COMMERZBANK
The bank at your side

Interim Report as at 30 September 2016

Key figures

Income statement	1.1.–30.9.2016	1.1.–30.9.2015[1]
Operating profit (€m)	1,062	1,558
Operating profit per share (€)	0.85	1.30
Pre-tax profit or loss (€m)	338	1,464
Consolidated profit or loss[2] (€m)	96	891
Earnings per share (€)	0.08	0.75
Operating return on equity[3,4] (%)	6.1	9.5
Cost/income ratio in operating business (%)	76.1	71.6
Return on equity of consolidated profit or loss[2,3,4] (%)	0.6	5.4

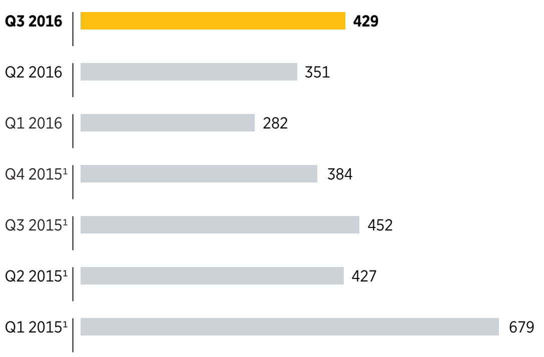
Balance sheet	30.9.2016	31.12.2015
Total assets (€bn)	513.4	532.7
Risk-weighted assets (€bn)	195.4	198.2
Equity as shown in balance sheet (€bn)	29.4	30.3
Total capital as shown in balance sheet (€bn)	40.8	42.1

Capital ratios	30.9.2016	31.12.2015
Tier 1 capital ratio (%)	13.6	13.8
Common Equity Tier 1 ratio[5] (%)	13.6	13.8
Common Equity Tier 1 ratio[5] (fully phased-in; %)	11.8	12.0
Total capital ratio (%)	16.6	16.5

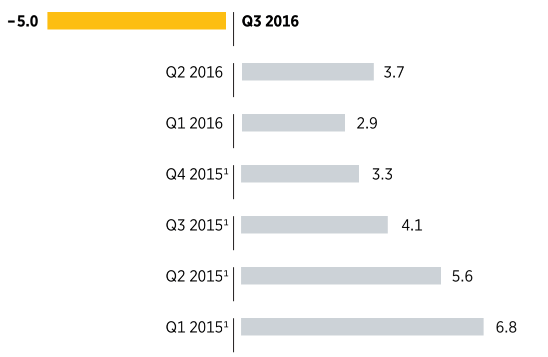
Staff	30.9.2016	30.9.2015
Germany	37,919	39,041
Abroad	12,404	12,581
Total	50,323	51,622

Long/short-term rating	30.9.2016	30.9.2015
Moody's Investors Service, New York	Baa1/P-1	Baa1/P-2
Standard & Poor's, New York	BBB+/A-2	BBB+/A-2
Fitch Ratings, New York/London	BBB+/F2	BBB/F2

Operating profit (€m)



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



[1] Prior-year figures restated due to the launch of a new IT system plus other restatements.
[2] Insofar as attributable to Commerzbank shareholders.
[3] Annualised.
[4] The equity base is the average Common Equity Tier 1 (CET1) capital with full application of Basel 3.
[5] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 (CET1) capital (mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully phased-in basis anticipates full application of the new regulations.

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Performance highlights 1 January to 30 September 2016

Key statements

- In a persistently tough market environment, Commerzbank maintained its strong market position in corporate client business and in private customer business, while achieving further growth at mBank.
- In the first nine months of 2016, Commerzbank posted an operating profit of €1,062m and a net profit attributable to Commerzbank shareholders of €96m, compared with €1,558m and €891m in the prior-year period.
- Income before loan loss provisions was €7,000m (prior-year period: €7,555m). In particular, the negative interest rate environment and customer caution as a result of the difficult macro-economic and geopolitical trend led to an in income decline of around 7%.
- Loan loss provisions at Group level remain low at €–610m; the NPL ratio is still on a low level at 1.7%. Operating expenses are down slightly to €5,328m.
- The Common Equity Tier 1 ratio (based on fully implemented Basel III regulations according to our interpretation) amounts to 11.8%; the leverage ratio is 4.5%.
- The operating return on equity was 6.1%, compared with 9.5% in the prior-year period. The return on equity based on consolidated profit was 0.6%, compared with 5.4% in the previous year. The operating return on tangible equity fell to 5.3%, compared with 8.1% in the prior-year period. As a result of the fall in operating income, the cost/income ratio climbed to 76.1%, compared with 71.6% in the prior-year period.

Development of Commerzbank shares

In the first nine months of 2016, geopolitical events including the UK's decision to leave the European Union and concerns regarding overall economic performance continued to dominate international stock market trading. Shares in the banking sector were also hurt by the expected negative impact on income from persistently low interest rates and uncertainties regarding the Italian banking system. Consequently, earning forecasts for the European banks were for the most part significantly reduced, and the EURO-STOXX Banks Index lost 24% in the first nine months of 2016. The Commerzbank share price fell 39%. Given the relatively large volume of deposits and the current structural framework conditions, capital markets expected an above-average negative impact on earnings for Commerzbank. The new strategic programme, Commerzbank 4.0, entails restructuring costs of around €1.1bn. In order to cover these costs, dividend payments will cease for the time being. As expected, the announcement that dividends have been suspended contributed to a relatively weaker share price performance.

Highlights of the Commerzbank share	1.1.–30.9.2016	1.1.–30.9.2015
Shares issued in million units (30.9.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	6.70	13.39
Low	5.16	9.05
Closing price (30.9.)	5.74	9.42
Daily trading volume[1] in million units		
High	39.0	40.9
Low	4.8	4.0
Average	12.9	9.9
Index weighting in % (30.9.)		
DAX	0.7	1.3
EURO STOXX Banks	1.7	2.0
Earnings per share in €	0.08	0.75
Book value per share[2] in € (30.9.)	22.64	23.23
Net asset value per share[3] in € (30.9.)	21.55	21.72
Market value/Net asset value (30.9.)	0.27	0.43

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

Important business policy and staffing events in the third quarter of 2016

Commerzbank to increase profitability through focus and digitalisation

At the end of September, Commerzbank presented its new strategic programme, “Commerzbank 4.0”. As part of this strategy, it will concentrate on its core businesses and digitalise 80% of relevant processes, thereby achieving significant efficiency gains and increasing its profitability on a sustainable basis by the end of 2020.

Its business will be focused on two customer segments, “Private and Small Business Customers” and “Corporate Clients”. The Mittelstandsbank and Corporates & Markets segments will be consolidated into a single unit, and trading activities in investment banking scaled back. The downsizing of the trading activities will reduce earnings volatility and regulatory risk, and will free up capital to be invested in the core client business.

Commerzbank is aiming for a net return on tangible equity (RoTE) of more than 6% by the end of 2020. This target is based on the expectation that the interest rate environment will remain challenging. Should interest rates normalise, a net return on tangible equity of more than 8% will be achievable. Commerzbank is expecting revenues for 2020 to total between €9.8bn and €10.3bn. The cost base is to be reduced to €6.5bn, taking the cost/income ratio to below 66%. In a normalised interest rate environment, revenues could rise to over €11bn, and the cost/income ratio could fall to around 60%. The Common Equity Tier 1 (CET 1) ratio, after full application of Basel 3, is expected to stay at around 12% taking into account currently foreseeable regulatory developments and will be above 12% in 2018. For 2020 the Bank is expecting a ratio of above 13%.

To cover its restructuring costs of around €1.1bn, Commerzbank will cease dividend payments for the time being and will fully retain its earnings.

The focus on the core business, with some business activities being discontinued, and the digitalisation and automation of workflows will lead to staff reductions amounting to around 9,600 full-time positions. The Bank will shortly begin preparatory discussions with the relevant employee representative committees. At the same time, around 2,300 new jobs will be created in areas of business growth. Hence the net number of jobs shed will amount to around 7,300 full-time positions.

Concentrating on strengths With its two segments, “Private and Small Business Customers” and “Corporate Clients”, Commerzbank will in future be even more focused on its core businesses. The Bank is focusing on areas where it delivers particular added-value to its customers, thereby setting itself apart from the competition. In addition, it is systematically giving up businesses in which it does not see any future. This relates in particular to the investment bank, where trading activities will be simplified and aligned with the needs of the Bank's core customers. The existing Corporates & Markets segment will be integrated into the Corporate Clients segment. Services that are important to corporate clients, such as capital market financing on the equity and debt side and risk management products, will remain key to Commerzbank’s offering. Commerzbank will first place the business with investment and financial products and the associated market-making from the Equity Markets & Commodities area into a subsidiary. The details depend on the outcome of negotiations with representative bodies. The new subsidiary will concentrate fully on its core business as one of the leading European and Asian providers and market-makers for financial products and continue to offer attractive products and services and associated technologies. In the medium term, the new subsidiary is then intended to be floated on the stock market. The exotic interest rates derivatives business will cease, while bond trading in Fixed Income & Currencies will be scaled back. The capital freed up by this withdrawal will be reinvested in the “Private and Small Business Customers” segment. By 2020 the Bank wants to achieve cost savings of €1.1bn by focusing, eliminating redundancies, simplifying the infrastructure and by digitalisation.

Private and Small Business Customers: building on our strong position The new Private and Small Business Customers segment encompasses Commerzbank's private and small-business customers as well as the subsidiaries comdirect, Commerz Real and mBank. The customer group “Small Business Customers” comprises commercial clients and smaller SMEs. The Bank wants to gain a net two million new customers in Private and Small Business Customers in the German market by 2020. Growth will be driven, in particular, by the expansion of digital multichannel banking and innovative products, such as a new digital instalment loan platform and digital asset management including robo-advice. Commerzbank will also maintain a dense branch network. Besides the large flagship branches in the main population centres, Commerzbank will introduce a new type of small, modern branch: the “city branch”. The Bank is planning to substantially increase its market share among small business customers to 8% over the next four years, thanks to good regional accessibility, tailored product portfolios, digital solutions and its ability to offer private and business services in one place. The aim is for these measures to generate revenue growth of at least €1.1bn in the new Private and Small Business Customers segment by the end of 2020.

Corporate Clients: national and international growth from a leading position In corporate banking, the Bank wants to further extend its leading position in trade financing. To achieve this it is looking for focused growth in the most important trade corridors for German and European corporate clients. With its deep penetration of key German industries – automotive and transport, chemicals and pharmaceuticals, engineering, energy and infrastructure, consumer goods and retail – Commerzbank possesses comprehensive sector expertise which sets it apart from the competition. In future it will increasingly offer this expertise to its international clients in Europe as well. Among Mittelstand clients with turnover of between €15m and €50m as well, Commerzbank plans to further expand its market position with the aid of its international expertise and digitalisation. To achieve this it will further develop its offering and introduce new digital products and services. Collaboration between client relationship managers and product experts will be further strengthened by bringing together Mittelstandsbank and Corporates & Markets. The aim is for these measures to generate revenue growth of over €300m in the new segment by the end of 2020.

Evolution into a digital enterprise Commerzbank wants to evolve into a digital enterprise over the next four years. The Bank will invest approximately €700m per year in digitalisation and IT by reallocating existing funds, without increasing its overall investment expenditure. In future, agile project teams working on a “Digital Campus” will drive forward digitalisation projects and automate and optimise processes. By 2020, 80% of relevant business processes will be digitalised. The Bank expects significant cost reductions and efficiency gains as a result.

Change in the Board of Managing Directors of Commerzbank

It was with regret that, at its meeting at the end of September 2016, Commerzbank's Supervisory Board agreed to Markus Beumer's request to release him from his contract, which runs to 31 December 2020, as the member of the Board of Managing Directors of Commerzbank responsible for the Mittelstandsbank segment, with effect from 31 October 2016. Over the last nine years, as a board member, Markus Beumer has played an instrumental role in helping to further enhance Commerzbank's profile as a leading corporate bank in Germany and Europe. Michael Reuther will take on the management of the Corporate Clients segment.

Commerzbank Supervisory Board: Dr. Stefan Schmittmann to be proposed to the 2018 AGM as the successor to Supervisory Board Chairman Klaus-Peter Müller

The Supervisory Board intends to propose to the Annual General Meeting (AGM) in May 2018 that Dr. Stefan Schmittmann be elected to the Supervisory Board as a shareholder representative. The AGM is also to be notified that Dr. Stefan Schmittmann will be put forward as candidate for the position of Chairman of the Supervisory Board. Dr. Schmittmann stepped down from the Bank's Board of Managing Directors at the end of 2015, and would therefore observe the statutory cooling-off period of two years before joining the Supervisory Board.

Commerzbank's Supervisory Board furthermore intends to propose to the AGM in May 2017 that Dr. Tobias Guldimann be elected to the Supervisory Board as a shareholder representative. Dr. Roger Müller would step down from the Bank's Supervisory Board at the end of the 2017 AGM. Should Dr. Tobias Guldimann be elected to the Supervisory Board, the Supervisory Board plans to appoint him as a member of the Audit Committee for the duration of his term as a Supervisory Board member.

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Economic conditions

Overall economic situation

Overall economic performance in the reporting period did not differ significantly from the assessment given in the 2016 half-year report.

Earnings performance, assets and financial position

Income statement of the Commerzbank Group

In the fourth quarter of 2015, Commerzbank Aktiengesellschaft successfully rolled out the Group Finance Architecture (GFA) programme to restructure the process and system architecture of the finance function. This led to retroactive adjustments to earnings. Details of these and other changes can be found in the interim financial statements on page 48 ff.

The individual items in the income statement performed as follows in the first nine months of the current year:

Net interest and trading income fell by a total of 16.7% year-on-year to €4,126m. Net interest income for the reporting period declined by €363m year-on-year to €3,821m, while net trading income and net income from hedge accounting was down €462m to €305m. The volume of lending rose in the Private Customers segment, particularly in new residential mortgage lending business. In the Mittelstandsbank segment, the volume of lending remained stable in the Mittelstand Germany division and continued its positive growth trend in the Large Corporates & International division. However, net interest income from deposit business in both segments continued to be hit by the low level of market interest rates. In the Central & Eastern Europe segment, net interest income was up year-on-year, with the growth in business volume having a positive impact on income performance.

Corporates & Markets posted a significant fall in net interest and trading income year-on-year. This was due in particular to caution on the part of clients in the light of market conditions and the resulting marked reduction in income from equity business. The decline in net interest income in the ACR segment was mainly attributable to the non-recurrence of a positive one-off effect in the prior year relating to measures to restructure funding. Net trading income for the period includes positive measurement effects from both counterparty risks and the measurement of own liabilities of €488m, compared with €116m in the equivalent period last year. Further information on the composition of net interest and net trading income is given in the notes to the interim financial statements on pages 53 and 54.

Net commission income fell by 8.3% year-on-year in the first nine months of 2016 to €2,379m. The highly volatile equity markets in the reporting period created continuing uncertainty among market participants and corresponding caution on the part of clients in the Private Customers segment. By contrast, persistently strong customer demand for instalment loans and the adjustment in pricing policy had a positive impact. In Mittelstandsbank, there was a significant year-on-year fall in net commission income. This was due in particular to a decrease in documentary business against the backdrop of the strategic focusing in the Financial Institutions division and the generally weak global economy with its effect on foreign trade. Income from interest rate and currency hedging transactions also fell.

Net investment income in the first nine months of 2016 was €257m, compared with €–106m in the prior-year period. The figure for the current year includes a one-off effect of €123m from the sale of the stake in Visa Europe Limited. The negative result in the previous year stemmed chiefly from write-downs on HETA Asset Resolution AG. Other net income was €96m for the reporting period, compared with €69m a year earlier.

The net allocation to loan loss provisions was €–610m, €–26m higher than in the corresponding prior-year period. While Mittelstandsbank in particular recorded an increase in provisioning requirements, mainly in connection with individual exposures, there was a reduction in loan loss provisions in Asset & Capital Recovery.

Operating expenses in the reporting period were €5,328m, down 1.6% year-on-year. Personnel expenses were €2,761m, representing a year-on-year fall of 5.8% due in particular to lower variable remuneration components. Other operating expenses including depreciation on fixed assets and amortisation of other intangible assets came to €2,567m and were thus slightly above the level of the first nine months of 2015.

In connection with the downsizing of trading activities as part of the strategic realignment, goodwill and other intangible assets of around €627m were written off in the third quarter of 2016. Restructuring expenses of €97m impacted on profit in the period under review. These relate mainly to the bundling of product and market expertise in London and New York and the optimisation of internal processes.

As a result of the developments described above, the Commerzbank Group posted earnings before taxes of €338m in the first nine months of the current year, compared with €1,464m in the same period last year.

Tax expense for the reporting period was €161m, compared with €489m in the prior-year period. Consolidated profit after tax was €177m, compared with €975m in the prior-year period. Net of non-controlling interests, a consolidated profit of €96m was attributable to Commerzbank shareholders for the period.

Operating profit per share came to €0.85, and earnings per share to €0.08. The comparable figures in the prior-year period were €1.30 and €0.75 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2016 were €513.4bn, 3.6% below the figure for year-end 2015.

The cash reserve decreased by €2.4bn to €26.1bn, owing in particular to a fall in treasury bills and notes. Claims on banks were €69.0bn, down 3.9% on the year-end 2015 level: while the volume of claims due on demand rose, there was a decrease in claims with a maturity of up to one year.

Claims on customers were €221.3bn, €2.5bn higher than the level at the end of 2015. This growth in volume was principally the result of a rise in claims on customers with a maturity of up to one year.

Total lending to customers and banks was €229.2bn as at the reporting date, in line with the level as at end-2015. While loans to banks fell by €3.0bn to €19.6bn, customer lending business was €209.6bn, slightly above at the year-end 2015 level. Trading assets at the reporting date were €104.5bn, a fall of 8.9% compared with the end-2015 level. Holdings of equities, other equity-related securities and investment fund units fell by €4.1bn given the difficult market environment for equity products and the resulting caution among customers, while positive fair values of financial derivatives fell by €4.9bn compared with year-end 2015. Financial investments decreased compared with year-end 2015, down 7.8% to €75.5bn. The fall was due to a decline in bonds, notes and other interest-rate-related securities.

On the liabilities side, liabilities to banks stood at €78.2bn, €5.0bn below the end-2015 level. While repos and cash collateral rose by €3.1bn, sight deposits fell by €2.4bn in connection with the active reduction of deposits, and liabilities to central banks decreased by €3.4bn. Liabilities to customers fell by 2.8% to €250.5bn compared with year-end 2015. This was due to lower volumes of time and sight deposits, partly compensated by a rise in repos and cash collateral. Securitised liabilities were €0.7bn higher compared with year-end 2015 at €41.3bn. While bonds and notes issued fell slightly by €0.6bn to €35.1bn – owing in particular to a lower volume of public-sector Pfandbriefe – money market instruments issued rose by €1.2bn to €6.2bn. Liabilities from trading activities decreased in volume by €5.4bn overall to €81.0bn. This was mainly due to the decline in currency-related derivatives transactions and in short sales of bonds and equities, partly offset by a rise in other derivatives transactions.

Equity

The equity capital (before non-controlling interests) reported in the balance sheet as at 30 September 2016 was €28.4bn, €3.1% below the figure for year-end 2015. The slight decrease was due to lower retained earnings, which were down €0.6bn to €11.0bn.

As at the reporting date, the revaluation reserve stood at €–802bn. This was an increase of €–205bn compared with year-end 2015, attributable in particular to higher risk premiums on Italian government bonds. Together with the negative cash flow hedge reserves and the currency translation reserves, this amounted to a deduction of €–1.1bn from equity compared with €–0.8bn at year-end 2015.

Risk-weighted assets were €195.4bn as at 30 September 2016, slightly below the year-end 2015 level. The decline was mainly due to the focusing of the business going forward and was also driven by capital relief effects from changes in currencies and from securitisations. These effects were partly offset by rises in risk-weighted assets in the areas of market risk and operational risk. Regulatory Tier 1 capital fell by around €0.8bn to €26.5bn compared with year-end 2015, chiefly as a result of the next stage in the Basel 3 phase-in. The corresponding Tier 1 ratio fell to 13.6%. Common Equity Tier 1 capital was €26.5bn. Under Basel 3 phase-in rules, this is identical to Tier 1 capital. The total capital ratio was 16.6% on the reporting date.

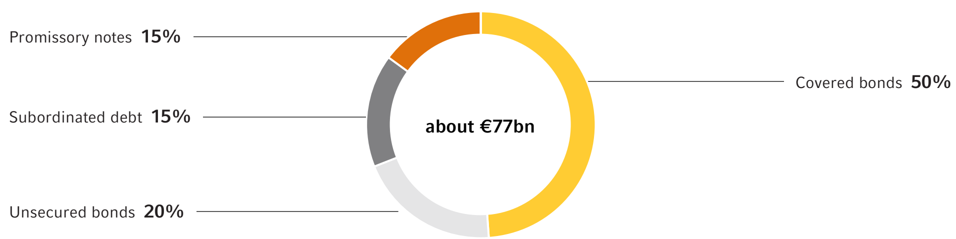
The Common Equity Tier 1 ratio (on a fully phased-in basis, i.e. on the basis of the regulations to be implemented in 2019, according to our interpretation) was 11.8% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date (delegated act), which compares Tier 1 capital with leverage exposure, was 5.2% (phase-in) and 4.5% (fully phased-in).

The Bank complies with all regulatory requirements.

Funding and liquidity

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

Capital market funding structure[1]
As at 30 September 2016



[1] Based on reported figures.

The Commerzbank Group raised a total of €6.7bn in long-term funding on the capital market in the first nine months of 2016. Total funding of €3.9bn was raised at attractive spreads in the third quarter, taking advantage of the good capital market environment during that period.

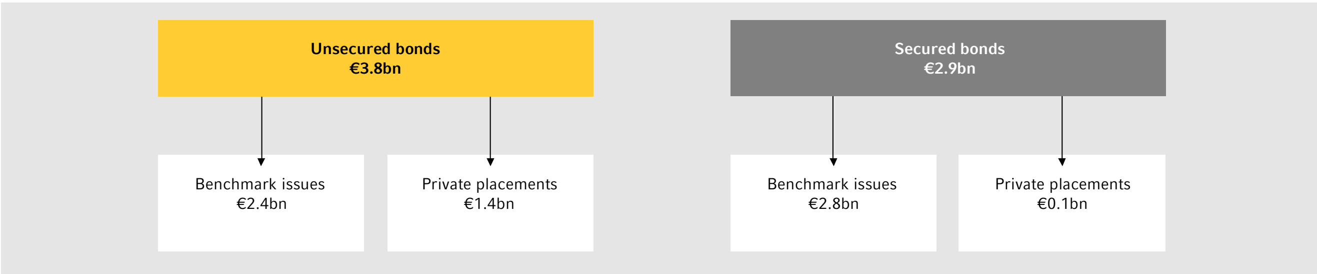
An unsecured benchmark subordinated bond with a volume of €1bn was issued in the first quarter. The issue has a term of ten years.

