



COMMERZBANK

Interim Report as at 30 June

2021



The bank at your side

Key figures

Income statement	1.1.-30.6.2021	1.1.-30.6.2020¹
Operating profit (€m)	570	-74
Operating profit per share (€)	0.46	-0.06
Consolidated profit or loss ² (€m)	-533	-156
Earnings per share (€)	-0.43	-0.12
Operating return on equity based on CET1 ³ (%)	4.8	-0.6
Return on equity of consolidated profit or loss ^{3, 8} (%)	-3.9	-1.1
Cost/income ratio in operating business (excl. compulsory contributions) (%)	72.9	73.5
Cost/income ratio in operating business (incl. compulsory contributions) (%)	81.5	82.5
Balance sheet	30.6.2021	31.12.2020¹
Total assets (€bn)	543.6	506.6
Risk-weighted assets (€bn)	177.6	178.6
Equity as shown in balance sheet (€bn)	29.2	28.6
Total capital as shown in balance sheet (€bn)	35.8	36.6
Regulatory key figures	30.6.2021	31.12.2020
Tier 1 capital ratio (%)	15.3	15.0
Common Equity Tier 1 ratio ⁴ (%)	13.4	13.2
Total capital ratio (%)	17.9	17.7
Leverage ratio (%)	4.6	4.9
Full-time personnel	30.6.2021	31.3.2021
Germany	27,591	27,736
Abroad	11,080	11,087
Total	38,671	38,823
Ratings⁵	30.6.2021	31.3.2021
Moody's Investors Service, New York ⁶	A1/A1/P-1	A1/A1/P-1
S&P Global, New York ⁷	A-/BBB+/A-2	A-/BBB+/A-2

¹ Prior-year figures restated.

² Insofar as attributable to Commerzbank shareholders.

³ Annualised.

⁴ 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.

⁵ Further information can be found online at www.commerzbank.com.

⁶ Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.

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

⁸ 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 June 2021

Key statements

- Stable customer business and a low risk result had a positive impact on Commerzbank's business performance in the first half of 2021. They were offset by high one-off expenses in the second quarter. Overall, Commerzbank posted an operating profit of €570m in the first six months of 2021, compared with an operating loss of €-74m in the prior-year period.
- The Group risk result was reported at €-235m, which represents a significant decline of 70.4% compared with the prior-year period. The non-performing exposure (NPE) ratio was 0.8%.
- Excluding the expense arising from the derecognition of an intangible asset, operating expenses decreased compared with the prior-year period. The exceptional expense of €200m resulted in an increase by 4.7% to €3,173m. Compulsory contributions, which are reported separately, were on a par with the previous year at €375m.
- The Bank recognised restructuring expenses of €976m overall in the first half of 2021 in connection with the implementation of the "Strategy 2024" programme.
- The consolidated loss attributable to Commerzbank shareholders and investors in additional equity components was €-394m, compared with a loss of €-107m in the prior-year period.
- The Common Equity Tier 1 (CET1) ratio increased slightly to 13.4% compared with the end of 2020; the leverage ratio was 4.6% (with transitional provisions).
- The operating return on equity was 4.8%, compared with -0.6% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets and AT-1-related items) was -3.9%, compared with -1.1% in the previous year. The cost/income ratio was 72.9% with compulsory contributions excluded and 81.5% including compulsory contributions. The corresponding figures for the previous year were 73.5% and 82.5% respectively.

Performance of the Commerzbank share

The international stock markets saw a proceeding economic performance in the first six months of 2021 as the coronavirus pandemic was increasingly contained, while previously dominant geopolitical events receded somewhat into the background. Although international equity markets reached new highs, boosted by higher corporate profits and liquidity support provided by central banks in response to the pandemic, rising bond yields led to temporary price losses. Price increases were driven in particular by higher costs for energy and commodities, which led to a direct rise in the rate of inflation.

While the US Federal Reserve was already preparing the capital market for an expected turnaround in interest rates thanks to the much-improved economic performance in the United States, triggering an appreciation in the US dollar worldwide, there were still no signs of a potential change in monetary policy by the European Central Bank (ECB). Higher capital market interest rates in the first half of 2021 are a

fundamentally positive development, not least for the European banking sector. While ten-year Bunds were still yielding around –70 basis points at the beginning of 2021, yields recovered to a level of –30 basis points over the first six months of the year. This also partly reflects the fiscal policy measures implemented to stabilise the economy, which consequently also eased the burden on the banking sector during the pandemic.

The leading German index, the DAX, rose by 13.2% in the first six months of the year, while the EuroStoxx 50 gained 10.5%. The European banking index (SX7E) also recorded a well-above-average performance, gaining 27.0% since the beginning of the year. The easing of the pandemic and, in particular, lower risk costs in the first six months of 2021 were significant factors facilitating the marked rise in the earnings of European banks compared with the previous year. With the prospect of a resumption in dividend payments from the third quarter of 2021, bank stocks were increasingly sought after from a dividend perspective. However, the Commerzbank share price grew below average by 13.6% compared to the European sector in the first six months of the current year. The Bank is in the middle of a comprehensive cost and restructuring programme that is dampening its short-term earnings prospects, and is also not planning to make any dividend payments for the current financial year.

Highlights of the Commerzbank share	1.1.–30.6.2021	1.1.–30.6.2020
Shares issued in million units (30.6.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	6.87	6.83
Low	4.70	2.80
Closing price (30.6.)	5.23	3.97
Daily trading volume ¹ in million units		
High	25.5	38.1
Low	1.8	4.5
Average	7.1	15.3
Index weighting in % (30.6.)		
MDAX	1.4	1.4
EuroStoxx Banks	0.3	0.3
Earnings per share in €	–0.43	–0.12
Book value per share ² in € (30.6.)	19.97	22.56
Net asset value per share ³ in € (30.6.)	19.96	21.30
Market value/Net asset value (30.6.)	0.26	0.19

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

Commerzbank Annual General Meeting: new Supervisory Board members elected

At Commerzbank's virtual Annual General Meeting on 18 May 2021, the shareholders elected the proposed candidates Helmut Gottschalk, Burkhard Keese, Daniela Mattheus, Caroline Seifert and Frank Westhoff to the Bank's Supervisory Board by a large majority. The regular term of office of the shareholder representatives runs until the end of the 2023 Annual General Meeting. At a meeting of the Supervisory Board held immediately after the Annual General Meeting, the members re-elected Helmut Gottschalk as Chairman of the Board. He had already been appointed by a court as a member of the Supervisory Board in April 2021 and elected as its Chairman by the members of the Supervisory Board.

Supervisory Board of Commerzbank ensures continuity and stability on the Board of Managing Directors

At its meeting on 16 June 2021, the Supervisory Board of Commerzbank set an important course designed to further strengthen the Bank's Board of Managing Directors and ensure its long-term continuity and stability during the far-reaching transformation initiated with the "Strategy 2024" programme. Dr. Bettina Orlopp was appointed Deputy Chairwoman of the Board of Managing Directors with effect from 17 June 2021, at which point the Supervisory Board also extended her appointment to the Board of Managing Directors by five years until June 2026. The appointment of Chief Operating Officer Jörg Hessenmüller was also duly extended for a further five years until the end of 2026. His responsibilities include key levers of transformation, first and foremost the further digitalisation of Commerzbank. In addition, Sabine Schmittroth will in future be focusing once again on her role as Director of Human Resources. In view of the HR challenges associated with Commerzbank's restructuring programme, the Human Resources department is more important than ever. She is to relinquish responsibility for the Private and Small-Business Customers segment, which she also assumed in autumn 2020. A process has been initiated to fill this vacancy on the Board of Managing Directors, which is important for the long-term success of the Bank.

Commerzbank streamlines its capital markets business

Since 11 May 2021, Commerzbank has been working with the German-French financial group ODDO BHF in equities business. The cooperation will enable the Bank to align its capital market business even more consistently with the needs of its core customers. It will also enable the Bank to reduce costs and complexity without compromising on customer service. In brokerage business, ODDO BHF will in future act as an exclusive partner for Commerzbank, contributing its extensive expertise in equity sales and trading for European and North American markets. This will allow Commerzbank to achieve significantly greater reach for its corporate clients' equity transactions and the opportunity to place them even more effectively. The broader geographical platform means corporate clients will now enjoy strong coverage of other European countries and sectors with correspondingly greater sales power, in addition to the existing market-leading coverage of equities in the DACH region. Commerzbank itself will no longer offer institutional equity research, i.e. research on equities for professional clients. Instead, its cooperation partner ODDO BHF will render this service. The Bank's advisory expertise in equities business, delivered through Equity Capital Markets, remains a key cornerstone of Commerzbank's corporate banking business and will continue to be available to customers without restriction. Here the Bank will continue to focus on the relevant needs of its corporate clients, including SMEs, and will continue to help them issue new equity via avenues such as IPOs, share placements, capital increases or convertible bonds.

Commerzbank successfully issues another Additional Tier 1 bond

In mid-June 2021, Commerzbank Aktiengesellschaft successfully issued the third 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 4.25% per annum. At over €1.75bn, the order book was heavily oversubscribed, reflecting the widespread interest among investors. The new AT1 bond has a perpetual maturity and the first call date is in the period from October 2027 to April 2028. The bond terms provide for a temporary write-down in the event that

the Bank's CET1 ratio drops below 5.125%. Shareholders' subscription rights were excluded. With the issue of the AT1 bond, Commerzbank is further strengthening and optimising its capital structure.

Commerzbank keeps securities settlement in-house – outsourcing project halted

On 22 July 2021, the Board of Managing Directors of Commerzbank decided to terminate the project to outsource securities settlement to HSBC Transaction Services GmbH with immediate effect due to technical implementation risks and changed market conditions. The termination of the project resulted in a charge of €200m for the second quarter of 2021 arising from the derecognition of an intangible asset. This derecognition has no impact on the Bank's liquidity or CET1 ratio. Provisions in the double-digit millions were also recognised.

With this decision, Commerzbank is reducing the complexity of the transformation and will initially focus on further modernising its own system landscape. Commerzbank's IT delivery organisation, launched two years ago, is set to make an important contribution to this, with the Bank creating a dedicated key area for securities & brokerage within the delivery organisation as part of its "Strategy 2024" programme. The market environment and technological possibilities have changed considerably since the outsourcing project was launched in 2017. The significant growth in trading volume and ongoing technological development mean that Commerzbank is now able to continue securities settlement profitably. The transfer of processes to the systems of the HSBC subsidiary, most recently planned for mid-2021, will therefore not take place.

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Economic conditions

Overall economic situation

As expected, the significant easing of coronavirus restrictions has led to a noticeable upturn in global economic momentum. The rapid re-recovery is not without consequences, however: prices of raw materials have risen considerably and more and more companies are seeing shortages of intermediate products. The automotive industry is already experiencing production losses due to a lack of semiconductors.

The US economy has returned to pre-crisis levels in the second quarter. Although the eurozone economy is still some way from achieving this, it also saw a noticeable boost in economic activity again in the spring as shops opened. In the second quarter, the German economy probably made up for the setback it suffered at the beginning of the year.

Financial performance, assets, liabilities and financial position

For description of the accounting and measurement methods applied as at 30 June 2021 can be found in Note 5 and information on restatements of prior-year figures can be found in Note 3 to the interim financial statements.

Income statement of the Commerzbank Group

Commerzbank recorded a consolidated loss of €-394m in the first half of 2021 against the backdrop of the still difficult operating environment, a loss arising from the derecognition of an intangible asset and high restructuring expenses. The operating profit was €570m in the reporting period, compared with an operating loss of €-74m in the prior-year period.

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

At €2,427m, net interest income in the period under review was 6.6% below the prior-year level. In the Private and Small-Business Customers segment, ongoing strong pressure on interest income from the deposit business was not completely offset by higher income from continued volume growth in the domestic lending business, particularly in retail mortgage financing and personal loans.

It was a similar picture at mBank, where the expansion of loan and deposit holdings was once again offset by the adverse consequences of the interest rate cuts implemented by the Polish central bank in the previous year, with the negative impact on deposit business in particular leading to a net decline in net interest income. Net interest income in the Corporate Clients segment was also slightly below the prior-year level. The significant decline in net interest income in the Others and Consolidation segment was primarily attributable to lower interest income from Group Treasury with corresponding offsetting effects in net income from financial assets and liabilities measured at fair value through profit or loss. The recognition of interest rate discounts from the targeted longer-term refinancing operations with the ECB only partially offset the decline in net interest income.

Net commission income increased by 8.1% to €1,803m compared with the first half of 2020, and was the strongest income driver in the Private and Small-Business Customers segment. In Germany, this income item benefited in part from the ongoing brisk pace of customer activity in securities business, which was reflected in significant growth in transaction volumes. The significant increase at mBank was also attributable to the securities business, supported by higher income from year-end deposit fees for corporate clients and changes in the prices of products for private customers and corporate clients. Net commission income in the Corporate Clients segment was on a par with the first six months of the previous year.

The net income from financial assets and liabilities measured at fair value through profit or loss was €485m in the period under review, after €-141m in the prior-year period. The significant increase was mainly attributable to positive remeasurement effects, for example in relation to investments, whereas the prior-year period was affected by valuation fluctuations in connection with the coronavirus pandemic.

The other net income figure of €-335m relates in particular to allocations to provisions. These include provisions in connection with the ruling of the Federal Court of Justice on price changes with private clients, provisions in connection with mortgage loans issued in foreign currencies at mBank, additional provisions in connection with potential tax refund claims and provisions in connection with the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH.

The risk result of €-235m was significantly lower than the prior-year figure of €-795m. The risk result for the prior-year period includes a top-level adjustment (TLA) of €-154m made because of the coronavirus pandemic. The default of a large individual exposure also had a negative impact on the risk result in the prior-year period.

In both the Private and Small-Business Customers segment and the Corporate Clients segment, the loan loss provisions required for the first half of the year 2021 remained significantly below the level of the first six months of 2020.

Operating expenses increased by 4.7% year on year to €3,173m due to the expense arising from the derecognition of an intangible asset in connection with the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH. Personnel expenses were in line with the prior-year level at €1,716m, with the elimination of full-time equivalents compensating for cost-generating effects including salary adjustments. By contrast, administrative expenses, including depreciation of fixed assets and amortisation of other intangible assets, increased by 11.2% to €1,457m. Excluding the exceptional expense, costs actually fell. This was primarily due to lower expenses for advertising, travel and depreciation.

Compulsory contributions, which are reported separately, were on a par with the prior-year level at €375m.

Restructuring expenses of €976m relating to the implementation of the new strategic programme had a negative impact on earnings performance in the period under review.

The pre-tax loss from continuing operations was €-406m, compared with a loss of €-74m in the prior-year period. A positive tax effect of €43m was reported in the period under review, resulting primarily from tax income relating to the retrospective recognition of deferred tax assets on loss carryforwards, offset mainly by current tax expenses of the mBank subgroup for the period under review and tax expenses relating to other periods resulting from the additional recognition of provisions for tax risks. The loss from continuing operations after tax was €-363m, compared with a loss of €-136m in the prior-year period.

Net of non-controlling interests, a consolidated loss of €-394m was attributable to Commerzbank shareholders and investors in additional equity components for the reporting period, compared with a loss of €-107m in the prior-year period.

Operating profit per share was €0.46 and earnings per share €-0.43. The comparable figures in the prior-year period were €-0.06 and €-0.12 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 June 2021 were €543.6bn, up 7.3% compared with year-end 2020.

Cash on hand and cash on demand rose by €30.5bn to €106.1bn. The strong growth compared with year-end 2020 was mainly related to an increase in demand deposits held with central banks due to the investment of liquid assets from deposit received as well as excess liquidity.

Financial assets at amortised cost rose slightly by €2.7bn to €294.9bn compared with the end of 2020. While there was growth in lending to private customers, particularly in retail mortgage financing, there were corresponding declines in lending business with international customers.

Financial assets in the fair value OCI category were €41.4bn, down €1.5bn compared with the end of 2020. The fall of 3.5% was attributable to a lower volume of debt securities.

At €38.5bn, financial assets mandatorily measured at fair value through profit or loss were €9.8bn higher than at the end of the previous year. The increase was mainly caused by a rise in the volume of secured money market transactions in the form of reverse repos and cash collaterals.

Financial assets held for trading were €49.3bn at the reporting date, down €2.9bn compared with the end of 2020, due largely to lower positive fair values of derivative financial instruments. While positive fair values of interest-rate-related and currency-related products fell significantly by a total of €8.8bn, debt securities increased by €2.8bn and other trading portfolios by €1.2bn.

Non-current assets held for sale and disposal groups were €1.8bn, compared with €2.0bn at the end of 2020. The decline was the result of 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 €28.0bn to €425.7bn compared with the end of the previous year. The increase versus year-end 2020 was attributable to a marked rise in deposits and other financial liabilities, especially from banks and central banks, as well as high cash inflows from corporate clients and financial service providers.

Financial liabilities under the fair value option were up €15.6bn compared with the end of 2020 at €35.7bn. While bonds and notes issued were on a par with the end of 2020 at €2.2bn, deposits increased by €15.5bn. The increase was mainly attributable to growth in deposits from customers and banks.

Financial liabilities held for trading were €35.1bn, down €7.7bn compared with the end of 2020. The decrease was due to the negative fair values of derivative financial instruments, especially interest-rate-related derivative transactions, which fell by €10.1bn.

Liabilities from disposal groups were €1.8bn, compared with €2.1bn at the end of 2020. The decline related to 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 June 2021 was €25.0bn, up slightly by €0.2bn compared with year-end 2020. Further information on the change in equity can be found on page 43 ff.

Risk-weighted assets were €177.6bn as at 30 June 2021 and thus €1.0bn lower than at the end of 2020. This was mainly attributable to offsetting effects between risk-weighted assets from credit risk and risk-weighted assets from market risk. The comparatively small increase in risk-weighted assets from credit risk was primarily due to increases at mBank, the implementation of the new regulatory requirements (Capital Requirements Regulation, CRR 2) as well as the model adjustment for regulatory counterparty risks, and foreign currency effects that were partially offset by decreases in the corporate portfolio. The reduction in risk-weighted assets from market price risks was attributable to the elimination of high-risk coronavirus scenarios from the calculation. Risk-weighted assets from operational risks were virtually unchanged compared with the end of 2020.

