

COMMERZBANK

The bank at your side



Interim Report as at 30 September

2020



Key figures

Income statement	1.1.-30.9.2020	1.1.-30.9.2019 ¹
Operating profit (€m)	94	1,004
Operating profit per share (€)	0.08	0.80
Pre-tax profit or loss (€m)	- 106	1,004
Consolidated profit or loss ² (€m)	- 211	681
Earnings per share (€)	- 0.17	0.54
Operating return on equity based on CET ^{3, 4} (%)	0.5	5.6
Return on equity of consolidated profit or loss ^{4, 9} (%)	- 1.2	3.4
Cost/income ratio in operating business (excl. compulsory contributions) (%)	73.9	72.8
Cost/income ratio in operating business (incl. compulsory contributions) (%)	81.1	78.8
Balance sheet	30.9.2020	31.12.2019 ¹
Total assets (€bn)	544.3	463.5
Risk-weighted assets (€bn)	183.3	181.8
Equity as shown in balance sheet (€bn)	32.0	30.6
Total capital as shown in balance sheet (€bn)	40.1	38.5
Regulatory key figures	30.9.2020	31.12.2019
Tier 1 capital ratio (%)	15.3	14.3
Common Equity Tier 1 ratio ⁵ (%)	13.5	13.4
Common Equity Tier 1 ratio ⁵ (fully loaded, %)	13.5	13.4
Total capital ratio (%)	18.0	16.8
Leverage ratio (%)	4.9	5.3
Leverage ratio (fully loaded, %)	4.8	5.1
Staff	30.9.2020	30.6.2020
Germany	33,739	33,417
Abroad	14,173	14,132
Total	47,912	47,549
Ratings ⁶	30.9.2020	30.6.2020
Moody's Investors Service, New York ⁷	A1/A1/P-1	A1/A1/P-1
S&P Global, New York ⁸	A-/BBB+/A-2	A-/BBB+/A-2
Fitch Ratings, New York/London ⁷	BBB+/BBB/F2	BBB+/BBB/F2

¹ Prior-year figures restated.

² Insofar as attributable to Commerzbank shareholders. Details see note 19.

³ Average Common Equity Tier 1 capital (CET 1) fully loaded.

⁴ Annualised.

⁵ The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital (CET1) mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully loaded basis anticipates full application of the new regulations.

⁶ Further information can be found online at www.commerzbank.com.

⁷ Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.

⁸ Counterparty rating/deposit rating and issuer credit rating/short-term liabilities.

⁹ Ratio of net income attributable to Commerzbank shareholders and average IFRS equity before minority after deduction of goodwill and other intangible assets.

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Performance highlights

1 January to 30 September 2020

Key statements

- Commerzbank recorded stable customer business in the first nine months of 2020. In the Private and Small-Business Customers segment, the Bank benefited from a high level of trading activity and further expanded its customer base. Following the full takeover of comdirect, Commerzbank will realise the desired synergies by combining the services of one of Germany's most modern online banks with personal advisory services at a local level. In the Corporate Clients segment, the International Corporates division benefited from very positive capital market business and a significant contribution from primary market business with bonds, which were offset by lower income from cash management and trade finance due to the pandemic. Overall, Commerzbank posted an operating profit of €94m in the first nine months of 2020 in a difficult business environment.
- The Group risk result was reported at €-1,067m. The significant increase by €-697m year on year was due in particular to the coronavirus pandemic and the impairment of a single loan commitment in the second quarter of 2020. The non-performing exposure (NPE) ratio was 0.9%.
- Operating expenses were reduced by 3.3% to €4,551m thanks to systematic cost management. Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, were reported separately and rose by around 15% to €445m, due primarily to changed calculation parameters.
- Provisions of €201m for restructuring expenses were recognised in the third quarter of 2020. Around 70% of this figure relates to the Bank's renewed voluntary age-related short-time working scheme, while the remainder is connected to the previously announced streamlining of our branch network.
- The consolidated loss attributable to Commerzbank shareholders and investors in additional equity components was €-162m, compared with a profit of €681m in the prior-year period.
- The Common Equity Tier 1 ratio was 13.5%; the leverage ratio was 4.8% (fully loaded).
- The operating return on equity was 0.5%, compared with 5.6% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets and AT1-related items) was -1.2%, compared with 3.5% in the previous year. The cost/income ratio was 73.9% with compulsory contributions excluded and 81.1% including compulsory contributions.

Performance of the Commerzbank share

In the first nine months of 2020, events on the international stock markets were overshadowed by the outbreak of the coronavirus pandemic and the measures taken to contain it. In the wake of this unprecedented situation, previously dominant geopolitical events receded into the background, including tensions in the trade conflict between the USA and China, economic sanctions against Iran and unrest in the Middle East. Ongoing uncertainty surrounding the further spread of the pandemic and its consequences for the real economy dampened medium-term interest rate and inflation expectations both in the eurozone and worldwide. While the stock markets have

largely recovered over the course of the year following their dramatic slump in the first quarter of 2020, thanks not least to emergency government aid for companies affected by the coronavirus pandemic and favourable long-term refinancing options made available to banks by the European Central Bank (targeted longer-term refinancing operations), European banks recorded significantly higher provisioning requirements for credit risks in the first nine months of the year. Dividend payments in the sector were also suspended as a precautionary measure at the recommendation of the European banking supervisory authorities. The DAX lost just 3.7% in the first nine months of the year, while the EuroStoxx 50 fell by almost 15%. European banks, whose medium-term profit expectations were hit by the effects of rising risk costs and economic uncertainties, recorded a much weaker performance that was not offset on the income side despite the cheaper refinancing conditions. As the EuroStoxx Banks Index fell by 43.7% in the first nine months of the year, the Commerzbank share price dropped by 24.0%. Stock market indices recorded significant losses due to the rapidly evolving nature of the coronavirus pandemic and the measures announced at the end of October to stem the rate of infection.

Highlights of the Commerzbank share	1.1.–30.9.2020	1.1.–30.9.2019
Shares issued in million units (30.9.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	6.83	8.26
Low	2.80	4.66
Closing price (30.9.)	4.19	5.32
Daily trading volume ¹ in million units		
High	38.1	21.6
Low	3.2	3.1
Average	13.0	8.1
Index weighting in % (30.9.)		
MDAX	1.6	2.1
EuroStoxx Banks	0.3	0.5
Earnings per share in €	-0.17	0.54
Book value per share ² in € (30.9.)	22.46	22.65
Net asset value per share ³ in € (30.9.)	21.21	21.45
Market value/Net asset value (30.9.)	0.20	0.25

¹ Total for German stock exchanges.

² Excluding non-controlling interests.

³ Excluding non-controlling interests and the cash flow hedge reserve and less goodwill.

Important staffing and business policy events after the end of the previous reporting period

Changes in the Board of Managing Directors of Commerzbank

Michael Mandel, who was previously the member of the Board of Managing Directors responsible for the Private and Small-Business Customers segment, made an offer to the Supervisory Board to terminate his contract by mutual agreement. At its meeting on 17 September 2020, the Supervisory Board of Commerzbank approved the departure of Michael Mandel by mutual agreement. Michael Mandel's term of office as a member of the Board of Managing Directors therefore ended on 30 September 2020. Sabine Schmittroth assumed interim responsibility for Private and Small-Business Customers at Group management level as of 1 October 2020, in addition to her role as Director of Human Resources. Dr. Marcus Chromik, Chief Risk Officer, assumed responsibility for Compliance as of the same date.

New Chairman of the Board of Managing Directors of Commerzbank

At its meeting on 26 September 2020, the Supervisory Board of Commerzbank decided to appoint Dr. Manfred Knof as Chairman of the Board of Managing Directors of Commerzbank. He will take up his position as of 1 January 2021, subject to the approval of the supervisory authorities. Dr. Manfred Knof was Chairman of the Board of Deutsche Bank Privat- und Firmenkundenbank AG from 1 August 2019 until its merger with Deutsche Bank Group and is currently Head of Deutsche Bank's Private Bank Germany.

Commerzbank issues another Additional Tier 1 bond

At the beginning of September 2020, Commerzbank Aktiengesellschaft successfully issued the second Additional Tier 1 bond under its issuance programme for Additional Tier 1 capital (AT1) under which it can issue successive subordinated debt securities with a total nominal value of up to €3bn over the next few years. The bond has a volume of €500m and a fixed coupon of 6.5% per annum. At over €2.4bn, the order book was heavily oversubscribed, reflecting the widespread interest among investors. With the issue of the AT1 bond, Commerzbank is further strengthening and optimising its capital structure. The AT1 bond has a perpetual maturity and the first call date is in the period from October 2029 to April 2030. The bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. Shareholders' subscription rights were excluded. The successful issue of the second Additional Tier 1 bond enabled the Bank to reduce its regulatory Common Equity Tier 1 requirement to 9.8%. As a result, the buffer for the maximum distributable amount (MDA) was around 370 basis points as at the end of September of this year. In the medium term, the Bank aims to maintain a distance of at least 200 basis points.

Commerzbank makes climate risks in its portfolio transparent and comparable

Since the beginning of September 2020, Commerzbank has been an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD recommendations form the basis for consistent and comparable reporting on the impact of climate change. They provide a framework to help companies manage the impacts of climate-related risks and produce the relevant disclosures. Commerzbank plans to publish its first TCFD report in 2022, covering the 2021 financial year.

Commerzbank issues a second green bond

In mid-September 2020, Commerzbank very successfully issued another green bond with an issuance volume of €500m. This is the Bank's second green bond and follows the inaugural issue in October 2018. Commerzbank will use the proceeds to finance renewable energy projects. The bond has a term of 5.5 years with a call date in March 2025 and a coupon of 0.75% per annum. Commerzbank has earmarked the bond proceeds for loans for onshore and offshore wind and solar projects in Germany, other European countries and North America. The projects financed by the green bond will help cut CO₂ emissions by around 850,000 tonnes per year. Commerzbank has been a signatory of the Green Bond Principles since 2014. The Bank is a partner in the Climate Bonds Initiative since January 2020.

Commerzbank completes full takeover of comdirect

Commerzbank has successfully completed the full takeover of comdirect bank Aktiengesellschaft (comdirect). The merger was entered in the Commercial Register on 2 November 2020, formally ending comdirect's independent status and stock market listing. Following the merger, Commerzbank and comdirect will initially retain their respective service offerings unchanged. The aim is to merge and expand the offerings of both banks. The new joint business model has yet to be negotiated with the employee representative committees. Quickborn and Rostock will remain as locations. The employment relationships of all comdirect employees as at the time of the merger will be transferred to Commerzbank.

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Economic conditions

Overall economic situation

Overall economic performance in the reporting period did not change significantly compared with the statements made in the interim report as at 30 June 2020. Contrary to our forecasts made at the end of the first half of 2020, however, the global economic recovery over the summer was stronger than expected. There is now considerable uncertainty regarding the rest of the year, however, due chiefly to the renewed sharp rise in the number of infections and the macroeconomic impact of the measures announced by the federal and state governments at the end of October.

Financial performance, assets, liabilities and financial position

Explanations on the accounting and measurement methods applied as at 30 September 2020 are available in Note 5 to the interim financial statements. Information on adjustments to the prior-year figures can be found in Note 3 to the interim financial statements.

Income statement of the Commerzbank Group

Earnings performance in the first nine months of the current year was characterised by stable customer business, but the impacts of the coronavirus pandemic led to negative remeasurement effects and higher risk provisions. Commerzbank made an operating profit of €94m in the period under review, compared with €1,004m in the prior-year period.

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

At €3,824m, net interest income in the period under review was 1.6% above the prior-year level. Net interest income in the Private and Small-Business Customers segment was below the prior-year level. The decline pertained primarily to interest-bearing business in Germany and was chiefly caused by declining interest income from deposit business. Continued volume growth, particularly in retail mortgage financing, served to only partially offset this effect.

mBank increased both lending and deposit volumes, keeping its net interest income virtually stable. However, several interest rate cuts by the Polish central bank in the first half of 2020 are exerting significant pressure on margins in deposit business. Net interest income in the Corporate Clients segment was also slightly below the prior-year level. Others and Consolidation recorded a significant increase in net interest income, due mainly to improved interest rate risk management for the commercial segments.

Net commission income rose by 9.3% year on year to €2,481m. In the Private and Small-Business Customers segment, a marked increase in net commission income was the main income driver in the reporting period. Business benefited significantly from the substantial upturn in securities business, with the level of activity among domestic customers remaining much higher in 2020 to date than it was in 2019. Transaction-based income grew especially strongly at comdirect. mBank also recorded a significant increase in net commission income, primarily due to a marked rise in income from securities business. In the Corporate Clients segment, net commission income was up compared with the prior-year period.

The net loss from financial assets and liabilities measured at fair value through profit or loss was €-116m in the reporting period, after net income of €127m in the prior-year period. The decline was mainly attributable to valuation fluctuations in the first quarter of the current year in connection with the coronavirus pandemic.

The other net income figure of €-191m includes allocations of €116m to provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank and a penalty payment of around €41m to the UK Financial Conduct Authority in the second quarter of 2020. The corresponding prior-year figure of €158m included the gain on the sale of the interest in ebase.

The risk result was €-1,067m in the reporting period, compared with €-370m a year earlier. The significant increase was mainly attributable to the effects of the coronavirus pandemic. The risk result includes a top-level adjustment (TLA) of €-170m made because of the coronavirus pandemic. Further information on the TLA can be found in the Interim Risk Report on page 20 ff. and in the interim financial statements in Note 27. The risk result in the Private and Small-Business Customers segment was significantly higher than in the previous year. The increase was largely due to effects from the coronavirus pandemic. The TLA charge for the period under review amounted to €-103m. In the Corporate Clients segment, the increase in the risk result compared with the first nine months of the previous year was also due to impacts of the coronavirus pandemic, such as larger individual counterparties where the crisis was the main reason for default or made it necessary to increase existing risk provisions.

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The risk result was also affected by the default of a large exposure in the second quarter of 2020. The TLA charge for the period under review amounted to €-65m.

Thanks to continued systematic cost management, operating expenses were 3.3% lower year on year in the reporting period at €4,551m. Personnel expenses were 1.9% below the prior-year level at €2,597m, in part due to further progress in headcount reduction, while administrative expenses, including depreciation on fixed assets and amortisation of other intangible assets, were reduced by 5.1% to €1,954m. The significant decline was primarily due to a reduction in advertising costs and lower expenses for business travel, external staff and depreciation.

Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, were reported separately and were significantly above the previous year's level at €445m. The increase was due in particular to changed calculation parameters.

Restructuring expenses of €201m during the reporting period affected earnings performance. These related to a voluntary age-related short-time working scheme with sprinter premium, which was brought forward as part of the socially responsible headcount reduction, and the closure of around 200 branches.

The pre-tax loss from continuing operations was €-106m, compared with a pre-tax profit of €1,004m in the prior-year period.

Tax expense on continuing operations for the period under review was €60m, compared with €244m in the first nine months of the previous year. Group tax expense mainly comprised the current tax expenses of the mBank subgroup and of comdirect bank AG for the reporting period.

The loss from continuing operations after tax was €-166m, compared with a profit of €759m in the prior-year period. Discontinued operations posted a profit after tax of €40m. This includes the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale.

Net of non-controlling interests, a consolidated loss of €-162m was attributable to Commerzbank shareholders and investors in additional equity components for the 2020 reporting period, compared with a profit of €681m in the previous year.

Operating profit per share was €0.08 and earnings per share €-0.17. The comparable figures in the prior-year period were €0.80 and €0.54 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2020 were €544.3bn. This represented an increase of €80.8bn compared with the end of 2019. The significant growth of 17.4% was due in particular to the Bank's participation in the targeted longer-term refinancing operations III programme (TLTRO III) of the European

Central Bank (ECB), the seasonal expansion of secured money market transactions and the increased lending business.

Cash on hand and cash on demand rose by €42.5bn to €83.7bn. The strong increase compared with the end of 2019 was due in particular to a rise in demand deposits held with central banks related to the use of the TLTRO III programme offered to banks by the ECB.

Financial assets at amortised cost increased by €10.9bn to €304.5bn compared with the end of 2019. The increase compared with the end of 2019 was largely attributable to a rise in lending to private customers and growth in loans and advances to banks and public-sector borrowers.

Financial assets in the fair value OCI category were €40.8bn, up €9.8bn from the end of 2019. This 31.7% rise resulted from an increase in securitised debt instruments.

At €44.9bn, financial assets mandatorily measured at fair value through profit or loss were €14.7bn higher than at the end of the previous year. The marked increase was primarily due to a seasonal rise in secured money market transactions in the form of reverse repos and cash collateral.

Financial assets held for trading were €52.6bn at the reporting date, up €7.8bn on the figure at the end of 2019, due largely to higher positive fair values of derivative financial instruments. Positive fair values of interest rate products rose by €3.8bn, while positive fair values of currency-related products and equity derivatives increased by €1.1bn overall.

Non-current assets held for sale and disposal groups were €2.2bn, compared with €8.0bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

On the liabilities side, financial liabilities at amortised cost were up €66.8bn to €418.7bn compared with the end of 2019. The growth compared with the end of 2019 was driven by a significant increase in deposits and other liabilities, which was attributable in particular to the Bank's participation in the targeted longer-term refinancing operations III programme (TLTRO III) of the European Central Bank (ECB) and high cash inflows from private customers, corporate customers and banks.

Financial liabilities under the fair value option increased by €12.4bn compared with the end of 2019 to €32.4bn. While debt securities issued increased only slightly by €1.2bn, deposits and other financial liabilities rose substantially by €11.2bn. The increase was largely due to the rise in secured money market transactions with financial services providers and banks.

Financial liabilities held for trading were €43.3bn, up €3.9bn compared with the end of 2019. The increase was due to the negative fair values of derivative financial instruments, especially interest-rate-related derivative transactions, which rose by €3.8bn.

Liabilities from disposal groups were €3.1bn, compared with €8.5bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 30 September 2020 was at the same level as at the end of 2019 at €28.1bn. Further information on the change in equity can be found on page 32 ff. of the interim financial statements.

Risk-weighted assets were €183.3bn as at 30 September 2020, €1.6bn higher than at year-end 2019. The change is almost entirely attributable to credit risk. There was only a slight increase in risk-weighted assets from market price risks, while risk-weighted assets from operational risks remained at the prior-year level. The change in risk-weighted assets from credit risks was primarily due to higher lending in the core segments, particularly to corporate customers, coupled with the effects of the coronavirus pandemic. However, these were largely offset by currency effects that reduced risk-weighted assets.

As at the reporting date, Common Equity Tier 1 capital was €24.8bn, compared with €24.4bn as at 31 December 2019. The rise of €0.4bn in Common Equity Tier 1 capital was in part attributable to the waiving of dividend distributions for the 2019 and 2020 financial years as at 30 September 2020 – in line with ECB recommendations – and a decrease in regulatory capital deductions in the first nine months of the year. The loss recognised for the reporting period partially offset the increase in Common Equity Tier

1 capital. The Common Equity Tier 1 ratio was therefore 13.5%. The Tier 1 ratio (with transitional provisions) was 15.3% as at the reporting date, compared with 14.3% as at the end of 2019. The higher Tier 1 ratio was due to the increase in Common Equity Tier 1 capital and the rise in additional Tier 1 capital resulting from the issue of two AT1 capital instruments. The increase in Tier 1 capital and the issue of a Tier 2 capital instrument led to an increase of €33.0bn in the Bank's capital. The total capital ratio was 18.0% as at the reporting date, compared with 16.8% as at the end of 2019.

The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage exposure, was 4.9% (with transitional provisions) or 4.8% (fully loaded).

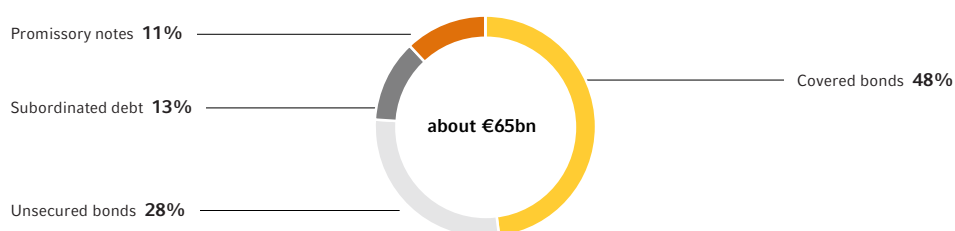
The Bank complies with all regulatory requirements. This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

Funding and liquidity

Commerzbank had access to the money and capital markets at all times during the reporting period, and its liquidity and solvency were always adequate. Furthermore, Commerzbank's liquidity management is always able to respond promptly to new market circumstances. Even against the background of increasing uncertainty due to the coronavirus pandemic, the Bank's liquidity situation is comfortable and complies with both internal limits and applicable regulatory requirements.

Capital market funding structure¹

As at 30 September 2020



¹ Based on reported figures.

Commerzbank had implemented its funding plan for 2020 by the end of the third quarter. Following the uncertainty in the second quarter caused by the coronavirus pandemic, the capital markets have been stable over the past three months. Commerzbank used the positive issue windows to implement planned issues. The Commerzbank Group raised a total of €7bn in long-term funding on the capital market. The average term of the issues made during the reporting period was eight years for unsecured issues and Pfandbriefe.

At the end of May 2020, Commerzbank launched an issuance programme for Additional Tier 1 capital (AT1 capital) that will enable it to issue successive subordinated debt securities with a total nominal value of up to €3bn over the next few years. Commerzbank Aktiengesellschaft issued the first AT1 bond under its new issuance programme, with a volume of €1.25bn and a fixed coupon of 6.125% per annum, in June. It has a perpetual maturity and the first call date is in the period from October 2025 to April 2026. This was followed in September by a second AT1 bond with a volume of €500m and a fixed coupon of 6.5% per annum. This issue also has a perpetual maturity and the first call date is in the period from October 2029 to April 2030. The bond terms for both issues provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. In addition, a subordinated bond (Tier 2) with a volume of €750m was issued in May. This bond has a term of 10.5 years with

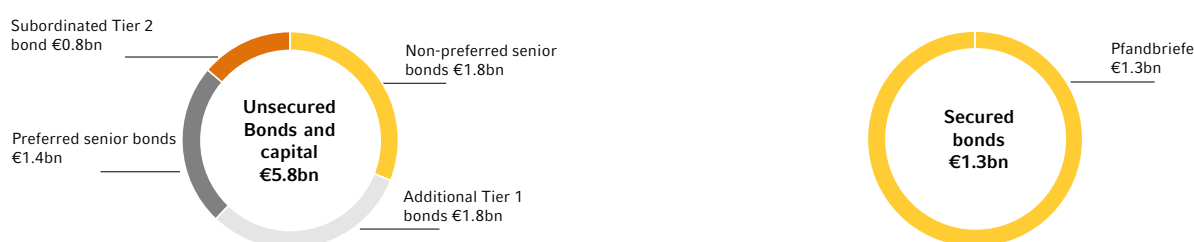
the first call date being in the period from September to December 2025 and a fixed coupon of 4% per annum. The three capital issues were heavily oversubscribed and attracted great interest from foreign investors, who accounted for over 90% of demand. With the issue of the bonds, Commerzbank is further strengthening and optimising its capital structure.

In the unsecured area, Commerzbank very successfully issued its second green bond in September with a volume of €500m. The non-preferred senior bond has a term of 5.5 years with a call date in March 2025 and a coupon of 0.75% per annum. The bond attracted an exceptional level of investor interest, particularly from France, the Benelux countries and Scandinavia. 55% of the issue was placed in these countries. The green bond has enabled Commerzbank to significantly expand its investor base. Two non-preferred senior bonds were also placed, one for €750m and for the first time one for GBP 400m, with terms of seven and five years respectively. In the area of preferred senior bonds, a benchmark bond with a volume of €750m was issued at the end of August, and a benchmark bond issued in 2019 was increased by €500m at the beginning of the year. Both bonds have a term of seven years. €0.3bn in private placements were also issued.

In the secured area, a ten-year mortgage Pfandbrief for €1.25bn was issued in March.

Group capital market funding in the first nine months of 2020

Volume €7.0bn



The eurozone money and capital markets also continued to be significantly influenced by the rapidly developing coronavirus pandemic and its repercussions.

In view of this, the ECB is implementing the comprehensive measures it decided in March 2020 to counter the economic downturn in the eurozone and the resulting impact on the financial sector.

According to the ECB Governing Council, there have not yet been any significant tensions in the money market or liquidity shortfalls in the banking system, but additional long-term refinancing operations have nonetheless been made available to the banks, mainly for the purpose of supporting lending to small and medium-sized enterprises.

Under TLTRO III, the ECB provided banks with additional liquidity of around €1,300bn. Commerzbank participated in this programme with a volume of €32.3bn. Given the resulting further increase in excess liquidity, it would also be possible to lift the tiering for central bank balances. The interest rates for the main refinancing operations, the marginal lending facility and the deposit facility were unchanged.

As at the end of the third quarter of 2020, the Bank had a liquidity reserve of €103.1bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

The Bank also holds an intraday liquidity reserve portfolio. As at the reporting date, the total value of this portfolio was €6.0bn.

At 129.82% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the

LCR can be found in Note 43 to the interim financial statements. Commerzbank's liquidity situation therefore is comfortable given its conservative and forward-looking funding strategy.

Segment performance

The comments on the segments' results for the first nine months of 2020 are based on the segment structure described on pages 67 and 247 ff. of the Annual Report 2019. The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. The prior-year result achieved by the Asset & Capital Recovery segment up to the point of dissolution will continue to be shown in the segment reporting in the interim financial statements.

More information and explanations regarding restatements of prior-year figures can be found in Notes 3 and 40 to the interim financial statements.

Private and Small-Business Customers

€m	1.1.–30.9.2020	1.1.–30.9.2019 ¹	Change in %/%-points
Income before risk result	3,643	3,723	-2.1
Risk result	-444	-187	.
Operating expenses	2,596	2,598	-0.1
Compulsory contributions	268	230	16.6
Operating profit/loss	336	708	-52.5
Average capital employed	5,675	5,233	8.4
Operating return on equity (%)	7.9	18.0	-10.1
Cost/income ratio in operating business (%) – excl. compulsory contributions	71.2	69.8	1.5
Cost/income ratio in operating business (%) – incl. compulsory contributions	78.6	76.0	2.6

¹ Figures adjusted due to restatements (see Notes 3 and 40 to the interim financial statements).