In September, a seven-year senior unsecured benchmark bond was also issued. In addition, €1.4bn was taken out in private placements, including a USD400m subordinated bond with a 12-year term. The Polish subsidiary mBank also issued a senior unsecured bond with a benchmark volume of €500m and a term of four years in September.

In the collateralised area, around €2.9bn was raised. In June, a €500m mortgage Pfandbrief with a term of ten years was issued. This was topped up by a further €500m in the third quarter. It was followed by an eight-year mortgage Pfandbrief with a volume of €1bn and a mortgage Pfandbrief with a volume of €750m and a term of just over ten years. The Pfandbriefe were placed mainly in Germany, although foreign investors are also showing very strong interest in mortgage Pfandbriefe. In addition, the Polish mortgage banking subsidiary mBank issued private placements with a volume of €0.1bn.

The average term of all issues was around nine years.

Group capital market funding in the first nine months of 2016
Volume €6.7bn



Based on its internal liquidity model, which uses conservative assumptions, at the end of the quarter the Bank had available excess liquidity of €78.8bn in the maturity band for up to one day. Of this, €22.8bn is held in a separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. The Bank also holds €8.3bn in its intraday liquidity reserve portfolio.

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 1.57, again significantly higher than the minimum regulatory requirement of 1.00. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

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Segment performance

The commentary on the segments' results for the first nine months of 2016 is still based on the former segment structure described on pages 198 ff. of the Annual Report 2015.

As part of the new strategy communicated at the end of September, Commerzbank concentrates its customer activities within two sales segments: "Private and Small Business Customers" and "Corporate Clients". A commentary on the segments' results under the new structure will be given for the first time in the 2016 full-year report. On page 61 in the interim financial statements we include as supplementary information a table with the results for the first nine months of 2016 based on the new segment structure. As the table shows, the operating result for the first nine months of 2016 in the Private and Small Business Customers segment was €845m, while the operating return on equity was 26.8% and the cost/income ratio was 74.0%. In Corporate Clients, the operating result was €923m, the operating return on equity 10.6% and the cost/income ratio 66.0%. Further information on the new strategic alignment and on segment reporting in general can be found on page 5 f. in the "Performance highlights" section and on page 57 ff. in the interim financial statements.

Explanations regarding restatements of prior-year figures can be found on page 48 ff. in the interim financial statements.

Private Customers

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %/%-points
Income before loan loss provisions	2,823	2,870	– 1.6
Loan loss provisions	– 11	– 51	– 78.4
Operating expenses	2,232	2,264	– 1.4
Operating profit/loss	**580**	**555**	**4.5**
Average capital employed	2,390	2,984	– 19.9
Operating return on equity (%)	32.4	24.8	7.6
Cost/income ratio in operating business (%)	79.1	78.9	0.2

[1] Figures restated due to the launch of a new IT system plus other restatements and change in the structure (see interim financial statements, page 48 ff.).

The Private Customers segment posted a solid operating result for the first nine months of 2016, with the growth trend of the first two quarters remaining intact in the third quarter. The growth in the volume of lending was particularly pleasing, with an 8% increase compared with the first nine months of the previous year. By contrast, the interest rate environment continued to weigh on the segment's earnings.

In the period under review, income before loan loss provisions came to €2,823m, in line with the corresponding prior-year figure. Net interest income fell significantly in the first nine months, down by almost 9% to €1,338m. New residential mortgage lending business experienced very strong year-on-year growth of 16% in the third quarter alone, but this compensated only partly for the fall in income from deposits. Net commission income fell by €85m to €1,268m year-on-year. Securities business increased slightly in the third quarter, but not enough to make up for the subdued start to the year in the stock markets. By contrast, persistently strong customer demand for instalment loans, which were up 37% compared with the first nine months of 2015, had a positive impact, as did the adjustment in pricing policy. Net investment income includes a one-off effect of €25m from the sale of Commerzbank International S.A. Luxembourg as well as a one-off effect of €58m from the sale of the stake in Visa Europe Limited. In addition, net income from companies accounted for using the equity method included a positive effect from the remeasurement of the assets of Commerz Real, reflecting the very good situation in the market for commercial real estate.

Loan loss provisions in the private customer business were €–11m, down €40m on the prior-year period. Operating expenses were down €32m to €2,232m. This was the result of strict cost management on personnel expenses and other operating expenses. Both this year's and the previous year's figures include expenses of €16m for the European bank levy.

Overall, the Private Customers segment posted pre-tax profit of €580m in the first nine months of 2016, which represents an increase of 4.5% on the same period of the previous year.

Mittelstandsbank

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %/%-points
Income before loan loss provisions	2,091	2,215	–5.6
Loan loss provisions	–213	–110	93.6
Operating expenses	1,238	1,195	3.6
Operating profit/loss	**640**	**910**	**–29.7**
Average capital employed	7,971	8,376	–4.8
Operating return on equity (%)	10.7	14.5	–3.8
Cost/income ratio in operating business (%)	59.2	54.0	5.2

[1] Figures restated due to the launch of a new IT system plus other restatements and change in the structure (see interim financial statements, page 48 ff.).

Against the backdrop of persistently difficult market conditions and an increasingly tough competitive environment, the Mittelstandsbank segment posted an operating profit of €640m in the first nine months of 2016. The year-on-year fall was primarily the result of negative market interest rates, effects from the strategic focusing in the Financial Institutions division, the rise in operating expenses due to increased regulatory requirements and higher loan loss provisions.

In the period under review, income before loan loss provisions fell 5.6% year-on-year to €2,091m. Net interest income was €1,343m, 5.4% below the level of the first nine months of 2015. While lending volumes in Mittelstand Germany were largely stable with margins rising slightly, Large Corporates & International posted continued growth in lending. The contribution to net interest income from lending in Financial Institutions declined as a result of the lower margin. The ongoing reduction of the portfolio transferred from the ACR segment led as expected to a fall in net interest income from lending. Margins on deposits remain under pressure as a consequence of the negative interest rate environment.

Net commission income fell significantly, down 11.3% year-on-year to €727m. This was mainly due to a decrease in documentary business against the backdrop of the strategic focusing in the Financial Institutions division and the generally weak global economy with its effect on foreign trade. Income from interest rate and currency hedging transactions also fell. Net trading income was down year-on-year at €3m compared with €49m in the prior-year period. This was due to the fall in positive measurement effects from counterparty risks in derivatives business with our clients. The significant improvement in net investment income was attributable to a write-down on a shareholding in the prior-year period.

Loan loss provisions for the first nine months of 2016 were €–213m, within our expectations on a significantly higher level than in the same period the previous year. The provisioning requirement was mainly in respect of additions to loan loss provisions for individual exposures.

Operating expenses were €1,238m, up €43m on the prior-year figure. The 3.6% rise was mainly due to increased compliance expenses, higher IT costs and larger allocations to the European bank levy.

Overall, the Mittelstandsbank segment posted a pre-tax result of €640m in the first nine months of 2016, which represents a decrease of 29.7% on the same period of the previous year.

Central & Eastern Europe

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %/%-points
Income before loan loss provisions	720	687	4.8
Loan loss provisions	–74	–75	–1.3
Operating expenses	403	358	12.6
Operating profit/loss	**243**	**254**	**–4.3**
Average capital employed	1,664	1,691	–1.6
Operating return on equity (%)	19.5	20.0	–0.5
Cost/income ratio in operating business (%)	56.0	52.1	3.9

[1] Figures restated due to the launch of a new IT system plus other restatements and change in the structure (see interim financial statements, page 48 ff.).

The Central & Eastern Europe segment, which is represented by mBank, achieved an income before loan loss provisions of €720m in the reporting period, up €33m year-on-year. The depreciation of the zloty against the euro is negatively affecting mBank's contribution to earnings in 2016 compared with the previous year.

The result for the first nine months of 2016 included a positive one-off effect of €65m from the sale of the stake in Visa Europe Limited, while the result for the same period in the previous year included a one-off effect of €46m from the sale of the insurance business to the AXA group. Adjusted for these effects and for currency translation effects, income in the first nine months of 2016 was up by around €45m compared with the same period the previous year. The currency-adjusted increase compared with the prior-year period was mainly due to the 15.5% rise in net interest income. Against the backdrop of the Polish National Bank's persistently low reference interest rate, growth in the volume of business had a positive effect on income. mBank also further increased its interest margin despite the latest interest rate cut by the National Bank of Poland in March 2015, thanks in part to growth in sales of higher-margin products. Net commission income fell by €7m year-on-year to €152m, notably as a result of currency translation effects. Credit-related fees and commission income from insurance business improved, while income from securities business fell as a result of a deterioration in market conditions in Poland. mBank continued to record strong customer growth in the third quarter of 2016, and by the end of the first nine months of 2016 the number of customers had risen to 5.3 million. This represents growth of around 388,000 customers year-on-year.

Loan loss provisions were in the first nine months of 2016 at €–74m, in line with the corresponding prior-year figure.

Operating expenses rose €45m to €403m in the first nine months of 2016. This increase was driven by the charge of €54m resulting from the new Polish banking tax introduced in February 2016. Adjusted for currency translation effects, operating expenses rose by €63m.

Overall, the Central & Eastern Europe segment posted pre-tax profit of €243m in the first nine months of 2016, which represents a fall of €11m on the same period of the previous year.

Corporates & Markets

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %/%-points
Income before loan loss provisions	1,368	1,647	–16.9
Loan loss provisions	–22	25	.
Operating expenses	1,041	1,129	–7.8
Operating profit/loss	**305**	**543**	**–43.8**
Average capital employed	3,778	4,167	–9.3
Operating return on equity (%)	10.8	17.4	–6.6
Cost/income ratio in operating business (%)	76.1	68.5	7.6

[1] Figures restated due to the launch of a new IT system plus other restatements and change in the structure (see interim financial statements, page 48 ff.).

The first nine months of 2016 were characterised by a very challenging capital market environment. Global uncertainties regarding overall economic performance, along with a series of geopolitical events, dominated international stock market activity and in particular the performance of the European banking sector. Among the principal factors were the UK's decision to leave the European Union and continuing fears over the stability of the Italian banking sector. The heightened volatility and uncertainty increasingly resulted in caution on the part of customers, which was reflected in the Corporates & Markets segment's operating result.

In Advisory & Primary Markets, primary bond and syndicated loans businesses made an important contribution to earnings, while lower interest rates led to a decline in income from deposits and thus affected the commercial banking business. In Equity Markets & Commodities, high equity market volatility led to a downturn in customer activity and weaker trading volumes, which a year earlier had been bolstered by a very supportive equity market. The high volatility in the global capital markets had a particularly adverse impact on structured products business for institutional clients. The decision to restructure the securities lending and collateral management business to reflect the changed market conditions led to the lower contribution to earnings compared with the previous year.

In Fixed Income & Currencies, there was demand in particular for interest rate hedging in the wake of geopolitical decisions, while credit trading saw comparatively subdued demand. The income performance in Credit Portfolio Management remained stable, after write-ups and the positive effects of restructuring had created a high comparison basis the previous year.

Income before loan loss provisions was €1,368m in the first nine months of 2016, €279m below the previous year's figure. Net interest and trading income decreased by €316m to €1,042m, while net commission income fell by €18m to €252m. The decline in income was attributable in particular to a considerably lower contribution from structured investment products business and the restructuring of the securities lending and collateral management business.

Loan loss provisions for the first nine months of 2016 were €–22m, compared with a net release of €25m the previous year.

Operating expenses fell €88m year-on-year to €1,041m, owing in part to lower expenses for the European bank levy and to reduced staff costs.

Goodwill of €138m was written off in the third quarter of the current year in connection with the new strategic focus.

Restructuring expenses of €22m were recognised in the first nine months of 2016 and mainly related to the bundling of product and market expertise at the London and New York locations.

Overall, the Corporates & Markets segment posted a pre-tax profit of €145m in the first nine months of 2016, representing a year-on-year fall of 70.2%.

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Asset & Capital Recovery

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %/%-points
Income before loan loss provisions	30	62	–51.6
Loan loss provisions	–292	–311	–6.1
Operating expenses	97	150	–35.3
Operating profit/loss	**–359**	**–399**	**–10.0**
Average capital employed	3,346	4,359	–23.2
Operating return on equity (%)	–14.3	–12.2	–2.1
Cost/income ratio in operating business (%)	323.3	241.9	81.4

[1] Figures restated due to the launch of a new IT system plus other restatements and change in the structure (see interim financial statements, page 48 ff.).

Since the transfer of assets with good credit quality and low earnings volatility from the former Non-Core Assets (NCA) segment to various bank segments with effect from 1 January 2016, the assets remaining in Asset & Capital Recovery (ACR) – chiefly comprising more complex sub-portfolios with long maturities – have been further run down. EaD (including Non performing loans) was reduced by about €1bn to €17.2bn in the first three quarters of 2016.

A significant part of the ACR portfolio, particularly in the Public Finance area, is subject to market volatility. Consequently, measurement effects contributed substantially to the income before loan loss provisions of €30m.

The loan loss provisions of €–292m, after €–311m in the first nine months of 2015, were solely attributable to ship financing. In commercial real estate financing, there was a net release from loan loss provisions, after net allocations were recognised in the same period the previous year.

Operating expenses fell sharply by 35.3% to €97m, reflecting the substantial year-on-year reduction in the ACR portfolio and a significant adjustment in headcount.

Overall, the ACR segment posted a pre-tax result of €–359m in the first nine months of 2016, which represents an improvement of 13.5% on the same period of the previous year.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Reporting for this segment under "Others" comprises equity participations that are not assigned to business segments, overarching Group matters such as 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 expenses – 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 expenses – are also mainly charged to the segments.

An operating result of €–347m was recorded in the first nine months of 2016, compared with €–305m in the prior-year period. The €42m decline was mainly due to the performance of Group Treasury, which was unable to repeat last year's very good result. Taking into account restructuring expenses of €75m in connection with the optimisation of internal processes and an reconciliation item to consolidated profit of €489m relating to impairments of goodwill and other intangibles in connection with the new Corporate Clients segment, Others and Consolidation recorded a pre-tax loss of €–991m in the first nine months of 2016, compared with a loss of €–326m in the first nine months of 2015.

Outlook and opportunities report

Future economic situation and future situation in the banking sector

Our view regarding the expected development of the overall economy and banking sector in the final months of the current financial year has not changed substantially compared with our comments published in the 2016 half-year report.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be comparable to the volume for this year. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments such as senior unsecured and Tier 2, Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. These latter give us stable access to long-term funding with cost advantages compared with unsecured sources of funding. As such, Pfandbriefe are a key element of Commerzbank's funding mix. Issuance formats range from large-volume benchmark bonds to private placements, in order to cover individual investor demand and further diversify the funding base. By regularly reviewing and adjusting the assumptions used for liquidity management and the long-term funding requirement, Commerzbank will continue to respond actively to changes in the market environment and business performance in order to secure a comfortable liquidity cushion and an appropriate funding structure.

Planned investments

The Bank's investment plans did not change significantly in the first nine months of 2016 from the plans set out on pages 101 to 102 of the Annual Report 2015.

Commerzbank's current and planned investment activity is in line with its growth strategy. The Bank is targeting focused growth by adapting the business model to the new environment in the financial sector and investing in the earnings power of the core business. Commerzbank wants to evolve into a digital enterprise over the next four years. The Bank will invest approximately €700m per year in digitalisation and IT by reallocating existing funds, without increasing its overall investment expenditure.

Anticipated liquidity trends

In the third quarter of 2016, activity in the eurozone money and capital markets was once again shaped by the monetary policy measures that the ECB has implemented to support the economic recovery in the eurozone.

The ECB has made an additional €60bn of liquidity available each month through the securities purchase programme, raising it to €80bn each month from April. In addition, at the end of September 2016 the ECB proceeded with the second of its TLTRO II targeted longer-term financing operations, making net further liquidity of around €45bn available to the banking sector. The excess liquidity in the system will therefore increase on an ongoing basis. As at the reporting date, it stood at €1,040bn.

There was a further moderate flattening at the long end of the yield curve during the third quarter of 2016, mainly due to the ECB's ongoing asset purchase programme and investors' search for bonds offering positive yields. We anticipate a sideways trend for the remainder of 2016, although this is likely to depend to a large extend on the further implementation of the ECB's asset purchase programme. Credit spreads narrowed in the European government bond markets during the past quarter, particularly in the southern European countries. However, the uncertainty in the European government bond markets remains, and the environment is still fragile. Covered bonds continue to trade on very narrow spreads. Given the constant demand from the ECB in connection with its asset purchase programme, we think it is likely that spreads for this asset class will continue moving sideways in 2016.

Overall we expect secondary market liquidity on European bond markets to decline further as a result of the heavy activity by the ECB and the persistently negative yields on many government bonds.

The restrictive regulatory environment and ECB interest rate policy are still having a severe limiting effect on turnover in the repo market. The ECB's asset purchase programme is leading to an even greater shortage of collateral. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is severely restricted.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and able to respond promptly to new market circumstances. The Bank has a comfortable liquidity position that is well above internal limits and the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk. The Bank holds a liquidity reserve portfolio to provide a cushion against unexpected outflows of cash, made up of highly liquid assets that can be discounted at central banks.

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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 debt instruments in the money and capital markets.

Anticipated performance of the Commerzbank Group

At the end of September, Commerzbank presented its new strategic programme, “Commerzbank 4.0”. As part of this strategy, it will concentrate on its core businesses and digitalise 80% of relevant processes, thereby achieving significant efficiency gains and increasing its profitability on a sustainable basis by the end of 2020.

Its business will be focused on two customer segments, “Private and Small Business Customers” and “Corporate Clients”. The Mittelstandsbank and Corporates & Markets segments will be consolidated into a single unit, and trading activities in investment banking scaled back. The downsizing of the trading activities will reduce earnings volatility and regulatory risk, and will free up capital to be invested in the core customer businesses. An earnings outlook for the two segments under the new structure will be given for the first time for financial year 2017. Detailed information on the new strategic alignment can be found on page 5 ff. of the “Performance highlights” section.

The outlook given on the anticipated performance of the Commerzbank Group for 2016 as a whole concentrates on the main changes compared with the view given at the end of the first half.

Over the remaining months of the current year we will continue to pursue our strategy of expanding market share in the private customer business, reinforcing our leading competitive position, particularly with Mittelstand customers, and further increasing the volume of lending. We do not see any material deviation from current projections regarding income for the 2016 financial year, which take account of the adverse effects arising from the low interest rate environment and continuing caution on the part of customers given the geopolitical uncertainties.

We expect risk costs to remain low compared with historical levels, reflecting the Bank's very good risk profile, although lower net releases and persistently difficult conditions in shipping markets are likely to lead to a rise in loan loss provisions. However, our current view is that the amount is likely to remain below €1bn.

Given the trend in operating expenses, we believe that the cost base can be kept stable at the 2015 level, despite increased expense from the Polish banking tax.

The goodwill write-off recognised in the third quarter has had a significant effect on the profit forecast for the year. The write-off relates to the focusing on the core business as part of the strategic realignment.

Despite this negative effect, we expect to post a positive group profit for 2016 as a whole.

Our current view is that the Basel 3 Tier 1 ratio (“fully phased-in”, i.e. based on our interpretation of the regulatory requirements as fully implemented) will improve further and reach around 12% at the end of the year.

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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 include reputational risks, by way of example.

Risk management organisation

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

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

Further details on the risk management organisation within Commerzbank can be found in the Annual Report 2015.

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 the 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 2015 provides further details on the methodology used. The results of the annual validation of the risk-bearing capacity concept were implemented at the beginning of 2016. This included the regular updating of the economic capital model's risk parameters.

Risk-bearing capacity (RBC) is deemed to be assured as long as the RBC ratio is higher than 100%. In the year to date, the RBC ratio has consistently been above 100% and stood at 166% as at 30 September 2016. The decrease in the RBC ratio compared with December 2015 is mainly due to the enhancements of the market risk methods as well as the market-related developments in the Public Finance portfolio. Although the RBC ratio has fallen since 31 December 2015, it still remains at a high level.

Risk-bearing capacity Group | €bn	30.9.2016	31.12.2015
Economic risk coverage potential[1]	**29**	**30**
Economically required capital[2]	**17**	**15**
thereof for default risk	11	11
thereof for market risk	5	3
thereof for operational risk	2	2
thereof diversification effects	–2	–2
RBC ratio[3]	**166%**	**193%**

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

Default risk

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

Commerzbank Group

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

The credit risk parameters based on the new structure are as follows as at 30 September 2016:

Credit risk parameters as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Private and Small Business Customers	139	305	22
Corporate Clients	195	581	30
Asset & Capital Recovery	15	332	220
Others and Consolidation[1]	77	108	14
Group	**426**	**1,325**	**31**

[1] Mainly Treasury liquidity portfolios.

On the basis of this structure the credit risk parameters of Commerzbank Group are distributed as follows in the rating levels 1.0 to 5.8:

Rating breakdown as at 30.9.2016 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private and Small Business Customers	33	51	12	3	1
Corporate Clients	21	55	18	4	2
Asset & Capital Recovery	4	58	7	17	14
Group[1]	**31**	**51**	**14**	**3**	**2**

[1] Including Others and Consolidation.

On the basis of the new structure the Group's loan loss provisions in the first three quarters of 2016 are distributed as follows across all segments:

Loan loss provisions | €m	Q1-Q3 2016
Private and Small Business Customers	100
Corporate Clients	220
Asset & Capital Recovery	292
Others and Consolidation	–2
Group	**610**

The comprehensive explanation of the risk parameters based on the new segment structure will be carried out for the first time for the full year 2016. Information on the first nine months of 2016 based on the new segment structure is given in the interim management report on page 13 and in the notes to the interim financial statements.

Below, the development of Commerzbank's default risk based on the old segment structure is being described.

Since the third quarter of 2012, Commerzbank has wound down all portfolios (including the non-performing loans – NPL) in the Non-Core Assets (NCA) segment from €160bn to €63bn as at the end of 2015. Due to the success of the reduction in the NCA segment Commerzbank has set up a new segment structure in the first quarter of 2016 and has reorganised the allocation of capital. High-quality, low-risk portfolios in the value of about €8bn from commercial real estate financing and ship financing have been transferred to the Mittelstandsbank. The remaining mortgage loan portfolio of about €1.6bn was transferred to Private Customers. Group Treasury in the Others and Consolidation segment took over most of the Public Finance portfolio of about €35bn. The criteria for the transfer of assets were good credit quality, low earnings volatility and suitability for the liquidity portfolio. The remaining assets of around €17bn were transferred to the new Asset & Capital Recovery (ACR) segment. In the following report the previous year's comparative figures have been adjusted to the above mentioned segment structure.

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 risks.

The credit risk parameters in the rating levels 1.0 to 5.8 of Commerzbank Group are distributed as follows across all segments:

Credit risk parameters as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private Customers	108	156	14	1,323
Mittelstandsbank	143	390	27	4,265
Central & Eastern Europe	29	132	45	880
Corporates & Markets	54	208	39	1,584
Others and Consolidation[1]	77	108	14	2,197
Asset & Capital Recovery	15	332	220	783
Group	**426**	**1,325**	**31**	**11,032**

[1] Mainly Treasury liquidity portfolios.

When broken down on the basis of PD ratings, 82% of the Group's portfolio is in the internal rating classes 1 and 2, which constitute the investment-grade area.

