COMMERZBANK

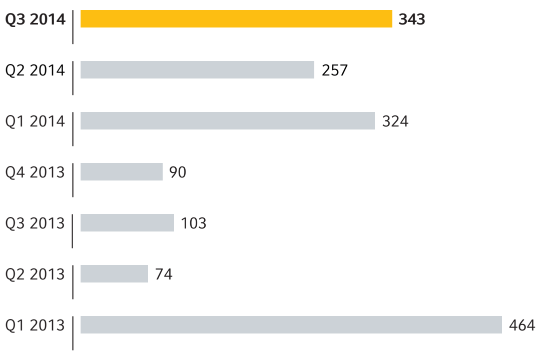
Interim Report as at 30 September 2014

The bank at your side

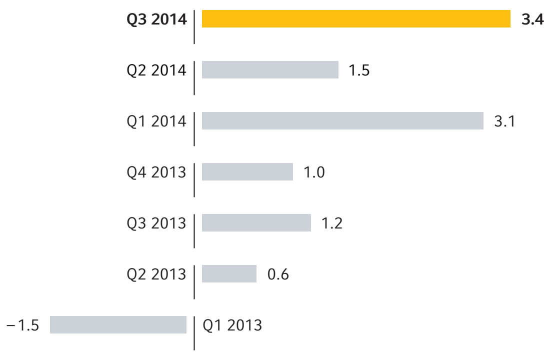
Key figures

Income statement	1.1.–30.9.2014	1.1.–30.9.2013[1]
Operating profit (€m)	924	641
Operating profit per share (€)	0.81	0.77
Pre-tax profit or loss (€m)	924	148
Consolidated profit or loss[2] (€m)	525	17
Earnings per share (€)	0.46	0.02
Operating return on equity[3] (%)	4.5	3.2
Cost/income ratio in operating business (%)	74.5	72.5
Return on equity of consolidated profit or loss[2,3,4] (%)	2.7	0.1
Balance sheet	**30.9.2014**	**31.12.2013[1]**
Total assets (€bn)	596.4	549.7
Risk-weighted assets[5] (€bn)	215.8	190.6
Equity as shown in balance sheet (€bn)	27.6	26.9
Total capital as shown in balance sheet (€bn)	40.0	40.6
Capital ratios[5]		
Tier 1 capital ratio (%)	11.8	13.5
Core Tier 1 capital ratio[6] (%)	11.8	13.1
Total capital ratio (%)	14.9	19.2
Staff	**30.9.2014**	**30.9.2013**
Germany	40,047	41,804
Abroad	12,223	11,845
Total	52,270	53,649
Long-/short-term rating		
Moody's Investors Service, New York	Baa1/P-2	Baa1/P-2
Standard & Poor's, New York	A-/A-2	A-/A-2
Fitch Ratings, New York/London	A+/F1+	A+/F1+

Operating profit[1] (€m)



Return on equity of consolidated profit or loss[1,2,3,4] (%)



[1] Prior-year figures restated due to the restatement of hedge accounting and credit protection insurance and the tax restatements plus the amended definition of average Group capital attributable to Commerzbank shareholders.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Annualised.
[4] The capital base comprises the average Group capital attributable to Commerzbank shareholders.
[5] Preliminary figures as at 30 September 2014 (including interim profit).
[6] The core Tier 1 capital ratio is the ratio of core Tier 1 capital (mainly subscribed capital and reserves) to risk-weighted assets.

Contents

Letter from the Chairman of the Board of Managing Directors

Martin Blessing
Chairman of the Board of Managing Directors

Dear shareholders,

The European Central Bank (ECB) published the results of the Asset Quality Review (AQR) and the subsequent stress test at the end of October. As we expected, Commerzbank recorded good results in both the AQR and the stress test. The AQR called for a minimum Common Equity Tier 1 (CET1) ratio of 8.0% under the Basel 3 transitional arrangements by the end of 2013. Commerzbank clearly exceeded this requirement, achieving a ratio of 10.8%. The baseline scenario for the stress test, which assumes normal economic activity within the eurozone, also called for a minimum CET1 ratio of 8.0% by 2016. Once again, Commerzbank's ratio was far in excess of this at 11.4%. Even in the adverse scenario, the Bank clearly exceeded the ECB's minimum CET1 ratio of 5.5% by the end of 2016, recording a ratio of 8.0%. The good result of the ECB's comprehensive assessment is testimony to the successful restructuring of Commerzbank over the past few years and confirms that we are on the right track with our efforts both to reduce our non-strategic portfolios and to expand our customer-focused business model.

Dear shareholders, allow me to take a look at the performance of "your Bank" over the past quarter. The market environment for banks remained difficult in the third quarter of 2014. The stable to very good results for our core segments in the period under review show that we are focusing on the right things with the already implemented strategic measures, making investments and adapting our range of products and services to the needs and wishes of our customers.

In the Private Customers segment, operating profit was up sharply year-on-year in the period under review, with the successes from the implementation of the strategic realignment of the private customer business showing that our initiatives are having an effect. In the retail mortgage financing business, we managed to boost new business volumes by around 30%. There was also a pleasing increase in the number of new private customers, with a net total of 215,000 new customers in this segment choosing Commerzbank over the past nine months.

Mittelstandsbank recorded a pleasing increase in the volume of lending to domestic corporate customers, with earnings remaining stable overall due to our product skills and customer-focused approach despite the market-related consequences of the ongoing low level of customer activity evident in some business areas. This led to a slight fall in income from capital market products. Given our ambitious growth targets it is vitally important that we press ahead systematically with our measures. Overall, operating profit rose compared to the first nine months of the previous year.

The pleasing and dynamic performance of the Central & Eastern Europe segment continued in the third quarter, with operating profit rising significantly compared to the first nine months of the previous year.

In Corporates & Markets, operating profit was down on the strong prior-year figure, due amongst others to lower Fixed Income & Currencies business caused by ongoing weakness in customer activity. This was not completely offset by the very pleasing performance of the Equity Markets & Commodities division.

We continued to run down the Non-Core Assets segment, further reducing our shipping portfolio at the end of August through the sale of nine container ships. We are aiming for a volume of €20bn for our real estate and shipping portfolio by 2016. The total NCA exposure on the reporting date was €88bn, compared to €116bn at the end of 2013.

In the first nine months of this year we posted within the Group an operating profit of €924m, compared with €641m in the prior-year period. Consolidated profit attributable to Commerzbank shareholders was €525m. The prior-year figure of €17m was primarily burdened by restructuring expenses. The results achieved are also proof that we could regain the trust lost by our customers, through the consistent orientation of our business model on customer satisfaction.

Dear shareholders, we must and will proceed further along this path. The consistent implementation of our strategic agenda will be a key success factor in Commerzbank’s performance. Even though the remaining weeks of this year will remain challenging due to the ongoing difficult operating environment for financial institutions, we are maintaining our forecast that we will achieve a significantly improved consolidated profit for the whole year 2014, both pre-tax and after tax.

Yours sincerely

Martin Blessing, Chairman of the Board of Managing Directors

Development of Commerzbank shares

Stock market performance in the third quarter of 2014 was characterised by opposing effects. After German and US stock market indices scaled new record heights in the middle of the year, with the DAX reaching its all-time high of 10,051 points on 20 June 2014, they experienced significant falls at the beginning of the third quarter. In particular, economic sanctions against Russia in response to the Ukraine crisis and worse-than-expected quarterly results from a number of companies made investors nervous given the highs on the stock markets. Even the strong economic growth in the US in the second quarter of 2014 was seen as a negative, as there were increasing indications that it could bring about a reversal in the US Federal Reserve's interest rate policy. There was little positive news to bolster the markets, and the DAX – due in part also to the geopolitical crises – fell from its quarterly high of 10,029 points at the beginning of July 2014 to below 9,000 points at the beginning of August 2014.

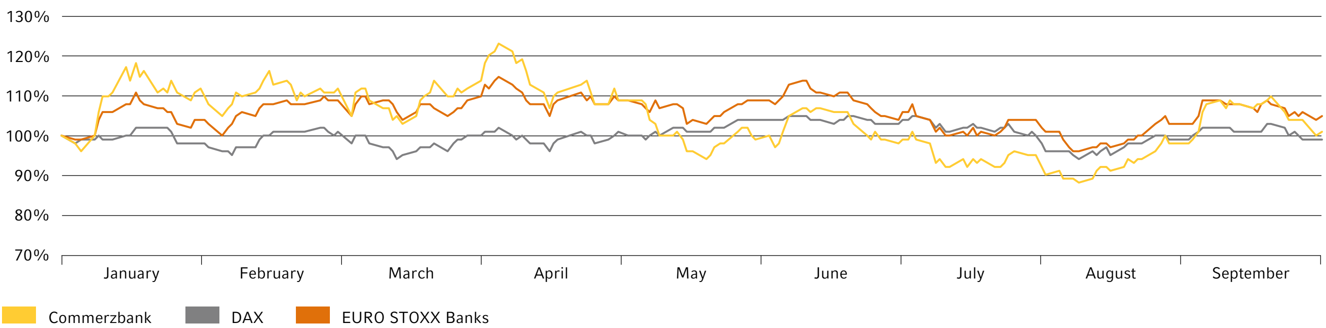
There was no reversal in this stock market trend until hopes began to rise of a calming of the Ukraine crisis and further quantitative easing by the ECB at the beginning of September. The DAX subsequently climbed back above 9,800 points. In the last week of September, however, concerns over economic growth in Germany following a sharp fall in the IfO Business Climate Index affected German stock markets, causing the DAX to fall to 9,474 points as at the end of the third quarter of 2014.

Bank shares mirrored the DAX's performance – negative in the first half of the quarter followed by a recovery in the second half of the quarter. In addition to the negative performance of the stock markets in July 2014, the overall performance of bank shares was also affected by the in some cases very high fines imposed by the US authorities due to breaches of US sanctions. As a result, the bank index fell by 7.4% to its quarterly low on 7 August 2014. The Commerzbank share price was also affected by this trend and stood at €10.18 as at the beginning of August 2014.

Commerzbank's results for the second quarter of 2014 delivered a positive surprise, leading to correspondingly positive comments from analysts. They focused in particular on the rapid reduction of the NCA portfolio, cost control and the measures implemented to modernise the private customer business. On the day the second-quarter results were published, the share price rose by around 2% in a weak overall market.

The ECB's surprise announcement on 4 September 2014 that it was to cut its key interest rates and purchase a broad portfolio of securities – in particular government bonds and asset-backed securities – triggered a sharp rise in bank share prices. Commerzbank, the strongest stock in the DAX, gained more than 5% on this date. The Commerzbank share price reached its quarterly high of €12.98 on 19 September 2014. At the end of the quarter, the Commerzbank share price was negatively impacted by reports of legal disputes with the US supervisory authorities and fell to €11.58.

Commerzbank share vs. performance indices in the first nine months of 2014
Daily figures, 30.12.2013 = 100



The Commerzbank share price closed the quarter at €11.84. The Commerzbank share price rose by 1.1% in the first nine months of 2014, compared with an increase of 5.5% for the EURO-STOXX bank index over the same period. The Commerzbank share price is up more than 39% year-on-year, however, and is therefore significantly outperforming the DAX (up 10.2%) or the bank index (up 18.6%).

Over the third quarter of 2014, seventeen analysts recommended buying or holding Commerzbank shares. Six analysts recommended selling. The proportion of "buy/hold" recommendations therefore rose by five percentage points compared with the second quarter to 74%.

On 30 September 2014, approximately 53% of all Commerzbank shares were still held by our major shareholders SoFFin, Capital Group and BlackRock and private shareholders, mainly resident in Germany. Approximately 47% of all Commerzbank shares are in the hands of institutional investors. BlackRock reduced its holding from just above 5% at the end of 2013 to below 5%.

The daily turnover of Commerzbank shares – in terms of the number of shares traded – was down in the first nine months of 2014 compared with the same period last year. The average daily trading volume in the period under review was 10.3 million shares, compared with 12.1 million shares in the first three quarters of 2013. The comparatively higher volume in 2013 was due to the capital increase in May 2013, which resulted in increased turnover.

Commerzbank's market capitalisation stood at €13.5bn at the end of the third quarter of 2014.

Highlights of the Commerzbank share	1.1.–30.9.2014	1.1.–30.9.2013
Shares issued in million units (30.9.)	1,138.5	1,138.5
Xetra intraday prices in €		
High	14.48	12.96
Low	10.18	5.56
Closing price (30.9.)	11.84	8.51
Daily trading volume[1] in million units		
High	24.1	67.2
Low	3.8	2.9
Average	10.3	12.1
Index weighting in % (30.9.)		
DAX	1.4	1.1
EURO STOXX Banks	2.1	2.2
Earnings per share in €	0.46	0.02
Book value per share[2] in € (30.9.)	23.42	22.62
Net asset value per share[3] in € (30.9.)	21.82	21.16
Market value/Net asset value (30.9.)	0.54	0.40

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

Interim Management Report

Business and overall conditions

Overall economic situation

After a good start the economic growth has weakened during the course of the year. After falling 0.2% in the second quarter, GDP was set to stagnate at best in the third quarter. There are several reasons for this weakness. Firstly, the unusually mild winter weather prompted the construction industry to bring some of its orders forward to the first few months of the year, leading to a fall in utilisation at many construction companies. Secondly, there was a marked decline in demand for machinery and equipment. The main reason, however, was the deteriorating external economic environment, a particular concern for the heavily export-dependent German economy, which is also battling the previous sharp appreciation of the euro.

The economies of the other eurozone countries, which account for just under half of all German export demand, are still only recovering at a slow rate. The correction of previous excesses is still acting as a brake on economic growth. While the initial results of the reform efforts are starting to become apparent in the crisis countries, the Italian and French economies are treading water. The emerging economies that are vital for the German economy also lost momentum. China suffered a further slowdown in economic growth in the first half of 2014, with the increasing problems on the real estate market weighing on domestic demand.

The global economy is currently being supported primarily by the US economy. The slump at the start of the year caused by the unusual cold snap was reversed as early as the spring, with the US economy growing by 4.6% year-on-year in the second quarter compared with the first three months of the year. The unemployment rate fell below 6%, meaning that the US is now at almost full employment. The US Federal Reserve began to reduce its bond purchases at the end of 2013, before stopping them completely in October of this year. By contrast, the European Central Bank cut its key interest rates again in September and announced a purchase programme for asset-backed securities. Its chief concern is that eurozone inflation could remain at a very low level over the long term. Inflation reached a new cyclical low of 0.3% in September.

In the first three quarters of the current year the financial markets were dominated by the extremely expansive monetary policy of the major industrialised countries. The low interest rates drove investors back towards riskier forms of investment such as equities or corporate bonds. Government bonds from eurozone periphery countries were also in demand. In many of these countries the interest burden has been reduced considerably compared with the period before the start of the sovereign debt crisis. The euro has also lost a lot of its value as a result, particularly against the US dollar.

Important business policy events in the third quarter of 2014

Commerzbank and BNP Paribas Personal Finance continue their successful cooperation in the instalment credit business

At the beginning of July, Commerzbank and BNP Paribas Personal Finance, the market leader in the European consumer credit business, announced plans to continue their previously successful partnership in Germany. The cooperation under the Commerz Finanz GmbH joint venture began in January 2010 as the successor to Dresdner Cetelem Kreditbank. BNP Paribas Personal Finance has and will continue to have a 50.1% holding in the joint venture, while Commerzbank holds 49.9%. In the Commerzbank branch network, Commerz Finanz is the exclusive partner for the sale of Commerzbank instalment credits. Joint venture partner BNP Paribas Personal Finance's knowledge of point-of-sale and e-commerce business represents a useful addition to Commerz Finanz GmbH's product portfolio and creates the basis for a solid and broad-based growth platform. Under the ongoing partnership both companies undertake to provide intensive support for Commerz Finanz, enabling it to further expand its current business model and at the same time establish new technologies, new products and new, innovative sales channels in the market.

For Commerzbank, successful cooperation with BNP Paribas Personal Finance is an important part of the new private customer strategy. The partnership will allow Commerzbank to further consolidate its position as a provider of instalment credit in Germany and exploit the growth opportunities in this business area.

Commerzbank agrees sale of nine container ships

At the end of August Commerzbank signed an agreement with a buyer and the owners for the sale of nine container ships financed by the Bank. The sales proceeds will be used to redeem loans totalling some €160m. The entire portfolio will be fully transferred to the buyer, a joint venture established between the KKR Special Situations Group of Kohlberg Kravis Roberts & Co. L.P. (USA) and Borealis Maritime Ltd. (UK), with Commerzbank not retaining any of the financing. The parties have agreed to maintain confidentiality about all other details of the contractual agreements.

This transaction is the second successful capital markets portfolio transaction in the Deutsche Schiffsbank division within the space of one year, and has been agreed despite the ongoing difficult market environment on the international shipping markets. The transaction is the next step in the value-preserving reduction of Commerzbank's NCA segment.

Commerzbank places €1bn mortgage Pfandbrief

Commerzbank Aktiengesellschaft issued a mortgage Pfandbrief on the capital market in mid-September. The benchmark bond has a volume of €1bn, a five-year term and a coupon of 0.375% p. a. The mortgage Pfandbrief is secured by Commerzbank's private retail mortgage loans in Germany and provides funding for the long-term core business of the Private Customers segment.

Earnings performance, assets and financial position

In 2014 Commerzbank once again finds itself in a difficult banking environment with continued low interest rates. Regulatory requirements for banks are becoming stricter and have to be implemented at ever shorter intervals, providing growing challenges and weighing correspondingly on earnings. The ongoing low level of loan loss provisions had a positive impact on earnings performance in the first half of the year.

The Commerzbank Group's operating profit for the first nine months came to €924m. This represents an increase of 44.1% on the first nine months of the previous year. Consolidated profit attributable to Commerzbank shareholders for the period under review came to €525m.

Total assets as at 30 September 2014 were €596.4bn, 8.5% higher than the figure for year-end 2013. This was due to the higher volume of claims on banks and an increase in trading assets. Risk-weighted assets rose to €215.8bn especially in connection with the first-time application of Basel 3, mainly due to the increase in risk-weighted assets in market and credit risks. As a result, the Common Equity Tier 1 ratio fell to 11.8% as at the end of September 2014.

Income statement of the Commerzbank Group

Income before loan loss provisions fell slightly by 2.0% year-on-year to €6,907m in the first nine months of 2014.

The net interest and net trading result fell 3.0% to €4,559m overall. During the first nine months of 2014, net interest income fell by 5.5% year-on-year to €4,231m, while net trading income and net income from hedge accounting rose by 49.1% year-on-year to €328m.

In the Private Customers segment, targeted interest rate management on the liabilities side in previous quarters in response to the worsening low interest rate environment led to a significant improvement in the interest margin and an increase in net interest income. The increase in lending volume in the Mittelstandsbank segment had a positive impact on net interest income, although this was partially offset by charges in the deposit business. The Central & Eastern Europe segment also recorded a significant increase in net interest income, thanks in particular to a rise in deposit spreads. By contrast, the faster reduction of the lending portfolio in the Non-Core Assets segment cut net interest income sharply from the previous year. The sale of the CRE portfolio resulted in a charge of €191m on net interest income. Further information on the composition of net interest income and the trading result is given in the notes to the interim financial statements on pages 54 and 55.

Net commission income in the reporting period was down 1.5% to €2,396m compared with the same period last year. This was largely due to the reorganisation of the securities business in the Private Customers segment in the second half of the previous year, which led to a shift from transaction-dependent to portfolio-volume-based commission income. The decline in revenues from the transaction-dependent securities business could not yet be compensated for. The Mittelstandsbank segment recorded a drop in income from interest rate and currency hedging business. In the Central & Eastern Europe segment, cashless payment transactions, credit-related net commission income and intermediary business amongst others performed well, so net commission income was up in the period. Net commission income in Non-Core Assets was down, however. For example, the segment incurred restructuring provisions in Commercial Real Estate in the comparative period last year that were not repeated in a similar amount in the reporting period.

Net investment income in the first nine months of 2014 was €18m, after €10m in the prior-year period.

Other net income came to €–108m, compared with €–145m a year earlier. The charges both this year and in the prior-year period resulted primarily from provisions in respect of legal and litigation risks.

The net allocation to loan loss provisions fell by 35.5% to €–836m year-on-year. The decline was the result of both lower provisions in the Private Customers and Mittelstandsbank segments and write-ups in connection with the portfolio sales in the Non-Core Assets segment. Corporates & Markets reported a higher net reversal in the period under review than that achieved in the prior-year period.

Operating expenses in the first nine months of the year were €5,147m, in line with the prior-year figure. Personnel expenses fell 2.7% to €2,884m, largely because there were fewer employees. Other operating expenses, including depreciation on fixed assets and amortisation of intangibles, were up 5.4% to €2,263m. The €117m rise was primarily the result of higher audit and consultancy costs, due in part to the ECB's asset quality review and the implementation of further regulatory requirements, and an increase in marketing costs. However, office space costs were lower than in the prior-year period due to reduced maintenance costs that is to say lower rental/leasing costs.