Despite the difficult economic conditions, the Private and Small-Business Customers segment slightly increased its operating income in the first nine months of 2020 compared with the same period of the previous year – excluding the gain on the sale of the interest in ebase. It also managed to maintain its operating expenses (excluding compulsory contributions) at the prior-year level. The extremely weak economic environment was reflected in a sharp rise in the risk result. The segment therefore posted an operating profit of €336m for the period under review, compared with €708m in the prior-year period.

Total segment income before risk result was €3,643m in the period under review, down €80m year on year. However, the prior-year figure was boosted by the gain of €103m on the sale of the comdirect subsidiary ebase GmbH. Net interest income decreased slightly by €65m to €1,947m year on year. The decline pertained primarily to interest-bearing business in Germany and was chiefly caused by declining interest income from deposit business. Continued volume growth, particularly in retail mortgage financing, served to only partially offset this effect. mBank increased both lending and deposit volumes, keeping its net interest income

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virtually stable. However, several interest rate cuts by the Polish central bank in the first half of 2020 are exerting significant pressure on margins in deposit business. Net commission income was the main income driver in the reporting period with a significant increase of €189m to €1,603m. This was largely attributable to the substantial upturn in securities business, with the level of activity among domestic customers remaining much higher in 2020 to date than it was in 2019. Transaction-based income grew especially strongly at comdirect. Net commission income at mBank also increased significantly, primarily due to a marked rise in income from securities business. The other net income figure of €-99m includes allocations of €116m to provisions for legal risks in connection with mortgage loans issued in foreign currencies at mBank. The corresponding figure for the previous year included the gain on the sale of the interest in ebase.

The sharp increase in the risk result, which grew by a further €-256m to €-444m, is largely attributable to effects from the coronavirus pandemic. The associated TLA for the period under review amounted to €-103m.

Operating expenses for the reporting period were on a par with the prior-year level at €2,596m. While they were down slightly in Germany as a result of measures to improve cost efficiency, operating expenses at mBank remained at the prior-year level due to exchange rate effects. The total cost of compulsory contributions amounted to €268m, an increase of €38m compared with the prior-year period. The largest increase related to costs for deposit protection funds.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €336m in the reporting period, compared with €708m in the prior-year period.

Corporate Clients

€m	1.1.–30.9.2020	1.1.–30.9.2019 ¹	Change in %/%%-points
Income before risk result	2,346	2,443	-4.0
Risk result	-575	-186	.
Operating expenses	1,776	1,854	-4.2
Compulsory contributions	115	109	5.3
Operating profit/loss	-120	294	.
Average capital employed (from continuing operations)	11,696	11,930	-2.0
Operating return on equity (%)	-1.4	3.3	-4.7
Cost/income ratio in operating business (%) – excl. compulsory contributions	75.7	75.9	-0.2
Cost/income ratio in operating business (%) – incl. compulsory contributions	80.6	80.4	0.3

¹ Figures adjusted due to restatements (see Notes 3 and 40 to the interim financial statements).

Throughout the year to date, the performance of the Corporate Clients segment has been affected by the difficult market environment, in particular by the high level of uncertainty stemming from the coronavirus pandemic. While the economic consequences for individual sectors and companies have remained uncertain despite extensive coronavirus aid and the provision of credit lines, the capital markets have gradually recovered since their significant slump in the first quarter, despite the ongoing restrictions on international trade.

Significantly higher valuation allowances for credit risks meant that the Corporate Clients segment recorded an operating loss of €-120m in the first nine months of 2020, compared with a profit of €294m in the previous year. This figure also included negative valuation effects of €-68m due to spread widening, which primarily reflects higher credit risk with counterparties in derivatives business.

Despite solid contributions from lending and capital market business, the Mittelstand division recorded lower income overall, particularly in commercial business, which was affected by weaker performance in the area of cash management.

By contrast, International Corporates was boosted both by very positive capital market business, which benefited from increased hedging in customer business, and by a significant contribution from primary market business with bonds. In the Institutionals division, however, higher income from capital market business did not offset the decline in income from trade finance.

The Others division was especially affected by a significant widening of credit spreads caused by the coronavirus pandemic, which resulted in negative remeasurement effects in counterparty business. The result was also impacted by a penalty payment of around €41m to the UK Financial Conduct Authority recorded in the second quarter of 2020.

Income before risk result was €2,346m in the first nine months of the year, which was €97m lower than in the prior-year period. At €1,359m, net interest income was below the prior-year level of €1,408m, while net commission income was up to €908m, slightly surpassing the prior-year level of €881m. Net income from financial assets and liabilities measured at fair value through profit or loss fell to €96m, however. This was €13m lower than the figure for the prior-year period, which included income from successful restructuring measures.

The risk result in the Corporate Clients segment was €-575m, compared with €-186m in the prior-year period. The increase was due in part to impacts of the coronavirus pandemic, such as larger individual counterparties where the crisis was the main reason for default or made it necessary to increase existing risk provisions. The risk result was also affected by the default of a large exposure in the second quarter of 2020. The TLA charge for the period under review amounted to €-65m.

Operating expenses were €1,776m, down €78m on the prior-year figure. The decline resulted from lower personnel and administrative expenses achieved through strict cost management. The reported compulsory contributions of €115m relate primarily to the European banking levy and increased by €6m year on year.

Overall, the segment posted a pre-tax loss of €-120m, compared with a pre-tax profit of €294m in the prior-year period.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching matters such as expenditure on regulatory fees. Consolidation reconciles the figures shown in segment reporting with the Group financial statements in accordance with International Financial Reporting Standards (IFRS).

Others and Consolidation also covers staff, management and support functions, which are likewise charged to the segments. For these units, restructuring costs are an exception to transfer charging, as they are reported centrally in the division.

The Others and Consolidation segment reported an operating loss of €-121m for the first nine months of 2020, compared with €-29m in the prior-year period. The higher loss is primarily attributable to negative remeasurement and consolidation effects and increased risk provisions for a residual portfolio in the dissolved Asset & Capital Recovery segment. The figure for the prior-year period also included a positive effect from the reversal of a provision, which was not repeated in the period under review. In Group Treasury, the result was higher than in the prior-year period despite an increase in bank levies. The improvement was mainly due to better interest rate risk management for the commercial segments. Others and Consolidation recorded a pre-tax loss of €-322m for the first nine months of 2020. This figure included restructuring expenses of €201m relating to a voluntary age-related short-time working scheme with sprinter premium, which was brought forward as part of the socially responsible headcount reduction, and the closure of around 200 branches.

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Future economic situation

The risks for the economy going forward remain high. With the number of coronavirus infections rising once again, some EU countries have already reintroduced severe restrictions on public life. There is also growing uncertainty in Germany due to the continuing rise in the number of infections, which lead to a partial shutdown of public life in the beginning of November. Against this backdrop, we have revised our growth forecast for Germany, which was raised at the end of September, slightly downwards from -4.5% to -5.0% for the current year. The trade dispute between the USA and China could also worsen again at any moment, while the European Union's future relationship with the UK is still to be determined. There is still a risk that the UK will leave the EU single market at the end of the year without a deal.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the medium term have not changed significantly since the statements published in the interim report as at 30 June 2020. The coronavirus pandemic continues to have a serious impact on both the economy and the banking sector.

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While the German banking sector still has a largely solid liquidity and equity buffer, the biggest challenge remains earnings weakness, which was present even before the coronavirus crisis began. The commission-bearing payment services business is only benefiting to a limited extent from the current boom in cashless payments, while securities business is also heavily reliant on current market trends and investor confidence. Net interest margins in the banking sector also remain under considerable pressure throughout the whole of Europe, but especially in Germany.

As intermediaries between providers and users of capital, banks have a key economic role to play in overcoming the crisis. The impact of the pandemic on banks' assets and earnings is only gradually beginning to become apparent. Germany will also be faced with more loan defaults and a mounting number of corporate and personal insolvencies over the coming quarters.

The German banking sector appears to be comparatively robustly positioned overall at present, due to its high capital buffers. Nevertheless, BaFin believes that not all banks will survive the coronavirus crisis given the earnings problems and ongoing competitive pressure. The number of mergers – possibly even cross-border – could also increase, with some share prices well below their book value. All in all, German banks will continue to focus on further reducing costs, primarily by rapidly advancing the digitalisation of business processes and the utilisation of the data generated. This calls for highly automated IT processes that permit cost-effective, quick adjustments in response to rapidly changing market conditions in a very fast-moving world.

Financial outlook for the Commerzbank Group

Planned funding measures

Due to participation in TLTRO III (targeted longer-term refinancing operations), the funding plan for 2020 was reduced to a volume of around €7bn from the initial €10bn. The TLTRO refinancing option will influence Commerzbank's borrowing on the capital market over the coming years. Commerzbank has access to the capital market through a broad range of products. In addition to unsecured funding instruments (preferred and non-preferred senior bonds, Tier 2 subordinated debt and additional Tier 1 capital), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe.

As such, Pfandbriefe are a key element of Commerzbank's funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements.

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

Planned investments

The Bank's investments did not deviate significantly in the first nine months of the current year from the planned measures set out on pages 89 to 91 of the Annual Report 2019. The investments for the 2020 financial year stem from central initiatives relating to the Commerzbank 5.0 strategy, in particular the ongoing digitalisation of the Group's products and processes, which will allow Commerzbank to provide its services more quickly and efficiently in future. Further investments will be for regulatory measures. Proceeding efficiency gains in the service provision for investments presumably lead to a lower investment volume in 2020 on a comparable result level.

Anticipated liquidity trends

Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions will remain restricted. The short-term repo market in high-quality securities such as government bonds, supranational bonds and covered bonds (high-quality liquid assets or HQLA) is still functioning smoothly, however, even in the face of the coronavirus pandemic, and it plays an important role in servicing the bond and cash markets.

The volume of securities has increased since the beginning of the coronavirus pandemic due to the increase in the German federal government's liquidity and financing requirements and its special funds. After a general reduction in repo rates across all HQLA markets since March, initially due to the increased securities volume, repo rates are now trending sideways around the ECB's deposit facility. The situation in the bond markets is still being influenced by the ECB's securities purchase programme and high surplus liquidity, as well as by ongoing trade conflicts and political uncertainties. This is resulting in ongoing steady demand for good-quality borrowers. With interest rates set to remain in negative territory, additional demand will come from financial investors in search of returns.

Liquidity in the secondary markets, which in this context is already significantly reduced, will thus remain restrained. Despite rising government debt, we expect German government bond yields to remain very low, even in the long-term segment (yields are currently negative up to nearly 30 years), and we anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Anticipated performance of the Commerzbank Group

We essentially stand by the guidance we gave in the interim report as at 30 June 2020 regarding the Commerzbank Group's anticipated earnings performance in 2020. However, the rapidly evolving nature of the coronavirus pandemic means that the form and impact of the response measures planned or decided by the federal and state governments will need to be monitored very closely over the coming days and weeks. This may in turn lead to corresponding reassessments of individual earnings forecasts.

On balance, we expect to report a consolidated loss for the 2020 financial year due to the ongoing difficult market environment and risk factors, the higher risk result and the provisions recognised for restructuring expenses.

Based on the Common Equity Tier 1 ratio reported as at the reporting date and the expected change in risk-weighted assets and Tier 1 capital between now and the end of the year, we are anticipating a Common Equity Tier 1 ratio of at least 13% as at the end of 2020.

Interim Risk Report

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

Interim Risk Report

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Risk-oriented overall bank management

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

Risk management organisation

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

The risk management organisation comprises Group Credit Risk Management, Group Credit, Group Market Risk Management and Group Risk Controlling & Capital Management. All divisions have a direct reporting line to the CRO.

On 1 January 2020, Commerzbank established the new Group division "Group Cyber Risk & Information Security", which is also part of the risk management organisation and has a direct reporting line to the CRO.

It is Group Compliance's responsibility to establish appropriate governance, procedures and systems to avoid the Bank being unintentionally endangered as a consequence of compliance risks. This includes the risks associated with money laundering, terrorist financing, sanctions and embargoes, markets compliance, and fraud and corruption. Group Compliance is led by the Chief Compliance Officer, who reports directly to the member of the Board of Managing Directors with responsibility for Group Compliance.

Further details on the risk management organisation within Commerzbank can be found in the Group Risk Report 2019.

Risk-bearing capacity and stress testing

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

Risk-bearing capacity is monitored and managed monthly at Group level. Risk-bearing capacity is deemed to be assured as long as the RBC ratio is higher than 100%. In the first nine months of 2020, the RBC ratio was consistently above 100% and stood at 158% on 30 September 2020. The RBC ratio decreased slightly compared to December 2019 due to an increased default risk, however, it remains clearly above the minimum requirement.

Risk-bearing capacity is also assessed using macroeconomic stress scenarios. The scenarios are simulated quarterly at Group level with a time horizon of 12 months.

Risk-bearing capacity Group €bn	30.9.2020	31.12.2019
Economic risk coverage potential	24	24
Economically required capital¹	15	15
thereof for default risk	10	10
thereof for market risk ²	4	4
thereof for operational risk	1	1
thereof diversification effects	-2	-2
RBC ratio (%)³	158	161

¹ Including physical asset risk, risk of unlisted investments and the risk buffer for reserve risk and for the quantification of potential fluctuations in value of goodwill and intangibles.

² Including deposit model risk.

³ RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

The massive global spread of the coronavirus pandemic led many countries to implement drastic containment measures, such as curfews, business closures and production stops, in March and April. These measures enabled Europe to initially contain the pandemic over the course of the second quarter. The situation in many other places remained critical. Since the beginning of August, Europe has also seen the number of infections rise sharply once again. The measures that have been taken are less stringent so far than those implemented in the spring, however, so it cannot be assumed at present that the economies of industrialised countries will collapse to the same extent as in the second quarter. Nevertheless, the second wave of the pandemic will dampen the upward trend appreciably.

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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 sub-risk types of credit default risk, issuer risk, counterparty risk, country and transfer risk, dilution risk and reserve risk.

Commerzbank Group

Commerzbank focuses its business on two customer segments, Private and Small-Business Customers (PSBC) and Corporate Clients (CC). In the Asset & Capital Recovery (ACR) segment, the Bank had bundled the activities of the Commercial Real Estate and Ship Finance areas and complex financings from the Public Finance area for the purpose of completely winding down the portfolios in these areas over time. The ACR segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation (O&C) and to the Private and Small-Business Customers (PSBC) segment.

The massive global spread of the coronavirus pandemic led many countries to implement drastic containment measures, such as curfews, business closures and production stops, in March and April. These measures enabled Europe to initially contain the pandemic over the course of the second quarter. The situation in many other places remained critical. Since the beginning of August, Europe has also seen the number of infections rise sharply once again. The measures that have been taken are less stringent so far than those implemented in the spring, however, so it cannot be assumed at present that the economies of industrialised countries

will collapse to the same extent as in the second quarter. Nevertheless, the second wave of the pandemic will dampen the upward trend appreciably.

This has been taken into account in the risk result, primarily by means of a top-level adjustment as well as adjustments of models. For the most part, this negative trend is not yet perceptible in the remaining risk figures, as it will only become noticeable here with a time lag over the course of the following months.

Since the outbreak of the coronavirus pandemic, governments and institutions are intervening on an unprecedented scale, providing liquidity, support and assistance programmes. In the Private and Small-Business Customers segment and in the Corporate Clients segment, around €2.4bn of KfW loans (entrepreneur/start-up loans and rapid loans) were drawn by our customers as at 30 September 2020. In addition, around 18,000 customers were granted active deferrals as at the same date. The majority of these deferrals expired on 30 September 2020, which reduced the number of active deferrals to around 3,200 as at 1 October 2020. The active deferrals refer to private moratoriums. Overall, the quality of the portfolios has remained stable.

Credit risk parameters To manage and limit default risks in the Commerzbank Group, we use risk parameters, including the following: exposure at default (EaD), hereinafter also referred to simply as exposure, 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 99.90% and a holding period of one year), risk-weighted assets and “all-in” for bulk risks.

The credit risk parameters in the rating classes 1.0 to 5.8 as at 30 September 2020 were as follows:

Credit risk parameters	30.9.2020				31.12.2019			
	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
Private and Small-Business Customers	189	389	21	1,685	178	425	24	2,207
Corporate Clients	188	410	22	4,545	184	473	26	4,607
Others and Consolidation ¹	113	149	13	4,020	83	120	14	3,003
Group	490	948	19	10,251	445	1,017	23	9,817

¹ Mainly liquidity portfolios of Treasury and, since 1 July 2019, the remaining portfolios of the dissolved ACR segment.

When broken down on the basis of PD ratings, 85% of the Group's portfolio is in the internal rating classes 1 and 2, which represent investment grade.

Rating breakdown EaD %	30.9.2020					31.12.2019				
	1.0-1.8	2.0-2.8	3.0-3.8	4.0-4.8	5.0-5.8	1.0-1.8	2.0-2.8	3.0-3.8	4.0-4.8	5.0-5.8
Private and Small-Business Customers	31	52	13	3	1	31	51	14	3	1
Corporate Clients	20	60	16	3	1	20	60	16	3	2
Others and Consolidation	45	52	2	0	0	51	46	3	1	0
Group	30	55	12	2	1	30	54	13	2	1

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, 7% to North America and 8% to Asia. The rest is broadly diversified and is split among a

large number of countries where we serve German exporters in particular or where Commerzbank has a local presence. The expected loss of the Group portfolio is mainly divided between Germany and the other European countries.

Group portfolio by region	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	250	427	17	235	526	22
Western Europe	105	219	21	90	191	21
Central and Eastern Europe	49	196	40	49	207	42
North America	35	36	10	34	32	9
Asia	41	40	10	27	32	12
Other	10	31	30	10	29	29
Group	490	948	19	445	1,017	23

Risk result The risk result relating to the Group's lending business as at 30 September 2020 was €-1,067m (prior-year period: €-370m).

The following table shows the breakdown of the risk result by stage according to IFRS 9. Any fluctuations in the market values of

fair value loans are not recognised in the risk result. They are recognised in the net income from financial assets and liabilities measured at fair value through profit or loss.

Risk result €m	1.7.-30.9.2020				1.4.-30.6.2020				1.1.-31.3.2020			
	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total
Private and Small-Business Customers	-1	-69	-60	-130	-1	-54	-97	-153	-6	-21	-134	-161
Corporate Clients	7	13	-140	-120	-11	-17	-261	-290	-5	-46	-115	-165
O&C	2	2	-26	-22	-3	1	-26	-27	-1	6	-4	0
Group	7	-53	-226	-272	-16	-69	-385	-469	-12	-61	-253	-326

¹ Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

Risk result €m	1.7.-30.9.2019				1.4.-30.6.2019				1.1.-31.3.2019			
	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total
Private and Small-Business Customers	-8	-16	-62	-87	-1	20	-68	-48	-2	-5	-44	-52
Corporate Clients	7	34	-72	-31	0	7	-134	-127	0	-17	-12	-28
ACR	0	0	0	0	0	0	-23	-23	0	2	-2	-1
O&C	-1	7	-3	4	-2	48	-26	21	-1	4	0	2
Group	-2	25	-137	-114	-2	75	-250	-178	-3	-17	-58	-78

¹ Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

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Risk result €m	1.1.-30.9.2020				1.1.-30.9.2019			
	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total
Private and Small-Business Customers	-8	-144	-291	-444	-11	-1	-174	-187
Corporate Clients	-9	-49	-516	-575	8	24	-218	-186
ACR	-	-	-	-	0	2	-25	-24
O&C	-3	9	-55	-49	-4	59	-29	27
Group	-20	-184	-863	-1,067	-7	83	-446	-370

¹ Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

The risk result increased significantly compared with the reference period of 2019. The main reasons for this are effects of the coronavirus pandemic totalling €-496m (of which €-170m are in the form of a top-level adjustment, hereinafter referred to as a “TLA”) and the default of a large exposure in the Corporate Clients segment in the second quarter of 2020.

Against the background of the coronavirus pandemic, Commerzbank had already included a TLA in the risk result in the first two quarters. In the third quarter the TLA amounting to €-154m was reviewed. The portion of the TLA amounting to €-54m which was recognised in the second quarter due to necessary adjustments of point-in-time parameters was no longer necessary in the third quarter. The parameters underlying this amount were implemented and are included in the model result from the standard process. In the risk result, the release of the partial TLA is therefore offset by corresponding charges. The assumptions regarding the TLA and further parameters necessary for the risk provisioning were reviewed in the reporting period (for details of the adjustment, see Note 27 Credit risks and credit losses). This resulted in an additional risk provisioning requirement of €-70m which was recognised in the TLA. The charges are mainly attributable to the PSBC segment. In the CC segment, the increased TLA requirement due to changes in assumptions was almost offset by the fact that no further premiums on the probability of default were assumed for engagements with a current individual rating as part of the review as at the

reporting date. For these cases the anticipated effects of the crisis as at the reporting have been factored in on a borrower-specific basis by the rating systems used and the strong focus of the credit risk and credit control function. The new TLA of the Group is amounting to €-170m. The necessity and adequacy of the TLA will be reviewed again at the next reporting date. The further development observed in the portfolio will be of particular importance for the review.

Further drivers of the risk result in the reporting period are addressed in the following explanatory notes on the segments.

Key assumptions in our estimate of the impact of the crisis on probabilities of default were that further global lockdowns on the scale of those seen in March and April could be avoided and that the economy would continue to gradually recover. The response to the recent spike in infections in Europe has so far been less drastic than that seen in the spring. As at the reporting date, we are still anticipating a risk result of between €-1.3bn and €-1.5bn, however, subject to the further development of the coronavirus pandemic.

Default portfolio The Group’s default portfolio increased by €969m in the first nine months of 2020 and stood at €4,705m as at 30 September 2020.

The following breakdown of the default portfolio shows the claims in the default portfolio in the amortised cost and fair value OCI (other comprehensive income) categories.

Default portfolio Group €m	30.9.2020			31.12.2019		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	4,705	0	4,705	3,735	0	3,735
LLP ¹	2,173	3	2,176	1,745	0	1,745
Coverage ratio excluding collateral (%) ²	46	-	46	47	-	47
Collateral	1,112	0	1,112	968	0	968
Coverage ratio including collateral (%) ²	70	-	70	73	-	73
NPE ratio (%) ³			0.9			0.9

¹ Loan loss provisions.

² Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.

³ NPE ratio: default portfolio (non-performing exposures – NPE) as a proportion of total exposures (EaD including NPE) according to EBA Risk Dashboard.

Private and Small-Business Customers segment

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

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 €93bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €24bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (consumer and instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the last nine months was largely due to residential mortgage loans.

Compared with December 2019, the risk density of the portfolio decreased by 3 basis points to 21 basis points.

Credit risk parameters	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	111	145	13	104	159	15
Small-Business Customers	33	64	19	31	73	23
comdirect bank	3	6	20	3	7	23
Commerz Real	< 1	< 1	25	1	2	43
mBank	42	174	42	39	183	47
PSBC	189	389	21	178	425	24

The risk result in the Private and Small-Business Customers segment was €-444m in the first three quarters of 2020 (reference period 2019: €-187m). The increase is largely due to effects from the coronavirus pandemic, which totalled €-208m in the reporting period (of which €-53m for mBank). The risk result of the third quarter mainly consists of the additional TLA amounting to €-70m. This mainly resulted from the Small-Business Customers sub-portfolio for which the probabilities of default were increased in part compared with the previous quarter. In addition, the adjustment of point-in-time parameters led to an additional charge to the TLA.

The risk result of mBank was also affected by the coronavirus pandemic and stood at -217m significantly above the amount of -129m in the reference period of 2019.

Another reason for the year-on-year increase was the new definition of default that has been applied at Commerzbank since the end of November 2019. Partly due to the three-month probation period, this leads to an increase in the default portfolio with corresponding risk provisioning. In addition, the risk result for the first three quarters of 2019 included a reversal of €10m of loan loss provisions at Commerz Real, as well as higher recoveries on receivables already written off.

The default portfolio in the segment stood at €2,008m as at 30 September 2020. The increase compared with year-end 2019 is due to an increase of €85m in the mBank default portfolio and effects arising from the application of the new definition of default.

Default portfolio PSBC €m	30.9.2020			31.12.2019		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	2,008	0	2,008	1,795	0	1,795
LLP	981	0	981	895	0	895
Coverage ratio excluding collateral (%)	49	-	49	50	-	50
Collateral	691	0	691	575	0	575
Coverage ratio including collateral (%)	83	-	83	82	-	82

Corporate Clients segment

The Corporate Clients segment (CC) comprises the Group's activities with mid-size corporate clients, the public sector, institutional customers and multinational corporates. The segment is also responsible for the Group's relationships with banks and

financial institutions in Germany and abroad, as well as with central banks. The regional focus of our activities is on Germany and Western Europe. The Group's customer-oriented capital markets activities are also bundled in this segment.

Credit risk parameters	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	83	188	23	79	257	33
International Corporates	68	140	21	68	112	16
Financial Institutions	22	56	26	20	54	27
Other	16	25	16	17	49	29
CC	188	410	22	184	473	26

The EaD of the Corporate Clients segment increased from €184bn to €188bn compared with 31 December of the previous year. Risk density decreased from 26 basis points to 22 basis points.

For details of developments in the Financial Institutions portfolio, please see page 24f.

The risk result of the Corporate Clients segment in the first three quarters of 2020 was €-575m (reference period of 2019: €-186m). The increase compared with the reference period of 2019 was due in part to the default of a large exposure in the second quarter. The segment was also burdened by the effects of the coronavirus pandemic, which manifested in charges totalling €-262m. In some

cases, the charges resulted from larger individual counterparties where the effects of the crisis were the main reason for default or which required an increase in existing risk provisions. After the review of the TLA only a minor additional requirement amounting to €-1m was necessary in the third quarter as already mentioned above.

The default portfolio in the segment stood at €2,268m as at 30 September 2020. The increase in the first three quarters of 2020 was mainly due to defaults on larger exposures, especially in the second quarter.