As at the reporting date, Common Equity Tier 1 capital was €23.7bn, compared with €23.6bn as at 31 December 2020. The

slight increase was primarily attributable to actuarial gains on pension plans and the change in the currency translation reserve. These were partially offset by the loss recorded for the financial year and higher regulatory capital deductions. The Common Equity Tier 1 ratio was therefore 13.4%. The Tier 1 ratio (with transitional provisions) was 15.3% as at the reporting date, up from 15.0% as at the end of 2020 due to the issue of an AT1 bond in the first half of 2021. The total capital ratio (with transitional provisions) was 17.9% as at the reporting date.

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 ratio exposure, was 4.6% (with transitional provisions).

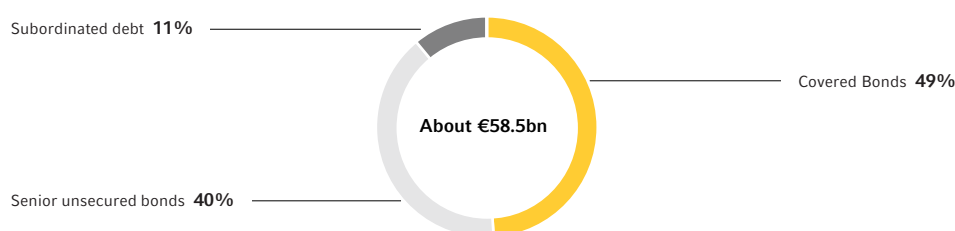
The Bank complies with all regulatory requirements.

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 ongoing 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 June 2021



¹ Based on reported figures.

The Commerzbank Group raised a total of €1.2bn in long-term funding on the capital market in the first half of 2021.

In June, Commerzbank Aktiengesellschaft issued the third AT1 bond under its issuance programme for Additional Tier 1 capital, with a volume of €500m and a fixed coupon of 4.25% per annum.

It has a perpetual maturity and the first call date is in the period from October 2027 to April 2028. The bond terms for the issue provide for a temporary write-down in the event that the Bank's CET1 ratio drops below 5.125%. The issue was heavily oversubscribed and attracted great interest from foreign investors, who accounted for 90% of demand. With the issue of the bonds, Commerzbank is further strengthening and optimising its capital structure.

A preferred senior bond with a volume of €500m had already been issued in March. The benchmark bond has a term of four and a half years, and the re-offer spread was 48 basis points over six-month Euribor. The issue was very popular with foreign investors, who accounted for 70% of subscriptions. Around three-quarters of the volume was placed with funds, 17% with banks and 5% with

central banks. Around €0.2bn of preferred senior bonds were also issued as private placements.

The average term of the senior unsecured issues was over four years.

Group capital market funding in the first six months of 2021

Volume €1.2bn



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

The ECB is still in the process of implementing the comprehensive measures it decided on in March 2020 to counter the economic downturn in the eurozone and the resulting impact on the financial sector. Under the TLTRO III programme, the ECB provided banks with additional liquidity of around €1,300bn in 2020. After the ECB announced in December that it would extend the maximum participation from 50% to 55% of the eligible loan portfolio from March 2021, Commerzbank made use of this option and increased its participation by a further €3.6bn. As a result, the total volume currently amounts to €35.9bn, the maximum possible volume. The interest rates for the main refinancing operations, the marginal lending facility and the deposit facility were unchanged.

At the end of the first half of 2021, the Bank had a liquidity reserve of €117.4bn in the form of highly liquid assets. The liquidity reserve portfolio works 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. 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 €6.1bn.

At 142.8% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Commerzbank's liquidity situation as at the end of the quarter is therefore comfortable given its conservative and forward-looking funding strategy.

Segment performance

The comments on the segment results for the first six months of 2021 are based on the segment structure described on pages 89 and 276 ff. of the Annual Report 2020.

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

Private and Small-Business Customers

€m	1.1.–30.6.2021	1.1.–30.6.2020 ¹	Change in %/%-points
Income before risk result	2,458	2,492	-1.4
Risk result	-126	-313	-59.7
Operating expenses	1,717	1,723	-0.3
Compulsory contributions	227	201	12.8
Operating profit/loss	388	254	52.4
Average capital employed	5,994	5,661	5.9
Operating return on equity (%)	12.9	9.0	3.9
Cost/income ratio in operating business (%) – excl. compulsory contributions	69.9	69.2	0.7
Cost/income ratio in operating business (%) – incl. compulsory contributions	79.1	77.2	1.9

¹ Figures adjusted due to IFRS 8.29 (see Note 40 to the interim financial statements).

The Private and Small-Business Customers segment improved its operating profit by €133m to €388m year on year in the first half of 2021 despite the still very challenging operating environment. Both operating income and operating expenses were essentially stable, while there was a substantial increase in compulsory contributions. The main driver of improvement in earnings was the risk result, which fell by significantly more than half to €-126m.

Total segment income before risk result was €2,458m in the six months under review, almost in line with the prior-year figure of €2,492m. Net interest income decreased by €81m year on year to €1,229m, with ongoing strong pressure on interest income from the deposit business not completely offset by higher income from continued volume growth in the domestic lending business, particularly in retail mortgage financing and personal loans. It was a similar picture at mBank, where the expansion of loan and deposit holdings was once again offset by the adverse consequences of the interest rate cuts implemented by the Polish central bank in the previous year, with the negative impact on deposit business in particular leading to a net decline in net interest income.

Net commission income was once again the strongest income driver in the period under review, rising markedly by €139m to €1,228m. In Germany, this income item benefited in part from the ongoing strong pace of customer activity in securities business, which was reflected in significant growth in transaction volumes. The significant increase at mBank was also attributable to the securities business, supported by higher income from year-end

deposit fees for corporate clients and changes in the prices of products for private customers and corporate clients.

Among the other earnings components, the fair value result, which benefited considerably from positive remeasurement effects at mBank, improved significantly by €30m to €128m. This was offset by the negative other net income figure of €-150m, compared with €-30m in the first half of 2020. This item includes further provisions in connection with mortgage loans issued in foreign currencies at mBank and provisions in connection with the ruling of the Federal Court of Justice on price changes with private clients.

The risk result fell substantially from €-313m in the prior-year period to €-126m. Whereas loan loss provisions in connection with the effects of the coronavirus pandemic were recognised in the prior-year period, only a significantly lower level of loan loss provisions has so far been required this year.

Operating expenses for the period under review were almost on a par with the prior-year level at €1,717m, falling only slightly both in Germany and at mBank, where the decrease was primarily due to exchange rate effects. There was a significant increase in the total cost of compulsory contributions, however, which rose to €227m compared with €201m in the prior-year period. The Bank was affected in particular by a sharp increase in costs for the Deposit Protection Fund in Germany, while mBank actually recorded a net decrease due mainly to lower contributions for the European banking levy.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €388m in the period under review, compared with €254m in the previous year.

Corporate Clients

€m	1.1.–30.6.2021	1.1.–30.6.2020 ¹	Change in %/%-points
Income before risk result	1,596	1,524	4.7
Risk result	-39	-455	-91.3
Operating expenses	1,121	1,158	-3.2
Compulsory contributions	95	106	-10.2
Operating profit/loss	340	-196	.
Average capital employed (from continuing operations)	10,126	11,488	-11.9
Operating return on equity (%)	6.7	-3.4	10.1
Cost/income ratio in operating business (%) – excl. compulsory contributions	70.3	76.0	-5.8
Cost/income ratio in operating business (%) – incl. compulsory contributions	76.2	83.0	-6.8

¹ Figures adjusted due to IFRS 8.29 (see Note 40 to the interim financial statements).

The performance of the Corporate Clients segment in the first six months of 2021 was affected by the ongoing difficult market environment, particularly the uncertainty caused by the continuing coronavirus pandemic and its economic consequences and dependencies. By contrast, the capital markets saw record inflows as a result of improved economic expectations and available liquidity. The negative interest rate environment weighed on interest margins, however, especially in the German customer business.

The Corporate Clients segment recorded an operating profit of €340m in the first six months of 2021, compared with a loss of €-196m in the prior-year period. The prior-year figure included high valuation allowances for credit risks and significantly lower remeasurement effects.

The Mittelstand division recorded a stable earnings performance overall compared with the prior-year period. While income from both the lending and cash management business declined, the capital market business achieved a pleasing increase compared with the first few months of the previous year. The International Corporates division recorded a decline in income overall due to lower contributions from the lending and capital market business. The Institutionals division recorded a year-on-year decline in income from the capital market, lending and trade finance business. By contrast, the Others division, which was affected by a significant widening of credit spreads and negative remeasurement effects caused by the coronavirus pandemic, enjoyed a marked recovery and recorded a significant improvement in earnings compared with the prior-year period.

Income before risk result was €1,596m in the first six months of 2021, €72m higher than in the prior-year period. At €838m, net interest income was down 4.2% on the prior-year level, while net commission income of €601m was on a par with the prior-year level of €599m. Net income from financial assets and liabilities measured at fair value through profit or loss improved markedly to €178m, which was a significant increase by €140m compared to the figure for the first six months of the previous year.

The risk result in the Corporate Clients segment in the period under review was €-39m, compared with €-455m in the prior-year period, which was affected by the coronavirus pandemic and the default of a large individual exposure.

Operating expenses were €1,121m, down €37m on the prior-year figure. The decline resulted from lower personnel and administrative expenses achieved through strict cost management. The reported compulsory contributions of €95m relate primarily to the European banking levy. Compulsory contributions of €106m were recorded in the previous year.

Overall, the pre-tax profit from continuing operations was €340m, compared with a pre-tax loss of €-196m in the prior-year period.

Others and Consolidation

The Others and Consolidation segment comprises the income and expenses which are not attributable to the business segments. Others covers, 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 expenses are an exception to transfer charging, as they are reported centrally in the division.

The Others and Consolidation segment reported an operating loss of €-158m for the first half of 2021, compared with €-132m in the prior-year period.

The decline was primarily attributable to the negative impact on earnings resulting from the termination of the project to outsource securities settlement to HSBC Transaction Services GmbH. Earnings were also hit by net negative effects from the recognition and reversal of provisions, higher net loan loss provisions for a residual portfolio in the dissolved Asset & Capital Recovery segment and consolidation adjustments. This was partly offset by the positive performance of Group Treasury, which benefited from higher income from investments in securities and from bond sales in the liquidity portfolio compared with the first half of 2020. There were also positive remeasurement effects both from banking book portfolios due to the application of hedge accounting and from improved counterparty risks in the non-strategic legacy portfolio. In the Others and Consolidation segment, the accrual of income from the ECB's TLTRO programmes in particular, along with positive net remeasurement effects – especially from investments – also had a positive impact on earnings.

Others and Consolidation recorded a pre-tax loss of €-1,133m for the first half of 2021. This figure included restructuring expenses of €976m relating to the implementation of Commerzbank's new strategic programme.

Outlook and opportunities report

Future economic situation

Economic performance will continue to be largely determined by the development of the coronavirus pandemic. The Delta variant of the virus is set to trigger a new wave of infections in Europe and probably also in the USA by autumn at the latest. This is likely to be significantly less severe than last autumn, however, thanks in large part to the progress made with the vaccination programme. Nevertheless, a renewed tightening of coronavirus restrictions is to be expected in certain high-contact settings. The growing shortage of intermediate products, especially in the automotive industry, is also acting as a brake on the economy and is likely to continue for some time.

Despite this, the US economy is set to maintain its strong growth in the second half of the year thanks to the extensive economic stimulus programmes, even if the pace is likely to slow. The eurozone economy should also continue its recovery and return to pre-crisis levels by the end of the year.

With the US economy continuing to recover and inflation on the rise, the US Federal Reserve is likely to decide in the fourth quarter of 2021 to scale back its bond purchases. By contrast, the ECB will probably increase the volume of its bond purchases again.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the short and medium term are basically unchanged from the statements published in the Annual Report 2020. In particular, the risks for the banking environment's short-term prospects are still very high. The focus is shifting increasingly to the delayed potential impact of the coronavirus pandemic on banks. The comprehensive measures implemented by governments, central banks and supervisory authorities have so far prevented the crisis in the real economy from spilling over into the financial sector. As soon as moratoria and other coronavirus assistance measures expire, however, a wave of non-performing loans in the banking sector becomes more likely.

To increase the scope for lending aimed at stimulating the economy during such a stress period, the supervisory authority in March 2020 allowed banks to make full use of their capital buffers. In addition, Europe currently lacks the effective solutions needed to reduce non-performing loans.

The already prolonged period of low interest rates is likely to be extended even further as a result of the ECB's extremely expansive monetary policy in response to the coronavirus pandemic and is thus set to have an ongoing negative impact on banks' profitability. The main negative factor is the declining interest margin in the lending business. Banks' low profitability in turn poses risks to their resilience by making it more difficult to build up equity capital. The impact on their ability to build up equity capital is particularly serious due to the threat of loan losses and write-downs as a result of the pandemic, as these put additional pressure on banks' equity capital.

Capital market investors are also seeking higher returns in a prolonged period of low interest rates and are taking on a higher level of risk in the process. The low interest rates are also causing asset prices to rise. The past six months have seen sustained price gains in many eurozone financial markets and price rises in residential property markets, heightening concerns about overvaluation and the potential for abrupt corrections in asset prices.

Since the ECB's large-scale asset purchase programme means there is no longer sufficient sanction for stability policy missteps in the form of rising interest rates, the pressure on highly indebted countries to initiate necessary structural reforms and consolidate their national budgets is falling. If the stability of public finances is not ensured through fiscal policy measures, however, there is a risk that monetary policy will be harnessed for this purpose. The central bank would then be required to keep interest rates low for longer than would be necessary for the purposes of maintaining price stability.

According to the Financial Stability Report published by the Polish Central Bank, although the coronavirus pandemic has had a substantial impact on the Polish economy, it has so far not threatened the stability of the Polish banking sector. Even in extremely pessimistic macroeconomic scenarios, the vast majority of banks (including all systemically important institutions) are able to absorb loan losses and maintain capital levels above the regulatory minimums. However, the legal risk of mortgage loans in foreign currency remains high due to pending legal proceedings. The size of the provisions that will need to be recognised for these risks in the future will also depend to a large extent on the anticipated ruling of the Polish Supreme Court, which will clarify a number of fundamental issues relating to the legal treatment of foreign currency loans. This ruling will also affect the willingness of banks and their customers to enter into agreements on a voluntary basis. The occurrence of certain scenarios may result in extensive losses for banks with large holdings of foreign currency loans and could ultimately endanger the entire Polish financial system.

Financial outlook for the Commerzbank Group

Planned funding measures

Due to participation in TLTRO III and the optimisation of risk-weighted assets as part of the new business strategy, the funding plan for 2021 was reduced from the original volume of less than €5bn to less than €3bn. 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),

Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe for refinancing purposes. 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 investment plans did not change significantly in the first six months of the current year from the plans set out on pages 111 to 113 of the Annual Report 2020. The investments planned for 2021 relate to central initiatives under the "Strategy 2024" programme. Of the investments of €0.6bn planned for the current year, just under half relate to the restructuring of the business model and the digitalisation of retail banking business, which also encompasses the integration of our direct banking subsidiary comdirect. The other half will be invested in the further digitalisation of processes in corporate client business, the IT infrastructure and regulatory measures.

Anticipated liquidity trends

The short-term repo market in high-quality securities such as government bonds, agencies and Pfandbriefe (high-quality liquid assets or HQLA) is still functioning even in the face of the coronavirus pandemic and plays an important role in servicing the bond markets and financing portfolios. However, the Eurosystem and its securities lending programme for holdings under the asset purchase programme (APP) and pandemic emergency purchase programme (PEPP) are becoming increasingly important methods for meeting collateral requirements.

In addition to collateralisation for TLTROs, a further key driver of the HQLA collateral markets is demand due to the mandatory collateralisation obligation for over-the-counter (OTC) derivatives under bilateral initial margin requirements. Collateral eligible for discounting at the central bank is still in demand following the TLTRO increase in March 2021, meaning that the euro repo markets in HQLA will remain more expensive than the ECB deposit facility. We expect the market to remain at this level for as long as the ECB continues to provide support through monetary policy measures.

Investors are currently very unwilling to make their collateral available over the medium term, meaning that the market for term repos still offers only limited liquidity.

The situation on the bond markets is also being shaped by the ECB's asset purchase programme and the high level of excess liquidity. Liquidity in the secondary markets, which in this context is already significantly reduced, will thus remain low. 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 15 years), due mainly to the ongoing high demand from the ECB. Demand for returns among financial investors will also continue to be very strong, causing credit spreads to remain tight.

Anticipated performance of the Commerzbank Group

We essentially stand by statements we made in the interim financial information as at 31 March 2021 regarding the Commerzbank Group's anticipated earnings performance in 2021.

We expect income for 2021 as a whole to be slightly higher than in 2020, with operating costs of around €6.5bn, plus the expense for the derecognition of an intangible asset booked in the first half of 2021. Based on current estimates, a risk result of less than €-1bn is likely. On the basis of the results for the first half of the year, the Bank expects to have a CET1 ratio of around 13%. This is slightly higher than previously anticipated and thus well above the targeted buffer over the minimum regulatory requirement (MDA threshold). Overall, the Bank expects to record an operating profit for the year. The outlook is still based on the assumption that there will be no substantial changes with regard to mBank's Swiss franc loan portfolio.

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 full 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.

Until 31 December 2020, the risk management organisation consisted of the following divisions: Group Credit Risk Management, Group Credit, Group Market Risk Management, Group Risk Controlling & Capital Management and Group Cyber Risk & Information Security.

As of 1 January 2021, Commerzbank combined the divisions Group Market Risk Management and Group Risk Controlling & Capital Management to form the new Group Risk Control division. Furthermore, the Group Big Data & Advanced Analytics division was integrated into the risk management organisation.

In addition, the CRO has assumed responsibility for Group Compliance. It is Group Compliance's responsibility to establish appropriate governance, procedures and systems to allow the Bank to avoid unintentional endangerment as a consequence of compliance risks. Group Compliance is led by the Chief Compliance Officer.