As a result of the developments described above, the Commerzbank Group posted an operating profit of €924m in the first nine months of the current year, compared with €641m in the same period last year.

Profit in the prior-year period was burdened by restructuring expenses of €493m.

Pre-tax profit for the first nine months of the current year was €924m, after €148m in the prior-year period.

Tax expense for the reporting period was €320m, compared with €59m for the equivalent prior-year period. Consolidated profit after tax amounted to €604m, compared with €89m in the prior-year period. Net of non-controlling interests of €79m, a consolidated profit of €525m was attributable to Commerzbank shareholders.

Operating earnings per share amounted to €0.81 and earnings per share to €0.46. In the prior-year period the comparable figures were €0.77 and €0.02 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2014 were €596.4bn. Compared with year-end 2013 this is a rise of 8.5% or €46.7bn, primarily due to higher claims on banks and increased trading assets.

Claims on banks were €101.6bn, up €14.0bn from the year-end. This was primarily due to the increase in claims from secured money market transactions, which rose by €12.8bn. Claims on customers remained at around the previous year's level at €246.1bn. Volume growth at the short-term end was offset by a corresponding fall for longer-dated maturities. This was the result of lower claims on customers – mainly due to a fall in mortgage bank business – which was partially compensated for by a rise in secured money market transactions in the form of reverse repos and cash collaterals. As at the reporting date, total lending to customers and banks stood at €246.2bn, in line with year-end 2013. Although loans to banks increased by €2.6bn to €25.2bn, customer lending business declined slightly compared with year-end 2013 to €221.0bn. At the same time, the increase in lending volume in the core segments was more than offset by the reduction in non-strategic business in the NCA segment.

As at the reporting date, trading assets amounted to €136.6bn, a rise of €33.0bn or 31.8% compared with the end of 2013. This was primarily attributable to the €1.3bn increase in bonds, notes and other interest rate-related securities and in particular – given the positive market environment for equity products and associated high customer demand – to the increase of €14.8bn in holdings of equities, other equity-related securities and investment fund units.

Financial investments came to €88.0bn, up by €5.9bn on year-end 2013, due mainly to the increase in bonds, notes and other interest rate-related securities.

On the liabilities side, liabilities to banks – especially repos and cash collaterals – rose sharply by €42.8bn to €120.5bn. In addition, liabilities from money market transactions increased by €5.7bn. Around 87% of the increase in volume related to foreign bank liabilities. Liabilities to customers fell by 3.2% year-on-year to €267.7bn due to a decrease of €11.2bn in repos and cash collaterals. Securitised liabilities were €13.1bn lower year-on-year at €51.5bn. Bonds and notes issued fell by €13.5bn to €47.8bn. This was due in part to a €3.7bn decline in mortgage Pfandbriefe as a result of maturities at Hypothekenbank Frankfurt AG, and also to a reduction of €5.5bn in the volume of Commerzbank Aktiengesellschaft bonds, especially due to maturities.

Liabilities from trading activities increased in volume by €22.9bn overall to €93.9bn. This was mainly due to the growth in interest-rate related derivatives transactions and an increase in short sales of bonds and equities.

Capital and reserves

The equity capital (before non-controlling interests) reported in the balance sheet as at 30 September 2014 was €26.7bn, €0.7bn above the figure for year-end 2013.

There was no change in the capital reserve compared with year-end 2013. As at the reporting date it stood at €15.9bn. Subscribed capital also remained unchanged at €1.1bn. Retained earnings remained at the 2013 level, at €10.8bn.

The revaluation reserve stood at €–0.9bn as at the reporting date. This was an improvement of around €0.3bn compared with the end of 2013 and was attributable in particular to a rise in the fair values of Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–1.2bn from equity compared with €–1.7bn at year-end 2013.

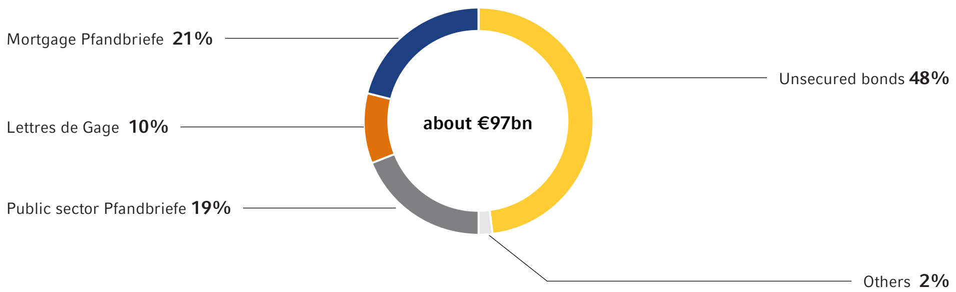
Risk-weighted assets were up €25.2bn as at 30 September 2014 to €215.8bn, especially in connection with the first-time application of Basel 3, due mainly to the increase in risk-weighted assets in market and credit risks.

Regulatory Tier 1 capital fell by €0.2bn to €25.5bn compared with year-end 2013 due to the first-time application of Basel 3. In conjunction with the higher level of risk-weighted assets the Tier 1 ratio fell to 11.8%. Common Equity Tier 1 capital came to €25.5bn. Under Basel 3 phase-in rules it is identical to core capital. The total capital ratio was 14.9% on the reporting date. The decrease of 4.3% is mainly due to changes regarding the eligibility of supplementary capital under Basel 3. The leverage ratio on the basis of the revised CRD IV/CRR ("delegated act") which compares Tier 1 capital with leverage exposure, was 4.2% ("phase-in") on the reporting date. Further to the Capital Requirements Directive (CRD IV/CRR "phase-in") reported up to now, the leverage ratio is also 4.2%. As the deadline for the preparation of the interim financial statements differs from the reporting deadline, the disclosures as required by law are provisional.

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
As at 30 September 2014



Commerzbank raised a total of €4.3bn in long-term funding on the capital market up to 30 September 2014.

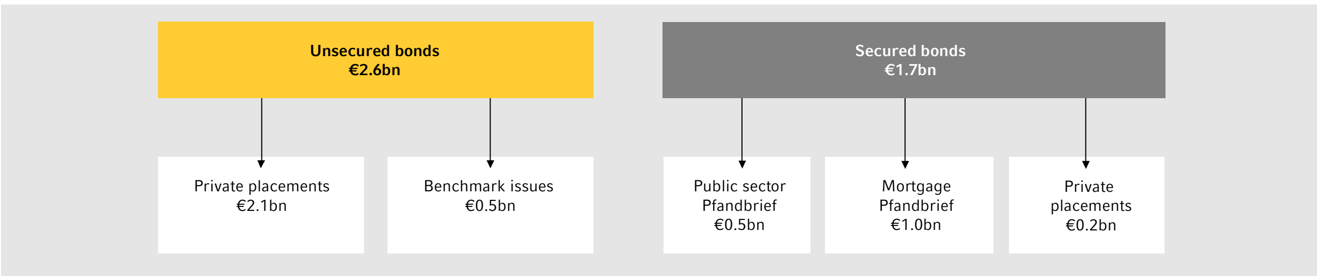
In the collateralised area, Commerzbank Aktiengesellschaft issued a public-sector Pfandbrief at the start of the year with a volume of €500m and a five-year term, funding the long-term core business of Mittelstandsbank. For this reason, export finance eligible for cover fund purposes and guaranteed by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

A €1bn mortgage Pfandbrief, also with a five-year term, was placed at the end of September. The mortgage Pfandbrief is secured by Commerzbank's private retail mortgage loans in Germany. The Polish subsidiary mBank also issued private placements with a volume of €0.2bn.

Unsecured private placements totalling €2.1bn with an average maturity of five years were issued. More than 55% were structured bonds. mBank also issued an unsecured €500m benchmark bond with a five-year term at the end of March. The funding spreads for unsecured bonds have narrowed further over the course of the year.

As part of Group liquidity management, in the period under review Commerzbank Aktiengesellschaft transferred parts of the NCA public finance portfolio from Hypothekenbank Frankfurt to the Core Bank at current market values. This portfolio is largely made up of high-grade securities eligible for central bank borrowing purposes that count as "highly liquid assets" under the new Basel 3 liquidity rules. The portfolio transferred had a volume of around €12bn (exposure at default). The securities are mainly issued by banks and government borrowers in Germany, Austria, the Netherlands and the UK.

Group capital market funding in the first nine months of 2014
Volume €4.3bn



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

At €102.6bn, this liquidity reserve once again remained close to the high level of €104.7bn recorded at the end of 2013 and thus accounted for around 17% of total assets. The regulatory liquidity requirements of the German Liquidity Regulation were met at all times in the reporting period. As at the reporting date, Commerzbank Aktiengesellschaft's key liquidity ratio calculated using the German Liquidity Regulation's standard approach was 1.29, still 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.

Key figures for the Commerzbank Group

Largely as a result of the rise in revenues described above, the main operating return ratios of the Commerzbank Group for the first nine months of 2014 were higher overall than in the same period of 2013.

The operating return on equity rose from 3.2% in the same period last year to 4.5%. The return on equity based on the consolidated surplus was 2.7%, compared with 0.1% a year earlier. The cost/income ratio increased slightly to 74.5% due to the decline in operating income against stable costs, compared with 72.5% in the prior-year period.

Segment performance

The comments on the segments' results for the first nine months of 2014 are based on the segment structure that was applicable at year-end 2013. Prior-year figures have been restated especially to reflect the changed reporting of hedge accounting and the treatment of credit protection insurance. Explanations on this topic and about the effects of the changes to accounting and measurement policies are given in the interim financial statements on page 50 f.

The Core Bank achieved an operating profit of €1,528m in the reporting period. This represents an increase of 10.2% compared with the prior-year period. While the Private Customers, Mittelstandsbank and Central & Eastern Europe segments all increased their operating profit compared with the prior-year period, the Corporates & Markets result was below the strong prior-year level. The Others and Consolidation segment recorded a significantly lower result.

In the Non-Core Assets segment, operating losses were significantly lower than in the same period in 2013 due to a decrease in loan loss provisions in connection with the ongoing portfolio reduction.

Private Customers

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %/%-points
Income before provisions	2,584	2,522	2.5
Loan loss provisions	–68	–93	–26.9
Operating expenses	2,168	2,265	–4.3
Operating profit/loss	**348**	**164**	**.**
Average capital employed	3,984	3,967	0.4
Operating return on equity (%)	11.6	5.5	6.1
Cost/income ratio in operating business (%)	83.9	89.8	–5.9

The Private Customers segment continued the positive trend of the first six months of the year into the third quarter. The large interest in innovative financial products and services that have been optimised or developed from scratch as part of the strategic realignment of the business areas is reflected in part in the 215,000 net new customer acquisitions. As a result, the overall number of net new customers has risen to around 460,000 since the start of the Private Customers strategy in January 2013. Demand for retail mortgage financing also increased on the back of ongoing low market interest rates. The volume of new retail mortgage financing business increased to around €8.0bn, a rise of around 30% year-on-year. This also represents an important step towards stabilising earnings in the Private Customers segment. Operating profit rose by €184m in the period under review to €348m.

Income before loan loss provisions increased by 2.5% in the first nine months of the current reporting period to €2,584m. Continuous interest rate management led to improvements in the interest margin, boosting net interest income by €71m compared with the first nine months of the previous year to €1,396m despite the low level of interest rates. This was accompanied by higher growth in the volume of low-interest and interest-free deposits. The reorganisation of the securities business early in the second half of the previous year led to a shift from transaction-dependent to portfolio-volume-based commission income. The decline in revenues from the transaction-dependent securities business has yet to be fully offset, but these factors were counteracted by a rise in pension products business. Overall, net commission income of €1,145m was generated in the period under review, compared with €1,196m in the prior-year period.

Loan loss provisions for private customer business were €-68m, down €25m on the prior-year period.

Operating expenses fell by 4.3% to €2,168m, with the marked reduction in personnel expenses more than offsetting the slight increase in other operating costs due primarily to investment activity as a key element of our growth strategy.

The Private Customers segment therefore reported a pre-tax profit of €348m in the first nine months of this year, compared with €164m in the same period of 2013.

The operating return on equity based on average capital employed of €4.0bn was 11.6% (prior-year period: 5.5%). At 83.9%, the cost/income ratio was lower than in the first nine months of 2013 (89.8%).

Mittelstandsbank

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %/%-points
Income before provisions	2,197	2,212	–0.7
Loan loss provisions	–235	–331	–29.0
Operating expenses	994	992	0.2
Operating profit/loss	**968**	**889**	**8.9**
Average capital employed	6,832	5,932	15.2
Operating return on equity (%)	18.9	20.0	–1.1
Cost/income ratio in operating business (%)	45.2	44.8	0.4

Against the backdrop of persistently difficult market conditions, the Mittelstandsbank segment posted an operating profit of €968m in the first nine months of 2014, compared with €889m in the prior-year period. Mittelstandsbank's earnings performance was boosted by a reduction in loan loss provisions. There was another pleasing increase in the volume of lending to domestic corporate customers in the third quarter.

In the period under review, income before loan loss provisions came to €2,197m, in line with the corresponding prior-year figure. At €1,339m, net interest income was up 2.0% on the prior-year period. While lending volumes increased in all divisions, with interest income rising as a result, the deposit business had a negative impact on net interest income despite higher volumes. Net commission income was slightly lower than in the prior-year period, falling by 1.6% to €803m. Despite slight increases in certain areas, in particular documentary and corporate finance business, income from interest rate and currency hedging business was down on the previous year due to market conditions. Net trading income was €11m, compared with €7m in the prior-year period. The rise was mainly due to positive remeasurement effects on counterparty risks in the derivatives business with our customers.

Net investment income for the reporting period was €9m, compared with €42m in the first nine months of the previous year. The prior-year figure still included measurement effects relating to restructured loans.

Loan loss provisions for the first nine months of 2014 were €–235m, compared with €–331m in the same period of 2013. The decline is chiefly due to lower additional loan loss provisions for specific commitments.

At €994m, operating expenses were at the same level as the previous year's figure of €992m. A slight rise in personnel expenses and other operating expenses was offset by lower indirect costs.

All in all, the Mittelstandsbank segment generated pre-tax earnings of €968m in the first nine months of 2014, which represents an increase of 8.9% on the same period of the previous year.

The operating return on equity based on average capital employed of €6.8bn was 18.9% (prior-year period: 20.0%). The cost/income ratio was 45.2%, compared with 44.8% in the prior-year period.

Central & Eastern Europe

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %/%-points
Income before provisions	698	592	17.9
Loan loss provisions	–96	–83	15.7
Operating expenses	327	315	3.8
Operating profit/loss	**275**	**194**	**41.8**
Average capital employed	1,578	1,673	–5.7
Operating return on equity (%)	23.2	15.5	7.8
Cost/income ratio in operating business (%)	46.8	53.2	–6.4

Since the merger of the previously separate brands of the BRE Bank Group, BRE Bank, Multibank and mBank, to form a "new" mBank in the second half of 2013, the Central & Eastern Europe (CEE) segment has been represented by the single mBank brand. CEE comprises the Group's universal banking and direct banking activities in Central and Eastern Europe. In mid-September 2014 mBank concluded an agreement to sell its insurance activities to AXA Insurance and establish a long-term cooperation in the area of insurance sales.

The brighter economic environment in Poland in the second half of 2013 continued overall in the first nine months of this year, while the interest rate environment remained stable. The segment improved its operating profit by €81m year-on-year in the first nine months of 2014 to €275m.

Income before loan loss provisions was €698m in the period under review, €106m higher than the figure for the first nine months of the previous year despite several interest rate cuts in the year 2013. The positive trends, especially in net interest income and net commission income, can be put down to active interest rate management, ongoing new customer acquisition (197,000 net new customers in the first nine months of 2014) and the better economic environment in Poland.

Loan loss provisions rose by €13m year-on-year to €–96m; the first nine months of 2013 had benefited from the positive effects of reversals.

Operating expenses were €12m higher than the prior-year figure at €327m. The increase reflects the greater focus on projects and advertising measures in connection with the One Bank strategy.

The Central & Eastern Europe segment reported a pre-tax profit of €275m in the first nine months of the year, compared with €194m in the same period of 2013.

The operating return on equity based on average capital employed of €1.6bn was 23.2% (prior-year period: 15.5%). The cost/income ratio improved to 46.8%, compared with 53.2% in the prior-year period.

Corporates & Markets

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %/%-points
Income before provisions	1,534	1,613	–4.9
Loan loss provisions	14	2	.
Operating expenses	989	1,004	–1.5
Operating profit/loss	**559**	**611**	**–8.5**
Average capital employed	4,310	3,121	38.1
Operating return on equity (%)	17.3	26.1	–8.8
Cost/income ratio in operating business (%)	64.5	62.2	2.2

The first nine months of 2014 were characterised by low volatility on the capital markets, which improved significantly in the wake of various monetary policy developments in the US and the eurozone during the third quarter of the year. This led to a revival in trading revenues, particularly in interest rate and foreign exchange business. Although geopolitical tensions and economic concerns recently led to profit-taking on the European equity market, a raft of capital measures in the first nine months of the year contributed to a marked increase in issuance activity in the Corporate Finance division.

Corporates & Markets generated a good operating profit of €559m in the first nine months of 2014, compared with a strong €611m in the prior-year period which included positive valuation effects from restructured loans. The profit figure includes both a positive measurement effect from counterparty risks of €29m and a negative effect from the measurement of own liabilities of €–16m (net effect of €13m, compared with a negative effect of €–4m last year). In Corporate Finance, the primary market bonds and syndicated loans business made a significant contribution to the division, which was also boosted in particular by a strong equity new issuance performance (Equity Capital Markets). The Equity Markets & Commodities division continued to benefit from high demand for structured investment solutions from institutional investors and sales of investment products to private investors, enabling it to generate corresponding income. Despite positive signs in the third quarter, income in the Fixed Income & Currencies division – excluding measurement effects from own liabilities and counterparty risks in derivatives business – reflected the still difficult market conditions, leading to significantly weaker income in the first nine months of 2014 compared with the previous year. As expected, income in Credit Portfolio Management, which is responsible for managing and optimising the credit portfolios and counterparty risk, was on the previous years' level. Interest income from bilateral loans to multinational companies remained stable, however.

Income before loan loss provisions in the first nine months of the year was €1,534m, down €79m on the prior-year period. Adjusted for measurement effects, the change compared to the first nine months of 2013 was €–96m. Net interest and trading income increased slightly, rising €22m to €1,240m, while net commission income increased by €12m to €279m.

Net reversals of €14m were reported for loan loss provisions in the period under review, compared with net reversals of €2m in the first nine months of 2013.

Operating expenses were down €15m on the corresponding prior-year figure at €989m, producing a pre-tax profit of €559m (prior-year period: €611m).

The operating return on equity based on average capital employed of €4.3bn fell – primarily due to increased capital requirements in connection with Basel 3 effects – to 17.3% (prior year: 26.1%). The cost/income ratio was 64.5%, compared with 62.2% in the previous year. Adjusted for the effects of measurement of own liabilities and counterparty risks in derivatives business, the operating return on equity would be 16.9% (prior year: 26.3%). The adjusted cost/income ratio would be 65.0%, compared with 62.1% a year earlier.

Non-Core Assets

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %/%-points
Income before provisions	88	281	–68.7
Loan loss provisions	–450	–765	–41.2
Operating expenses	242	261	–7.3
Operating profit/loss	**–604**	**–745**	**–18.9**
Average capital employed	7,781	9,680	–19.6
Operating return on equity (%)	–10.4	–10.3	–0.1
Cost/income ratio in operating business (%)	.	92.9	.

In the first nine months of 2014 the non-strategic Non-Core Assets (NCA) segment posted a negative operating result of €–604m. The operating loss was €141m lower than in the same period of the previous year. Even without the external portfolio sales of the previous quarter, the reduction of on-balance sheet assets and improvement of the risk profile is continuing in all sub-segments. The exposure at default (including problem loans) was reduced in the period under review to €88bn.

There were no significant changes to the underlying conditions in the three NCA divisions in the third quarter. Demand for commercial real estate remained strong, as investors hunting for yield are once again prepared to accept higher risks. Yields and risk premiums on European government bonds remained at their lows in expectation of long-term support from central bank measures. The situation on the international shipping markets remained tense in many market segments due to new capacities entering the market, however.

Income before loan loss provisions of €88m was generated in the period under review, compared with €281m in the prior-year period. The significantly lower income compared with the previous year was due in part to the sharp decline in interest-bearing assets, and was also heavily influenced by losses from the portfolio sales in the second quarter of 2014. Both effects were chiefly reflected in net interest income, which stood at €–31m for the first nine months of the year compared with a positive figure of €411m in the prior-year period. The smaller portfolio also reduced net commission income by 51.2% to €21m. Net trading income was €170m, compared with €–55m in the prior-year period. As in the previous year, this difference was primarily attributable to regular fluctuations in results over the quarter from the measurement of derivatives in accordance with IAS 39 and the measurement of counterparty risks. Net investment income remained negative at €–78m, chiefly as a result of effects from the intra-Group sales of public finance portfolios to Treasury. In the previous year, write-downs on securities classified as loans and receivables led to a net investment loss of €–145m.