Default portfolio CC €m	30.9.2020			31.12.2019		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	2,268	0	2,268	1,707	0	1,707
LLP	1,037	3	1,041	755	0	755
Coverage ratio excluding collateral (%)	46	-	46	44	-	44
Collateral	378	0	378	306	0	306
Coverage ratio including collateral (%)	62	-	63	62	-	62

The risk result in the Others and Consolidation segment was €-49m in the first three quarters of 2020 (reference period of 2019: €3m). The driver of the increase versus the same period of 2019 was the coronavirus-related negative performance of a portfolio exposure, which required an increase in the existing risk provisions as well as another significant case in the third quarter. The TLA for the segment remained nearly stable in the third quarter.

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

Overall, the German industrial sectors are affected differently by the coronavirus pandemic and the fundamental structural challenges that are independent of it.

For example, there are sectors that are affected by the crisis, but which are also facing only minor structural challenges, such as the construction sector. Other industries, on the other hand, already faced structural challenges before the pandemic began: Stationary

retail, the automotive industry and the metal industry, for example. The German metal industry was already grappling ahead of the coronavirus pandemic with the price increase of up to 25% as a result of punitive tariffs imposed by the US government, for example, and was also partially affected by the slump in the demand sectors that are relevant to it. However, there are also sectors that are only exposed to a limited extent to the effects of both economic structural change and coronavirus pandemic. This includes, among others, the information and communications industry as well as sectors that are essential for basic services for the population (e.g. energy, water and waste management).

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

Corporates portfolio by sector	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Energy supply/Waste management	22	79	35	21	82	40
Consumption	15	52	35	15	49	34
Technology/Electrical industry	15	31	21	15	31	21
Transport/Tourism	13	36	28	12	37	31
Wholesale	13	44	35	14	47	35
Basic materials/Metals	11	28	26	11	46	41
Automotive	11	41	37	10	38	39
Services/Media	10	32	31	10	28	27
Mechanical engineering	9	32	35	9	26	29
Chemicals/Plastics	9	23	26	9	46	49
Construction	6	17	31	6	16	28
Pharma/Healthcare	6	27	49	5	9	20
Other	6	7	12	7	14	21
Total	144	449	31	142	470	33

Financial Institutions portfolio

Our network of correspondent banks continued to focus on trade finance activities on behalf of our corporate customers and on capital market activities. In derivatives, we enter into trades with selected counterparties under the European Market Infrastructure Regulation (EMIR) standards.

We continue to keep a close watch on the impact of regulatory requirements on banks. In this context, we continue to pursue our strategy of holding as few exposures as possible which might absorb losses in the event of a bail-in of an affected institution.

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (e.g. trade wars, Brexit) and are responding with flexible portfolio management that is tailored to the individual situation of each country. This applies in particular to the upheaval resulting from the coronavirus pandemic and oil price developments, which will have a major impact on the operating environment of our correspondent banks in both industrialised and developing countries. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

18 Risk-oriented overall bank management

19 Default risk

26 Market risk

29 Liquidity risk

31 Operational risk

31 Other risks

FI portfolio by region	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	7	8	11	6	4	7
Western Europe	16	12	7	15	11	8
Central and Eastern Europe	2	11	48	3	15	55
North America	3	1	2	2	0	2
Asia	8	24	31	9	19	22
Other	5	18	35	5	19	38
Total	41	73	18	40	70	18

Non-Bank Financial Institutions portfolio

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

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our

portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from global events and are responding with flexible portfolio management that is tailored to the individual situation. The main focus at present is the upheaval caused by the coronavirus pandemic, which is having an impact on the operating environment of NBFI customers. We currently expect knock-on effects from this, but these should be manageable for the affected parties, especially in light of the aid packages being implemented by the government to support the real economy, despite the considerable challenges.

NBFI portfolio by region	30.9.2020			31.12.2019		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	17	10	18	38	21
Western Europe	14	18	13	12	23	20
Central and Eastern Europe	3	13	44	2	19	100
North America	9	9	10	9	12	13
Asia	2	2	13	2	2	13
Other	1	3	33	1	2	23
Total	46	63	14	43	96	22

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €3.1bn, primarily for capital management purposes (31 December 2019: €5.4bn).

As at the reporting date of 30 September 2020, risk exposures with a value of €2.8bn were retained (31 December 2019: €5.0bn).

By far the largest portion of these positions is accounted for by €2.7bn (31 December 2019: €4.8bn) of senior tranches, which are nearly all rated good or very good.

As before, we do not see any impacts from the coronavirus pandemic on risk positions in the third quarter of 2020.

Commerzbank volume ¹					
Securitisation pool €bn	Maturity	Senior	Mezzanine	First loss piece	Total volume ¹
Corporates	2025 - 2036	2.7	<0.1	0.1	3.1
Total 30.9.2020		2.7	<0.1	0.1	3.1
Total 31.12.2019		4.8	<0.1	0.2	5.4

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

Conduit exposure and other asset-backed exposures

The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. In view of regulatory changes and the relocation of the Silver Tower conduit to Luxembourg, since the beginning of 2019 financing has been carried out through the direct purchase of funding notes that are taken onto the Bank's balance sheet. The volume and risk values for the securitisation of receivables in the Corporate Clients segment increased in the first nine months of 2020, rising by €0.2bn to €3.7bn.

Liquidity risks from securitisations are modelled in the internal liquidity risk model on a risk-adjusted basis. In the modelling, a worst-case assumption is made that Commerzbank will have 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. Also, 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 risk-adjusted discounts are applied.

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In the first nine months of 2020, the volume increased to €4.8bn (December 2019: €4.2bn). Risk values¹ also rose to €4.8bn (December 2019: €4.2bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €5.0bn (December 2019: €4.9bn). We have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. At 30 September 2020 this portfolio solely contained AAA-rated CLO positions (also the case at the end of 2019). Remaining structured credit positions with a volume of €0.4bn were already in the portfolio prior to 2014 (December 2019: €0.7bn), while risk values stood at €0.2bn (December 2019: €0.3bn).

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are generally 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. Smaller Commerzbank Group entities use standardised approaches under partial use rules. Value at risk (VaR) quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Group Risk Report 2019.

In internal management, all positions relevant to market risk are covered, and trading and banking book positions are jointly managed. In addition, for regulatory purposes the trading book is managed separately (in accordance with regulatory requirements, including currency and commodity risks in the banking book) and interest rate risks in the banking book are managed on a stand-alone basis. In order to provide a consistent presentation in this report, all figures relating to VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254-day history.

The trend in the figures up to the end of the third quarter of 2020 was driven by the exceptionally strong market movements (especially in the first two quarters) against the background of the coronavirus pandemic. In the third quarter the market movements calmed down somewhat compared to first two quarters.

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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Trading book

Below, we show how the regulatory market risk ratios of the trading book portfolio developed. Most of Commerzbank's trading book positions derive from the Corporate Clients segment and Group Treasury division. The VaR figures comprise all risks in the internal VaR model. Smaller Commerzbank Group entities use standardised approaches for their regulatory capital calculation under partial use rules. These figures are not contained in the VaR figures shown in this report.

The VaR rose from €6m to €15m in the first nine months of 2020. For the trading book, too, this was due to the strong market movements caused by the coronavirus pandemic, which led to new extreme scenarios in the VaR calculation. The VaR was largely stable compared with the second quarter of 2020.

VaR of portfolios in the trading book €m	1.1.-30.9.2020	2019
Minimum	5	4
Mean	13	7
Maximum	31	11
VaR at end of reporting period	15	6

The market risk profile is diversified across all asset classes. Interest rates, currencies and credit spreads are the dominant asset classes.

VaR contribution by risk type in the trading book €m	30.9.2020	31.12.2019
Credit spreads	2	1
Interest rates	6	1
Equities	0	1
FX	4	2
Commodities	2	1
Total	15	6

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained unchanged during the year. Stressed VaR increased from €26m at end-2019 to €30m at the end of the

third quarter of 2020. As at the end of the second quarter, stressed VaR stood at €32m. The influence of pandemic-related market fluctuations on stressed VaR is lower than in the regulatory VaR, as the stressed VaR calculation is based exclusively on historical market data.

The market risk profile in stressed VaR is also diversified across all asset classes.

Stressed VaR contribution by risk type in the trading book €m	30.9.2020	31.12.2019
Credit spreads	7	5
Interest rates	8	5
Equities	0	5
FX	8	5
Commodities	5	5
Total	30	26

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. Compared to year-end 2019 the incremental risk charge in the Commerzbank Group rose by €6m to €20m as at the end of September 2020. This was mainly attributable to changes in positions in the Corporate Clients segment and extended credit spread curves as a result of the coronavirus pandemic. This represents a decrease of €4m compared with the second quarter.

The reliability of the internal model (historical simulation) is monitored in various ways, including backtesting, on a daily basis. The VaR calculated is set against actually occurring profits and losses. The VaR used in backtesting is based on the complete historical simulation and therefore represents all internal models used in the market risk VaR calculation of capital adequacy requirements at Group level. The process draws a distinction between "clean P&L" and "dirty P&L" backtesting. In the former, exactly the same positions in the income statement are used as were used for calculating the VaR. This means that the profits and losses result only from changes in market prices (hypothetical changes in the portfolio value). In dirty P&L backtesting, by contrast, profits and losses from newly concluded and expired transactions from the day under consideration are also included (actual profits and losses induced by portfolio value changes). Profits and losses from valuation adjustments and model reserves are factored into dirty and clean P&L according to the regulatory requirements. If the actual loss exceeds the VaR, it is described as a negative backtesting outlier.

The analysis of the backtesting results serves to monitor the adequacy of the internal market risk model. Up to 30 September 2020, we saw three negative clean P&L outliers and two negative dirty P&L outliers. The outliers are all related to exceptionally strong market movements in response to the coronavirus pandemic, which obviously could not be predicted by historically calibrated VaR models. In some cases, the market movements that caused the P&L observed on these days significantly exceeded the historical fluctuation range in the one-year period on which the historical simulation was based.

Checks were carried out to verify that none of the observed backtesting outliers were caused by model weaknesses. The extent to which extraordinary market movements observed during the coronavirus pandemic are reflected by the model and thus also in regulatory capital was examined. For example, a capital buffer was recognised as of the second quarter for the significant volatility observed since the outbreak of the coronavirus pandemic in the precious metals future-forward basis in order to adequately reflect this effect in regulatory capital. This capital buffer is calibrated regularly.

Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified using a method prescribed by the supervisory authorities. All backtesting outliers that have led to losses (clean P&L and dirty P&L) at Group level must be analysed in detail and reported to the supervisory authorities. Given the temporary relief approved by the ECB, the consideration of coronavirus-based backtesting outliers is currently under review. However, at present this would have no impact on capital requirements.

As the VaR concept gives a prediction of potential losses assuming normal market conditions, it is supplemented by 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. Examples of events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve and changes to the curve's gradient. Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

The internal model's individual components are independently validated at regular intervals to assess their appropriateness for risk measurement. The identification and elimination of model weaknesses are of particular importance in this.

Banking book

The key drivers of market risk in the banking book are the Group Treasury portfolios, with their credit spread, interest rate and basis risks, and the positions held by the subsidiary Commerzbank Finance & Covered Bond S.A.

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €54m as at the end of the third quarter of 2020 (31 December 2019: €49m).

Most credit spread sensitivities related to securities positions measured at amortised cost. Changes in market price have no impact on the revaluation reserve or the income statement for these positions. The coronavirus pandemic resulted in a significant widening of credit spreads and cross-currency basis spreads, leading to losses in other comprehensive income as well as in the income statement for items in the banking book measured at fair value.

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 EU Banking Directive, the German Federal Financial Supervisory Authority (BaFin) and the European Central Bank (ECB) have prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/-200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter. In the scenario -200 basis points, the yield curve is floored at 0 (negative sections of the yield curve are left unchanged).

As at 30 September 2020, a potential loss of €3,003m (31 December 2019: €2,635m potential loss) was calculated for the scenario +200 basis points and a potential profit of €296m (31 December 2019: €614m potential profit) for the scenario -200 basis points. Commerzbank does not, therefore, need to be classified as a bank with elevated interest rate risk, as the decline in net present value represents less than 20% of its regulatory capital.

The interest rate sensitivity of the overall banking book (excluding pension funds) amounted to €7.6m on 30 September 2020 (31 December 2019: €9.4m) per basis point of interest rate decline.

Pension fund risk is also part of market risk in the banking book. Our pension fund portfolio comprises a well-diversified investment section and a section comprising 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. The main risk drivers are long-term euro interest rates, credit spreads and expected euro inflation due to anticipated pension dynamics.

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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

Market liquidity risk is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market. Market liquidity risk is taken into account in Commerzbank's risk-bearing capacity concept by scaling the value at risk to one year, i.e. the implicitly recognised liquidation period. Additional valuation adjustments for market liquidity risk are also reflected in the calculation of the risk coverage capital. In particular, asset-backed securities (e.g. CLOs) and structured products show higher market liquidity risk. The inherent structure and underlying credit quality of our CLO portfolios allow us to maintain the existing strategy for these portfolios.

Liquidity risk

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

Risk management

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

Group Treasury is responsible for the Group's liquidity management operations. Group Treasury is represented in all major locations of the Group in Germany and abroad and has reporting lines into all subsidiaries. Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures that liquidity resources are used efficiently and that this occurs across all time zones, as Group Treasury units are located in Frankfurt, London, New York and Singapore. Additional information on this subject can be found in the "Funding and liquidity" section of the Interim Management Report. Liquidity risk is monitored on the basis of the Bank's own liquidity risk model by the independent risk function.

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

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

This also applies to payment obligations in foreign currencies. The Bank also mitigates concentration by continuously using its access to broadly diversified sources of funding, in particular diverse customer deposits and capital market instruments. Commerzbank also ensures that it monitors foreign exchange risks and fulfils the currency matching requirements for highly liquid assets and net liquidity outflows.

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

Additional information on the current developments caused by the coronavirus pandemic can be found in the Interim Management Report.

Quantification and stress testing

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

The stress scenarios within the Bank that underlie the model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. The Commerzbank-specific idiosyncratic scenario simulates a stress situation arising from a rating downgrade of two notches, whereas the market-wide scenario is derived from experience of the subprime crisis and simulates an external market-wide shock. The main liquidity risk drivers of both scenarios are a markedly increased outflow of short-term customer deposits, above-average drawdown of credit lines, prolongations 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. As a complement to the individual scenarios, the Bank also simulates the impact on the liquidity gap profile (net liquidity position) of a scenario that combines idiosyncratic and market-specific effects. The liquidity gap profile is shown for the whole of the modelling horizon across the full spectrum of maturities and follows a multi-level concept. This allows for a nuanced presentation – deterministic and modelled cash flows in existing business on the one hand and the inclusion of prolongations on the other.

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the quarter. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of September 2020, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €22.9bn and €21.6bn respectively (year-end 2019: €11.7bn and €11.2bn respectively).

The amounts reported for the Bank's liquidity show that Commerzbank's net liquidity situation improved in the third quarter of 2020, despite the fact that Commerzbank has provided its customers with disproportionately high liquidity during the coronavirus pandemic.

Net liquidity in the stress scenario €bn		30.9.2020	31.12.2019
Idiosyncratic scenario	1 month	30.1	18.4
	3 months	31.1	20.1
Market-wide scenario	1 month	31.7	20.7
	3 months	30.3	20.2
Combined scenario	1 month	22.9	11.7
	3 months	21.6	11.2

Liquidity reserves

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

As at the end of the third quarter of 2020, the Bank had a liquidity reserve of €103.1bn in the form of highly liquid assets (year-end 2019: €72.4bn). A part of this liquidity reserve is held in a separate stress 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 an intraday liquidity reserve portfolio. As at the reporting date, the total value of this portfolio was €6.0bn (31 December 2019: €6.3bn).

Liquidity reserves from highly liquid assets €bn	30.9.2020	31.12.2019
Highly liquid assets	103.1	72.4
of which level 1	84.4	59.6
of which level 2A	18.3	11.5
of which level 2B	0.5	1.3

Liquidity ratios

Throughout the first three quarters of 2020, the regulatory liquidity coverage ratio (LCR) remained above the limits set by the Board of Managing Directors.

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The regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Since 1 January 2018, banks have had to maintain a ratio of at least 100%.

At 129.82% (average month-end value over the last 12 months), Commerzbank significantly exceeded the minimum ratio of 100% for the LCR (as at the end of 2019: 132.72%).

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met. Further information on the composition of the LCR is given in Note 43 (liquidity coverage ratio) of the interim financial statements.

Operational risk

Based on the Capital Requirements Regulation (CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition includes legal risks; it does not cover strategic or reputational risks. In view of their increased economic significance, compliance risk and cyber risk are managed as separate risk types. However, losses from compliance risks and cyber risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

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

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. Lessons learned activities are carried out after all material loss events.

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 came to €18.7bn at the end of the third quarter of 2020 (31 December 2019: €18.7bn). The economically required capital was €1.5bn (31 December 2019: €1.5bn).

The total charge for OpRisk events at the end of the third quarter of 2020 was approximately €187m (full-year 2019: €127m). The events mainly related to losses in the "Products and business practices" category.

The exceptional situation during the coronavirus pandemic is resulting in increased operational risk, especially due to changes in internal processes and the market environment. However, losses thus far are limited to cost items such as cancellations (business trips, events), higher security costs for branches, additional hygiene measures to protect employees and customers, and IT measures related to enhanced online availability.

OpRisk events ¹ €m	30.9.2020	31.12.2019
Internal fraud	1	6
External fraud	8	12
Damage and IT failure	16	2
Products and business practices	163	103
Process related	0	6
HR related	0	-1
Group	187	127

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

Other risks

To meet the requirements of the Basel framework, MaRisk requires an integrated approach to risk that also includes unquantifiable risk categories. At Commerzbank, these are subjected to a qualitative management and control process. Details of legal, compliance, cyber and model risk are shown below. As regards all other risks, there were no significant changes in the first nine months of 2020 compared with the position reported in the Group Risk Report 2019.

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 or payment transactions, 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, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by US authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment 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 in which Commerzbank and its subsidiaries are or have been active have for some years been investigating irregularities in connection with the fixing of foreign exchange rates and with foreign exchange business in general. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the company with requests for information. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. The cases are no longer active with the exception of one case in which the investigating authority transferred the matter to the national competition tribunal. The possibility of financial consequences arising from some of these matters cannot be ruled out.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. All back taxes demanded by the tax authorities have been paid.

The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. It is investigating on suspicion that the Bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and the solidarity surcharge on dividends.

The Bank is cooperating fully with authorities conducting investigations into cum-ex transactions. It is currently not possible to predict whether this will result in a burden, whether it will occur, or the amount of any resulting burden.

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

transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and set up additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The possibility that this conclusion could change as developments unfold, for example in connection with assessments made by the fiscal courts, cannot be ruled out. In particular, the tax authorities are currently discussing whether and to what extent the above-mentioned BMF circular should be revised following the ruling of the Fiscal Court of Hessen on 28 January 2020 (4 K 890/17). It is currently not possible to predict whether this will have any implications for Commerzbank, and what such implications might be.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, the financial impact could be in the upper double-digit million range, plus interest on arrears, in these cases. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants appealed the judgement. In March 2020, the court of appeal partially overturned the judgement of the court of first instance and referred it back. A total of 1,731 plaintiffs have joined the class action. In early June 2020, the court of appeal enacted a temporary order concerning the suspension of interest payment and repayment obligations and prohibited the subsidiary from issuing due date or cancellation notices. The temporary order is legally binding. A first hearing before the court of first instance is scheduled for March 2021.

Independently of this, numerous borrowers have also filed lawsuits for the same reasons. In addition to the class action, 5,721 other individual proceedings were pending as at 30 September 2020. The subsidiary is defending itself against each of the claims. Although the majority of rulings in 2020 on indexation clauses have been unfavourable, by 30 September 2020 about half of all rulings were favourable to the subsidiary. The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgements handed down are not sufficient to permit a reliable estimate of future case law.

18	Risk-oriented overall bank management
19	Default risk
26	Market risk
29	Liquidity risk
31	Operational risk
31	Other risks

Against this backdrop, possible future lawsuits relating to the existing portfolio and the portfolio already repaid will be taken into account in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37. The provision relates both to the portfolio existing as at 30 September 2020 with a carrying amount of 13.6bn Polish zloty and to the portfolio already repaid. The portfolio already repaid amounted to 6.6bn Polish zloty at the time of disbursement. The provision as at 30 September 2020 for individual lawsuits was thus €205.2m.

The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision has to be adjusted significantly in the future.

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

Further information on legal proceedings may be found in Note 38 regarding provisions and Note 39 regarding contingent liabilities and lending commitments in the interim financial statements.

Compliance risk In 2015, Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Bank has already dealt with the majority of the findings relating to the settlements. The Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were subsequently terminated in March 2018 and May 2018 respectively, after consultation with the respective district attorney's offices. The Bank has also received various interim reports and on 15 October 2018 received the final report from the monitor appointed by the New York State Department of Financial Services (DFS), to which it has responded with corresponding implementation programmes. The Bank has made good progress in carrying out the implementation programmes and has executed most of the measures. The US monitor submitted its final report dated 15 October 2018, thus concluding its on-site investigations. In accordance with the terms of the engagement letter between the Bank and the monitor, the monitorship ended on 24 June 2019. Official confirmation from the DFS that Commerzbank is back under regular banking supervision following the monitorship is still pending.

In line with the requirements of the UK Financial Services and Markets Act 2000 (FSMA), in 2017 Commerzbank London mandated a consulting company as a "skilled person". The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Commerzbank London subsequently launched a comprehensive remediation project, the implementation of which is being evaluated by the "skilled person", with half-yearly reports to the FCA. Substantial progress has been made since the fourth and final phase was completed. Accordingly, the FCA informed the Bank in advance by e-mail on 16 June 2020 that the "skilled person" process had been concluded. The Bank received a "warning notice" from the FCA on 14 May 2020. It addressed weaknesses identified by the FCA in 2017 for the years 2012 to 2017 (money laundering prevention, know-your-customer (KYC) and transaction monitoring). On 17 June 2020, the Bank reached an agreement with the FCA on a penalty payment of £37.8m. A small number of topics to be addressed have been transferred to the line function, the handling of which will be monitored by Group Audit. A monthly status report will be submitted to the FCA.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). In accordance with a consent order issued by the CFTC on 8 November 2018 after the investigation has been completed, Commerzbank has engaged an outside consultant approved by the CFTC for a period of two years. The CFTC may extend this period by a further year at its discretion. During the review period, the outside consultant will produce annual reports assessing the swap dealer's compliance with the Commodity Exchange Act and the regulations of the CFTC and outline recommendations for improvements to its practices, policies and procedures. For the duration of the outside consultant's mandate, the Bank is also required to produce a full Chief Compliance Officer Report for the swap dealer in accordance with US regulations. The report must be submitted to the CFTC 90 days after receipt of each report from the outside consultant and must include a statement on the recommendations made by the outside consultant. The outside consultant started work in April 2019 and submitted the first report to the CFTC on 17 June 2020. The report contains 51 recommendations and 25 observations requiring processing or improvements. Commerzbank subsequently submitted its first complete Chief Compliance Officer Report for the swap dealer to the CFTC on 4 September 2020.

At the request of the Hong Kong Monetary Authority (HKMA), Commerzbank Hong Kong engaged an outside consultant to review the implementation of the branch's local control and governance structures. The outside consultant concluded the audit during summer 2019 and provided a report on the audit findings; processing of the individual issues addressed in the report has been completed. The Branch project to implement a regulatory inventory as an overview of existing and relevant local regulatory requirements finalised the regulatory inventory and the coverage analysis as planned. Implementation in the written rules of procedure and controls was completed on schedule by the end of the third quarter of 2020, thus finalising the processing of all the report's findings.

Cyber risk Cyber risk comprises risks that are directly relevant to security and risks that can become relevant to security (with respect to cyber space). The part of cyber space of relevance to Commerzbank is all connected IT environments within the Bank and those outside the Bank that lead to customers, business partners and service providers. Cyber risk is therefore concerned with the digital representation of the Bank's assets (data, information) within cyber space.

The strategic guidelines from the overall risk strategy and the information security strategy apply without limitation to cyber risk.

In recent years, there have been a number of serious security incidents – not involving Commerzbank – in the financial sector, leading many of the world's key regulators and standard setters (such as the DFS500 – Department of Financial Services, Section 500 (Cybersecurity Requirements for Financial Services Companies) and NIST (National Institute of Standards and Technology) in the USA and the MAS (Monetary Authority of Singapore) in Singapore) to place increasing emphasis on cyber security and publish additional requirements for the management of cyber risks. Within Europe and Germany, the EBA and BaFin are also focusing intensively on this topic.

To adequately address both this trend and future challenges relating to the management of cyber risks, since January 2020 Commerzbank has managed cyber and information security risks via the new Group division "Group Risk Management – Cyber Risk & Information Security" (GRM-CRIS), which reports to the Group Chief Information Security Officer (CISO). In addition to established security functions such as the Information Security Management System (ISMS) as well as risk reporting on key risk indicators, GRM-CRIS focuses on managing cyber risk appropriately and on strengthening Commerzbank's cyber-resilience (including its information security incident management capabilities). It also addresses the interaction between cyber and information security risks and other types of risk relating to areas such as HR, procurement, BCM and physical security.

There are currently no concrete attack patterns or other anomalies specifically related to the coronavirus pandemic to which our institution, other financial service providers or financial market infrastructures are exposed. In addition, we are not currently seeing any additional attack methods or an expansion of our attack surface due to the increased remote use of Bank resources such as split operations or home working.

However, there are a range of attack vectors that try to engage in criminal activity by capitalising on public fears (such as e-mails concerning precautionary measures purportedly sent by the WHO). This approach is known in the media as fearware and refers specifically to the most common form of its implementation, namely a combination of malware and social engineering powered by the fear of the person being targeted.

With regard to our customers, we are paying even more attention than usual to transactional anomalies, especially in the context of coronavirus-related fraud.