Rating breakdown as at 30.9.2016 EaD | %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	38	50	9	2	1
Mittelstandsbank	13	59	21	5	1
Central & Eastern Europe	13	55	24	5	2
Corporates & Markets	42	44	10	2	2
Asset & Capital Recovery	4	58	7	17	14
Group[1]	**31**	**51**	**14**	**3**	**2**

[1] Including Others and Consolidation.

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. The expected loss of the Group portfolio is mainly divided between Germany and Western Europe. A main driver of the expected loss in the region "Other" is ship finance.

In view of the current geopolitical development, national economies as Russia, Ukraine, Turkey and China are closely monitored. As at the end of the third quarter of 2016, exposure to Russia was €3.3bn, exposure to Ukraine was €0.1bn, exposure to Turkey was €2.1bn and exposure to China was €3.7bn.

Also, as a result of the debt crisis, the sovereign exposures of Italy and Spain are still closely monitored. As at the end of the third quarter of 2016, Commerzbank's Italian sovereign exposure was €11.1bn, while its Spanish sovereign exposure was €4.1bn.

Group portfolio by region as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	220	399	18
Western Europe	103	282	27
Central and Eastern Europe	38	174	45
North America	28	50	18
Asia	19	39	21
Other	18	381	211
Group	**426**	**1,325**	**31**

Loan loss provisions The Group's loan loss provisions in the first three quarters of 2016 amounted to €610m, €26m higher than the previous year's figure.

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

[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.

	2016				2015					
Loan loss provisions | €m	**Q1-Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1-Q3**	**Q3**	**Q2**	**Q1**
Private Customers	11	0	2	9	27	–24	51	13	24	14
Mittelstandsbank	213	67	93	53	187	77	110	31	55	24
Central & Eastern Europe	74	32	29	13	97	22	75	28	24	23
Corporates & Markets	22	29	–12	5	–36	–11	–25	11	11	–47
Others and Consolidation	–2	0	0	–2	60	–2	62	1	26	35
Asset & Capital Recovery	292	147	75	70	361	50	311	62	140	109
Group	**610**	**275**	**187**	**148**	**696**	**112**	**584**	**146**	**280**	**158**

As regards Group loan loss provisions, in the non-strategic sub-portfolios we expect further charges for ship financing. We still do not see any prospect of a general improvement in the environment here, with conditions very tough in some parts of the market. In the segments Corporates & Markets, Mittelstandsbank and Private Customers we expect significantly lower net releases of provisions. Overall, we expect the Group's loan loss provisions for the year 2016 to be below €1bn, despite the difficult situation on the ship markets.

In the event of a huge, unexpected deterioration in geopolitical or economic conditions, or in the case of defaults of large individual customers, significantly higher loan loss provisions may become necessary.

Default portfolio The default portfolio stood at €7.5bn as at the end of the third quarter of 2016, representing an increase of €0.3bn compared with the end of 2015.

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

Default portfolio Group | €m	**30.9.2016**	**31.12.2015**
Default volume	7,468	7,124
Loan loss provisions	3,317	3,371
GLLP	682	800
Collaterals	2,349	2,556
Coverage ratio excluding GLLP (%)[1]	76	83
Coverage ratio including GLLP (%)[1]	85	94
NPL ratio (%)[2]	1.7	1.6

[1] Coverage ratio: total of risk 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).

Private Customers

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

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 €66bn). We provide our business customers with credit in the form of individual loans with a volume of €15bn. 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 €9bn).

In the third quarter, too, there was continued growth in the private customer business, particularly in residential mortgage loans. Risk density fell slightly to 14 basis points.

Credit risk parameters as at 30.9.2016	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Residential mortgage loans	61	64	11
Investment properties	5	5	9
Individual loans	15	36	24
Consumer and instalment loans/credit cards	9	19	20
Domestic subsidiaries	4	8	22
Other	14	24	17
Private Customers	**108**	**156**	**14**

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Loan loss provisions in the Private Customer business fell by €40m year-on-year to €11m.

The default volume in the segment decreased by €104m compared with 31 December 2015.

Default portfolio Private Customers | €m	30.9.2016	31.12.2015
Default volume	553	657
Loan loss provisions	174	205
GLLP	89	90
Collaterals	275	324
Coverage ratio excluding GLLP (%)	81	81
Coverage ratio including GLLP (%)	97	94
NPL ratio (%)	0.5	0.6

Mittelstandsbank

This segment comprises all the Group's activities with mainly mid-size corporate clients, the public sector and institutional customers, where they are not assigned to other segments. The segment is also responsible – partially in cooperation with the Corporates and Markets segment – for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks.

Credit risk parameters as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Corporates Domestic	95	223	24
Corporates International	27	85	32
Financial Institutions	21	82	38
Mittelstandsbank	**143**	**390**	**27**

In the first nine months of 2016, the EaD in Mittelstandsbank slightly increased from €140bn to €143bn. The economic environment in Germany remains stable. Risk density in the Corporates Domestic area was 24 basis points as at 30 September 2016.

In Corporates International, the EaD as at 30 September 2016 was €27bn, while the risk density stood at 32 basis points. For details of developments in the Financial Institutions portfolio please see page 28.

Loan loss provisions in Mittelstandsbank were €213m (previous year: €110m). The increase was largely attributable to larger loan loss provisions for new defaults.

The Mittelstandsbank's default volume was €307m higher than at the end of 2015.

Default portfolio Mittelstandsbank | €m	30.9.2016	31.12.2015
Default volume	2,662	2,355
Loan loss provisions	1,249	1,224
GLLP	290	306
Collaterals	566	415
Coverage ratio excluding GLLP (%)	68	70
Coverage ratio including GLLP (%)	79	83
NPL ratio (%)	1.8	1.6

Central & Eastern Europe

The Central & Eastern Europe segment contains the Group's universal banking and direct banking activities in Central and Eastern Europe. The segment is represented by mBank, which provides retail, corporate and investment banking services for customers in Poland, and retail banking services for customers in the Czech Republic and Slovakia.

Credit risk parameters as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Central & Eastern Europe	**29**	**132**	**45**

The EaD of the Central & Eastern Europe segment as at 30 September 2016 was €29bn, unchanged compared with the end of 2015. Risk density in this area was 45 basis points. The Swiss franc exposure was Swiss francs 4.7bn, mainly in the form of mortgage-secured engagements with private customers.

Loan loss provisions in the Central & Eastern Europe segment were €74m (previous year: €75m).

The default volume increased by €54m compared with 31 December 2015.

Default portfolio Central & Eastern Europe | €m	30.9.2016	31.12.2015
Default volume	1,176	1,123
Loan loss provisions	687	643
GLLP	64	67
Collaterals	415	393
Coverage ratio excluding GLLP (%)	94	92
Coverage ratio including GLLP (%)	99	98
NPL ratio (%)	3.9	3.8

Corporates & Markets

This segment comprises the Group's business with multinationals, institutional customers and selected large corporate clients (corporates) and its customer-driven capital market activities (Markets).

The regional focus of our activities is on Germany and Western Europe, which account for 69% of the total exposure. North America accounted for around 17% of the exposure as at the end of September 2016. Overall, EaD as at the end of September 2016 was €54bn, a slight decrease of €6bn compared with the figure as at the end of December 2015.

Credit risk parameters as at 30.9.2016	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	61	36
Western Europe	20	90	45
Central and Eastern Europe	2	5	30
North America	9	15	16
Asia	3	2	9
Other	4	36	102
Corporates & Markets	**54**	**208**	**39**

The first nine months of 2016 were dominated in part by political uncertainty, particularly with the referendum in the UK on whether the country should leave the EU. The heightened uncertainty was reflected in market price volatility, which was severe in some cases but did not have a major impact on our credit portfolio.

The volume of existing new investments in the Structured Credit area in the third quarter of 2016 was at €2.4bn overall and stayed slightly below the year-end 2015 level. In general, we prefer to invest in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile.

In the first nine months of 2016, the volume of the Structured Credit portfolio decreased by €1.9bn to a total of €4.0bn (December 2015: €5.9bn), while risk values[1] fell by €0.6bn to €1.1bn (December 2015: €1.7bn). As before, a large part of the portfolio was made up of total return swap positions (€1.5bn) and CDOs (€1.2bn), which securitise corporate loans in the USA and Europe (CLOs).

Loan loss provisions in the Corporates & Markets segment are strongly influenced by movements in individual exposures. In the first three quarters of 2016 they were €22m (previous year €–25m).

The default volume in the Corporates & Markets segment increased by €209m in the first three quarters of 2016 compared with year-end 2015.

Default portfolio Corporates & Markets | €m	30.9.2016	31.12.2015
Default volume	891	682
Loan loss provisions	476	464
GLLP	68	76
Collaterals	57	40
Coverage ratio excluding GLLP (%)	60	74
Coverage ratio including GLLP (%)	68	85
NPL ratio (%)	1.6	1.1

Asset & Capital Recovery

After the re-segmentation in the first quarter of 2016 the Asset & Capital Recovery segment comprises positions of the portfolios in the areas of Commercial Real Estate (CRE) and Deutsche Schiffsbank (DSB) and complex financings from the Public Finance area. The intention is that all the portfolios in this segment should be completely wound down over time.

EaD for the segment in the performing loan book totalled €15bn as at 30 September 2016, €1.3bn lower than at the end of 2015.

Credit risk parameters as at 30.9.2016	Exposure at Default €bn	Expected loss €m	Risk density bp
Commercial Real Estate	2	42	205
Deutsche Schiffsbank	4	267	757
Public Finance	9	22	24
Asset & Capital Recovery	**15**	**332**	**220**

Commercial Real Estate Due to recoveries in the default portfolio and despite redemptions and repayments, the CRE-portfolio remained nearly unchanged compared with 31 December 2015, standing at €2.0bn. There were no major developments on the risk side.

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

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Deutsche Schiffsbank Compared with 31 December 2015, ship finance exposure in the performing loan book was reduced by €1.4bn in line with our reduction strategy.

Our portfolio is mainly made up of the following three standard types of ship: container ships (€1.1bn), tankers (€0.9bn) and bulkers (€0.9bn). The rest of the portfolio consists of various special tonnages which are well diversified across the various ship segments.

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

Public Finance .
The Public Finance sub-portfolio in the ACR segment is largely made up of exposures with credit quality ranging from satisfactory to good, some of them with very long maturities and complex structures, to local authorities in the UK (€5.3bn EaD), a private finance initiative (PFI) portfolio (€2.6bn EaD) with a regional focus on the UK and further Public Finance debtors, predominantly in the USA (€1.6bn EaD).

Loan loss provisions of the first nine months of 2015 in the ACR segment stood at €292m, representing a slight reduction of €19m compared with the same period of the previous year. The Commercial Real Estate division recorded a net release of €26m, a €81m reduction compared with the previous year. Loan loss provisions in the Deutsche Schiffsbank division were €319m as at the reporting date, an increase by €63m compared with the previous year's level.

Write-downs on securities are generally not recognised in loan loss provisions but in net investment income.

	2016				2015					
Loan loss provisions I €m	**Q1-Q3**	**Q3**	**Q2**	**Q1**	**Total**	**Q4**	**Q1-Q3**	**Q3**	**Q2**	**Q1**
Commercial Real Estate	–26	5	–26	–5	36	–19	55	–10	40	25
Deutsche Schiffsbank	319	146	99	74	325	69	256	72	100	84
Public Finance	–1	–4	3	0	0	0	0	0	0	0
Asset & Capital Recovery	**292**	**147**	**75**	**70**	**361**	**50**	**311**	**62**	**140**	**109**

The default volume decreased further by €25m in the first three quarters of 2016 compared with year-end 2015. The fall was mainly due to repayments. In the Public Finance area currently no default portfolio exists.

	30.9.2016			31.12.2015		
Default portfolio ACR I €m	**ACR**	**CRE**	**DSB**	**ACR**	**CRE**	**DSB**
Default volume	2,175	704	1,471	2,200	1,038	1,160
Loan loss provisions	723	156	567	733	193	540
GLLP	169	21	147	262	45	213
Collaterals	1,035	418	617	1,383	780	604
Coverage ratio excluding GLLP (%)	81	82	80	96	94	99
Coverage ratio including GLLP (%)	89	85	90	108	98	117
NPL ratio (%)	12.6	25.8	29.4	11.9	33.2	18.9

Further portfolio analyses

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

Corporates portfolio by sector

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

Corporates portfolio by sector as at 30.9.2016	Exposure at Default €bn	Expected Loss €m	Risk density bp
Energy supply/Waste management	18	41	22
Consumption	15	46	31
Transport/Tourism	12	28	23
Wholesale	12	44	37
Technology/Electrical industry	11	28	25
Basic materials/Metals	11	40	37
Mechanical engineering	10	30	31
Services/Media	10	68	70
Chemicals/Plastics	9	39	43
Automotive	9	21	23
Construction	5	17	34
Pharmaceutical/Healthcare	5	13	25
Other	5	6	13
Total	**132**	**420**	**32**

Financial Institutions portfolio

The focus remains – even after the reduction in the number of our correspondent banks – on the trade finance activities that we carry out on behalf of our corporate clients in Mittelstandsbank and on capital market activities in Corporates & Markets.

We are keeping a close watch on the impact of the new regulatory requirements on banks. In this context, our strategy is to reduce exposure which in the case of a bail-in could be retained for loss absorption or to recapitalise the respective institution. The general concerns regarding the trend in emerging markets have eased, except in the case of countries with individual issues such as recessions, embargoes or the fall in the price of oil. We have responded there with flexible portfolio management that is tailored to the individual situation of each country.

	30.9.2016			31.12.2015		
FI portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	8	15	5	6	12
Western Europe	17	23	13	20	46	23
Central and Eastern Europe	4	22	53	5	23	48
North America	2	3	17	2	3	17
Asia	10	27	27	13	36	28
Other	6	30	49	8	32	43
Total	**45**	**114**	**25**	**52**	**146**	**28**

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Non-Bank Financial Institutions portfolio

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

We carry out new business in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness.

	30.9.2016			31.12.2015		
NBFI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	17	25	15	16	23	14
Western Europe	13	23	18	15	48	33
Central and Eastern Europe	1	4	64	1	3	58
North America	7	9	13	8	5	6
Asia	1	1	12	1	2	16
Other	1	1	8	2	1	8
Total	**40**	**64**	**16**	**43**	**83**	**19**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €6.1bn, primarily for capital management purposes.

As at the reporting date 30 September 2016, risk exposures with a value of €5.7bn were retained. By far the largest portion of these positions is accounted for by €5.6bn 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] 30.9.2016**	**Total volume[1] 31.12.2015**
Corporates	2025 – 2036	5.6	<0.1	0.1	6.1	4.1
RMBS	2048	0.0	0.0	0.0	<0.1	0.1
CMBS	2046	0.0	0.0	0.0	<0.1	<0.1
Total		5.6	<0.1	0.1	6.1	4.2

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit Silver Tower. It uses it to securitise receivables, in particular trade and leasing receivables, from customers in the 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). In the third quarter of 2016, the volume and risk values in the Silver Tower conduit increased due to new business transactions and increases of existing transactions. They stood at €3.8bn as at the end of September 2016, around €0.6bn above the figure as at 31 December 2015.

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

The other asset-backed exposures mainly comprise government-guaranteed ABSs issued by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In the first nine months of 2016, the volume was €5.1bn (December 2015: €4.7bn) and risk values were €5.0bn (December 2015: €4.6bn), both slightly up compared with end-2015.

Market risk

Market risk is the risk of financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. 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 (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. VaR quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Annual Report 2015. In order to provide a consistent presentation in this report, all figures relating to the VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254 days' history.

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. For regulatory purposes, additional stand-alone management of the trading book is carried out (in accordance with regulatory requirements, including currency and commodity risks in the banking book).

VaR contribution | €m	30.9.2016	31.12.2015
Overall book	**94**	**118**
thereof trading book	27	29

At the end of the third quarter, the VaR of the overall book was €94m, €24m below the year-end level. The VaR for the trading book was little changed at the end of the third quarter compared to the previous year. This was mainly due to methodical enhancements in regard of pension funds and one US Dollar foreign exchange hedging transaction. This also compensated for increased market volatilities resulting from market events such as strong interest rate and credit spread movements which in turn were a reaction to expectations about central banks' monetary policy, worries about global growth and the referendum on the UK's exit from the European Union. Another factor reducing VaR was that days of comparatively high volatility, occurring in the third quarter of 2015, no longer impacted on the VaR calculation as they had occurred more than one year before and are therefore outside the model time series.

Trading book

The value at risk fell modestly in the first three quarters, from €29m to €27m. The average was €33m and therefore up on the previous year's figure of €25m, reflecting the increased market volatility compared with 2015. VaR was significantly reduced in the third quarter owing to the factors described above.

VaR of portfolios in the trading book | €m	Q1-Q3 2016	2015
Minimum	20	17
Mean	33	25
Maximum	46	39
VaR at end of reporting period	**27**	**29**

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

The movement in VaR in the first nine months of 2016 shows a significant increase in credit spread risks. Strong market fluctuations in credit spreads affected in particular the corporate bond portfolio and the respective index positions. The fall in foreign exchange risks is chiefly attributable to a new US dollar hedging position.

VaR contribution by risk type in the trading book | €m	30.9.2016	31.12.2015
Credit spreads	12	6
Interest rates	3	4
Equities	2	4
FX	9	14
Commodities	1	1
Total	**27**	**29**

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Further risk ratios are calculated for regulatory capital adequacy. This includes in particular the calculation of stressed VaR. On the basis of the VaR method, stressed VaR measures the present position in the trading book by reference to market movements from a specified crisis period in the past. Stressed VaR fell slightly in the first nine months to €25m as at the reporting date. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period was not changed in the course of the year.

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

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

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first nine months of 2016, we saw two negative outliers in the clean P&L approach and none in the dirty P&L approach. As such, the results are in line with statistical expectations and confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

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

The VaR and stress test models are validated regularly and checked for adequacy. In the first three quarters of 2016, model adjustments were implemented that helped to further improve the accuracy of risk measurement.

Banking book

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

In market risk management credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) fell modestly by €4m in the first three quarters, reaching €51m as at the reporting date. Most credit spread sensitivities relate to securities positions classified as loans and receivables (LaR). Changes in market price have no impact on the revaluation reserve or the income statement for these positions.

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

The outcome of the +200 basis points scenario would be a potential loss of €2 070m, while the -200 basis points scenario would result in a potential loss of €754m as at 30 September 2016.

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

Market liquidity risk

In measuring economic capital adequacy, Commerzbank also takes account of market liquidity risk. This is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market. Further details on the methodology used are given in the Annual Report 2015.

As at the end of the third quarter of 2016, Commerzbank had earmarked €0.2bn in economic capital to cover market liquidity risk in the trading and banking books. Asset-backed securities and structured products in particular have 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 or at standard market conditions, as and when they are due.

Risk management

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

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

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

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

In the event of a liquidity crisis, the emergency plan provides for various measures for different types of crisis that can be launched by the central Asset Liability Committee. The emergency plan forms an integral part of Commerzbank's recovery plan. It was further updated and approved by the Board of Managing Directors during the current financial year. It defines a clear allocation of responsibilities for the processes to be followed in emergency situations and gives details of any action that may need to be taken.

Quantification and stress testing

The setting of liquidity risk modelling parameters taking regulatory requirements into account and the adjustment of limits are described in Commerzbank's liquidity risk framework. The combination of modelling and limits provides the basis for quantifying our liquidity risk tolerance, which is in line with the group risk strategy.

The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities. Thereby the liquidity gap profile follows a multi-level concept. The levels 1 to 5 include deterministic and modelled cash flows of existing business while planned new business is considered in the calculus on levels 6 and 7.

Based on the liquidity gap profile, management mechanisms such as recovery and early warning indicators are being limited and monitored accordingly. The liquidity gap profile is limited for all maturity bands up to 30 years, whereas the daily controls focus on the short-term maturity bands up to 1 year. The Group limits are broken down into individual currencies and Group units.

In 2016, Commerzbank's internal as "recovery indicators" defined liquidity risk ratios, including the regulatory liquidity coverage ratio (LCR), were at all times within the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk and with the German Liquidity Regulation; at the end of the quarter, the liquidity ratio stood at 1.57.

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

Based on its internal liquidity model, which uses conservative assumptions, at the end of the reporting period the Bank had available excess liquidity of €78.8bn in the maturity band for up to one day. Of this amount, €22.8bn was held in the separate liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

The Bank also holds €8.3bn in its intraday liquidity reserve portfolio.

The main liquidity risk drivers underlying the stress scenario are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, extensions of lending business regarded as commercially necessary, the need to provide additional collateral for secured transactions and the application of higher risk discounts to the liquidation values of assets. The internal liquidity risk model is complemented by the regular analysis of additional stress scenarios.

The LCR was adopted by the European Union as part of the "delegated act" on 17 January 2015 and became binding on all European banks with effect from 1 October 2015. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Following an introductory period, a minimum ratio of 100% must be complied with from 1 January 2018 onwards.

Commerzbank significantly exceeded the stipulated minimum ratio of 70% on every reporting date in 2016 – it was even above 100% – meaning that its LCR remains comfortably in excess of minimum statutory requirements.

Operational risks

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

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

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis amounted to €23.8bn at the end of the third quarter of 2016. The economically required capital was €2.0bn. OpRisk management includes an annual evaluation of the Bank's internal control system (ICS) and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis. Where loss events involve ≥ €1m, lessons learned activities are carried out. External OpRisk events at competitors are also systematically evaluated.

At the end of the third quarter of 2016 the total charge for OpRisk events was €26.4m (full year 2015: charge of €130m). The charge since the beginning of 2016 mainly concerned increased provisions in the "External fraud" category as well as payments and provisions in the "Process related" category. These were offset by reversals of provisions in the "Products and business practices" category.

OpRisk events[1] | €m	**30.9.2016**	**31.12.2015**
Internal fraud	1	1
External fraud	23	–1
Damages and IT failure	1	9
Products and business practices	–25	90
Process related	27	45
HR related	–1	–14
Group	**26**	**130**

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

Other risks

To meet the requirements of pillar 2 of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. In the following details of legal risk are shown. The Commerzbank 4.0 strategy published on 30 September 2016, along with the associated structural changes and announced reduction of headcount may have a negative impact on human resources risk in the future. In terms of all other risks, there were no significant changes in the first nine months of 2016 compared with the position reported in detail in the Annual Report 2015.

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

Regulatory authorities and governmental institutions in various countries, where Commerzbank and its subsidiaries are or have been active, have been investigating irregularities regarding foreign exchange rate fixings and the foreign exchange business in general in the last couple of years. In the course of such activities regulatory authorities and governmental institutions have also initiated audits with respect to Commerzbank or have issued requests of information to Commerzbank. Commerzbank cooperates fully with these authorities and institutions and also looks into the relevant matters on the basis of its own investigations. It cannot be excluded that any of these matters results in financial consequences; however, it is not yet possible to make more precise statements in that regard.

The public prosecutor's office in Frankfurt investigates in connection with equity transactions around the dividend record date (the so-called "cum-ex-transactions") of Commerzbank and former Dresdner Bank. Commerzbank cooperates fully with the authorities. At the end of 2015, Commerzbank already initiated a forensic analysis regarding cum-ex-transactions, which is still ongoing.