Loan loss provisions amounted to €–450m, below the prior-year figure of €–765m. This improvement partly reflects the significantly improved portfolio quality. At the same time, this position – contrary to the effects on net interest income – benefited from reversals of write-downs resulting from the portfolio sales. Operating expenses were €19m lower than the prior-year figure at €242m. In the first nine months of 2014, the NCA segment reported an overall pre-tax loss of €–604m (prior-year period: €–745m).

Average capital employed amounted to €7.8bn, compared with €9.7bn in the prior-year period. The reduction of the public finance portfolio and the significantly improved risk situation in the entire Non-Core Assets segment enabled us to reallocate some €1.5bn of the EBA Sovereign Buffer to Others and Consolidation in the first quarter.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under "Others" comprises equity participations that are not assigned to business segments, overarching Group matters such as costs for Group-wide projects, effects resulting from the purchase price allocation in connection with the Dresdner Bank takeover, specific individual matters that cannot be allocated to the segments, and Group Treasury.

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

An operating result of €–622m was recorded for the first nine months of 2014, compared with €–472m in the prior-year period. This decrease of €150m was due to the performance of Group Treasury, which was unable to fully match the very good result achieved in the previous year, and also to overarching Group matters and one-off effects. These include the effect of the first-time application of the CVA/DVA concept in the first half of the previous year and net new provisions in respect of litigation risks. Others and Consolidation recorded a pre-tax loss of €–622m for the first nine months of 2014, compared with a loss of €–965m in the first nine months of 2013. The prior-year result included restructuring expenses of €493m.

Outlook and opportunities report

Future economic situation

The German economy is likely to return to growth by the end of the year after its temporary weakness. The rate of expansion will probably remain modest initially, however. The economy will only grow by an estimated 1.3% in 2015, a similar rate to 2014, as the recent marked improvement in the operating environment will probably not translate into stronger growth until later in 2015.

The substantial depreciation of the euro is one factor amongst others pointing to somewhat stronger growth. Global demand can also be expected to increase somewhat more strongly again in 2015 than in 2014. Economic growth in the other eurozone countries is likely to increase slightly again in 2015, from 0.5% in 2014 to 0.75% in 2015, due mainly to the economic recovery in the crisis countries. By contrast, the French and Italian economies will once again grow by less than 1% in 2015.

The biggest boost to the global economy will probably come from the US, however, which is set to grow at a rate of around 3% next year. The correction on the real estate market has been completed, private households have reduced their debts to a level that is sustainable over the long term, and the government is not planning any further spending cuts or tax increases that might further curb growth.

The emerging markets are unlikely to gain much momentum in 2015, however. On the contrary, China is expected to experience a further slowdown in economic growth from a probable 7.3% this year to 6.5% in 2015.

The different economic performance either side of the Atlantic will also be reflected in monetary policy. In the US, the Federal Reserve is set to start raising key interest rates around the middle of the year, since by then unemployment is likely to have fallen to its target level.

Conversely, the ECB is faced with an ongoing weak economy, unemployment that is only falling at a slow rate, and inflation that remains stubbornly below 1%. The ECB will initially wait to gauge the impact of the most recent measures, so is unlikely to achieve its aim of loosening monetary policy. Rising yields in the US will then gradually drive up yields on eurozone government bonds over the course of 2015. Equities and corporate bonds are also likely to benefit to some extent from the forthcoming ECB government bond purchases.

Future situation in the banking sector

Our outlook for the future situation in the banking sector has scarcely changed since the last interim report. After brightening considerably in the previous year, the banking environment on the capital markets and in the real economy remained surprisingly robust on the whole in the first nine months of 2014. The basic economic tempo has recently slowed considerably, however, due not least to global geopolitical tensions, with even the German economy losing traction. Nevertheless, and despite trending sideways over the summer months, almost all major asset classes and financial markets ended the first nine months with strong profits in some areas coupled with very low volatility. There was appreciable growth in acquisition and IPO business, while the number of corporate insolvencies in Germany fell to its lowest level since 1999. It is still too soon to sound the all-clear, however, since the euro crisis – with its complex interplay between government debt and financial and structural factors – is not so easily overcome and the eurozone's recovery in real economic terms will be slow. The German economy is likely to have stagnated at best in the quarter under review, with companies downgrading their assessments of business position and business expectations in the summer and the business climate in the highly competitive SME segment actually deteriorating significantly.

The eurozone banking sector is in the middle of a long-term structural transformation triggered by the crisis of the last few years and more stringent regulatory requirements. The different rules for capital, liquidity, derivatives and bank structures could lead to further setbacks for global financial market integration. The new, stricter regulatory framework based on rules rather than principles leaves banks little time to adapt their business models. A now stronger capital base may in future be offset by reductions in implicit government guarantees. The ECB's asset quality review and bank stress test harbour potential for temporary jitters in the banking environment. A further reduction in debt levels and an improvement in asset quality are therefore still key preconditions if the banking sector is to meet the tougher requirements of banking supervisors and fulfil investor expectations.

The pressure on the banking sector has strengthened as a result of regulation, structural transformation and competition, and this will be even more difficult to deal with because major profit drivers of the past, such as high economic and lending growth and a sharp decline in credit default rates, will be significantly less evident. This year and next, corporate investment should gradually start boosting domestic credit demand, but increased use of internal and alternative external funding sources is impeding a significant revival in lending to corporate customers. The expected revival in German foreign trade for full-year 2014 will surely be positive for corporate customer business. In private customer business, given customers' constant preference for low-commission, highly liquid forms of investment, net commission income will grow only slightly, especially as the outlook for price gains on the equity markets is shrouded in uncertainty and the bond markets face price falls. Impulses for the sector are coming from employment, which is at an all-time high, and the still good prospects for real estate lending business. Historically low interest rates, together with increasing price sensitivity on the part of customers and tougher competition from online banks and technology-driven players with banking licences, are a fundamental hindrance to the expansion of earnings potential. All in all, eurozone banks will have rather limited scope for boosting earnings until the end of next year.

The outlook for banking in our second core market, Poland, remains better than in the eurozone. The Polish economy will grow faster this year and next than in 2013, while the size of the domestic market and the recovery of the labour market make the country an attractive place to invest and sell goods.

In general, the financial crisis will continue to leave its mark in the shape of still relatively low interest rates, a yield curve that has recently flattened out again, moderate growth in lending, and caution and a preference for cash among customers. Against this background, competition in the national banking market will intensify further, particularly as regards internationally active corporate customers and German SMEs. For the time being, however, there will be no change in Germany's market structure, which is fragmented and in some cases also characterised by overcapacities.

Financial outlook for the Commerzbank Group

Planned financing measures

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

Planned investments

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

Anticipated liquidity trends

In the period under review the eurozone money and capital markets were characterised by the monetary policy measures implemented by the ECB to support the economic recovery in the eurozone. After the ECB's last interest rate cut in June 2014, it reduced its key rates again in September 2014, lowering the main refinancing rate to 0.05% and the deposit facility rate to –0.20%. It also agreed further targeted longer-term refinancing operations (TLTROs) and announced a programme to purchase asset-backed securities (ABS) and covered bonds. The initial further decline in liquidity due to the ongoing repayment of the existing three-year tenders (LTROs) by the banks was largely offset by the first TLTRO in September 2014, although the banks made much less use of this TLTRO than forecast by the market. The liquidity situation in the market up to the end of the year and at the beginning of 2015 is likely to be characterised primarily by the second TLTRO planned for December 2014 and the start of the ECB's ABS and covered bonds purchases.

Any forecasts regarding the precise impact on the money market liquidity situation are subject to a certain degree of uncertainty. For one thing, it remains to be seen how much new liquidity the second TLTRO will bring to the market and what proportion of the new utilisation will be offset by the corresponding repayment of the existing LTROs. Moreover, the total volume of the purchase programme has not yet been fixed for ABS and covered bonds.

Money market rates fell further in response to the cut in key rates, particularly at the short end. Although the overnight interest rate had already moved into negative territory in the previous quarter, this trend was consolidated in the third quarter and extended to three-month deposits. Volumes in the collateralised money market continued to fall, with even the EONIA moving into negative territory from the end of August 2014. We expect money market interest rates to trend slightly higher in the fourth quarter of 2014 due to year-end controlling by the banks. This will affect longer maturities in particular.

The large volume of government bonds from GIIPS countries has so far been funded without any problems. Combined with investment pressure on the part of investors, the hunt for yield and the latest ECB measures, this has resulted in GIIPS credit spreads continuing to flatten out in the third quarter of 2014. We anticipate a generally sideways trend for the fourth quarter of 2014.

The risk of an opposing trend stems from the abandonment of fiscal consolidation by certain eurozone countries and local geopolitical uncertainties. The implementation of other regulatory measures such as the liquidity coverage ratio (LCR) and the leverage ratio will also continue to affect the markets. For example, funding costs for collateral that generates an LCR outflow have generally become more expensive relative to LCR-eligible securities, and a bilateral repo market has also developed in recent months for more intensive trading in these collateral up/downgrades.

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

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

Anticipated performance of Commerzbank Group

2014 has so far been largely in line with our statements on the anticipated performance of Commerzbank Group for 2014 as a whole that we made at the end of 2013.

We are moving ahead as planned along the path towards sustainable higher profitability in 2016; the Core Bank segments are seeing growth in business volumes as well as operating income, while non-core activities are still being wound down at a rapid rate. Commerzbank continues to record growth in private and corporate customer business, meaning that the still unfavourable conditions for banking business, with earnings performance affected by low interest rates and low investment activity, are increasingly being offset.

The Bank's performance in the final quarter of the year is likely to depend also on short-term external factors that it has no influence over. There have recently been a number of lower growth estimates for Germany and the eurozone, the geopolitical situation is still uncertain and many capital market segments are experiencing higher levels of volatility. Given its improved earnings situation, however, Commerzbank remains cautiously optimistic for the remainder of the year. If there are no unexpectedly large fluctuations from the trends observed in the year to date, we still anticipate that both profitability and regulatory capital ratios will improve year on year.

In the Core Bank we expect credit growth, primarily in private real estate and SME financing, and changed deposit terms to more than offset the decline in earnings from asset-liability management activities resulting from low interest rates and boost net interest income. By contrast, the significant weakening in net interest income of the Non-Core Assets segment reflects both the major reduction in the portfolio of interest-bearing assets and a major negative one-off effect in connection with the sales of CRE portfolios in the second quarter. Netting out these opposing effects and excluding interest from trading transactions, we anticipate a slight reduction in net interest income for the current year at Group level.

As for net commission income, the desired stabilisation in portfolio-volume-based commissions, particularly in securities transactions with private customers, are already evident thanks to the changes made to the advisory approach. A slight drop in net commission income for the year as a whole due to lower transaction-dependent revenues and modest capital market products business in Mittelstandsbank cannot be ruled out.

It is very difficult to forecast trading income trends because of the unpredictability of developments on the global financial markets, which have recently become more volatile.

We expect loan loss provisions to be noticeably lower in 2014 as a whole than in the previous year. At the Core Bank there will be no repetition of the extent of net reversals seen at Corporates & Markets in 2013, so normalisation is likely here. We expect the NCA segment in particular to incur a much lower loan loss provision charge than in 2013. This is attributable in part to the marked reduction in the commercial real estate financing portfolio, complemented by a positive one-off effect in connection with the portfolio sales. In ship financing, however, we no longer anticipate an overall improvement in the difficult market conditions before the year end, and therefore expect loan impairments to be only slightly below the prior-year level.

Operating expenses will not be above the €6.9bn mark for the whole year 2014. Ongoing strict cost management will offset both the significant cost increases associated with implementing regulatory requirements and the investments to boost future profitability.

Given the progress already made in implementing the strategic agenda, Commerzbank is still forecasting a significant improvement in consolidated profit overall for the whole year 2014, both pre-tax and after tax.

We are aiming to further improve our capital base in the current year as part of our stated goal to achieve a Basel 3 core capital ratio of more than 10% by the end of 2016 (full implementation of Basel 3 rules). Given the more uncertain operating environment, however, we cannot rule out a degree of volatility with regard to capital ratios.

Report on events after the reporting period

Result of the ECB's comprehensive bank assessment confirms Commerzbank's conservative valuation policy and stable business model

Commerzbank has passed both the European Central Bank (ECB) Asset Quality Review (AQR) and the European Banking Authority (EBA) stress test. According to the results of the ECB's AQR, as at 1 January 2014 the Common Equity Tier 1 (CET1) ratio under the Basel 3 transitional arrangements was 10.8% and therefore significantly above the key hurdle of 8.0%.

Under the baseline of the stress test, taking the AQR results into account Commerzbank recorded a CET1 ratio of 11.4% and was therefore significantly above the hurdle of 8.0%. The Bank's CET1 ratio was also well above the 5.5% hurdle under the adverse scenario, at 8.0%. Even with full application of Basel 3 and taking the AQR results into account, the CET1 ratio under the adverse scenario was a comfortable 6.9%.

The reference date for the ECB assessment was 31 December 2013. Since then Commerzbank has further increased its profits and systematically reduced its risks. The Common Equity Tier 1 ratio under the Basel 3 transitional arrangements rose to 11.8% as at the end of September 2014, up from 11.4% as at the reference date for the ECB assessment on 31 December 2013. With full application of Basel 3 the CET1 ratio improved to 9.6% as at the end of September 2014 (Ratios are provisional; including interim profit).

The good result of the ECB's comprehensive assessment is testimony to the successful restructuring of Commerzbank over the last few years and the strength of our customer-focused business model. The stress test also clearly confirms the Bank's stability and resistance to stress.

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

Interim Risk Report

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

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 are e.g. reputational risks.

Risk management organisation

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

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

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

Risk-bearing capacity and stress testing

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

Commerzbank monitors risk-bearing capacity using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event. The gone concern analysis is supplemented by elements aimed at ensuring the institution's continuing existence (going concern perspective). In addition, risk-bearing capacity is assessed using macroeconomic stress scenarios. The Annual Report 2013 and Interim Report for the first quarter of 2014 provide further details on the methodology used.

During the reporting period the risk-bearing capacity ratio was consistently well above 100% and stood unchanged at 179% as at 30 September 2014 compared to year-end 2013.

Risk-bearing capacity Group | €bn	30.9.2014	31.12.2013
Economic risk coverage potential[1]	**29**	**29**
Economically required capital[2]	**16**	**16**
thereof for default risk	12	12
thereof for market risk	3	4
thereof for operational risk	2	2
thereof diversification between risk types	−2	−2
RBC ratio[3]	**179%**	**179%**

[1] Business risk is considered as a deductible amount in risk coverage potential.
[2] Including property value change risk, risk of unlisted investments and risk buffer.
[3] RBC ratio = economic risk coverage potential/economically required capital.

In addition to the internal stress testing of the economic risk-bearing capacity Commerzbank also participated in the „Comprehensive Assessment" of the European Central Bank (ECB) and successfully passed the associated regulatory stress test. On the basis of the Asset Quality Reviews (AQR) with the reference date 31 December 2013 an EU-wide stress test was conducted. Under the baseline of the stress test, taking the AQR results into account Commerzbank recorded a CET1 ratio of 11.4% and was therefore significantly above the hurdle of 8.0%. The Bank's CET1 ratio was also well above the 5.5% hurdle under the adverse scenario, at 8.0%. Additional information on this can be found in the "Report on events after the reporting period" section in the Interim Management Report.

Default risk

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

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

Commerzbank Group

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)[1], loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.91% and a holding period of one year), risk-weighted assets and "all-in" for bulk risk. The credit risk parameters in Commerzbank Group in the rating levels 1.0 to 5.8 are distributed as follows over Core Bank and Non-Core Assets:

Credit risk parameters as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Core Bank	357	947	27	7,954
Non-Core Assets	82	583	71	3,747
Group	**439**	**1,530**	**35**	**11,701**

When broken down on the basis of PD ratings, 79% of the Group's portfolio is in the internal rating classes 1.0 to 2.8, which compose the investment-grade area.

Rating breakdown as at 30.9.2014 EaD | %	1.0 –1.8	2.0 –2.8	3.0 –3.8	4.0 –4.8	5.0 –5.8
Core Bank	32	48	15	4	1
Non-Core Assets	26	46	16	7	5
Group	**31**	**48**	**15**	**4**	**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. 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. In view of the current developments in Ukraine, the exposures in Ukraine and Russia are a particular focus of risk management at present.

As at the end of September 2014, exposure stood at €5.4bn in Russia and €0.1bn in Ukraine. The expected loss of the Group portfolio is mainly distributed to Germany and Western Europe. A main driver of the expected loss in the region "Other" is ship finance.

Group portfolio by region as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	219	530	24
Western Europe	106	293	28
Central and Eastern Europe	41	225	54
North America	26	26	10
Asia	20	48	24
Other	26	408	155
Group	**439**	**1,530**	**35**

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

	30.9.2014					31.12.2013
EaD[1] €bn	Sovereign[2]	Banks	CRE	Corporates/ Other	Total	Total
Greece	0.1	0.1	0.1	0.1	0.4	0.3
Ireland	0.0	0.5	0.0	1.2	1.6	1.7
Italy	9.4	0.6	1.3	2.2	13.6	13.7
Portugal	1.3	0.3	1.0	0.2	2.8	2.8
Spain	4.5	3.4	0.1	2.3	10.3	11.3

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

Loan loss provisions Risk provisions relating to the Group's credit business amounted to €836m in the first three quarters. This represents a decline of €460m compared to the prior-year period. Write-downs on securities are not considered as risk provisions but as income from financial assets. Note (5) of the interim financial statements gives further details on this.

	2014				2013					
Loan loss provisions | €m	Q1–Q3	Q3	Q2	Q1	Total	Q4	Q1–Q3	Q3	Q2	Q1
Core Bank	386	90	192	104	665	134	531	249	190	92
Non-Core Assets	450	251	65	134	1,082	317	765	243	347	175
Group	**836**	**341**	**257**	**238**	**1,747**	**451**	**1,296**	**492**	**537**	**267**

[1] Exposure at default.

For 2014 we expect loan loss provisions for the Group to be noticeably below the previous year's level. However, should there be an unexpected massive economic downturn, for instance due to the impact of a negative development of the crisis in Ukraine, significantly higher loan loss provisions may become necessary under certain circumstances.

Default portfolio The default portfolio stood at €12.4bn as at the reporting date and fell by €3.1bn compared to December 2013. This reduction was largely due to successful restructuring measures in the NCA segment; for example, the sale of the real estate financing portfolio in Spain resulted in a net reduction of €2.4bn.

The following table shows defaulted claims in the category LaR.

	30.9.2014			31.12.2013		
Default portfolio category LaR | €m	**Group**	**Core Bank**	**NCA**	**Group**	**Core Bank**	**NCA**
Default volume	12,420	5,641	6,779	15,563	6,024	9,540
Loan loss provisions	5,277	2,968	2,309	6,241	3,066	3,175
GLLP	841	544	297	933	523	410
Collaterals	5,845	1,359	4,486	7,407	1,308	6,100
Coverage ratio excluding GLLP (%)[1]	90	77	100	88	73	97
Coverage ratio including GLLP (%)[1]	96	86	105	94	81	102
NPL ratio (%)[2]	2.8	1.6	7.7	3.5	1.8	8.2

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

Core Bank

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

Credit risk parameters The Core Bank's exposure in the rating classes 1.0 to 5.8 rose to €357bn as at 30 September 2014 (31 December 2013: €323bn); risk density decreased from 29 to 27 basis points.

Credit risk parameters as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	87	186	21	959
Mittelstandsbank	129	411	32	3,681
Central & Eastern Europe	26	142	54	663
Corporates & Markets	66	161	24	1,741
Others and Consolidation[1]	48	48	10	909
Core Bank	**357**	**947**	**27**	**7,954**

[1] Mainly Treasury positions.

Some 80% of the Core Bank's portfolio consists of investment-grade securities, corresponding, on the basis of PD ratings, to our internal rating classes 1.0 to 2.8.

Rating breakdown as at 30.9.2014 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	33	48	15	3	1
Mittelstandsbank	12	59	21	5	2
Central & Eastern Europe	5	61	21	9	2
Corporates & Markets	51	39	7	1	1
Core Bank[1]	**32**	**48**	**15**	**4**	**1**

[1] Including Others and Consolidation.

Loan loan provisions The Core Bank's loan loss provisions amounted to €386m in the first three quarters of 2014 and therefore fell by €145m year-on-year.