Further details on the risk management organisation within Commerzbank can be found in the Group Risk Report 2020.

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.

In terms of economic approach, the risk-bearing capacity concept is based on a going concern approach in accordance with regulatory requirements.

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 half of 2021, the RBC ratio was consistently above 100% and stood at 178% on 30 June 2021. The decrease in economically required capital compared with December 2020 is mainly attributable to the decline in market risk due to lower market volatilities. The RBC ratio is still well 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	30.6.2021	31.12.2020
Economic risk coverage potential	22	22
Economically required capital¹	13	14
thereof for default risk	9	10
thereof for market risk ²	3	4
thereof for operational risk	1	1
thereof diversification effects	-2	-2
RBC ratio (%)³	178	159

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 intangibles.

² Including deposit model risk.

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

With the noticeable easing of the coronavirus restrictions, the global economy has gained noticeable momentum. However, the rapid spread of the delta variant is already threatening the economy in the euro zone and also in the U.S. Added to this are the supply problems in industry and the slowing growth of the Chinese economy.

Overall, the outlook for the winter half of 2021/22 has thus become rather gloomy

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).

The coronavirus pandemic has plunged the world economy into the deepest recession since the end of World War II. In 2020 the ongoing development of the coronavirus pandemic was taken into account in the calculation of default risk, primarily by means of a

top-level adjustment (TLA) in the risk result as well as adjustments of models. The TLA amount included in the 2020 financial statements has been reviewed and remains adequate.

For the most part, the expected negative trend is not yet perceptible in the risk figures. We expect this to be delayed from the second half of 2021, as most of the government support measures are ended.

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 June 2021 were as follows:

Credit risk parameters	30.6.2021				31.12.2020			
	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	199	422	21	2,189	190	401	21	2,025
Corporate Clients	177	405	23	4,389	180	430	24	4,647
Others and Consolidation ¹	99	126	13	2,447	96	141	15	2,721
Group	475	953	20	9,024	466	971	21	9,393

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 %	30.6.2021					31.12.2020				
	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	30	54	12	3	1	32	52	13	3	1
Corporate Clients	19	61	15	4	2	20	59	16	4	2
Others and Consolidation	51	46	3	0	0	56	41	3	0	0
Group	30	55	11	3	1	32	53	12	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, 8% to North America and 4% 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.

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Group portfolio by region	30.6.2021			31.12.2020		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	253	398	16	248	415	17
Western Europe	100	209	21	102	238	23
Central and Eastern Europe	53	227	43	51	207	41
North America	39	52	13	33	46	14
Asia	20	29	14	24	34	15
Other	11	38	36	10	31	31
Group	475	953	20	466	971	21

Risk result The risk result relating to the Group's lending business in the first half of 2021 was €-235m (prior-year period: €-795m).

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	1.1.-30.6.2021				1.1.-30.6.2020			
	Stage 1	Stage 2 ¹	Stage 3 ¹	Total	Stage 1	Stage 2 ¹	Stage 3 ¹	Total
Private and Small-Business Customers	-16	-16	-94	-126	-7	-75	-231	-313
Corporate Clients	4	11	-55	-39	-16	-63	-376	-455
Others and Consolidation	6	1	-76	-70	-4	7	-30	-27
Group	-6	-4	-225	-235	-27	-130	-637	-795

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

The risk result in the first half of 2020 was heavily influenced by the addition of €-154m to the TLA and the default of a large individual exposure in the Corporate Clients segment. Compared to this, the risk result in the first half of 2021 was significantly reduced as in all portfolios the probability of default remained stable and showed only minor credit defaults.

As at 30 June 2021, the TLA was €-495m (31 December 2020: €-505m). The TLA amount included in the 2020 financial statements has been reviewed and remains adequate. The risk result as at 30 June 2021 only includes a partial release of €10m of the TLA, as the adjustment of point-in-time parameters taken into account in the TLA is now reflected in the Bank's model result.

The parameters used in the models still reflect neither the economic effects of the global lockdowns nor the massive support

and assistance measures taken by governments and institutions. Only a limited number of recent 2020 financial statements for clients in the corporate client portfolio were available as at the reporting date and only partially reflect the crisis. Repayments for the KfW loans drawn down will in most cases not start until the end of 2021.

The economic development will continue to be significantly influenced by the progress of the coronavirus pandemic. The delta variant of the coronavirus is expected to provide a new wave of infection in Europe and probably also in the USA in the autumn at the latest. However, thanks not least to the advanced vaccination process, it is likely to be much milder than in the autumn of last year. Nevertheless, coronavirus restrictions are expected to be tightened again in some contact-intensive areas, which may have a negative impact on the economic recovery.

With this in mind, the premiums on probabilities of default taken into account in the TLA are still adequate. Details on the adequacy of the TLA can also be found in Note 27 of the interim financial statements (Credit risks and credit losses). The TLA will be reviewed again as at the next reporting date.

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

Given the ongoing uncertainty regarding the development of the pandemic and taking into account the performance in the first half of 2021, a risk result of less than €-1bn is expected for 2021.

Default portfolio The Group's default portfolio decreased by €292m in the first half of 2021 and stood at €4,503m as at 30 June 2021 (31 December 2020: €4,795m). The development in the first half of 2021 was characterized by higher write-downs on individual exposures in the Corporate Clients segment, as well as in the Others and Consolidation segment.

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	30.6.2021			31.12.2020		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	4,500	3	4,503	4,792	3	4,795
LLP ¹	2,069	0	2,069	2,272	0	2,272
Coverage ratio excluding collateral (%) ²	46	–	46	47	–	47
Collateral	1,146	0	1,146	1,168	0	1,168
Coverage ratio including collateral (%) ²	71	–	71	72	–	72
NPE ratio (%) ³			0.8			1.0

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 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 €99bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €27bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the last six months was largely due to residential mortgage loans.

Compared with December 2020, the risk density of the portfolio remained stable at 21 basis points. There is currently no sign of increased risk in the portfolio as a result of the coronavirus pandemic, as the ratings partly lag behind the effects of the crisis.

Credit risk parameters	30.6.2021			31.12.2020		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Private Customers	118	148	13	114	149	13
Small-Business Customers	35	59	17	34	60	18
comdirect	2	7	40	2	8	44
Commerz Real	0	1	76	0	0	16
mBank	45	207	46	41	184	45
PSBC	199	422	21	190	401	21

The risk result in the Private and Small-Business Customers segment was €-126m in the first half of 2021 (prior-year period: €-313m). The first half of 2020 was shaped by the impact of the coronavirus pandemic, leading to the recognition of a TLA of €-70m and the introduction of the new default definition. As a result, the risk result was reduced significantly compared with the prior-year period.

mBank's loan loss provisions fell year-on-year to €-83m as at 30 June 2021 (first half of 2020: €-160m). The decline is attributable to the special charges incurred in the previous year as a result of the pandemic.

The TLA for the segment was at €-129m as at 30 June 2021.

The default portfolio in the segment stood at €2,024m as at 30 June 2021, slightly below the level at 31 December 2020 at €2,041m.

Default portfolio PSBC €m	30.6.2021			31.12.2020		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	2,024	0	2,024	2,041	0	2,041
LLP	901	0	901	969	0	969
Coverage ratio excluding collateral (%)	45	-	45	47	-	47
Collateral	729	0	729	727	0	727
Coverage ratio including collateral (%)	81	-	81	83	-	83

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	30.6.2021			31.12.2020		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Mittelstand	77	189	25	80	189	24
International Corporates	61	130	21	64	155	24
Financial Institutions	23	57	25	20	57	28
Other	16	29	18	16	29	18
CC	177	405	23	180	430	24

The EaD of the Corporate Clients segment decreased from €180bn to €177bn compared with 31 December of the previous year. Risk density decreased from 24 basis points to 23 basis points.

For details of developments in the Financial Institutions portfolio, please see page 25.

The risk result of the Corporate Clients segment in the first half of 2021 was €-39m (prior-year period: €-455m). The reduction compared with the prior-year period was due to the fact that the first half of 2021 was impacted by additions of €-82m to the TLA in

connection with the coronavirus pandemic as well as one larger individual case. The TLA for the segment was at €-363m.

The default portfolio in the segment stood at €2,241m as at the end of the first half of 2021 (31 December 2020: €2,334m). The development in the first half of 2021 is characterized by the write-down of a larger individual exposure and the effects of repayments, which overcompensate for the currently low inflows to the default portfolio from new defaults.

Default portfolio CC €m	30.6.2021			31.12.2020		
	Loans	Securities	Total	Loans	Securities	Total
Default portfolio	2,238	3	2,241	2,331	3	2,334
LLP	1,017	0	1,017	1,106	0	1,106
Coverage ratio excluding collateral (%)	45	–	45	47	–	47
Collateral	406	0	406	402	0	402
Coverage ratio including collateral (%)	64	–	64	65	–	65

The risk result in the Others and Consolidation segment was €–70m in the first half of 2021 (prior-year period: €–27m). The driver of the increase compared with the prior-year period was the recognition of loan loss provisions for an individual exposure. The TLA for the segment was at €–2.5m.

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 to varying degrees by the coronavirus pandemic and the independent fundamental structural challenges. It is clear that the negative impact of the crisis has lessened slightly in the first few months of the current year.

The slightly improved overall performance since the beginning of the pandemic was particularly noticeable in the manufacturing, construction, automotive and logistics sectors. Bricks-and-mortar

retail has increasingly benefited from pent-up demand among consumers since the government-mandated lockdown came to an end, while online retail remains strong and is also set to be boosted by consumers' changing shopping habits going forward. The hospitality, tourism and passenger transport sectors (including airlines) suffered considerably due to the strict infection control measures imposed in the first half of the year. Although there have been clear improvements since the protective measures were withdrawn, the services sector has not benefited from a catch-up effect similar to that seen for the consumption of goods.

The economic development will continue to be significantly influenced by the progress of the coronavirus pandemic. The delta variant of the coronavirus is expected to provide a new wave of infection in Europe and probably also in the USA in the autumn at the latest. However, thanks not least to the advanced vaccination process, it is likely to be much milder than in the autumn of last year. Nevertheless, coronavirus restrictions are expected to be tightened again in some contact-intensive areas, which may have a negative impact on the economic recovery.

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

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20 Default risk

27 Market risk

29 Liquidity risk

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Corporates portfolio by sector	30.6.2021			31.12.2020		
	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	55	25	22	73	33
Consumption	15	56	38	15	51	34
Technology/Electrical industry	15	25	17	14	35	25
Transport/Tourism	13	52	41	12	56	45
Wholesale	12	38	31	12	43	35
Basic materials/Metals	11	26	23	10	28	27
Services/Media	10	41	40	10	34	34
Automotive	9	33	36	10	39	41
Chemicals/Plastics	9	23	26	9	23	26
Mechanical engineering	8	29	37	8	31	37
Pharma/Healthcare	6	22	39	5	22	41
Construction	5	16	32	6	17	31
Other	6	6	11	6	7	11
Total	140	424	30	141	460	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) 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.

FI portfolio by region	30.6.2021			31.12.2020		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	5	6	11	6	7	11
Western Europe	16	9	6	16	13	8
Central and Eastern Europe	2	11	58	2	12	60
North America	2	1	2	3	1	2
Asia	6	18	28	7	22	32
Other	5	23	48	5	18	37
Total	36	67	19	39	72	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 impact of the coronavirus pandemic on the operating environment of NBFI customers was

reduced. We continue to anticipate that the affected parties will be able to cope with this impact, particularly given the extensive government aid packages implemented to support the real economy.

NBFI portfolio by region	30.6.2021			31.12.2020		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	15	9	17	18	10
Western Europe	14	25	18	12	23	19
Central and Eastern Europe	3	18	67	2	12	53
North America	10	12	12	9	11	11
Asia	2	2	12	2	2	12
Other	1	4	43	1	4	55
Total	46	76	16	44	71	16

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €12.0bn for capital management purposes (31 December 2020: €12.3bn).

As at the reporting date of 30 June 2021, risk exposures with a value of €10.2bn were retained (31 December 2020: €10.2bn).

Senior tranches accounted for the largest share of all positions by far with €10.0bn (31 December 2020: €10.0bn) and were nearly all rated good to very good.

We do not see any impacts from the coronavirus pandemic on risk positions in the reporting period.

Securitisation pool €bn	Maturity	Commerzbank volume ¹			Total volume ¹
		Senior	Mezzanine	First loss piece	
Corporates	2025 - 2036	10.0	< 0.1	0.2	12.0
Total 30.6.2021		10.0	< 0.1	0.2	12.0
Total 31.12.2020		10.0	< 0.1	0.2	12.3

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. The volume and risk values for the securitisation of receivables in the Corporate Clients segment rose by €0.1bn to €3.7bn in the first half of 2021.

Liquidity risk subsumes the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. Liquidity risks from securitisations are modelled in the internal liquidity risk model on a risk-adjusted basis. In the case of transactions subject to variable utilisation, it is assumed that the purchase facilities provided to the special-purpose companies must be refinanced almost in full by Commerzbank for the duration of their term and until the maturity of the last financed receivable.

Securitisations 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. Over the first half of 2021 the volume decreased to €4.1bn (December 2020: €4.4bn), as did the risk values¹ to €4.1bn (December 2020: €4.4bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €7.0bn (December 2020: €5.9bn). We have 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 June 2021, this portfolio solely contained AAA-rated CLO positions (also the case at the end of

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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2020). Remaining structured credit positions with a volume of €0.2bn were already in the portfolio prior to 2014 (December 2020: €0.3bn), while risk values stood at €0.2bn (December 2020: €0.2bn).

Market risk

Market risk is the risk of potential financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. Losses may impact profit or loss directly, e.g. in the case of trading book positions. However, for banking book positions they are 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 2020.

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 in the first half of 2021 was driven by falling VaR figures after the coronavirus crisis days from March 2020 were eliminated from the calculation time series and therefore no longer had an influence on VaR.

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. Commerzbank subsidiaries 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.

VaR fell from €12m to €6m in the first half of 2021, as extreme scenarios from March of the previous year no longer had an influence on the time series for the VaR calculation.

VaR of portfolios in the trading book €m	1.1.-30.6.2021	2020
Minimum	5	5
Mean	10	13
Maximum	20	31
VaR at end of reporting period	6	12

The market risk profile is diversified across all asset classes.

VaR contribution by risk type in the trading book €m	30.6.2021	31.12.2020
Credit spreads	1	2
Interest rates	1	4
Equities	0	0
FX	2	4
Commodities	2	3
Total	6	12

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 the same during the year. Stressed VaR remained almost unchanged compared with year-end 2020 at €28m.

The market risk profile in stressed VaR is also diversified across all asset classes. The increase in credit spread risk and in the commodities asset class were chiefly attributable to position changes. The fall in VaR due to the elimination of coronavirus crisis scenarios from the previous year is not evident in stressed VaR, as this figure is calculated on the basis of market data from a constant historical crisis period

Stressed VaR contribution by risk type in the trading book €m	30.6.2021	31.12.2020
Credit spreads	6	3
Interest rates	6	8
Equities	1	1
FX	4	7
Commodities	12	9
Total	28	28

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge rose by €4m to €24m in the first half of 2021. The decline is mainly attributable to changes in positions in the Corporate Clients segment.

The reliability of the internal model (historical simulation) is monitored in various ways, including by 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 internal model used for 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 is used to evaluate the appropriateness of the market risk model and provides variables for the review of parameters and for potential improvements. There were no negative clean P&L outliers or dirty P&L outliers in the first half of 2021. Backtesting is also generally used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified using a traffic light approach prescribed by the supervisory authorities and can lead to add-on factors in the capital calculation. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause.

As the VaR concept gives a prediction of potential losses 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 not impossible 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.

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 €51m as at the end of the first half of 2021 (31 December 2020: €53m).

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 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 and the European Central Bank 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 a result of the scenario +200 basis points, a potential economic loss of €2,758m as at 30 June 2021 (31 December 2020: €2,776m potential economic loss) was determined, and in the scenario -200 basis points a potential economic profit of €590m (31 December 2020: €343m potential economic profit). 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.

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The interest rate sensitivity of the overall banking book (excluding pension funds) amounted to €9.6m as at 30 June 2021 (31 December 2020: €9.0m) per basis point of interest rate decline.

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the EONIA will be replaced by other alternative reference rates called Risk-Free Rates (RFR). Commerzbank has made substantial progress with the IBOR reform programme set up for this purpose and has established the technical and operational conditions for applying the new alternative reference rates. The Bank's approach is based on the standards emerging in the market and takes into account the implementation schedule recommended by the regulator. Through its sales units, the Bank is in close contact with its customers in order to support them through the transition. Further information on the IBOR reform can be found in Note 2 to the interim financial statements (Initially applicable, revised and new standards and interpretations).

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. 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.

During the first half of the year, there were no significant coronavirus linked impacts on our risk profile for credit spread and cross-currency basis spread parameters.

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.

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 half year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of the first half of 2021, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €20.8bn and €21.2bn respectively.

Net liquidity in the stress scenario €bn		30.6.2021	31.12.2020
Idiosyncratic scenario	1 month	26.5	21.1
	3 months	28.7	16.8
Market-wide scenario	1 month	32.1	23.3
	3 months	32.4	16.9
Combined scenario	1 month	20.8	14.7
	3 months	21.2	8.4

Commerzbank does not currently see any relevant, coronavirus specific changes in liquidity. None of the relevant early indicators drew attention in the first half of 2021. The drawdown on credit lines were in line with the usual expected rate and Commerzbank continues to record growth in its investment. The buffer over deposit base rates is partly significant, so that even increased withdrawals from deposits are (initially) not relevant to models or liquidity.

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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.

At the end of the first half of 2021, the Bank had a liquidity reserve of €117.4bn in the form of highly liquid assets. 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. 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 end of the first half of the year, the total value of this portfolio was €6.1bn.