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

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

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Statement of comprehensive incom

Income statement

€m	Notes	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Interest income		7,447	8,975	−17.0
Interest expenses		3,626	4,791	−24.3
Net interest income	(1)	3,821	4,184	−8.7
Loan loss provisions	(2)	−610	−584	4.5
Net interest income after loan loss provisions		3,211	3,600	−10.8
Commission income		2,848	3,065	−7.1
Commission expenses		469	470	−0.2
Net commission income	(3)	2,379	2,595	−8.3
Net trading income	(4)	335	823	−59.3
Net income from hedge accounting		−30	−56	−46.4
Net trading income and net income from hedge accounting		305	767	−60.2
Net investment income	(5)	257	−106	.
Current net income from companies accounted for using the equity method		142	46	.
Other net income	(6)	96	69	39.1
Operating expenses	(7)	5,328	5,413	−1.6
Impairments on goodwill and other intangible assets	(8)	627	0	.
Restructuring expenses	(9)	97	94	3.2
Pre-tax profit or loss		**338**	**1,464**	**−76.9**
Taxes on income	(10)	161	489	−67.1
Consolidated profit or loss		**177**	**975**	**−81.8**
Consolidated profit or loss attributable to non-controlling interests		81	84	−3.6
Consolidated profit or loss attributable to Commerzbank shareholders		96	891	−89.2

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Earnings per share | €	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Earnings per share	0.08	0.75	−89.3

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

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

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Condensed statement of comprehensive income

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Consolidated profit or loss	**177**	**975**	**–81.8**
Change from remeasurement of defined benefit plans not recognised in income statement	–538	294	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**–538**	**294**	**.**
Change in revaluation reserve			
Reclassified to income statement	–115	–11	.
Change in value not recognised in income statement	–26	320	.
Change in cash flow hedge reserve			
Reclassified to income statement	43	63	–31.7
Change in value not recognised in income statement	–1	–3	–66.7
Change in currency translation reserve			
Reclassified to income statement	–	7	–100.0
Change in value not recognised in income statement	–125	139	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–89	–1	.
Change in value not recognised in income statement	–	0	.
Change in companies accounted for using the equity method	–	7	–100.0
Items recyclable through profit or loss	**–313**	**521**	**.**
Other comprehensive income	**–851**	**815**	**.**
Total comprehensive income	**–674**	**1,790**	**.**
Comprehensive income attributable to non-controlling interests	44	76	–42.1
Comprehensive income attributable to Commerzbank shareholders	–718	1,714	.

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

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

3rd quarter I €m	1.7.–30.9.2016	1.7.–30.9.2015[1]	Change in %
Consolidated profit or loss	–269	266	.
Change from remeasurement of defined benefit plans not recognised in income statement	–150	23	.
Change from non-current assets held for sale or disposal groups not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	0	0	.
Items not recyclable through profit or loss	**–150**	**23**	**.**
Change in revaluation reserve			
Reclassified to income statement	–42	41	.
Change in value not recognised in income statement	227	52	.
Change in cash flow hedge reserve			
Reclassified to income statement	12	19	–36.8
Change in value not recognised in income statement	4	–2	.
Change in currency translation reserve			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	51	–86	.
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	1	–5	.
Items recyclable through profit or loss	**253**	**19**	**.**
Other comprehensive income	**103**	**42**	**.**
Total comprehensive income	**–166**	**308**	**.**
Comprehensive income attributable to non-controlling interests	39	21	85.7
Comprehensive income attributable to Commerzbank shareholders	–205	287	.

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The breakdown of other comprehensive income for the first nine months of 2016 was as follows:

Other comprehensive income | €m	1.1.–30.9.2016			1.1.-30.9.2015[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–761	223	–538	427	–133	294
of which companies accounted for using the equity method	0	–	0	–	–	–
of which non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in revaluation reserve	–32	–109	–141	400	–91	309
Change in cash flow hedge reserve	62	–20	42	88	–28	60
Change in currency translation reserve	–124	–1	–125	147	–1	146
Change from non-current assets held for sale and disposal groups	–96	7	–89	–1	–	–1
Change in companies accounted for using the equity method	–	–	–	7	–	7
Other comprehensive income	**–951**	**100**	**–851**	**1,068**	**–253**	**815**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

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

Other comprehensive income | €m	1.7.–30.9.2016			1.7.–30.9.2015[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change from remeasurement of defined benefit plans	–195	45	–150	18	5	23
of which companies accounted for using the equity method	0	–	0	0	–	0
of which non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in revaluation reserve	209	–24	185	160	–67	93
Change in cash flow hedge reserve	21	–5	16	26	–9	17
Change in currency translation reserve	59	–8	51	–86	–	–86
Change from non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in companies accounted for using the equity method	1	–	1	–5	–	–5
Other comprehensive income	**95**	**8**	**103**	**113**	**–71**	**42**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

Income statement (by quarter)

€m	2016			2015			
	3rd quarter	2nd quarter[1]	1st quarter[1]	4th quarter[1]	3rd quarter[1]	2nd quarter[1]	1st quarter[1]
Net interest income	1,141	1,349	1,331	1,543	1,175	1,583	1,426
Loan loss provisions	–275	–187	–148	–112	–146	–280	–158
Net interest income after loan loss provisions	866	1,162	1,183	1,431	1,029	1,303	1,268
Net commission income	777	781	821	829	825	855	915
Net trading income	340	–73	68	–264	296	–104	631
Net income from hedge accounting	27	–2	–55	–4	–2	17	–71
Net trading income and net income from hedge accounting	367	–75	13	–268	294	–87	560
Net investment income	94	131	32	99	–39	61	–128
Current net income from companies accounted for using the equity method	79	14	49	36	15	17	14
Other net income	–21	40	77	1	47	15	7
Operating expenses	1,733	1,702	1,893	1,744	1,719	1,737	1,957
Impairments on goodwill and other intangible assets	627	–	–	–	–	–	–
Restructuring expenses	57	40	–	20	28	–	66
Pre-tax profit or loss	**–255**	**311**	**282**	**364**	**424**	**427**	**613**
Taxes on income	14	58	89	140	158	91	240
Consolidated profit or loss	**–269**	**253**	**193**	**224**	**266**	**336**	**373**
Consolidated profit or loss attributable to non-controlling interests	19	38	24	31	31	24	29
Consolidated profit or loss attributable to Commerzbank shareholders	–288	215	169	193	235	312	344

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

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Balance sheet

Assets I €m	**Notes**	**30.9.2016**	**31.12.2015**[1]	**Change in %**
Cash reserve		26,126	28,509	−8.4
Claims on banks	(12,14,15)	68,989	71,810	−3.9
of which pledged as collateral		–	–	.
Claims on customers	(13,14,15)	221,344	218,875	1.1
of which pledged as collateral		–	–	.
Value adjustment on portfolio fair value hedges		711	284	.
Positive fair values of derivative hedging instruments		3,107	3,031	2.5
Trading assets	(16)	104,475	114,684	−8.9
of which pledged as collateral		4,505	2,876	56.6
Financial investments	(17)	75,516	81,939	−7.8
of which pledged as collateral		4,199	508	.
Holdings in companies accounted for using the equity method		712	735	−3.1
Intangible assets	(18)	2,959	3,525	−16.1
Fixed assets	(19)	1,706	2,294	−25.6
Investment properties		16	106	−84.9
Non-current assets held for sale and assets of disposal groups		1,002	846	18.4
Current tax assets		619	512	20.9
Deferred tax assets		3,051	2,891	5.5
Other assets	(20)	3,111	2,655	17.2
Total		**513,444**	**532,696**	**−3.6**

[1] Prior-year figures restated due to reclassification of leased equipment from other assets to fixed assets.

Liabilities and equity | €m	Notes	30.9.2016	31.12.2015[1]	Change in %
Liabilities to banks	(21)	78,167	83,154	–6.0
Liabilities to customers	(22)	250,523	257,615	–2.8
Securitised liabilities	(23)	41,271	40,605	1.6
Value adjustment on portfolio fair value hedges		1,333	1,137	17.2
Negative fair values of derivative hedging instruments		6,041	7,406	–18.4
Trading liabilities	(24)	81,022	86,443	–6.3
Provisions	(25)	3,773	3,326	13.4
Current tax liabilities		451	404	11.6
Deferred tax liabilities		37	106	–65.1
Liabilities of disposal groups		–	1,073	–100.0
Other liabilities	(26)	10,043	9,286	8.2
Subordinated debt instruments	(27)	11,385	11,858	–4.0
Equity		29,398	30,283	–2.9
Subscribed capital		1,252	1,252	.
Capital reserve		17,192	17,192	.
Retained earnings		10,972	11,616	–5.5
Other reserves		–1,058	–781	35.5
Total before non-controlling interests		28,358	29,279	–3.1
Non-controlling interests		1,040	1,004	3.6
Total		**513,444**	**532,696**	**–3.6**

[1] Prior-year figures restated due to the retrospective restatement of tax liabilities and other liabilities (see page 48 ff.).

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Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	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 31.12.2014	**1,139**	**15,928**	**10,462**	**– 963**	**– 246**	**– 193**	**26,127**	**906**	**27,033**
Change due to retrospective adjustments[1]			– 146		–	–	– 146	–	– 146
Equity as at 1.1.2015	**1,139**	**15,928**	**10,316**	**– 963**	**– 246**	**– 193**	**25,981**	**906**	**26,887**
Total comprehensive income	–	–	1,295	366	87	168	1,916	118	2,034
Consolidated profit or loss			1,084				1,084	115	1,199
Change from remeasurement of defined benefit plans			211				211	1	212
Change in revaluation reserve				432			432	1	433
Change in cash flow hedge reserve					87		87	–	87
Change in currency translation reserve						161	161	1	162
Change from non-current assets held for sale and disposal groups				– 66		– 1	– 67	–	– 67
Change in companies accounted for using the equity method						8	8	–	8
Dividend paid on shares							–	– 11	– 11
Capital increases	113	1,264	– 5				1,372	–	1,372
Withdrawal from retained earnings							–	–	–
Changes in ownership interests			– 1				– 1	– 2	– 3
Other changes[2]			11				11	– 7	4
Equity as at 31.12.2015	**1,252**	**17,192**	**11,616**	**– 597**	**– 159**	**– 25**	**29,279**	**1,004**	**30,283**

1 Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
2 If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies andchanges in taxes not affecting income statement.

€m	Sub-scribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revalu-ation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2015	**1,252**	**17,192**	**11,616**	**–597**	**–159**	**–25**	**29,279**	**1,004**	**30,283**
Total comprehensive income	–	–	–441	–205	42	–114	–718	44	–674
Consolidated profit or loss			96				96	81	177
Change from remeasurement of defined benefit plans			–537				–537	–1	–538
Change in revaluation reserve				–135			–135	–6	–141
Change in cash flow hedge reserve					42		42	–	42
Change in currency translation reserve[1]						–114	–114	–11	–125
Change from non-current assets held for sale and disposal groups				–70			–70	–19	–89
Change in companies accounted for using the equity method							–		–
Dividend paid on shares			–250				–250	–11	–261
Capital increases							–		–
Withdrawal from retained earnings							–		–
Changes in ownership interests			6				6	2	8
Other changes[2]			41				41	1	42
Equity as at 30.9.2016	**1,252**	**17,192**	**10,972**	**–802**	**–117**	**–139**	**28,358**	**1,040**	**29,398**

[1] Including changes in the group of consolidated companies. The change in the current financial year is mainly due to the currencies US dollar, Polish zloty, British pound and the Russian rouble.
[2] If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, and changes in taxes not affecting income statement.

As at 30 September 2016, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association was €1 252m and was divided into 1 252 357 634 no-par-value shares (accounting value per share of €1.00). The average number of ordinary shares in issue was 1 252 357 634 (30 September 2015: 1 195 432 288).

There was no material impact on the other reserves from assets and disposal groups held for sale as at 30 September 2016.

The change in ownership interests of €8m in the first three quarters of 2016 resulted from the purchase of additional shares in an already consolidated company. There arose an effect from the disposal of shares in furthermore consolidated companies of €–2m.

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For information: Statement of changes in equity from 1 January to 30 September 2015

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Total before non-controlling interests	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve			
Equity as at 31.12.2014	**1,139**	**15,928**	**10,462**	**–963**	**–246**	**–193**	**26,127**	**906**	**27,033**
Change due to retrospective adjustments[1]			–146		–	–	–146	–	–146
Equity as at 1.1.2015	**1,139**	**15,928**	**10,316**	**–963**	**–246**	**–193**	**25,981**	**906**	**26,887**
Total comprehensive income	–	–	1,184	322	60	148	1,714	76	1,790
Consolidated profit or loss			891				891	84	975
Change from remeasurement of defined benefit plans			293				293	1	294
Change in revaluation reserve				322			322	–13	309
Change in cash flow hedge reserve					60		60	–	60
Change in currency translation reserve						142	142	4	146
Change from non-current assets held for sale and disposal groups						–1	–1	–	–1
Change in companies accounted for using the equity method						7	7	–	7
Dividend paid on shares							–	–11	–11
Capital increases	113	1,264	–5				1,372	–	1,372
Withdrawal from retained earnings							–	–	–
Decrease in silent participations							–	–	–
Changes in ownership interests			–1				–1	–2	–3
Other changes[2]			27				27	3	30
Equity as at 30.9.2015	**1,252**	**17,192**	**11,521**	**–641**	**–186**	**–45**	**29,093**	**972**	**30,065**

1 Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
2 If relevant for the reporting period, other changes mainly comprise changes in the group of consolidated companies, change in taxes not affecting income statement.

Cash flow statement (condensed version)

€m	2016	2015[1]
Cash and cash equivalents as at 1.1.	**28,509**	**4,897**
Net cash from operating activities	–9,765	2,791
Net cash from investing activities	6,486	5,938
Net cash from financing activities	1,157	509
Total net cash	**–2,122**	**9,238**
Effects from exchange rate changes	–180	144
Effects from non-controlling interests	–81	–84
Cash and cash equivalents as at 30.9.	**26,126**	**14,195**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The cash flow statement shows the changes in cash and cash equivalents for the Commerzbank Group. These correspond to the cash reserve item in the balance sheet and consist of cash on hand balances with central banks and debt issues of public-sector borrowers. With regard to the Commerzbank Group the cash flow statement is not very informative. For us the cash flow statement replaces neither liquidity planning nor financial planning, nor is it employed as a management tool.

Selected notes

General information

Accounting policies

The Commerzbank Group has its headquarters in Frankfurt am Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt am Main under registration no. HRB 32000. The interim financial statements of the Commerzbank Group as at 30 September 2016 were prepared in accordance with Art. 315 a (1) of the German Commercial Code (HGB) and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This 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 2016. 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

We have employed the same accounting policies in preparing these financial statements as in our Group financial statements as at 31 December 2015 (see page 158 ff. of the Annual Report 2015) expect the newly implemented profit and loss position “Impairments on goodwill and other intangible assets”. These financial statements take into account the amended standards and interpretations that must be applied in the EU from 1 January 2016 (IAS 1, 16, 27, 28, 38 and 41 and IFRS 10, 11 and 12, plus amendments arising from the IASB’s annual improvement process for the 2012 to 2014 cycle), which had no material impact on the Commerzbank Group financial statements.

The impact of the new and revised standards (IAS 7, 12 and 28 and IFRS 2, 4, 9, 10, 14, 15 and 16) and interpretations for which application is not yet mandatory on the Group’s accounting and measurement practices is set out below.

The IASB published an extensively revised new version of IFRS 9 Financial Instruments in July 2014. IFRS 9 will replace the previous standard for the accounting treatment of financial instruments (IAS 39). IFRS 9 contains new rules for classifying financial instruments on the assets side of the balance sheet. All financial assets must initially be measured at fair value with the remeasurement effects taken through profit or loss. A different subsequent measurement is only permitted for a debt instrument on the assets side if it is included in a portfolio that operates under a “hold” or “hold and sell” business model. Moreover, the financial instrument in question may only have cash flows that are payments of principal and interest on the principal amount outstanding. Irrespective of this, a financial instrument may still be measured at fair value if doing so eliminates or significantly reduces a measurement inconsistency or accounting mismatch. It is no longer possible to report embedded derivatives separately within financial assets.

As before, a fair value option also exists for financial liabilities. However, gains or losses deriving from a change in own credit risk are no longer reported through profit or loss, but instead in other comprehensive income (revaluation reserve), unless this would create or enlarge an accounting mismatch in profit or loss.

IFRS 9 also changes the rules on the accounting treatment of e xpected default risk (provisions). Unlike in IAS 39, provisions are not recognised only when a specific loss event occurs. Instead, for every financial instrument measured at amortised cost or at fair value through other comprehensive income, the credit loss expected over the next 12 months must be recognised as a provision on initial recognition. If the borrower’s credit risk increases significantly, but the borrower is not yet in default, a provision must be recognised for the full lifetime expected credit losses. If an instrument is in default, a provision must be recognised for the lifetime expected loss on the basis of the estimated cash flows that can still be expected. The standard is expected to be transposed into EU law in the first half of 2016 and to become effective for EU companies for financial years beginning on or after 1 January 2018. Due to the continuing uncertainties and the potential scope for interpretation it is not yet possible to quantify the impact of IFRS 9 reliably.

IFRS 15 introduces a principles-based five-step model framework dealing with the nature, amount and timing of revenues and cash flows arising from a contract with a customer. It replaces IAS 11 and 18, IFRIC 13, 15 and 18, and SIC-31. The standard also requires extensive qualitative and quantitative disclosures on contracts, performance obligations and significant judgements and estimates. We are currently reviewing the impact on the Commerzbank Group financial statements. The changes were incorporated into European law in October 2016 and become effective for EU companies for financial years beginning on or after 1 January 2018.

The new standard IFRS 16 Leases, published in January 2016, will replace IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. It has not yet been transposed into European law. Under IFRS 16 all leases with a term of over 12 months must be recognised on the lessee's balance sheet together with the associated contractual obligations. Leases involving low-value assets are an exception. The lessees will in future recognise a right-of-use asset and a lease liability. As under the current provisions of IAS 17, lessors will be required to classify each lease as either an operating lease or a finance lease. IFRS 16 adopts the criteria of IAS 17 for this classification. IFRS 16 also contains further provisions on recognition, on the information in the notes and on sale- and leaseback transactions. The new standard will enter into force for financial years beginning on or after 1 January 2019. We are currently reviewing the impact on the Commerzbank Group.

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

The amendments to the standard IAS 7 Statement of Cash Flows have been published within the Disclosure Initiative. The aim is to improve the information on an entity's liabilities arising from financing activities.

Amendments to IAS 12 clarify the recognition of deferred tax assets for unrealised losses.

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

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

The amendments to IFRS 4 Insurance Contracts are intended to minimise the impact of the different effective dates of IFRS 9 and the new standard that is set to replace IFRS 4, particularly for entities with extensive insurance activities. Two new options are being introduced in the form of the overlay approach and the deferral approach, which can be used by insurers under certain conditions. The standard is expected to be transposed into EU law in 2017 and to become effective for EU companies for financial years beginning on or after 1 January 2018.

IFRS 14, which only applies to those adopting IFRS for the first time and is therefore not relevant for the Commerzbank Group, deals with the treatment of regulatory deferral account balances recognised in previous GAAP financial statements.

Changes in presentation

The new IT system launched by Commerzbank Aktiengesellschaft in Germany in the fourth quarter of 2015 led to the retrospective restatement of prior-year data. The Annual Report 2015 contains a detailed list of the restatements on pages 161 ff.

This gave rise to the following changes in the first nine months of 2015 compared with the previous presentation:

- The measurement of trading securities has now been split into interest-like amortisation components and ongoing price changes. The amortisation components are now reported in interest income or expenses instead of being reported together with ongoing price changes in net trading income. The reclassification from net interest income to net trading income amounted to €61m in the first nine months of 2015 (net balance of a €40m reduction in interest income and €21m increase in interest expenses). This reclassification within the income statement had no impact on consolidated profit, the balance sheet or earnings per share.
- Discounts and premiums on securities and promissory note loans held outside the trading book are now amortised using the effective interest rate method, rather than in a straight line as previously. Interest expenses were €8m higher in the first nine months of 2015 and interest income was €3m lower. After deducting a positive effect of €1m from taxes on income, consolidated profit was €10m lower and earnings per share were reduced by €0.01.
- Interest income and expenses from Commerzbank's own banking book issues which are unsold or have been repurchased are also now reported on a net basis. Until now these have been reported gross as interest income and interest expenses. Interest income and expenses were reduced by €19m each in the first nine months of 2015. There was no impact on consolidated profit, the balance sheet or earnings per share.
- Loan arrangement fees and commitment interest as well as commissions paid are now incorporated in the effective interest rate when loans are made instead of being recognised immediately through profit or loss as previously. Interest income was reduced by €18 and commission expense by €46m in the first nine months of 2015. After deducting taxes on income of €5m, consolidated profit was €23m higher. Retained earnings rose by €1m as a result of deferred tax assets. This translated into a rise in earnings per share by €0.02.
- The reporting of payments in connection with credit derivatives within the income statement was corrected. Interest expenses and net trading income both rose by €164m in the first nine months of 2015. There was therefore no impact on consolidated profit, the balance sheet or earnings per share.

In the past Commerzbank initially consolidated certain own issues which had been bought by one of its subsidiaries in equity. The differential arising from lower carrying amounts of the relevant issues on the part of Commerzbank was derecognised in financial year 2015 by means of a retrospective restatement. The impact of associated hedging derivatives on profit or loss was also taken into account. Securitised liabilities fell by €4m as at 30 September 2015, while net trading income increased by the same amount. This boosted consolidated profit by €4m in the first nine months of 2015, while earnings per share rose by less than €0.01m.

Since the fourth quarter of 2015 we have been reporting the Bank's contributions to the German statutory deposit insurance scheme in a revised form for the contribution years up to 2015. The entire expense for the contribution year of 1 October to 30 September of the following year has been recognised in full in the fourth quarter (instead of quarterly as previously), as the payment obligation was based solely on whether the Bank held a banking licence on 1 October. This led operating expenses to fall by €21m in the first nine months of 2015. After deducting taxes on income of €3m, consolidated profit was €18 higher and earnings per share increased by €0.02. Under the new contribution rules the expense has been recognised on a quarterly basis since the 2016 contribution year.

In accordance with IFRIC 21 we are reporting the Bank's contributions to the Polish statutory deposit insurance scheme in a revised form for the 2015 contribution year. Unlike the German scheme, the entire expense for the calendar year, which corresponds to the contribution year, has been recognised in full in the first quarter (instead of quarterly as previously), as the payment obligation was based solely on whether the Bank held a banking licence on 1 January. Operating expenses rose by €8m in the first nine months of 2015. After deducting a positive effect of €2m from taxes on income, consolidated profit was reduced by €6m. The consolidated profit attributable to non-controlling interests was reduced by €2m and the consolidated profit attributable to Commerzbank shareholders by €4m. Earnings per share fell by €0.01 as a result. Under the new contribution rules the expense has been recognised on a quarterly basis since the 2016 contribution year.