	2014				2013					
Loan loss provisions | €m	**Q1–Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1–Q3**	**Q3**	**Q2**	**Q1**
Private Customers	68	16	16	36	108	15	93	31	27	35
Mittelstandsbank	235	36	142	57	470	139	331	106	147	78
Central & Eastern Europe	96	37	38	21	119	36	83	41	36	6
Corporates & Markets	– 14	0	– 5	– 9	– 57	– 55	– 2	43	– 19	– 26
Others and Consolidation	1	1	1	– 1	25	– 1	26	28	– 1	– 1
Core Bank	**386**	**90**	**192**	**104**	**665**	**134**	**531**	**249**	**190**	**92**

Default portfolio The Core Bank's default portfolio declined compared to 31 December 2013. The Core Bank benefited from outflows due to successful restructurings and repayments, especially in the segments Private Customers and Corporates & Markets.

Default portfolio Core Bank | €m	**30.9.2014**	**31.12.2013**
Default volume	5,641	6,024
Loan loss provisions	2,968	3,066
GLLP	544	523
Collaterals	1,359	1,308
Coverage ratio excluding GLLP (%)	77	73
Coverage ratio including GLLP (%)	86	81
NPL ratio (%)	1.6	1.8

Private Customers

The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. The Private Customers division covers Commerzbank's branch business in Germany for private and business customers as well as Wealth Management.

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

We meet the financing needs of our customers with a broad and modern product range. The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €55bn). We provide our business customers with credit in the form of individual loans with a volume of €12bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans, credit cards to a total of €10bn).

Credit risk parameters as at 30.9.2014	**Exposure at default €bn**	**Expected loss €m**	**Risk density bp**
Residential mortgage loans	50	87	17
Investment properties	5	7	14
Individual loans	12	37	29
Consumer and instalment loans/credit cards	10	31	32
Domestic subsidiaries	4	9	23
Foreign subsidiaries and other	6	16	25
Private Customers	**87**	**186**	**21**

There was continued growth in the private customer business, particularly in residential mortgage loans, in the third quarter. Risk density was reduced by 4 basis points compared to year-end 2013 to stand at 21 basis points.

Loan loss provisions for private customer business stood at €68m in the first three quarters of 2014, which was a decrease of €25m year-on-year. Thus risk provisions continued to be at a low level.

The default portfolio in the Private Customers segment has reduced significantly compared to 31 December 2013.

Default portfolio Private Customers | €m	**30.9.2014**	**31.12.2013**
Default volume	793	943
Loan loss provisions	256	311
GLLP	120	121
Collaterals	386	445
Coverage ratio excluding GLLP (%)	81	80
Coverage ratio including GLLP (%)	96	93
NPL ratio (%)	0.9	1.1

Mittelstandsbank

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

Credit risk parameters as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	83	263	32
Corporates International	18	51	28
Financial Institutions	28	97	35
Mittelstandsbank	**129**	**411**	**32**

The credit volume has increased in the first nine months, particularly as a result of the credit initiative initiated by Mittelstandsbank. Thus the EaD in the Mittelstandsbank segment was increased by €9bn to €129bn. The economic environment in Germany remains stable, and this is reflected in the Corporates Domestic sub-portfolio's risk parameters, which remain good. The risk density in this area was at 32 basis points as at 30 September 2014. In Corporates International, EaD totalled €18bn as at 30 September 2014, and risk density was 28 basis points. For details of developments in the Financial Institutions portfolio please see page 32 f.

In the Mittelstandsbank, there was a positive trend in loan loss provisions, which fell by €96m year-on-year and stood at €235m in the reporting period.

The Mittelstandsbank's default portfolio has declined slightly since 31 December 2013.

Default portfolio Mittelstandsbank | €m	30.9.2014	31.12.2013
Default volume	2,513	2,655
Loan loss provisions	1,421	1,487
GLLP	288	265
Collaterals	422	387
Coverage ratio excluding GLLP (%)	73	71
Coverage ratio including GLLP (%)	85	81
NPL ratio (%)	1.9	2.2

Central & Eastern Europe

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

Credit risk parameters as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**26**	**142**	**54**

The economic recovery that began in the second half of 2013 has been consolidated in 2014 to date. In addition to the monetary easing, we believe there is scope on the fiscal side, which should further stimulate domestic demand. The recessionary trends in Russia and Ukraine have not had a noticeably detrimental effect on exports. No inflationary pressures are anticipated in the foreseeable future.

The loan loss provisions in the Central & Eastern Europe segment in the first three quarters of 2014 amounted to €96m and were therefore higher than the previous year's level. It should be noted that the previous year's result was impacted by one-off reversals from successful restructurings, which did not occur to the same extent in the reporting period.

The default volume increased by €76m compared to 31 December 2013, along with improved coverage ratios.

Default portfolio Central & Eastern Europe | €m	30.9.2014	31.12.2013
Default volume	1,201	1,126
Loan loss provisions	591	517
GLLP	78	71
Collaterals	547	463
Coverage ratio excluding GLLP (%)	95	87
Coverage ratio including GLLP (%)	101	93
NPL ratio (%)	4.4	4.0

Corporates & Markets

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

The regional focus of our activities is on Germany and Western Europe, which account for just under three-quarters of the exposure, while North America accounted for around 14% as at the end of September 2014. EaD as at September 2014 was €66bn, around €7bn above the figure as at year-end 2013.

Credit risk parameters as at 30.9.2014	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	22	77	35
Western Europe	26	57	22
Central and Eastern Europe	2	5	35
North America	9	11	12
Asia	2	4	16
Other	5	6	12
Corporates & Markets	**66**	**161**	**24**

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

There is also a focus on close monitoring of counterparties (such as banks and broker dealers) in countries with higher risks, particularly in terms of backed trading activities. The aim is to continue supporting our customers in these countries and to focus on supporting highly flexible business. The strategy of Corporates & Markets with large corporate customers in these critical countries remains unchanged. Credit risk management is particularly focusing on the current situation in Russia and Ukraine at present.

Some initial investments were made in selective new business in the Structured Credit area as part of the current credit risk strategy in the second and third quarters of 2014. So far, purchases were primarily of bonds from the consumer (auto) ABS, RMBS and CLO asset classes. Comprehensive market and performance analyses take into account the specific risks of the positions. In general, we invest in bonds of senior tranches of securitisation transactions, the structures of which showed low losses or a moderate risk profile before, during and after the crisis. During the financial crisis, CLO and auto ABS in particular remained stable in terms of structure and performance. We focus particularly on the development of the macroeconomic environment of the underlying credit portfolio when we decide on new business, and continue to do so when monitoring and extending existing business.

Despite investments, the nominal volume of the entire structured credit portfolio had decreased by €0.6bn to €6.6bn in 2014 to date. Risk values[1] had fallen by €0.5bn to €2.6bn as a result of amortisations and unplanned repayments. A large part of the portfolio is still made up of "further structured credit exposure", which mainly comprises total return swap positions, and CDOs, which largely securitise US subprime RMBSs (CDOs of ABSs) and corporate loans in the US and Europe (CLOs). RMBSs are instruments that securitise private, largely European, real estate loans.

	30.9.2014			31.12.2013		
Structured credit portfolio	**Nominal values** €bn	**Risk values** €bn	**Markdown ratio**[1] %	**Nominal values** €bn	**Risk values** €bn	**Markdown ratio**[1] %
RMBS	1.0	0.7	29	1.3	1.0	26
CMBS	0.1	0.1	46	0.1	0.1	45
CDO	2.1	1.2	45	2.4	1.4	42
Other ABS	0.8	0.7	16	0.8	0.7	17
Further structured credit exposure	2.6	0.0		2.5	0.0	
Total	**6.6**	**2.6**		**7.2**	**3.1**	

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

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

Loan loss provisions in the Corporates & Markets segment are heavily influenced by movements in individual exposures. A reversal of loan loss provisions amounting to €14m was recognised in the first three quarters of 2014.

The default portfolio in the Corporates & Markets segment was reduced significantly by €174m compared to year-end 2013. This decline is attributable to successful restructurings and repayments.

Default portfolio Corporates & Markets | €m	**30.9.2014**	**31.12.2013**
Default volume	1,049	1,223
Loan loss provisions	668	722
GLLP	57	64
Collaterals	3	14
Coverage ratio excluding GLLP (%)	64	60
Coverage ratio including GLLP (%)	69	65
NPL ratio (%)	1.6	2.0

Non-Core Assets

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

Exposure at default for the segment in the performing loan book totalled €82bn as at 30 September 2014, which is €25bn less than at the end of 2013.

Credit risk parameters as at 30.9.2014	**Exposure at Default** €bn	**Expected loss** €m	**Risk density** bp	**CVaR** €m
Commercial Real Estate	19	112	58	
Deutsche Schiffsbank	10	366	379	
Public Finance	53	106	20	
Non-Core Assets	**82**	**583**	**71**	**3,747**

	2014				**2013**					
Loan loss provisions | €m	**Q1–Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1–Q3**	**Q3**	**Q2**	**Q1**
Commercial Real Estate	72	82	–72	62	491	139	351	73	240	38
Deutsche Schiffsbank	383	173	137	74	596	177	419	170	110	138
Public Finance	–5	–3	0	–2	–5	0	–5	0	–3	–2
Non-Core Assets	**450**	**251**	**65**	**134**	**1,082**	**317**	**765**	**243**	**347**	**175**

In the NCA segment, loan loss provisions were €315m lower year-on-year in the first three quarters, standing at €450m.

The default volume decreased considerably by €2.8bn compared to year-end 2013. This decline is mainly attributable to the portfolio transactions in the Commercial Real Estate sub-segment.

Default portfolio NCA category LaR | €m	**30.9.2014**	**31.12.2013**
Default volume	6,779	9,540
Loan loss provisions	2,309	3,175
GLLP	297	410
Collaterals	4,486	6,100
Coverage ratio excluding GLLP (%)	100	97
Coverage ratio including GLLP (%)	105	102
NPL ratio (%)	7.7	8.2

Commercial Real Estate

Holdings were further markedly reduced in the first nine months of 2014, primarily at Hypothekenbank Frankfurt AG. The EaD in the performing loan book decreased by €11bn to €19bn. The relative portfolio composition by type of uses remained unchanged. The main components of exposure continued to be the sub-portfolios office (€6bn), retail (€7bn) and residential real estate (€4bn). The significant decline in exposure is predominantly attributable to the sale of the entire real estate financing portfolios in Spain and Japan as well as the sale of the default portfolio in Portugal.

These transactions considerably improved the risk profile of the remaining CRE credit portfolio, because non-performing loans accounted for around €1.4bn of the €5.1bn sold. These transactions reduced the volume of the CRE default portfolio by around a third and further decreased the complexity of the portfolio overall.

The CRE investment markets continue to benefit from the environment of extremely low interest rates and the associated high demand for comparatively high-yield real estate. However, the underlying economic momentum remained modest. As a result, the recovery on the CRE rental markets is likely to remain dull.

CRE portfolio by region EaD | €bn	30.9.2014	31.12.2013
Germany	12	15
Western Europe	5	10
Central and Eastern Europe	2	3
North America	< 1	1
Other	< 1	1
Commercial Real Estate	**19**	**30**

In Commercial Real Estate, net loan loss provisions amounted to €72m in the first three quarters of 2014. This includes a net release of €112m due to the previously mentioned portfolio transactions.

The default portfolio for Commercial Real Estate fell by €2.2bn to €3.4bn overall compared to 31 December 2013; mainly due to the portfolio transactions.

Default portfolio CRE | €m	30.9.2014	31.12.2013
Default volume	3,442	5,662
Loan loss provisions	984	1,882
GLLP	88	119
Collaterals	2,530	3,847
Coverage ratio excluding GLLP (%)	102	101
Coverage ratio including GLLP (%)	105	103
NPL ratio (%)	15.1	15.9

Deutsche Schiffsbank

Compared to 31 December 2013, exposure to ship finance in the performing loan book decreased from €10.5bn to €9.6bn as a result of our asset reduction strategy. The increase in comparision to the exposure as at 30 June 2014 (€9.4bn) is only a result of a stronger US-Dollar rate. Neglecting the foreign exchange effect the performing ship finance portfolio would have been €0.4bn below the exposure as at June 2014 due to the consequently followed asset reduction strategy.

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

So far, in 2014 the markets for container ships, bulkers and tankers were still dominated by excess capacity. However, the level of ship values, after a clear consolidation of values for bulkers and tankers in the fourth quarter of 2013 and a slight positive trend in container ship values towards the end of 2013, could not be kept in 2014.

We do not expect an overall, lasting market recovery across all asset classes in the following months. In line with our strategy of reduction while preserving value, we are continuing to steadily reduce risks in this portfolio.

Risk provisions in the Deutsche Schiffsbank division stood at €383m at the end of the third quarter of 2014, which was a slight fall of €36m compared to the same period of the preceding year.

The default portfolio was reduced by €539m compared to year-end 2013.

	30.9.2014				31.12.2013
Default portfolio DSB by ship type | €m	Container	Tanker	Bulker	Total	Total
Default volume	1,753	714	400	3,332	3,871
Loan loss provisions	767	232	141	1,325	1,291
GLLP	111	50	28	204	281
Collaterals	864	482	296	1,956	2,252
Coverage ratio excluding GLLP (%)	93	100	109	98	92
Coverage ratio including GLLP (%)	99	107	116	105	99
NPL ratio (%)	32.5	22.1	16.3	25.7	27.0

Public Finance

In its NCA segment, Commerzbank brings together a large part of its public finance business and secured and unsecured bond issues/loans from banks, held available particularly as substitute cover for Pfandbrief issues. The receivables and securities in the Public Finance portfolio were previously largely held in our subsidiaries Hypothekenbank Frankfurt, Hypothekenbank Frankfurt International and Erste Europäische Pfandbrief- und Kommunalkreditbank. The latter two subsidiaries were merged into Erste Europäische Pfandbrief- und Kommunalkreditbank as at 1 September 2014.

The borrowers in the Public Finance portfolio in NCA (€42bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in NCA is accounted for by banks (€11bn EaD), with the focus likewise on Germany and Western Europe. Most of the bank portfolio comprises securities and loans which to a large extent are covered by guarantee/ maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

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

The Public Finance portfolio in NCA was further reduced in the first three quarters of 2014. The reduction included the transfer of around €12bn mainly German securities to Core Bank for liquidity management purposes and was also achieved through active portfolio management measures and contractual maturities.

With net reversals of €5m, loan loss provisions in Public Finance were unchanged compared to the same period in 2013. Write-downs on securities are not recognised in loan loss provisions but in net investment income.

The Public Finance default portfolio (default volume €5m) remained nearly unchanged compared to year-end 2013.

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:

	30.9.2014			31.12.2013		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy/Environment	17	79	48	16	93	59
Consumption	12	37	30	13	43	33
Transport/Tourism	12	24	20	11	23	22
Wholesale	11	52	46	10	46	45
Basic materials/Metals	10	43	44	9	33	35
Mechanical engineering	9	25	27	8	19	25
Services/Media	9	32	37	8	29	38
Technology/Electrical industry	9	30	34	8	28	34
Chemicals/Plastics	9	54	62	8	50	62
Automotive	8	30	36	8	23	30
Construction	5	49	106	4	54	125
Pharma/Healthcare	4	10	25	4	6	18
Other	11	30	27	10	31	30
Total	**125**	**493**	**40**	**117**	**480**	**41**

Financial Institutions portfolio

In the first nine months of 2014 the focus for the Financial Institutions (FI) sub-portfolio continued to be on the reduction of risks, especially in the public finance business. In taking on new business, we continue to give preference to clients with a good credit rating. Here we would highlight the trade finance activities performed on behalf of our corporate customers in Mittelstandsbank and capital market activities in Corporates & Markets. We are taking account of the increased risks in Eastern Europe business as a result of the Russia-Ukraine conflict by stepping up our controlling and monitoring of portfolio performance.

	30.9.2014			31.12.2013		
FI portfolio by region[1]	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	13	8	6	14	8	5
Western Europe	28	58	21	26	62	24
Central and Eastern Europe	9	33	38	9	28	33
North America	2	2	10	1	1	7
Asia	14	37	27	12	29	24
Other	8	35	43	7	26	37
Total	**74**	173	23	**69**	**154**	**22**

[1] Excluding exceptional debtors.

Non-Bank Financial Institutions portfolio

Commerzbank is concentrating on the further optimisation of its Non-Bank Financial Institutions (NBFI) portfolio and on attractive new business with clients with good credit ratings. These are, on the whole, diversified insurance companies, asset managers and regulated funds, with a regional focus on clients in Germany and Western Europe.

	30.9.2014			31.12.2013		
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	9	19	22	9	16	18
Western Europe	15	28	19	15	35	23
Central and Eastern Europe	1	3	48	2	3	15
North America	9	6	8	8	17	23
Asia	1	1	11	1	1	12
Other	1	2	21	1	2	13
Total	**35**	**61**	**17**	**36**	**74**	**20**

Originator positions

Commerzbank and Hypothekenbank Frankfurt have in recent years securitised receivables from loans to the Bank's customers with a current volume of €6.7bn, primarily for capital management purposes. Of these, risk exposures with a value of €5.1bn were retained as at 30 September 2014. By far the largest portion of these positions is accounted for by €5.0bn of senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]				
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume**[1] **30.9.2014**	**Total volume**[1] **31.12.2013**
Corporates[2]	2020–2036	4.5	< 0.1	< 0.1	5.1	5.0
Banks	2015–2021	0.4	< 0.1	< 0.1	0.4	0.4
RMBS	2048	0.0	0.0	0.0	0.1	0.1
CMBS	2014–2084	< 0.1	< 0.1	< 0.1	1.1	2.0
Total		**5.0**	**< 0.1**	**< 0.1**	**6.7**	**7.5**

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables – particularly trade and leasing receivables – from customers in the Mittelstandsbank and Corporates & Markets segments. The transactions are financed predominantly through the issue of asset-backed commercial papers (ABCPs) or through the drawing of credit lines (liquidity lines). The volume in the Silver Tower conduit fell slightly from €3.6bn to €3.4bn in the first three quarters of 2014. The risk values also amounted to €3.4bn as at 30 September 2014.

The other asset-backed exposures comprise mainly government-guaranteed ABSs issued by Hypothekenbank Frankfurt in the Public Finance area. Their volume has fallen from €4.7bn (31 December 2013) to €4.6bn and while the risk values remainded virtually constant at €4.5bn.

Market risk

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

Risk management

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

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

In internal management, all positions relevant to market risk are covered and trading and banking book positions are jointly managed. For regulatory purposes an additional stand-alone management of the trading book is carried out (that is in accordance with regulatory requirements, including currency and commodity risks in the banking book). The VaR for the overall portfolio rose to €87m compared to year-end 2013. The VaR for the trading book portfolio decreased slightly to €14m. The changes were largely due to a change in positioning in Corporates & Markets and Treasury.

VaR contribution[1] | €m	30.9.2014	31.12.2013
Overall book	**87**	**80**
thereof trading book	14	16

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

Trading book

VaR in the trading book was €14m as at the reporting date and was therefore slightly below the level as at year-end 2013. The volatility of VaR is considerably lower compared to 2013. This is a result of less volatile markets in consequence of the slow-down of the euro zone debt crisis.

VaR of portfolios in the trading book[1] | €m	Q1–Q3 2014	2013
Minimum	11	13
Mean	15	21
Maximum	19	34
End figure reporting period	**14**	**16**

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

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

VaR contribution by risk type in the trading book[1] | €m	30.9.2014	31.12.2013
Credit spreads	6	7
Interest rates	2	3
Equities	2	2
FX	3	3
Commodities	1	1
Total	**14**	**16**

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

Further risk ratios are being calculated for regulatory capital adequacy. This includes in particular the calculation of stressed VaR. On the basis of the VaR method described above, stressed VaR measures the present position in the trading book by reference to market movements from a specified crisis period in the past. The stressed VaR was €27m as at the reporting date, which is almost €2m more than at year-end 2013. The crisis observation period used is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period was not changed up to 30 September 2014.

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

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

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers on Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause. In 2014, we have seen no negative outliers in the clean P&L and dirty P&L process so far. As such, the results are in line with statistical expectations and confirm the quality of the VaR model.

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

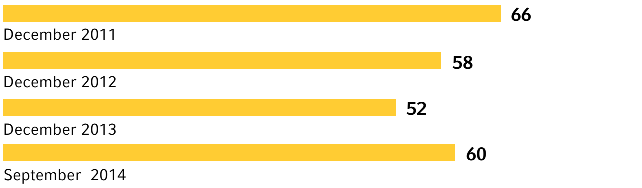
The VaR and stress test models are validated regularly. During the first nine months of 2014, model adjustments were implemented that helped improve the accuracy of risk measurement.

Banking book

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

The diagram below documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) in the Commerzbank Group's banking book. Credit spread sensitivities rose in the first nine months of 2014 and stood at €60m at the end of September 2014. The rise was due to increased positions in Corporates & Markets and Treasury. In the area of Non-Core Assets, falling interest rates led to rising fair values of bonds and therefore higher credit spread sensitivities. The majority of credit spread sensitivities related to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

Credit spread sensitivities
Downshift 1 bp | €m



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

Market liquidity risk

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

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

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

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 to the full amount, in the required currency and at standard market conditions, as and when they are due.

