	–176
Reclassifications to Level 3	746	2	1,406	1,217	2	12	68	2,236
Reclassifications from Level 3	–	–	–604	–444	–2	–5	–	–611
Reclassifications from/to non-current assets held for sale	–	–103	–	–	–	–	103	–
Fair value as at 31.12.2016	**746**	**148**	**6,179**	**5,265**	**50**	**140**	**68**	**7,331**
Changes in consolidated companies	–	–	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–20	–7	–627	–498	–	–13	–2	–669
of which unrealised gains/losses	–20	–7	–635	–506	–	–13	–2	–677
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–	–
Purchases	320	–	154	19	2	1	–	477
Sales	–158	–	–159	–148	–	–	–66	–383
Issues	–	–	–	–	–	–	–	–
Redemptions	–	–	–16	–16	–	–	–	–16
Reclassifications to Level 3	4	–	78	61	2	6	–	90
Reclassifications from Level 3	–527	–	–49	–46	–52	–6	–	–634
Reclassifications from/to non-current assets held for sale	–	–	–	–	–	–	–	–
Fair value as at 30.9.2017	**365**	**141**	**5,560**	**4,637**	**2**	**128**	**–**	**6,196**

1 Prior-year figures restated due to a correction in Level 3 positive market values of derivatives. A retrospective reclassification of €1.2bn was made from Level 2 to Level 3. In addition, a reclassification of €0.1bn in securities held for trading was made from Level 3 to Level 2. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.
2 At fair value through profit or loss.
3 Held for trading.
4 Available-for-sale financial assets.

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

In the 2017 financial year, €0.1bn in securities measured at fair value and €0.5bn in reverse repos measured at fair value were reclassified from Level 3 to Level 2, as quoted prices were again available. Opposite reclassifications were made from Level 2 to Level 3 in the amount of €0.1bn from financial instruments held for trading.

Financial liabilities €m	Liabilities to banks	Trading liabilities[1,2]	of which negative fair values from derivatives[1,2]	Total
Fair value as at 1.1.2016	**–**	**2,950**	**2,931**	**2,950**
Changes in consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	288	288	288
of which unrealised gains/losses	–	291	291	291
Purchases	–	416	416	416
Sales	–	−2	−2	−2
Issues	–	–	–	–
Redemptions	–	−36	−34	−36
Reclassifications to Level 3	–	845	824	845
Reclassifications from Level 3	–	−290	−252	−290
Fair value as at 31.12.2016	**–**	**4,171**	**4,171**	**4,171**
Changes in consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	−297	−297	−297
of which unrealised gains/losses	–	−315	−315	−315
Purchases	100	119	119	219
Sales	–	−60	−60	−60
Issues	–	–	–	–
Redemptions	–	−33	−33	−33
Reclassifications to Level 3	–	12	12	12
Reclassifications from Level 3	–	−204	−204	−204
Fair value as at 30.9.2017	**100**	**3,708**	**3,708**	**3,808**

[1] Prior-year figures restated due to a correction in Level 3 negative fair values from derivatives. A retrospective reclassification of €0.2bn was made from Level 2 to Level 3. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.
[2] Held for trading.

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

In the 2017 financial year, €0.2bn of derivatives with negative fair values were reclassified from Level 3 to Level 2, as market parameters were again observable. There were no other significant reclassifications of financial liabilities into or out of Level 3.

Sensitivity analysis

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

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

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

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding payments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies.

  Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps. Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates are a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability.

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

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

- Repo curve:
  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual-fund-related repos may also contain unobservable repo curve exposures.
- Price:
  Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of positions.
- Investment fund volatility
  Fundamentally, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to Level 3 because the market data it uses are not liquid enough to be classified as Level 2.