18	Risk-oriented overall bank management
19	Default risk
26	Market risk
29	Liquidity risk
31	Operational risk
31	Other risks

Model risk Model risk is the risk of incorrect management decisions based on an inaccurate depiction of reality by the models used. With regard to the causes of model risk we distinguish between model risk from exceeding model boundaries and model risk from model errors (manual errors in model development/implementation). In line with the focus of the Group risk strategy, namely to ensure that the Bank has adequate capital and liquidity, the models for assessing risk-bearing capacity (capital requirements under the Basel framework and economically measured capital requirements, respectively) and liquidity resources are central for risk management.

The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of margins of conservatism or model

reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management, requirements relating to model validation and model changes are established.

The current coronavirus pandemic, with its considerable economic and social impact as well as the mitigating support provided by the governments, poses major challenges for the risk models used. Commerzbank has introduced a series of measures to counter the increased model risk and to ensure appropriate management even in the current phase. For example, the ongoing monitoring of model performance has been expanded and the processes for using the models have been partially refined and adapted.

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 Controlling and Internal Audit as well as by German and European supervisory authorities. Despite being carefully developed and regularly checked, 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 in particular in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations. However, stress-testing all imaginable scenarios is not feasible. Stress tests cannot offer a final estimate of the maximum loss should an extreme event occur.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Interest income accounted for using the effective interest method	(7)	5,108	5,741	-11.0
Interest income accounted for not using the effective interest method	(7)	719	925	-22.2
Interest income	(7)	5,827	6,666	-12.6
Interest expenses	(7)	2,003	2,902	-31.0
Net interest income	(7)	3,824	3,764	1.6
Dividend income	(8)	27	16	67.6
Risk result	(9)	-1,067	-370	.
Commission income	(10)	2,919	2,773	5.3
Commission expenses	(10)	438	503	-12.9
Net commission income	(10)	2,481	2,270	9.3
Net income from financial assets and liabilities measured at fair value through profit or loss	(11)	-116	127	.
Net income from hedge accounting	(12)	152	132	15.4
Other sundry realised profit or loss from financial instruments		21	12	73.6
Gain or loss on disposal of financial assets – Amortised cost		-45	-22	.
Other net income from financial instruments	(13)	-24	-9	.
Current net income from companies accounted for using the equity method		5	9	-45.6
Other net income	(14)	-191	158	.
Operating expenses	(15)	4,551	4,705	-3.3
Compulsory contributions	(16)	445	388	14.8
Restructuring expenses	(17)	201	-	.
Pre-tax profit or loss from continuing operations		-106	1,004	.
Taxes on income	(18)	60	244	-75.5
Consolidated profit or loss from continuing operations		-166	759	.
Consolidated profit or loss from discontinued operations		40	9	.
Consolidated profit or loss		-127	769	.
Consolidated profit or loss attributable to non-controlling interests		36	87	-59.1
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components		-162	681	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

€		1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Earnings per share	(19)	-0.17	0.54	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

The earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders (see Note 19). No conversion or option

rights were outstanding either in the previous or current financial year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Consolidated profit or loss	-127	769	.
Change from remeasurement of defined benefit plans not recognised in income statement	306	-195	.
Change from remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	-1	-0	.
Change in value not recognised in income statement	-3	6	.
Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement	36	-61	.
Items not recyclable through profit or loss	337	- 250	.
Change in revaluation of debt securities (FVOCIImR)			
Reclassified to income statement	-16	-18	-11.6
Change in value not recognised in income statement	42	72	-41.6
Change in cash flow hedge reserve			
Reclassified to income statement	1	3	-54.5
Change in value not recognised in income statement	75	14	.
Change in currency translation reserve			
Reclassified to income statement	1	-	.
Change in value not recognised in income statement	-416	31	.
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	0	-0	.
Items recyclable through profit or loss	- 313	101	.
Other comprehensive income	24	-149	.
Total comprehensive income	- 102	620	.
Comprehensive income attributable to non-controlling interests	-5	71	.
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	-97	549	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

€m	1.7.-30.9.2020	1.7.-30.9.2019 ¹	Change in %
Consolidated profit or loss	-55	340	.
Change from remeasurement of defined benefit plans not recognised in income statement	-46	45	.
Change from the remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	-	-0	
Change in value not recognised in income statement	-	1	
Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement	-54	-14	.
Items not recyclable through profit or loss	-100	32	.
Change in revaluation reserve (FVOCIImR)			
Reclassified to income statement	2	7	
Change in value not recognised in income statement	96	3	
Change in cash flow hedge reserve			
Reclassified to income statement	0	1	-56.9
Change in value not recognised in income statement	-2	8	.
Change in currency translation reserve			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-191	-25	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-	-	.
Change in companies accounted for using the equity method	1	-0	.
Items recyclable through profit or loss	-95	-7	.
Other comprehensive income	-194	25	.
Total comprehensive income	-249	365	.
Comprehensive income attributable to non-controlling interests	-13	13	.
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	-236	352	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

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

Other comprehensive income €m	1.1.-30.9.2020			1.1.-30.9.2019 ¹		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in own credit spread (OCS) of liabilities FVO	40	-4	36	-61	-0	-61
Change from remeasurement of equity instruments (FVOCIoR)	-5	0	-5	6	-0	6
Change from remeasurement of defined benefit plans	430	-124	306	-220	26	-195
Change in revaluation of debt securities (FVOCIImR)	39	-12	26	70	-16	54
Change in cash flow hedge reserve	95	-18	76	23	-5	17
Change in currency translation reserve	-416	0	-415	31	-0	31
Change from non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in companies accounted for using the equity method	0	-	0	-0	-	-0
Other comprehensive income	183	-158	24	-153	4	-149

¹ Prior-year figures adjusted due to restatements (see Note 3).

In the third quarter, the breakdown of other comprehensive income was as follows:

Other comprehensive income €m	1.7.-30.9.2020			1.7.-30.9.2019 ¹		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in own credit spread (OCS) of liabilities FVO	-61	7	-54	-14	-0	-14
Change from remeasurement of equity instruments (FVOCIoR)	-	-	-	1	-0	1
Change from remeasurement of defined benefit plans	-75	29	-46	70	-24	45
Change in revaluation of debt securities (FVOCIImR)	132	-35	97	13	-3	10
Change in cash flow hedge reserve	-3	1	-2	11	-2	8
Change in currency translation reserve	-191	0	-191	-25	-0	-25
Change from non-current assets held for sale and disposal groups	-	-	-	-	-	-
Change in companies accounted for using the equity method	1	-	1	-0	-	-0
Other comprehensive income	-197	2	-194	55	-30	25

¹ Prior-year figures adjusted due to restatements (see Note 3).

Income statement (by quarter)

€m	2020			2019 ¹			
	3 rd quarter	2 nd quarter ²	1 st quarter ²	4 th quarter	3 rd quarter	2 nd quarter	1 st quarter
Interest income accounted for using the effective interest method	1,598	1,696	1,814	1,814	1,911	1,918	1,912
Interest income accounted for not using the effective interest method	229	202	288	292	305	317	303
Interest income	1,828	1,897	2,102	2,106	2,216	2,235	2,215
Interest expenses	601	620	782	800	957	961	983
Net interest income	1,226	1,277	1,320	1,305	1,259	1,274	1,231
Dividend income	14	12	2	19	5	10	1
Risk result	-272	-469	-326	-250	-114	-178	-78
Commission income	947	938	1,034	933	903	931	939
Commission expenses	135	146	157	147	139	192	171
Net commission income	812	791	877	786	763	739	768
Net income from financial assets and liabilities measured at fair value through profit or loss	25	163	-304	116	15	28	85
Net income from hedge accounting	88	135	-70	-27	36	46	50
Other sundry realised profit or loss from financial instruments	-6	10	18	19	-5	33	-15
Gain or loss on disposal of financial assets - Amortised cost	-32	-8	-5	17	-15	-2	-5
Other net income from financial instruments	-39	2	13	36	-20	31	-20
Current net income from companies accounted for using the equity method	-0	3	2	2	2	2	5
Other net income	-94	-109	12	-65	122	-2	37
Operating expenses	1,521	1,526	1,503	1,608	1,559	1,579	1,567
Compulsory contributions	72	73	301	65	60	63	265
Impairments on goodwill and other intangible assets	-	-	-	28	-	-	-
Restructuring expenses	201	-	-	101	-	-	-
Pre-tax profit or loss from continuing operations	-32	205	-278	120	449	309	246
Taxes on income	12	-24	72	94	106	43	96
Consolidated profit or loss from continuing operations	-44	228	-351	27	343	266	150
Consolidated profit or loss from discontinued operations	-11	6	44	-27	-3	26	-13
Consolidated profit or loss	-55	234	-306	-1	340	292	137
Consolidated profit or loss attributable to non-controlling interests	15	13	8	13	43	30	14
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	-69	221	-315	-13	297	262	123

¹ Prior-year figures adjusted due to restatements (see Note 3).² Adjusted values.

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Balance sheet

Assets €m	Notes	30.9.2020	31.12.2019 ¹	Change in %
Cash on hand and cash on demand		83,677	41,164	.
Financial assets – Amortised cost	(20)	304,537	293,658	3.7
of which: pledged as collateral		1,308	1,814	-27.9
Financial assets – Fair value OCI	(22)	40,759	30,942	31.7
of which: pledged as collateral		2,571	1,355	89.8
Financial assets – Mandatorily fair value P&L	(24)	44,944	30,196	48.8
of which: pledged as collateral		–	0	.
Financial assets – Held for trading	(25)	52,600	44,840	17.3
of which: pledged as collateral		1,664	842	97.6
Value adjustment on portfolio fair value hedges		1,727	959	80.1
Positive fair values of derivative hedging instruments		2,413	1,992	21.2
Holdings in companies accounted for using the equity method		178	177	0.5
Intangible assets	(31)	2,938	3,053	-3.8
Fixed assets	(32)	3,109	3,487	-10.8
Investment properties		13	13	–
Non-current assets held for sale and disposal groups	(34)	2,167	7,955	-72.8
Current tax assets		434	439	-1.2
Deferred tax assets		2,763	2,920	-5.4
Other assets	(36)	2,071	1,739	19.1
Total		544,330	463,532	17.4

¹ Prior-year figures adjusted due to restatements (see Note 3).

Liabilities and equity €m	Notes	30.9.2020	31.12.2019 ¹	Change in %
Financial liabilities – Amortised cost	(21)	418,660	351,909	19.0
Financial liabilities – Fair value option	(23)	32,408	19,964	62.3
Financial liabilities – Held for trading	(26)	43,293	39,366	10.0
Value adjustment on portfolio fair value hedges		1,460	1,212	20.5
Negative fair values of derivative hedging instruments		6,182	4,402	40.4
Provisions	(38)	2,193	2,704	-18.9
Current tax liabilities		322	438	-26.4
Deferred tax liabilities		18	27	-34.7
Liabilities of disposal groups	(35)	3,066	8,528	-64.0
Other liabilities	(37)	4,747	4,418	7.5
Equity		31,980	30,564	4.6
Subscribed capital		1,252	1,252	–
Capital reserve		17,192	17,192	–
Retained earnings		10,124	10,108	0.2
Other reserves (with recycling)		-441	-169	.
Equity attributable to Commerzbank shareholders		28,127	28,383	-0.9
Additional equity components		2,622	885	.
Non-controlling interests		1,231	1,296	-5.0
Total		544,330	463,532	17.4

¹ Prior-year figures adjusted due to restatements (see Note 3).

Statement of changes in equity

€m	Sub- scribed capital	Capital reserve	Retained earnings	Other reserves Reva- luation reserve	Cash flow hedge reserve	Currency trans- lation reserve	Equity attributable to Commerz- bank share- holders ¹	Additional equity compo- nents ²	Non- controlling interests ¹	Equity ¹
Equity as at 31.12.2018	1,252	17,192	10,054	-9	-15	-264	28,211	-	1,200	29,411
Change due to restatements	-	-	-160	-	-	0	-160	-	-3	-164
Equity as at 31.12.2018 (after restatements)	1,252	17,192	9,893	-9	-15	-264	28,051	-	1,197	29,247
Change from first-time application of IFRS 9	-	-	12	-	-	-	12	-	-	12
Equity as at 1.1.2019	1,252	17,192	9,905	-9	-15	-264	28,063	-	1,197	29,259
Total comprehensive income	-	-	431	56	12	50	549	-	71	620
Consolidated profit or loss	-	-	681	-	-	-	681	-	87	769
Change in own credit spread (OCS) of liabilities FVO	-	-	-61	-	-	-	-61	-	-	-61
Change from remeasurement of defined benefit plans	-	-	-194	-	-	-	-194	-	-1	-195
Change in measurement of equity instruments (FVOCIoR)	-	-	5	-	-	-	5	-	1	6
Change in revaluation of debt securities (FVOCI mR)	-	-	-	56	-	-	56	-	-3	54
Change in cash flow hedge reserve	-	-	-	-	12	-	12	-	5	17
Change in currency translation reserve	-	-	-	-	-	50	50	-	-20	31
Change from non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-	-	-
Change in companies accounted for using the equity method	-	-	-	-	-	-0	-0	-	-	-0
Dividend paid on shares	-	-	-250	-	-	-	-250	-	-7	-257
Changes in ownership interests	-	-	4	-	-	-	4	-	-2	2
Other changes	-	-	7	-	-	-	7	885	-4	887
Equity as at 30.9.2019	1,252	17,192	10,096	48	-3	-214	28,372	885	1,254	30,510

¹ Prior-year figures adjusted due to restatements (see Note 3).

² Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

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€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves Revaluation reserve	Cash flow hedge reserve	Currency translation reserve	Equity attributable to Commerzbank shareholders	Additional equity components ²	Non-controlling interests	Equity ¹
Equity as at 31.12.2019 (before restatements)	1,252	17,192	10,211	10	-5	-174	28,487	885	1,296	30,667
Change due to retrospective adjustments	-	-	-103	-	-	-	-103	-	-	-103
Equity as at 1.1.2020	1,252	17,192	10,108	10	-5	-174	28,383	885	1,296	30,564
Total comprehensive income			176	15	53	-340	-97	-	-5	-102
Consolidated profit or loss			-162				-162		36	-127
Change in own credit spread (OCS) of liabilities FVO			36				36		-	36
Change from remeasurement of defined benefit plans			306				306		-0	306
Change in measurement of equity instruments (FVOCIoR)			-4	-			-4		-1	-5
Change in revaluation of debt securities (FVOCImR)				15			15		12	26
Change in cash flow hedge reserve	-	-	-	-	53	-	53	-	23	76
Change in currency translation reserve							-341		-75	-415
Change from non-current assets held for sale and disposal groups				-			-		-	-
Change in companies accounted for using the equity method							0	0	-	0
Increase of capital							-		-	-
Decrease of capital							-		-	-
Dividend paid on shares			-				-		-0	-0
Payments to instruments of Additional Tier 1 capital			-48				-48		-0	-48
Changes in ownership interests			-113				-113		-61	-174
Other changes			2				2	1,738	2	1,741
Equity as at 30.9.2020	1,252	17,192	10,124	25	48	-514	28,127	2,622	1,231	31,980

¹ Prior-year figures adjusted due to restatements (see Note 3).

² Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

AT1 bond

In the third quarter of 2019, Commerzbank AG issued its first Additional Tier 1 bond (AT1 bond) under the Capital Requirements Regulation (CRR). The bond has a volume of USD 1bn and a fixed coupon of 7.0% per annum. The instrument has a perpetual maturity and the first call date is in April 2025. Furthermore, the bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio (CET1 ratio) should drop below 5.125%. We have classified this subordinated AT1 bond as equity in accordance with IFRS and presented it separately in the item "Additional equity components" less issuing costs of USD 9m.

In the second quarter of 2020, Commerzbank Aktiengesellschaft launched an issuance programme for additional tier 1 capital (Additional Tier 1 capital, AT1), which will enable it to successively issue subordinated bonds with a nominal value of up to €3bn.

An AT1 bond with a volume of €1.25bn and a fixed coupon of 6.125% per annum was issued by 30 June 2020. The instrument is a perpetual bond with no fixed maturity and the first call date is in October 2025. The bond terms are the same as for the first Additional Tier 1 bond (AT1 bond). We have also classified this subordinated AT1 bond as equity in accordance with IFRS and presented it separately in the item "Additional equity components" less issuing costs of €9m.

In September 2020, Commerzbank successfully issued a second Additional Tier 1 bond under its issuance programme for Additional Tier 1 capital (AT1). The bond has a volume of €500m and a fixed coupon of 6.5% per annum up to April 2030. The bond has no fixed final maturity date and the first call date is in the period from October 2029 to April 2030.

Green Bond

Commerzbank successfully issued a green bond with an issue volume of €500m in September 2020. This is the Bank's second green bond and follows the inaugural issue in October 2018. The callable non-preferred senior bond has a fixed interest period until March 2025 and a fixed coupon of 0.75%. A variable coupon will subsequently be payable. Commerzbank will use the proceeds to finance renewable energy projects.

Other changes

As at 13 May 2020 the Annual General Meeting of Commerzbank AG decided not to pay a dividend for the 2019 financial year. Commerzbank is thus following the recommendation the European Central Bank made on 27 March 2020 to refrain from paying a dividend for 2019 and 2020 until at least 1 October 2020 in view of the uncertainties resulting from the coronavirus pandemic. For the 2020 financial year, Commerzbank will not plan on paying a dividend until the uncertainties caused by the coronavirus pandemic have been resolved. Afterwards the Board of Managing Directors will review this decision, if appropriate.

As at 30 September 2020, there was no material impact on "Other reserves" from assets held for sale and disposal groups.

The main changes in the currency translation reserve in the current financial year were thus far due to the US dollar, Polish zloty, British pound and Russian rouble. Other changes primarily include changes from taxes not recognised in the income statement.

The changes in ownership interests of -174 Mio. Euro in 2020 resulted solely from the purchase of additional shares in the already consolidated company comdirect bank Aktiengesellschaft.

Cash flow statement (condensed version)

€m	2020	2019 ¹	Change in %
Cash and cash equivalents as at 1.1.	41,164	53,914	-23.6
Net cash from operating activities	41,380	782	.
Net cash from investing activities	-294	-682	-56.8
Net cash from financing activities	1,638	-1,069	.
Total net cash	42,724	-969	.
Effects from exchange rate changes	-211	73	.
Cash and cash equivalents as at 30.9.	83,677	53,018	57.8

¹ Prior-year figures adjusted due to restatements (see Note 3).

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

Selected notes

General information

(1) Accounting policies

The Commerzbank Group has its headquarters in Frankfurt/Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt/Main under registration no. HRB 32000. Our interim financial statements as at 30 September 2020 were prepared in accordance with Art. 315e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

All standards and interpretations that are mandatory within the EU in financial year 2020 have been applied. We have not applied standards and interpretations that are not required until the 2021 financial year or later.

The interim management report, including the separate interim risk report pursuant to Art. 315 of the German Commercial Code, is published on pages 7 to 35 of this interim report.

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 have generally used financial statements prepared as at 30 September 2020.

The Group financial statements are prepared in euros, the reporting currency of the Group. Unless otherwise indicated, all amounts are shown in millions of euros. All items under €500,000.00 are presented as €0.00, and zero items are denoted by a dash. Due to rounding, in some cases the individual figures presented may not add up precisely to the totals provided.

(2) Initially applicable, revised and new standards and interpretations

Initially applicable standards and interpretations

Changes IFRS 16

The coronavirus pandemic related amendment to IFRS 16 is intended to make it easier for lessees to recognise concessions in

connection with rent payment deferrals and rent reductions granted during the coronavirus pandemic. This change has no material effects on the interim consolidated financial statements. The revised standard must be applied for reporting periods beginning on or after 1 June 2020. The amendments were endorsed by the European Commission on 9 October 2020.

IBOR reform

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the EONIA will be replaced by the euro short-term rate (€STR).

Commerzbank has implemented an IBOR reform program with the aim of ensuring a smooth transition to alternative reference interest rates.

The IFRS 9, IAS 39 and IFRS 7 standards were amended and published in phase 1. These amended standards must be applied in the EU for financial years beginning on or after 1 January 2020 and pertain to the period up to the actual transition.

Commerzbank has taken the decisions required for the first phase of the IBOR reform project in order to make use of the relief for hedge accounting provided by the IASB in connection with the revised standards.

The IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 standards were amended and published in phase 2. The amendments deal with specific issues where the reference rate has been replaced by a risk-free rate. The amended standards must be applied in the EU for financial years beginning on or after 1 January 2021, subject to the endorsement of the amendments by the European Commission.

As part of the second phase, the Bank successfully switched certain products from EONIA to €STR discounting in the third quarter of 2020. In the fourth quarter of 2020, Commerzbank anticipated the discount change from Effective Federal Fund Rate (EFFR) to Secured Overnight Financing Rate (SOFR)

European Single Electronic Format (ESEF)

The EU Commission has issued a regulatory technical standard on the European Single Electronic Format (ESEF), which requires all companies to report their financial statements in a uniform format, Extensible Hypertext Markup Language (xhtml). The standard must be applied in the EU for financial years beginning on or after 1 January 2020. Commerzbank Aktiengesellschaft is currently preparing to meet these requirements and will publish its annual report as at 31 December 2020 in accordance with the ESEF requirement.

Revised standards

The revisions to IAS 1 and IAS 8 are amendments that sharpen the definition of materiality for the inclusion of information in the financial statements and harmonise it within the Conceptual Framework and the different standards. These changes have no material effects on the Group financial statements. The revised standards must be applied for financial years beginning on or after 1 January 2020.

The Amendments to References to the Conceptual Framework in IFRS Standards were endorsed in November 2019. This Commission Regulation adopts the Amendments to References to the Conceptual Framework in IFRS Standards. The amendments have impacts on the standards IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS 2, IFRS 3, IFRS 6, IFRIC12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC32 and must be applied for all financial years beginning on or after 1 January 2020.

The revised standard IFRS 3 deals with more precise specifications for determining whether the acquisition of a business or the acquisition of a group of assets is involved. The endorsement process has been completed. The amendments must be applied for all financial years beginning on or after 1 January 2020.

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets concern the definition and content of the costs of fulfilling a contract, which a company must take into account when making judgements. The revised standard must be applied for financial years beginning on or after 1 January 2022.

The Annual Improvements to IFRS Standards 2018–2020 result in minor amendments to IFRS1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases. The revised standards must be applied for financial years beginning on or after 1 January 2022.

All standard changes not explicitly mentioned, do not have a significant impact on our consolidated financial statements at present.

New standards

The new accounting standard IFRS 17 Insurance Contracts, which was published in May 2017, will replace the IFRS 4 standard. The new standard applies not only to insurance companies, but to all entities that issue insurance contracts within the scope of the standard. IFRS 17 aims to achieve consistent, principles-based accounting for insurance contracts. It stipulates that insurance liabilities must be measured at the current settlement amount, instead of at historical cost. The IASB's intention in issuing IFRS 17 is to create a uniform basis for recognising, measuring, reporting and making disclosures in the notes regarding insurance contracts. Other

matters relating to insurance-specific contracts were defined in the additional amendments published on 25 June 2020 which are expected to be applied in the EU for financial years beginning on or after 1 January 2023, still needs to be transposed into EU law. Based on our current analyses, we do not expect any significant impact on the Group financial statements.

(3) Changes

In the case of one company included in the Group financial statements as a subsidiary, a retrospective adjustment was made to the right of use assets for leasing. As a result of this change, interest income increased by €3m, depreciation and amortisation decreased by €5m and other net income decreased by €2m as at September 2019. In addition, financial assets – loans and advances – measured at amortised cost increased by €67m as at 30 September 2019, while fixed assets fell by €60m. As a result of these adjustments, consolidated profit or loss increased by €7m as at 30. September 2019. Accordingly, retained earnings rose by the same amount. This adjustment was accounted for in the consolidated financial statements as at 31. December 2019. This had no material impact on the statement of comprehensive income and earnings per share.

In the case of one company included in the Group financial statements as a subsidiary, a retrospective adjustment was made to its compulsory contributions. As a result, compulsory contributions decreased by €10m and consolidated profit or loss increased by the same amount. These adjustments increased earnings per share by €0.01 as at 30 September 2019. This adjustment reduced retained earnings as at 1 January 2019 by €7m and non-controlling interests by €3m.

In the cash flow statement, cash flows from financing activities (essentially subordinated liabilities) amounting to €2,086m, €521m from investing activities and €266m from leases, which were still shown in operating cash flow in the previous year, have been reclassified to cash flow from financing activities respectively investing activities. These adjustments had no effect on consolidated profit or loss, the statement of comprehensive income or earnings per share as per 30 September 2019.

Furthermore, an error was corrected in the deferred taxes for a subordinated bond. Consequently, deferred tax assets as at 31 December 2019 decreased by €69m, and retained earnings declined by the same amount. This adjustment had no effect on consolidated profit or loss as at 30 September 2019, but consolidated profit or loss as at 31 December 2019 increased by €40m. Total

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comprehensive income therefore rose by the same amount. Earnings per share as at 31 December 2019 increased by €0.03. As a result of the adjustments, retained earnings were €135m lower as at 1 January 2019.

Moreover, a retrospective adjustment was made to retained earnings due to duplicate entries of commitment interest made in previous years. As a result of this change, interest income as at 30 September 2019 decreased by €3m and taxes on income by €1m. As at 31 December 2019, retained earnings were reduced by €9m, other assets by €13m and current tax liabilities by €1m. In contrast, deferred tax assets increased by €3m. These adjustments did not have a material impact on the statement of comprehensive income and earnings per share, and reduced retained earnings by €6m as at 1 January 2019.

A retrospective adjustment was made to the deferred taxes for one company included in the Group financial statements as an investment fund company. Consequently, deferred tax assets as at 31 December 2019 decreased by €25m, and retained earnings declined by the same amount. As a result of this change, taxes on income as at 30 September 2019 increased by €14m. Consolidated profit decreased by the same amount, while earnings per share as at 30 September 2019 decreased by €0.01. As a result of the adjustments, retained earnings were €13m lower as at 1 January 2019.