A calculation error and the correction of an error relating to withholding tax gave rise to a retrospective restatement in financial year 2015.

- As a result, taxes on income were €9m higher in the first nine months of 2015 and consolidated profit decreased accordingly. This reduced earnings per share by €0.01.
- As at 1 January 2015 retained earnings fell by €40m and current tax liabilities rose by an equivalent amount. Thus, there was no impact on consolidated profit and earnings per share.

Current income and expenses from properties held for sale and from investment properties are now reported in other net income rather than in interest income or expenses as done previously. This reduced interest income by €59m and interest expenses by €8m in the first nine months of 2015 and other net income therefore rose by €51m. Thus, there was no impact on consolidated profit, the balance sheet or earnings per share.

We corrected the accounting treatment of limited partner shares, which are reported as liabilities attributable to non-controlling interests, for two property companies included in the group financial statements as subsidiaries.

- This increased other liabilities by €214m and deferred tax assets by €67m as at 1 January 2015, with retained earnings therefore falling by €147m.
- As at 30 September 2015 other expenses were reduced by €29m and other liabilities fell by an equivalent amount. Moreover, taxes on income were €9m higher and deferred tax assets fell by the same amount. Consolidated profit therefore increased by €20m and earnings per share by €0.02.

In sale-and-leaseback transactions (operating lease), any differential between the purchase price of the property and its fair value must be amortised over the life of the contract. Two transactions were restated retrospectively as the original purchase price corresponded to fair value and the transaction was therefore conducted on market terms. We therefore brought the underlying fair value into line with the purchase price.

- This reduced other liabilities by €45m and increased current tax liabilities by €4m as at 1 January 2015; retained earnings therefore rose by €41m.
- As at 30 September 2015 other income was reduced by €4m and other liabilities rose by the same amount. Consolidated profit was therefore €4m lower, which translated into a reduction in earnings per share by less than €0.01.

Gains and losses on finance leases are now reported on a net basis in interest income or expense, as appropriate. Previously, the lease payments received (less any amounts passed on to the lessee) were reported in interest income and the carrying amount of the asset was derecognised through interest expense. Interest income and expenses were thus each reduced by €72m in the first nine months of 2015. There was no impact on consolidated profit, the balance sheet or earnings per share

The tables below summarise the main restatements in the income statement and equity as at 30 September 2015:

€m	**Original Group financial statements 1.1.–30.9.2015**	**Adjustment**	**Restated Group financial statements 1.1.–30.9.2015**
Interest income	9,186	–211	8,975
Interest expenses	4,697	94	4,791
Net interest income	4,489	–305	4,184
Commission income	3,065	–	3,065
Commission expenses	516	–46	470
Net commission income	2,549	46	2,595
Net trading income	594	229	823
Other net income	–7	76	69
Operating expenses	5,426	–13	5,413
Pre-tax profit or loss	**1,405**	**59**	**1,464**
Taxes on income	466	23	489
Consolidated profit or loss	**939**	**36**	**975**
Consolidated profit or loss attributable to non-controlling interests	86	–2	84
Consolidated profit or loss attributable to Commerzbank shareholders	853	38	891

€m	**Original Group financial statements 1.1.–30.9.2015**	**Adjustment**	**Restated Group financial statements 1.1.–30.9.2015**
Equity	30,102	–37	30,065
of which retained earnings	11,549	–28	11,521
of which other reserves	–865	–7	–872
Non-controlling interests	974	–2	972

Total assets rose by €3,965m as at 30 September 2015 as a result of the restatements.

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Consolidated companies

The following companies were consolidated for the first time as at 30 September 2016:

Name of company	Equity share and voting rights	Acquisition cost	Assets	Liabilities
	%	€m	€m	€m
ABANTUM Beteiligungsgesellschaft mbH, Düsseldorf, Germany	100.0	–	11.0	11.0
ACCOMO Hotel HafenCity GmbH & Co. KG, Düsseldorf, Germany	100.0	–	14.9	15.0
ACCOMO Verwaltungsgesellschaft mbH, Düsseldorf, Germany	100.0	–	–	–
AHOTELLO Beteiligungsgesellschaft mbH, Düsseldorf, Germany	100.0	–	15.1	15.0
ALISETTA Verwaltung und Treuhand GmbH, Düsseldorf, Germany	100.0	–	–	–
CERI International Sp. z o.o., Lódz, Poland	100.0	4.2	14.2	2.5
Commerz Transaction Services Logistics GmbH, Magdeburg, Germany	100.0	1.6	2.8	1.2
Commerzbank Brasil S.A. – Banco Múltiplo, Sao Paulo, Brazil	100.0	64.5	65.1	3.0
CommerzVentures Beteiligungsgesellschaft mbH & Co. KG, Frankfurt am Main, Germany	99.5	21.9	22.0	–
CommerzVentures GmbH, Frankfurt am Main, Germany	100.0	24.4	25.2	0.8
Greene Elm Trading VII LLC, Wilmington, Delaware, USA	100.0	13.8	13.8	–
Kira Vermögensverwaltungsgesellschaft mbH, Munich, Germany	100.0	306.4	445.6	139.2
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Kaiser-Karree KG, Grünwald, Germany	100.0	–	26.8	25.8

The first-time consolidations listed above are entities that were newly formed or purchased 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 are reported in the income statement as at the date of acquisition in accordance with IFRS 3.34. There were no negative differences during the period under review.

The following companies were sold or liquidated or are no longer consolidated for other reasons:

- Disposals
  - Number X Bologna S.r.l., Milan, Italy
  - Commerzbank International S.A. Luxembourg, Luxembourg
- Liquidations
  - CoSMO Finance II– 2 Ltd., Dublin, Ireland
  - Hurley Investments No.3 Limited, George Town, Cayman Islands
  - Thurlaston Finance Limited, George Town, Cayman Islands
  - Yarra Finance Limited, George Town, Cayman Islands
- Entities that have permanently fallen below our materiality threshold for consolidation or where Commerzbank no longer control exists:
  - AVOLO Aviation GmbH & Co. Geschlossene Investment KG, Karlsruhe, Germany
  - Dresdner Kleinwort do Brasil Limitada, Rio de Janeiro, Brazil
  - Dresdner Kleinwort Wasserstein Securities (India) Private Limited, Mumbai, India
  - EHY Real Estate Fund I, LLC, Wilmington, Delaware, USA
  - Eurohypo Capital Funding LLC II, Wilmington, Delaware, USA

- Eurohypo Capital Funding Trust II, Wilmington, Delaware, USA
- Groningen Urban Invest B.V., Amsterdam, Netherlands
- MERKUR Grundstücks-Gesellschaft Objekt Berlin Lange Straße mbH & Co. KG, Grünwald, Germany
- Netherlands Urban Invest B.V., Amsterdam, Netherlands
- Number X Real Estate GmbH, Eschborn, Germany
- Urban Invest Holding GmbH, Eschborn, Germany
- Viaduct Invest FCP-SIF Luxfund-1, Luxembourg, Luxembourg
- WebTek Software Private Limited, Bangalore, India

The following companies were merged with a Commerzbank Group consolidated company:

- Dom Maklerski mBanku S.A., Warsaw, Poland
- Greene Elm Trading I LLC, Wilmington, Delaware, USA
- Greene Elm Trading IV LLC, Wilmington, Delaware, USA
- mWealth Management S.A., Warsaw, Poland
- OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Luna KG, Grünwald, Germany

COMUNITHY Immobilien GmbH, Düsseldorf, Germany ceased to be accounted for using the equity method in 2016.

Kaiserkarree S.a.r.l Luxembourg Luxembourg and certain fund units are classified as held for sale in the Private and Small Business Customers segment (until 30 September 2016, the Private Customers segment).

A portfolio of mortgage loans from the Corporate Clients segment (until 30 September 2016, the Corporates & Markets segment) was reclassified as held for sale in April 2016.

In the third quarter of 2015, properties held as fixed assets and investment properties were classified as non-current assets held for sale.

Nachtragsbericht

As part of the resolution of the bad bank Heta, the Austrian state of Carinthia made a public offer to repurchase bonds of the former Hypo Alpe Adria. The offer period ended on 7 October 2016. Commerzbank accepted the offer and will report on the impact in the fourth quarter.

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

Notes to the income statement

(1) Net interest income

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Interest income	7,447	8,975	– 17.0
Interest income from lending and money market transactions and from the securities portfolio (available-for-sale)	625	599	4.3
Interest income from lending and money market transactions and from the securities portfolio (loans and receivables)	5,508	6,336	– 13.1
Interest income from lending and money market transactions and from the securities portfolio (from applying the fair value option)	169	236	– 28.4
Interest income from lending and money market transactions and from the securities portfolio (held for trading)	553	1,083	– 48.9
Prepayment penalty fees	89	96	– 7.3
Gains on the sale of loans and receivables and repurchase of liabilities	126	321	– 60.7
Dividends from securities	45	96	– 53.1
Current net income from equity holdings and non-consolidated subsidiaries	67	117	– 42.7
Other interest income	265	91	.
Interest expenses	3,626	4,791	– 24.3
Interest expenses on subordinated debt instruments and on securitised and other liabilities	2,993	3,652	– 18.0
Interest expenses from applying the fair value option	258	339	– 23.9
Interest expenses on securitised liabilities held for trading	79	105	– 24.8
Loss on the sale of loans and receivables and repurchase of liabilities	52	136	– 61.8
Other interest expense	244	559	– 56.4
Total	**3,821**	**4,184**	**– 8.7**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).

The unwinding effect for impaired commercial real estate loans and commitments which have been terminated amounted to €15m for 1 January to 30 September 2016 (previous year: €28m).

Other interest expense includes, among other items, net interest expense for pensions and negative interest from financial instruments held as assets (1 January to 30 September 2016: €230m; previous year: €157m). Other interest income includes positive interest from financial instruments held as liabilities (1 January to 30 September 2016: €180m; previous year: €91m). Net interest from derivatives (banking and trading book) 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.–30.9.2016	1.1.–30.9.2015	Change in %
Allocation to loan loss provisions[1]	–1,142	–1,503	–24.0
Reversals of loan loss provisions[1]	533	1,073	–50.3
Net balance of direct write-downs, write-ups and amounts recovered on claims written down	–1	–154	–99.4
Total	**–610**	**–584**	**4.5**

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

(3) Net commission income

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Securities transactions	640	724	–11.6
Asset management	158	145	9.0
Payment transactions and foreign business	918	996	–7.8
Real estate lending business	14	24	–41.7
Guarantees	149	161	–7.5
Net income from syndicated business	202	221	–8.6
Intermediary business	180	193	–6.7
Fiduciary transactions	7	6	16.7
Other	111	125	–11.2
Total[2]	**2,379**	**2,595**	**–8.3**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
[2] Of which commission income €2,848m (previous year: €3,065m) and commission expense €469m (previous year: €470m).

(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 both from 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.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Net trading gain or loss[2]	259	819	–68.4
Net gain or loss from applying the fair value option	76	4	.
Total	**335**	**823**	**–59.3**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.).
[2] Including net gain or loss on the remeasurement of derivative financial instruments.

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(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.–30.9.2016	1.1.–30.9.2015	Change in %
Net gain or loss from interest-bearing business	**58**	**−86**	**.**
In the available-for-sale category	54	88	−38.6
Gain on disposals (including reclassification from revaluation reserve)	74	94	−21.3
Loss on disposals (including reclassification from revaluation reserve)	−22	−25	−12.0
Net remeasurement gain or loss	2	19	−89.5
In the loans and receivables category	4	−174	.
Gains on disposals	24	31	−22.6
Loss on disposals	−30	−19	57.9
Net remeasurement gain or loss[1]	10	−186	.
Net gain or loss on equity instruments	**199**	**−20**	**.**
In the available-for-sale category	162	3	.
Gain on disposals (including reclassification from revaluation reserve)	162	5	.
Loss on disposals (including reclassification from revaluation reserve)	–	−2	−100.0
In the available-for-sale category, measured at acquisition cost	41	48	−14.6
Net remeasurement gain or loss	−4	−71	−94.4
Net gain or loss on disposals and remeasurement of companies accounted for using the equity method	–	–	.
Total	**257**	**−106**	**.**

[1] Includes reversals of €16m of portfolio valuation allowances for reclassified securities (previous year: reversals of €10m).

(6) Other net income

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Other material items of expense	**240**	**235**	**2.1**
Allocations to provisions	90	67	34.3
Operating lease expenses	120	85	41.2
Expenses arising from building and architects' services	18	17	5.9
Hire-purchase expenses and sublease expenses	7	7	0.0
Expenses from investment properties	2	18	−88.9
Expenses from non-current assets held for sale	1	38	−97.4
Expenses from disposal of fixed assets	2	3	−33.3
Other material items of income	**354**	**354**	**0.0**
Reversals of provisions	164	111	47.7
Operating lease income	134	130	3.1
Income from insurance business	–	6	.
Income from building and architects' services	2	1	100.0
Hire-purchase income and sublease income	18	21	−14.3
Income from investment properties	7	58	−87.9
Income from non-current assets held for sale	6	22	−72.7
Income from disposal of fixed assets	23	5	.
Balance of exchange rate changes	3	−31	.
Balance of sundry tax income/expenses	−36	−19	89.5
Balance of sundry other income/expenses	15	0	.
Other net income	**96**	**69**	**39.1**

[1] Prior-year figures restated due to retrospective changes (see page 48.).

(7) Operating expenses

€m	1.1.–30.9.2016	1.1.–30.9.2015[1]	Change in %
Personnel expenses	2,761	2,932	−5.8
Administrative expenses	2,147	2,124	1.1
Depreciation/amortisation of fixed assets and other intangible assets	420	357	17.6
Total	**5,328**	**5,413**	**−1.6**

[1] Prior-year figures restated due to retrospective changes (see page 48).

The administrative expenses include €155m for bank levies in the current financial year (previous year: €165m).

(8) Impairments on goodwill and other intangible assets

€m	1.1.–30.9.2016	1.1.–30.9.2015	Change in %
Goodwill	592	–	.
Other intangible assets	35	–	.
Total	**627**	**–**	**.**

A reorganisation of the segment structure has been announced as part of the "Commerzbank 4.0" strategy as a result a goodwill impairment to the recognition of an impairment of €592m in the segement Corporate Clients resprectively former Corporate & Markets CGU (see note 18). We also recognised an impairment of €35m on the customer base of the new Corporate Clients segment. This depreciation is associated only to the impairment test.

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(9) Restructuring expenses

€m	1.1.–30.9.2016	1.1.–30.9.2015	Change in %
Expenses for restructuring measures introduced	97	94	3.2
Total	**97**	**94**	**3.2**

The restructuring expenses of €97m in the first three quarters of financial year 2016 related to the realignment of the Corporate Clients segment (until 30 September, the Corporates & Markets segment) in London and New York and the restructuring of various back office units in Germany. The restructuring expenses in the prior year related to the realignment of Corporate Clients segments (until 30 September, the Corporates & Markets segment) in London and New York, the creation of global centres of competence and the reorganisation of our operations in Luxembourg.

(10) Taxes on income

Group tax expense was €161m as at 30 September 2016. With pre-tax profit of €338m, the Group's effective tax rate was therefore 47.6% (Group income tax rate: 31.42%). Group tax expense derived mainly from current tax expenses of the mBank sub-group, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft in Luxembourg for the current year. The non-deductibility of the goodwill impairment in the third quarter for tax purposes was one of the main items that raised the tax rate. The tax rate was also affected by the remeasurement of deferred tax assets as a result of the additional limit imposed by the UK authorities on the amount of tax loss carryforwards that can be offset annually against future profits and inverse tax income as a result of the incorporation of the 2017 to 2020 multi-year planning. The low tax rates in Poland and the UK on the operating profits generated there continue to reduce the Group's tax rate.

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(11) 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.

The Board of Managing Directors announced a new segment structure with effect from 30 September 2016 as part of the "Commerzbank 4.0" strategy. As prior-year figures are not available for the new structure for technical reasons, we have reported on the new structure using current data. We have also provided the segment reporting in the old structure as at 30 September 2016 including prior-year figures. We will report on the new segment structure with comparative data as at 31 December 2016.

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. Following IAS 8, retrospective restatements of the income statement and balance sheet have been allocated to the segments in segment reporting in line with their responsibilities (see page 48 ff.).

Our new segment reporting will contain information on three segments subject to reporting plus the Others and Consolidation segment. The two new segments Private and Small Business Customers and Corporate Clients will concentrate on the bank's core business.

- Private and Small Business Customers segment:
  This segment brings together the previous Private Customers and Central & Eastern Europe segments plus Commerzbank's small business customers. Small business customers consist of the business customers and smaller Mittelstand customers that were previously included in the Mittelstandsbank.

The new Private and Small Business Customers segment comprises the Private and business customers, together with the subsidiaries comdirect bank, Commerz-Real and mBank.

- Corporate Clients segment:
  This new segment combines the previous segments Corporates & Markets as well as the big corporate customers from Mittelstandsbank, building on the strenghths of the Mittelstandsbank and integrating products and services from the capital market business with relevance for customers.
- Asset & Capital Recovery segment
  (See description under "Former segment structure".)
- Others and Consolidation:
  (See description under "Former segment structure".)

As part of the provisional reconciliation, the cost allocation processes for the segments were brought into line with the new structure. Therefore allocation processes have been partly simplified.

Former segment structure:
Our former segment reporting covered five operating segments plus the Others and Consolidation segment

- Commerzbank has a dual-brand strategy in the Private Customers segment. The Private Customers segment comprises the Private Customers division with the branch network under the Commerzbank brand and the Direct Banking division under the comdirect bank Aktiengesellschaft brand. The asset manager Commerz Real Aktiengesellschaft is the third division within the Private Customers segment. The branch bank in Germany serves private, business and domestic wealth management customers in five sub-regions. It concentrates on four key competences: investment, particularly securities and asset management, lending with a focus on mortgages and consumer loans, payments and pensions. International wealth management customers are looked after by International Wealth Management (IWM). IWM's Luxembourg business was sold on 4 July 2016. The sales channels comprise firstly the branches, which form a comprehensive branch network. Secondly, Commerzbank has been systematically investing in expanding its digital platform since 2013 and has steadily developed the functionality of its online banking portal. The Bank is also continuing to invest in mobile banking as an integral part of the multi-channel approach in the Bank's private customer business. The Private Customers coordination unit is responsible for the development and management of the branch bank. his department is also responsible for Commerz Direktservice GmbH, which provides call centre services for Commerzbank customers. Commerz Finanz GmbH, the joint venture with BNP Paribas focused on consumer lending, is managed centrally by the Private Customers coordination unit as well and reports its results there. Following the final winding-up of the former Hypothekenbank Frankfurt Aktiengesellschaft on 13 May 2016, the private real estate portion of its private customer portfolio, which had already been included in the results of the Commerzbank Group's Private Customers division, was transferred to Commerzbank Aktiengesellschaft. The transfer had no impact on Group consolidated profit. The Direct Banking division includes both B2B (ebase) and B2C businesses (comdirect) and provides standardised, primarily internet-based, advisory and service offerings for customers. Commerz Real Aktiengesellschaft is a further division of the Private Customers segment (excluding the shipping portfolio). Its product range comprises open-ended real estate funds (hausinvest), asset structuring of investment products for private and institutional investors (real estate, infrastructure including tankers, aircraft, rolling stock and renewable energy), asset structuring of financing products and 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 revenue of over €500m (except for multinational corporates that are handled by Advisory & Primary Markets within the Corporates & Markets segment). Smaller groups with a strong capital market affinity are also serviced by this division. We broadened our core markets to Europe in 2015. This is a further step towards strengthening our market position in Europe by supporting our customers as a strategic partner. Moreover, we have established a centre of competence for customers from the energy sector together with a further centre of competence for corporate client real estate, which makes our expertise in commercial real estate

finance available to our corporate client base. By doing so the Mittelstandsbank is rigorously pursuing its strategy as a full-service provider for its corporate customers in Germany, with a clear focus on financing the real economy. 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 ensures that we are a reliable partner for our customers at all times via a global correspondent banking network. We cover the entire value chain of Commerzbank's corporate customers.

- 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. Advisory & Primary Markets covers arrangement and advisory services for equity, hybrid and debt instruments, securitisation solutions and mergers & acquisitions and handles German multinational industrial companies, German and international insurers, private equity investors, sovereign wealth funds and public-sector customers. 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.
- The Asset & Capital Recovery segment (ACR) brings together the remaining former non-core assets portions of the Commercial Real Estate, Public Finance (including Private Finance Initiatives) and Deutsche Schiffsbank (DSB) divisions, which have not been transferred to other segments. Only non-impaired assets with high internal valuations were transferred to the other segments. ACR largely comprises complex sub-portfolios with long maturities which do not meet, or only partly meet, the criteria listed above (i.e. non-impaired assets with high internal valuations). The commercial real estate and public finance assets not included in the other segments belonged predominantly to the Commerzbank subsidiary Hypothekenbank Frankfurt Aktiengesellschaft until 13 May 2016. Commerzbank completed the winding-up of its 100% subsidiary Hypothekenbank Frankfurt Aktiengesellschaft (HF), formerly Eurohypo Aktiengesellschaft, on 13 May 2016. HF's commercial real estate and public finance portfolios, which were already included in the results of the ACR segment, were transferred to Commerzbank Aktiengesellschaft. The DSB division comprises the ship finance activities of the Commerzbank Group and remains in the ACR segment. It also contains the ship financing business of the former Deutsche Schiffsbank Aktiengesellschaft. The ACR segment also comprises the shipping portfolio of the warehouse assets of Commerz Real.
- 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. Improvements in methodology and more granular cost allocation processes led to the allocation of previously unallocated costs to the segments in the first quarter of 2016. In addition the role of Group Treasury as an internal service provider was taken into account as part of the cost allocation. The prior-year figures have been restated accordingly. 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, Common Equity Tier 1 (CET1) capital on a fully phased-in basis is shown, which is used to calculate the return on equity. The reconciliation of average capital employed to CET1 capital is carried out in Others and Consolidation. The prior-year figures have been restated accordingly. 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. When showing the elimination of intragroup profits from intragroup transactions in segment reporting the transferring segment is treated as if the transaction had taken place outside the Group. Intragroup profits and losses are therefore eliminated in Others and Consolidation.

The operating expenses reported under operating profit or loss contain personnel expenses, other operating expenses as well as depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses 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 €712m (previous year: €703m) and were divided over the segments as follows: Private Customers €476m (previous year: €431m), Mittelstandsbank €108m (previous year: €104m), Central & Eastern Europe €2m (previous year: €–m), Corporates & Markets €125m (previous year: €124m) and Asset & Capital Recovery €1m (previous year: €44m)

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The table below shows a reconciliation of the segment data in the new divisional structure.