Risk management

Liquidity risk management is handled centrally, taking into account the existing limit structure and liquidity risk tolerance. 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 also an integral component of the management mechanism.

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

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.

Quantification and stress testing

The liquidity risk framework was updated as part of the implementation of the Group-wide Commerzbank Liquidity Project (CLIP). Important points include the new methodology and parametrisation of the liquidity risk modelling, taking into account regulatory requirements and adjusted limits. The combination of modelling and limits results in the quantitative structuring of our liquidity risk tolerance, which is in line with the overall risk strategy.

Since the third quarter, the liquidity gap profile represents or builds in, respectively, the entire modelling horizon of up to 30 years. The processes of producing and analysing the liquidity gap profile have been significantly improved by redesigning the IT infrastructure. In addition, the management of the regulatory LCR (liquidity coverage ratio) has been integrated in the liquidity risk model. In this way, Commerzbank intends to further optimise its liquidity management taking into account the latest regulatory requirements.

Hard limits are defined for the time horizon of up to one year. For time horizons of over a year there are review triggers to limit the liquidity risk in line with our funding capacity. The Group limits are broken down into individual currencies and Group units. The escalation paths in the event of limits being exceeded for the time horizons of less than and more than a year differ accordingly.

Based on the new methodology of the liquidity gap profile, management mechanisms such as recovery and early warning indicators have been adjusted and supplemented.

The internal liquidity model is complemented by the regular analysis of additional inverse stress scenarios.

Internal liquidity cost allocation, which is closely linked to risk mapping, is being adapted to the new methodology so that causality-based cost allocation can continue to be ensured.

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

In this respect the Bank continues to benefit from its core business activities in retail and corporate banking. The funding base is widely diversified in terms of products, regions and investors in the money and capital markets. In order to cover unexpected short-term payment obligations, the Bank has a liquidity reserve in the form of assets and cash reserves that can be rediscounted at the central bank, of which the amount, composition and free availability are checked and reported on a daily basis. This liquidity reserve remained at a high level in the third quarter, at around €103bn (31 December 2013: €105bn). It is analysed regularly to establish the quality of the assets contained in it and the appropriateness of its diversification.

Operational risk

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

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

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and of the risk scenario assessments. Furthermore, OpRisk loss events are subjected to ongoing analysis and 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.

Risk-weighted assets for operational risks using the internal advanced measurement approach model amounted to €22.7bn at the end of the third quarter of 2014 (31 December 2013: €22.9bn).

Other risks

Legal risk

Commerzbank Aktiengesellschaft and its subsidiaries are involved in a variety of court cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of wrong or defective advice, supposed ineffective provision and/or realisation of collateral, investigations by US authorities regarding the compliance of the Bank's anti-money laundering preventions with US requirements, disputes concerning the payment of variable elements of remuneration and possible entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, tax claims and cases brought by shareholders and other investors. 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 certain or several of the claimants in these cases, Commerzbank could be liable to pay substantial compensation or could incur the expense of reversing agreements or of other cost-intensive measures. Some of these cases could also have an impact on the reputation of Commerzbank and/or of its subsidiaries. The Group builds up reserves for such proceedings if and insofar as liabilities are likely to result from them and the amounts to which it is likely to be liable can be sufficiently accurately determined. As such proceedings entail considerable uncertainties, the possibility remains that some of the reserves created for them prove to be inadequate once the courts' final rulings are known. As a result, substantial additional expense may be incurred. This is true also in the case of proceedings for which the Group did not consider it necessary to create reserves. Although the eventual outcome of some legal proceedings might have an impact on Commerzbank's results and cashflow in a specified reporting period, we do not believe that the liabilities that might result from them will have any long-term impact on Commerzbank's earnings performance, assets and financial position. Further information on legal proceedings can be found in Note (24) to the consolidated financial statements.

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

Disclaimer

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

Interim Financial Statements

Statement of comprehensive income

Income statement

€m	Notes	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Interest income		9,626	10,637	–9.5
Interest expenses		5,395	6,159	–12.4
Net interest income	(1)	4,231	4,478	–5.5
Loan loss provisions	(2)	–836	–1,296	–35.5
Net interest income after loan loss provisions		3,395	3,182	6.7
Commission income		2,857	2,839	0.6
Commission expenses		461	406	13.5
Net commission income	(3)	2,396	2,433	–1.5
Net trading income	(4)	317	193	64.2
Net income from hedge accounting		11	27	–59.3
Net trading income and net income from hedge accounting		328	220	49.1
Net investment income	(5)	18	10	80.0
Current net income from companies accounted for using the equity method		42	50	–16.0
Other net income	(6)	–108	–145	–25.5
Operating expenses	(7)	5,147	5,109	0.7
Impairments of goodwill		–	–	.
Restructuring expenses	(8)	–	493	–100.0
Pre-tax profit or loss		**924**	**148**	**.**
Taxes on income	(9)	320	59	.
Consolidated profit or loss		**604**	**89**	**.**
Consolidated profit or loss attributable to non-controlling interests		79	72	9.7
Consolidated profit or loss attributable to Commerzbank shareholders		525	17	.

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance plus other adjustments (see page 50 f.).

Earnings per share | €	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Earnings per share	0.46	0.02	.

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

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

Condensed statement of comprehensive income

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Consolidated profit or loss	604	89	.
Change from remeasurement of defined benefit plans not recognised in income statement	–407	74	.
Change in companies accounted for using the equity method	0	–	.
Items not recyclable through profit or loss	**–407**	**74**	**.**
Change in revaluation reserve			
Reclassified to income statement	2	–59	.
Change in value not recognised in income statement	305	379	–19.5
Change in cash flow hedge reserve			
Reclassified to income statement	90	141	–36.2
Change in value not recognised in income statement	2	54	–96.3
Change in currency translation reserve			
Reclassified to income statement	–6	4	.
Change in value not recognised in income statement	158	–168	.
Change in companies accounted for using the equity method	4	–3	.
Items recyclable through profit or loss	**555**	**348**	**59.5**
Other comprehensive income	**148**	**422**	**–64.9**
Total comprehensive income	**752**	**511**	**47.2**
Comprehensive income attributable to non-controlling interests	101	33	.
Comprehensive income attributable to Commerzbank shareholders	651	478	36.2

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

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

3rd quarter | €m	1.7.–30.9.2014	1.7.–30.9.2013[1]	Change in %
Consolidated profit or loss	250	99	.
Change from remeasurement of defined benefit plans not recognised in income statement	–177	–2	.
Change in companies accounted for using the equity method	0	–	.
Items not recyclable through profit or loss	**–177**	**–2**	**.**
Change in revaluation reserve			
Reclassified to income statement	–1	–103	–99.0
Change in value not recognised in income statement	83	120	–30.8
Change in cash flow hedge reserve			
Reclassified to income statement	26	46	–43.5
Change in value not recognised in income statement	–1	25	.
Change in currency translation reserve			
Reclassified to income statement	–2	–	.
Change in value not recognised in income statement	101	52	94.2
Change in companies accounted for using the equity method	4	–5	.
Items recyclable through profit or loss	**210**	**135**	**55.6**
Other comprehensive income	**33**	**133**	**–75.2**
Total comprehensive income	**283**	**232**	**22.0**
Comprehensive income attributable to non-controlling interests	35	41	–14.6
Comprehensive income attributable to Commerzbank shareholders	248	191	29.8

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

The breakdown of other comprehensive income for the first nine months of 2014 was as follows:

Other comprehensive income | €m	1.1.–30.9.2014			1.1.–30.9.2013[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–592	185	–407	102	–28	74
of which companies accounted for using the equity method	0	–	0	–	–	–
Change in revaluation reserve	428	–121	307	451	–131	320
Change in cash flow hedge reserve	133	–41	92	260	–65	195
Change in currency translation reserve	152	–	152	–163	–1	–164
Change in companies accounted for using the equity method	4	–	4	–3	–	–3
Other comprehensive income	**125**	**23**	**148**	**647**	**–225**	**422**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.).

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

Other comprehensive income | €m	1.7.–30.9.2014			1.7.–30.9.2013[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–234	57	–177	–8	6	–2
of which companies accounted for using the equity method	0	–	0	–	–	–
Change in revaluation reserve	108	–26	82	14	3	17
Change in cash flow hedge reserve	36	–11	25	92	–21	71
Change in currency translation reserve	99	–	99	53	–1	52
Change in companies accounted for using the equity method	4	–	4	–5	–	–5
Other comprehensive income	**13**	**20**	**33**	**146**	**–13**	**133**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.).

Income statement (by quarter)

€m	2014			2013[1]			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	1,495	1,606	1,130	1,683	1,486	1,633	1,359
Loan loss provisions	–341	–257	–238	–451	–492	–537	–267
Net interest income after loan loss provisions	1,154	1,349	892	1,232	994	1,096	1,092
Net commission income	799	782	815	773	784	805	844
Net trading income	79	–184	422	–289	–79	–4	276
Net income from hedge accounting	21	4	–14	–13	2	–11	36
Net trading income and net income from hedge accounting	100	–180	408	–302	–77	–15	312
Net investment income	15	41	–38	7	136	–120	–6
Current net income from companies accounted for using the equity method	19	10	13	10	31	11	8
Other net income	–22	–18	–68	58	–79	–4	–62
Operating expenses	1,722	1,727	1,698	1,688	1,686	1,699	1,724
Impairments of goodwill	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	493
Pre-tax profit or loss	**343**	**257**	**324**	**90**	**103**	**74**	**–29**
Taxes on income	93	132	95	7	4	11	44
Consolidated profit or loss	**250**	**125**	**229**	**83**	**99**	**63**	**–73**
Consolidated profit or loss attributable to non-controlling interests	25	25	29	19	24	23	25
Consolidated profit or loss attributable to Commerzbank shareholders	225	100	200	64	75	40	–98

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

Balance sheet

Assets | €m	Notes	30.9.2014	31.12.2013[1]	Change in %	1.1.2013[2]
Cash reserve		5,843	12,397	−52.9	15,755
Claims on banks	(11,13,14)	101,584	87,545	16.0	88,028
of which pledged as collateral		–	29	−100.0	45
Claims on customers	(12,13,14)	246,133	245,938	0.1	278,519
of which pledged as collateral		–	–	.	–
Value adjustment portfolio fair value hedges		333	74	.	202
Positive fair values of derivative hedging instruments		4,248	3,641	16.7	6,057
Trading assets	(15)	136,593	103,616	31.8	144,144
of which pledged as collateral		14,828	3,601	.	12,680
Financial investments	(16)	87,985	82,051	7.2	89,142
of which pledged as collateral		3,066	1,921	59.6	2,495
Holdings in companies accounted for using the equity method		676	719	−6.0	744
Intangible assets	(17)	3,260	3,207	1.7	3,051
Fixed assets	(18)	1,842	1,768	4.2	1,372
Investment properties		628	638	−1.6	637
Non-current assets and disposal groups held for sale		268	1,166	−77.0	757
Current tax assets		560	812	−31.0	758
Deferred tax assets		3,132	3,146	−0.4	3,278
Other assets	(19)	3,273	2,936	11.5	3,571
Total		**596,358**	**549,654**	**8.5**	**636,015**

[1] Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 50 f.).
[2] 1 January 2013 is equivalent to 31 December 2012 (as published in the 2013 annual report) after the restatement of credit protection insurance and the tax restatements (see page 50 f.).

Liabilities and equity | €m	Notes	30.9.2014	31.12.2013[1]	Change in %	1.1.2013[2]
Liabilities to banks	(20)	120,490	77,694	55.1	110,242
Liabilities to customers	(21)	267,690	276,486	−3.2	265,905
Securitised liabilities	(22)	51,549	64,670	−20.3	79,357
Value adjustment portfolio fair value hedges		1,212	714	69.7	1,467
Negative fair values of derivative hedging instruments		8,843	7,655	15.5	11,739
Trading liabilities	(23)	93,913	71,010	32.3	116,111
Provisions	(24)	4,332	3,875	11.8	4,099
Current tax liabilities		340	245	38.8	324
Deferred tax liabilities		106	83	27.7	91
Liabilities from disposal groups held for sale		110	24	.	2
Other liabilities	(25)	7,794	6,551	19.0	6,523
Subordinated debt instruments	(26)	12,371	13,714	−9.8	13,913
Equity		27,608	26,933	2.5	26,242
Subscribed capital		1,139	1,139	0.0	5,828
Capital reserve		15,928	15,928	0.0	8,730
Retained earnings		10,804	10,660	1.4	10,781
Silent participations		–	–	.	2,376
Other reserves		−1,211	−1,744	−30.6	−2,353
Total before non-controlling interests		26,660	25,983	2.6	25,362
Non-controlling interests		948	950	−0.2	880
Total		**596,358**	**549,654**	**8.5**	**636,015**

[1] Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 50 f.).
[2] 1 January 2013 is equivalent to 31 December 2012 (as published in the 2013 annual report) after the restatement of credit protection insurance and the tax restatements (see page 50 f.).

Statement of changes in equity

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

[1] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

€m	Sub-scribed capital	Capital reserve	Retained earnings	Silent partici-pations	Other reserves			Total before non-control-ling interests	Non-control-ling interests	Equity
					Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2013	**1,139**	**15,928**	**10,660**	**–**	**–1,195**	**–357**	**–192**	**25,983**	**950**	**26,933**
Total comprehensive income	–	–	118	–	281	92	160	651	101	752
Consolidated profit or loss			525					525	79	604
Change from remeasurement of defined benefit plans			–407					–407		–407
Change in revaluation reserve					281			281	26	307
Change in cash flow hedge reserve						92		92		92
Change in currency translation reserve[1]							156	156	–4	152
Change in companies accounted for using the equity method							4	4		4
Dividend paid on silent participations								–		–
Dividend paid on shares								–	–62	–62
Reverse stock split								–		–
Capital increases								–		–
Withdrawal from retained earnings								–		–
Decrease in silent participations								–		–
Changes in ownership interests			4					4	–41	–37
Other changes[2]			22					22		22
Equity as at 30.9.2014	**1,139**	**15,928**	**10,804**	**–**	**–914**	**–265**	**–32**	**26,660**	**948**	**27,608**

[1] Including changes in the group of consolidated companies.
[2] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

The restatement of retained earnings as at 1 January 2013 (as published in the 2013 annual report) resulted from the retrospective restatement of credit protection insurance and the tax restatements (see page 50 f.).

As at 30 September 2014, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was therefore €1,139m and was divided into 1,138,506,941 no-par-value shares (accounting value per share of €1.00). The average number of ordinary shares in issue was 1,138,506,941 (30 September 2013: 837,236,739).

As at 30 September 2014 there was no impact on the other reserves from assets and disposal groups held for sale.

The change in ownership interests of €4m in the first nine months of 2014 resulted from the purchase of additional shares in already consolidated companies. There was no effect from the disposal of shares in companies that continue to be consolidated.

For information: Statement of changes in equity from 1 January to 30 September 2013

€m	Subscribed capital	Capital reserve	Retained earnings	Silent participations	Other reserves: Revaluation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Total before non-controlling interests	Non-controlling interests	Equity
Equity as at 31.12.2012	**5,828**	**8,730**	**10,783**	**2,376**	**–1,699**	**–616**	**–38**	**25,364**	**886**	**26,250**
Change due to retrospective adjustments[1]			–2					–2	–6	–8
Equity as at 1.1.2013	**5,828**	**8,730**	**10,781**	**2,376**	**–1,699**	**–616**	**–38**	**25,362**	**880**	**26,242**
Total comprehensive income	–	–	91	–	333	195	–145	474	33	507
Consolidated profit or loss			17					17	72	89
Change from remeasurement of defined benefit plans			74					74		74
Change in revaluation reserve					334			334	–14	320
Change in cash flow hedge reserve						195		195		195
Change in currency translation reserve							–143	–143	–25	–168
Change in companies accounted for using the equity method					–1		–2	–3		–3
Dividend paid on silent participations								–		–
Dividend paid on shares								–	–43	–43
Reverse stock split	–5,247	5,247						–		–
Capital increases	556	1,951						2,507		2,507
Withdrawal from retained earnings			–88					–88		–88
Decrease in silent participations				–2,376				–2,376		–2,376
Changes in ownership interests			–1					–1		–1
Other changes[1]	2	10	–145				4	–129	36	–93
Equity as at 30.9.2013	**1,139**	**15,938**	**10,638**	**–**	**–1,366**	**–421**	**–179**	**25,749**	**906**	**26,655**

[1] After restatement of 1 January 2013 (as published in the 2013 annual report) due to the restatement of credit protection insurance and the tax restatements (see page 50 f.).

[2] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, changes in treasury shares and the change in derivatives on own equity instruments.

Cash flow statement (condensed version)

€m	2014	2013[1]
Cash and cash equivalents as at 1.1.	**12,397**	**15,755**
Net cash from operating activities	644	−7,644
Net cash from investing activities	−6,323	3,583
Net cash from financing activities	−1,342	−233
Total net cash	**−7,021**	**−4,294**
Effects from exchange rate changes	546	−267
Effects from non-controlling interests	−79	−72
Cash and cash equivalents as at 30.9.	**5,843**	**11,122**

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

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

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

Selected notes

General information

Accounting policies

The interim financial statements of the Commerzbank Group as at 30 September 2014 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation), together with other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC). This report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

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 2014. The reporting currency of the Group financial statements is the euro. Unless otherwise indicated, all amounts are shown in millions of euros. In the statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement amounts under €500,000.00 are shown as €0m; where an item is €0.00 this is denoted by a dash. In all other notes amounts rounded down to €0m and zero items are both indicated by a dash.

Application of new and revised standards and changes to accounting policies

Except for the amendments listed below, we have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2013 (see page 145 ff. of our 2013 Annual Report). In addition we have been applying portfolio fair value hedge accounting to the modelling of deposits used to hedge interest rate risks since the second quarter of 2014. These financial statements take into account the standards and interpretations that must be applied in the EU from 1 January 2014 (new standards IFRS 10, 11 and 12 and the amended standards IAS 27, 28, 32, 36 and 39, plus amendments arising from the IASB's annual improvement process), where these were not already adopted early in the financial year 2013. The implementation of IFRIC 21 (Levies) with effect from 1 January 2014 had no material impact on the Commerzbank Group financial statements. The other new and revised standards (IAS 16 and 38 plus IFRS 9, 10, 11, 12, 14 and 15) and interpretations whose application is not yet mandatory may give rise to significant effects on the Group's accounting and measurement practices. It is not yet possible to provide a reliable estimate of the impact.

Changes to accounting and measurement policies

In the fourth quarter of 2013 we corrected the valuation of specific hedge accounting transactions (accreting zero coupon structures) in accordance with IAS 8.42. Due to technical restrictions during the migration from Dresdner Bank systems to Commerzbank systems the way in which these transactions were initially booked in 2010 and accounted for in subsequent periods was incorrect. This led to a cumulative retrospective adjustment of €–14m to net income from hedge accounting for the first nine months of the financial year 2013. The cumulative tax income arising from this adjustment was €2m.

A further change related to the treatment of income and expenses from credit protection insurance taken out by our customers when they borrow from us. In the past the income earned on concluding these contracts was recognised immediately and in full in net commission income. However, the expenses incurred in selling these insurance contracts were reported in net interest income pro rata over the term of the loans as a component of their effective interest rate. Since 1 January 2014 the income has been reported in the same way as the expenses. In the first nine months of 2013 this change had an impact of €+10m on net interest income, €–7m on net commission income and €+2m on other net income. The cumulative tax expense resulting from this change amounted to €1m and the consolidated profit attributable to non-controlling interests increased by €1m.

The retrospective effects as at 1 January 2013 amounted to €–16m for retained earnings, €–6m for non-controlling interests, €–27m for claims on customers and €+5m for deferred tax assets. As at 31 December 2013 retained earnings were adjusted by €–12m, the currency translation reserve by €+1m, non-controlling interests by €–6m and other provisions and other liabilities by €–2m each. There were also adjustments of €–25m to claims on customers and €+4m to deferred tax assets as at 31 December 2013.

In total the restatements of the hedge adjustments and the income and expenses from credit protection insurance led to a reduction in consolidated profit by €9m as at 30 September 2013. The earnings per share for the first nine months of 2013 amounted to €0.02, compared to the earnings per share of €0.03 as reported in the prior year.

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

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

€84m of intragroup interest income and expenses from applying the fair value option were not eliminated in the prior-year period. This has now been corrected, leading to a corresponding fall in the relevant income and expense lines within net interest income.

Since 1 January 2014 intragroup commission income and expenses have been eliminated against the corresponding commission expenses and income earned or incurred in the originating unit. Within net commission income this resulted in reclassifications that reduced other commission income, and increased commission income from guarantees, by €40m.