The liquidity reserves comprising highly liquid assets are made up of the following three components:

Liquidity reserves from highly liquid assets €bn	30.6.2021	31.12.2020
Highly liquid assets	117.4	94.8
of which level 1	110.9	85.6
of which level 2A	5.4	8.6
of which level 2B	1.1	0.6

Liquidity ratios

Throughout the first half of 2021, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were above the limits set by the Board of Managing Directors. The same is true of compliance with the survival period calculation set down by MaRisk.

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.

In the first half of 2021, Commerzbank significantly exceeded the minimum ratio of 100% on every reporting date. As at the end of the first half of 2021, the average month-end value of the LCR over the last 12 months was 142.8% (as at the end of 2020: 135.7%).

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met.

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. Legal risks, process/organisational risks, IT risks, HR risks, outsourcing risks, supplier risks and tax risks are managed as sub-risk types of operational risk. Compliance risk and cyber risk are managed as separate risk types at Commerzbank. In line with the CRR, losses from compliance and cyber risks are incorporated into the model for determining regulatory and economic capital and into the reporting of operational risks.

Commerzbank actively manages its operational risk. The OpRisk profile is reported and systematically analysed in a granular and highly selective manner. Risk concentrations are identified and risk mitigation measures derived.

OpRisk management includes an annual evaluation of the Bank's internal control system (ICS) and an accompanying risk scenario assessment. Indicators for key risks and qualitative factors are also used for management purposes. OpRisk loss events are subjected 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 €18.6bn as at the end of the second quarter of 2021 (31 December 2020: €18.3bn). The economically required capital was €1.5bn (31 December 2020: €1.5bn).

The total charge for OpRisk events as at the end of the second quarter of 2021 was approximately €211m (full-year 2020: €345m). The events mainly related to losses in the “Products and business practices” category. This includes, among other things, the judgment of the Federal Court of Justice (BGH) regarding the consent of customers to changes in the General Terms and Conditions (GTC) and the legal risks of mBank in connection with CHF credit agreements.

OpRisk events ¹ €m	30.6.2021	31.12.2020
Internal fraud	-1	1
External fraud	6	9
Damage and IT failure	2	29
Products and business practices	163	277
Process related	32	29
HR related	9	0
Group	211	345

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 half of 2021 compared with the position reported in the Group Risk Report 2020.

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 supervisory 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. Financial consequences 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 give rise to a burden or the amount thereof.

Based on the circular on cum/cum transactions published by the Federal Ministry of Finance (BMF) in 2017, the tax auditors commented on the treatment of these transactions in the form of audit notes. The tax office reduced the credit for capital gains taxes accordingly. In response, Commerzbank Aktiengesellschaft 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 fully and appropriately. The BMF published a revised version of its circular on cum/cum transactions on 9 July 2021. In view of the potential impact of the BMF circular, the provision was adjusted in the second quarter of 2021.

In consequence of the revised BMF circular, the possibility of further charges over and above the loan loss provisions recognised by the Bank cannot be completely ruled out.

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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. 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.

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). A total of 1,731 plaintiffs have joined the class action. The court of appeal partially overturned the judgement of the court of first instance dismissing the class action in full and referred it back to the lower court. A first hearing has not yet been scheduled due to the expected decision in principle of the Supreme Court.

Independently of this, numerous borrowers have also filed lawsuits for the same reasons. In addition to the class action, 10,072 other individual proceedings were pending as at 30 June 2021 (31 December 2020: 6,870). The subsidiary is defending itself against all of the claims. The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. As at 30 June 2021, there were 229 final rulings in individual proceedings against the subsidiary, of which 79 were decided in favour of the subsidiary and 150 were decided against the subsidiary. A total of 367 proceedings before courts of second instance are suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ).

In a non-public session on 7 May 2021, the Polish Supreme Court (via a panel of seven judges) ruled on referral questions from an ombudsman of the Polish banking regulator relating to the nature of the parties' mutual claims and to limitation. In the Bank's view, the judgement does not change the current risk assessment.

A non-public session of the Civil Chamber of the Polish Supreme Court, originally scheduled for 11 May 2021, was postponed; a hearing has now been scheduled for 2 September 2021. The Bank will analyse the outcome of these proceedings, in particular with regard to the impact on further case law and on the provisioning/measurement of receivables.

On 29 April 2021, the European Court of Justice (ECJ) delivered a judgement (C-19/20) on five questions referred for a preliminary ruling by a Polish court in proceedings against another bank. In the Bank's view, the judgement does not change the current risk

assessment. Other preliminary ruling proceedings on loans with indexation clauses are pending before the European Court of Justice, two of which concern proceedings against the subsidiary. Decisions are not expected until early 2022.

Against the background of the inconsistent case law to date, the small number of rulings in the last instance and outstanding decisions in principle from the Supreme Court and the ECJ, the amount of the provision for this set of issues is highly discretionary. Until 31 December 2020, legal risks in connection with Swiss franc loan agreements with indexation clauses were accounted for in their entirety in accordance with IAS 37. The accounting policy was not adjusted for loans that have already been fully repaid and the associated legal costs; these are still accounted for in accordance with IAS 37. For Swiss franc loans that have not been fully repaid and the associated legal costs, the accounting method was adjusted retrospectively to IFRS 9 using the requirements set out in IAS 8.14. Legal risks are taken into account directly in the gross carrying amounts of the advances when estimating cash flows. Recognition in accordance with IFRS 9 is standard market practice in the subsidiary's domestic market and thus increases comparability with the financial statements of other market participants and comparability for the Polish regulator. Applying IFRS 9 rather than IAS 37 therefore provides more relevant information. The measurement method used to estimate the impact on the cash flows expected to arise from the loans remained largely unchanged compared with the previous measurement method.

The remeasurement effect under IFRS 9 for the existing portfolio as at 30 June 2021 with a carrying amount of 11bn Polish zloty amounted to €325m. The portfolio already repaid amounted to 7bn Polish zloty at the time of disbursement. The provision as at 30 June 2021 for individual lawsuits was €49m. The overall impact on the Group's accounts of the risks arising as a result of these issues was therefore €374m.

The methodology used to calculate the provision and remeasurement effect 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.

As at the reporting date, the subsidiary estimated the risk of defeat on the basis of expert assessments, which are supported by legal opinions on future case law trends.

Assuming otherwise unchanged parameters, the following sensitivities result for the main parameters:

- The number of future claimants increases by 1% of borrowers: change of + €13m
- The probability of a ruling by the court of last instance that is unfavourable to the subsidiary changes by +/- 1 percentage point: change of +/- €7m
- The assumed weighted average loss changes by +/- 1 percentage point: change of +/- €6m

In December 2020, a proposal by the local supervisory authority to convert foreign currency loans into local currency loans was announced. Further analyses and discussions among the affected banks and with the relevant authorities will depend on the outcome of the pending Supreme Court case, in which a new hearing date has been scheduled for 2 September 2021.

In April 2021, the German Federal Court of Justice ruled on the mechanism for changes to banks' general terms and conditions (AGB Banken) in a case against another bank and declared the relevant clauses of the general terms and conditions to be void. This mechanism stipulated that the customer's consent to certain changes in the contract was given after a certain period of time if the customer had not objected. The Bank is examining the impact of this case law on its business units and products, as the charges introduced or increased for consumers as a result of the mechanism for changes to banks' general terms and conditions may be void. The Bank has set up a task force to deal with the issues arising from the judgement on a consolidated basis. This concerns both the processing of any claims for repayment from customers relating to the past and the forward-looking renegotiation of contractual relationships in existing and new customer business. In addition, sector-wide standards are currently being developed through industry association committees, which are particularly concerned with the question of whether and in what way an amendment mechanism can still be permissible in the light of the Federal Court of Justice ruling. As a result of the ruling, the Bank is exposed to demands from customers for repayment of fees that may have been wrongly collected. There are currently no legal disputes in connection with the ruling.

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 given reporting period; in the worst case, it cannot be fully ruled out that the liabilities which 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 risks In recent years, Commerzbank has worked through the majority of the findings from the settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Deferred Prosecution Agreement with the District Attorney of New York and the Deferred Prosecution Agreement with the US Department of Justice were 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. Commerzbank continues to provide quarterly reports to the DFS on the progress of implementation plans.

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 was evaluated by the "skilled person", with half-yearly reports sent to the FCA. On 17 June 2020, the Bank reached an agreement with the FCA on a penalty payment of £37.8m. The topics still outstanding on that date were closed as at April 2021.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the US Commodity Futures Trading Commission (CFTC). In accordance with a consent order issued by the CFTC on 8 November 2018 after an investigation had been completed, Commerzbank 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,

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the outside consultant will prepare annual progress reports. The outside consultant started work in April 2019 and submitted the first report to the CFTC on 17 June 2020. The Bank's second regular audit in its capacity as a swap dealer by the National Futures Association (NFA) (the first audit took place in 2018) was successfully completed in the first quarter of 2021. After receiving the formal audit report, the Bank submitted a formal response letter to the NFA on 22 March 2021.

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, Cyber-security Requirements for Financial Services Companies), NIST (National Institute of Standards and Technology) in the USA and 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.

Commerzbank manages cyber and information security risks via the 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 office work.

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.

In addition to the above-mentioned fearware activities, the increasing spread of ransomware has to be emphasized in the cybercrime sector, even if Commerzbank has not been affected by this so far. Ransomware is a special type of malware that blocks access to or encrypts data on IT devices and then requires the victim to pay a ransom for the recovery. The significant damage potential of such attacks illustrates a number of recent incidents, where supply chains were disrupted. By closely interlinking the 1st and 2nd LoD activities in the field of cyber threat analysis, including the corresponding protective measures and incident management processes, the bank will continue to be adequately protected against ransomware attacks.

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

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.

The management of model risks is currently being further strengthened. This concerns both aspects of governance and the scope of monitoring and validation activities. In addition, strategically relevant models are currently being replaced (simulation of exposure profiles in counterparty risk) or fundamentally revised (various credit risk models). In this context, high standards play a major role in model development and initial validation.

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; stress-testing all imaginable scenarios is not feasible. They cannot definitively estimate the maximum loss should an extreme event occur.

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Statement of comprehensive income

Income statement

€m	Notes	1.1.-30.6.2021	1.1.-30.6.2020 ¹	Change in %
Interest income accounted for using the effective interest method	(7)	2,977	3,509	-15.2
Interest income accounted for not using the effective interest method	(7)	641	490	30.7
Interest income	(7)	3,618	3,999	-9.5
Interest expenses	(7)	1,191	1,402	-15.0
Net interest income	(7)	2,427	2,597	-6.6
Dividend income	(8)	7	13	-46.5
Risk result	(9)	-235	-795	-70.4
Commission income	(10)	2,121	1,972	7.6
Commission expenses	(10)	318	303	4.9
Net commission income	(10)	1,803	1,668	8.1
Net income from financial assets and liabilities measured at fair value through profit or loss	(11)	485	-141	.
Net income from hedge accounting	(12)	-52	64	.
Other sundry realised profit or loss from financial instruments		33	28	19.6
Gain or loss on disposal of financial assets – Amortised cost		-17	-13	26.5
Other net income from financial instruments	(13)	17	15	13.3
Current net income from companies accounted for using the equity method		2	5	-51.3
Other net income	(14)	-335	-97	.
Operating expenses	(15)	3,173	3,030	4.7
Compulsory contributions	(16)	375	374	0.4
Restructuring expenses	(17)	976	-	.
Pre-tax profit or loss from continuing operations		-406	-74	.
Taxes on income	(18)	-43	62	.
Consolidated profit or loss from continuing operations		-363	-136	.
Consolidated profit or loss from discontinued operations		-	50	.
Consolidated profit or loss		-363	-86	.
Consolidated profit or loss attributable to non-controlling interests		31	21	45.5
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components		-394	-107	.

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

€		1.1.-30.6.2021	1.1.-30.6.2020 ¹	Change in %
Earnings per share	(19)	-0.43	-0.12	.

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.-30.6.2021	1.1.-30.6.2020 ¹	Change in %
Consolidated profit or loss	-363	-86	.
Change from remeasurement of defined benefit plans not recognised in income statement	682	337	.
Change from remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	-	-1	.
Change in value not recognised in income statement	-	-3	.
Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement	-32	90	.
Change in revaluation of land and buildings not recognised in income statement	3	-	.
Items not recyclable through profit or loss	653	423	54.4
Change in revaluation of debt securities (FVOCIImR)			
Reclassified to income statement	-41	-17	.
Change in value not recognised in income statement	-28	-54	-47.4
Change in cash flow hedge reserve			
Reclassified to income statement	1	1	12.7
Change in value not recognised in income statement	-52	77	.
Change in currency translation reserve			
Reclassified to income statement	-	1	.
Change in value not recognised in income statement	140	-225	.
Valuation effect from net investment hedge	-	-	
Reclassified to income statement	-	-	
Change in value not recognised in income statement	-3	-	
Change from non-current assets held for sale and disposal groups			
Reclassified to income statement	-	-	.
Change in value not recognised in income statement	-	-	.
Change in companies accounted for using the equity method	-1	-0	.
Items recyclable through profit or loss	16	- 218	.
Other comprehensive income	669	205	.
Total comprehensive income	306	118	.
Comprehensive income attributable to non-controlling interests	11	7	43.1
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	295	111	.

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

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

Other comprehensive income €m	1.1.-30.6.2021			1.1.-30.6.2020 ¹		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in own credit spread (OCS) of liabilities FVO	-41	10	-32	101	-10	90
Change from remeasurement of equity instruments (FVOCIoR)	-	-	-	-5	0	-5
Change from remeasurement of defined benefit plans	996	-314	682	505	-168	337
Change in revaluation of land and buildings	3	-1	3	n.a.	n.a.	n.a
Change in revaluation of debt securities (FVOCI mR)	-81	11	-70	-94	22	-71
Change in cash flow hedge reserve	-63	12	-50	97	-19	78
Change from net investment hedge	-4	2	-3	n.a.	n.a.	n.a
Change in currency translation reserve	140	-0	140	-225	0	-225
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	949	-280	669	379	-175	205

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

Balance sheet

Assets €m	Notes	30.6.2021	31.12.2020 ¹	Change in %
Cash on hand and cash on demand		106,075	75,603	40.3
Financial assets – Amortised cost	(20)	294,870	292,142	0.9
of which: pledged as collateral		1,459	1,037	40.7
Financial assets – Fair value OCI	(22)	41,366	42,862	-3.5
of which: pledged as collateral		4,550	2,299	97.9
Financial assets – Mandatorily fair value P&L	(24)	38,456	28,677	34.1
of which: pledged as collateral		-	-	.
Financial assets – Held for trading	(25)	49,250	52,176	-5.6
of which: pledged as collateral		2,506	715	.
Value adjustment on portfolio fair value hedges		765	1,752	-56.3
Positive fair values of derivative hedging instruments		903	1,878	-51.9
Holdings in companies accounted for using the equity method		170	169	0.4
Intangible assets	(31)	1,211	1,420	-14.7
Fixed assets	(32)	3,017	3,208	-6.0
Investment properties		41	13	.
Non-current assets held for sale and disposal groups	(34)	1,809	2,040	-11.3
Current tax assets		224	130	71.8
Deferred tax assets		2,715	2,693	0.8
Other assets	(36)	2,771	1,851	49.7
Total		543,643	506,613	7.3

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

Liabilities and equity €m	Notes	30.6.2021	31.12.2020 ¹	Change in %
Financial liabilities – Amortised cost	(21)	425,695	397,725	7.0
Financial liabilities – Fair value option	(23)	35,688	20,104	77.5
Financial liabilities – Held for trading	(26)	35,146	42,843	-18.0
Value adjustment on portfolio fair value hedges		852	1,412	-39.7
Negative fair values of derivative hedging instruments		5,471	5,893	-7.1
Provisions	(38)	3,952	3,119	26.7
Current tax liabilities		628	448	40.2
Deferred tax liabilities		27	10	.
Liabilities of disposal groups	(35)	1,847	2,051	-9.9
Other liabilities	(37)	5,088	4,434	14.7
Equity		29,249	28,574	2.4
Subscribed capital		1,252	1,252	-
Capital reserve		11,484	11,484	-
Retained earnings		12,708	12,576	1.1
Other reserves (with recycling)		-439	-476	-7.8
Equity attributable to Commerzbank shareholders		25,005	24,836	0.7
Additional equity components		3,114	2,619	18.9
Non-controlling interests		1,129	1,119	0.9
Total		543,643	506,613	7.3

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

Statement of changes in equity

€m	Subscribed Capital			Retained earnings ¹			Other reserves			Equity attributable to Commerzbank shareholders ¹	Additional equity components ²	Non-controlling interests	Equity ¹
	capital	reserve	earnings ¹	Revaluation reserve	Cash flow hedge reserve	Currency translation reserve							
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 restatements	-	-	-193	-	-	-	-193	-	-	-193			
Equity as at 1.1.2020	1,252	17,192	10,018	10	-5	-174	28,294	885	1,296	30,474			
Total comprehensive income	-	-	316	-86	53	-173	111	-	7	118			
Consolidated profit or loss	-	-	-107	-	-	-	-107	-	21	-86			
Change in own credit spread (OCS) of liabilities FVO			90				90		-	90			
Change from remeasurement of defined benefit plans			337				337		0	337			
Change in revaluation of land and buildings not recognised in income statement			-				-		-	-			
Change in measurement of equity instruments (FVOCIoR)			-4				-4		-1	-5			
Change in revaluation of debt securities (FVOCIImR)	-	-	-	-86	-	-	-86	-	14	-71			
Change in cash flow hedge reserve				-	53	-	53	-	25	78			
Change in currency translation reserve				-		-173	-173	-	-52	-225			
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			-	-			-		-0	-0			
Distributions to Additional Tier 1 instruments			-48				-48		-	-48			
Changes in ownership interests			-112	-	-		-112		-61	-173			
Other changes			3	-	-		3	1,241	1	1,245			
Equity as at 30.6.2020	1,252	17,192	10,177	-75	48	-347	28,248	2,126	1,242	31,616			

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.