The total change resulting from the aforementioned adjustments to our published income statement as at 30 September 2019 and to our published balance sheet as at 31 December 2019 is summarised in the following tables:

€m	Originally reported 1.1.-30.9.2019	Adjustments according to IAS 8	Restated 1.1.-30.9.2019
Interest income	6,666	- 0	6,666
Interest expenses	2,902	-	2,902
Net interest income	3,764	- 0	3,764
Dividend income	16	-	16
Risk result	- 370	-	- 370
Commission income	2,773	-	2,773
Commission expenses	503	-	503
Net commission income	2,270	-	2,270
Net income from financial assets and liabilities measured at fair value through profit or loss	127	-	127
Net income from hedge accounting	132	-	132
Other net income from financial instruments	- 9	-	- 9
Current net income from companies accounted for using the equity method	9	-	9
Other net income	159	- 2	158
Operating expenses	4,710	- 5	4,705
Compulsory contributions	398	- 10	388
Pre-tax profit or loss from continuing operations	990	14	1,004
Taxes on income	231	13	244
Consolidated profit or loss from continuing operations	759	0	759
Consolidated profit or loss from discontinued operations	9	-	9
Consolidated profit or loss	768	0	769
Consolidated profit or loss attributable to non-controlling interests	84	3	87
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	684	- 3	681

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Assets €m	Originally reported 31.12.2019	Adjustments	Restated 31.12.2019
Cash on hand and cash on demand	41,164	–	41,164
Financial assets – Amortised cost	293,658	–	293,658
Financial Assets – Available for sale	30,942	–	30,942
Financial Assets – Fair value option	30,196	–	30,196
Financial Assets – Held for trading	44,840	–	44,840
Value adjustment on portfolio fair value hedges	959	–	959
Positive fair values of derivative hedging instruments	1,992	–	1,992
Holdings in companies accounted for using the equity method	177	–	177
Intangible assets	3,053	–	3,053
Fixed assets	3,487	–	3,487
Investment properties	13	–	13
Non-current assets held for sale and disposal groups	7,955	–	7,955
Current tax assets	439	–	439
Deferred tax assets	3,011	– 91	2,920
Other assets	1,752	– 13	1,739
Total	463,636	– 104	463,532

Liabilities €m	Originally reported 31.12.2019	Adjustments	Restated 31.12.2019
Financial liabilities – Amortised cost	351,909	–	351,909
Financial liabilities – Fair value option	19,964	–	19,964
Financial liabilities – Held for trading	39,366	–	39,366
Value adjustment on portfolio fair value hedges	1,212	–	1,212
Negative fair values of derivative hedging instruments	4,402	–	4,402
Provisions	2,704	–	2,704
Current tax liabilities	439	– 1	438
Deferred tax liabilities	27	–	27
Liabilities of disposal groups	8,528	–	8,528
Other liabilities	4,418	–	4,418
Equity	30,667	– 103	30,564
Subscribed capital	1,252	–	1,252
Capital reserve	17,192	–	17,192
Retained earnings	10,211	– 103	10,108
Other reserves (with recycling)	– 169	–	– 169
Total before non-controlling interests	28,487	– 103	28,383
Additional equity components	885	–	885
Non-controlling interests	1,296	–	1,296
Total	463,636	– 104	463,532

(4) Reports on events after the reporting period

On 2 November 2020, Commerzbank successfully completed the full takeover of comdirect bank Aktiengesellschaft by entering the

transaction in the Commercial Register, formally ending comdirect bank's independent status and stock market listing.

Accounting and measurement policies

(5) Changes in accounting and measurement policies

Coronavirus pandemic

The coronavirus pandemic had a major impact on the German economy and the global economy as a whole in the first three quarters of 2020 and has therefore also affected the Commerzbank Group's interim financial statements. The effects of the pandemic on Commerzbank were reviewed in various projects and appropriate measures were decided upon. In addition to the information provided in the interim management report (see page 17. ff.), descriptions of the current effects of the pandemic can be found mainly in

our note on credit risks and credit losses (see Note 27), as well as in the note on the statement of changes in equity; further details can be found in Notes 9, 28, 41 and 43.

Beside these changes and except for changes described in Note 2, we have applied the same accounting and measurement policies in these interim financial statements as in our Group financial statements as at 31 December 2019 (see page 149 ff. of the Annual Report 2019).

(6) Consolidated companies

Merger of comdirect bank Aktiengesellschaft

On 5 May 2020, the Annual General Meeting of comdirect bank Aktiengesellschaft approved the squeeze-out under German reorganisation law. The minority shareholders of comdirect were paid an appropriate cash settlement as compensation for their shares. The entry in the Commercial Register was made on 2 November 2020. As a result, comdirect is now a separate organisational unit of Commerzbank.

Acquisition of LeaseLink Sp. z.o.o.

In the first quarter of 2019, mLeasing, a leasing company from the mBank subgroup, acquired a 100% interest in LeaseLink Sp. z.o.o.. LeaseLink is a company from the fintech sector specialised in leasing payment services. The purchase price is equivalent to roughly €7m, resulting in goodwill of €6m.

The following table shows the assets and liabilities recognised in the balance sheet that were consolidated at the following values:

€m	8.3.2019
Financial assets - Amortised cost	17
Intangible assets	1
Fixed assets	0
Other assets	1
Total identified assets	19
Financial liabilities - Amortised cost	18
Total identified liabilities	18
Fair value of net assets	2
Purchase price/consideration	7
Goodwill	6

There were only minor differences between the accounting at the time of acquisition and on conclusion of the purchase price allocation, resulting in a slight change in goodwill.

Apart from this, no material companies were newly included in the scope of consolidated companies in the third quarter of 2020. In addition, no material companies were sold or liquidated or are no longer consolidated for other reasons.

Notes to the income statement

(7) Net interest income

All interest income and interest expenses – including interest-like income and expenses – are reported in this item, provided they do not result from the held-for-trading portfolio.

Interest income includes all interest income that is generated from the primary bank business or banking-related transactions. This income results primarily from the provision of capital.

As with interest income, interest expenses contain all interest expenses, including reversals of premiums/discounts and other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

Other interest expenses include the net of interest income and interest expenses of hedge accounting items.

€m	1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Interest income accounted for using the effective interest method	5,108	5,741	-11.0
Interest income – Amortised cost	4,832	5,395	-10.4
Interest income from lending and money market transactions	4,247	4,773	-11.0
Interest income from the securities portfolio	585	622	-5.9
Interest income – Fair value OCI	181	252	-28.4
Interest income from lending and money market transactions	9	18	-49.4
Interest income from the securities portfolio	172	235	-26.9
Prepayment penalty fees	95	94	1.5
Interest income accounted for not using the effective interest method	719	925	-22.2
Interest income – Mandatorily fair value P&L	278	591	-53.0
Interest income from lending and money market transactions	233	549	-57.6
Interest income from the securities portfolio	45	42	8.3
Positive interest from financial instruments held as liabilities	442	334	32.1
Interest expenses	2,003	2,902	-31.0
Interest expenses – Amortised cost	1,495	1,925	-22.4
Deposits	872	1,208	-27.8
Debt securities issued	623	717	-13.1
Interest expenses – Fair value option	221	581	-62.0
Deposits	190	557	-65.8
Debt securities issued	31	24	28.6
Negative interest from financial instruments held as assets	268	364	-26.4
Interest expenses on lease liabilities	14	19	-26.9
Other interest expenses	6	13	-54.4
Total	3,824	3,764	1.6

¹ Prior-year figures adjusted due to restatements (see Note 3).

(8) Dividend income

All dividends from shares and similar equity instruments – with the exception of dividends from trading portfolios – are reported in this item.

Here we also report the current net income from non-consolidated subsidiaries, which is realised through profit and loss transfer agreements. The non-consolidated subsidiaries are assigned to the mandatorily fair value P&L category.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Dividends from equity instruments – Fair value OCI	7	2	.
Dividends from equity instruments – Mandatorily fair value P&L	4	10	-57.0
Current net income from non-consolidated subsidiaries	16	5	.
Total	27	16	67.6

In 2019 a portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category. In the first nine months of 2019, no dividends

were received from these stocks and recognised in the income statement in dividend income.

(9) Risk result

The risk result contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. This also includes reversals of loss provisions when derecognition occurs because of scheduled redemptions, write-ups and amounts recovered

on claims written-down and direct write-downs not resulting from a substantial modification. In addition, changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit, see Note 39) are taken into account.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Financial assets – Amortised cost	-1,005	-355	.
Financial assets – Fair value OCI	-12	11	.
Financial guarantees	-1	-0	.
Lending commitments and indemnity agreements	-49	-26	90.0
Total	-1,067	-370	.

For information on the organisation of risk management and on the relevant key figures, as well as additional analyses and explanatory material on the expected credit loss, please refer to the interim management report contained in this interim report (see page 7 ff.).

In the first nine months of 2020, burdens due to the coronavirus pandemic amount to €-496m, of which €-170m are top-level adjustments (see Note 27 and risk report page 20 ff.).

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(10) Net commission income

The Group reports income and expenses generated from the utilisation of services in net commission income. These amounts are realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with

respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service transaction and not to proprietary trading. The same applies conversely when the Bank utilises third-party services.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Commission income	2,919	2,773	5.3
Securities transactions	944	814	16.0
Asset management	243	253	-3.8
Payment transactions and foreign business	1,019	1,056	-3.5
Guarantees	173	167	4.1
Net income from syndicated business	210	162	29.6
Intermediary business	120	117	3.1
Fiduciary transactions	14	16	-14.7
Other income	195	189	3.2
Commission expenses	438	503	-12.9
Securities transactions	112	165	-32.3
Asset management	26	24	6.6
Payment transactions and foreign business	110	116	-4.4
Guarantees	19	17	10.6
Net income from syndicated business	0	0	99.5
Intermediary business	109	132	-17.1
Fiduciary transactions	6	9	-38.6
Other expenses	56	39	41.9
Net commission income	2,481	2,270	9.3
Securities transactions	832	648	28.3
Asset management	218	229	-4.9
Payment transactions and foreign business	909	940	-3.3
Guarantees	155	149	3.4
Net income from syndicated business	210	162	29.5
Intermediary business	11	- 15	.
Fiduciary transactions	8	7	18.6
Other income	139	149	-7.0
Total	2,481	2,270	9.3

The breakdown of commission income into segments by type of services based on IFRS 15 is as follows:

1.1.-30.9.2020 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	927	33	-	-16	944
Asset management	240	3	-	-	243
Payment transactions and foreign business	474	555	-	-10	1,019
Guarantees	20	155	-	-2	173
Net income from syndicated business	1	213	-	-3	210
Intermediary business	120	54	-	-54	120
Fiduciary transactions	11	3	-	-	14
Other income	164	46	-	-15	195
Total	1,957	1,061	-	-100	2,919

1.1.-30.9.2019 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	809	32	0	-27	814
Asset management	250	3	-	-	253
Payment transactions and foreign business	484	581	0	-10	1,056
Guarantees	21	151	0	-5	167
Net income from syndicated business	1	161	0	0	162
Intermediary business	115	53	0	-51	117
Fiduciary transactions	11	6	-	-	16
Other income	162	43	0	-17	189
Total	1,852	1,031	0	-110	2,773

(11) Net income from financial assets and liabilities measured at fair value through profit or loss

This item includes the net income from all financial assets and liabilities measured at fair value through profit or loss. It contains the net gain or loss from financial instruments in the held-for-trading category, the net gain or loss from financial instruments in the mandatorily fair value P&L category, and the net gain or loss from financial instruments in the fair value option category.

The net gain or loss from financial instruments in the held-for-trading category is the Bank's net trading income and is reported as the net balance of expenses and income. This item therefore includes:

- interest income, including dividends received and interest expenses from financial instruments held for trading;
- realised gains and losses from the sale of securities held for trading purposes, claims, foreign currencies and precious metals;

- net remeasurement gain or loss from remeasurements to fair value;
- net gain or loss from derivative financial instruments;
- net gain or loss from fair value adjustments (credit valuation adjustment/CVA, debit valuation adjustment/DVA, funding valuation adjustment/FVA);
- commission expenses and income incurred in connection with the acquisition or disposal of financial instruments held for trading purposes.

The net gain or loss from financial instruments in the mandatorily fair value P&L category and the net gain or loss from financial instruments in the fair value option category contain only net remeasurement gains or losses and realised profit or loss. Expenses and income are each presented on a net basis.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Profit or loss from financial instruments – Held for trading	-192	45	.
Profit or loss from financial instruments – Fair value option	-28	-138	-79.7
Profit or loss from financial instruments – Mandatorily fair value P&L	104	220	-52.6
Total	-116	127	.

(12) Net income from hedge accounting

Net income from hedge accounting includes gains and losses on the valuation of effective hedges in fair value hedge accounting (fair value hedge). Net income from hedge accounting also includes the ineffective portion of effective cash flow hedges.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	-1,113	-344	.
Micro fair value hedges	-756	-434	74.3
Portfolio fair value hedges	-357	90	.
Changes in fair value attributable to hedged items	1,265	476	.
Micro fair value hedges	877	543	61.5
Portfolio fair value hedges	388	-67	.
Cash flow hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	0	0	.
Total	152	132	15.4

In the reporting period, cash flow hedge accounting was applied for the first time to hedge interest rate risks from mortgage loans with a nominal value of €281m and to hedge foreign currency risks from

mortgage bonds with a nominal value of €300m by means of a cross-currency swap. Accordingly, €2m was allocated to the cash flow hedge reserve.

(13) Other net income from financial instruments

This item contains the gain or loss on disposal of financial assets in the fair value OCI category as well as the gain or loss from the repurchase of financial liabilities in the amortised cost category.

The result from the disposal of financial assets in the amortised cost category includes effects from sales of financial instruments measured at amortised cost that are not triggered by a change in credit rating. It also contains the results from contractual adjustments agreed when loan arrangements with customers are restructured due to a deterioration in their creditworthiness (substantial modifications).

In the case of financial assets in the fair value OCI category (with recycling), the difference between amortised cost and fair value is

recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve resulting from debt securities is reversed through profit or loss when the asset is disposed of.

The disposal of financial liabilities in the amortised cost category results in a net realised profit or loss, which arises directly from the difference between the sale price and amortised cost.

This item also includes results from changes in estimates due to changes in expectations regarding future cash flows, as well as results from non-substantial modifications of financial instruments in the amortised cost category.

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Other sundry realised profit or loss from financial instruments	21	12	73.6
Realised profit or loss from financial assets – Fair Value OCI	16	18	-11.6
Realised profit or loss from financial liabilities – Amortised Cost	7	11	-36.6
Gain or loss on non-substantial modifications – Amortised Cost	-5	-2	.
Gain or loss on non-substantial modifications – Fair Value OCI	-	-	.
Changes in uncertainties in estimates – Amortised Cost	4	-15	.
Changes in uncertainties in estimates – Fair Value OCI	-	-	.
Gain or loss on disposal of financial instruments (AC portfolios)	-45	-22	.
Gains on disposal of financial instruments (AC portfolios)	6	124	-95.2
Losses on disposal of financial instruments (AC portfolios)	51	146	-64.7
Total	-24	-9	.

The Commerzbank Group has loan portfolios totalling €307bn (previous year: €296bn) with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI- non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor’s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets.

The net gain or loss from the sale of financial instruments (AC portfolios) mainly resulted from the sale of promissory note loans as part of permitted portfolio measures and repayments of loans.

Commerzbank modifies some of the contractual terms of loans granted, as part of non-substantial modifications that do not result in the derecognition of the previous financial instrument. The default risk of these assets after the change is measured as at the respective reporting date and compared with the risk under the original conditions.

In response to legally imposed and private payment moratoriums due to the coronavirus pandemic, the payment flows from loans granted were adjusted as part of non-substantial modifications. The current moratoriums did not have a material effect on the result.

(14) Other net income

Other net income primarily comprises allocations to and reversals of provisions and income and expenses from operating leases.

This item also includes the realised profit or loss and net remeasurement gain or loss from associated companies and joint ventures.

€m	1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Other material items of income	367	451	-18.7
Reversals of provisions	54	101	-46.5
Operating lease income	114	131	-12.8
Income from building and architects' services	0	0	-4.8
Hire-purchase income and sublease income	9	11	-18.3
Income from investment properties	1	1	-16.8
Income from non-current assets held for sale	-	-	.
Income from disposal of fixed assets	1	3	-69.7
Income from FX rate differences	103	18	.
Remaining other income	85	187	-54.6
Other material items of expense	546	311	75.6
Allocations to provisions	181	53	.
Operating lease expenses	93	109	-14.9
Expenses arising from building and architects' services	-	11	.
Hire-purchase expenses and sublease expenses	5	6	-16.6
Expenses from investment properties	0	0	.
Expenses from non-current assets held for sale	-	-	.
Expenses from disposal of fixed assets	1	2	-23.8
Expenses from FX rate differences	138	23	.
Remaining other expenses	127	106	19.5
Other tax (netted)	-14	14	.
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	2	3	-35.9
Other net income	-191	158	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

(15) Operating expenses

Personnel expenses €m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Wages and salaries	2,409	2,470	-2.5
Expenses for pensions and similar employee benefits	188	177	6.3
Total	2,597	2,647	-1.9
Administrative expenses €m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Occupancy expenses	177	166	6.6
IT expenses	432	390	10.7
Workplace and information expenses	170	176	-3.2
Advisory, audit and other expenses required to comply with company law	165	193	-14.2
Travel, representation and advertising expenses	121	171	-29.1
Personnel-related administrative expenses	62	86	-28.6
Other administrative expenses	119	128	-6.8
Total	1,246	1,309	-4.8
Depreciation and amortisation €m	1.1.-30.9.2020	1.1.-30.9.2019¹	Change in %
Office furniture and equipment	80	85	-6.1
Land and buildings	9	8	8.8
Intangible assets	359	390	-7.9
Right of use assets	260	266	-2.1
Total	708	749	-5.4

¹ Prior-year figures adjusted due to restatements (see Note 3).

(16) Compulsory contributions

Compulsory contributions €m	1.1.-30.9.2020	1.1.-30.9.2019¹	Change in %
Deposit Protection Fund	115	106	8.5
Polish bank tax	90	78	15.6
European bank levy	241	204	17.8
Total	445	388	14.8

¹ Prior-year figures adjusted due to restatements (see Note 3).

(17) Restructuring expenses

€m	1.1.-30.9.2020	1.1.-30.9.2019	Change in %
Expenses for restructuring measures in progress	201	-	.
Total	201	-	.

The restructuring expenses in the third quarter of the 2020 reporting year are largely connected with two voluntary redundancy programmes.

Another voluntary sprinter programme for age-related short-time working schemes is also being set up for employees of Commerzbank AG in Germany.

Employees at the about 200 branches earmarked for closure will be offered severance packages. The restructuring expenses for branch closures cover the restructuring of personnel and real estate and impairments of fixed assets.

(18) Taxes on income

Group tax expense was €60m as at 30 September 2020 (previous year: €244m). With pre-tax profit of €-106m (previous year: €1 004m; prior-year figures adjusted due to restatements; see Note 3) the Group's effective tax rate was -56.6% (previous year: 24.3% (Group income tax rate: 31.5% previous year: 31.5%)).

Group tax expense mainly comprises the current tax expenses of the mBank subgroup, and of comdirect bank Aktiengesellschaft for the reporting period. The negative effective tax rate was due to the negative pre tax result as well as tax expenses relating to and non-deductible operating expenses and changes of deferred tax assets.

(19) Earnings per share

	1.1.-30.9.2020	1.1.-30.9.2019 ¹	Change in %
Operating profit (€m)	94	1,004	-90.6
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components (€m)	-162	681	.
Dividend on additional equity components (€m)	48	-	
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	-211	681	
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	-
Operating profit per share (€)	0.08	0.80	-90.6
Earnings per share (€)	-0.17	0.54	.

¹ Prior-year figures adjusted due to restatements (see Note 3).

Earnings per share, calculated in accordance with IAS 33, are based on the consolidated profit or loss attributable to Commerzbank shareholders and are calculated by dividing the consolidated profit or loss by the weighted average number of shares outstanding during the financial year. As in the previous year, no

conversion or option rights were outstanding in the reporting year. The figure for diluted earnings per share was therefore identical to the undiluted figure. The breakdown of operating profit is set out in the segment report (see Note 40).

Notes to the balance sheet

Financial assets and liabilities

(20) Financial assets – Amortised cost

If the contractually agreed cash flows of a financial asset comprise only interest and principal payments (i.e. the asset is SPPI-compliant) and this asset was allocated to the “hold to collect” business model, it is measured at amortised cost. The carrying amount of

these financial instruments is reduced by any loan loss provision (see Note 27 on credit risks and credit losses).

Interest payments for these financial instruments are recognised in net interest income using the effective interest method.

€m	30.9.2020	31.12.2019	Change in %
Loans and advances	269,777	260,354	3.6
Central banks	2,222	876	.
Banks	26,090	24,418	6.8
Corporate clients	94,768	97,419	-2.7
Private customers	114,969	109,700	4.8
Other financial corporations	14,621	13,007	12.4
General governments	17,106	14,934	14.5
Debt securities	34,760	33,304	4.4
Banks	2,953	2,432	21.4
Corporate clients	6,477	5,363	20.8
Other financial corporations	5,636	4,706	19.8
General governments	19,694	20,803	-5.3
Total	304,537	293,658	3.7

The business model for a portfolio of promissory note loans issued by British public-sector bodies, which had a carrying amount of €2.8bn, was changed as of 1 January 2019. As part of the planned closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office since 1 January 2019 (see also Note 40). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and the remuneration of management are no longer based on fair value. The objective of the portfolio is to generate contractually agreed cash flows. The contractually agreed cash flows are solely payments of interest and principal for the purposes of IFRS 9.

The change of business model resulted in reclassification from the mFVPL measurement category to the AC category.

The effective interest rate calculated at the time of reclassification was 2.8%. For the first nine months of 2020, the interest income for the reclassified portfolio amounts to €65m (prior-year period: €54m) and the interest expenses were zero (prior-year period: €0m).

The fair value of the portfolio at 30 September 2020 was €3bn (previous year: €3.1bn). If the portfolio had remained in the mFVPL measurement category, the fair value change since the start of the year and the offsetting change in value of the derivatives held to hedge the portfolio would have been recognised in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss. This would have resulted in net income of €-498m (prior-year period: €-186m), due mainly to credit spread effects. Since reclassification, the cash flows of the underlying transactions of the portfolio have been assigned to the portfolio fair value hedge accounting of Commerzbank.

(21) Financial liabilities – Amortised cost

As a rule, financial liabilities must be subsequently measured at amortised cost.

Deposits include primarily deposits due on demand, term deposits and savings deposits.

In other debt issues we also report those subordinated securitised and unsecuritised issues which in the event of an insolvency or liquidation can be repaid only after the claims of all non-subordinated creditors have been satisfied.

€m	30.9.2020	31.12.2019	Change in %
Deposits	375,167	309,489	21.2
Central banks	38,136	4,006	.
Banks	50,590	40,434	25.1
Corporate clients	94,185	84,602	11.3
Private customers	148,546	139,350	6.6
Other financial corporations	33,672	29,395	14.6
General governments	10,037	11,701	-14.2
Debt securities issued	43,493	42,421	2.5
Money market instruments	1,447	1,580	-8.4
Pfandbriefe	19,135	18,670	2.5
Other debt securities issued	22,911	22,171	3.3
Total	418,660	351,909	19.0

In the first half year, Commerzbank participated in the ECB's targeted longer-term refinancing operations (TLTRO III) with an amount of €32.3bn. The interest rate depends on the development of the credit volume in a benchmark portfolio, which, if favourable, results in a discount on the rate. The part of the interest subsidy that is already assumed to be sufficiently certain was accounted for as a government grant under IAS 20 and the liability item reduced

accordingly by €161m. The grant is recognised in net interest income on a pro rata basis.

New issues with a total volume of €5.5bn were issued in the first nine months of 2020 (prior-year period: €9.0bn). In the same period, the volume of bonds maturing amounted to €5.1bn (prior-year period: €7.1bn) and redemptions to €0.2bn (prior-year period: €0.5bn).

(22) Financial assets – Fair value OCI

Measurement at fair value with recognition of the change in value in other comprehensive income with recycling (FVOCI with recycling) is required if the financial instrument is allocated to a portfolio with the "hold to collect and sell" business model and, in addition, the contractually agreed cash flows are solely interest and principal payments and are thus SPPI-compliant.

The changes in fair value are recognised in the revaluation reserve (OCI) without effect on income, except for impairments, which are recognised in the income statement. The recognition of loan loss provisions is explained in Note 27 "Credit risks and credit losses". When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net income from financial instruments. Interest income from these financial

assets is recognised in net interest income using the effective interest method.

In addition, the financial assets – fair value OCI also include equity instruments for which we have chosen the option of fair value measurement without recycling with no effect on income, provided that these meet the definition of equity in accordance with IAS 32 and are not held for trading purposes. Such a classification is set voluntarily and irrevocably per financial instrument. Gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

€m	30.9.2020	31.12.2019	Change in %
Loans and advances (with recycling)	856	779	9.9
Central banks	-	-	.
Banks	157	151	4.1
Corporate clients	351	229	53.4
Private customers	-	-	.
Other financial corporations	77	86	-11.0
General governments	270	312	-13.5
Debt securities (with recycling)	39,904	30,115	32.5
Banks	14,859	12,411	19.7
Corporate clients	1,649	564	.
Other financial corporations	6,206	5,933	4.6
General governments	17,189	11,206	53.4
Equity instruments (without recycling)	-	49	.
Corporate clients	-	47	.
Other financial corporations	-	2	.
Total	40,759	30,942	31.7

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category.

There were no equity holdings as at 30 September 2020. In the previous year, the fair value of equity holdings was €49m. Dividend

payments of €7m from equity holdings already sold (prior-year period: €2m) were recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in realised profit and loss totalling €1m (previous year €0m) which was recognised in retained earnings without effect on income.

(23) Financial liabilities – Fair value option

Under IFRS 9 rules, in the case of an accounting mismatch the management of financial liabilities on a fair value basis and the existence of embedded derivatives requiring separation may also be conditions for applying the fair value option to liabilities.

If the fair value option is used for financial liabilities or for hybrid contracts, the changes in fair value resulting from fluctuations in own credit risk are not recognised in the income statement, but in other comprehensive income (without recycling) with no effect on income.