1.1.–30.9.2016 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,851	2,372	14	–416	3,821
Loan loss provisions	–100	–220	–292	2	–610
Net interest income after loan loss provisions	1,751	2,152	–278	–414	3,211
Net commission income	1,452	947	2	–22	2,379
Net trading income and net income from hedge accounting	43	–45	31	276	305
Net investment income	148	52	–5	62	257
Current net income from companies accounted for using the equity method	124	18	–	–	142
Other net income	18	22	–12	68	96
Income before loan loss provisions	*3,636*	*3,366*	*30*	*–32*	*7,000*
Income after loan loss provisions	*3,536*	*3,146*	*–262*	*–30*	*6,390*
Operating expenses	2,691	2,223	97	317	5,328
Operating profit or loss	**845**	**923**	**–359**	**–347**	**1,062**
Impairments on goodwill and other intangible assets	–	627	–	–	627
Restructuring expenses	–	22	–	75	97
Pre-tax profit or loss	**845**	**274**	**–359**	**–422**	**338**
Assets	**117,073**	**229,317**	**30,875**	**136,179**	**513,444**
Liabilities and equity	**137,620**	**239,310**	**22,465**	**114,049**	**513,444**
Average capital employed[1]	**4,203**	**11,600**	**3,346**	**4,032**	**23,181**
Operating return on equity[2] (%)	**26.8**	**10.6**	**–14.3**	**–11.5**	**6.1**
Cost/income ratio in operating business (%)	**74.0**	**66.0**	**.**	**.**	**76.1**
Return on equity of pre-tax profit or loss[2] (%)	**26.8**	**3.1**	**–14.3**	**–14.0**	**1.9**
Staff (average headcount)	23,704	7,245	1	18,049	48,999

[1] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation. The figures for average CET1 capital with full application of Basel 3 include the consolidated profit attributable to Commerzbank shareholders that is available for recapitalisation.
[2] Annualised.

The tables below contain information on the previous segment structure as at 30 September 2016 and on the comparative figures for the prior-year period

1.1.–30.9.2016 €m	**Private Customers**	**Mittel-standsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Asset & Capital Recovery**	**Others and Consoli-dation[3]**	**Group**
Net interest income	1,338	1,343	452	1,090	14	–416	3,821
Loan loss provisions	–11	–213	–74	–22	–292	2	–610
Net interest income after loan loss provisions	1,327	1,130	378	1,068	–278	–414	3,211
Net commission income	1,268	727	152	252	2	–22	2,379
Net trading income and net income from hedge accounting	–	3	43	–48	31	276	305
Net investment income	84	3	64	49	–5	62	257
Current net income from companies accounted for using the equity method	124	7	–	11	–	–	142
Other net income	9	8	9	14	–12	68	96
Income before loan loss provisions	*2,823*	*2,091*	*720*	*1,368*	*30*	*–32*	*7,000*
Income after loan loss provisions	*2,812*	*1,878*	*646*	*1,346*	*–262*	*–30*	*6,390*
Operating expenses	2,232	1,238	403	1,041	97	317	5,328
Operating profit or loss	**580**	**640**	**243**	**305**	**–359**	**–347**	**1,062**
Impairments on goodwill and other intangible assets	–	–	–	138	–	489	627
Restructuring expenses	–	–	–	22	–	75	97
Pre-tax profit or loss	**580**	**640**	**243**	**145**	**–359**	**–911**	**338**
Assets	**85,161**	**91,975**	**29,997**	**139,257**	**30,875**	**136,179**	**513,444**
Liabilities and equity	**106,601**	**131,956**	**25,789**	**112,584**	**22,465**	**114,049**	**513,444**
Average capital employed[1]	**2,390**	**7,971**	**1,664**	**3,778**	**3,346**	**4,032**	**23,181**
Operating return on equity[2] (%)	**32.4**	**10.7**	**19.5**	**10.8**	**–14.3**	**–11.5**	**6.1**
Cost/income ratio in operating business (%)	**79.1**	**59.2**	**56.0**	**76.1**	**.**	**.**	**76.1**
Return on equity of pre-tax profit or loss[2] (%)	**32.4**	**10.7**	**19.5**	**5.1**	**–14.3**	**–30.1**	**1.9**
Staff (average headcount)	15,236	5,678	8,159	1,876	1	18,049	48,999

[1] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation. The figures for average CET1 capital with full application of Basel 3 include the consolidated profit attributable to Commerzbank shareholders that is available for recapitalisation.
[2] Annualised.
[3] Includes an item reconciling to consolidated profit or loss relating to impairments of goodwill and other intangible assets of €489m of the new Corpore Clients segment.

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1.1.–30.9.2015[1] €m	**Private Customers**	**Mittel-standsbank**	**Central & Eastern Europe**	**Corporates & Markets**	**Asset & Capital Recovery**	**Others and Consoli-dation**	**Group**
Net interest income	1,469	1,419	409	1,225	132	–470	4,184
Loan loss provisions	–51	–110	–75	25	–311	–62	–584
Net interest income after loan loss provisions	1,418	1,309	334	1,250	–179	–532	3,600
Net commission income	1,353	820	159	270	14	–21	2,595
Net trading income and net income from hedge accounting	1	49	60	133	86	438	767
Net investment income	–	–61	46	6	–202	105	–106
Current net income from companies accounted for using the equity method	36	3	–	11	–2	–2	46
Other net income	11	–15	13	2	34	24	69
Income before loan loss provisions	*2,870*	*2,215*	*687*	*1,647*	*62*	*74*	*7,555*
Income after loan loss provisions	*2,819*	*2,105*	*612*	*1,672*	*–249*	*12*	*6,971*
Operating expenses	2,264	1,195	358	1,129	150	317	5,413
Operating profit or loss	**555**	**910**	**254**	**543**	**–399**	**–305**	**1,558**
Impairments on goodwill and other intangible assets	–	–	–	–	–	–	–
Restructuring expenses	–	–	–	57	16	21	94
Pre-tax profit or loss	**555**	**910**	**254**	**486**	**–415**	**–326**	**1,464**
Assets	**79,618**	**101,078**	**29,735**	**192,699**	**23,776**	**140,911**	**567,817**
Liabilities and equity	**102,599**	**148,203**	**25,364**	**164,368**	**12,941**	**114,342**	**567,817**
Average capital employed[2]	**2,984**	**8,376**	**1,691**	**4,167**	**4,359**	**305**	**21,882**
Operating return on equity[3] (%)	**24.8**	**14.5**	**20.0**	**17.4**	**–12.2**	**.**	**9.5**
Cost/income ratio in operating business (%)	**78.9**	**54.0**	**52.1**	**68.5**	**.**	**.**	**71.6**
Return on equity of pre-tax profit or loss[3] (%)	**24.8**	**14.5**	**20.0**	**15.6**	**–12.7**	**.**	**8.9**
Staff (average headcount)	15,617	5,865	8,156	1,929	.	18,255	49,822

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.) and the change in the structure of the segments.
[2] Average CET1 capital with full application of Basel 3. Reconciliation carried out in Others & Consolidation. The figures for average CET1 capital with full application of Basel 3 include the consolidated profit attributable to Commerzbank shareholders that is available for recapitalisation.
[3] Annualised.

Details for Others and Consolidation:

€m	1.1.–30.9.2016			1.1.–30.9.2015[1]		
	Others	Consoli-dation[2]	Others and Consolidation	Others	Consolidation	Others and Consoli-dation
Net interest income	−263	−153	−416	−436	−34	−470
Loan loss provisions	2	–	2	−62	–	−62
Net interest income after loan loss provisions	−261	−153	−414	−498	−34	−532
Net commission income	−18	−4	−22	−16	−5	−21
Net trading income and net income from hedge accounting	245	31	276	428	10	438
Net investment income	78	−16	62	104	1	105
Current net income from companies accounted for using the equity method	–	–	–	−2	–	−2
Other net income	80	−12	68	31	−7	24
Income before loan loss provisions	*122*	*−154*	*−32*	*109*	*−35*	*74*
Income after loan loss provisions	*124*	*−154*	*−30*	*47*	*−35*	*12*
Operating expenses	341	−24	317	337	−20	317
Operating profit or loss	**−217**	**−130**	**−347**	**−290**	**−15**	**−305**
Impairments on goodwill and other intangible assets	–	489	489	–	–	–
Restructuring expenses	69	6	75	21	–	21
Pre-tax profit or loss	**−286**	**−625**	**−911**	**−311**	**−15**	**−326**
Assets	**135,935**	**244**	**136,179**	**140,911**	**–**	**140,911**
Liabilities and equity	**113,900**	**149**	**114,049**	**114,342**	**–**	**114,342**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff.) and the change in the structure of the segments.
[2] Includes an item reconciling to consolidated profit or loss relating to impairments of goodwill and other intangible assets of €489m of the new Corpore Clients segment.

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.
- 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.

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

1.1.–30.9.2016 €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,619	1,015	64	123	–	3,821
Loan loss provisions	–425	–186	9	–8	–	–610
Net interest income after loan loss provisions	2,194	829	73	115	–	3,211
Net commission income	1,997	325	36	21	–	2,379
Net trading income and net income from hedge accounting	–152	421	–14	50	–	305
Net investment income	115	137	3	2	–	257
Current net income from companies accounted for using the equity method	133	5	4	–	–	142
Other net income	51	43	3	–1	–	96
Income before loan loss provisions	*4,763*	*1,946*	*96*	*195*	–	*7,000*
Income after loan loss provisions	*4,338*	*1,760*	*105*	*187*	–	*6,390*
Operating expenses	4,176	950	94	108	–	5,328
Operating profit or loss	**162**	**810**	**11**	**79**	**–**	**1,062**
Credit-risk-weighted assets	**96,892**	**47,173**	**4,029**	**2,935**	–	**151,029**

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

1.1.–30.9.2015[1] €m	Germany	Europe excluding Germany	America	Asia	Others	Total
Net interest income	2,198	1,702	136	148	–	4,184
Loan loss provisions	–376	–219	7	4	–	–584
Net interest income after loan loss provisions	1,822	1,483	143	152	–	3,600
Net commission income	2,125	384	37	49	–	2,595
Net trading income and net income from hedge accounting	769	14	–77	61	–	767
Net investment income	–105	–2	–	1	–	–106
Current net income from companies accounted for using the equity method	36	4	3	3	–	46
Other net income	71	19	–16	–5	–	69
Income before loan loss provisions	*5,094*	*2,121*	*83*	*257*	–	*7,555*
Income after loan loss provisions	*4,718*	*1,902*	*90*	*261*	–	*6,971*
Operating expenses	4,220	995	96	102	–	5,413
Operating profit or loss	**498**	**907**	**–6**	**159**	**–**	**1,558**
Credit-risk-weighted assets	**108,450**	**56,312**	**3,979**	**3,041**	–	**171,782**

[1] Prior-year figures restated due to the launch of a new IT system plus other restatements (see page 48 ff).

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

Notes to the balance sheet

(12) Claims on banks

€m	30.9.2016	31.12.2015	Change in %
Due on demand	26,631	23,553	13.1
With a residual term	42,435	48,341	−12.2
up to three months	23,086	25,122	−8.1
over three months to one year	12,692	15,891	−20.1
over one year to five years	6,171	6,855	−10.0
over five years	486	473	2.7
Total	**69,066**	**71,894**	**−3.9**
of which reverse repos and cash collaterals	43,268	43,774	−1.2
of which relate to the category:			
Loans and receivables	48,068	49,274	−2.4
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	20,998	22,620	−7.2

Claims on banks after deduction of loan loss provisions amounted to €68,989m (previous year: €71,810m).

(13) Claims on customers

€m	30.9.2016	31.12.2015	Change in %
With an indefinite residual term	24,006	23,778	1.0
With a residual term	201,073	198,959	1.1
up to three months	32,952	29,472	11.8
over three months to one year	22,044	23,666	−6.9
over one year to five years	61,398	64,810	−5.3
over five years	84,679	81,011	4.5
Total	**225,079**	**222,737**	**1.1**
of which reverse repos and cash collaterals	15,516	14,980	3.6
of which relate to the category:			
Loans and receivables	213,084	211,350	0.8
Available-for-sale financial assets	–	–	.
At fair value through profit or loss (fair value option)	11,995	11,387	5.3

Claims on customers after deduction of loan loss provisions amounted to €221,344m (previous year: €218,875m).

(14) Total lending

€m	30.9.2016	31.12.2015	Change in %
Loans to banks	19,638	22,617	–13.2
Loans to customers	209,562	207,757	0.9
Total	**229,200**	**230,374**	**–0.5**

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

(15) Loan loss provisions

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

Development of provisioning | €m	2016	2015	Change in %
As at 1.1.	**4,192**	**6,013**	**–30.3**
Allocations	1,142	1,503	–24.0
Disposals	1,304	2,777	–53.0
Utilisation	771	1,704	–54.8
Reversals	533	1,073	–50.3
Changes in consolidated companies	–	–12	–100.0
Exchange rate changes/reclassifications/unwinding	–7	–150	–95.3
As at 30.9.	**4,023**	**4,577**	**–12.1**

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 €610m (30 September 2015: €584m) (see Note 2).

Loan loss provisions | €m	30.9.2016	31.12.2015	Change in %
Specific valuation allowances	3,256	3,282	–0.8
Portfolio valuation allowances	556	664	–16.3
Provisions for on-balance-sheet loan losses	**3,812**	**3,946**	**–3.4**
Specific loan loss provisions	84	110	–23.6
Portfolio loan loss provisions	127	136	–6.6
Provisions for off-balance-sheet loan losses	**211**	**246**	**–14.2**
Total	**4,023**	**4,192**	**–4.0**

For claims on banks, loan loss provisions amounted to €77m (previous year: €84m) and for claims on customers to €3,735m (previous year: €3,862m).

(16) Trading assets

The Group's trading activities include trading in:

- Bonds, notes and other interest-rate-related securities,
- Shares and other equity-related securities as well as 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	30.9.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities	8,833	9,150	−3.5
Promissory note loans and other claims	1,010	1,542	−34.5
Shares, other equity-related securities and units in investment funds	22,348	26,410	−15.4
Positive fair values of derivative financial instruments	71,857	76,711	−6.3
Interest-rate-related derivative transactions	51,777	56,088	−7.7
Currency-related derivative transactions	11,627	15,174	−23.4
Other derivative transactions	8,453	5,449	55.1
Other trading assets	427	871	−51.0
Total	**104,475**	**114,684**	**−8.9**

Other transactions involving positive fair values of derivative financial instruments consisted mainly of €5,722m in equity derivatives (previous year: €1,450m) and €1,639m in credit derivatives (previous year: €1,650m).

(17) Financial investments

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

€m	30.9.2016	31.12.2015	Change in %
Bonds, notes and other interest-rate-related securities[1]	74,419	80,798	−7.9
Shares, other equity-related securities and units in investment funds	715	746	−4.2
Equity holdings	224	232	−3.4
Holdings in non-consolidated subsidiaries	158	163	−3.1
Total	**75,516**	**81,939**	**−7.8**
of which relate to the category:			
Loans and receivables[1]	32,742	36,486	−10.3
Available-for-sale financial assets	41,907	43,026	−2.6
of which measured at amortised cost	217	307	−29.3
At fair value through profit or loss (fair value option)	867	2,427	−64.3

[1] Reduced by portfolio valuation allowances for reclassified securities of €23m (previous year: €40m).

As at 30 September 2016 the financial investments included €217m (previous year: €307m) of equity-related financial instruments which are predominantly unlisted (e.g. shareholdings in limited companies) and are measured at amortised cost, as we do not have any reliable data to calculate fair value for these assets. We plan to continue to hold these financial instruments.

In the first nine months of 2016 equity-related financial instruments with a carrying amount of €2m (previous year: €99m) measured at amortised cost were derecognised from the category of available-for-sale financial assets. This resulted in net income of €8m (previous year: €1m).

The revaluation reserve after deferred taxes for the securities reclassified from the available-for-sale financial assets category to the loans and receivables category in 2008 and 2009 was €–0.4bn as at 30 September 2016 (previous year: €–0.5bn). Without these reclassifications, the revaluation reserve for these portfolios after deferred taxes would have been €–2.6bn (previous year: €–2.3bn) as at 30 September 2016; the carrying amount of these portfolios on the balance sheet date was €30.7bn (previous year: €34.4bn) and fair value was €27.6bn (previous year: €31.8bn).

(18) Intangible assets

Intangible assets mainly consist of software, customer relationships and goodwill. When assessing whether to recognise the development costs of in-house developed software as an intangible asset, the main criteria applied are the ability to reliably determine the manufacturing costs and the probability of the future flow of benefits. Research costs are not recognised as an asset. Intangible assets are reported at amortised cost. Due to their finite useful economic lives, software and customer relationships are written off on a straight-line basis over their prospective useful lives. Moreover, the assets are reviewed at every balance sheet date to determine whether the carrying amounts exceed the recoverable amounts. If so, an impairment is recognised. In the case of goodwill our assumption is that it can generate cash flows indefinitely. As a result, goodwill with an indefinite useful economic life is not amortised, but is instead tested for impairment at least once a year.

a) Goodwill

A new segment structure from 30 September 2016 has been announced as part of the "Commerzbank 4.0" strategy. The announcement of large-scale restructuring measures and the associated resegmentation together with an increase in the market risk premium parameter assumed for the Cash Generating Units (CGUs) represent a trigger event for impairment testing. As a result, it was necessary to carry out a goodwill impairment test on the basis of both the previous CGUs (segments) and the new segment structure.

The comparison of recoverable amount (value in use) and carrying amount on the basis of the previous segment structure led in a first step to the recognition of an impairment in the Corporates & Markets CGU amounting to €138m with a recoverable amount of €0.95bn. The other CGUs had excess cover, as the recoverable amounts were above their carrying amounts. The attribution of customers from the former Mittelstandsbank CGU to the new Private and Business customers CGU led to the transfer of €179m of the goodwill of the former Mittelstandsbank CGU. The remaining €454m of goodwill in the former Mittelstandsbank CGU was allocated to the new Corporate Clients CGU. In addition the goodwill of €226m previously attributed to the Central & Eastern Europe CGU was transferred to the new Private and Small Business Customers CGU.

A further impairment test had to be carried out simultaneously under the new segment structure, as the transfer of the former Corporates & Markets segment to the newly created Corporate Clients CGU gave rise to a significant impairment. This led to a full write-down of goodwill in the amount of €454bn in the Corporate Clients CGU with a recoverable amount of €11.64m.

b) Changes in other intangible assets

As part of the impairment test carried out in the third quarter of 2016, goodwill and other non-financial assets were tested for impairment. The analysis, based on the former segment structure, led to the recognition of an impairment in the Corporates & Markets CGU. The goodwill of €138m attributed to this segment was written off in full. There were no other impairments for non-financial assets in this CGU.

The goodwill of €454m allocated to the Corporate Clients CGU in the new structure was also impaired and was written off in full. As the impairment exceeded the goodwill recognised in the CGU, this represents a trigger event for non-financial assets. This led to a write-down of the customer base, which had been recognised as an intangible asset, by €35m. The basis for this write-down of the customer base was its fair value less costs to sell (Level 3). The expenses connected exclusively with the impairment test were recognised in the income statement under impairments of goodwill and other intangible assets.

€m	30.9.2016	31.12.2015	Change in %
Goodwill	1,484	2,076	–28.5
Other intangible assets	1,475	1,449	1.8
Customer relationships	250	315	–20.6
In-house developed software	826	738	11.9
Purchased software	381	377	1.1
Other	18	19	–5.3
Total	**2,959**	**3,525**	**–16.1**

Asignment Goodwill per segment:

€m	30.09.2016
Private and Small Business Customers	1,484
Corporate Clients	–
Total	1,484

c) Impairment test methodology for goodwill and other intangible assets

All goodwill is allocated to the CGU´s at the time of acquisition. Commerzbank has defined the segments as CGU´s in accordance with IFRS 8. Further details on the segments are provided in Note 11. In accordance with IAS 36 these assets are tested for impairment at the level of the CGU´s at least at every balance sheet date and if a trigger event occurs. Due to the reorganisation of the segment structure with effect from 30 September 2016, the annual impairment test needed to be carried out for both the old and new segment structures. In this process, the carrying amount of the capital employed in a segment as a CGU (including the attributed goodwill) is compared with the recoverable amount of these assets. The carrying amount of the capital employed is determined by allocating the Group's capital to the CGU´s. First, all directly allocable components are allocated to the segments and then the remaining capital is allocated to the segments in proportion to their total risk-weighted assets. Solely for the purposes of the goodwill impairment test, the Group equity allocated to Others and Consolidation is allocated completely to the other segments based on the ratio of risk-weighted assets to total risk-weighted assets. The recoverable amount is the higher of value in use and fair value less cost of disposal. The value in use is based on the expected results of the unit and the cost of capital as set out in the multi-year planning for the individual segments approved by the board. Again, solely for the purposes of the impairment test, the main expenses in Others & Consolidation are also distributed to the segments based on a precise key. If the value in use falls below the carrying amount, the fair value less costs of disposal is also calculated. The higher of the two figures is reported

d) Assumptions of the impairment test for goodwill and other intangible assets

Commerzbank uses the Capital Asset Pricing Model (CAPM), with inputs mainly from parameters observable on the market, in order to calculate goodwill using the discounted cash flow calculation. The risk-adjusted interest rates deriving from the model are used to discount the expected cash flows of the cash-generating units. This produces the recoverable amount, which can be higher or lower than the carrying amount. If the recoverable amount is lower than the carrying amount, Commerzbank initially recognises an impairment on the goodwill of the cash-generating unit, which is reported under impairments of goodwill and other intangible assets in the income statement. Any additional impairment required is divided pro-rata between the remaining assets in the unit and is also reported in this item in the income statement. The expected results of the cash-generating units are generally based on the segments' multi-year planning, which has a horizon of four years. If projections are needed for financial years beyond this, a sustainable level of results and a constant growth rate based on forecasts for GDP growth and inflation are assumed, which is then incorporated in the calculation of the long-term growth rate. A long-term growth rate of 1.6% is assumed for the new Private and Small Business Customers and 1.5% for the new Corporate Clients segment. In the old segment structure, a long-term growth rate of 1.5% was assumed for the Private Customers, Mittelstandsbank and Corporates & Markets segments 1.5% (previous year: 1.5%) and 1.8% for the Central & Eastern Europe segment (previous year: 1.8%). In addition to profitability projections, the multi-year planning also relies on forecasts for risk-weighted assets and capital employed, subject to the regulatory minimum capital ratios. The main value drivers are receivables volumes, net interest income after loan loss provisions and net commission income. Risk assets are a further sensitive planning parameter. The projections are based on forecasts from the economic research department for the main parameters such as movements in interest rates, exchange rates and equity and bond markets. Planning is based both on management's past experience and an assessment of risks and opportunities in line with the forecasts.