€m	Subscribed capital reserve		Capital reserve	Retained earnings	Other reserves			Equity attributable to Commerzbank shareholders	Additional equity components ¹	Non-controlling interests	Equity
					Revaluation reserve	Cash flow hedge reserve	Currency translation reserve				
Equity as at 31.12.2020	1,252	11,484	12,602	96	42	-614	24,862	2,619	1,119	28,600	
Change due to retrospective adjustments	-	-	-26	-	-	-	-26	-	-	-26	
Equity as at 1.1.2021	1,252	11,484	12,576	96	42	-614	24,836	2,619	1,119	28,574	
Total comprehensive income			258	-56	-34	127	295	-	11	306	
Consolidated profit or loss			-394				-394		31	-363	
Change in own credit spread (OCS) of liabilities FVO			-32				-32		-	-32	
Change from remeasurement of defined benefit plans			682				682		-	682	
Change in revaluation of land and buildings not recognised in income statement			2				2		1	3	
Change in measurement of equity instruments (FVOCIoR)			-	-			-		-	-	
Change in revaluation of debt securities (FVOCImR)				-56			-56		-14	-70	
Change in cash flow hedge reserve	-	-	-	-	-34		-34	-	-17	-50	
Change in currency translation reserve						130	130		10	140	
Valuation effect from net investment hedge						-3	-3		-	-3	
Change from non-current assets held for sale and disposal groups											
Change in companies accounted for using the equity method						-1	-1			-1	
Dividend paid on shares									-1	-1	
Distributions to Additional Tier 1 instruments			-140				-140			-140	
Changes in ownership interests											
Other changes			14				14	496	0	510	
Equity as at 30.6.2021	1,252	11,484	12,708	40	9	-488	25,005	3,114	1,129	29,249	

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

AT1 bond

In the second quarter of 2020, Commerzbank Aktiengesellschaft launched an issuance programme for additional core capital (Additional Tier 1 capital, AT1), which will enable it to successively issue subordinated bonds with a nominal value of up to €3bn over the next few years. The subordinated AT1 bonds are classified as equity in accordance with IFRS and presented separately in the item “Additional equity components” less issuing costs. 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%.

An AT1 bond with a volume of €1.25bn and a fixed coupon of 6.125% per annum was issued in the second quarter of 2020. The instrument has a perpetual maturity and the first call date is in October 2025.

Commerzbank successfully issued a second AT1 bond in September 2020. 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.

The third AT1 bond under the issuance programme was successfully issued in the second quarter of 2021. The bond has a volume of €500m and a fixed coupon of 4.25% per annum. The instrument has a perpetual maturity and the first call date is in the period from October 2027 to April 2028.

Other changes

As at 18 May 2021 the Annual General Meeting of Commerzbank AG decided not to pay a dividend for the 2020 financial year.

As at 30 June 2021, 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 due to the US dollar, Polish zloty, British pound and Russian rouble. In addition to the newly issued AT-1 bond, the other changes include also changes from taxes not recognised in the income statement.

Cash flow statement (condensed version)

€m	2021	2020	Change in %
Cash and cash equivalents as at 1.1.	75,603	41,164	83.7
Net cash from operating activities	31,621	41,035	-22.9
Net cash from investing activities	-247	-217	13.7
Net cash from financing activities	-1,019	1,950	.
Total net cash	30,355	42,768	-29.0
Effects from exchange rate changes	116	-89	.
Cash and cash equivalents as at 30.6.	106,075	83,843	26.5

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 June 2021 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 the 2021 financial year have been applied. We have not applied standards and interpretations that are not required until the 2022 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 8 to 36 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 June 2021.

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

Standards to be applied for the first time

IBOR reform

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the Euro Overnight Index Average (EONIA) will be replaced by other reference rates called risk-free rates (RFR).

Commerzbank has implemented an IBOR reform programme with the aim of ensuring a smooth transition to the RFR reference interest rates. Under this programme, all relevant units of the Bank are working on the changeover to the reference interest rates. In addition to the IBOR reform programme at Commerzbank, the Bank is part of various external working groups dealing with IBOR reform.

The IFRS 9, IAS 39 and IFRS 7 standards were amended and published in IASB Interest Rate Benchmark Reform 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 following table provides an overview of derivatives in hedging relationships as at 30 June 2021, which are affected by IBOR reform and conversion to RFRs.

Currency	Reference	Tenor base	Nominal value €m
EUR	EONIA	OIS	586
EUR	Euribor	1 month	1,036
EUR	Euribor	3 months	36,901
EUR	Euribor	6 months	72,026
EUR	Euribor	12 months	155
USD	Libor	1 month	179
USD	Libor	3 months	7,481
USD	Libor	6 months	199
GBP	Libor	3 months	487
GBP	Libor	6 months	3,475
CHF	Libor	3 months	1,387
CHF	Libor	6 months	1,313
Others			1,592
Total			126,817

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 an RFR reference interest rate. The phase 2 revisions from the IASB Interest Rate Benchmark Reform were not applied early; their application is mandatory in the EU for financial years beginning on or after 1 January 2021.

Commerzbank has put in place the relevant procedure in terms of methodology and timing. The conversion of contracts and the associated transactions will take place on a decentralised basis in the responsible business units and settlement functions. In 2021, positions with reference to EONIA, GBP Libor, CHF Libor and JPY Libor will initially be affected. Positions in USD Libor will be progressively converted by mid-2023. With respect to Euribor, the Bank expects this to be used unchanged for the time being.

The IBOR reform does not create any fundamentally new economic risk elements.

Based on our current analyses, we do not expect any significant impact on the Group financial statements.

Revised standards

The amendment to IFRS 16 related to the coronavirus pandemic 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. The period of application for the amendment was extended. This amendment has no material impact on the Group financial statements. The revised standard including the extension period must be applied for reporting periods beginning on or after 1 April 2021. The endorsement is still pending.

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 amendments have no material effects on the Group financial statements. The amendments have not yet been endorsed. The revised standards must be applied for financial years beginning on or after 1 January 2023.

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 amendments were endorsed by the European Commission on 2 July 2021. The amendments must be applied for all financial years beginning on or after 1 January 2022.

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 amendments were endorsed by the European Commission on 2 July 2021. The revised standards 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 IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and

IFRS 16 Leases. The amendments were endorsed by the European Commission on 2 July 2021. The revised standards must be applied for financial years beginning on or after 1 January 2022.

The amendments to IAS 12 Income Taxes deal with more precise specifications for the accounting treatment of deferred taxes in connection with leases, disposal and restoration obligations. These amendments have no material effects on the Group financial statements. The revised standard must be applied for financial years beginning on or after 1 January 2023.

All standard changes not explicitly mentioned do not have a significant impact on our Group 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. The standard, which is due 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, the change of method described in Note 38 "Provisions" in relation to Swiss franc loan agreements with index clauses reduced loans and advances in the amortised cost category and provisions as at 31 December 2020 by €277m. This had no impact on the statement of comprehensive income or earnings per share.

An error was corrected in the deferred taxes for a subordinated bond. As a result of the adjustments, retained earnings were €69m lower as at 1 January 2020.

There was a further error correction in deferred taxes due to amendments to the tax adjustment item in connection with provisions for contingent losses. This led to an increase of €14m in taxes

on income as at 30 June 2020. Total comprehensive income therefore decreased by the same amount. Earnings per share as at 30 June 2020 decreased by €0.01. As a result of the adjustments, retained earnings were €106m lower as at 1 January 2020. The adjustments and the recalculation of the valuation allowances also reduced deferred taxes – not recognised in the income statement – on the remeasurement of defined benefit plans by €14m as at 30 June 2020.

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 adjustment, taxes on income increased by €0m. This reduced consolidated profit by €0m. As a result of the adjustment, retained earnings were €9m lower as at 1 January 2020. These adjustments had no material impact on the earnings per share.

A retrospective adjustment was made to the deferred taxes for one company included in the Group financial statements as an investment fund company. As a result of this adjustment, taxes on income decreased by €3m as at 30 June 2020. Consolidated profit therefore rose by the same amount. Earnings per share as at 30 June 2020 increased by €0.01. As a result of the adjustments, retained earnings were €25m lower as at 1 January 2020.

An error was corrected in the valuation adjustments for risks from AC loans and advances associated with the systematic consideration of overly long maturities for receivables from letters of credit. As a result of this adjustment, retained earnings were higher by €42m as at 1 January 2020. This had no impact on consolidated profit, the statement of comprehensive income or the earnings per share.

An error was corrected in the reporting of value date shifts between the booking date and value date, which increased the balance in a clearing account to €26m. Following extensive analyses, the Bank determined that this balance was due to incorrect initialisation and posting processes in the past and that therefore a non-recoverable asset in the other assets item is involved that was recognised in periods prior to 2020. Accordingly, a valuation allowance was recognised, reducing retained earnings by €26m as at 1 January 2020. This had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

The total change resulting from the aforementioned adjustments to our published income statement as at 30 June 2020 and to our published balance sheet as at 31 December 2020 is summarised in the following tables:

39	Statement of comprehensive Income
42	Balance sheet
43	Statement of changes in equity
45	Cash flow statement
46	Selected notes

€m	Originally reported 1.1.-30.6.2020	Adjustments according to IAS 8	Restated 1.1.-30.6.2020
Interest income	3,999	–	3,999
Interest expenses	1,402	–	1,402
Net interest income	2,597	–	2,597
Dividend income	13	–	13
Risk result	– 795	–	– 795
Commission income	1,972	–	1,972
Commission expenses	303	–	303
Net commission income	1,668	–	1,668
Net income from financial assets and liabilities measured at fair value through profit or loss	– 141	–	– 141
Net income from hedge accounting	64	–	64
Other net income from financial instruments	15	–	15
Current net income from companies accounted for using the equity method	5	–	5
Other net income	– 97	–	– 97
Operating expenses	3,030	–	3,030
Compulsory contributions	374	–	374
Pre-tax profit or loss from continuing operations	– 74	–	– 74
Taxes on income	51	11	62
Consolidated profit or loss from continuing operations	– 125	– 11	– 136
Consolidated profit or loss from discontinued operations	50	–	50
Consolidated profit or loss	– 75	– 11	– 86
Consolidated profit or loss attributable to non-controlling interests	21	–	21
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	– 96	– 11	– 107

Assets €m	Originally reported 31.12.2020	Adjustments according to IAS 8	Restated 31.12.2020
Cash on hand and cash on demand	75,603	–	75,603
Financial assets – Amortised cost	292,420	– 277	292,142
Financial Assets – Fair value OCI	42,862	–	42,862
Financial Assets – Mandatorily fair value P&L	28,677	–	28,677
Financial Assets – Held for trading	52,176	–	52,176
Value adjustment on portfolio fair value hedges	1,752	–	1,752
Positive fair values of derivative hedging instruments	1,878	–	1,878
Holdings in companies accounted for using the equity method	169	–	169
Intangible assets	1,420	–	1,420
Fixed assets	3,208	–	3,208
Investment properties	13	–	13
Non-current assets held for sale and disposal groups	2,040	–	2,040
Current tax assets	130	–	130
Deferred tax assets	2,693	–	2,693
Other assets	1,877	– 26	1,851
Total	506,916	– 303	506,613

Liabilities €m	Originally reported 31.12.2020	Adjustments according to IAS 8	Restated 31.12.2020
Financial liabilities – Amortised cost	397,725	–	397,725
Financial liabilities – Fair value option	20,104	–	20,104
Financial liabilities – Held for trading	42,843	–	42,843
Value adjustment on portfolio fair value hedges	1,412	–	1,412
Negative fair values of derivative hedging instruments	5,893	–	5,893
Provisions	3,396	– 277	3,119
Current tax liabilities	448	–	448
Deferred tax liabilities	10	–	10
Liabilities of disposal groups	2,051	–	2,051
Other liabilities	4,434	–	4,434
Equity	28,600	– 26	28,574
Subscribed capital	1,252	–	1,252
Capital reserve	11,484	–	11,484
Retained earnings	12,602	– 26	12,576
Other reserves (with recycling)	– 476	–	– 476
Total before non-controlling interests	24,862	– 26	24,836
Additional equity components	2,619	–	2,619
Non-controlling interests	1,119	–	1,119
Total	506,916	– 303	506,613

(4) Report on events after the reporting period

There were no material events since the end of the reporting period.

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 both in 2020 and in the first half of 2021, and has therefore also affected the Commerzbank Group's interim financial statements. The effects of the pandemic on the different divisions of the Commerzbank Group were reviewed in various working groups and projects, and appropriate measures were decided upon. In addition to the information provided in the interim management report (see page 8 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, 27 and 28.

Other changes

The procedure for determining the discount rate for pension obligations in the eurozone was adjusted as at 31 March 2021. The selection of AA-rated corporate bonds was modified. The adjusted procedure also takes AA-rated company-sector bonds into account in the extrapolation. This was due to the small number of representative long-term returns. At the changeover date, the discount rate for Germany determined using the new procedure was 1.30%. If the original procedure had been retained, the discount rate as at 31 March 2021 would have been 1.00%. The change led to a reduction of around €450m in the present value of the pension obligation. As at 30 June 2021, the discount rate for Germany is 1.30%.

For details of the change in accounting policy on provisions for loan agreements in Swiss francs (CHF) with index clauses, please refer to Note 38 and Note 3.

The Bank adjusted the relevant criteria for the stage allocation under IFRS 9 as at 31 March 2021 so that in the future the option for allocating transactions with a low default risk to stage 1 (low credit risk exemption) will generally be applied only to securities. The implementation led to an increase in risk provisions totalling €23m.

In the case of a company included in the consolidated financial statements as a subsidiary, the Bank changed an estimate for the stage allocation in the special financing portfolio as at 30 June 2021. This change increased the risk provisions by €22m.

Beside these changes and with the exception of the 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 2020 (see page 178 ff. of the Annual Report 2020).

6) Consolidated companies

In the first half-year of 2021, no material companies were newly included in the scope of consolidated companies. In addition, no material companies were sold or liquidated or are no longer consolidated for other reasons.

Merger of comdirect bank Aktiengesellschaft

On 5 May 2020, the Annual General Meeting of comdirect bank Aktiengesellschaft approved the squeeze-out under merger law. This resulted in existing shareholders of comdirect receiving an appropriate cash settlement for their shares. The entry in the Commercial Register was made on 2 November 2020, following which comdirect became a separate organisational unit of Commerzbank.

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	1.1-30.6.2021	1.1.-30.6.2020	Change in %
Interest income accounted for using the effective interest method	2,977	3,509	-15.2
Interest income – Amortised cost	2,801	3,323	-15.7
Interest income from lending and money market transactions	2,434	2,924	-16.7
Interest income from the securities portfolio	367	399	-8.0
Interest income – Fair value OCI	106	130	-18.5
Interest income from lending and money market transactions	3	6	-40.9
Interest income from the securities portfolio	102	124	-17.4
Prepayment penalty fees	71	57	24.0
Interest income accounted for not using the effective interest method	641	490	30.7
Interest income – Mandatorily fair value P&L	67	227	-70.7
Interest income from lending and money market transactions	46	191	-76.0
Interest income from the securities portfolio	20	35	-42.2
Positive interest from financial instruments held as liabilities	574	263	.
Interest expenses	1,191	1,402	-15.0
Interest expenses – Amortised cost	775	1,049	-26.2
Deposits	441	630	-30.0
Debt securities issued	333	419	-20.5
Interest expenses – Fair value option	55	183	-69.8
Deposits	27	166	-83.8
Debt securities issued	28	16	72.8
Negative interest from financial instruments held as assets	303	156	93.9
Interest expenses on lease liabilities	8	10	-21.4
Other interest expenses	50	4	.
Total	2,427	2,597	-6.6

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Dividends from equity instruments – Fair value OCI	–	1	.
Dividends from equity instruments – Mandatorily fair value P&L	5	4	34.3
Current net income from non-consolidated subsidiaries	2	9	–75.4
Total	7	13	–46.5

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Financial assets – Amortised cost	–220	–759	–71.0
Financial assets – Fair value OCI	8	–11	.
Financial guarantees	–2	–0	.
Lending commitments and indemnity agreements	–21	–25	–15.8
Total	–235	–795	–70.4

For information on the organisation of risk management and on the relevant key figures, for additional analyses and explanatory material on the expected credit loss and for information on the top-level adjustment, please refer to the interim management report on page 8 ff. and to Note 27.

In the first half of 2020, the risk result included expenses totalling €–315m due to the coronavirus pandemic, of which €–154m was a top-level adjustment. An addition to the TLA was not required in the first half of 2021.

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Commission income	2,121	1,972	7.6
Securities transactions	726	650	11.7
Asset management	173	170	1.8
Payment transactions and foreign business	702	680	3.3
Guarantees	120	116	3.9
Net income from syndicated business	120	136	-11.6
Intermediary business	93	81	14.3
Fiduciary transactions	23	7	.
Other income	164	132	24.5
Commission expenses	318	303	4.9
Securities transactions	84	78	8.0
Asset management	17	17	-1.1
Payment transactions and foreign business	75	76	-2.1
Guarantees	29	13	.
Net income from syndicated business	0	0	-55.0
Intermediary business	65	76	-15.0
Fiduciary transactions	17	3	.
Other expenses	32	39	-18.8
Net commission income	1,803	1,668	8.1
Securities transactions	642	572	12.2
Asset management	156	153	2.1
Payment transactions and foreign business	628	603	4.0
Guarantees	91	103	-10.9
Net income from syndicated business	120	136	-11.5
Intermediary business	28	5	.
Fiduciary transactions	6	4	39.7
Other income	132	93	42.7
Total	1,803	1,668	8.1

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

1.1.-30.6.2021 €m	Private and Small-Business Customers	Corporate Clients	Others and Consolidation	Group
Securities transactions	715	22	-11	726
Asset management	171	2	-	173
Payment transactions and foreign business	317	392	-7	702
Guarantees	14	108	-1	120
Net income from syndicated business	1	119	-	120
Intermediary business	90	20	-17	93
Fiduciary transactions	19	4	0	23
Other income	137	52	-26	164
Total	1,464	719	-61	2,121

1.1.-30.6.2020 €m	Private and Small-Business Customers	Corporate Clients	Others and Consolidation	Group
Securities transactions	639	23	-12	650
Asset management	168	2	0	170
Payment transactions and foreign business	314	373	-7	680
Guarantees	13	103	-1	116
Net income from syndicated business	1	135	0	136
Intermediary business	81	35	-35	81
Fiduciary transactions	6	2	0	7
Other income	110	32	-11	132
Total	1,331	705	-65	1,972

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Profit or loss from financial instruments – Held for trading	289	-166	.
Profit or loss from financial instruments – Fair value option	62	-34	.
Profit or loss from financial instruments – Mandatorily fair value P&L	133	58	.
Total	485	-141	.