€m	30.9.2020	31.12.2019	Change in %
Deposits	30,417	19,202	58.4
Central banks	1,142	2,075	-45.0
Banks	8,122	4,224	92.3
Corporate clients	1,138	791	43.9
Private customers	134	151	-11.0
Other financial corporations	19,665	11,730	67.6
General governments	217	231	-6.1
Debt securities issued	1,991	761	.
Other debt securities issued	1,991	761	.
Total	32,408	19,964	62.3

For liabilities to which the fair value option was applied, the change in fair value in the first nine months of 2020 due to credit risk reasons was €-40m (previous year: €61m). The cumulative change was €-27m (previous year: €-2m).

€0m (previous year: €0m) realised from disposals of financial liabilities for which the fair value option was applied was recognised in retained earnings without effect on income.

New issues with a total volume of €1.3bn were issued in the first nine months of 2020 (prior-year period: €0.1bn). During the same period the volume of repayments was €0.0bn (prior-year period: €0.2bn), there were no significant maturing issues within the same period or in the prior-year period.

(24) Financial assets – Mandatorily fair value P&L

This item includes financial instruments that are allocated to the residual business model and not reported in “Financial assets – Held for trading”. In addition, transactions allocated to the “hold to collect” and “hold to collect and sell” business model are included here if they are not SPPI-compliant. Examples of such transactions include investment fund units, profit-sharing certificates, silent participations and assets managed on a fair value basis.

Equity instruments are exclusively contracts providing a residual interest in the assets of a company after deducting all associated debts, such as shares or interests in other joint-stock companies.

Equity instruments are not SPPI-compliant because the investor has no claim to interest and principal repayments. As a result, these instruments are usually measured at fair value through profit or loss. An exception to this rule exists for equity instruments for which the Group has chosen the option to measure them at fair value in other comprehensive income without recycling (see Note 22).

€m	30.9.2020	31.12.2019	Change in %
Loans and advances	37,655	26,181	43.8
Central banks	4,425	4,152	6.6
Banks	11,036	10,254	7.6
Corporate clients	1,485	1,409	5.4
Private customers	133	182	-26.7
Other financial corporations	20,574	10,167	.
General governments	2	17	-89.2
Debt securities	6,752	3,642	85.4
Banks	195	66	.
Corporate clients	137	14	.
Other financial corporations	1,149	1,326	-13.3
General governments	5,271	2,236	.
Equity instruments	537	373	44.0
Banks	9	9	.
Corporate clients	416	291	43.2
Other financial corporations	112	73	53.3
Total	44,944	30,196	48.8

(25) Financial assets – Held for trading

This category includes interest- and equity-related securities, promissory note loans and other claims, derivative financial instruments (derivatives that do not qualify for hedge accounting) as well as other trading portfolios allocated to the residual business model and held for trading. These financial instruments are used to realise profits from short-term fluctuations in prices or traders' margins.

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit

or loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

Interest income and expenses and gains or losses on measurement and disposal from these financial instruments are recorded in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss.

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€m	30.9.2020	31.12.2019	Change in %
Loans and advances	2,139	1,683	27.1
Banks	868	506	71.7
Corporate clients	409	408	0.1
Other financial corporations	812	769	5.7
General governments	50	-	.
Debt securities	3,781	1,481	.
Banks	1,006	326	.
Corporate clients	360	174	.
Other financial corporations	499	409	21.9
General governments	1,916	572	.
Equity instruments	992	1,413	-29.8
Banks	2	3	-42.5
Corporate clients	989	1,409	-29.8
Other financial corporations	1	1	.
Positive fair values of derivative financial instruments	44,689	39,328	13.6
Interest-rate-related derivative transactions	33,924	30,124	12.6
Currency-related derivative transactions	7,623	6,975	9.3
Equity derivatives	1,343	879	52.7
Credit derivatives	302	303	-0.5
Other derivative transactions	1,498	1,047	43.1
Other trading positions	999	935	6.8
Total	52,600	44,840	17.3

(26) Financial liabilities – Held for trading

This item comprises derivative financial instruments (derivatives that do not qualify for hedge accounting), own issues in the trading book and delivery commitments arising from short sales of securities.

€m	30.9.2020	31.12.2019	Change in %
Certificates and other issued bonds	17	28	-39.8
Delivery commitments arising from short sales of securities	1,722	1,574	9.4
Negative fair values of derivative financial instruments	41,554	37,764	10.0
Interest-rate-related derivative transactions	33,093	29,398	12.6
Currency-related derivative transactions	7,105	7,240	-1.9
Equity derivatives	494	422	17.0
Credit derivatives	292	344	-15.0
Other derivative transactions	569	360	57.9
Total	43,293	39,366	10.0

Credit risks and credit losses

(27) Credit risks and credit losses

Principles and measurements

IFRS 9 stipulates that impairments for credit risks from loans and securities that are not measured at fair value through profit or loss must be recognised using a 3-stage model based on expected credit losses. In the Commerzbank Group, the following financial instruments are included in the scope of this impairment model:

- financial assets in the form of loans and advances as well as debt securities measured at amortised cost;
- financial assets in the form of loans and advances as well as debt securities measured at fair value through other comprehensive income (FVOCI);
- lease receivables;
- irrevocable lending commitments which under IFRS 9 are not measured at fair value through profit or loss;
- financial guarantees within the scope of IFRS 9 that are not measured at fair value through profit or loss.

The Group determines the impairment using a 3-stage model based on the following requirements:

In stage 1, as a rule all financial instruments are recognised if their risk of a loan loss (hereinafter default risk) has not risen significantly since their initial recognition. In addition, stage 1 includes all transactions with limited default risk as at the reporting date for which Commerzbank utilises the option provided for in IFRS 9 to refrain from making an assessment about a significant increase in the default risk. A limited default risk exists for all financial instruments with an investment-grade internal credit rating on the financial reporting date (corresponds to a Commerzbank rating of 2.8 or better). An impairment must be recognised for financial instruments in stage 1 in the amount of the expected credit loss over the next 12 months (12-month ECL).

Stage 2 includes those financial instruments with default risk that has risen significantly since their initial recognition and which, as at the financial reporting date, cannot be classified as transactions with limited default risk. Impairments in stage 2 are recognised in the amount of the financial instrument's lifetime expected credit loss (LECL).

Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. Commerzbank's criterion for this classification is the definition of a default in accordance with Art. 178 of the Capital Requirements Regulation (CRR). In 2016, the EBA published new guidelines on the application of the default definition under Article 178 of Regulation (EU) No 575/2013. Binding application must take place by 1 January 2021 at the latest. At

Commerzbank, this was already implemented in the fourth quarter of 2019. In principle, the adjustment has no effect on the Bank's expected loss, so there was no significant impact on the impairment calculation or the consolidated result. This approach is consistent because the ECL calculation also uses statistical risk parameters derived from the Basel IRB approach, which are modified to meet the requirements of IFRS 9. The following events can be indicative of a customer default:

- Over 90 days past due;
- Unlikely to pay;
- Financial rescue/distressed restructuring with concessions;
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

The LECL is likewise used as the value of the required impairment for stage-3 financial instruments in default. When determining the LECL, the Group distinguishes in principle between significant and insignificant cases. The amount of the LECL for insignificant transactions (volumes up to €5m) is determined based on statistical risk parameters. The LECL for significant transactions (volumes greater than €5m) is the expected value of the losses derived from individual expert assessments of future cash flows based on several potential scenarios and their probability of occurrence.

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition ("purchased or originated credit-impaired", "or POCI" financial instruments) are handled outside the 3-stage impairment model and are therefore not allocated to any of the three stages. The initial recognition is based on fair value without recording an impairment, using an effective interest rate that is adjusted for creditworthiness. The impairment recognised in subsequent periods equals the cumulative change in the LECL since the initial recognition in the balance sheet. The LECL remains the basis for the measurement, even if the value of the financial instrument has risen.

Receivables are written off in the balance sheet as soon as they become uncollectible. Uncollectibility may arise in the settlement process for various objective reasons, such as the demise of the borrower without realisable assets in the estate or completion of insolvency proceedings without further prospect of payments. Moreover, loans are generally regarded as (partially) uncollectible at the latest by 720 days after their due date and are (partially) written down to the recoverable amount within the framework of existing loan loss provisions. Such a (partial) write down has no direct impact on ongoing debt collection measures.

Calculation of expected credit loss

Commerzbank calculates the ECL as the probability-weighted, unbiased and discounted expected value of future loan losses over the total residual maturity of the respective financial instrument, i.e. the maximum contractual term (including any renewal options) during which Commerzbank is exposed to credit risk. The 12-month ECL used for the recognition of impairments in stage 1 is the portion of the LECL that results from default events which are expected to occur within 12 months following the end of the reporting period.

The ECL for stage 1 and stage 2 as well as for insignificant financial instruments in stage 3 is determined on an individual transaction basis taking into account statistical risk parameters. These parameters have been derived from the Basel IRB approach and modified to meet the requirements of IFRS 9. The significant main parameters used in this determination include the:

- customer-specific probability of default (PD);
- loss given default (LGD); and the
- exposure at default (EaD).

As a rule, the Group estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank's macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL.

A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. As in the previous quarter, the baseline scenario used in the current reporting period was prepared taking into account the ECB forecast of 4 June 2020. As the Bank's fundamental assessment of overall macroeconomic performance did not change significantly compared with the previous quarter, no adjustments were made with regard to the calculation of risk provisions. The same applies to mBank. The country-specific scenario underlying the calculation of local risk provisions in Poland was also retained unchanged. The baseline scenario reflects the expected impact of the coronavirus pandemic as at the reporting date and includes the following material assumptions:

All risk parameters used from the Bank's internal models have been adjusted to meet the specific requirements of IFRS 9, and the forecast horizon has been extended accordingly to cover the entire term of the financial instruments. For example, the forecast for the development of the exposure over the entire term of the financial instrument therefore also includes, in particular, contractual and statutory termination rights.

In the case of loan products that consist of a utilised loan amount and an open credit line and for which in customary commercial practice the credit risk is not limited to the contractual notice period (in Commerzbank this relates primarily to revolving products without a contractually agreed repayment structure, such as overdrafts and credit card facilities), the LECL must be determined using a behavioural maturity, which typically exceeds the maximum contractual period. In order to ensure that the LECL for these products is determined in an empirically sound manner in compliance with IFRS 9 requirements, Commerzbank calculates the LECL directly for these products based on realised historical losses.

Baseline scenario	2020
GDP growth	
Germany	-7.1%
Euro zone	-8.7%
Poland	-4.2%
Rate of unemployment	
Germany	6.1%
Euro zone	9.8%
Poland	7.0%

The transformation of the macroeconomic baseline scenario into effects on the risk parameters is based on statistically derived models. Giving consideration to the current situation, we have ensured that the relevant experts are sufficiently involved within the framework of the existing policies. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor. The factor had already been reviewed and confirmed in the second quarter in response to specific events and was therefore retained unchanged in the reporting period.

When calculating the expected credit loss, additional effects may also have to be taken into account resulting from scenarios or events that are not reflected in the IFRS 9 ECL parameter set presented as part of the modelling (these may relate to singular events such as

substantial political decisions or military conflicts); for these additional effects, a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top-level adjustments with the involvement of senior management are necessary, as well as their possible implementation, are regulated in a policy.

Such an adjustment to the results of the IFRS 9 ECL model had already been deemed necessary in the first and second quarters of 2020 due to the coronavirus pandemic. The parameters used in the standard model reflected neither the economic effects of the global lockdowns nor the massive support and assistance measures taken by governments and institutions. The necessity and adequacy of the existing top-level adjustment was reviewed in the third quarter of 2020. The review took into account the extent to which the effects of the crisis were already sufficiently reflected in the parameters used in the ECL calculation as at the reporting date.

In addition, the result of the IFRS 9 ECL model was raised in the previous quarters of 2020 because a higher probability of default was expected for parts of the portfolio during the pandemic. This was still considered necessary in the third quarter of 2020. The assumptions made for the derivation were reviewed and partially adjusted. For the small-business customers sub-portfolio, the assumed premium on the model-based probability of default for customers in the rating range of > 4.0 was increased again in the third quarter to determine the TLA. In the preceding quarters it was assumed that the effects of the crisis would be reflected relatively quickly in rating trends and defaults/insolvencies, in fact by the end of 2020. Given the ongoing availability of liquidity from assistance measures, coupled with the decision taken in the third quarter to extend the partial suspension of the obligation to file for insolvency, we now expect this to be delayed even further. The impact on the banking portfolio in a number of emerging markets, and on small parts of the securities portfolio in the UK and USA, was also considered to be more serious versus the previous quarter. TLA requirements for German and international corporate customers increased compared with the previous quarter due to changed assumptions for airlines.

The calculation of the customer-specific probability of default for corporate and small-business customers in the rating models is also based on sector-specific market default rates and an assessment of

the industry in question, for instance. Due to the way these variables are constructed, they do not fully reflect the impact of the coronavirus crisis. The TLA therefore also takes into account an assumed deterioration in these variables for the sectors affected by the crisis.

For the customers potentially most affected, the anticipated effects of the crisis, taking government aid into account, have already been largely factored in on a borrower-specific basis by the rating systems used and the strong focus of the credit risk and credit control function. In cases with a current individual rating, only the changed point-in-time factors and the assumptions regarding market default rates and industry estimates were therefore taken into account in the TLA. No further premiums on the probability of default were assumed. This was taken into account in the portfolio-based estimation of the premiums on the probability of default for the remaining portfolio.

The key basis of the estimate across all sectors and sub-portfolios was the assumption that further global lockdowns in the scope of March/April will be avoided even with currently increasing infection numbers, as local containment strategies and specific protection measures are used for risk groups.

The portion of the TLA amounting to €-54m recognised in the second quarter due to the necessary adjustment of IFRS 9-specific point-in-time factors is no longer required in the third quarter. The parameters underlying this amount were implemented and are included in the model result.

Another review of the point-in-time factors was carried out in the third quarter of 2020, again in response to specific events, and identified a need for further adjustment. The required increase in the parameters identified in the third quarter had not yet been implemented in the model as at the reporting date. The adjusted factors were therefore also incorporated into the higher ECL model result by means of a top-level adjustment.

The effects of the adjustments on the stage allocation were taken into account in the calculation of the TLA.

For more information on ECL and TLA, see the Risk Report (page 19 ff.).

Overall, the valuation allowances for risks arising from financial assets and the provisions for off-balance sheet items changed as follows:

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€m	As at 1.1.2020	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 30.9.2020
Valuation allowances for risks from financial assets	2,193	1,017	365	–	–57	2,787
Financial assets – Amortised cost	2,185	1,005	366	–	–57	2,768
Loans and advances	2,130	1,014	366	–	–56	2,722
Debt securities	56	–9	–	–	–1	46
Financial assets – Fair value OCI	8	12	–0	–	–1	19
Loans and advances	1	8	–	–	–0	9
Debt securities	6	4	–0	–	–1	10
Provisions for financial guarantees	9	1	–	–	–0	11
Provisions for lending commitments	161	69	–	–	–1	229
Provisions for indemnity agreements	182	–21	–	–	–1	161
Total	2,546	1,067	365	–	–60	3,188

€m	As at 1.1.2019	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 31.12.2019
Valuation allowances for risks from financial assets	2,206	538	702	–	151	2,193
Financial assets – Amortised cost	2,190	560	714	–	150	2,185
Loans and advances	2,083	586	689	–	149	2,130
Debt securities	107	–27	26	–	1	56
Financial assets – Fair value OCI	16	–21	–12	–	1	8
Loans and advances	7	–6	–	–	0	1
Debt securities	9	–16	–12	–	1	6
Provisions for financial guarantees	9	–0	–	–	0	9
Provisions for lending commitments	136	25	–	–	0	161
Provisions for indemnity agreements	124	56	–	–	1	182
Total	2,476	620	702	–	152	2,546

The breakdown into stages in the current financial year is as follows:

€m	Stage 1	Stage 2	Stage 3	POCI	Total
Valuation allowances for risks from financial assets	279	487	1,962	59	2,788
Loans and advances	242	470	1,959	59	2,731
Debt securities	37	17	3	–	57
Provisions for financial guarantees	2	2	4	3	11
Provisions for lending commitments	88	73	28	40	229
Provisions for indemnity agreements	1	82	58	19	161
Total	370	645	2,052	121	3,188

In determining risk provisions, it is necessary to make assumptions that are subject to high estimation uncertainty, particularly in a dynamic environment. On the reporting date, the expected credit loss (stages 1/2), calculated on the basis of the baseline scenario giving consideration to the ECB publication, was €1bn. A stress scenario

involving new, comprehensive and longer-term lockdowns comparable to those in March/April and triggering a prolonged global recession would result in a more severe impact on earnings. Apart from additional credit defaults, the estimated expected credit loss (stages 1/2) would increase by €0.4bn.

The breakdown into stages as at 31 December 2019 is as follows:

€m	Stage 1	Stage 2	Stage 3	POCI	Total
Valuation allowances for risks from financial assets	273	323	1,521	76	2,192
Loans and advances	239	295	1,521	76	2,130
Debt securities	34	28	0	–	62
Provisions for financial guarantees	2	2	3	3	9
Provisions for lending commitments	81	56	14	10	161
Provisions for indemnity agreements	1	77	89	15	182
Total	357	458	1,627	104	2,546

Other notes on financial instruments

(28) IFRS 13 fair value hierarchies and disclosure requirements

Fair value hierarchy

Under IFRS 13, financial instruments 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.

With respect to the methods of model-based measurements (level 2 and level 3) relevant for banks, IFRS 13 recognises the market approach and the income approach. 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. These valuations are subject to a higher degree to judgements by management. Market data or third-party inputs are relied on to the greatest possible extent, and company-specific inputs to a limited degree.

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.

The fair values that can be realised at a later date may fundamentally deviate from the estimated fair values.

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 the risk function. The models, inputs and resulting fair values are reviewed regularly by senior management and the risk function.

Disclosure obligations

Below, a distinction is made between:

- financial instruments measured at fair value (fair value OCI, fair value option, mandatorily fair value P&L and held for trading);
- financial instruments measured at amortised cost.

The respective disclosure requirements regarding these financial instruments are set out in IFRS 7 and IFRS 13. For example, they require explanatory statements on the valuation techniques applied and the inputs used for levels 2 and 3, as well as quantitative disclosures on unobservable inputs (level 3). The reporting entity must also provide the date of, reasons for and information about reclassifications between fair value hierarchy levels, reconciliations between the opening and closing balances for level 3 portfolios as at the respective reporting dates, and unrealised gains and losses. In addition, sensitivities for the unobservable inputs (level 3) are to be presented, and information on the day one profit or loss is to be provided.

a) Financial instruments measured at fair value

According to IFRS 13, the fair value of an asset is the amount for which it could be sold between knowledgeable, willing parties in an arm's length transaction. The fair value therefore represents an exit 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.

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The measurement of liabilities must also take account of the Bank's own credit spread. 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.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVAs), the funding costs or income of uncollateralised derivatives, as well as collateralised derivatives where

there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVAs is approximated by the Commerzbank funding curve.

IFRS 9 requires that all financial instruments be measured at fair value upon initial recognition. This is usually the transaction price. If a portion relates to something other than the financial instrument being measured, fair value is estimated using a valuation method.

The following tables show the financial instruments reported in the balance sheet at fair value by IFRS 9 fair value category and by class.

Financial assets €bn	30.9.2020				31.12.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets – Fair value OCI								
Loans and advances	–	0.9	–	0.9	–	0.8	0.0	0.8
Debt securities	29.7	9.9	0.3	39.9	20.4	9.7	0.0	30.1
Equity instruments	–	–	–	–	0.0	–	–	0.0
Financial assets – Mandatorily fair value P&L								
Loans and advances	–	36.2	1.5	37.7	–	23.7	2.4	26.2
Debt securities	1.4	4.4	1.0	6.8	0.9	1.6	1.1	3.6
Equity instruments	0.0	0.0	0.5	0.5	0.0	–	0.4	0.4
Financial assets – Held for trading								
Loans and advances	0.9	1.0	0.2	2.1	0.8	0.8	0.0	1.7
Debt securities	2.7	1.0	–	3.8	0.8	0.6	0.0	1.5
Equity instruments	1.0	–	0.0	1.0	1.4	0.0	0.0	1.4
Derivatives	–	43.6	1.1	44.7	–	37.7	1.6	39.3
Others	1.0	–	–	1.0	0.9	–	–	0.9
Positive fair values of derivative financial instruments								
Hedge accounting	–	2.4	–	2.4	–	2.0	–	2.0
Non-current assets held for sale and disposal groups								
Loans and advances	–	0.0	–	0.0	–	0.1	–	0.1
Debt securities	0.1	0.0	–	0.1	1.1	0.1	0.0	1.2
Equity instruments	0.0	–	0.0	0.0	3.6	0.1	0.0	3.6
Derivatives	–	2.0	0.2	2.1	–	2.6	0.2	2.9
Total	36.9	101.4	4.7	142.9	30.1	79.8	5.8	115.8

Financial liabilities €bn	30.9.2020				31.12.2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities - Fair value option								
Deposits	–	30.4	0.0	30.4	–	19.2	–	19.2
Debt securities issued	2.0	–	–	2.0	0.8	–	–	0.8
Financial liabilities - Held for trading								
Derivatives	–	41.1	0.4	41.6	–	36.7	1.0	37.8
Certificates and other issued bonds	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	1.7	0.1	–	1.7	1.2	0.3	–	1.6
Negative fair values of derivative hedging instruments								
Hedge accounting	–	6.2	–	6.2	–	4.4	–	4.4
Liabilities of disposal groups								
Deposits	–	0.4	–	0.4	–	2.2	–	2.2
Debt securities issued	–	–	–	–	–	–	–	–
Derivatives	–	2.0	0.1	2.1	–	2.0	0.3	2.3
Certificates and other issued bonds	0.5	–	0.0	0.5	3.2	–	–	3.2
Delivery commitments arising from short sales of securities	0.0	–	–	0.0	0.4	0.0	–	0.4
Total	4.1	80.2	0.6	84.9	5.7	64.9	1.4	72.0

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

Commerzbank reclassifies items as at the end of the reporting period.

In the first nine months of 2020, €0.1bn of debt securities in the HFT category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 2 to level 1, as quoted market prices were available again. In contrast, €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 2, as no quoted market prices were available.

A number of reclassifications from level 1 to level 2 were carried out in the 2019 financial year, as there were no listed market prices available. These related to €0.5bn in debt securities in the FVOCI category and €0.4bn in debt securities in the HFT category, €0.4bn in debt securities in the mFVPL category, €0.2bn delivery commitments arising from short sales of securities in the HFT category and €0.1bn in delivery commitments arising from short sales of securities liabilities included in disposal groups.

Furthermore €2.6bn of debt securities in the FVOCI category, €0.5bn of debt securities in the HFT category, €0.3bn of debt securities in the mFVPL category, and €0.6bn of delivery commitments arising from short sales of securities in the HFT category were reclassified, as quoted prices were again available. We did not make any 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	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2020	29	3,931	1,625	237	5,822
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–44	–183	131	–26	–121
of which: unrealised gains or losses	–44	–183	116	3	–107
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	549	434	21	–	1,003
Sales	–28	–1,079	–126	–0	–1,233
Issues	–	–	–	–	–
Redemptions	–	–	–1,312	–31	–1,343
Reclassifications to level 3	4,615	74	1,086	67	5,843
Reclassifications from level 3	–4,847	–257	–112	–86	–5,302
IFRS 9 reclassifications	–	–	–	–	–
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 30.9.2020	274	2,920	1,313	161	4,668
Fair Value as at 1.1.2019	215	6,208	3,415	125	9,962
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–8	–261	1,007	61	799
of which: unrealised gains or losses	–8	–261	1,007	73	812
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	25	877	100	44	1,046
Sales	–101	–1,146	–0	–20	–1,268
Issues	–	–	–	–	–
Redemptions	–	–	–2,790	–17	–2,807
Reclassifications to level 3	142	1,089	41	84	1,356
Reclassifications from level 3	–244	–74	–148	–40	–507
IFRS 9 reclassifications	–	–2,762	–	–	–2,762
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 31.12.2019	29	3,931	1,625	237	5,822

Unrealised gains or losses on financial instruments held for trading (securities and derivatives) and on claims and securities measured at fair value through profit or loss are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

In the first quarter of 2020, €4.8bn of debt securities, AAA-rated collateralised loan obligations, in the FVOCI category were reclassified from level 2 to level 3. Due to the coronavirus pandemic, various market participants withdrew from the secondary market for collateralised loan obligations in March 2020. In addition, almost no primary market issues were made during this period. The Bank classified the transactions that only took place in isolated instances as non-formalised and accordingly no longer uses the prices of these transactions as input parameters for determining fair value. The valuation technique was changed to a mark-to-model approach, in which key input parameters were based on estimates. This portfolio was reclassified back to level 2 in the second quarter of 2020 as observable market parameters were available again.

In addition in the first nine months of 2020, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives in non-current assets held for sale and disposal groups and of €0.2 for loans and advances in the HFT category, €0.8bn for derivatives in

assets of the held for trading category as no observable market parameters were available. In contrast €0.1bn derivatives in non-current assets held for sale and disposal groups category and €0.2bn loans and advances in the mFVPL category were reclassified from level 3 back to level 2 because market parameters were again observable. There were no other significant reclassifications.

As at 1 January 2019 €2.8bn of a loans and advances portfolio in the mFVPL category was reclassified to the IFRS 9 AC category both in level 3 (see Note 20). €0.2bn of debt securities in the IFRS 9 FVOCI category and €0.1bn of debt securities in the IFRS 9 HFT category were reclassified in 2019 from level 3 back to level 2 because market parameters were again observable. In contrast, €0.4bn of debt securities of the mFVPL category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 3 because no market parameters were observable. €0.4bn of loans and advances in the mFVPL category and €0.1bn of debt securities in the IFRS 9 FVOCI category were reclassified from level 2 to level 3 because no market parameters were observable. There were no other significant reclassifications.