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

€m		30.9.2017			30.9.2017	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		**4,637**	**3,708**			
Equity-related transactions	Discounted cash flow model	190	505	IRR (%), price based (%), Investment fund volatility (%)	1%	9%
Credit derivatives	Discounted cash flow model	4,447	3,029	Credit spread (bps)	100	500
				Recovery rate (%)	40%	80%
Interest-rate-related transactions	Option pricing model	–	174	IR-FX correlation (%)	–30%	52%
Other transactions		–	–			
Securities		**1,053**	**–**			
Interest-rate-related transactions	spread based model	1,053	–	Credit spread (bps)	100	500
of which ABS	spread based model	923	–	Credit spread (bps)	100	500
Equity-related transactions	Discounted cash flow model	–	–	Price (%)	90%	110%
Loans		**506**	**100**			
repo-business	Discounted cash flow model	365	100	repo-curve (bps)	126	257
Claims	Price-based	141	–	Price (%)	90%	110%
Total		**6,196**	**3,808**			

The table below shows the impact on the income statement of reasonable parameter estimates on the edges of these ranges for instruments in Level 3 of the fair value hierarchy. The sensitivity analysis for financial instruments in Level 3 of the fair value hierarchy is broken down by type of instrument:

€m	2017		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**29**	**−28**	
Equity-related transactions	13	−11	IRR, price based, Investment fund volatility
Credit derivatives	14	−14	Credit spread, recovery rate, price
Interest-rate-related transactions	2	−3	Price, IR-FX correlation
Other transactions	–	–	
Securities	**30**	**−30**	
Interest-rate-related transactions	26	−26	price, repo curve
of which ABS	7	−7	IRR, recovery rate, credit spread
Equity-related transactions	4	−4	Price
Loans	**7**	**−7**	Price

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

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the “day one profit or loss”. The day one profit or loss is not recognised immediately in the income statement but pro rata over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in net trading income. A cumulated difference between transaction price and model valuation is calculated for the Level 3 items in all categories. Material impacts only result from financial instruments held for trading; the development was as follows:

€m	Day one profit or loss		
	Trading assets	Trading liabilities	Total
Balance as at 1.1.2016	**–**	**5**	**5**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	−5	−5
Balance as at 31.12.2016	**–**	**4**	**4**
Allocations not recognised in income statement	–	32	32
Reversals recognised in income statement	–	−5	−5
Balance as at 30.9.2017	**–**	**31**	**31**

Fair value of financial instruments not measured at fair value

Determination of fair value

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

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

Market prices are not available for loans as there are no organised markets for trading these financial instruments. 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 costs and the cost of capital. Data on the credit spreads of major banks and corporate customers is available. When using credit spreads, neither liquidity spreads nor premiums for administrative costs and the cost of capital may be considered, since implicitly they are already included in credit risk.

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

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

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

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

	Fair value		Carrying amount		Difference	
€bn	30.9.2017	31.12.2016[1]	30.9.2017	31.12.2016[1]	30.9.2017	31.12.2016[1]
Assets						
Cash reserve	54.3	34.8	54.3	34.8	–	–
Claims on banks	62.6	58.6	62.6	58.5	–	0.1
Claims on customers	230.1	213.2	229.4	212.8	0.7	0.4
Value adjustment on portfolio fair value hedges[2]	–	–	0.1	0.3	−0.1	−0.3
Positive fair values of derivative hedging instruments	2.1	2.1	2.1	2.1	–	–
Trading assets	70.0	88.9	70.0	88.9	–	–
Financial investments	56.9	67.4	59.1	70.2	−2.2	−2.8
Non-current assets held for sale and assets of disposal groups	0.3	0.7	0.3	0.7	–	–
Liabilities						
Liabilities to banks	68.8	66.9	68.8	66.9	–	–
Liabilities to customers	274.0	251.3	273.4	250.9	0.6	0.4
Securitised liabilities	38.3	40.2	36.7	38.5	1.6	1.7
Value adjustment on portfolio fair value hedges[2]	–	–	0.6	1.0	−0.6	−1.0
Negative fair values of derivative hedging instruments	2.7	3.1	2.7	3.1	–	–
Trading liabilities	59.4	71.6	59.4	71.6	–	–
Liabilities of disposal groups	–	–	–	–	–	–
Subordinated debt instruments	11.4	11.8	10.4	11.0	1.0	0.8

[1] The prior year was restated because of a correction in the presentation of the fair value of claims on banks. The fair value was corrected retrospectively by €-0.1bn. The correction pertains only to this note; it had no impact on the balance sheet, the statement of comprehensive income or the earnings per share.
[2] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged financial instruments.