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Fair value hedges			
Changes in fair value attributable to hedging instruments	945	-1,563	.
Micro fair value hedges	379	-983	.
Portfolio fair value hedges	566	-580	.
Changes in fair value attributable to hedged items	-996	1,627	.
Micro fair value hedges	-425	1,065	.
Portfolio fair value hedges	-571	562	.
Cash flow hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	-0	0	.
Net investment hedges			
Gain or loss from effectively hedged net investment hedges (ineffective part only)	-	-	.
Total	-52	64	.

(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.-30.6.2021	1.1.-30.6.2020	Change in %
Other sundry realised profit or loss from financial instruments	33	28	19.6
Realised profit or loss from financial assets – Fair Value OCI (with recycling)	41	17	.
Realised profit or loss from financial liabilities – Amortised Cost	-5	11	.
Gain or loss on non-substantial modifications – Amortised Cost	-2	-4	-37.5
Gain or loss on non-substantial modifications – Fair Value OCI (with recycling)	-	-	.
Changes in uncertainties in estimates – Amortised Cost	-0	4	.
Changes in uncertainties in estimates – Fair Value OCI (with recycling)	-	-	.
Gain or loss on disposal of financial instruments (AC portfolios)	-17	-13	26.5
Gains on disposal of financial instruments (AC portfolios)	1	3	-75.9
Losses on disposal of financial instruments (AC portfolios)	18	17	5.4
Total	17	15	13.3

The Commerzbank Group has loan portfolios totalling €298bn (previous year: €295bn) 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 for portfolio shifts, 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.

(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.-30.6.2021	1.1.-30.6.2020 ¹	Change in %
Other material items of income	215	250	-14.0
Reversals of provisions	12	40	-70.7
Operating lease income	69	77	-11.0
Income from building and architects' services	0	0	-66.3
Hire-purchase income and sublease income	8	6	27.4
Income from investment properties	0	0	-42.0
Income from non-current assets held for sale	-	-	.
Income from disposal of fixed assets	1	1	57.6
Income from FX rate differences	86	42	.
Remaining other income	39	83	-53.1
Other material items of expense	530	328	61.7
Allocations to provisions	170	98	73.8
Operating lease expenses	53	63	-16.5
Expenses arising from building and architects' services	-	-	.
Hire-purchase expenses and sublease expenses	1	3	-64.3
Expenses from investment properties	0	0	-8.0
Expenses from non-current assets held for sale	-	-	.
Expenses from disposal of fixed assets	1	1	-38.3
Expenses from FX rate differences	79	75	6.2
Remaining other expenses	226	88	.
Other tax (netted)	-20	-21	-2.4
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	-	2	.
Other net income	-335	-97	.

¹ Adjusted values.

Other net income includes provisions totalling €66m for the ruling by the German Federal Court of Justice on price measures, as well as provisions for the termination of the outsourcing project and possible tax refund claims.

(15) Operating expenses

Personnel expenses €m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Wages and salaries	1,566	1,604	-2.3
Expenses for pensions and similar employee benefits	150	116	28.7
Total	1,716	1,720	-0.2
Administrative expenses €m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Occupancy expenses	122	119	2.2
IT expenses	293	282	4.0
Workplace and information expenses	113	116	-2.5
Advisory, audit and other expenses required to comply with company law	106	111	-4.3
Travel, representation and advertising expenses	65	85	-22.9
Personnel-related administrative expenses	35	41	-15.3
Other administrative expenses	79	83	-3.9
Total	814	837	-2.7
Depreciation and amortisation €m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Office furniture and equipment	52	54	-2.6
Land and buildings	5	6	-9.8
Intangible assets	420	240	75.1
Right of use assets	166	174	-4.6
Total	643	473	35.9

In the current financial year, amortisation of intangible assets includes a derecognition of assets totalling €200m. The reason for the derecognition is Commerzbank's decision to terminate the

project to outsource securities settlement to HSBC Transaction Services GmbH.

(16) Compulsory contributions

€m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Deposit Protection Fund	92	73	26.0
Polish bank tax	63	60	6.0
European bank levy	220	241	-8.7
Total	375	374	0.4

(17) Restructuring expenses

€m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Expenses for restructuring measures in progress	976	-	.
Total	976	-	.

The restructuring expenses result mainly from the recognition of restructuring provisions for personnel measures in Germany and abroad. The Board of Managing Directors reached an agreement with the Central Works Council in the first quarter on the implementation of an early voluntary programme to reduce around 1,700 full-time positions at Commerzbank AG in Germany. Furthermore, a voluntary programme for the reduction of management positions was adopted.

At the beginning of May 2021, the Bank reached an agreement with the employee representative committees on a framework reconciliation of interests for the implementation of the Strategy 2024 programme. An agreement was also reached regarding a framework social plan, which is the basis for ensuring that the headcount reduction in Germany will be as socially responsible as possible. In addition, various restructuring measures abroad were announced during the reporting period.

(18) Taxes on income

The Group tax expense was €-43m as at 30 June 2021 (prior-year: period: €62m). With pre-tax profit of €-406m (previous year: €-74m; prior-year figures adjusted due to restatements; see Note 3) the Group's effective tax rate was 10.5% (previous year: -83.8% (Group income tax rate: 31.5% previous year: 31.5%). Group tax income in 2021 resulted primarily from tax income from the

retrospective recognition of deferred tax assets on loss carryforwards. This was offset by several items, including current tax expenses of the mBank subgroup for the period under review and tax expenses relating to other periods resulting from the additional recognition of provisions for tax risks.

(19) Earnings per share

€	30.6.2021	30.06.2020 ¹	Change in %
Operating profit (€m)	570	-74	.
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components (€m)	-394	-107	.
Dividend on additional equity components (€m)	140	48	.
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	-533	-156	.
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	.
Operating profit per share (€)	0.46	-0.06	.
Earnings per share (€)	-0.43	-0.12	.

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	30.6.2021	31.12.2020 ¹	Change in %
Loans and advances	261,668	258,178	1.4
Central banks	1,684	1,707	-1.3
Banks	18,343	21,097	-13.1
Corporate clients	89,749	88,195	1.8
Private customers	122,093	117,629	3.8
Other financial corporations	12,825	12,991	-1.3
General governments	16,972	16,560	2.5
Debt securities	33,202	33,964	-2.2
Banks	2,781	2,688	3.5
Corporate clients	6,199	6,511	-4.8
Other financial corporations	5,851	5,362	9.1
General governments	18,371	19,403	-5.3
Total	294,870	292,142	0.9

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

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 closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office. 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 measurement category.

The effective interest rate calculated at the time of reclassification was 2.8%. For the first six months of 2021, the interest income for the reclassified portfolio amounts to €44m (prior-year period: €44m) and the interest expenses were zero, both in the first half of 2021 and in the prior-year period.

The fair value of the portfolio at 30 June 2021 was €3.1bn (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 €-110m (prior-year period: €-541m), 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	30.6.2021	31.12.2020	Change in %
Deposits	386,804	355,745	8.7
Central banks	41,380	36,232	14.2
Banks	47,577	38,408	23.9
Corporate clients	105,267	95,664	10.0
Private customers	153,947	152,064	1.2
Other financial corporations	31,037	26,170	18.6
General governments	7,597	7,206	5.4
Debt securities issued	38,891	41,980	-7.4
Money market instruments	211	1,155	-81.7
Pfandbriefe	17,603	18,599	-5.4
Other debt securities issued	21,077	22,226	-5.2
Total	425,695	397,725	7.0

In the first half of 2020, Commerzbank participated in the ECB's targeted longer-term refinancing operations (TLTRO III) with a maximum amount of €32.3bn. The Bank increased the maximum amount in the first quarter of 2021, enabling it to participate in a further €3.6bn tranche (TLTRO III.7). 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. Part of the interest subsidy was already certain at the time of participation and was accounted for as a government grant under IAS 20, with the liability item reduced accordingly by €164m (TLTRO III.4) and €5m (TLTRO III.7) respectively. The threshold for the development of the benchmark portfolio was reached at the end of the first quarter of 2021. The resulting additional interest subsidy in turn led to a

reduction in the liability item and the recognition of a government grant of €494m (TLTRO III.4) and €55m (TLTRO III.7). The grant is recognised in net interest income on a pro rata basis. A one-off effect of €126m was recognised in net interest income to account for the additional interest subsidy. To date, a total of €254m has been recognised in net interest income in 2021.

New issues with a total volume of €0.8bn were issued in the first six months of 2021 (prior-year period: €4.5bn). In the same period, the volume of bonds maturing amounted to €3.5bn (prior-year period: €2.6bn) and there were no redemptions in current period (prior-year period: €0.2bn).

(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	30.6.2021	31.12.2020	Change in %
Loans and advances (with recycling)	449	787	-43.0
Central banks	-	-	.
Banks	131	132	-0.7
Corporate clients	92	366	-74.9
Private customers	-	-	.
Other financial corporations	47	76	-38.9
General governments	180	214	-15.9
Debt securities (with recycling)	40,918	42,074	-2.7
Banks	15,191	15,025	1.1
Corporate clients	2,510	1,713	46.5
Other financial corporations	7,719	7,259	6.3
General governments	15,499	18,077	-14.3
Equity instruments (without recycling)	-	-	.
Corporate clients	-	-	.
Other financial corporations	-	-	.
Total	41,366	42,862	-3.5

There were no equity holdings as at 30 June 2021 as well as at previous year. In the prior-year period dividend payments of €1m from equity holdings already sold were recognised in the income

statement under dividend income. In addition, sales in previous year from a portfolio of European standard stocks (blue chips) resulted in other comprehensive income totalling €1m.

(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	30.6.2021	31.12.2020	Change in %
Deposits	33,531	18,015	86.1
Central banks	2,683	769	.
Banks	10,461	5,150	.
Corporate clients	930	909	2.3
Private customers	106	127	-16.3
Other financial corporations	19,214	10,859	76.9
General governments	137	202	-32.2
Debt securities issued	2,157	2,089	3.3
Other debt securities issued	2,157	2,089	3.3
Total	35,688	20,104	77.5

For liabilities to which the fair value option was applied, the change in fair value in the first six months of 2021 due to credit risk reasons was €41m (prior-year period: €-101m). The cumulative change was €119m (prior-year period: €-88m).

€0m realised from disposals of financial liabilities for which the fair value option was applied was recognised in retained earnings without effect on income. In previous year there were no reclassifications recognised in retained earnings without effect on income.

The bonds and notes issued item includes the issue of a Commerzbank green bond with a volume of €500m. This was issued in September 2020. 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.

New issues with a total volume of €0.1bn were issued in the first six months of 2021 (prior-year period: €2.2bn). During the same period there were no maturing issues as well as no volume of repayments 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	30.6.2021	31.12.2020	Change in %
Loans and advances	32,776	23,779	37.8
Central banks	6,205	3,902	59.0
Banks	7,735	5,953	29.9
Corporate clients	1,202	927	29.7
Private customers	105	119	-12.0
Other financial corporations	17,528	12,878	36.1
General governments	0	1	-87.5
Debt securities	4,911	4,192	17.1
Banks	181	160	13.3
Corporate clients	54	124	-56.2
Other financial corporations	1,096	1,138	-3.6
General governments	3,579	2,770	29.2
Equity instruments	769	705	9.1
Banks	9	9	-
Corporate clients	629	542	16.0
Other financial corporations	130	153	-14.7
Total	38,456	28,677	34.1

(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.

€m	30.6.2021	31.12.2020	Change in %
Loans and advances	2,221	2,263	-1.8
Banks	986	942	4.6
Corporate clients	362	445	-18.7
Other financial corporations	823	826	-0.3
General governments	50	50	-0.1
Debt securities	4,607	1,806	.
Banks	584	184	.
Corporate clients	587	459	28.0
Other financial corporations	873	448	94.8
General governments	2,563	716	.
Equity instruments	2,159	1,059	.
Banks	1	1	-56.4
Corporate clients	1,847	1,058	74.6
Other financial corporations	312	0	.
Positive fair values of derivative financial instruments	37,504	45,524	-17.6
Interest-rate-related derivative transactions	27,628	33,005	-16.3
Currency-related derivative transactions	6,454	9,865	-34.6
Equity derivatives	979	1,069	-8.4
Credit derivatives	274	269	1.7
Other derivative transactions	2,169	1,315	64.9
Other trading positions	2,760	1,524	81.1
Total	49,250	52,176	-5.6

(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	30.6.2021	31.12.2020	Change in %
Certificates and other issued bonds	4	3	20.6
Delivery commitments arising from short sales of securities	1,433	412	.
Negative fair values of derivative financial instruments	33,710	42,429	-20.5
Interest-rate-related derivative transactions	24,901	32,650	-23.7
Currency-related derivative transactions	5,995	8,340	-28.1
Equity derivatives	374	414	-9.8
Credit derivatives	479	430	11.5
Other derivative transactions	1,961	596	.
Total	35,146	42,843	-18.0

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. In addition to a transaction-specific change in the PD, Commerzbank defines further qualitative criteria whose presence is assumed to denote a significant increase in default risk. Instruments are then allocated to stage 2 independently of the individual change in PD. 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. As the criterion for this, Commerzbank uses the definition of a default pursuant to Article 178 CRR as well as the supplementary EBA guidance on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013. This approach is consistent because the expected credit loss (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.

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.

Assessment of a significant increase in default risk

Commerzbank essentially uses the PD as a frame of reference for assessing whether the default risk of a financial instrument has risen significantly since the date of its initial recognition. By anchoring the review of the relative transfer criterion in the robust processes and procedures of the Bank's Group-wide credit risk management framework (in particular, early identification of credit risk, controlling of overdrafts and the re-rating process), the Bank ensures that a significant increase in the default risk is identified in a reliable and timely manner based on objective criteria. Commerzbank also applies additional qualitative criteria for allocation to stage 2 (such as when instruments are over 30 days past due). If these criteria are met, a significant increase in default risk is assumed irrespective of the PD.

The review to determine whether the default risk as at the financial reporting date has risen significantly since the initial recognition of the respective financial instrument is performed as at the end of the reporting period. This review compares the observed probability of default over the residual maturity of the financial instrument (lifetime PD) against the lifetime PD over the same period as expected on the date of initial recognition.

Financial instruments are retransferred from stage 2 to stage 1 if at the end of the reporting period the default risk is no longer significantly elevated compared with the initial recognition date.

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).

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.

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. In the current reporting period, based on the following uncertainties described Commerzbank decided to maintain the existing baseline scenario even given the currently more positive ECB forecast of 10 June 2021. For mBank, the Poland-specific scenario on which the local loan loss provision calculation is based was checked for consistency accordingly. The Bank's decision to maintain the baseline scenario reflects the ongoing uncertainty. Despite a marked acceleration in the global vaccination programme, more aggressive mutations are threatening the positive trend. It is not currently possible to predict whether and to what extent the pandemic will necessitate a return to more stringent measures, or what impact this will have on the economic recovery. The baseline scenario includes the following key assumptions:

Baseline scenario	2021
GDP growth	
Germany	3.0%
Euro zone	3.9%
Poland	0.2%
Rate of unemployment	
Germany	6.7%
Euro zone	10.1%
Poland	6.6%

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 was reviewed on an event-driven basis in the second quarter of 2021 and was still found to be appropriate.

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 natural disasters, 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 (TLA) 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 was deemed necessary in the 2020 financial year 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 adequacy of the TLA was assessed as at the reporting date of 30 June 2021 with regard to the current development of the pandemic and the economic impact. The review concluded that the TLA continues to take adequate account of existing uncertainties.

As at 30 June 2021, it was particularly relevant in this respect that the economic trend will continue to be determined largely by the development of the coronavirus pandemic. It is already apparent that the Delta variant of the virus will trigger a new wave of infections in Europe and probably also in the USA by autumn at the latest. This is likely to be significantly less severe than last autumn, however, thanks in large part to the progress made with the vaccination programme. Nevertheless, it is likely that coronavirus restrictions will be tightened again in some contact-intensive areas, which may have a negative impact on the economic recovery.

There has been neither significant migration to stage 2 nor an increase in loan losses thus far in the first half of 2021; business volumes have fallen slightly and default probabilities in the overall portfolio have remained stable.

Financial statements for the 2020 financial year are currently only available for a quarter of the companies in the Corporates sub-portfolio, which partially reflect the crisis. Repayments for KfW loans, which companies have drawn on a large scale, will not start until the end of 2021. Commerzbank therefore still considers the premiums on probabilities of default included in the TLA to be adequate. More information on the TLA can be found in the risk report (see page 18 ff.). Overall, the valuation allowances for risks arising from financial assets and the provisions for off-balance-sheet items changed as follows:

€m	As at 1.1.2021	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 30.6.2021
Valuation allowances for risks from financial assets	3,111	212	407	–	–8	2,909
Financial assets – Amortised cost	3,093	221	407	–	–8	2,898
Loans and advances	3,043	225	407	–	–9	2,853
Debt securities	50	–5	–	–	1	46
Financial assets – Fair value OCI	19	–8	–	–	0	11
Loans and advances	10	–10	–	–	0	0
Debt securities	8	2	–	–	0	10
Provisions for financial guarantees	11	2	–	–	3	16
Provisions for lending commitments	305	34	–	–	–2	337
Provisions for indemnity agreements	183	–13	–	–	1	171
Total	3,611	235	407	–	–6	3,434

€m	As at 1.1.2020	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 31.12.2020
Valuation allowances for risks from financial assets	2,175	1,565	569	–	–59	3,111
Financial assets – Amortised cost	2,167	1,550	567	–	–58	3,093
Loans and advances	2,111	1,556	567	–	–57	3,043
Debt securities	56	–5	–	–	–1	50
Financial assets – Fair value OCI	8	14	3	–	–0	19
Loans and advances	1	9	–	–	–0	10
Debt securities	6	5	3	–	–0	8
Provisions for financial guarantees	9	2	–	–	–0	11
Provisions for lending commitments	129	178	–	–	–2	305
Provisions for indemnity agreements	182	4	–	–	–3	183
Total	2,496	1,748	569	–	–64	3,611

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	303	720	1,822	64	2,909
Loans and advances	266	701	1,822	64	2,853
Debt securities	36	20	–	–	56
Provisions for financial guarantees	3	6	3	4	16
Provisions for lending commitments	103	169	30	35	337
Provisions for indemnity agreements	2	59	81	29	171
Total	411	955	1,937	131	3,434

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

€1.3bn. In a stress scenario that contains further measures including the ordering of comprehensive production stops and a prolonged global recession, earnings would be more severely impacted. In addition to additional credit defaults, the estimated expected credit loss (stages 1/2) would increase by €0.8bn.