The changes in financial liabilities in the level 3 category during the financial year were as follows:

Financial liabilities €m	Financial liabilities – Fair value option	Financial liabilities – Held for trading	Liabilities of disposal groups	Total
Fair Value as at 1.1.2020	–	1,050	336	1,385
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	–102	14	–88
of which: unrealised gains or losses	–	–97	14	–83
Purchases	6	107	–	113
Sales	–	–182	–32	–214
Issues	–	–	–	–
Redemptions	–	–647	–59	–706
Reclassifications to level 3	–	279	359	639
Reclassifications from level 3	–	–64	–467	–531
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 30.9.2020	6	441	151	598

Financial liabilities €m	Financial liabilities – Fair value option	Financial liabilities – Held for trading	Liabilities of disposal groups	Total
Fair Value as at 1.1.2019	–	3,330	334	3,665
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	442	–41	401
of which: unrealised gains or losses	–	442	101	543
Purchases	–	282	16	298
Sales	–	–101	–	–101
Issues	–	–	–	–
Redemptions	–	–2,873	–18	–2,890
Reclassifications to level 3	–	–16	70	54
Reclassifications from level 3	–	–14	–27	–41
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 31.12.2019	–	1,050	336	1,385

Unrealised gains or losses on financial liabilities held for trading are a component of the net income from financial assets and liabilities measured at fair value through profit or loss.

In the first nine months of 2020, reclassifications of €0.2bn for derivatives in liabilities of the held for trading category, €0.1bn for certificates and other issued bonds in liabilities from disposal groups were made from level 2 to level 3 €0.1bn for derivatives in liabilities from disposal groups, as no observable market parameters were available. By contrast, reclassifications of €0.3bn were made from level 3 to level 2 for derivatives in liabilities from disposal groups, as observable market parameters were available again. There were no other significant reclassifications. There were no significant reclassifications of financial liabilities into or out of level 3 in the 2019 financial year.

Sensitivity analysis

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

The purpose of this disclosure is to illustrate the potential impact of the relative uncertainty in the fair values of financial instruments with valuations based on unobservable input parameters (level 3). Interdependencies frequently exist between the parameters used to determine level 3 fair values. For example, an anticipated improvement in the overall economic situation may cause share prices to rise, while securities perceived as being lower risk, such as German Government Bonds, may lose value. Such interdependencies are accounted for by means of correlation parameters insofar as they have a significant effect on the fair values in question. If a valuation

model uses several parameters, the choice of one parameter may restrict the range of possible values the other parameters may take. So, by definition, this category will contain more illiquid instruments, instruments with longer-term maturities and instruments where sufficient independent observable market data is difficult to obtain. The purpose of this information is to illustrate the main unobservable input parameters for level 3 financial instruments and subsequently present various inputs on which the key input parameters were based.

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

- Internal rate of return (IRR):

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

- Credit spread:

The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument's creditworthiness, and vice versa for narrower (lower) credit spreads.

- Interest rate-forex (IR-FX) correlation:

The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US

government bonds with a duration of more than ten years are not observable.

- Recovery rates, survival and default probabilities:

Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps (CDS). Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate (“bootstrap”) a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates are a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability. There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.

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

- Repo curve:

The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual-fund-related repos may also contain unobservable repo curve exposures.

- Price:

Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of the positions.

- Investment fund volatility:

In general, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

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

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€m		30.9.2020			30.9.2020	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		1,674	6		-	-
Repos	Discounted cash flow model	693	-	Repo-curve (bps)	30	47
Ship financing	Discounted cash flow model	34	-	Credit spread (bps)	550	1,900
Other loans	Discounted cash flow model	947	6	Credit spread (bps)	130	2,150
Debt securities		1,237	34		-	-
Interest-rate-related transactions	Spread based model	1,237	34	Credit spread (bps)	100	500
of which: ABS	Discounted cash flow model	710	-	Credit spread (bps)	100	500
Equity instruments		462	-		-	-
Equity-related transactions	Discounted cash flow model	462	-	Price (%)	90%	110%
Derivatives		1,295	558			
Equity-related transactions	Discounted cash flow model	871	174	IRR (%), price (%)	5%	20%
	Option pricing model	-	-	Investment fund volatility	1%	40%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	419	214	Credit spread (bps)	100	2,150
		-	-	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	6	170	IR-FX correlation (%)	-30%	68%
Other transactions		-	-		-	-
Total		4,668	598			

€m	31.12.2019			31.12.2019		
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		2,502	–		–	–
Repos	Discounted cash flow model	1,586	–	Repo-curve (bps)	240	265
Ship financing	Discounted cash flow model	64	–	Credit spread (bps)	150	4,150
Other loans	Discounted cash flow model	852	–	Credit spread (bps)	70	700
Debt securities		1,148	16		–	–
Interest-rate-related transactions	Spread based model	1,148	16	Credit spread (bps)	100	500
of which: ABS	Spread based model	802	–	Credit spread (bps)	100	500
Equity instruments		355	–		–	–
Equity-related transactions	Discounted cash flow model	355	–	Price (%)	90%	110%
Derivatives		1,817	1,369			
Equity-related transactions	Discounted cash flow model	289	368	IRR (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	4%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	1,528	836	Credit spread (bps)	100	550
		–	–	Recovery rate (%)	20%	40%
Interest-rate-related transactions	Option pricing model	–	165	IR-FX correlation (%)	-30%	52%
Other transactions		–	–		–	–
Total		5,822	1,385			

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

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€m	30.9.2020		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
Loans and advances	14	-14	
Repos	7	-7	Repo curve
Ship financing	0	-0	Credit spread
Other loans	7	-7	Credit spread
Debt securities	39	-39	
Interest-rate-related transactions	39	-39	Price, discount margin
of which: ABS	19	-19	Price, recovery rate, credit spread
Equity instruments	5	-5	
Equity-related transactions	5	-5	Price
Derivatives	19	-19	
Equity-related transactions	14	-14	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	4	-4	Credit spread, recovery rate, price
Interest-rate-related transactions	1	-1	Price, IR-FX correlation
Other transactions	-	-	
€m	31.12.2019		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	20	-20	
Repos	14	-14	Repo curve
Ship financing	0	-0	Credit spread
Other loans	6	-6	Credit spread
Debt securities	25	-25	
Interest-rate-related transactions	25	-25	Price
of which: ABS	21	-21	IRR, recovery rate, credit spread
Equity instruments	4	-4	
Equity-related transactions	4	-4	Price
Derivatives	18	-18	
Equity-related transactions	12	-13	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	4	-4	Credit spread, recovery rate, price
Interest-rate-related transactions	1	-1	Price, IR-FX correlation
Other transactions	-	-	

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

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but 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 the income statement in the gain or loss from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between the transaction price and fair value determined by the model is calculated for the level 3

items in all categories. Material impacts result only from financial instruments held for trading.

The amounts changed as follows:

€m	Day-one profit or loss		Total
	Financial assets – Held for trading	Financial liabilities – Held for trading	
Balance as at 1.1.2019	–	58	58
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–34	–34
Balance as at 31.12.2019	–	24	24
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–9	–9
Balance as at 30.9.2020	–	15	15

b) Financial instruments measured at amortised cost

IFRS 7 additionally requires disclosure of the fair values for financial instruments not recognised in the balance sheet at fair value. The measurement methodology to determine fair value in these cases is explained below.

The standard requires that transaction costs also be taken into account when initially measuring assets that will not be measured at fair value in subsequent measurements. These costs include the additional expenses incurred associated with the acquisition, issue or disposal of a financial asset or a financial liability. The transaction costs do not include premiums and discounts, finance costs, internal operating costs or holding costs.

The nominal value of financial instruments that fall due on a daily basis is taken as their fair value. These instruments include cash on hand and cash on demand, as well as overdrafts and demand deposits. We allocate these to level 2. Market prices are not available for loans, as there are no organised markets for trading these financial instruments. In the case of loans, the Bank therefore applies a discounted cash flow model.

The cash flows are discounted using a risk-free interest rate plus premiums for risk costs, refinancing costs, operating expenses and equity costs. The risk-free interest rate is determined based on swap rates (swap curves) that match the corresponding maturities and currencies. These can usually be derived from external data.

In addition, the Bank applies a premium in the form of a calibration constant that includes a profit margin. The profit margin is reflected in the model valuation of loans such that fair value as at the initial recognition date corresponds to the disbursement amount.

Data on the credit risk costs of major banks and corporate customers are available in the form of credit spreads, making it possible

to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

In the case of securities accounted for in the amortised cost category of IFRS 9, fair value is determined based on available market prices (level 1), assuming an active market exists. If there is no active market, recognised valuation methods are to be used to determine the fair values. In general, an asset swap pricing model is used for the valuation. The parameters applied comprise yield curves and the asset swap spreads of comparable benchmark instruments. Depending on the input parameters used (observable or not observable), classification is made at level 2 or level 3.

For deposits, a discounted cash flow model is generally used for determining fair value, since market data are usually not available. In addition to the yield curve, own credit spread and a premium for operating expenses are also taken into account. Since credit spreads of the respective counterparties are not used in the measurement of liabilities, they are usually classified as level 2. In the case of non-observable input parameters, classification at level 3 may also be appropriate.

The fair value of debt securities issued is determined on the basis of available market prices. If no prices are available, the discounted cash flow model is used to determine the fair values. A number of different factors, including current market interest rates, own credit spread and capital costs, are taken into account in determining fair value. If available market prices are applied, they are to be classified as level 1. Otherwise, classification at level 2 normally applies, since valuation models rely to a high degree on observable input parameters.

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30.9.2020 €bn	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	391.3	390.0	1.3	12.2	126.8	252.3
Cash on hand and cash on demand	83.7	83.7	–	–	83.7	–
Financial assets – Amortised cost	307.6	304.5	3.0	12.2	43.1	252.3
Loans and advances	275.4	269.8	5.6	–	27.9	247.5
Debt securities	32.2	34.8	–2.6	12.2	15.2	4.8
Value adjustment on portfolio fair value hedges	–	1.7	–1.7	–	–	–
Non-current assets held for sale and disposal groups	0.0	0.0	–	–	0.0	–
Loans and advances	0.0	0.0	–	–	0.0	–
Debt securities	–	–	–	–	–	–
Liabilities	420.2	420.1	0.1	33.1	384.0	3.1
Financial liabilities – Amortised cost	420.2	418.7	1.6	33.1	384.0	3.1
Deposits	375.3	375.2	0.1	0.0	374.3	1.0
Debt securities issued	44.9	43.5	1.5	33.1	9.7	2.1
Value adjustment on portfolio fair value hedges	–	1.5	–1.5	–	–	–
Liabilities of disposal groups	0.0	0.0	–	–	0.0	–
Deposits	0.0	0.0	–	–	0.0	–
Debt securities issued	–	–	–	–	–	–

31.12.2019 €bn	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	337.3	336.0	1.3	12.2	83.1	242.0
Cash on hand and cash on demand	41.2	41.2	–	–	41.2	–
Financial assets – Amortised cost	295.9	293.7	2.3	12.2	41.7	242.0
Loans and advances	265.1	260.4	4.7	–	25.0	240.1
Debt securities	30.8	33.3	–2.5	12.2	16.8	1.9
Value adjustment on portfolio fair value hedges	–	1.0	–1.0	–	–	–
Non-current assets held for sale and disposal groups	0.2	0.2	–	–	0.2	–
Loans and advances	0.2	0.2	–	–	0.2	–
Debt securities	–	–	–	–	–	–
Liabilities	354.4	353.4	1.1	29.9	321.4	3.1
Financial liabilities – Amortised cost	354.2	351.9	2.3	29.9	321.1	3.1
Deposits	309.3	309.5	–0.1	–	309.3	–
Debt securities issued	44.8	42.4	2.4	29.9	11.8	3.1
Value adjustment on portfolio fair value hedges	–	1.2	–1.2	–	–	–
Liabilities of disposal groups	0.3	0.3	–	–	0.3	–
Deposits	0.3	0.3	–	–	0.3	–
Debt securities issued	–	–	–	–	–	–

(29) Information on netting of financial instruments

Below we present the reconciliation of gross amounts before netting to net amounts after netting, as well as the amounts for existing netting rights that do not meet the accounting criteria for netting – separately for all financial assets and liabilities carried on the balance sheet that

- 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, e.g. 1992 ISDA Master Agreement

(Multicurrency – Cross Border) and German Master Agreement for Financial Futures. By means of such netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another. This netting process reduces the credit risk to a single net claim on the party to the contract (close-out netting).

We apply netting to receivables and liabilities from genuine repurchase agreements (reverse repos and repos) with central and bilateral counterparties, provided they have the same term. OTC derivatives with customers and cleared own portfolios are likewise netted.

Assets €m	30.9.2020		31.12.2019	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	59,066	192,706	49,270	145,892
Book values not eligible for netting	15,916	4,193	14,695	2,918
a) Gross amount of financial instruments I and II	43,150	188,514	34,575	142,973
b) Amount netted in the balance sheet for financial instruments I ¹	22,826	143,464	24,900	101,709
c) Net amount of financial instruments I and II = a) – b)	20,324	45,050	9,675	41,264
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	3,251	27,578	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collateral ⁴	14,162	12	5,529	45
Cash collateral	38	7,815	98	8,653
e) Net amount of financial instruments I and II = c) – d)	2,872	9,644	2,324	6,996
f) Fair value of financial collateral of central counterparties relating to financial instruments	1,199	21	154	0
g) Net amount of financial instruments I and II = e) – f)	1,673	9,623	2,169	6,996

¹ Of which for positive fair values €6,952m (previous year: €5,118m) 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).

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Liabilities €m	30.9.2020		31.12.2019	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	51,900	191,232	43,512	144,775
Book values not eligible for netting	10,422	1,714	9,948	1,951
a) Gross amount of financial instruments I and II	41,478	189,518	33,564	142,824
b) Amount netted in the balance sheet for financial instruments I ¹	22,826	141,382	24,900	100,260
c) Net amount of financial instruments I and II = a) – b)	18,652	48,136	8,664	42,564
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	3,251	27,578	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collateral ⁴	2,378	6	–	277
Cash collateral	8,375	11,541	3,712	11,427
e) Net amount of financial instruments I and II = c) – d)	4,648	9,012	3,229	5,291
f) Fair value of financial collateral of central counterparties relating to financial instruments I	4,601	0	3,007	2
g) Net amount of financial instruments I and II = e) – f)	47	9,012	221	5,289

¹ Of which for negative fair values € 9,035m (previous year: € 6,569m) 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).

(30) Derivatives

The total effect of netting amounted to €150,416m as at 30 September 2020 (previous year: €106,828m). On the assets side, €143,464m of this was attributable to positive fair values (previous year: €101,710m) and €6,952m to claims for variation margins

(previous year: €5,118m). Netting on the liabilities side involved negative fair values of €141,381m (previous year: €100,259m) and liabilities for variation margins payable of € 9,035m (previous year: €6,569m).

Notes to the balance sheet (non-financial instruments)

(31) Intangible assets

€m	30.9.2020	31.12.2019	Change in %
Goodwill	1,521	1,522	–0.0
Other intangible assets	1,417	1,531	–7.4
Customer relationships	75	91	–17.0
In-house developed software	961	1,047	–8.3
Purchased software and other intangible assets	381	393	–3.0
Total	2,938	3,053	–3.8

(32) Fixed assets

€m	30.9.2020	31.12.2019	Change in %
Land and buildings	313	326	-4.0
Rights of use (leases)	1,802	2,034	-11.4
Land and buildings	1,781	2,006	-11.2
Office furniture and equipment	21	28	-26.5
Office furniture and equipment	373	425	-12.2
Leased equipment	621	701	-11.3
Total	3,109	3,487	-10.8

(33) Discontinued business division

In the second quarter of 2020, Commerzbank Aktiengesellschaft, Frankfurt and Société Générale Group, Paris, France completed the transfer of the Equity Markets & Commodities (EMC) division of the Corporate Clients segment with economic effect. Legally, several portfolios still remain temporarily with Commerzbank; in substance, these have already been transferred by means of derivatives. The legal transfer of the relevant assets and liabilities, which also requires their derecognition from the balance sheet, will only take place at later stages in the transaction and is expected to be completed in 2021.

As at 30 September 2020, the remaining assets and liabilities of the discontinued operation amounted to €2.2bn (previous year:

€8.0bn) and to €3.1bn (previous year: €8.5bn). The assets and liabilities are mostly measured at fair value.

The earnings of this business division are presented separately in the income statement. In order to achieve an economically appropriate presentation of the discontinued operation, intragroup services between continuing operations and the discontinued business division are eliminated under continuing operations.

Detailed information on the discontinued business division is provided below.

€m	1.1.–30.9.2020	1.1.–30.9.2019 ¹	Change in %
Income	99	149	-33.9
Expenses	59	156	-62.2
Pre-tax profit or loss	40	-7	.
Taxes on income	0	-16	.
Consolidated profit or loss from discontinued operations	40	9	.
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	40	9	.

The profit attributable to Commerzbank shareholders from continuing operations amounted to €-202m (previous year: €672m) (see Note 3).

€	1.1.–30.9.2020	1.1.–30.9.2019	Change in %
Earnings per share for discontinued operations	0.03	0.01	.

€m	2020	2019	Change in %
Net cash from operating activities	40	9	.
Net cash from investing activities	-	-	.
Net cash from financing activities	-	-	.

(34) Non-current assets held for sale and disposal groups

€m	30.9.2020	31.12.2019	Change in %
Financial assets – Amortised cost	21	187	-88.7
Loans and advances	21	187	-88.7
Debt securities	-	-	.
Financial assets – Fair value OCI	-	-	.
Loans and advances	-	-	.
Debt securities	-	-	.
Equity instruments	-	-	.
Financial assets – Mandatorily fair value P&L	2	76	-97.5
Loans and advances	2	76	-97.8
Debt securities	-	-	.
Equity instruments	0	0	-
Financial assets – Held for trading	2,220	7,742	-71.3
Loans and advances	-	-	.
Debt securities	78	1,248	-93.8
Equity instruments	2	3,631	-99.9
Derivatives	2,140	2,863	-25.2
Intangible assets	-	6	.
Fixed assets	-	-	.
Other assets	-75	-57	33.4
Total	2,167	7,955	-72.8

In 2019 assets of disposal groups of the previous year mainly relate to the discontinuation of the EMC business division (see Note 33).

(35) Liabilities from disposal groups

€m	30.9.2020	31.12.2019	Change in %
Financial liabilities – Amortised cost	20	258	-92.1
Deposits	20	258	-92.1
Debt securities issued	–	–	.
Financial liabilities – Fair value option	431	2,205	-80.5
Deposits	431	2,205	-80.5
Debt securities issued	–	–	.
Financial liabilities – Held for trading	2,615	6,027	-56.6
Certificates and other issued bonds	500	3,249	-84.6
Delivery commitments arising from short sales of securities	0	435	-100.0
Derivatives	2,115	2,344	-9.8
Other liability items	1	38	-98.4
Total	3,066	8,528	-64.0

In 2019 liabilities of disposal groups of the previous year mainly relate to the discontinuation of the EMC business division (see Note 33).

(36) Other assets

€m	30.9.2020	31.12.2019 ¹	Change in %
Precious metals	78	26	.
Accrued and deferred items	323	229	41.1
Defined benefit assets recognised	61	96	-36.5
Other assets	1,609	1,387	16.0
Total	2,071	1,739	19.1

¹ Prior-year figures adjusted due to restatements (see Note 3).

(37) Other liabilities

€m	30.9.2020	31.12.2019	Change in %
Liabilities attributable to film funds	317	316	0.1
Liabilities attributable to non-controlling interests	58	57	0.8
Accrued and deferred items	294	292	0.8
Lease liabilities	1,930	2,094	-7.9
Other liabilities	2,148	1,658	29.6
Total	4,747	4,418	7.5

(38) Provisions

m€	30.9.2020	31.12.2019	Change in %
Provisions for pensions and similar commitments	69	713	-90.4
Other provisions	2,124	1,990	6.7
Total	2,193	2,704	-18.9

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 233 ff. of the Annual Report 2019). The actuarial assumptions underlying

these obligations at 30 September 2020 were: a discount rate of 1.0% (previous year: 1.1%) and an expected adjustment to pensions of 1.4% (previous year: 1.4%).

Other provisions consisted primarily of restructuring provisions and provisions for personnel-related matters. The increase in other provisions relates primarily to the allocation to restructuring provisions. We expect the total restructuring provisions of €510m (previous year: €401m) to be utilised in this and the coming financial years.

Legal disputes

With respect to legal proceedings and potential recourse claims for which provisions of €356m (previous year: €261m) were recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the future costs expected according to our judgement. We have not set out the provision amounts and sensitivities individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. The majority of these claims have now been settled. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. To date, only a few corporate customers have submitted claims for the recovery of fees paid in the past. Commerzbank does not currently anticipate any further significant recovery claims in the future.
- Commerzbank is exposed to claims from customers owing to “cancellation joker” (“Widerrufsjoker”) issues. Following a

change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. For agreements concluded after 2010, an attempt is also being made to use the cancellation joker to withdraw from the agreements prematurely. The Bank has contested these claims.

In its judgement of 26 March 2020, the European Court of Justice decided that a reference to other legal provisions contained in the (statutory) boilerplate information on cancellation for customer loan agreements was unclear to the consumer and regarded this as a breach of the requirements of the European Consumer Credit Directive. In its consumer loan agreements the Bank has used the legal model which the German Federal Court of Justice has already deemed to be in order in several decisions. The Federal Court of Justice has convincingly justified this by arguing that the German courts cannot disregard a national standard which is clear in its wording and meaning. The Federal Court of Justice most recently confirmed its stance in, a decision on 31 March 2020. For this reason the Bank does not consider itself to be exposed to any increased risks as a result of the ECJ ruling for the current portfolio of consumer loans.

- A subsidiary of Commerzbank was involved in a South American bank which in the meantime has gone into liquidation. A number of investors and creditors of this bank have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks’ supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.
- 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.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants appealed against this judgement. In March 2020 the court of appeal partially overturned the judgement of the court of first

instance and referred it back. A total of 1,731 plaintiffs have joined the class action. In early June 2020, the court of appeal enacted a temporary order concerning the suspension of interest payment and repayment obligations and prohibited the subsidiary from issuing due date or cancellation notices. The temporary order is legally binding. A first hearing before the court of first instance is scheduled for March 2021.

Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. In addition to the class action, 5,721 other individual proceedings were pending as at 30 September 2020. The subsidiary is defending itself against each of the claims. Although the majority of rulings in 2020 on indexation clauses have been unfavourable, by 30 September 2020 about half of all rulings were favourable to the subsidiary.

The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgements handed down are not sufficient to permit a reliable assessment of future case law. Consequently the Group/subsidiary decided to take into account possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37.

(39) Contingent liabilities and lending commitments

This item mainly shows contingent liabilities arising from guarantees and indemnity agreements as well as irrevocable lending commitments at their nominal value.

Provisions for risks in respect of contingent liabilities and lending commitments are included in provisions for loan losses.

The contingent liabilities include the irrevocable payment obligation provided by the Federal Republic of Germany – Finanzagentur GmbH (Deutsche Finanzagentur) after approval of the Bank's request for security for payment of part of the banking levy.

The provision relates both to the portfolio existing as at 30 September 2020 with a carrying amount of 13.6bn polish zloty and to the portfolio already repaid. The portfolio already repaid amounted to PLN 6.6bn at the time of disbursement. For individual lawsuits the provision as of 30 September 2020 comes to €205.2m.

The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision must be adjusted significantly in the future.

- A Commerzbank subsidiary together with another bank was sued for damages in May 2018 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- A subsidiary of Commerzbank was sued by a customer for compensation due to alleged unlawful selling of collateral. The subsidiary has defended itself against the claim.
- In July 2020, Commerzbank was found guilty by a court in India in connection with payments under reimbursement authorisations related to letter of credit transactions. Commerzbank has appealed the verdict.

The figures listed in the table below do not take account of any collateral and would only have to be written off if all customers utilised their facilities completely and then defaulted (and there was no collateral). In practice, the majority of these facilities expire without ever being utilised. Consequently, these amounts are unrepresentative in terms of assessing risk, the actual future loan exposure or resulting liquidity requirements.

€m	30.9.2020	31.12.2019	Change in %
Contingent liabilities	41,609	40,832	1.9
Banks	7,406	6,101	21.4
Corporate clients	30,707	31,503	-2.5
Private customers	293	197	48.9
Other financial corporations	3,133	2,954	6.0
General governments	71	78	-8.5
Lending commitments	85,879	80,871	6.2
Banks	1,458	1,563	-6.7
Corporate clients	65,013	62,189	4.5
Private customers	12,207	10,167	20.1
Other financial corporations	6,465	6,425	0.6
General governments	737	527	39.8
Total	127,488	121,704	4.8

In addition to the credit facilities listed above, the Commerzbank Group may also sustain losses from legal and tax risks the occurrence of which is not very probable and for which reason no provisions have been recognised. However, since there is some probability of their occurrence, they are presented under contingent liabilities. It is impossible to reliably estimate the date on which such risk may materialise or any potential reimbursements. Depending on the outcome of the legal and fiscal proceedings, the estimate of our risk of loss may prove to be either too low or too high. However, in a large majority of cases the contingent liabilities for legal risks do not ever materialise and, therefore, the amounts are not representative of the actual future losses. As at 30 September 2020, the contingent liabilities for legal risks amounted to €401m (previous year: €511m) 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 claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed by the court of first instance. The claimant has lodged an appeal.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The action brought by the insolvency administrator was dismissed in the first instance; an application to review the decision is currently pending at the relevant court of appeal. The actions brought by the Company's pensioners and bondholders have

been dismissed by the court of appeal in favour of, among others, The bank have appealed the verdict.