(34) Treasury shares

	Number of shares in units	Accounting par value[1] in €1,000	Percentage of share capital
Balance as at 30.09.2017	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 30.9.2017	3,278,722	3,279	0.26
Shares acquired during the current financial year	–	–	
Shares disposed of during the current financial year	–	–	

[1] Accounting par value per share €1.00

(35) Information on netting of financial instruments

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

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

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

We apply netting to receivables and liabilities from repurchase agreements (reverse repos and repos), to OTC derivatives, and to positive and negative fair values of derivatives.

Assets | €m	**30.9.2017**		**31.12.2016**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	60,052	104,295	38,202	124,824
Book values not eligible for netting	7,948	5,337	9,889	5,894
a) Gross amount of financial instruments I and II	52,104	98,958	28,313	118,930
b) Amount netted in the balance sheet for financial instruments I[1]	20,963	52,572	14,820	60,544
c) Net amount of financial instruments I and II = a) – b)	31,141	46,386	13,493	58,386
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42[2]	1,978	31,144	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	27,884	43	11,192	633
Cash collaterals	97	9,331	30	9,671
e) Net amount of financial instruments I and II = c) – d)	1,182	5,868	1,967	7,154
f) Fair value of financial collateral of central counterparties relating to financial instruments I	1,182	–	1,967	55
g) Net amount of financial instruments I and II = e) – f)	–	5,868	–	7,099

1 Of which for positive fair values €2,352m (previous year: €2.270m) is attributable to margins.
2 Lesser amount of assets and liabilities.
3 Excluding rights or obligations to return arising from the transfer of securities.
4 Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	**30.9.2017**		**31.12.2016**	
	Repos	**Negative fair values of derivative financial instruments**	**Repos**	**Negative fair values of derivative financial instruments**
Gross amount of financial instruments	51,960	103,730	28,184	128,901
Book values not eligible for netting	6,772	899	4,593	1,219
a) Gross amount of financial instruments I and II	45,188	102,831	23,591	127,682
b) Amount netted in the balance sheet for financial instruments I[1]	20,962	50,717	14,820	59,869
c) Net amount of financial instruments I and II = a) – b)	24,226	52,114	8,771	67,813
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfill or only partially fulfill the criteria under IAS 32.42[2]	1,978	31,144	304	40,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	16,849	1,247	5,432	2,441
Cash collaterals	4	13,593	4	18,588
e) Net amount of financial instruments I and II = c) – d)	5,395	6,130	3,031	5,856
f) Fair value of financial collateral of central counterparties relating to financial instruments I	5,395	–	3,031	55
g) Net amount of financial instruments I and II = e) – f)	–	6,130	–	5,801

[1] Of which for negative fair values €4,207m (previous year: €2.946m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

(36) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies, equity holdings, external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft, key management personnel and members of their families as well as companies controlled by these persons. The banking activities with related parties as well as the guarantees and collaterals with federal agencies were granted in the course of the bank's ordinary banking activities.

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

However, besides the stake held by the German federal government, other factors (including membership of the supervisory board) which could allow a shareholder to exert a significant influence on Commerzbank Aktiengesellschaft also need to be taken into account. As a result the German federal government and entities controlled by it constitute related parties as defined by IAS 24.

In the following tables we present relationships with federal government-controlled entities and agencies separately from relationships with other related parties. Assets, liabilities and off-balance-sheet items involving related parties (excluding federal agencies) were as follows:

31 Statement of comprehensive income
36 Balance sheet
38 Statement of changes in equity
41 Cash flow statement
42 Selected notes

€m	30.9.2017	31.12.2016	Change in %
Claims on banks	–	3,158	–100.0
Claims on customers	402	696	–42.2
Trading assets	109	58	87.9
Financial investments	88	64	37.5
Other assets	1	6	–83.3
Total	**600**	**3,982**	**–84.9**
Liabilities to banks	2	4	–50.0
Liabilities to customers	426	432	–1.4
Trading liabilities	3	–	.
Subordinated debt instruments	–	–	.
Other liabilities	18	21	–14.3
Total	**449**	**457**	**–1.8**
Off-balance-sheet items			
Guarantees and collaterals granted	43	183	–76.5
Guarantees and collaterals received	–	–	.