The main management assumptions on which the cash flow forecasts for each CGU were based and the management approach chosen were as follows for the former segment structure:

Segment	Main assumptions	Management approach
Private Customers	New private customer strategy – strategic investment in growth with simultaneous stabilisation of costs: • Continuing to develop from a branch bank to a multi-channel bank • Creating growth through innovative approaches to new customer growth and serving the existing customer base with an attractive digital strategy • Boosting efficiency by digitising processes and streamlining the product range and through active cost management by optimising organisational structures • Expanding and strengthening Commerz Real's market position, e.g. through leadership as the first digital asset manager and integrated investment service provider • Growth path of comdirect through the expansion of innovative and smart asset management in securities	• Central assumptions are based on internal and external studies on economic development and the market • Management projections for growth in new customers and the stabilisation of costs are based on progress achieved so far • Institutionalised customer surveys and measurement of customer satisfaction
Mittelstandsbank	Further strategic expansion and strengthening of its position by: • Gaining new customers, particularly among smaller Mittelstand companies, while increasing market share among the larger Mittelstand and large customers • International growth by scaling up the existing business model • Further expanding the loan business and thus boosting net interest income • Strengthening the commercial business with the aim of further expanding Commerzbank's market position in the trade services business • Implementation of a systematic and overarching digitisation strategy by creating or modernising access channels, products and services including the underlying processes and IT infrastructure • Investing to realise the strategic targets, particularly in IT infrastructure • Efficiency measures to slow down the rise in costs • Increasing profitability through capital management and mitigating the impact of the low interest rate environment	• Use of internal and external sources for main economic assumptions • Stabilisation of costs based on progress achieved so far • Management estimates of planned revenue growth based on investments already carried out and planned • Analyses of market potential form the basis for boosting market share and winning new customers • Above-average growth opportunities at international locations • Market analysis and customer surveys on relevant digitisation issues • Awareness of the impact of regulatory changes

Segment	Main assumptions	Management approach
Central & Eastern Europe	Continued implementation of the 2016–2020 Mobile Bank strategy for organic growth, announced in June 2016, through: • Continuation of the multi-channel digitisation strategy, particularly in the private customer business (expansion of market leadership in mobile & transaction banking) • Exploiting existing business potential more fully, especially by growing the consumer credit and deposit business with private customers • Exploiting new customer potential, particularly with young customers entering the banking market for the first time (ages 17-20) and through stronger customer acquisition in towns with a population of under 200,000 • Cooperation with AXA in innovative insurance products • Further strengthening our position in the medium-sized corporate customer business and expanding the cross-border corporate business • Expanding the mobile offering for corporate customers • Diversification of funding, particularly through customer deposits and use of the capital market • Further efficiency gains through digitised processes and active cost management	• Central assumptions based on internal and external studies on the outlook for the economy and banking sector growth • Management projections of market potential from new business growth, cross-selling and efficiency measures • All initiatives that are part of the One Bank strategy are based on business plans developed by management
Corportes & Markets	• Gradual stabilisation of the capital markets with continued vulnerability to higher short-term volatility and international turmoil • Generation of revenue in corporate finance by supporting our customers in financing their companies and optimising their balance sheet structure • Stable revenue in Fixed Income & Currencies • Continued cost cuts through simplification and harmonisation of processes • Growth in credit portfolio management through the expansion of loan books in selected markets • Further streamlining of structures and processes to achieve greater synergies/savings	• Use of internal and external sources for main economic and financial market assumptions • Analysis of customer needs for hedging and liquidity products • Market situation incorporated in estimates of volumes and margins • Bringing results of optimisation and rationalisation projects to fruition and compensating for regulatory costs • Broad and balanced structure of the segment to manage temporary volatility in the different capital mark

The main management assumptions on which the cash flow forecasts for the respective CGU are based are as follows for the new segment structure:

Segment	Main assumtions	Management approach
Private and Small Business Customers	• New private customer strategy – strategic investment in growth with simultaneous stabilisation of costs: Continuing to develop from a branch bank to a multi-channel bank • Creating growth through innovative new customer acquisition and a targeted digital sales approach with our existing customer base • Boosting efficiency by digitising processes, establishing a channel-independent platform for producing digital instalment loans in own loan book, streamlining the product range and active cost management through optimisation of organisational structures • Expansion and strengthening of Commerz Real's market position, e.g. through lead role as the first digital asset manager and integrated investment service provider • Growth path of comdirect through the expansion of innovative and smart asset management in securities • mBank with successive implementation of the 2016–2020 Mobile Bank strategy for organic growth announced in June 2016 – Continuation of our digitisation strategy with multichannel approach, particularly in the private customer business (expansion of market leadership in mobile & transaction banking) – Making better use of existing business potential, especially through the expansion of consumer credit and deposit business with private customers – Further strengthening of our position in the medium-sized corporate customer segment and expanding cross-border corporate business – Further efficiency gains through digitised processes and active cost management	• Central assumptions based on internal and external studies on economic development and the market • Management projections for growth in new customers and the stabilisation of costs are based on progress achieved so far • Institutionalised customer surveys and measurement of customer satisfaction • All initiatives that are part of the Mobile Bank strategy are based on business plans developed by management

Segment	Main assumtions	Management approach
Corporate Clients	• Gaining new corporate business in Germany and increasing market share among the larger Mittelstand and large customers • International growth by scaling up the existing business model • Further expanding the loan business and thus boosting net interest income • Strengthening the commercial business with the aim of further expanding Commerzbank's market position in the trade services business • Generation of revenues in corporate finance by supporting our customers in financing their companies and optimising their balance sheet structure • Stable revenue in Fixed Income & Currencies • Implementation of a systematic and overarching digitisation strategy by creating or modernising access channels, products and services and the underlying processes and IT infrastructure • Investing to realise strategic targets, particularly in IT infrastructure, and ongoing cost reductions through streamlining and standardisation of front- and back-office IT systems and processes • Increasing profitability through capital management and mitigating the impact of the low interest rate environment Ertragsstabilität im Bereich Fixed Income & Currencies	• Use of internal and external sources for main economic assumptions • Analysis of customer requirements for hedging and liquidity products taking account of the market situation in estimates of volumes and margins • Management estimates of anticipated cost reductions based on efficiency gains and process enhancements that are planned or have already been achieved • Management estimates of planned revenue growth based on investments already carried out and planned • Analyses of market potential form the basis for boosting market share and winning new customers • Above-average growth opportunities at international locations • Market analysis and customer surveys on relevant digitisation issues • Awareness of the impact of regulatory changes • Broad and balanced structure of the segment to manage temporary volatility in the different capital markets and the changing economic environment

Due to the assumptions underlying the cash flow forecasts and the uncertainties that are inevitably involved, the following circumstances may have an adverse impact on the cash flow forecasts of the CGU´s (the list is not exhaustive):

- Macroeconomic environment worse than expected
- Interest rate outturn differs from economic forecast
- Uncertainities about the regulatory environment, particularly the implementation of new rules at the European level
- Greater than expected adverse trend in intensity of competition

Risk-adjusted interest rates (before tax) were calculated on the basis of the risk-free interest rate, the market risk premium and the systematic risk (beta factor). We drew on data from external providers for the risk-free interest rate and the market risk premium. The beta factor was calculated on the basis of segment-specific comparator groups reflecting the specific investment risk of the segments.

Risk- adjusted interest rate former segment structure	30.09.2016	30.09.2015
Private Customers	9.9%	9.6%
Mittelstandsbank	10.2%	10.8%
Central & Eastern Europe	8.2%	9.2%
Corporates & Markets	12.5%	10.9%

Risk- adjusted interest rate new segment structure	30.09.2016
Private and Small Business Customers	9.4%
Corporate Clients	10.4%

Sensitivities

As at 30 September 2016 the recoverable amount corresponded to the value in use for all of Commerzbank's segments. The comparison of recoverable amount and book value in the goodwill impairment test on the basis of the former segment structure as at 30 September 2016 led in a first step to the recognition of an impairment of €138m in the Corporates & Markets CGU and in a second step to a further impairment of €454m in the Corporate Clients CGU in the new segment structure. The impairment in the Corporates & Markets CGU (former structure) was largely caused by the high capital commitment and low profitability of the Corporates & Markets segment. In the new Corporate Clients CGU, the impairment resulted from the transfer of the Corporate & Markets CGU to the new Corporate Clients CGU.

Varying the risk-adjusted interest rate (after tax) by −25 and +25 basis points (bps) for the detailed planning phase produced the following ratios of excess or deficient cover to carrying amount for both the new and old segment structures:

Former segment structure		Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets
Realistic value[1]	Assumed risk-adjusted interest rate	139.0%	3.4%	48.3%	−83.0%
Sensitivity analysis[1]	Risk-adjusted interest rate −25bps (advantageous)	152.0%	8.6%	60.1%	−82.6%
	Risk-adjusted interest rate +25bps (disadvantageous)	127.2%	−1.4%	37.7%	−83.4%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

New segment structure		Private and Small Business Customers	Corporate Clients
Realistic value[1]	Assumed risk-adjusted interest rate	120.5%	−31.6%
Sensitivity analysis[1]	Risk-adjusted interest rate −25bps (advantageous)	133.5%	−28.3%
	Risk-adjusted interest rate +25bps (disadvantageous)	108.6%	−34.7%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

Further sensitivities for the growth rate were determined on the basis of the realistic scenario for both the old and new segment structures:

Former segment structure		Private Customers	Mittelstands-bank	Central & Eastern Europe	Corporates & Markets
Sensitivity analysis[1]	Growth rate +25 bps (advantageous)	147.0%	5.1%	53.9%	−84.3%
	Growth rate −25 bps (disadvantageous)	131.7%	1.7%	43.3%	−81.8%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

New segment structure		Private and Small Business Customers	Corporate Clients
Sensitivity analysis[1]	Growth rate +25 bps (advantageous)	128.1%	–31.2%
	Growth rate –25 bps (disadvantageous)	113.4%	–32.0%

[1] Positive percent values indicate excess cover; negative percent values indicate deficient cover.

In the goodwill impairment test based on the former segment structure, the recoverable amounts were €403m or 3.4% above book value for the Mittelstandsbank CGU and €1,314m or 48.3% above book value for the Central & Eastern Europe CGU. The recoverable amount remained significantly above book value for the Private Customers CGU. The changes in the underlying premises and central planning assumptions that would equalise the recoverable amount and the book value are as follows:

Former segment structure	Private Customers	Mittelstandsbank	Central & Eastern Europe
Risk-adjusted interest rate (after taxes) from/to	7.3%/13.0%	7.3%/7.5%	6.8%/8.2%
Growth rate from/to	1.5%/negativ[1]	1.5%/1.0%	1.8%/negativ[1]
Loan loss provisions/risk-weighted assets based on the end of the planning phase and perpetuity from/to	73bp/271bp	46bp/51bp	80bp/131bp

[1] Impossible to quantify, as the recoverable amount is above book value even with a long-term growth rate of 0%.

New segment structure	Private and Small Business Customers
Risk-adjusted interest rate (after taxes) from/to	7.2%/11.6%
Growth rate from/to	1.6%/negativ[1]
Loan loss provisions/risk-weighted assets based on the end of the planning phase and perpetuity from/to	84bp/266bp

[1] Impossible to quantify, as the recoverable amount is above book value even with a long-term growth rate of 0%.

The forecasts for all cash-generating units can be adversely affected by global and sector-specific risks, which could lead to an impairment of goodwill. Some of the major risks include political uncertainty relating to the introduction of new regulations or the implementation of regulations that have already been enacted at both German and European level, as well as the impact of weaker economic growth and a continued low interest rate environment.

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(19) Fixed assets

€m	30.9.2016	31.12.2015[1]	Change in %
Land and buildings	460	958	−52.0
Office furniture and equipment	453	479	−5.4
Leased equipment	793	857	−7.5
Total	**1,706**	**2,294**	**−25.6**

[1] Prior-year figures restated due to the reclassification of leased equipment from other assets to fixed assets.

Land and buildings in the amount of €479m were transferred to non-current assets held for sale as at 30 September 2016.

(20) Other assets

€m	30.9.2016	31.12.2015[1]	Change in %
Collection items	15	18	−16.7
Precious metals	483	339	42.5
Accrued and deferred items	245	200	22.5
Initial/variation margins receivables	797	757	5.3
Defined benefit assets recognised	439	448	−2.0
Other assets	1,132	893	26.8
Total	**3,111**	**2,655**	**17.2**

[1] Prior-year figures restated due to the reclassification of leased equipment from other assets to fixed assets

(21) Liabilities to banks

€m	30.9.2016	31.12.2015	Change in %
Due on demand	32,731	34,516	−5.2
With a residual term	45,436	48,638	−6.6
up to three months	16,615	19,257	−13.7
over three months to one year	6,295	5,454	15.4
over one year to five years	10,788	13,341	−19.1
over five years	11,738	10,586	10.9
Total	**78,167**	**83,154**	**−6.0**
of which repos and cash collaterals	21,210	18,076	17.3
of which relate to the category:			
Liabilities measured at amortised cost	64,663	69,595	−7.1
At fair value through profit or loss (fair value option)	13,504	13,559	−0.4

(22) Liabilities to customers

€m	30.9.2016	31.12.2015	Change in %
Savings deposits	7,061	6,961	1.4
With an agreed period of notice of			
three months	7,057	6,906	2.2
over three months	4	55	−92.7
Other liabilities to customers	243,462	250,654	−2.9
Due on demand	156,576	158,846	−1.4
With a residual term	86,886	91,808	−5.4
up to three months	31,979	32,337	−1.1
over three months to one year	25,651	27,347	−6.2
over one year to five years	10,803	12,921	−16.4
over five years	18,453	19,203	−3.9
Total	**250,523**	**257,615**	**−2.8**
of which repos and cash collaterals	9,588	8,479	13.1
of which relate to the category:			
Liabilities measured at amortised cost	242,421	248,803	−2.6
At fair value through profit or loss (fair value option)	8,102	8,812	−8.1

(23) Securitised liabilities

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

€m	30.9.2016	31.12.2015	Change in %
Bonds and notes issued	35,055	35,614	−1.6
of which mortgage Pfandbriefe	11,457	11,091	3.3
public Pfandbriefe	7,266	9,233	−21.3
Money market instruments issued	6,169	4,944	24.8
Own acceptances and promissory notes outstanding	47	47	0.0
Total	**41,271**	**40,605**	**1.6**
of which relate to the category:			
Liabilities measured at amortised cost	40,199	39,280	2.3
At fair value through profit or loss (fair value option)	1,072	1,325	−19.1

Residual maturities of securitised liabilities | €m	30.9.2016	31.12.2015	Change in %
Due on demand	–	–	.
With a residual term	41,271	40,605	1.6
up to three months	3,767	5,010	−24.8
over three months to one year	9,373	7,925	18.3
over one year to five years	17,362	19,693	−11.8
over five years	10,769	7,977	35.0
Total	**41,271**	**40,605**	**1.6**

In the first nine months of 2016, material new issues with a total volume of €7.3bn were floated. In the same period the volume of redemptions and repurchases amounted to €3.6bn and the volume of bonds maturing to €5.5bn.

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(24) 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	30.9.2016	31.12.2015	Change in %
Negative fair values of derivative financial instruments	73,464	75,994	–3.3
Interest-rate-related derivative transactions	51,077	51,138	–0.1
Currency-related derivative transactions	13,612	17,739	–23.3
Other derivative transactions	8,775	7,117	23.3
Certificates and other notes issued	4,962	5,011	–1.0
Delivery commitments arising from short sales of securities, negative market values of lending commitments and other trading liabilities	2,596	5,438	–52.3
Total	**81,022**	**86,443**	**–6.3**

Other derivative transactions consisted mainly of €5,989m in equity derivatives (previous year: €4.378m) and €2.415m in credit derivatives (previous year: €2.294m).

(25) Provisions

€m	30.9.2016	31.12.2015	Change in %
Provisions for pensions and similar commitments	1,613	1,034	56.0
Other provisions	2,160	2,292	–5.8
Total	**3,773**	**3,326**	**13.4**

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 182 ff. of the Annual Report 2015). The actuarial assumptions underlying these obligations at 30 September 2016 were a discount rate of 1.4% (previous year: 2.6%), a change in salaries of 2.5%, unchanged from the previous year, and an adjustment to pensions of 1.4% (previous year: 1.5%).

In case of legal proceedings for which provisions need to be recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the costs expected according to our judgement as at balance sheet date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are mainly active in the area of investment advisory within the Private and Corporate Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice demanding compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Following a ruling by the German Federal Court of Justice in October 2014 that non-term related processing fees in preformulated contract terms for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees.
- In the past few years the Commerzbank Group has sold a number of subsidiaries and equity holdings in Germany and abroad as well as some major properties. These contracts

contain guarantees, certain indemnities and some financial commitments and could lead to claims being raised against the Commerzbank Group. In some cases, complaints have been filed claiming failure to honour the agreements in question.

- In connection with the acquisition of an equity stake by a Commerzbank subsidiary the vendor took the case to court disputing the way in which the share price had been determined through the transfer of properties by way of a capital contribution in kind. The appeal court decided in April 2014 that the transfer of the properties by way of a capital contribution in kind was invalid. The Commerzbank subsidiary appealed this ruling. The appeal was rejected in August 2015 and a drawdown of the provision is therefore likely. Adequate provision has been made for this outcome.
- A subsidiary of Commerzbank was involved in two South American banks which are meanwhile being liquidated. A number of investors and creditors of these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and in some cases Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duties by the persons nominated by the subsidiary for the banks' supervisory boards. In addition the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the US demanding the repayment of amounts received by the subsidiary from the funds.
- An investor is claiming compensation from Commerzbank and other defendants due to an alleged incorrect prospectus in connection with the flotation of a company on the stock market. In addition the company's insolvency administrator has raised recourse claims against the company arising from its joint liability and for other reasons. The action was rejected by the court of first instance. The claimants are appealing against this decision. Should the claimants win their appeal in the higher courts, Commerzbank expects that recourse claims against other members of the consortium and third parties will be possible based on the contractual agreements.
- In July 2005 Commerzbank Aktiengesellschaft was sued as part of a consortium by a customer in the course of his bankruptcy proceedings in the US The customer had repaid a loan in full as guarantor for his subsidiary and claimed that various repayments were invalid because he was evidently insolvent at the date the loan was granted. Two attempts at out-of-court mediation were unsuccessful. After the quashing of the ruling of the court of first instance, pre-trial discovery was held before the district court in March 2015. Following these proceedings the banking consortium submitted an application for a summary judgement. In December 2015 the application by the banking consortium was upheld and the customer's suit was rejected. The customer has lodged an appeal.
- Commerzbank has been sued by a customer's fidelity insurer in connection with foreign payment transactions which were allegedly not authorised by the customer. The Bank received notice of the action in November 2014. The proceedings were concluded with a settlement.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management have sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. A hearing date is planned for 2016.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- Commerzbank was sued in January 2016 for repayment of an insurance payout from credit default insurance on loans sold by Commerzbank. The Bank will defend itself against the action.

At the beginning of 2010 Commerzbank was requested by the US authorities to carry out an internal investigation of breaches by the Group of US sanctions regulations and to work closely with the US authorities in conducting this investigation. The US authorities also investigated whether Commerzbank infringed US anti-money laundering regulations. Commerzbank cooperated with the US authorities for several years and provided them with detailed documentation and the findings of various internal investigations. After the US Department of Justice decided in October 2014 to pursue a combined settlement of the two cases, an agreement was reached with the US authorities on the breaches of sanctions and anti-money laundering regulations in mid-March 2015.

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As part of this settlement Commerzbank has agreed to pay a total of USD 1,452m. Provisions have been recognised for this amount. Commerzbank also has wide-ranging obligations under the agreement, particularly in relation to cooperation with the US authorities and the improvement of the Bank's compliance processes. Once they begin their work, the monitor appointed by US banking regulators will incur costs for the Bank. The settlement also includes a deferred prosecution agreement covering a period of three years.

(26) Other liabilities

€m	30.9.2016	31.12.2015[1]	Change in %
Liabilities attributable to film funds	1,169	1,334	−12.4
Liabilities attributable to non-controlling interests	6,031	5,697	5.9
Accrued and deferred items	343	334	2.7
Variation margins payable	1,099	528	.
Other liabilities	1,401	1,393	0.6
Total	**10,043**	**9,286**	**8.2**

[1] Prior-year figures restated retrospectively (see page 48 ff.).

(27) Subordinated debt instruments

€m	30.9.2016	31.12.2015	Change in %
Subordinated debt instruments	11,121	11,804	−5.8
Accrued interest, including discounts[1]	−737	−751	−1.9
Remeasurement effects	1,001	805	24.3
Total	**11,385**	**11,858**	**−4.0**
of which relate to the category:			
Liabilities measured at amortised cost	11,372	11,846	−4.0
At fair value through profit or loss (fair value option)	13	12	8.3

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

In the first nine months of 2016 the volume of subordinated debt instruments maturing amounted to €1.9bn, repayments were €0.1bn and new issues were €1.4bn.

Other notes

(28) Capital requirements and leverage ratio

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

Position I €m	30.09.2016 Phase-in	31.12.2015 Phase-in	30.09.2016 Fully phased-in	31.12.2015 Fully phased-in
Equity as shown in balance sheet	**29,398**	**30,407**	**29,398**	**30,407**
Effect from debit valuation adjustments	–192	–96	–319	–240
Correction to revaluation reserve	669	511	–	–
Correction to cash flow hedge reserve	117	159	117	159
Correction to phase-in (IAS 19)	642	640	–	–
Correction to non-controlling interests (minority)	–242	–230	–388	–505
Goodwill	–1,496	–2,088	–1,496	–2,088
Intangible assets	–1,136	–1,126	–1,136	–1,126
Surplus in plan assets	–225	–155	–375	–387
Deferred tax assets from loss carryforwards	–269	–180	–449	–451
Shortfall due to expected loss	–609	–463	–762	–661
Prudential valuation	–378	–376	–378	–376
Own shares	–24	–18	–34	–35
First loss positions from securitisations	–290	–300	–290	–300
Advance payment risks	–	–1	–	–1
Deduction of offset components of additional core capital (AT 1)	1,014	1,008	–	–
Deferred tax assets from temporary differences which exceed the 10% threshold	–184	–	–616	–316
Accrued dividends	–	–250	–	–250
Others and rounding	–274	–139	–274	–139
Common Equity Tier 1	**26,521**	**27,303**	**22,998**	**23,691**
Additional Tier 1	–	–	–	–
Tier 1 capital	**26,521**	**27,303**	**22,998**	**23,691**
Tier 2 capital	**5,932**	**5,500**	**5,979**	**5,421**
Equity	**32,453**	**32,803**	**28,977**	**29,112**
Risk-weighted assets	**195,373**	**198,232**	**194,600**	**197,442**
of which: Credit risk	151,029	159,407	150,256	158,617
of which: Market risk[1]	20,508	17,427	20,508	17,427
of which: Operational risk	23,836	21,398	23,836	21,398
Common Equity Tier 1 ratio (%)	**13.6**	**13.8**	**11.8**	**12.0**
Tier 1 ratio (%)	**13.6**	**13.8**	**11.8**	**12.0**
Total capital ratio (%)	**16.6**	**16.5**	**14.9**	**14.7**

[1] Including capital adequacy requirements for credit valuation adjustment risks.