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

Consolidated companies

The following companies were consolidated for the first time as at 30 September 2014:

Name of company	Equity share and voting rights %	Acquisition cost €m	Assets €m	Liabilities €m
AVOLO Aviation GmbH & Co. KG, Karlsruhe, Germany	0.0	–	125.9	126.0
AWL I Sp. z o.o., Warsaw, Poland	100.0	–	17.5	–
ComStage ETF MSCI Japan 100% Daily Hedged Euro UCITS ETF, Luxembourg, Luxembourg	0.0	–	10.1	–
ComStage ETF S&P 500 Euro Daily Hedged Net TR UCITS ETF, Luxembourg, Luxembourg	0.0	–	9.8	–
ComStage MDAX® TR UCITS ETF, Luxembourg, Luxembourg	0.0	–	51.8	0.1
Eschborn Capital LLC, Wilmington, Delaware, USA	100.0	157.2	520.5	365.8
Greene Elm Trading V LLC, Wilmington, Delaware, USA	100.0	72.2	71.8	14.3
Greene Elm Trading VI LLC, Wilmington, Delaware, USA	100.0	72.2	74.9	–
MS "BELLINI" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	–	–	–
MS "BIZET" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	12.1	12.1	–
MS "BRAHMS" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	19.9	19.8	–
MS "CHOPIN" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	–	–	–
MS "HAYDN" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	–	–	–
MS "PAGANINI" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	19.0	19.1	0.4
MS "SATIE" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	–	–	–
MS "SCHUBERT" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	–	–	–
MS "VIVALDI" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	99.9	14.4	14.4	0.1
MS "WAGNER" Schiffahrtsgesellschaft mbH & Co. KG, Hamburg, Germany	100.0	–	–	–
Wilmots Leasing AB, Stockholm, Sweden	100.0	–	–	–

The entities listed above, which were consolidated for the first time, were newly formed or else exceeded our materiality limits for consolidation. In the case of additional purchases we apply the provisions of IFRS 3 as soon as we have control of the acquired company. The first-time consolidations did not give rise to any goodwill. Negative differences were reported in the income statement as at the date of acquisition in accordance with IFRS 3.34.

The following companies were sold or liquidated or permanently fell below our materiality threshold for consolidation:

- Disposals
  - Commerz Japan Real Estate Finance Corporation, Tokyo, Japan
  - Sterling Energy Holdings Inc., Wilmington/Delaware, USA
- Liquidations (including companies which have ceased operating activities or entities that have permanently fallen below our materiality threshold for consolidation)
  - AGV Allgemeine Grundstücksverwaltungs- und -verwertungsgesellschaft mit beschränkter Haftung, Eschborn, Germany[1]
  - ALDUNA Grundstücks-Vermietungsgesellschaft mbH, Düsseldorf, Germany[1]
  - ALTEREGO Beteiligungsgesellschaft mbH i.L., Düsseldorf, Germany
  - Beethoven Funding Corporation, Dover, Delaware, USA
  - CBK SICAV, Hesperange, Luxembourg[2]
  - CBK SICAV Skandia Shield, Luxembourg, Luxembourg[2]
  - CB Leasing Summer AB, Stockholm, Sweden[1]
  - CB MezzCAP Limited Partnership, St. Helier, Jersey[2]
  - Commerzbank Investments (UK) Limited, London, United Kingdom[1]
  - DOCK 100 GmbH & Co. KG, Berlin, Germany[2]
  - Eurohypo Capital Funding LLC I, Wilmington, Delaware, USA[2]
  - Eurohypo Capital Funding Trust I, Wilmington, Delaware, USA[2]
  - European Venture Partners (Holdings) Ltd, St. Helier, Jersey
  - General Leasing (No.16) Limited, London, United Kingdom[1]
  - Global One Funding III LLC, Wilmington, Delaware, USA[2]
  - KENSTONE GmbH, Eschborn, Germany[1]
  - South East Asia Properties Limited, London, United Kingdom[1]
  - Symphony No.2 Llc, Wilmington, Delaware, USA
  - Symphony No.4 Llc, Dover, Delaware, USA

The following companies were merged into Commerzbank Group consolidated companies:

- FHB-Immobilienprojekte GmbH, Eschborn, Germany
- Hibernia Eta Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany
- WESTBODEN-Bau- und Verwaltungsgesellschaft mit beschränkter Haftung, Eschborn, Germany

Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxembourg was merged with Hypothekenbank Frankfurt International S.A., Luxembourg. Hypothekenbank Frankfurt International S.A. was then renamed Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxembourg.

The following companies ceased to be accounted for using the equity method in the first nine months of 2014:

- Disposals
  - Exploitatiemaatschappij Wijkertunnel C.V., Amsterdam, Netherlands
  - KGAL GmbH & Co. KG, Grünwald (Munich), Germany
  - KGAL Verwaltungs-GmbH, Grünwald (Munich), Germany[3]
- Fell below materiality threshold
  - Carbon Trade & Finance SICAR S.A., Luxembourg, Luxembourg
  - MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Grünwald, Germany

GO German Office GmbH, Wiesbaden in the Non-Core Assets (NCA) segment, Avolo Aviation GmbH & Co. KG, Karlsruhe in the Private Customers Segment and BRE Ubezpieczenia Towarzystwo Ubezpieczen i Reasekuracji S.A., Warsaw in the Central & Eastern Europe segment are held for sale. Financial investments and investment fund units are also held for sale in the Private Customers segment and Others and Consolidation. Until the definitive transfer of the holdings, we measure non-current assets held for sale in accordance with IFRS 5 and report them separately in the relevant balance sheet items.

Furthermore we sold our commercial real estate portfolio in Spain and our loan portfolio in Portugal with a total value of €4.4bn in the second quarter of 2014. As a result of the sale, staff and rental contracts from the locations concerned were transferred to the purchaser.

[1] Fell below materiality threshold.
[2] Ceased operations.
[3] Part disposal.

Notes to the income statement

(1) Net interest income

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Interest income	9,626	10,637	−9.5
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	636	698	−8.9
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	7,190	7,903	−9.0
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	255	427	−40.3
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	948	1,221	−22.4
Prepayment penalty fees	88	120	−26.7
Gains on the sale of loans and receivables and repurchase of liabilities	99	143	−30.8
Dividends from securities	132	57	.
Current net income from equity holdings and non-consolidated subsidiaries	12	14	−14.3
Current income from properties held for sale and from investment properties	56	54	3.7
Other interest income	210	–	.
Interest expenses	5,395	6,159	−12.4
Interest expense on subordinated debt instruments and on securitised and other liabilities	4,528	5,070	−10.7
Interest expenses from applying the fair value option	467	637	−26.7
Interest expenses on securitised liabilities held for trading	96	86	11.6
Loss on the sale of loans and receivables and repurchase of liabilities	222	62	.
Current expenses from properties held for sale and from investment properties	36	43	−16.3
Other interest expense	46	261	−82.4
Total	**4,231**	**4,478**	**−5.5**

[1] Prior-year figures after the restatement of credit protection insurance plus other adjustments (see page 50 f.) Before restatement interest income was €10,711m, interest expense was €6,243m and net interest income was €4,468m.

The unwinding effect for the period 1 January to 30 September 2014 was €61m (previous year: €92m).

Other interest expense consists mainly of the net interest expense for pensions as well as the net interest from derivatives (banking and trading book), which is recognised in other interest income or other interest expense, depending on the net balance.

(2) Loan loss provisions

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

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %
Allocation to loan loss provisions[1]	−1,868	−2,350	−20.5
Reversals of loan loss provisions[1]	1,143	1,174	−2.6
Net balance of direct write-downs, write-ups and amounts recovered on claims written-down	−111	−120	−7.5
Total	**−836**	**−1,296**	**−35.5**

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

(3) Net commission income

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Securities transactions	634	701	−9.6
Asset management	126	113	11.5
Payment transactions and foreign business	950	950	0.0
Real estate lending business	28	52	−46.2
Guarantees	164	174	−5.7
Net income from syndicated business	258	205	25.9
Intermediary business	93	106	−12.3
Fiduciary transactions	5	4	25.0
Other	138	128	7.8
Total[2]	**2,396**	**2,433**	**−1.5**

[1] Prior-year figures after the restatement of credit protection insurance plus other adjustments (see page 50 f.) Before restatement, net commission income was €10,711m.
[2] Of which commission expense: €461m (previous year: €406m).

(4) Net trading income

We have split net trading income into two components:

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

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

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %
Net trading gain or loss[1]	433	130	.
Net gain or loss from applying the fair value option	−116	63	.
Total	**317**	**193**	**64.2**

[1] Including net gain or loss on the remeasurement of derivative financial instruments.

(5) Net investment income

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

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %
Net gain or loss from interest-bearing business	**4**	**–10**	**.**
In the available-for-sale category	–2	161	.
Gain on disposals (including reclassification from revaluation reserve)[1]	41	262	–84.4
Loss on disposals (including reclassification from revaluation reserve)[1]	–42	–109	–61.5
Net remeasurement gain or loss[1]	–1	8	.
In the loans and receivables category	6	–171	.
Gains on disposals	39	1	.
Loss on disposals	–44	–10	.
Net remeasurement gain or loss[2]	11	–162	.
Net gain or loss from equity instruments	**14**	**20**	**–30.0**
In the available-for-sale category	1	13	–92.3
Gain on disposals (including reclassification from revaluation reserve)[1]	5	13	–61.5
Loss on disposals (including reclassification from revaluation reserve)[1]	–4	–	.
In the available-for-sale category, measured at acquisition cost	10	42	–76.2
Net remeasurement gain or loss[1]	–4	–22	–81.8
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	7	–13	.
Total	**18**	**10**	**80.0**

[1] Includes a net €–5m (previous year:€65m) of reclassifications from the revaluation reserve created in the financial year 2014.
[2] Includes reversals of €14m of portfolio valuation allowances for reclassified securities (previous year: reversals of €46m).

(6) Other net income

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Other material items of expense	**418**	**445**	**–6.1**
Operating lease expenses	87	101	–13.9
Allocations to provisions	331	344	–3.8
Other material items of income	**240**	**287**	**–16.4**
Operating lease income	115	122	–5.7
Reversals of provisions	125	165	–24.2
Balance of sundry other income/expenses	**70**	**13**	**.**
Total	**–108**	**–145**	**–25.5**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.). Before restatement other net income was €–147m.

(7) Operating expenses

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %
Personnel expenses	2,884	2,963	–2.7
Administrative expenses	1,938	1,858	4.3
Depreciation/amortisation of fixed assets and other intangible assets	325	288	12.8
Total	**5,147**	**5,109**	**0.7**

(8) Restructuring expenses

€m	1.1.–30.9.2014	1.1.–30.9.2013	Change in %
Expenses for restructuring measures introduced	–	493	–100.0
Total	**–**	**493**	**–100.0**

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

(9) Taxes on income

Group tax expense was €320m as at 30 September 2014. With pre-tax profit of €924m the Group's effective tax rate was therefore 34.6% (Group income tax rate: 31.23%). Group tax expense derived mainly from current tax expenses of the mBank sub-group, comdirect bank and Commerzbank Aktiengesellschaft in Luxembourg and New York for the current year. Moreover, the recognition of a tax provision for the risks of a tax audit and its knock-on effects also pushed up the tax rate.

(10) Segment reporting

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

Our segment reporting covers five operating segments plus the Others and Consolidation segment. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are divided up on the basis of distinctions between products, services and/or customer target groups. Minor modifications in the segments' business models led to slight adjustments in the business responsibilities. The prior-year figures were also adjusted as a result of the restatements relating to hedge accounting, the treatment of credit protection insurance and the tax restatements (see page 50 f.).

- The Private Customers segment comprises the activities of Private Customers, Direct Banking and Commerz Real. The Private Customers division combines the classic branch business with retail and corporate customers and private banking. The dense national network of local branches offers a full service range of banking products including loan, deposit, securities, payment and pension products. Wealth Management provides services to wealthy clients in Germany and abroad and also contains the Group's portfolio management activities. The focus is on services such as securities and portfolio management, credit management and loans and real estate management. We also provide advice on trust and inheritance issues and corporate investments. Moreover, this segment includes Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. The joint venture Commerz Finanz, which is focused on consumer lending, is managed centrally by the Private Customers segment and also reports its results there. Since 1 July 2012 the private real estate portfolio of the Private Customer portfolio of Hypothekenbank Frankfurt Aktiengesellschaft (formerly Eurohypo Aktiengesellschaft) has been part of the Private Customers division. The Direct Banking division comprises the activities of the comdirect bank Group. The B2B (ebase) and B2C businesses (comdirect) contained in Direct Banking provide standardised, primarily internet-based advisory and service offerings for customers. Commerz Real has been a division of the Private Customers segment since July 2012 (except for the warehouse section). Its products range from open-ended real estate funds (hausinvest) to closed-end funds in real estate, aircraft, ships and renewable energy, institutional investments and structured investments as well as equipment leasing.

- The Mittelstandsbank segment is divided into the three Group divisions Mittelstand Germany, Corporate Banking & International and Financial Institutions. Our comprehensive service offering includes payments and cash management solutions, flexible financing solutions, interest rate and currency management products, professional investment advisory services and innovative investment banking solutions. The Mittelstand Germany division serves small and mid-sized customers, the public sector and institutional clients. In the Corporate Banking & International division we concentrate on serving corporate groups with revenues of over €500m (except for multinational corporates, which are handled by Client Relationship Management within the Corporates & Markets segment). Smaller groups with a strong capital market affinity are also serviced by this division. With our foreign branch offices we act as a strategic partner for both the international activities of our German corporate customers and for international companies with business activities in our home market of Germany. In selected core markets we also provide services to small and medium-sized customers in their local business, even when it has no connections with Germany. The Corporate Banking & International division also contains the competence centre for companies from the renewable energy sector. The Financial Institutions division is responsible for relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The strategic focus is on Commerzbank becoming customers' preferred source of trade finance services. Financial Institutions uses a global network of correspondent banks, together with business relationships in emerging markets, to support the Group's financing and processing of foreign trade activities on behalf of all Commerzbank Group customers throughout the world, and thus supports other Group divisions of the Bank in their international strategies.
- The Central & Eastern Europe (CEE) segment comprises the universal banking and direct banking activities in this region during the reporting period. It includes in particular our Polish subsidiary mBank, which offers banking products for corporate customers as well as financial services for private customers in Poland, the Czech Republic and Slovakia.
- Corporates & Markets consists of four main businesses: Equity Markets & Commodities comprises trading and sales of equity and commodity-related financial products. Fixed Income & Currencies handles trading and sales of interest rate, credit and currency instruments. Corporate Finance provides arrangement and advisory services for equity, debt and hybrid instruments, securitisation solutions and mergers & acquisitions. Credit Portfolio Management is responsible for actively managing the counterparty risks arising from the lending and trading transactions of Corporates & Markets on a uniform global basis. The assets transferred from the Portfolio Restructuring Unit are also wound down in this Group division in a value-preserving manner. Corporates & Markets also houses Client Relationship Management, which is responsible for servicing German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public sector customers.
- The Non-Core Assets (NCA) segment groups together the results from the Commercial Real Estate, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions. Commercial Real Estate and Public Finance belong almost entirely to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft. The DSB division contains the ship financing business of the Commerzbank Group, including all ship financing activities of the former Deutsche Schiffsbank Aktiengesellschaft. The NCA segment also comprises the warehouse assets of Commerz Real Aktiengesellschaft.

- The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under "Others" comprises equity participations that are not assigned to business segments, overarching Group matters such as costs for Group-wide projects, effects resulting from the purchase price allocation in connection with the Dresdner Bank takeover, specific individual matters that cannot be allocated to the segments, and Group Treasury. The costs of the service units, which – except for restructuring costs – are mainly charged to the segments, are also shown here. Consolidation includes income and expense items that represent the reconciliation of internal management reporting figures shown in segment reporting with the Group financial statements in accordance with IFRS. Also shown here are the costs of the Group management units, which – except for restructuring costs – are also mainly charged to the segments.

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

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

Income and expenses are reported in the segments by originating unit and at market prices, with the market interest rate method being used for interest rate operations. The actual funding costs for the segment-specific equity holdings allocated to each segment are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. The average capital employed is calculated using the Basel 3 methodology, based on average risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). At Group level, average IFRS capital is shown, which is used to calculate the return on equity. The adjustment of average capital employed to IFRS capital is carried out in Others and Consolidation. The regulatory capital requirement for risk-weighted assets assumed for segment reporting purposes is 9%. As a result of the continuing reduction in the NCA segment's portfolio, part of the capital allocation reported there, which was originally required by the EBA for the risks of EU government bonds, was given back to the core bank in the first quarter of 2014. We also report assets as well as liabilities and equity for the individual segments. Due to our business model the segment balance sheet only balances out at Group level.

The segment reporting of the Commerzbank Group shows the segments' pre-tax profit or loss. To reflect the impact on earnings of specific tax-related transactions in the Corporates & Markets segment, the net interest income of Corporates & Markets includes a pre-tax equivalent of the after-tax income from these transactions. When segment reporting is reconciled with the figures from external accounting this pre-tax equivalent is eliminated in Others and Consolidation. In 2014 we have made a change to the way in which the elimination of intragroup profits from intragroup transactions is shown in the segment reporting. In the past, such intragroup profits were eliminated in the respective segment, whereas now the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are now eliminated in Others and Consolidation. In 2014 a negative intragroup result occurred from a cross-segment transaction in the Non-Core Assets segment of which the positive counter item is contained in the result shown in Others and Consolidation.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of goodwill 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 carrying amounts of companies accounted for using the equity method were €676m (previous year: €727m) and were divided over the segments as follows: Private Customers €392m (previous year: €378m), Mittelstandsbank €102m (previous year: €98m), Corporates & Markets €93m (previous year: €89m), Non-Core Assets €66m (previous year: €79m) and Others and Consolidation €23m (previous year: €83m).

The tables below contain information on the segments as at 30 September 2014 and on the comparative figures for the previous financial year.

1.1.–30.9.2014 €m	Private Customers	Mittel-standsbank	Central & Eastern Europe	Corporates & Markets	Non-Core Assets	Others and Consoli-dation	Group
Net interest income	1,396	1,339	439	1,252	−31	−164	4,231
Loan loss provisions	−68	−235	−96	14	−450	−1	−836
Net interest income after loan loss provisions	1,328	1,104	343	1,266	−481	−165	3,395
Net commission income	1,145	803	167	279	21	−19	2,396
Net trading income and net income from hedge accounting	1	11	71	−12	170	87	328
Net investment income	2	9	4	6	−78	75	18
Current net income from companies accounted for using the equity method	26	8	–	9	−4	3	42
Other net income	14	27	17	–	10	−176	−108
Income before loan loss provisions	*2,584*	*2,197*	*698*	*1,534*	*88*	*−194*	*6,907*
Income after loan loss provisions	*2,516*	*1,962*	*602*	*1,548*	*−362*	*−195*	*6,071*
Operating expenses	2,168	994	327	989	242	427	5,147
Operating profit or loss	**348**	**968**	**275**	**559**	**−604**	**−622**	**924**
Impairments of goodwill	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	–	–
Pre-tax profit or loss	**348**	**968**	**275**	**559**	**−604**	**−622**	**924**
Assets	**70,737**	**86,461**	**28,279**	**217,205**	**104,179**	**89,497**	**596,358**
Liabilities and equity	**100,317**	**138,770**	**23,386**	**202,281**	**68,780**	**62,824**	**596,358**
Average capital employed	**3,984**	**6,832**	**1,578**	**4,310**	**7,781**	**2,787**	**27,272**
Operating return on equity[1] (%)	**11.6**	**18.9**	**23.2**	**17.3**	**−10.4**		**4.5**
Cost/income ratio in operating business (%)	**83.9**	**45.2**	**46.8**	**64.5**	**275.0**		**74.5**
Return on equity of pre-tax profit or loss[1] (%)	**11.6**	**18.9**	**23.2**	**17.3**	**−10.4**		**4.5**
Staff (average headcount)	15,882	5,794	7,700	1,969	584	17,912	49,841

[1] Annualised.