The breakdown as at 31 December 2020 is as follows:

€m	Stage 1	Stage 2	Stage 3	POCI	Total
Valuation allowances for risks from financial assets	290	707	2,039	75	3,111
Loans and advances	253	686	2,039	75	3,053
Debt securities	38	21	–	–	58
Provisions for financial guarantees	2	2	4	4	11
Provisions for lending commitments	105	150	22	29	305
Provisions for indemnity agreements	2	80	71	31	183
Total	399	939	2,135	139	3,611

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.

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	30.6.2021				31.12.2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets – Fair value OCI								
Loans and advances	–	0.4	–	0.4	–	0.8	–	0.8
Debt securities	29.9	10.6	0.4	40.9	30.9	10.8	0.4	42.1
Equity instruments	–	–	–	–	–	–	–	–
Financial assets – Mandatorily fair value P&L								
Loans and advances	–	31.5	1.3	32.8	–	22.6	1.2	23.8
Debt securities	0.8	3.2	0.9	4.9	1.0	2.3	0.9	4.2
Equity instruments	0.0	0.0	0.7	0.8	0.0	0.0	0.6	0.7
Financial assets – Held for trading								
Loans and advances	0.9	1.0	0.3	2.2	1.0	0.9	0.4	2.3
Debt securities	3.2	1.4	–	4.6	1.1	0.7	–	1.8
Equity instruments	2.2	0.0	0.0	2.2	1.1	–	0.0	1.1
Derivatives	–	36.5	1.0	37.5	–	44.4	1.2	45.5
Others	2.8	–	–	2.8	1.5	–	–	1.5
Positive fair values of derivative financial instruments								
Hedge accounting	–	0.9	–	0.9	–	1.9	–	1.9
Non-current assets held for sale and disposal groups								
Loans and advances	–	0.0	–	0.0	–	0.0	–	0.0
Debt securities	0.0	0.0	–	0.0	0.0	0.0	–	0.0
Equity instruments	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Derivatives	–	1.8	0.1	1.9	–	1.9	0.2	2.1
Total	39.9	87.3	4.7	131.8	36.6	86.2	4.8	127.7

Financial liabilities €bn	30.6.2021				31.12.2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial liabilities - Fair value option								
Deposits	–	33.5	–	33.5	–	18.0	0.0	18.0
Debt securities issued	2.2	–	–	2.2	2.1	–	–	2.1
Financial liabilities - Held for trading								
Derivatives	–	33.1	0.6	33.7	–	41.8	0.7	42.4
Certificates and other issued bonds	0.0	–	–	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	1.3	0.1	–	1.4	0.4	0.0	–	0.4
Negative fair values of derivative hedging instruments								
Hedge accounting	–	5.5	–	5.5	–	5.9	–	5.9
Liabilities of disposal groups								
Deposits	–	0.0	–	0.0	–	0.0	–	0.0
Debt securities issued	–	–	–	–	–	–	–	–
Derivatives	–	1.7	0.1	1.8	–	1.9	0.1	2.0
Certificates and other issued bonds	–	–	–	–	0.0	–	–	0.0
Delivery commitments arising from short sales of securities	0.0	–	–	0.0	0.0	–	–	0.0
Total	3.5	74.0	0.6	78.1	2.5	67.6	0.8	70.9

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 six months of 2021, €1.3bn of debt securities in the FVOCI category, €0.3bn of debt securities in the mFVPL category and €0.3bn of debt securities in the HFT category were reclassified from level 2 to level 1, as quoted market prices were available again. In contrast, €0.4bn of debt securities in the HFT category and €0.3bn of debt securities in the FVOCI category were reclassified

from level 1 to level 2, as no quoted market prices were available. We did not make any other significant reclassifications between level 1 and level 2.

In the 2020 financial year, €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. 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 1.1.2021	386	2,746	1,519	157	4,808
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	11	44	–50	17	23
of which: unrealised gains or losses	11	44	–50	18	23
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	–	167	41	–	208
Sales	–	–70	–79	–	–149
Issues	–	–	–	–	–
Redemptions	–	–	–120	–53	–173
Reclassifications to level 3	–	10	0	0	10
Reclassifications from level 3	–	–3	–9	–15	–27
IFRS 9 reclassifications	–	–	–	–	–
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 30.6.2021	397	2,894	1,302	106	4,699
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	68	–51	120	–9	128
of which: unrealised gains or losses	68	–51	105	19	141
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	549	454	240	–	1,243
Sales	–28	–1,184	–205	–	–1,417
Issues	–	–	–	–	–
Redemptions	–	–	–1,417	–43	–1,460
Reclassifications to level 3	4,615	74	1,296	68	6,053
Reclassifications from level 3	–4,847	–478	–140	–96	–5,561
IFRS 9 reclassifications	–	–	–	–	–
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair value as at 31.12.2020	386	2,746	1,519	157	4,808

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 six months of 2021 there were no significant reclassifications of financial assets between Level 2 and level 3.

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 2020 financial year, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives included in noncurrent assets held for sale and disposal groups, €0.4bn for loans and advances in the HFT category and €0.8bn for derivatives included in assets of the HFT category as no observable market parameters were available. In contrast €0.1bn of derivatives included in non-current assets held for sale and disposal groups and €0.4bn of 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).

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 1.1.2021	–	654	100	754
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	46	–6	40
of which: unrealised gains or losses	–	46	8	54
Purchases	–	278	–	278
Sales	–	–413	–0	–414
Issues	–	–	–	–
Redemptions	–	–	–25	–25
Reclassifications to level 3	–	–	2	2
Reclassifications from level 3	–	–3	–4	–7
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 30.6.2021	–	562	67	629

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	–6	–94	17	–83
of which: unrealised gains or losses	–6	–89	16	–79
Purchases	6	327	–	333
Sales	–	–190	–61	–251
Issues	–	–	–	–
Redemptions	–	–660	–62	–722
Reclassifications to level 3	–	285	359	644
Reclassifications from level 3	–	–64	–489	–553
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair value as at 31.12.2020	–	654	100	753

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 six months of 2021 there were no significant reclassifications of financial liabilities between Level 2 and level 3.

In the 2020 financial year, reclassifications of €0.2bn for derivatives included in liabilities of the HFT category, €0.1bn for certificates and other issued bonds included in liabilities of disposal groups and €0.1bn for derivatives included in liabilities of disposal groups were made from level 2 to level 3, 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 of disposal groups, as observable market parameters were available again. There were no other significant reclassifications.

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 improve-

ment 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:

€m		30.6.2021			30.6.2021	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		1,581	–		–	–
Repos	Discounted cash flow model	784	–	Repo-curve (bps)	–32	102
Ship financing	Discounted cash flow model	–	–	Credit spread (bps)	–	–
Other loans	Discounted cash flow model	797	–	Credit spread (bps)	130	2,150
Debt securities		1,336	–		–	–
Interest-rate-related transactions	Spread based model	1,336	–	Credit spread (bps)	100	500
of which: ABS	Discounted cash flow model	693	–	Credit spread (bps)	100	500
Equity instruments		692	–		–	–
Equity-related transactions	Discounted cash flow model	692	–	Price (%)	90%	110%
Derivatives		1,091	629			
Equity-related transactions	Discounted cash flow model	920	349	IRR (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	40%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	171	280	Credit spread (bps)	100	3,300
		–	–	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	–	–	IR-FX correlation (%)	–	–
Other transactions		–	–		–	–
Total		4,699	629			

€m		31.12.2020			31.12.2020	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		1,547	–		–	–
Repos	Discounted cash flow model	656	–	Repo-curve (bps)	26	56
Ship financing	Discounted cash flow model	20	–	Credit spread (bps)	550	1,900
Other loans	Discounted cash flow model	871	–	Credit spread (bps)	100	3,300
Debt securities		1,316	–		–	–
Interest-rate-related transactions	Spread based model	1,316	–	Credit spread (bps)	100	500
of which: ABS	Spread based model	677	–	Credit spread (bps)	100	500
Equity instruments		633	–		–	–
Equity-related transactions	Discounted cash flow model	633	–	Price (%)	90%	110%
Derivatives		1,312	753			
Equity-related transactions	Discounted cash flow model	987	339	IRR (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	40%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	319	243	Credit spread (bps)	100	2,150
		–	–	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	6	171	IR-FX correlation (%)	–30%	68%
Other transactions		–	–		–	–
Total		4,808	753			

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:

€m	30.6.2021		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
Loans and advances	16	-16	
Repos	8	-8	Repo curve
Ship financing	-	-	Credit spread
Other loans	8	-8	Credit spread
Debt securities	31	-31	
Interest-rate-related transactions	31	-31	Price
of which: ABS	18	-18	IRR, recovery rate, credit spread
Equity instruments	7	-7	
Equity-related transactions	7	-7	Price
Derivatives	17	-16	
Equity-related transactions	16	-15	IRR, price based, investment fund volatility
Credit derivativ (incl. PFI and IRS)	1	-1	Credit spread, recovery rate, price
Interest-rate-related transactions	-	-	
Other transactions	-	-	
€m	31.12.2020		Changed parameters
	Positive effects on income statement	Negative effects on income statement	
Loans and advances	16	-16	
Repos	7	-7	Repo curve
Ship financing	-	-	Credit spread
Other loans	9	-9	Credit spread
Debt securities	31	-31	
Interest-rate-related transactions	31	-31	Price
of which: ABS	18	-18	IRR, recovery rate, credit spread
Equity instruments	7	-7	
Equity-related transactions	7	-7	Price
Derivatives	15	-15	
Equity-related transactions	12	-11	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	3	-4	Credit spread, recovery rate, price
Interest-rate-related transactions	-	-	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 1.1.2020	–	24	24
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	–10	–10
Balance as at 31.12.2020	–	14	14
Allocations not recognised in income statement	–	1	1
Reversals recognised in income statement	–	–2	–2
Balance as at 30.9.2021	–	13	13

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.

30.6.2021 €bn	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	402.6	401.7	0.9	10.7	139.3	252.6
Cash on hand and cash on demand	106.1	106.1	–	–	106.1	–
Financial assets – Amortised cost	296.5	294.9	1.7	10.7	33.2	252.6
Loans and advances	265.0	261.7	3.4	–	19.4	245.6
Debt securities	31.5	33.2	–1.7	10.7	13.8	6.9
Value adjustment on portfolio fair value hedges	–	0.8	–0.8	–	–	–
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	428.1	426.6	1.5	29.4	396.2	2.4
Financial liabilities – Amortised cost	428.0	425.7	2.3	29.4	396.2	2.4
Deposits	386.8	386.8	–0.0	–	385.9	0.9
Debt securities issued	41.2	38.9	2.4	29.4	10.3	1.5
Value adjustment on portfolio fair value hedges	–	0.9	–0.9	–	–	–
Liabilities of disposal groups	0.0	0.0	–	–	0.0	–
Deposits	0.0	0.0	–	–	0.0	–
Debt securities issued	–	–	–	–	–	–

31.12.2020 €bn ¹	Fair value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	371.5	369.5	1.9	11.4	113.5	246.5
Cash on hand and cash on demand	75.6	75.6	–	–	75.6	–
Financial assets – Amortised cost	295.8	292.1	3.7	11.4	37.9	246.5
Loans and advances	263.8	258.2	5.6	–	22.3	241.5
Debt securities	32.0	34.0	–1.9	11.4	15.6	5.1
Value adjustment on portfolio fair value hedges	–	1.8	–1.8	–	–	–
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	400.3	399.2	1.1	31.1	366.5	2.6
Financial liabilities – Amortised cost	400.2	397.7	2.5	31.1	366.5	2.6
Deposits	356.0	355.7	0.2	0.0	354.9	1.1
Debt securities issued	44.2	42.0	2.3	31.1	11.6	1.6
Value adjustment on portfolio fair value hedges	–	1.4	–1.4	–	–	–
Liabilities of disposal groups	0.0	0.0	–	–	0.0	–
Deposits	0.0	0.0	–	–	0.0	–
Debt securities issued	–	–	–	–	–	–

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

(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	30.6.2021		31.12.2020	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	56,229	112,168	39,826	174,699
Book values not eligible for netting	17,160	3,099	10,335	4,172
a) Gross amount of financial instruments I and II	39,070	109,068	29,491	170,527
b) Amount netted in the balance sheet for financial instruments I ¹	25,033	71,902	16,379	125,221
c) Net amount of financial instruments I and II = a) – b)	14,037	37,167	13,113	45,306
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	2,024	21,693	1,544	27,131
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collateral ⁴	7,402	4	7,008	–
Cash collateral	44	6,280	2,481	8,241
e) Net amount of financial instruments I and II = c) – d)	4,567	9,189	2,081	9,934
f) Fair value of financial collateral of central counterparties relating to financial instruments	1,175	17	1,827	88
g) Net amount of financial instruments I and II = e) – f)	3,392	9,172	254	9,846

¹ Of which for positive fair values €4,908m (previous year: €5,931m) is attributable to margins.

² Lesser amount of assets and liabilities.

³ Excluding rights or obligations to return arising from the transfer of securities.

⁴ Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities €m	30.6.2021		31.12.2020	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	56,608	111,556	33,171	173,333
Book values not eligible for netting	13,164	1,238	6,941	1,844
a) Gross amount of financial instruments I and II	43,444	110,318	26,230	171,489
b) Amount netted in the balance sheet for financial instruments I ¹	25,033	70,585	16,379	123,039
c) Net amount of financial instruments I and II = a) – b)	18,411	39,733	9,852	48,450
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	2,024	21,693	1,544	27,131
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b) ³				
Non-cash collateral ⁴	3,212	8	1,940	7
Cash collateral	7,044	8,988	3,871	10,776
e) Net amount of financial instruments I and II = c) – d)	6,131	9,044	2,497	10,536
f) Fair value of financial collateral of central counterparties relating to financial instruments I	5,115	0	2,493	27
g) Net amount of financial instruments I and II = e) – f)	1,016	9,044	4	10,509

¹ Of which for negative fair values €6,225m (previous year: €8,112m) 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 €76,810m as at 30 June 2021 (previous year: €131,151m). On the assets side, €71,902m of this was attributable to positive fair values (previous year: €125,220m) and €4,908m to claims for variation margins (previous

year: €5,931m). Netting on the liabilities side involved negative fair values of €70,585m€ (previous year: €123,039m) and liabilities for variation margins payable of €6,225m (previous year: €8,112m).

Notes to the balance sheet (non-financial instruments)

(31) Intangible assets

€m	30.6.2021	31.12.2020	Change in %
Goodwill	-	-	.
Other intangible assets	1,211	1,420	-14.7
Customer relationships	12	13	-5.8
In-house developed software	758	952	-20.3
Purchased software and other intangible assets	440	455	-3.2
Total	1,211	1,420	-14.7

The decline in the in-house developed software item in the current financial year is attributable to a derecognition of assets totalling €200m (see Note 15).

(32) Fixed assets

€m	30.6.2021	31.12.2020	Change in %
Land and buildings	270	304	-11.0
Rights of use (leases)	1,787	1,923	-7.1
Land and buildings	1,755	1,906	-7.9
Office furniture and equipment	33	18	84.4
Office furniture and equipment	401	406	-1.1
Leased equipment	558	575	-3.0
Total	3,017	3,208	-6.0

(33) Discontinued business division

In the previous year, we reported the income and expenses of the former Equity Markets & Commodities (EMC) division from the Corporate Clients segment under consolidated profit or loss from discontinued operations. The economic transfer of the business division to Société Générale Group, Paris, France, was completed in the previous year.

The legal transfer of certain assets and liabilities, which also requires their derecognition from the balance sheet, will take place partially at later stages in the transaction and is expected to be completed in 2021. We report the assets and liabilities in question

separately in the balance sheet under the balance sheet items non-current assets held for sale and disposal groups as well as liabilities from disposal groups.

As at 30 June 2021, the remaining assets amounted to €1.8bn (previous year: €2.0bn) and liabilities of the discontinued operation €1.8bn (previous year €2.1bn). The assets and liabilities are mostly measured at fair value.

Detailed information on the discontinued business division is provided below.

€m	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Income	-	98	.
Expenses	-	47	.
Pre-taxprofit or loss	-	50	.
Taxes on income	-	0	.
Consolidated profit or loss from discontinued operations	-	50	.
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	-	50	.

The profit attributable to Commerzbank shareholders from continuing operations amounted to €-394m (previous year: €-157m) (see Note 3).

€	1.1.-30.6.2021	1.1.-30.6.2020	Change in %
Earnings per share for discontinued operations	-	0.04	.

€m	2021	2020	Change in %
Net cash from operating activities	-	50	.
Net cash from investing activities	-	-	.
Net cash from financing activities	-	-	.

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

€m	30.6.2021	31.12.2020	Change in %
Financial assets – Amortised cost	21	21	1.2
Loans and advances	21	21	1.2
Debt securities	–	–	.
Financial assets – Fair value OCI	–	–	.
Loans and advances	–	–	.
Debt securities	–	–	.
Equity instruments	–	–	.
Financial assets – Mandatorily fair value P&L	0	7	–96.8
Loans and advances	0	7	–99.7
Debt securities	–	–	.
Equity instruments	0	0	–
Financial assets – Held for trading	1,864	2,088	–10.7
Loans and advances	–	–	.
Debt securities	3	11	–70.1
Equity instruments	1	1	–0.4
Derivatives	1,860	2,076	–10.4
Intangible assets	–	–	.
Fixed assets	–	–	.
Other assets	–77	–76	0.8
Total	1,809	2,040	–11.3

Assets of disposal groups of the previous year mainly relate to the discontinuation of the EMC business division (see Note 32).