The CRD IV/CRR has introduced the leverage ratio as a new tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions. The way in which exposure to derivatives, securities financing transactions and off-balance sheet positions is calculated is laid down by regulators. The leverage ratio at the end of the first quarter of 2016 was calculated on the basis of the CRR as revised in January 2015. As a non-risk sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Leverage ratio according to revised CRR (delegated act)	30.9.2016	31.12.2015	Change in %
Leverage exposure "phase-in" (€m)	508,338	531,531	−4.4
Leverage exposure "fully phased-in" (€m)	506,104	529,201	−4.4
Leverage ratio "phase-in" (%)	5.2	5.1	
Leverage ratio "fully phased-in" (%)	4.5	4.5	

(29) Contingent liabilities and irrevocable lending commitments

€m	30.9.2016	31.12.2015	Change in %
Contingent liabilities	34,508	37,159	−7.1
from rediscounted bills of exchange credited to borrowers	1	7	−85.7
from guarantees and indemnity agreements	34,443	37,108	−7.2
from other commitments	64	44	45.5
Irrevocable lending commitments	70,075	72,213	−3.0

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

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

In addition to the credit facilities listed above, the Commerzbank Group can also sustain losses from legal risks where the occurrence of a loss may not be probable, but is not improbable either, and for which no provisions have been recognised. A reliable assessment either of the date on which the risk will materialise or of potential reimbursements is impossible. Depending on the outcome of the legal proceedings, the estimate of our risk of loss may be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not materialise and therefore the amounts are not representative of the actual future losses. As at 30 September 2016 the contingent liability for legal risks amounted to €541m (previous year: €507m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The Bank believes the claims are unfounded.
- During the bankruptcy proceedings of a former customer, Commerzbank has been sued together with the customer's managing directors and other persons and companies on the basis of joint and several liability for alleged fraudulent bankruptcy. The action was rejected in the court of first instance insofar as it affected Commerzbank. The court ruled that although the bankruptcy could be regarded as fraudulent in accounting terms, there was no fraud in relation to the financing transactions. The claimants have lodged an appeal against the appeal court decision of May 2016. A decision on the appeal is expected by the end of 2016.
- Following the sale of the stake in the Public Joint-Stock Company "Bank Forum", Kiev, Ukraine (Bank Forum) in 2012, the purchasers raised claims under the contract of sale alleging that the contract of sale was invalid as a result of fraud. The parties are currently engaged in arbitration on the basis of the arbitration clauses in the contract. The purchasers are demanding that the contract of sale should be declared invalid, the sale reversed and the instalments paid towards the purchase price reimbursed, together with compensation for the losses they have sustained. Commerzbank rejects these demands and has lodged claims against the purchasers for the payment of the remainder of the purchase price and against the guarantor of the purchase price under the guarantee. The arbitration

proceedings are ongoing. An amicable agreement was reached between the parties in June 2016 under which they agreed to withdraw their claim and counterclaim.

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

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(30) Derivative transactions

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

The netting volume as at 30 September 2016 totalled €82.332m (previous year: €63.666m). On the assets side, €80.134m of this was attributable to positive fair values and €2.198m to variation margins received. Netting on the liabilities side involved negative fair values of €79.841m and liabilities for variation margin payments of €2.491m.

	Nominal amount by residual term						Fair values	
30.9.2016 €m	**due on demand**	**up to 3 months**	**over 3 months to 1 year**	**over 1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	6,980	264,882	153,951	161,400	94,985	682,198	11,627	13,612
Interest-based forward transactions	1	579,972	617,438	982,613	948,874	3,128,898	135,018	136,959
Other forward transactions	142	85,656	46,057	95,564	15,539	242,958	8,453	8,775
Total	**7,123**	**930,510**	**817,446**	**1,239,577**	**1,059,398**	**4,054,054**	**155,098**	**159,346**
of which exchange-traded	–	*102,918*	*85,434*	*96,029*	*329*	*284,710*	–	–
Net position in the balance sheet							**74,964**	**79,505**

	Nominal amount by residual term						Fair values	
31.12.2015 €m	**due on demand**	**up to 3 months**	**over 3 months to 1 year**	**over 1 year to 5 years**	**more than 5 years**	**Total**	**positive**	**negative**
Foreign-currency-based forward transactions	16	286,608	194,786	174,297	117,042	772,749	15,174	17,740
Interest-based forward transactions	8	299,957	1,053,532	908,239	1,075,474	3,337,210	121,084	121,577
Other forward transactions	1,635	51,221	69,494	94,480	12,394	229,224	5,449	7,117
Total	**1,659**	**637,786**	**1,317,812**	**1,177,016**	**1,204,910**	**4,339,183**	**141,707**	**146,434**
of which exchange-traded	–	*36,553*	*51,478*	*16,394*	*6,867*	*111,292*	–	–
Net position in the balance sheet							**79,742**	**83,400**

(31) 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 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 cases where no quoted prices are available, valuation is based on quoted prices for similar instruments in active markets. Where quoted prices are not available for identical or similar financial instruments, fair value is derived using an appropriate valuation model where the data inputs – except for non-material parameters – are obtained from verifiable market sources (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 at least one material input for which there is insufficient recent observable market data. IFRS 13 recognises the market approach, income approach and cost approach as potential methods of measurement. The market approach relies on measurement methods that draw on information about identical or comparable assets and liabilities. The income approach reflects current expectations about future cash flows, expenses and income. The income approach may also include option price models. The cost approach (which may only be applied to non-financial instruments) defines fair value as the current replacement cost of the asset, taking into account the asset's current condition. These valuations inherently include a greater level of management judgement. These unobservable inputs may include data that is extrapolated or interpolated, or may be derived by approximation to correlated or historical data. However, such inputs maximise market or third-party inputs and rely as little as possible on company-specific inputs (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 Commerzbank Group's internal controls and procedures which set out the standards for independently verifying or validating fair values. These controls and procedures are carried out and coordinated by the Independent Price Verification (IPV) Group within Group Finance. The models, inputs and resulting fair values are reviewed regularly by Senior Management and the risk function.

The fair values which can be realised at a later date 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 or use identical input but 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 equity instruments are recognised at cost if it is impossible to establish either a price quotation in an active market or the relevant parameters for the valuation model.
- Structured instruments are securities that combine features of fixed income and equity securities. As opposed to traditional bonds, structured instruments generally pay out a variable
- return based on the performance of an underlying asset, with this return potentially being significantly higher (or lower) than the return on the underlying. In addition to the interest payments, the redemption value and maturity date of the structured debt instrument can also be affected by the derivatives embedded in the instrument. The methodology for determining the fair value of structured instruments can vary greatly as each instrument is individually customised and therefore the terms and conditions of each instrument must be considered individually. Structured instruments can provide exposure to almost any asset class, such as equities, commodities and foreign exchange, interest rate, credit and fund products.

Fair value hierarchy

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

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

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

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

Financial assets | €bn		**30.9.2016**				**31.12.2015**			
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Claims on banks	At fair value through profit or loss	–	21.0	–	21.0	–	22.6	–	22.6
Claims on customers	At fair value through profit or loss	–	11.6	0.4	12.0	–	11.0	0.4	11.4
Positive fair values of derivative hedging instruments	Hedge accounting	–	3.1	–	3.1	–	3.0	–	3.0
Trading assets	Held for trading	25.8	73.1	5.6	104.5	30.0	79.3	5.4	114.7
of which positive fair values from derivatives		–	67.2	4.7	71.9	–	72.3	4.4	76.7
Financial investments	At fair value through profit or loss	0.5	0.3	0.1	0.9	1.7	0.6	0.1	2.4
	Available-for-sale financial assets	34.5	7.0	0.2	41.7	32.0	10.6	0.1	42.7
Non-current assets held for sale and assets of disposal groups	Available-for-sale financial assets	–	–	0.1	0.1	0.1	–	0.1	0.2
Total		**60.8**	**116.1**	**6.4**	**183.3**	**63.8**	**127.1**	**6.1**	**197.0**

Financial liabilities | €bn		**30.9.2016**				**31.12.2015**			
		Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities to banks	At fair value through profit or loss	–	13.5	–	13.5	–	13.6	–	13.6
Liabilities to customers	At fair value through profit or loss	–	8.1	–	8.1	–	8.8	–	8.8
Securitised liabilities	At fair value through profit or loss	1.1	–	–	1.1	1.3	–	–	1.3
Negative fair values of derivative hedging instruments	Hedge accounting	–	6.0	–	6.0	–	7.4	–	7.4
Trading liabilities	Held for trading	6.8	70.9	3.3	81.0	9.8	73.6	3.0	86.4
of which negative fair values from derivatives		–	70.2	3.3	73.5	–	73.1	2.9	76.0
Subordinated debt instruments	At fair value through profit or loss	–	–	–	–	–	–	–	–
Total		**7.9**	**98.5**	**3.3**	**109.7**	**11.1**	**103.4**	**3.0**	**117.5**

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 2016, as quoted market prices were no longer available. These involved €0.1bn of available-for-sale securities and €0.1bn of securities held for trading.

Opposite reclassifications from Level 2 to Level 1 were made for €0.5bn of available-for-sale securities and €0.1bn of securities held for trading, as quoted market prices became available again.

Moreover, €0.1bn of liabilities held for trading were reclassified from Level 1 to Level 2 in the third quarter of 2016, as quoted market prices were no longer available. The reclassifications were determined on the basis of the holdings on 30 June 2016. 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	Non-current assets held for sale and assets of disposal groups	
Fair value as at 1.1.2015	**451**	**5,147**	**3,919**	**2**	**124**	**–**	**5,724**
Changes in consolidated companies	–	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	–	46	131	–8	–3	–	35
of which unrealised gains/losses	–	176	183	–8	–	–	168
Gains or losses recognised in revaluation reserve	–	–	–	–	–3	–	–3
Purchases	1	48	–	50	3	–	102
Sales	–	–216	–157	–	–282	–	–498
Issues	–	–	–	–	–	–	–
Redemptions	–	–130	–59	–33	–17	–	–180
Reclassifications to Level 3	–	621	586	544	318	97	1,580
Reclassifications from Level 3	–24	–143	–66	–505	–9	–	–681
Fair value as at 31.12.2015	**428**	**5,373**	**4,354**	**50**	**131**	**97**	**6,079**
Changes in consolidated companies	–	–	–	–	–	–	–
Gains or losses recognised in income statement during the period	60	724	771	1	–	–7	778
of which unrealised gains/losses	60	743	790	1	–	–7	797
Gains or losses recognised in revaluation reserve	–	–	–	–	–	–	–
Purchases	–	230	1	–	92	–	322
Sales	–	–62	–3	–1	–1	–52	–116
Issues	–	–	–	–	–	–	–
Redemptions	–	–188	–14	–	–	–44	–232
Transfer to available-for-sale financial assets	–103	–	–	–	–	103	–
Reclassifications to Level 3	–	25	13	5	–	–	30
Reclassifications from Level 3	–1	–485	–448	–5	–4	–	–495
Fair value as at 30.9.2016	**384**	**5,617**	**4,674**	**50**	**218**	**97**	**6,366**

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

In the third quarter of 2016, €0.4bn of positive fair values from derivatives were reclassified to Level 2 as observable market parameters became available again. An equity holding in a credit card company which was reclassified to non-current assets and disposal groups held for sale as at 31 December 2015 was sold in the first half of 2016. This led to the realisation through profit or loss of unrealised gains of €123m before tax previously recognised in the revaluation reserve. Preference shares acquired in the course of the transaction had a carrying amount of €29m as at 30 September 2016 and are reported in Level 3. This gave rise to a negative revaluation reserve of €2m before tax.

A loan portfolio of €103m previously measured at fair value was reclassified to non-current assets and disposal groups held for sale due to the existence of a sale agreement for the portfolio. In the third quarter there was a valuation loss of €7m.

Financial liabilities €m	**Trading liabilities**	**of which negative fair values from derivatives**	**Total**
	Held for trading	**Held for trading**	
Fair value as at 1.1.2015	**2,535**	**2,533**	**2,535**
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	79	79	79
of which unrealised gains/losses	86	86	86
Purchases	38	38	38
Sales	–10	–9	–10
Issues	–	–	–
Redemptions	–76	–76	–76
Reclassifications to Level 3	666	644	666
Reclassifications from Level 3	–282	–278	–282
Fair value as at 31.12.2015	**2,950**	**2,931**	**2,950**
Changes in consolidated companies	–	–	–
Gains or losses recognised in income statement during the period	516	516	516
of which unrealised gains/losses	519	519	519
Purchases	49	46	49
Sales	–2	–2	–2
Issues	–	–	–
Redemptions	–33	–33	–33
Reclassifications to Level 3	143	143	143
Reclassifications from Level 3	–274	–252	–274
Fair value as at 30.9.2016	**3,349**	**3,349**	**3,349**

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

There was one reclassification of €0.2 bn of negative fair values from derivatives to Level 2 in the third quarter of 2016. and there was an opposite reclassification of negative fair values to Level 3 of €0.1m.

Sensitivity analysis

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

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

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

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- 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 swaps.

  At a low correlation, the assets are virtually independent. In the case of an extremely low expected standard correlation, 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 expected standard correlation, 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 exotic 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. 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 40.0%.

  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		30.9.2016			30.9.2016	
	Valuation technique	Assets	Liabilities	Significant unobservable input parameters	Range	
Derivatives		**4,674**	**3,349**			
Equity-related transactions	Discounted cash flow model	137	217	IRR (%)	1	8
Credit derivatives	Discounted cash flow model	4,509	2,945	Credit spread (bps)	100	500
				Recovery rate (%)	40	80
Interest-rate-related transactions	Option pricing model	28	187	IR-FX correlation (%)	−36	51
Securities		**1,211**	**–**			
Interest-rate-related transactions	Discounted cash flow model	1,179	–	Credit spread (bps)	100	500
of which ABS	Discounted cash flow model	938	–	Credit spread (bps)	100	500
Equity-related transactions		32	–			
Loans	Price-based	**481**	**–**	Price (%)	90	110
Total		**6,366**	**3,349**			

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	2016		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Derivatives	**37**	**−33**	
Equity-related transactions	17	−10	IRR, Price based, lapse rates, mutual fund volume
Credit derivatives	15	−16	credit spread, recovery rate, inflation curve
Interest-rate-related transactions	5	−7	Correlation
Securities	**48**	**−18**	
Interest-rate-related transactions	45	−15	Price
of which ABS	16	3	Discount yield, recovery rate, credit spread
Equity-related transactions	3	−3	Price
Loans	**7**	**−7**	Price

The selected parameters lie at the extremes of their range of reasonable possible alternatives. In practice, however, it is unlikely that all unobservable parameters would simultaneously lie at the extremes of 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 1.1.2015	**–**	**1**	**1**
Allocations not recognised in income statement	–	4	4
Reversals recognised in income statement	–	–	–
Balance as at 31.12.2015	**–**	**5**	**5**
Allocations not recognised in income statement	–	3	3
Reversals recognised in income statement	–	4	4
Balance as at 30.9.2016	**–**	**4**	**4**

Fair value balance sheet

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

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

Market prices are not available for loans as there are no organised markets for trading these financial instruments. A discounted cash flow model is used for loans with parameters based on a risk-free yield curve (swap curve), credit spreads and a maturity-based premium to cover liquidity spreads, plus fixed premiums for administrative costs and the cost of capital. Data on the credit spreads of major banks and corporate customers is available. When using credit spreads, neither liquidity spreads nor premiums for administrative costs and the cost of capital may be considered, since implicitly they are already included in credit risk.

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

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

The fair value of securitised liabilities, 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	30.9.2016	31.12.2015	30.9.2016	31.12.2015	30.9.2016	31.12.2015
Assets						
Cash reserve	26.1	28.5	26.1	28.5	–	–
Claims on banks	69.1	71.8	69.0	71.8	0.1	–
Claims on customers	223.0	219.3	221.3	218.9	1.7	0.4
Value adjustment on portfolio fair value hedges[1]	–	–	0.7	0.3	−0.7	−0.3
Positive fair values of derivative hedging instruments	3.1	3.0	3.1	3.0	–	–
Trading assets	104.5	114.7	104.5	114.7	–	–
Financial investments	72.2	79.2	75.5	81.9	−3.3	−2.7
Non-current assets held for sale and assets of disposal groups	0.1	0.5	0.1	0.5	–	–
Liabilities						
Liabilities to banks	78.2	83.2	78.2	83.2	–	–
Liabilities to customers	250.9	258.0	250.5	257.6	0.4	0.4
Securitised liabilities	43.9	42.8	41.3	40.6	2.6	2.2
Value adjustment on portfolio fair value hedges[1]	–	–	1.3	1.1	−1.3	−1.1
Negative fair values of derivative hedging instruments	6.0	7.4	6.0	7.4	–	–
Trading liabilities	81.0	86.4	81.0	86.4	–	–
Liabilities of disposal groups	–	1.1	–	1.1	–	–
Subordinated debt instruments	11.6	12.6	11.4	11.9	0.2	0.7

[1] The fair value adjustments on portfolio fair value hedges are contained in the relevant balance sheet line items for the hedged items.

(32) Treasury shares

	Number of shares in units	Accounting par value[1] in €1,000	Percentage of share capital
Balance as at 30.9.2016	–	–	–
Largest number acquired during the financial year	–	–	–
Total shares pledged by customers as collateral as at 30.9.2016	4,934,171	4,934	0.39
Shares acquired during the current financial year	–	–	
Shares disposed of during the current financial year	–	–	

[1] Accounting par value per share €1.00.

(33) Related party transactions

As part of its normal business Commerzbank Aktiengesellschaft and/or its consolidated companies do business with related entities and persons. These include subsidiaries that are controlled but not consolidated for reasons of materiality, joint ventures, associated companies 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 who were active during the reporting period.

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

In the 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	30.9.2016	31.12.2015	Change in %
Claims on banks	4	10	−60.0
Claims on customers	803	1,094	−26.6
Trading assets	97	64	51.6
Financial investments	76	52	46.2
Other assets	96	19	.
Total	**1,076**	**1,239**	**−13.2**
Liabilities to banks	5	12	−58.3
Liabilities to customers	512	691	−25.9
Trading liabilities	–	–	.
Subordinated debt instruments	–	255	−100.0
Other liabilities	17	22	−22.7
Total	**534**	**980**	**−45.5**
Off-balance-sheet items			
Guarantees and collaterals granted	185	209	−11.5
Guarantees and collaterals received	–	5	−100.0

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.–30.9.2016	1.1.–30.9.2015	Change in %
Income			
Interest income	164	68	.
Commission income	137	95	44.2
Gains or losses on disposals and remeasurement	–	–	.
Others	–	1	–100.0
Expenses			
Interest expenses	12	25	–52.0
Commission expenses	–	2	–100.0
Operating expenses	60	60	0.0
Gains or losses on disposals and remeasurement	5	–	.
Write-downs/impairments	1	2	–50.0
Others	8	4	100.0

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.

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

€m	30.9.2016	31.12.2015	Change in %
Cash reserve	20,755	16,089	29.0
Claims on banks	196	151	29.8
Claims on customers	1,298	1,261	2.9
Trading assets	966	928	4.1
Financial investments	3,700	3,402	8.8
Total	**26,915**	**21,831**	**23.3**
Liabilities to banks	12,699	12,190	4.2
Liabilities to customers	83	87	–4.6
Trading liabilities	694	1,293	–46.3
Total	**13,476**	**13,570**	**–0.7**
Off-balance-sheet items			
Guarantees and collaterals granted	292	289	1.0
Guarantees and collaterals received	–	–	.

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

€m	1.1.–30.9.2016	1.1.–30.9.2015	Change in %
Income			
Interest income	67	142	−52.8
Commission income	2	3	−33.3
Gains or losses on disposals and remeasurement	–	24	−100.0
Expenses			
Interest expenses	28	69	−59.4
Net loan loss provisions	–	–	.
Commission expenses	–	–	.
Gains or losses on disposals and remeasurement	79	–	
Operating expenses	–	–	.
Write-downs/impairments	–	–	.

(34) Information on netting of financial instruments

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

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

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).

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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	30.9.2016		31.12.2015	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	44,837	155,098	45,049	141,707
Book values not eligible for netting	8,880	9,641	3,830	7,784
a) Gross amount of financial instruments I and II	35,957	145,457	41,219	133,923
b) Amount netted in the balance sheet for financial instruments I[1]	12,687	80,134	12,992	61,965
c) Net amount of financial instruments I and II = a) – b)	23,270	65,323	28,227	71,958
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[2]	3,548	45,317	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	15,247	728	20,663	1,618
Cash collaterals	13	11,725	65	11,338
e) Net amount of financial instruments I and II = c) – d)	**4,462**	**7,553**	**6,716**	**6,523**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	4,398	1,303	4,718	101
g) Net amount of financial instruments I and II = e) – f)	**64**	**6,250**	**1,998**	**6,422**

[1] Of which for positive fair values €2.198m (previous year: €1.701m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	30.9.2016		31.12.2015	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	27,942	159,346	21,515	146,434
Book values not eligible for netting	1,363	7,265	265	5,690
a) Gross amount of financial instruments I and II	26,579	152,081	21,250	140,744
b) Amount netted in the balance sheet for financial instruments I[1]	12,687	79,841	12,991	63,034
c) Net amount of financial instruments I and II = a) – b)	13,892	72,240	8,259	77,710
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[2]	3,548	45,317	783	52,479
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collaterals[4]	9,560	2,421	7,196	2,566
Cash collaterals	23	20,276	17	18,884
e) Net amount of financial instruments I and II = c) – d)	**761**	**4,226**	**263**	**3,781**
f) Fair value of financial collateral of central counterparties relating to financial instruments I	752	1,304	236	101
g) Net amount of financial instruments I and II = e) – f)	**9**	**2,922**	**27**	**3,680**

[1] Of which for negative fair values €2.491m (previous year: €631m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Klaus-Peter Müller
Chairman

Uwe Tschäge[1]
Deputy Chairman

Hans-Hermann Altenschmidt[1]

Gunnar de Buhr[1]

Stefan Burghardt[1]

Sabine U. Dietrich

Karl-Heinz Flöther

Dr. Markus Kerber

Alexandra Krieger[1]

Oliver Leiberich[1]

Dr. Stefan Lippe

Beate Mensch[1]

Anja Mikus

Dr. Roger Müller

Dr. Helmut Perlet

Barbara Priester[1]

Mark Roach[1]

Margit Schoffer[1]

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

[1] Elected by the Bank's employees

Board of Managing Directors

Martin Zielke
Chairman
(since 1 May 2016)

Martin Blessing
Chairman
(until 30 April 2016)

Frank Annuscheit

Markus Beumer
(until 31 October 2016)

Dr. Marcus Chromik
(since 1 January 2016)

Stephan Engels

Michael Mandel
(since 23 May 2016)

Michael Reuther

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Frankfurt am Main, 1. November 2016
The Board of Managing Directors

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

Review report

To COMMERZBANK Aktiengesellschaft,
Frankfurt am Main

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, statement of comprehensive income, condensed statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from January 1 to September 30, 2016 which are part of the quarterly financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

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

Frankfurt am Main, 2. November 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Helge Olsson	Martin Alt
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Significant subsidiaris and associates

Germany
comdirect bank AG, Quickborn
Commerz Finanz GmbH, Munich
Commerz Real AG, Eschborn

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

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

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

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

Disclaimer

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

Cover
Lena Kuske, Manager of a
Commerzbank branch in Hamburg

2017 Financial calendar	
9 February 2017	Annual Results Press Conference
End-March 2017	Annual Report 2016
3 May 2017	Annual General Meeting
9 May 2017	Interim Report as at 31 March 2017
2 August 2017	Interim Report as at 30 June 2017
9 November 2017	Interim Report as at 30 September 2017

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