- 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. The plaintiff was liquidated in January 2019. As a result, in February 2019 the court dismissed the claims for intangible damages and suspended the rest of the proceedings. In February 2019, a group company of the Hungarian borrower filed a petition for the continuation of the proceedings on the basis of an (allegedly) assigned right of 75% of the claim. The petition was dismissed in September 2019. The appeal was rejected in February 2020.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding, among other things, the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.
- In a lawsuit filed in May 2019, a Commerzbank customer sought a ruling that the Bank must compensate the claimant for material damages caused by alleged false advice in connection with derivatives in the form of swap contracts. Commerzbank considers the lawsuit to be unfounded and has defended itself against the claim.
- A Commerzbank subsidiary together with another bank was sued for damages in February 2020 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- In proceedings relating to a specific retail mortgage loan agreement, a court overturned the finding of the lower court and ruled that the contractual clause concerning the calculation of prepayment penalty fees was insufficient and the prepayment penalty

fee received by the Bank has to be refunded. The Bank has appealed the verdict. The likelihood that the appeal will be successful cannot be estimated at present. If the appeal is rejected, this ruling could give rise to a considerable provisioning need for Commerzbank and potentially impact future consolidated profit.

The contingent liabilities for tax risks relate to the following material issues:

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Within the framework of Commerzbank AG's ongoing tax audit, the tax auditors commented on the treatment of these transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and/or set up additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the fiscal courts, cannot be ruled out. In particular, the tax authorities are currently discussing whether and to what extent the above-mentioned BMF circular should be revised following the ruling of the Fiscal Court of Hesse on 28 January 2020 (4 K 890/17). It is currently not possible to predict whether this will have any implications for Commerzbank, and what such implications might be. Commerzbank is exposed here

to compensation claims from third parties relating to cum-cum securities lending transactions for which credit entitlements have been denied. Based on the analyses performed, Commerzbank considers it unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

- The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. All back taxes demanded by the tax authorities have been paid.

The public prosecutor's office in Cologne has been conducting investigations at Commerzbank since September 2019 in connection with a separate case concerning cum-ex transactions. The Cologne public prosecutor's office is investigating on suspicion that the Bank (including Dresdner Bank) was involved in cum-ex transactions in various roles, including by supplying shares to third parties who were allegedly acting as short sellers. According to the current understanding, these proceedings do not involve Commerzbank's own tax credit claims with regard to capital gains tax and solidarity surcharge on dividends.

The Bank is cooperating fully with authorities conducting investigations into cum-ex transactions. It is currently not possible to predict whether this will result in a burden, whether it will occur, or the amount of any resulting burden.

Segment reporting

(40) Segment reporting

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

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. The Asset & Capital Recovery segment, which was discontinued on 1 July 2019, is shown separately with its previous-year result. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 33).

In the first quarter of 2019, as part of the wind-down strategy of the Asset & Capital Recovery segment, transfers of these receivables from local authorities and public-sector or quasi-public-sector institutions in North America and the UK were made to the Others and Consolidation segment. No adjustment was made to the prior-year values due to the specific features of a wind-down portfolio. The remaining assets of the Asset & Capital Recovery segment, which was discontinued as of 1 July 2019, were transferred to the Private and Small-Business Customers segment, and in particular to the Others and Consolidation segment. As part of its digitisation strategy, Commerzbank has reorganised product development and operations in the delivery organisation as of 1 July 2019 by linking the business and IT sides in agile teams. This does not result in any changes to the previous segment reporting.

The segmentation of Commerzbank's moveable asset leasing business was refined in the third quarter of 2020, resulting in shifts between the Private and Small-Business Customers and Corporate Clients segments. The prior-year figures have been restated accordingly.

Further information on the segments is provided in the management report section of this interim report. The operating segments' capital requirement for risk-weighted assets is 12 %. A capital requirement of 15 % of risk-weighted assets was applied to the Asset & Capital Recovery segment until its discontinuation.

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

The operating return on equity is calculated as the ratio of operating profit to average capital employed. It shows the return on the capital employed in a given segment. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It is calculated from the ratio of the sum of operating expenses and compulsory contributions to income before the risk result. We also report a cost/income ratio in operating business that excludes compulsory contributions, to take account of the fact that this item cannot be influenced in terms of either amount or periodicity.

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. For the Corporate Clients segment, the average capital

employed in the segment is calculated without the discontinued business division. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses (excluding

compulsory contributions) as well as amortisation, depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses and compulsory contributions 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 full cost or at market prices.

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1.1.-30.9.2020 €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,947	1,359	–	518	3,824
Dividend income	24	3	–	1	27
Risk result	– 444	– 575	–	– 49	– 1,067
Net commission income	1,603	908	–	– 30	2,481
Net income from financial assets and liabilities measured at fair value through profit or loss	156	96	–	– 369	– 116
Net income from hedge accounting	2	11	–	140	152
Other net income from financial instruments	11	– 27	–	– 9	– 24
Current net income from companies accounted for using the equity method	– 1	5	–	– 0	5
Other net income	– 99	– 10	–	– 82	– 191
<i>Income before risk result</i>	3,643	2,346	–	169	6,158
<i>Income after risk result</i>	3,200	1,771	–	120	5,091
Operating expenses	2,596	1,776	–	179	4,551
Compulsory contributions	268	115	–	62	445
Operating profit or loss	336	– 120	–	– 121	94
Restructuring expenses	–	–	–	201	201
Pre-tax profit or loss from continuing operations	336	– 120	–	– 322	– 106
Assets	158,844	181,092	–	204,394	544,330
of which: discontinued assets	–	2,167	–	–	2,167
Liabilities	195,467	192,302	–	156,561	544,330
of which: discontinued liabilities	–	3,066	–	–	3,066
Carrying amount of companies accounted for using the equity method	29	149	–	1	178
Average capital employed (from continuing operations) (based on CET1)¹	5,675	11,696	–	7,230	24,601
Operating return on equity (%)²	7.9	– 1.4	n/a	0.5	0.5
Cost/income ratio in operating business (excl. compulsory contributions) (%)	71.2	75.7	n/a	73.9	73.9
Cost/income ratio in operating business (incl. compulsory contributions) (%)	78.6	80.6	n/a	81.1	81.1

¹ Average CET1 capital fully loaded. Reconciliation carried out in Others and Consolidation.

² Annualised.

1.1.-30.9.2019 €m ¹	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	2,011	1,408	- 23	368	3,764
Dividend income	6	7	-	4	16
Risk result	- 187	- 186	- 24	27	- 370
Net commission income	1,413	881	0	- 24	2,270
Net income from financial assets and liabilities measured at fair value through profit or loss	161	110	111	- 254	127
Net income from hedge accounting	2	21	10	99	132
Other net income from financial instruments	23	0	- 19	- 14	- 9
Current net income from companies accounted for using the equity method	3	6	- 0	- 0	9
Other net income	104	10	- 0	43	158
<i>Income before risk result</i>	3,723	2,443	79	222	6,467
<i>Income after risk result</i>	3,536	2,257	55	249	6,097
Operating expenses	2,598	1,854	15	238	4,705
Compulsory contributions	230	109	9	40	388
Operating profit or loss	708	294	31	- 29	1,004
Restructuring expenses	-	-	-	-	-
Pre-tax profit or loss from continuing operations	708	294	31	- 29	1,004
Assets	147,036	200,113	0	166,030	513,178
of which: discontinued assets	-	9,347	-	-	9,347
Liabilities	182,325	202,965	-	127,888	513,178
of which: discontinued liabilities	-	11,061	-	-	11,061
Carrying amount of companies accounted for using the equity method	28	149	-	1	177
Average capital employed (from continuing operations) (based on CET1)²	5,233	11,930	1,620	5,003	23,785
Operating return on equity (%)³	18.0	3.3	2.5		5.6
Cost/income ratio in operating business (excl. compulsory contributions) (%)	69.8	75.9	19.3		72.8
Cost/income ratio in operating business (incl. compulsory contributions) (%)	76.0	80.4	30.7		78.8

¹ Prior-year figures adjusted due to restatements (see Note 3) and IFRS 8.29.

² Average CET1 capital fully loaded. Reconciliation carried out in Others and Consolidation.

³ Annualised.

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Details for Others and Consolidation:

€m	1.1.-30.9.2020		
	Others	Consolidation	Others and Consolidation
Net interest income	524	- 6	518
Dividend income	1	0	1
Risk result	- 49	-	- 49
Net commission income	- 24	- 6	- 30
Net income from financial assets and liabilities measured at fair value through profit or loss	- 377	9	- 369
Net income from hedge accounting	140	-	140
Other net income from financial instruments	- 10	2	- 9
Current net income from companies accounted for using the equity method	-	- 0	- 0
Other net income	- 76	- 6	- 82
Operating expenses	190	- 11	179
Compulsory contributions	62	0	62
Operating profit or loss	- 125	4	- 121
Restructuring expenses	201	-	201
Pre-tax profit or loss from continuing operations	- 326	4	- 322
Assets	204,257	136	204,394
Liabilities	156,399	161	156,561

€m	1.1.-30.9.2019 ¹		
	Others	Consolidation	Others and Consolidation
Net interest income	350	18	368
Dividend income	2	2	4
Risk result	27	-	27
Net commission income	- 21	- 3	- 24
Net income from financial assets and liabilities measured at fair value through profit or loss	- 292	38	- 254
Net income from hedge accounting	99	-	99
Other net income from financial instruments	- 10	- 4	- 14
Current net income from companies accounted for using the equity method	-	- 0	- 0
Other net income	56	- 13	43
Operating expenses	252	- 14	238
Compulsory contributions	40	0	40
Operating profit or loss	- 81	52	- 29
Restructuring expenses	-	-	-
Pre-tax profit or loss from continuing operations	-81	52	-29
Assets	165,886	144	166,030
Liabilities	127,602	285	127,888

¹ Prior-year figures adjusted due to restatements (see Note 3).

Under “Consolidation” we report consolidation and reconciliation items from the results of the segments and “Others” affecting the Group financial statements. This includes the following items, among others:

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;
- Effects from the consolidation of intragroup-transactions between segments

- Effects from the consolidation of expenses and income
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

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

1.1.-30.9.2020 €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	4,483	1,382	140	153	0	6,158
Credit-risk-weighted assets (with transitional provisions)	93,409	48,822	5,702	5,315	–	153,248

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

1.1.-30.9.2019 ¹ €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	4,655	1,532	101	179	– 0	6,467
Credit-risk-weighted assets (with transitional provisions)	96,848	48,450	5,905	4,090	–	155,293

¹ Prior-year figures adjusted due to restatements (see Note 3).

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 efficiency reasons, as it is used neither for internal management activities nor for management reporting.

Other notes

(41) Regulatory capital requirements

The overview below of the composition of the Commerzbank Group's capital shows the figures on a basis with transitional provisions (currently used) and a fully loaded basis. The reconciliation of

equity reported in the balance sheet with regulatory capital is already integrated in these figures.

Position €m	30.9.2020 with transitional provisions	31.12.2019 with transitional provisions	30.9.2020 fully loaded	31.12.2019 fully loaded
Equity as shown in balance sheet	31,980	30,667	31,980	30,667
of which: additional equity components ¹	2,622	885	2,622	885
Equity as shown in balance sheet without additional equity components	29,358	29,782	29,358	29,782
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	- 80	- 79	- 80	- 79
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	- 22	13	- 22	13
Correction to non-controlling interests (minorities)	- 529	- 557	- 529	- 557
Goodwill	- 1,521	- 1,522	- 1,521	- 1,522
Intangible assets	- 1,084	- 1,174	- 1,084	- 1,174
Surplus in plan assets	- 36	- 73	- 36	- 73
Deferred tax assets from loss carryforwards	- 404	- 533	- 404	- 533
Shortfall due to expected loss	- 76	- 270	- 76	- 270
Prudential valuation	- 190	- 185	- 190	- 185
First loss positions from securitisations	- 69	- 171	- 69	- 171
Deferred tax assets from temporary differences which exceed the 10% threshold	- 209	- 382	- 209	- 382
Unrecognised gains	- 52	- 218	- 52	- 218
Others and rounding	- 298	- 265	- 298	- 265
Common Equity Tier 1 capital²	24,788	24,366	24,788	24,366
Additional Tier 1 capital³	3,185	1,649	2,733	977
Tier 1 capital	27,973	26,015	27,521	25,343
Tier 2 capital	4,997	4,583	4,845	4,491
Own Funds	32,970	30,598	32,366	29,834
Risk-weighted assets	183,337	181,765	183,337	181,765
of which: credit risk	153,248	151,903	153,248	151,903
of which: market risk ³	11,357	11,134	11,357	11,134
of which: operational risk	18,732	18,728	18,732	18,728
Common Equity Tier 1 capital ratio (%)	13.5%	13.4%	13.5%	13.4%
Tier 1 capital ratio (%)	15.3%	14.3%	15.0%	13.9%
Total capital ratio (%)	18.0%	16.8%	17.7%	16.4%

¹ AT1 issue which is equity as shown in balance sheet and which is taken into account as Additional Tier 1 capital according to CRR.

² This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

³ Includes credit valuation adjustment risk.

⁴ According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. The main changes in Common Equity Tier 1 capital compared with 31 December 2019 resulted from the loss in the first half of the year. However, this was more than offset by lower regulatory deduction items and the fact that, in line with the ECB's recommendation, no dividend payment was included for 2019 and 2020. The higher Tier 1 capital compared with the end of the year was due to the increase in Common Equity Tier 1 capital and the rise in additional Tier 1 capital resulting from the issue of AT1 capital instruments (nominal volume of €1.250m and €500m) in June and

September 2020. Total capital was higher due to the above-mentioned increase in Tier 1 capital and to the issue of a Tier 2 capital instrument (nominal volume of €750m) in May 2020. The increase in both the Tier 1 ratio and the total capital ratio was weakened primarily by the rise in risk-weighted assets.

The increase in risk-weighted assets was mainly due to higher risk-weighted assets from credit risks as a result of increased lending in the core segments, particularly to corporate customers, coupled with the effects of the coronavirus pandemic. However, these were largely offset by currency effects that reduced risk-weighted assets.

(42) Leverage ratio

The CRD IV/CRR has introduced the leverage ratio as a tool and indicator for quantifying the risk of excessive leverage. The leverage ratio shows the ratio of Tier 1 capital to leverage ratio 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. As a non-risk-sensitive figure the leverage ratio is intended to supplement risk-based measures of capital adequacy.

Leverage ratio according to CRR	30.9.2020	31.12.2019	Change in %
Leverage ratio exposure with transitional provisions (€m)	572,726	495,070	15.7
Leverage ratio exposure fully loaded (€m)	572,726	495,070	15.7
Leverage ratio with transitional provisions (%)	4.9	5.3	
Leverage ratio fully loaded (%)	4.8	5.1	

(43) Liquidity coverage ratio

The liquidity coverage ratio (LCR) is the regulatory minimum liquidity ratio. It is a measure of the near-term solvency of the Bank under a predetermined stress scenario. Based on the requirements of the Basel Committee, the EU Commission set out the legal foundation for the LCR in the Capital Requirements Regulation (CRR) and in Regulation (EU) No. 575/2013, in conjunction with Delegated Regulation EU/2015/61 (D-REG).

The ratio itself is defined as the relationship between high quality liquid assets (HQLA) and net liquidity outflows (NLOs) within a 30-day period. Under the CRR, a minimum value of 100% must be observed for the LCR since 2018. Commerzbank has integrated the LCR into its internal liquidity risk model as a binding secondary condition, and the change in the LCR is monitored regularly.

The Bank has established internal 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. 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. This also applies to payment obligations in foreign currencies. The Bank also mitigates concentrations through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

Commerzbank manages its global liquidity centrally using cash pooling. This approach ensures liquidity resources are used efficiently across all time zones, as Commerzbank Treasury units are located in Frankfurt, London, New York and Singapore.

For further information about liquidity risk management and the corresponding internal models, including those relating to the coronavirus pandemic, can be found in the management report and in the liquidity risk section of the risk report.

The calculation of the LCR for the last four quarters is shown below. The averages of the 12 previous month-end values are calculated for each quarter. The resulting values are shown in the table below. The values are rounded to a full-million amount in euros and are presented on a consolidated basis for the Commerzbank Group.

38	Statement of comprehensive Income
43	Balance sheet
44	Statement of changes in equity
46	Cash flow statement
47	Selected notes

€m		Total unweighted value (average)			
		31.12.2019	31.3.2020	30.6.2020 ¹	30.9.2020
	Number of data points used in the calculation of averages	12	12	12	12
	High-quality liquid assets				
1	Total high-quality liquid assets (HQLA)				
	Cash outflows				
2	Retail deposits and deposits from small business customers, of which:	128,364	131,572	137,112	142,966
3	Stable deposits	87,611	90,429	94,182	98,301
4	Less stable deposits	40,753	41,143	41,084	40,954
5	Unsecured wholesale funding	107,793	109,098	111,440	113,647
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	36,132	36,808	37,432	38,381
7	Non-operational deposits (all counterparties)	70,487	71,423	73,346	74,737
8	Unsecured debt	1,174	867	662	529
9	Secured wholesale funding				
10	Additional requirements	85,115	85,161	85,108	86,309
11	Outflows related to derivative exposures and other collateral requirements	7,158	7,273	7,434	7,604
12	Outflows related to loss of funding on debt products	416	394	261	218
13	Credit and liquidity facilities	77,541	77,495	77,412	78,487
14	Other contractual funding obligations	4,036	3,827	3,662	3,368
15	Other contingent funding obligations	105,908	104,396	103,423	102,646
16	Total cash outflows				
	Cash inflows				
17	Secured lending (e.g. reverse repos)	66,964	64,569	61,484	55,212
18	Inflows from fully performing exposures	25,231	25,201	25,091	24,245
19	Other cash inflows	6,724	7,027	7,248	7,170
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	Total cash inflows	98,919	96,797	93,823	86,627
EU-20a	Fully exempt inflows	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0
EU-20c	Inflows subject to 75% cap	92,227	90,095	87,846	81,888
21	Liquidity buffer				
22	Total net cash outflows				
23	Liquidity coverage ratio				

¹ Based on a necessary correction as at 30 June 2020 the figures slightly changed.

€m		Total weighted value (average)			
		31.12.2019	31.3.2020	30.6.2020 ¹	30.9.2020
	Number of data points used in the calculation of averages	12	12	12	12
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)	85,942	84,993	86,482	90,217
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	8,800	8,974	9,145	9,317
3	Stable deposits	4,381	4,521	4,709	4,915
4	Less stable deposits	4,419	4,452	4,436	4,402
5	Unsecured wholesale funding	53,114	53,612	54,904	55,705
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,995	9,162	9,322	9,563
7	Non-operational deposits (all counterparties)	42,945	43,583	44,920	45,614
8	Unsecured debt	1,174	867	662	529
9	Secured wholesale funding	5,936	6,162	6,777	6,725
10	Additional requirements	21,527	21,134	20,707	20,518
11	Outflows related to derivative exposures and other collateral requirements	6,538	6,713	6,964	7,233
12	Outflows related to loss of funding on debt products	416	394	261	218
13	Credit and liquidity facilities	14,572	14,026	13,482	13,067
14	Other contractual funding obligations	3,054	2,856	2,740	2,479
15	Other contingent funding obligations	3,286	4,254	4,694	4,250
16	Total cash outflows	95,716	96,990	98,967	98,993
Cash inflows					
17	Secured lending (e.g. reverse repos)	6,528	6,710	6,145	5,452
18	Inflows from fully performing exposures	17,845	17,952	17,793	17,142
19	Other cash inflows	6,489	6,768	6,989	6,952
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	0	0	0	0
20	Total cash inflows	30,863	31,430	30,928	29,545
EU-20a	Fully exempt inflows	0	0	0	0
EU-20b	Inflows subject to 90% cap	0	0	0	0
EU-20c	Inflows subject to 75% cap	30,863	31,430	30,928	29,545
21	Liquidity buffer	85,942	84,993	86,482	90,217
22	Total net cash outflows	64,853	65,560	68,039	69,448
23	Liquidity coverage ratio	132.72%	129.94%	127.28%	129.82%

¹Based on a necessary correction as at 30 June 2020 the figures slightly changed.

The average quarterly LCR values have been high. As at each of the reporting dates, Commerzbank considerably surpassed the required minimum ratio of 100% for 2018. The composition of the

highly liquid assets available to cover the liquidity outflows in the reporting period is set out below:

Highly liquid assets in accordance with EU/2015/61 (average of the last 12 month-end values) €m	Q4/2019	Q1/2019	Q2/2020	Q3/2020
Total	85,942	84,993	86,482	90,217
thereof: Level 1	76,271	73,594	72,979	74,492
thereof: Level 2A	8,269	10,113	12,597	15,043
thereof: Level 2B	1,402	1,286	906	682

Commerzbank also reports the LCR in US dollars in September 2020, as it is deemed to be a significant foreign currency under the CRR. In addition, the Bank ensures that foreign-exchange risk is monitored as well as limited and managed using an internal model.

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional

outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and a possible deterioration in credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions. For other contingent liabilities, since June 2019 Commerzbank has used additional outflow weightings in accordance with Article 23 of Commission Delegated Regulation (EU) 2015/61.

(44) Related party transactions

As part of its normal business, Commerzbank Aktiengesellschaft and/or its consolidated companies engage in transactions with related entities and persons. These include:

- subsidiaries that are controlled but not consolidated for reasons of materiality;
- joint ventures;
- associated companies;
- equity holdings;
- external providers of occupational pensions for employees of Commerzbank Aktiengesellschaft;
- key management personnel and members of their families; and
- companies controlled by these persons/entities.

Banking transactions with related parties are carried out at normal market terms and conditions.

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.

Besides the stake held by the German federal government, other factors (including membership of the supervisory board) that could potentially allow a significant influence to be exerted on Commerzbank Aktiengesellschaft also need to be taken into account. Accordingly, the German federal government and entities controlled by it are classified as related entities and persons in accordance with IAS 24.

Transactions with non-consolidated subsidiaries

The assets relating to non-consolidated subsidiaries in the amount of €349m (previous year: €410m) as at 30 September 2020 included primarily loans and advances. Liabilities in the amount of €212m (previous year: €195m) comprised mostly deposits.

The income of €14m (prior-year period: €15m) comprised interest income and expenses of €45m (prior-year period: €55m), mostly from administrative expenses.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €81m (previous year: €85m).

Transactions with associated companies

The assets relating to associated companies as at 30 September 2020 in the amount of €16m (previous year: €16m) included primarily loans and advances. Liabilities in the amount of €30m (previous year: €34m) comprised mostly deposits.

The income of €7m (prior-year period: €12m) resulted primarily from commission income and current net income from companies accounted for using the equity method.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €14m (previous year: €39m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 30 September 2020 in the amount of €0m (previous year: €27m). In the previous year this included primarily loans and advances as well as debt securities. Liabilities in the amount of €204m (previous year: €209m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions.

As at 30 September 2020, income was €0m (prior-year period: €1m), the expenses amounted to €7m (previous year: €7m).

No guarantees and collateral were granted in the ordinary banking activities (previous year: €0m).

Transactions with key management personnel

As at 30 September 2020, there were no significant assets or liabilities relating to key management personnel.

The expenses represent personnel expenses in the amount of €12m (prior-year period: €11m) and include remuneration for key

management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group and value added tax reimbursed to members of the Supervisory Board.

Transactions with entities controlled by the German federal government

The assets relating to entities controlled by the German federal government as at 30 September 2020 in the amount of €49,112m (previous year: €20,535m) comprised primarily deposits with Deutsche Bundesbank totaling €44,484m (previous year: €17,770m). Of the liabilities related to entities controlled by the German federal government in the amount of €13,457m (previous year: €12,260m), €13,435m were deposits (previous year: €12,247m). As at 30 September 2020, the Bank had granted guarantees and collateral totaling €215m to entities controlled by the German federal government (previous year: €260m).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Hans-Jörg Vetter
 Chairman
 (since 3.8.2020)

Dr. Stefan Schmittmann
 Chairman
 (until 3.8.2020)

Uwe Tschäge¹
 Deputy Chairman

Heike Anscheit¹

Alexander Boursanoff¹

Gunnar de Buhr¹

Stefan Burghardt¹

Dr. Frank Czichowski
 (since 13.5.2020)

Sabine U. Dietrich

Dr. Jutta A. Dönges
 (since 13.5.2020)

Monika Fink¹

Dr. Tobias Guldemann

Dr. Rainer Hillebrand

Christian Höhn¹

Kerstin Jerchel¹

Dr. Markus Kerber
 (until 13.5.2020)

Alexandra Krieger¹

Anja Mikus
 (until 13.5.2020)

Dr. Victoria Ossadnik

Robin J. Stalker

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

Stefan Wittmann¹

Klaus-Peter Müller
 Honorary Chairman

¹Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
 Chairman

Stephan Engels
 (until 31.3.2020)

Dr. Bettina Orlopp

Roland Boekhout
 (since 1.1.2020)

Jörg Hessenmüller

Sabine Schmittroth
 (since 1.1.2020)

Dr. Marcus Chromik

Michael Mandel
 (until 30.9.2020)

Frankfurt/Main, 2 November 2020

The Board of Managing Directors



Martin Zielke



Roland Boekhout



Marcus Chromik



Jörg Hessenmüller



Bettina Orlopp



Sabine Schmittroth

Translation from the German language of the review report

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, condensed cash flow statement and selected explanatory notes, and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 September 2020, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) No. 1 and No. 2 and (3) and (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance 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 in supplementary compliance with 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 to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on

interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments, and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Eschborn/ Frankfurt am Main, 3 November 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Claus-Peter Wagner
Wirtschaftsprüfer
(German Public Auditor)

Marcus Binder
Wirtschaftsprüfer
(German Public Auditor)

Significant Group companies

Germany

Commerz Real AG, Wiesbaden

Abroad

Commerzbank Brasil S.A. – Banco Múltiplo, São Paulo

Commerzbank (Eurasija) AO, Moscow

Commerzbank Finance & Covered Bond S.A., Luxembourg

Commerzbank Zrt., Budapest

Commerz Markets LLC, New York

mBank S.A., Warsaw

Operative foreign branches

Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, London, Luxembourg, Madrid, Milan, New York, Paris, Prague, Shanghai, Singapore, 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), 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 (FI-Desk), Mumbai, New York (FI Desk), Panama City, São Paulo (FI Desk), 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.

2020/2021 Financial calendar

11 February 2021	Annual Results Press Conference
End March 2021	Annual Report 2020
5 May 2021	Annual General Meeting
12 May 2021	Interim Report as at 31 March 2021
4 August 2021	Interim Report as at 30 June 2021
4 November 2021	Interim Report as at 30 September 2021

Commerzbank AG

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