1.1.–30.9.2013[1] €m	Private Customers	Mittel-standsbank	Central & Eastern Europe	Corporates & Markets	Non-Core Assets	Others and Consoli-dation	Group
Net interest income	1,325	1,313	322	1,133	411	−26	4,478
Loan loss provisions	−93	−331	−83	2	−765	−26	−1,296
Net interest income after loan loss provisions	1,232	982	239	1,135	−354	−52	3,182
Net commission income	1,196	816	143	267	43	−32	2,433
Net trading income and net income from hedge accounting	2	7	84	85	−55	97	220
Net investment income	9	42	13	75	−145	16	10
Current net income from companies accounted for using the equity method	25	7	–	10	8	–	50
Other net income	−35	27	30	43	19	−229	−145
Income before loan loss provisions	*2,522*	*2,212*	*592*	*1,613*	*281*	*−174*	*7,046*
Income after loan loss provisions	*2,429*	*1,881*	*509*	*1,615*	*−484*	*−200*	*5,750*
Operating expenses	2,265	992	315	1,004	261	272	5,109
Operating profit or loss	**164**	**889**	**194**	**611**	**−745**	**−472**	**641**
Impairments of goodwill	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	–	–	493	493
Pre-tax profit or loss	**164**	**889**	**194**	**611**	**−745**	**−965**	**148**
Assets	**68,872**	**80,000**	**24,781**	**206,008**	**137,642**	**75,935**	**593,238**
Liabilities and equity	**96,533**	**125,681**	**19,078**	**181,632**	**84,623**	**85,691**	**593,238**
Average capital employed	**3,967**	**5,932**	**1,673**	**3,121**	**9,680**	**2,191**	**26,564**
Operating return on equity[2] (%)	**5.5**	**20.0**	**15.5**	**26.1**	**−10.3**		**3.2**
Cost/income ratio in operating business (%)	**89.8**	**44.8**	**53.2**	**62.2**	**92.9**		**72.5**
Return on equity of pre-tax profit or loss[2] (%)	**5.5**	**20.0**	**15.5**	**26.1**	**−10.3**		**0.7**
Staff (average headcount)	17,084	5,743	7,701	2,005	706	18,358	51,597

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance and the tax restatements (see page 50 f.).
[2] Annualised.

Details for Others and Consolidation:

€m	1.1.–30.9.2014			1.1.–30.9.2013[1]		
	Others	Consolidation	Others and Consolidation	Others	Consolidation	Others and Consolidation
Net interest income	–133	–31	–164	8	–34	–26
Loan loss provisions	–1	–	–1	–26	–	–26
Net interest income after loan loss provisions	–134	–31	–165	–18	–34	–52
Net commission income	–13	–6	–19	–30	–2	–32
Net trading income and net income from hedge accounting	80	7	87	70	27	97
Net investment income	10	65	75	23	–7	16
Current net income from companies accounted for using the equity method	3	–	3	–	–	–
Other net income	–171	–5	–176	–218	–11	–229
Income before loan loss provisions	*–224*	*30*	*–194*	*–147*	*–27*	*–174*
Income after loan loss provisions	*–225*	*30*	*–195*	*–173*	*–27*	*–200*
Operating expenses	433	–6	427	294	–22	272
Operating profit or loss	**–658**	**36**	**–622**	**–467**	**–5**	**–472**
Impairments of goodwill	–	–	–	–	–	–
Restructuring expenses	–	–	–	493	–	493
Pre-tax profit or loss	**–658**	**36**	**–622**	**–960**	**–5**	**–965**
Assets	89,497	–	89,497	75,935	–	75,935
Liabilities and equity	62,824	–	62,824	85,691	–	85,691

[1] Prior-year figures after the restatement of hedge accounting (see page 50 f.).

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

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

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

1.1.–30.9.2014 €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	2,500	1,523	82	126	–	4,231
Loan loss provisions	–678	–167	10	–1	–	–836
Net interest income after loan loss provisions	1,822	1,356	92	125	–	3,395
Net commission income	1,947	370	27	52	–	2,396
Net trading income and net income from hedge accounting	362	–39	–45	50	–	328
Net investment income	–	13	4	1	–	18
Current net income from companies accounted for using the equity method	33	4	3	2	–	42
Other net income	–140	28	4	–	–	–108
Income before loan loss provisions	*4,702*	*1,899*	*75*	*231*	–	*6,907*
Income after loan loss provisions	*4,024*	*1,732*	*85*	*230*	–	*6,071*
Operating expenses	4,002	956	93	96	–	5,147
Operating profit or loss	**22**	**776**	**–8**	**134**	**–**	**924**
Credit-risk-weighted assets	**117,000**	**50,360**	**3,018**	**2,717**	**–**	**173,095**

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

1.1.–30.9.2013[1] €m	**Germany**	**Europe excluding Germany**	**America**	**Asia**	**Others**	**Total**
Net interest income	3,407	971	54	46	–	4,478
Loan loss provisions	–853	–486	37	6	–	–1,296
Net interest income after loan loss provisions	2,554	485	91	52	–	3,182
Net commission income	2,000	357	30	46	–	2,433
Net trading income and net income from hedge accounting	–536	608	50	98	–	220
Net investment income	26	–15	–	–1	–	10
Current net income from companies accounted for using the equity method	41	4	3	2	–	50
Other net income	–222	82	–2	–3	–	–145
Income before loan loss provisions	*4,716*	*2,007*	*135*	*188*	–	*7,046*
Income after loan loss provisions	*3,863*	*1,521*	*172*	*194*	–	*5,750*
Operating expenses	4,023	914	92	80	–	5,109
Operating profit or loss	**–160**	**607**	**80**	**114**	**–**	**641**
Credit-risk-weighted assets	**109,723**	**49,527**	**3,209**	**3,343**	**–**	**165,802**

[1] Prior-year figures after the restatements of hedge accounting and credit protection insurance (see page 50 f.).

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

Notes to the balance sheet

(11) Claims on banks

€m	30.9.2014	31.12.2013	Change in %
Due on demand	35,415	27,741	27.7
With a residual term	66,281	59,897	10.7
up to three months	35,323	40,353	−12.5
over three months to one year	25,126	13,172	90.8
over one year to five years	5,470	5,964	−8.3
more than 5 years	362	408	−11.3
Total	**101,696**	**87,638**	**16.0**
of which reverse repos and cash collaterals	68,974	56,153	22.8
of which relate to the category:			
Loans and receivables	50,460	46,640	8.2
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	51,236	40,998	25.0

Claims on banks after deduction of loan loss provisions amounted to €101,584m (previous year: €87,545m).

(12) Claims on customers

€m	30.9.2014	31.12.2013[1]	Change in %
With an indefinite residual term	29,360	30,162	−2.7
With a residual term	222,599	222,428	0.1
up to three months	49,237	39,305	25.3
over three months to one year	22,861	27,836	−17.9
over one year to five years	67,173	73,626	−8.8
more than 5 years	83,328	81,661	2.0
Total	**251,959**	**252,590**	**−0.2**
of which reverse repos and cash collaterals	30,995	28,483	8.8
of which relate to the category:			
Loans and receivables	223,610	226,437	−1.2
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	28,349	26,153	8.4

[1] Prior-year figures restated due to restatement of credit protection insurance (see page 50 f.).

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

Claims on customers after deduction of loan loss provisions amounted to €246,133m (previous year[1]: €245,938m).

(13) Total lending

€m	30.9.2014	31.12.2013[1]	Change in %
Loans to banks	25,212	22,577	11.7
Loans to customers	220,969	224,114	–1.4
Total	**246,181**	**246,691**	**–0.2**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.).

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

(14) Loan loss provisions

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

Development of provisioning | €m	2014	2013	Change in %
As at 1.1.	**7,019**	**8,092**	**–13.3**
Allocations	1,868	2,350	–20.5
Disposals	2,706	2,183	24.0
Utilisation	1,563	1,009	54.9
Reversals	1,143	1,174	–2.6
Changes in the group of consolidated companies	–17	–	.
Exchange rate changes/reclassifications/unwinding	8	–729	.
As at 30.9.	**6,172**	**7,530**	**–18.0**

With direct write-downs, write-ups and recoveries on written-down claims taken into account, the allocations and reversals recognised in profit or loss resulted in provisions of €836m (30 September 2013: €1,296m) (see Note 2).

Loan loss provisions | €m	30.9.2014	31.12.2013	Change in %
Specific valuation allowances	5,224	5,945	–12.1
Portfolio valuation allowances	714	800	–10.8
Provisions for on-balance-sheet loan losses	**5,938**	**6,745**	**–12.0**
Specific loan loss provisions	106	141	–24.8
Portfolio loan loss provisions	128	133	–3.8
Provisions for off-balance sheet loan losses	**234**	**274**	**–14.6**
Total	**6,172**	**7,019**	**–12.1**

For claims on banks, loan loss provisions amounted to €112m (previous year: €93m) and for claims on customers to €5,826m (previous year: €6,652m).

(15) Trading assets

The Group's trading activities include trading in:

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

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

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

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

€m	30.9.2014	31.12.2013	Change in %
Bonds, notes and other interest-rate-related securities	17,270	15,952	8.3
Promissory note loans	1,094	1,007	8.6
Shares, other equity-related securities and units in investment funds	35,040	20,205	73.4
Positive fair values of derivative financial instruments	82,327	65,818	25.1
Currency-related derivative transactions	17,234	12,047	43.1
Interest-rate-related derivative transactions	60,638	49,687	22.0
Other derivative transactions	4,455	4,084	9.1
Other trading assets	862	634	36.0
Total	**136,593**	**103,616**	**31.8**

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €2,415m in equity derivatives (previous year: €2,104m) and €1,331m in credit derivatives (previous year: €1,507m).

(16) Financial investments

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

€m	30.9.2014	31.12.2013	Change in %
Bonds, notes and other interest-rate-related securities[1]	86,729	80,772	7.4
Shares, other equity-related securities and units in investment funds	972	1,021	−4.8
Equity holdings	182	135	34.8
Holdings in non-consolidated subsidiaries	102	123	−17.1
Total	**87,985**	**82,051**	**7.2**
of which relate to the category:			
Loans and receivables[1]	44,950	45,152	−0.4
Available-for-sale financial assets	40,636	34,595	17.5
of which measured at amortised cost	321	258	24.4
At fair value through profit or loss (fair value option)	2,399	2,304	4.1

[1] Reduced by portfolio valuation allowances for reclassified securities of €48m (previous year: €62m).

As at 30 September 2014 the financial investments included €321m (previous year: €258m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at 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. The book value of these financial instruments derecognised in 2014 was €12m from which a profit of €7m resulted.

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

The revaluation reserve after deferred taxes for all the securities reclassified in financial years 2008 and 2009 was €−0.5bn as at 30 September 2014 (previous year: €−0.6bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €−2.5bn (previous year: €−2.8bn) as at 30 September 2014; the carrying amount of these portfolios on the balance sheet date was €42.3bn (previous year: €42.5bn) and fair value was €39.3bn (previous year: €39.3bn).

(17) Intangible assets

€m	30.9.2014	31.12.2013	Change in %
Goodwill	2,080	2,080	0.0
Other intangible assets	1,180	1,127	4.7
Customer relationships	365	395	–7.6
In-house developed software	565	485	16.5
Other	250	247	1.2
Total	**3,260**	**3,207**	**1.7**

(18) Fixed assets

€m	30.9.2014	31.12.2013	Change in %
Land and buildings and other fixed assets	1,389	1,311	5.9
Office furniture and equipment	453	457	–0.9
Total	**1,842**	**1,768**	**4.2**

(19) Other assets

€m	30.9.2014	31.12.2013	Change in %
Collection items	10	225	–95.6
Precious metals	266	259	2.7
Leased equipment	796	741	7.4
Accrued and deferred items	286	168	70.2
Initial/variation margins receivable	192	223	–13.9
Other assets	1,723	1,320	30.5
Total	**3,273**	**2,936**	**11.5**

(20) Liabilities to banks

€m	30.9.2014	31.12.2013	Change in %
Due on demand	55,352	31,130	77.8
With a residual term	65,138	46,564	39.9
up to three months	33,286	16,275	.
over three months to one year	6,443	5,949	8.3
over one year to five years	13,758	13,211	4.1
more than 5 years	11,651	11,129	4.7
Total	**120,490**	**77,694**	**55.1**
of which repos und cash collaterals	47,401	18,288	.
of which relate to the category:			
Liabilities measured at amortised cost	77,115	66,263	16.4
At fair value through profit or loss (fair value option)	43,375	11,431	.

(21) Liabilities to customers

€m	30.9.2014	31.12.2013	Change in %
Savings deposits	6,860	6,281	9.2
With an agreed period of notice of			
three months	6,797	6,191	9.8
over three months	63	90	−30.0
Other liabilities to customers	260,830	270,205	−3.5
Due on demand	152,294	157,291	−3.2
With a residual term	108,536	112,914	−3.9
up to three months	50,520	56,092	−9.9
over three months to one year	21,301	17,548	21.4
over one year to five years	14,151	15,383	−8.0
more than 5 years	22,564	23,891	−5.6
Total	**267,690**	**276,486**	**−3.2**
of which repos und cash collaterals	38,683	49,853	−22.4
of which relate to the category:			
Liabilities measured at amortised cost	224,565	220,100	2.0
At fair value through profit or loss (fair value option)	43,125	56,386	−23.5

(22) Securitised liabilities

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

€m	30.9.2014	31.12.2013	Change in %
Bonds and notes issued	47,809	61,328	−22.0
of which Mortgage Pfandbriefe	14,312	18,015	−20.6
Public Pfandbriefe	15,193	17,929	−15.3
Money market instruments issued	3,726	3,326	12.0
Own acceptances and promissory notes outstanding	14	16	−12.5
Total	**51,549**	**64,670**	**−20.3**
of which relate to the category:			
Liabilities measured at amortised cost	49,645	61,611	−19.4
At fair value through profit or loss (fair value option)	1,904	3,059	−37.8

Residual maturities of securitised liabilities | €m	30.9.2014	31.12.2013	Change in %
Due on demand	–	–	.
With a residual term	51,549	64,670	–20.3
up to three months	5,074	7,926	–36.0
over three months to one year	9,857	12,847	–23.3
over one year to five years	27,839	32,661	–14.8
more than 5 years	8,779	11,236	–21.9
Total	**51,549**	**64,670**	**–20.3**

In the first nine months of 2014, material new issues with a total volume of €10.6bn were floated. In the same period the volume of redemptions and repurchases amounted to €2.5bn and the volume of bonds maturing to €21.4bn.

(23) Trading liabilities

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

€m	30.9.2014	31.12.2013	Change in %
Currency-related derivative transactions	18,585	11,896	56.2
Interest-rate-related derivative transactions	55,849	45,225	23.5
Other derivative transactions	6,299	5,997	5.0
Certificates and other notes issued	5,720	5,001	14.4
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	7,460	2,891	.
Total	**93,913**	**71,010**	**32.3**

Other derivative transactions consisted mainly of €3,995m in equity derivatives (previous year: €3,858m) and €1,815m in credit derivatives (previous year: €1,785m).

(24) Provisions

€m	30.9.2014	31.12.2013[1]	Change in %
Provisions for pensions and similar commitments	1,320	828	59.4
Other provisions	3,012	3,047	–1.1
Total	**4,332**	**3,875**	**11.8**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.).

In Other provisions provisions for legal disputes (legal proceedings and recourse claims) are included. Neither the time span nor the amounts of provisions necessary for settling legal proceedings can be determined when setting up the provisions. The provisions for legal proceedings and recourse claims include the following circumstances. The provisions should cover the costs expected according to our judgement as at balance sheet date:

- Commerzbank and its subsidiaries are mainly active in the Private Customers segment in the area of investment advisory. 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 may demand compensation for damages or the reversal of investment transactions about which information regarding distribution fees was lacking (e.g. for closed-end funds). Moreover the court rulings of the German Federal Court concerning loan processing fees in the Private Customers segment have been considered.
- A number of employees of the former Dresdner Bank Group have instigated lawsuits in Germany and at various locations abroad against group companies to recover variable remuneration which was either not paid or not paid in the amount to which the employee was supposedly entitled for the 2008 financial year. The majority of these cases have already been legally decided in the courts. The rulings which resulted varied according to jurisdiction and the specifics of the respective case; in some instances the Bank prevailed and in others the Bank was ordered to pay.
- 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. The Group is currently also involved in a number of such cases. The office of the New York Attorney General, the US Justice Department and other US authorities are, for example, investigating whether the Group breached US embargo regulations, particularly with respect to Iran, Sudan, North Korea, Myanmar and Cuba. The New York branch of Commerzbank was served with subpoenas by these US authorities in this regard and consequently had to surrender extensive documentation and results of internal investigations to authorities. The outcome of the proceedings is not yet foreseeable. US authorities may impose civil and criminal sanctions on Commerzbank which may include substantial fines. In similar cases with other banks, the settlements reached sometimes included significant civil and criminal penalties. Consequently, the Bank cannot rule out the possibility that it will pay a considerable sum of money in order to settle the case.
- In the past few years the Commerzbank Group has sold a number of subsidiaries, other holdings in Germany and abroad and some major properties. The contracts contain guarantees, certain indemnities and some financial commitments. In some cases, complaints have been filed claiming failure to honour the guarantees in question.

(25) Other liabilities

€m	30.9.2014	31.12.2013[1]	Change in %
Liabilities attributable to film funds	1,451	1,690	– 14.1
Liabilities attributable to non-controlling interests	4,029	2,974	35.5
Accrued and deferred items	420	397	5.8
Variation margins payable	200	234	– 14.5
Other liabilities	1,694	1,256	34.9
Total	**7,794**	**6,551**	**19.0**

[1] Prior-year figures after the restatement of credit protection insurance (see page 50 f.).

(26) Subordinated debt instruments

€m	30.9.2014	31.12.2013	Change in %
Subordinated debt instruments	12,803	14,188	– 9.8
Accrued interest, including discounts	– 1,104	– 1,107	– 0.3
Remeasurement effects	672	633	6.2
Total	**12,371**	**13,714**	**– 9.8**
of which relate to the category:			
Liabilities measured at amortised cost	12,363	13,706	– 9.8
At fair value through profit or loss (fair value option)	8	8	0.0

In the first nine months of 2014 the volume of redemptions and repurchases of subordinated debt instruments amounted to €0.6bn, while €0.8bn of subordinated debt instruments matured. There were no other material changes.

Other notes

(27) Capital requirements and capital ratios

€m	30.9.2014[1]	31.12.2013	Change in %
Core Tier 1	25,516	24,887	2.5
Additional Tier 1	–	819	−100.0
Total Tier 1	**25,516**	**25,706**	**−0.7**
Tier 2 capital	6,573	10,945	−39.9
Total capital	**32,089**	**36,651**	**−12.4**

[1] Preliminary figures (including interim profit).

	Capital adequacy requirement		Risk-weighted assets[1]		
€m	30.9.2014[2]	31.12.2013	30.9.2014[2]	31.12.2013	Change in %
Credit risk	13,848	12,720	173,095	159,000	8.9
Market risk[3]	1,601	694	20,013	8,675	.
Operational risk	1,815	1,833	22,683	22,913	−1.0
Total capital requirement	**17,264**	**15,247**	**215,791**	**190,588**	**13.2**
Core Tier 1	25,516	24,887			
Tier 1 capital	25,516	25,706			
Total capital	32,089	36,651			
Core Tier 1 ratio (%)	11.8	13.1			
Tier 1 ratio (%)	11.8	13.5			
Total capital ratio (%)	14.9	19.2			

[1] Risk-weighted assets are calculated by multiplying the capital requirements by 12.5.
[2] Preliminary figures (including interim profit).
[3] Including capital adequacy requirements for credit valuation adjustment risks.

(28) Contingent liabilities and irrevocable lending commitments

€m	30.9.2014	31.12.2013	Change in %
Contingent liabilities	37,546	35,250	6.5
from rediscounted bills of exchange credited to borrowers	5	6	−16.7
from guarantees and indemnity agreements	37,541	35,220	6.6
from other commitments	–	24	−100.0
Irrevocable lending commitments	56,025	52,326	7.1

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

(29) Derivative transactions

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

The netting volume as at 30 September 2014 totalled €90,648m (previous year: €101,665m). On the assets side, €87,882m of this was attributable to positive fair values and €2,766m to variation margins received. Netting on the liabilities side involved negative fair values of €90,193m and liabilities for variation margin payments of €455m.

	Nominal amount by residual term						Fair values	
30.9.2014 €m	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total	positive	negative
Foreign-currency-based forward transactions	1	305,305	175,540	202,469	128,854	812,169	17,741	18,725
Interest-based forward transactions	4	482,742	1,297,378	1,271,608	1,245,723	4,297,455	152,261	154,745
Other forward transactions	1,923	88,208	47,720	123,974	18,165	279,990	4,455	6,299
Total	**1,928**	**876,255**	**1,520,638**	**1,598,051**	**1,392,742**	**5,389,614**	**174,457**	**179,769**
of which exchange-traded	–	*54,444*	*30,676*	*26,923*	*5,834*	*117,877*		
Net position in the balance sheet							**86,575**	**89,576**

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

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

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

Under IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing, independent parties in an arm's length transaction. The fair value therefore represents a realisable price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction. The fair value of a liability also reflects own credit risk. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

The most suitable measure of fair value is the quoted price for an identical instrument in an active market (fair value hierarchy Level 1). 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 those cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs – except for non-material parameters – are obtained from observable market sources (fair value hierarchy Level 2). In accordance with IFRS 13, valuation methods are to be chosen that are commensurate with the situation and for which the required information is available.

For the selected methods, observable input parameters are to be used to the maximum extent possible and unobservable input parameters to the least extent possible.

While most valuation techniques rely on data from observable market sources, certain financial instruments are measured using models that incorporate other material inputs for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities. The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (fair value hierarchy Level 3).