The decline in claims on banks is due to the acquisition of Commerz Finanz GmbH (see note on the group of consolidated companies).

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

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Income			
Interest income	78	164	–52.4
Commission income	64	137	–53.3
Gains or losses on disposals and remeasurement	63	–	.
Others	–	–	.
Expenses			
Interest expenses	11	12	–8.3
Net loan loss provisions	1	–	
Commission expenses	–	–	.
Operating expenses	60	60	0.0
Gains or losses on disposals and remeasurement	–	5	–100.0
Write-downs/impairments	2	1	100.0
Others	9	8	12.5

The table below sets out the assets and liabilities relating to transactions with federal agencies:

€m	30.9.2017	31.12.2016	Change in %
Cash reserve	24,460	18,350	33.3
Claims on banks	533	270	97.4
Claims on customers	1,069	1,287	–16.9
Trading assets	714	308	.
Financial investments	1,535	3,612	–57.5
Total	**28,311**	**23,827**	**18.8**
Liabilities to banks	12,888	12,614	2.2
Liabilities to customers	103	80	28.8
Trading liabilities	862	115	.
Total	**13,853**	**12,809**	**8.2**
Off-balance-sheet items			
Guarantees and collaterals granted	270	310	–12.9
Guarantees and collaterals received	–	–	.

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

€m	1.1.–30.9.2017	1.1.–30.9.2016	Change in %
Income			
Interest income	48	67	–28.4
Commission income	1	2	–50.0
Gains or losses on disposals and remeasurement	170	–	.
Expenses			
Interest expenses	17	28	–39.3
Net loan loss provisions	–	–	.
Commission expenses	–	–	.
Gains or losses on disposals and remeasurement	–	79	–100.0
Operating expenses	1	1	0.0
Write-downs/impairments	–	–	.

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

Hans-Hermann Altenschmidt[1]

Heike Anscheit[1]
(since 1.1.2017)

Gunnar de Buhr[1]

Stefan Burghardt[1]

Sabine U. Dietrich

Karl-Heinz Flöther

Dr. Tobias Guldimann
(since 4.5.2017)

Stefan Jennes[1]
(since 1.2.2017)

Dr. Markus Kerber

Alexandra Krieger[1]

Oliver Leiberich[1]

Dr. Stefan Lippe

Beate Mensch[1]

Anja Mikus

Dr. Roger Müller
(until 3.5.2017)

Dr. Helmut Perlet

Mark Roach[1]

Margit Schoffer[1]
(until 31.1.2017)

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Stephan Engels

Michael Reuther

Frank Annuscheit

Michael Mandel

Dr. Marcus Chromik

Dr. Bettina Orlopp
(since 1.11.2017)

Frankfurt/Main, 06 November 2017
The Board of Managing Directors

Martin Zielke	Frank Annuscheit	Marcus Chromik
Stephan Engels	Michael Mandel	Bettina Orlopp
Michael Reuther		

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 September 2017 which are part of the half-year financial report pursuant to § (Article) 37w 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) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review 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/Main, 7 November 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Helge Olsson
Wirtschaftsprüferin
(German Public Auditor)

Martin Alt
Wirtschaftsprüfer
(German Public Auditor)

Significant Group companies

Germany
comdirect bank AG, Quickborn
Commerz Real AG, Eschborn

Abroad
Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo
Commerzbank (Eurasija) AO, Moscow
Commerzbank Finance & Covered Bond S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
mBank S.A., Warsaw

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

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

Disclaimer

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

2018 Financial calendar	
8 February 2018	Annual Results Press Conference
End-March 2018	Annual Report 2017
8 May 2018	Annual General Meeting
15 May 2018	Interim Report as at 31 March 2018
7 August 2018	Interim Report as at 30 June 2018
8 November 2018	Interim Report as at 30 September 2018

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