Valuation models must be consistent with accepted economic methodologies for pricing financial instruments and must incorporate all factors that market participants would consider appropriate in setting a price. All fair values are subject to the Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within the finance function. The models, inputs and resulting fair values are reviewed regularly by Senior Management and the Risk function.

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

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

- Listed derivatives are valued at the bid or offer price available on active markets. In some cases, theoretical prices may also be used. The fair value of OTC derivatives is determined using valuation models that are well established on the financial markets. On the one hand, models may be used that measure the expected future cash flows and discount these to determine the net present value of the financial instruments. On the other hand, alternative models may be used that determine the value at which there is no scope for arbitrage between a given instrument and other related traded instruments. For some derivatives, the valuation models used in the financial markets may differ in the way that they model the fair value and may use different input parameters to different degrees. These models are regularly calibrated to recent market prices.

  Input parameters for these models are derived, where possible, from observable data such as prices or indices that are published by the relevant exchange, third-party brokers or organisations that provide generally recognised prices based on data submitted by significant market participants. Where input parameters are not directly observable, they may be derived from observable data through extrapolation or interpolation, or may be approximated by reference to historical or correlated data. Input parameters for derivative valuations would typically include underlying spot or forward security prices, volatility, interest rates and exchange rates.

  The fair value of options is comprised of two parts, the intrinsic value and the time value. The factors used to determine the time value include the strike price compared to the underlying, the volatility of the underlying market, the time to expiry and the correlations between the underlying assets and underlying currencies.
- Equities, bonds 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 equities are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.
- Structured instruments are securities that combine features of fixed income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable return based on the performance of some underlying asset with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly as each instrument is individually customised and therefore the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign exchange, interest rate, credit and fund products.

Fair value hierarchy

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

- Level 1: Financial instruments where the fair value is based on quoted prices for identical financial instruments in active markets.
- Level 2: Financial instruments where no quoted prices are available for identical instruments in an active market and the fair value is established using valuation techniques.
- Level 3: Financial instruments where valuation techniques are used that incorporate material inputs for which there is insufficient observable market data and where these inputs have a more than insignificant impact on the fair value.

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

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

Financial assets | €bn		30.9.2014				31.12.2013			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Claims on banks	At fair value through profit or loss	–	51.2	–	51.2	–	41.0	–	41.0
Claims on customers	At fair value through profit or loss	–	27.9	0.4	28.3	–	25.9	0.3	26.2
Positive fair values of derivative hedging instruments	Hedge accounting	–	4.2	–	4.2	–	3.6	–	3.6
Trading assets	Held for trading	47.3	84.9	4.4	136.6	35.5	66.3	1.8	103.6
of which positive fair values from derivatives		–	79.0	3.3	82.3	–	65.0	0.8	65.8
Financial investments	At fair value through profit or loss	1.4	1.0	–	2.4	1.5	0.8	–	2.3
	Available-for-sale financial assets	36.8	3.4	0.1	40.3	32.5	2.0	0.1	34.6
Total		**85.5**	**172.6**	**4.9**	**263.0**	**69.5**	**139.6**	**2.2**	**211.3**

Financial liabilities | €bn		30.9.2014				31.12.2013			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities to banks	At fair value through profit or loss	–	43.4	–	43.4	–	11.4	–	11.4
Liabilities to customers	At fair value through profit or loss	–	43.1	–	43.1	–	56.4	–	56.4
Securitised liabilities	At fair value through profit or loss	1.9	–	–	1.9	3.1	–	–	3.1
Negative fair values of derivative hedging instruments	Hedge accounting	–	8.8	–	8.8	–	7.7	–	7.7
Trading liabilities	Held for trading	13.2	78.6	2.1	93.9	7.8	62.6	0.6	71.0
of which negative fair values from derivatives		–	78.6	2.1	80.7	–	62.6	0.5	63.1
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**15.1**	**173.9**	**2.1**	**191.1**	**10.9**	**138.1**	**0.6**	**149.6**

A reclassification of levels 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 2014, as there were no listed market prices available. This involved €0.8bn in available-for-sale bonds, while €1.9bn was reclassified from securities and receivables held for trading. Opposite reclassifications were made from Level 2 to Level 1 for €0.4bn of available-for-sale bonds, as quoted market prices became available again. €1.7bn of securities and receivables held for trading and €0.1bn of bonds to which the fair value option is applied was also reclassified from Level 2 to

Level 1. The reclassifications were determined on the basis of the holdings on 30 June 2014. Apart from this, there were no other significant reclassifications between Level 1 and Level 2.

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

Financial assets €m	Claims on customers	Trading assets	of which positive fair values from derivatives	Financial investments		Total
	At fair value through profit or loss	Held for trading	Held for trading	At fair value through profit or loss	Available-for-sale financial assets	
Fair value as at 1.1.2013	**302**	**2,175**	**954**	**53**	**645**	**3,175**
Changes in the group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–19	–119	–77	2	–26	–162
of which unrealised gains/losses	–	–85	–43	8	–	–77
Gains or losses recognised in revaluation reserve	–	–	–	–	7	7
Purchases	–	612	6	–	165	777
Sales	–	–476	–29	–	–3	–479
Issues	–	–	–	–	–	–
Redemptions	–	–373	–311	–30	–706	–1,109
Reclassifications to Level 3	1	713	550	2	110	826
Reclassifications from Level 3	–	–719	–318	–2	–133	–854
Fair value as at 31.12.2013	**284**	**1,813**	**775**	**25**	**59**	**2,181**
Changes in the group of consolidated companies	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	4	671	568	–23	2	654
of which unrealised gains/losses	–	644	574	–	–	644
Gains or losses recognised in revaluation reserve	–	–	–	–	–6	–6
Purchases	–	134	4	–	88	222
Sales	–	–173	–123	–	–	–173
Issues	–	–	–	–	–	–
Redemptions	–	–10	–10	–9	–	–19
Reclassifications to Level 3	147	2,133	2,070	11	116	2,407
Reclassifications from Level 3	–	–212	–31	–2	–111	–325
Fair value as at 30.9.2014	**435**	**4,356**	**3,253**	**2**	**148**	**4,941**

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

In financial year 2014, €2.0bn in positive fair values from derivatives, €0.1bn in receivables held for trading and €0.1bn in available-for-sale financial instruments were reclassified from Level 2 to Level 3. In addition, €0.1bn of available-for-sale bonds and equities and €0.1bn of receivables at fair value through profit or loss were also reclassified from Level 2 to Level 3. These reclassifications were carried out as there were no observable market parameters.

Apart from this, there were no significant reclassifications into or out of Level 3.

Financial liabilities €m	Trading liabilities Held for trading	of which negative fair values from derivatives Held for trading	Total
Fair value as at 1.1.2013	**840**	**837**	**840**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	–47	–47	–47
of which unrealised gains/losses	–41	–41	–41
Purchases	42	42	42
Sales	–7	–7	–7
Issues	–	–	–
Redemptions	–274	–274	–274
Reclassifications to Level 3	384	229	384
Reclassifications from Level 3	–305	–252	–305
Fair value as at 31.12.2013	**633**	**528**	**633**
Changes in the group of consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	300	300	300
of which unrealised gains/losses	288	288	288
Purchases	30	30	30
Sales	–7	–	–7
Issues	–	–	–
Redemptions	–16	–16	–16
Reclassifications to Level 3	1,341	1,341	1,341
Reclassifications from Level 3	–178	–80	–178
Fair value as at 30.9.2014	**2,103**	**2,103**	**2,103**

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

In financial year 2014, €1.2bn in negative fair values from derivatives was reclassified from Level 2 to Level 3, as there were no observable market parameters. Apart from this, there were no significant reclassifications into or out of Level 3.

Sensitivity analysis

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

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

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

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all cash flows from an instrument equal to zero. For bonds, the IRR depends, for example, upon the current bond price, the nominal value and the duration.
- Equity correlation:
  Correlation is a measure of how two instruments move in relation to each other. Correlation is expressed as the correlation coefficient, which ranges between −1 and +1.

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

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

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

  The inputs needed to value an equity quanto swap are the correlation between the underlying index and the FX forward rate, the volatility of the underlying index, the volatility of the FX forward rate and maturity.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.
- Discount yield:
  Discount yield is a measure of a bond's percentage return. Discount yield is most frequently used to calculate the yield on short-term bonds and treasury bills sold at a discount. This yield calculation uses the convention of a 30-day month and 360-day year. The inputs required to determine the discount yield are the par value, purchase price and the number of days to maturity.
- Credit correlation:
  Credit derivative products such as collateralised debt obligations (CDOs), CDS indices, such as iTraxx and CDX, and First-to-default (FTD) basket swaps all derive their value from an underlying portfolio of credit exposures.

  Correlation is a key determinant in the pricing of FTD swaps. Default correlation assumptions can have a significant impact on the distribution of losses experienced by a credit portfolio. It is the loss distribution that captures the default characteristics of a portfolio of credits and ultimately determines the pricing of the FTD.

  At low correlation, the assets are virtually independent. In the case of an extremely low default correlation assumption, the distribution is almost symmetrical. There is a high probability of experiencing a few losses but almost no probability of experiencing a very large number of losses. Also the probability of experiencing zero losses is low. With a medium default correlation assumption, the distribution becomes more "skewed". There is thus a higher probability of experiencing no defaults, but also a higher probability of experiencing a large number of losses. As a result, there is a greater likelihood of assets defaulting together. The tail of the portfolio loss distribution is pushed out, with more of the risk therefore in the senior tranche.

  At a high correlation, the portfolio virtually behaves like a single asset, which either does or does not default.

- Mean reversion of interest rates:
  This is a theory suggesting that prices and returns eventually move back towards the mean or average. This mean or average can be the historical average of a price or yield or another relevant average such as average economic growth or the average return of an industry.

  A single-factor interest rate model used to price derivatives is the Hull-White model. This assumes that short rates have a normal distribution and are subject to mean reversion. Volatility is likely to be low when short rates are near zero, which is reflected in a larger mean reversion in the model. The Hull-White model is an extension of the Vasicek and Cox-Ingersoll-Ross (CIR) models.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding payments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies.

  Data vendors provide a service for quanto swaps as well as for CMS quanto spread options in the same currency pairs. We participate in these services and receive consensus mid prices for these, together with spreads and standard deviations of the distribution of prices provided by all participants.

  The model parameters required as inputs include, for example, rate/rate (Dom-For currency) and rate/FX (Dom-FX and For-FX) correlations. These are not directly observable on the market, but can be derived from consensus prices then used to price these transactions.

  For the calculation of the correlation sensitivities, the different types of correlations (rate/rate and rate/FX) are shifted one after the other and the exotics interest rate swaps portfolio is revalued each time. The calculated price differences to the respective basis prices determine the sensitivity values for each correlation type. These calculations are done for the various currency pairs.
- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tends to be the dominant factor driving pricing of credit default swaps. Models for pricing default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows in a default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%.

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

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

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

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

€m		30.9.2014			30.9.2014	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameter	Range	
Derivatives		**3,254**	**2,102**			
Equity-related transactions	Discounted cash flow model	190	137	IRR (%)	3.0	3.2
Credit derivatives	Discounted cash flow model	2,942	1,752	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	40	90
Interest-rate-related transactions	Option pricing model	122	213	IR-FX correlation (%)	−34	71
Other transactions		–	–		–	–
Securities		**1,649**	**–**			
Interest-rate-related transactions	Price based model	1,649	–	Price (%)	7	100
of which ABS	Price based model	1,630	–	Price (%)	0	178
Equity-related transactions		–	–		–	–
Loans	Price based model	**41**	**–**	Price (%)	96	100
Total		**4,944**	**2,102**			

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

€m	2014		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**58**	**−61**	
Equity-related transactions	21	−20	IRR
Credit derivatives	31	−35	Credit spread, recovery rate
Interest-rate-related transactions	6	−6	Correlation
Other transactions	–	–	
Securities	**43**	**−25**	
Interest-rate-related transactions	43	−25	Price
of which ABS	41	−23	Discount yield, recovery rate, credit spread
Equity-related transactions	–	–	
Loans	**4**	**−4**	Price

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

Day one profit or loss

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

€m	Day one profit or loss		
	Trading assets	**Trading liabilities**	**Total**
Balance as at 1.1.2013	**–**	**2**	**2**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	1	1
Balance as at 31.12.2013	**–**	**1**	**1**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–	–
Balance as at 30.9.2014	**–**	**1**	**1**

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

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

Market prices are not available for loans as there are no organised markets 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 (Level 1). If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, the discounted cash flow model is applied to the valuation. The parameters used comprise yield curves, risk and liquidity spreads and premiums for administrative 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, subordinated liabilities and hybrid capital is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, the own credit spread and capital costs, are taken into account in determining fair value.

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

	Fair value		Carrying amount		Difference	
€bn	30.9.2014	31.12.2013[1]	30.9.2014	31.12.2013[1]	30.9.2014	31.12.2013
Assets						
Cash reserve	5.8	12.4	5.8	12.4	–	–
Claims on banks	101.6	87.5	101.6	87.5	0.0	0.0
Claims on customers	248.3	247.0	246.1	245.9	2.2	1.1
Value adjustment portfolio fair value hedges[2]	0.0	0.0	0.3	0.1	−0.3	−0.1
Positive fair values of derivative hedging instruments	4.2	3.6	4.2	3.6	–	–
Trading assets	136.6	103.6	136.6	103.6	–	–
Financial investments	84.9	78.9	88.0	82.1	−3.1	−3.2
Liabilities						
Liabilities to banks	120.5	77.7	120.5	77.7	0.0	0.0
Liabilities to customers	268.2	276.3	267.7	276.5	0.5	−0.2
Securitised liabilities	54.4	66.5	51.5	64.7	2.9	1.8
Value adjustment portfolio fair value hedges[2]	0.0	0.0	1.2	0.7	−1.2	−0.7
Negative fair values of derivative hedging instruments	8.8	7.7	8.8	7.7	–	–
Trading liabilities	93.9	71.0	93.9	71.0	–	–
Subordinated debt instruments	13.1	14.2	12.4	13.7	0.7	0.5

[1] Prior-year figures after the restatement of credit protection insurance and the tax restatements (see page 50 f.).
[2] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

(31) Treasury shares

	Number of shares in units	Accounting par value[1] in €1,000	Percentage of share capital
Balance as at 30.9.2014	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 30.9.2014	4,383,278	4,383	0.38
Shares acquired during the current financial year	–	–	
Shares disposed of during the current financial year	–	–	

[1] Accounting par value per share €1.00.

(32) Related party transactions

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

Besides the size of the stake held by the German federal government as guarantor of the Financial Market Stabilisation Authority (FMSA), which administers the Financial Market Stabilisation Fund (SoFFin), other factors (including membership of the supervisory board) which could allow a shareholder to exert a significant influence on Commerzbank Aktiengesellschaft also need to be taken into account. As a result the German federal government and entities controlled by it continue to constitute related parties as defined by IAS 24.

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

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

€m	30.9.2014	31.12.2013	Change in %
Claims on banks	48	83	−42.2
Claims on customers	1,181	1,386	−14.8
Trading assets	18	14	28.6
Financial investments	44	45	−2.2
Other assets	77	40	92.5
Total	**1,368**	**1,568**	**−12.8**
Liabilities to banks	2	4	−50.0
Liabilities to customers	821	1,227	−33.1
Securitised liabilities	–	–	.
Trading liabilities	2	–	.
Subordinated debt instruments	619	618	0.2
Other liabilities	30	24	25.0
Total	**1,474**	**1,873**	**−21.3**
Off-balance-sheet items			
Guarantees and collaterals granted	130	101	28.7
Guarantees and collaterals received	–	–	.

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

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Income			
Interest income	77	114	−32.5
Commission income	58	14	.
Gains on disposals and remeasurement	2	–	.
Others	1	–	.
Expenses			
Interest expenses	35	36	−2.8
Commission expenses	2	2	0.0
Operating expenses	52	59	−11.0
Write-downs/impairments	11	14	−21.4
Others	6	–	.

[1] Prior-year figures restated.

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

€m	30.9.2014	31.12.2013	Change in %
Cash reserve	194	3,430	−94.3
Claims on banks	143	262	−45.4
Claims on customers	1,438	2,040	−29.5
Trading assets	2,135	1,957	9.1
Financial investments	3,807	2,299	65.6
Total	**7,717**	**9,988**	**−22.7**
Liabilities to banks	12,424	12,301	1.0
Liabilities to customers	114	1,367	−91.7
Trading liabilities	2,993	401	.
Total	**15,531**	**14,069**	**10.4**
Off-balance-sheet items			
Guarantees and collaterals granted	226	221	2.3
Guarantees and collaterals received	–	–	.

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

€m	1.1.–30.9.2014	1.1.–30.9.2013[1]	Change in %
Income			
Interest income	209	372	−43.8
Commission income	2	4	−50.0
Gains on disposals and remeasurement	2	–	.
Expenses			
Interest expenses	139	258	−46.1
Net loan loss provisions	12	–	.
Commission expenses	–	–	.
Operating expenses	–	–	.
Write-downs/impairments	–	2	−100.0

[1] Prior-year figures restated.

(33) Information on netting of financial instruments

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

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

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

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

Assets | €m	30.9.2014		31.12.2013	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	82,752	174,457	74,566	169,935
Book values not eligible for netting	4,033	7,357	5,664	5,417
a) Gross amount of financial instruments I & II	78,719	167,100	68,902	164,518
b) Amount netted in the balance sheet for financial instruments I	22,819	87,882	18,884	100,476
c) Net amount of financial instruments I & II = a) – b)	55,900	79,218	50,018	64,042
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[1]	10,346	60,410	6,756	48,440
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b)[2]				
Non-cash collaterals[3]	30,058	1,682	30,963	928
Cash collaterals	25	9,564	123	7,731
e) Net amount of financial instruments I & II = c) – d)	**15,471**	**7,562**	**12,176**	**6,943**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	15,391	49	11,598	207
g) Net amount of financial instruments I & II = e) – f)	**80**	**7,513**	**578**	**6,736**

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

Liabilities | €m	30.9.2014		31.12.2013	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	84,646	179,769	72,950	172,340
Book values not eligible for netting	2,033	5,869	2,058	3,690
a) Gross amount of financial instruments I & II	82,613	173,900	70,892	168,650
b) Amount netted in the balance sheet for financial instruments I	22,819	90,193	18,884	101,567
c) Net amount of financial instruments I & II = a) – b)	59,794	83,707	52,008	67,083
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[1]	8,696	60,410	6,756	48,440
Fair value of financial collateral relating to financial instruments I & II not already accounted for in b)[2]				
Non-cash collaterals[3]	38,373	1,652	26,115	621
Cash collaterals	3	18,297	21	15,389
e) Net amount of financial instruments I & II = c) – d)	**12,722**	**3,348**	**19,116**	**2,633**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	12,500	49	19,050	207
g) Net amount of financial instruments I & II = e) – f)	**222**	**3,299**	**66**	**2,426**

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

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

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Gunnar de Buhr[1]

Stefan Burghardt[1]

Karl-Heinz Flöther

Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel
(until 8.5.2014)

Dr. Markus Kerber

Alexandra Krieger[1]

Oliver Leiberich[1]

Dr. Stefan Lippe
(since 8.5.2014)

Beate Mensch[1]

Dr. Roger Müller

Dr. Helmut Perlet

Barbara Priester[1]

Mark Roach[1]

Petra Schadeberg-Herrmann

Margit Schoffer[1]

Nicholas Teller
(since 8.5.2014)

Dr. Gertrude Tumpel-Gugerell

Solms U. Wittig
(until 8.5.2014)

Dr. Walter Seipp
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Blessing
Chairman

Frank Annuscheit

Markus Beumer

Stephan Engels

Michael Reuther

Dr. Stefan Schmittmann

Martin Zielke

Frankfurt am Main, 3 November 2014
The Board of Managing Directors

Martin Blessing

Frank Annuscheit

Markus Beumer

Stephan Engels

Michael Reuther

Stefan Schmittmann

Martin Zielke

Review report

**To COMMERZBANK Aktiengesellschaft,
Frankfurt am Main**

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 September 2014 which are part of the quarterly financial report pursuant to § (Article) 37 x para. 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Frankfurt am Main, 4 November 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Significant subsidiaries and associates

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

Abroad
Commerzbank (Eurasija) SAO, Moscow
Commerzbank International S.A., Luxembourg
Commerzbank Zrt., Budapest
Commerz Markets LLC, New York
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg, Luxembourg
mBank S.A., Warsaw

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

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

Cover
Angelique Wagner
Customer Advisor, Berlin

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2015 Financial calendar	
12 February 2015	Annual Results Press Conference
End-March 2015	Annual Report 2014
30 April 2015	Annual General Meeting
7 May 2015	Interim Report as at 31 March 2015
3 August 2015	Interim Report as at 30 June 2015
2 November 2015	Interim Report as at 30 September 2015

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