(35) Liabilities from disposal groups

€m	30.6.2021	31.12.2020	Change in %
Financial liabilities – Amortised cost	21	20	5.2
Deposits	21	20	5.2
Debt securities issued	–	–	.
Financial liabilities – Fair value option	36	50	–27.8
Deposits	36	50	–27.8
Debt securities issued	–	–	.
Financial liabilities – Held for trading	1,789	1,981	–9.7
Certificates and other issued bonds	–	8	.
Delivery commitments arising from short sales of securities	0	–0	.
Derivatives	1,789	1,972	–9.3
Other liability items	1	1	3.3
Total	1,847	2,051	–9.9

In the previous year, liabilities from disposal groups mainly related to the discontinuation of the EMC business division (see Note 32).

(36) Other assets

€m	30.6.2021	31.12.2020 ¹	Change in %
Precious metals	72	82	-12.1
Accrued and deferred items	331	275	20.4
Defined benefit assets recognised	423	95	.
Other assets	1,944	1,398	39.0
Total	2,771	1,851	49.7

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

(37) Other liabilities

€m	30.6.2021	31.12.2020	Change in %
Liabilities attributable to film funds	320	320	–
Liabilities attributable to non-controlling interests	57	56	3.0
Accrued and deferred items	292	273	6.8
Lease liabilities	1,934	2,054	-5.8
Other liabilities	2,484	1,732	43.4
Total	5,088	4,434	14.7

(38) Provisions

m€	30.6.2021	31.12.2020 ¹	Change in %
Provisions for pensions and similar commitments	201	513	-60.9
Other provisions	3,752	2,606	44.0
Total	3,952	3,119	26.7

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

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 254 ff. of the Annual Report 2020). The actuarial assumptions underlying these obligations at 30 June 2021 were: a discount rate of 1.3% (previous year: 0.5%) 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 mainly to the allocation to restructuring provisions. The restructuring provisions recognised relate primarily to personnel. The addition in the first half of 2021 was mainly related to an early voluntary programme for the reduction of around 1,700 full-time positions at Commerzbank AG in Germany, as well as to the framework reconciliation of interests and framework social plan concluded with the employee representative committees in May 2021 for the implementation of the Strategy 2024 programme to ensure that the job cuts in Germany will be as socially responsible as possible.

Legal disputes

With respect to legal proceedings and potential recourse claims for which provisions of €341m (previous year: €196m) 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 as at the reporting date. 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 Commerzbank 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).

- 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 is defending itself against 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 mis-selling 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). A total of 1,731 plaintiffs have joined the class action. The court of appeal partially overturned the judgement of the court of first instance dismissing the class action in full and referred it back to the lower court. A first hearing has not yet been scheduled due to the expected decision in principle of the Supreme Court. Independently of this, numerous borrowers have also filed lawsuits for the same reasons. In addition to the class action, 10,072 (31. December 2020: 6,870) other individual proceedings were pending as at 30 June 2021. The subsidiary is defending itself against all of the claims. The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. As at 30 June 2021, there were 229 final rulings in individual proceedings against the subsidiary, of which 79 were decided in favour of the subsidiary and 150 were decided against the subsidiary. A total of 367 proceedings before courts of second instance are suspended because of legal issues that are being considered by the Polish Supreme Court and the European Court of Justice (ECJ). In a non-public session on 7 May 2021, the Polish Supreme Court (via a panel of seven judges) ruled on referral questions from an ombudsman of the Polish banking regulator relating to the nature of the parties’ mutual claims and to limitation. In the Bank’s view, the judgement does not change the current risk assessment. A non-public session of the Civil Chamber of the Polish Supreme Court, originally scheduled for 11 May 2021, has been postponed. A hearing is scheduled for 2 September 2021. The Bank will analyse the outcome of these proceedings, in particular with regard to the impact on further case law and on the provisioning/measurement of receivables. On 29 April 2021, the European Court of Justice (ECJ) delivered a judgement (C-19/20) on five questions referred for a preliminary ruling by a Polish court in proceedings against another bank. In the Bank’s view, the judgement does not change the current risk assessment. Other preliminary ruling proceedings on loans with indexation clauses are pending before the European Court of Justice, two of which concern proceedings against the subsidiary. Decisions are not expected until early 2022. Against the background of the inconsistent case law to date, the small number of rulings in the last instance and outstanding decisions in principle from the Supreme Court and the ECJ, the amount of the provision for this set of issues is highly discretionary. Until 31 December 2020, legal risks in connection with Swiss franc loan agreements with indexation clauses were accounted for in their entirety in accordance with IAS 37. The

accounting policy was not adjusted for loans that have already been fully repaid and the associated legal costs; these are still accounted for in accordance with IAS 37. For Swiss franc loans that have not been fully repaid and the associated legal costs, the accounting method was adjusted retrospectively to IFRS 9 using the requirements set out in IAS 8.14. Legal risks are taken into account directly in the gross carrying amounts of the advances when estimating cash flows. Recognition in accordance with IFRS 9 is standard market practice in the subsidiary's domestic market and thus increases comparability with the financial statements of other market participants and comparability for the Polish regulator. Applying IFRS 9 rather than IAS 37 therefore provides more relevant information. The measurement method used to estimate the impact on the cash flows expected to arise from the loans remained largely unchanged compared with the previous measurement method. All expenses in connection with Swiss franc loan agreements with indexation clauses continue to be reported in full in the income statement under other operating expenses.

The remeasurement effect under IFRS 9 for the existing portfolio as at 30 June 2021 with a carrying amount of 11.0bn Polish zloty amounted to €325m. The portfolio that was already repaid amounted to 7.0bn Polish zloty at the time of disbursement. The provision as at 30 June 2021 for the portfolio already repaid was €49m. The overall impact on the Group's accounts of the risks arising as a result of these issues amounted to €374m.

The methodology used to calculate the provision or remeasurement effect 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 or measurement has to be adjusted significantly in the future.

As at the reporting date, the subsidiary estimated the risk of defeat on the basis of expert assessments, which are supported by legal opinions on future case law trends.

Assuming otherwise unchanged parameters, the following sensitivities result for the main parameters underlying the recognition of provisions or remeasurement effects:

- The number of future claimants increases by 1% of borrowers: change in provisions of €+13m
- The probability of a ruling by the court of last instance that is unfavourable to the subsidiary changes by +/-1 percentage point: change in provisions of €+/-7m
- The assumed weighted average loss changes by +/-1 percentage point: change in provisions of €+/-6m

In December 2020, a proposal by the local supervisory authority to convert foreign currency loans into local currency loans was announced. Further analyses and discussions among the affected banks and with the relevant authorities will depend on the outcome of the pending Supreme Court case, in which a new hearing date has been scheduled for 2 September 2021.

- 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. The claimant withdrew the complaint at the start of 2021.
- 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 judgement is final. The Bank has recognised a corresponding provision for the possibility that a refund must be made in similar cases.
- In April 2021, the German Federal Court of Justice ruled on the mechanism for changes to banks' general terms and conditions (AGB Banken) in a case against another bank and declared the relevant clauses of the general terms and conditions to be void. This mechanism stipulated that the customer's consent to certain changes in the contract was given after a certain period of time if the customer had not objected. The Bank is examining the impact of this case law on its business units and products, as the charges introduced or increased for consumers as a result of the mechanism for changes to banks' general terms and conditions may be void. The Bank has set up a task force to deal with the issues arising from the judgement on a consolidated basis.

This concerns both the processing of any claims for repayment from customers relating to the past and the forward-looking renegotiation of contractual relationships in existing and new customer business. In addition, sector-wide standards are currently being developed through industry association committees, which are particularly concerned with the question of whether and in what way an amendment mechanism can still be permissible in the light of the Federal Court of Justice ruling. As a result of the ruling, the Bank is exposed to demands from customers for repayment of fees that may have been wrongly collected. There are currently no legal disputes in connection with the ruling.

- Based on the circular on cum/cum transactions published by the Federal Ministry of Finance (BMF) in 2017, the tax auditors commented on the treatment of these transactions in the form of audit notes. The tax office reduced the credit for capital gains

taxes accordingly. In response, Commerzbank Aktiengesellschaft 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 fully and appropriately. The BMF published a revised version of its circular on cum/cum transactions on 9 July 2021. In view of the potential impact of the BMF circular, the provision was adjusted in the second quarter of 2021.

- The Bank will terminate an outsourcing project prematurely by concluding a termination agreement or, if applicable, by exercising a special right of termination granted in the outsourcing agreement. If this right of termination is exercised, a compensation payment, the amount of which will be calculated on the basis of parameters specified in the contract, must be made to the contractual partner in accordance with the contractual provisions.

(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 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	30.6.2021	31.12.2020	Change in %
Contingent liabilities	42,631	41,731	2.2
Banks	7,866	6,425	22.4
Corporate clients	31,554	32,081	-1.6
Private customers	184	185	-0.7
Other financial corporations	2,894	2,968	-2.5
General governments	132	71	86.0
Lending commitments	86,270	85,476	0.9
Banks	1,352	1,339	1.0
Corporate clients	66,160	65,853	0.5
Private customers	14,136	12,291	15.0
Other financial corporations	4,197	5,367	-21.8
General governments	425	625	-32.1
Total	128,901	127,207	1.3

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 June 2021, the contingent liabilities for legal risks amounted to €400m (previous year: €398m) 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 in January 2021, the plaintiff still has an opportunity to appeal.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a so called 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 were dismissed by the court of appeal in favour of the Bank, among others; the plaintiffs have appealed the verdict.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank 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.

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

In consequence of the revised BMF circular of 9. July 2021 on Cum-Cum transactions, the possibility of further charges over and above the loan loss provisions recognised by the Bank (see Note 38) cannot be completely ruled out.

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. 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 evaluations 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. 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.

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. 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 32).

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 Credit Solutions division was transferred from the Corporate Clients segment to the Others and Consolidation segment in the second quarter of 2021. The prior-year figures have been restated accordingly.

Further information on the segments is provided in the interim management report section of this Interim Report. The operating segments' capital requirement for risk-weighted assets is 12%.

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 income 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 on 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.

39	Statement of comprehensive Income
42	Balance sheet
43	Statement of changes in equity
45	Cash flow statement
46	Selected notes

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

1.1.-30.6.2021 €m	Private and Small Business Customers	Corporate Clients	Others and Consolidation	Group
Net interest income	1,229	838	360	2,427
Dividend income	5	3	- 1	7
Risk result	- 126	- 39	- 70	- 235
Net commission income	1,228	601	- 25	1,803
Net income from financial assets and liabilities measured at fair value through profit or loss	128	178	180	485
Net income from hedge accounting	- 1	- 5	- 46	- 52
Other net income from financial instruments	20	- 5	2	17
Current net income from companies accounted for using the equity method	0	2	- 0	2
Other net income	- 150	- 16	- 170	- 335
<i>Income before risk result</i>	2,458	1,596	300	4,353
<i>Income after risk result</i>	2,332	1,556	230	4,118
Operating expenses	1,717	1,121	335	3,173
Compulsory contributions	227	95	53	375
Operating profit or loss	388	340	- 158	570
Restructuring expenses	-	- 0	976	976
Pre-tax profit or loss from continuing operations	388	340	- 1,133	- 406
Assets	161,641	152,251	229,751	543,643
of which: discontinued assets	-	1,809	-	1,809
Liabilities	202,069	179,527	162,047	543,643
of which: discontinued liabilities	-	1,847	-	1,847
Carrying amount of companies accounted for using the equity method	29	141	1	170
Average capital employed (from continuing operations) (based on CET1)¹	5,994	10,126	7,590	23,710
Operating return on equity (%)²	12.9	6.7	4.8	4.8
Cost/income ratio in operating business (excl. compulsory contributions) (%)	69.9	70.3	72.9	72.9
Cost/income ratio in operating business (incl. compulsory contributions) (%)	79.1	76.2	81.5	81.5

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

² Annualised.

1.1.-30.6.2020 €m ¹	Private and Small Business Customers	Corporate Clients	Others and Consolidation	Group
Net interest income	1,310	874	413	2,597
Dividend income	12	3	- 2	13
Risk result	- 313	- 455	- 27	- 795
Net commission income	1,088	599	- 19	1,668
Net income from financial assets and liabilities measured at fair value through profit or loss	98	38	- 277	- 141
Net income from hedge accounting	1	9	54	64
Other net income from financial instruments	11	- 3	7	15
Current net income from companies accounted for using the equity method	0	5	- 0	5
Other net income	- 30	- 1	- 66	- 97
<i>Income before risk result</i>	2,492	1,524	109	4,125
<i>Income after risk result</i>	2,178	1,069	82	3,329
Operating expenses	1,723	1,158	148	3,030
Compulsory contributions	201	106	67	374
Operating profit or loss	254	- 196	- 132	- 74
Restructuring expenses	-	-	-	-
Pre-tax profit or loss from continuing operations	254	- 196	- 132	- 74
Assets	158,780	179,681	211,905	550,366
of which: discontinued assets	-	2,179	-	2,179
Liabilities	194,287	185,377	170,702	550,366
of which: discontinued liabilities	-	3,878	-	3,878
Carrying amount of companies accounted for using the equity method	30	149	1	180
Average capital employed (from continuing operations) (based on CET1)²	5,661	11,488	7,305	24,453
Operating return on equity (%)³	9.0	- 3.4		- 0.6
Cost/income ratio in operating business (excl. compulsory contributions) (%)	69.2	76.0		73.5
Cost/income ratio in operating business (incl. compulsory contributions) (%)	77.2	83.0		82.5

¹ Prior-year figures adjusted due to IFRS 8.29.

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

³ Annualised.

Details for Others and Consolidation:

€m	1.1.-30.6.2021		
	Others	Consolidation	Others and Consolidation
Net interest income	362	- 2	360
Dividend income	- 1	-	- 1
Risk result	- 70	-	- 70
Net commission income	- 20	- 5	- 25
Net income from financial assets and liabilities measured at fair value through profit or loss	188	- 8	180
Net income from hedge accounting	- 46	-	- 46
Other net income from financial instruments	- 1	3	2
Current net income from companies accounted for using the equity method	-	- 0	- 0
Other net income	- 162	- 8	- 170
Operating expenses	345	- 10	335
Compulsory contributions	53	0	53
Operating profit or loss	- 149	- 9	- 158
Restructuring expenses	976	-	976
Pre-tax profit or loss from continuing operations	- 1,124	- 9	- 1,133
	-	-	
Assets	229,617	134	229,751
Liabilities	161,959	88	162,047

€m	1.1.-30.6.2020 ¹		
	Others	Consolidation	Others and Consolidation
Net interest income	415	- 3	413
Dividend income	- 2	0	- 2
Risk result	- 27	-	- 27
Net commission income	- 15	- 4	- 19
Net income from financial assets and liabilities measured at fair value through profit or loss	- 285	8	- 277
Net income from hedge accounting	54	-	54
Other net income from financial instruments	5	2	7
Current net income from companies accounted for using the equity method	-	- 0	- 0
Other net income	- 64	- 3	- 66
Operating expenses	154	- 6	148
Compulsory contributions	67	0	67
Operating profit or loss	- 139	7	- 132
Restructuring expenses	-	-	-
Pre-tax profit or loss from continuing operations	- 139	7	- 132
Assets	211,750	155	211,905
Liabilities	170,566	136	170,702

¹ Prior-year figures adjusted due to IFRS 8.29.

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.-30.6.2021 €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	3,195	1,014	41	104	0	4,353
Credit-risk-weighted assets (with transitional provisions)	90,699	47,822	5,592	4,070	–	148,183

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

1.1.-30.6.2020 ¹ €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	2,999	918	117	90	0	4,125
Credit-risk-weighted assets (with transitional provisions)	96,245	49,513	6,618	5,110	–	157,486

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) Selected regulatory disclosures

The following chart shows the composition of the Commerzbank Group's own funds and risk-weighted assets together with its own funds ratios in accordance with the Capital Requirements Regulation (CRR), including the transitional provisions applied.

	30.6.2021	31.12.2020	Change in %
Common Equity Tier ¹ (€m)	23,709	23,611	0.4
Tier 1 capital (€m)	27,187	26,790	1.5
Equity ¹ (€m)	31,806	31,603	
Risk-weighted assets (€m)	177,588	178,581	
Common Equity Tier 1 ratio (%)	13.4	13.2	
Equity Tier 1 ratio (%)	15.3	15.0	2.1
Total capital ratio (%)	17.9	17.7	1.2

¹ This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.

The leverage ratio shows the ratio of Tier 1 capital in accordance with CRR, including the transitional provisions, to leverage ratio exposure, consisting of the non-risk-weighted assets plus off-balance-sheet positions.

	30.6.2021	31.12.2020	Change in %
Leverage Ratio Exposure (€m)	589,160	541,412	8.8
Leverage Ratio (%)	4.6	4.9	-6.1

The NPE ratio is the ratio of non-performing exposures to total exposures according to the EBA Risk Dashboard.

	30.6.2021	31.12.2020	Change in %
NPE-ratio (%)	0.8	1.0	-20.0

(42) 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 €249m (previous year: €274m) as at 30 June 2021 included primarily loans and advances. Liabilities in the amount of €197m (previous year: €202m) comprised mostly deposits.

The income of €15m (prior-year period: €8m) comprised interest income and expenses of €31m (prior-year period: €36m), mostly from operating expenses.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €80m (previous year: €79m).

Transactions with associated companies

The assets relating to associated companies as at 30 June 2021 in the amount of €13m (previous year: €15m) included primarily loans and advances. Liabilities in the amount of €26m (previous year: €29m) comprised mostly deposits.

The income of €2m (prior-year period: €7m) 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 €5m (previous year: €12m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 30 June 2021 were €0m (previous year: €0m). The liabilities in the amount of €543m (previous year: €208m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions.

As at 30 June 2021, income was €1m (prior-year period: €0m). Expenses amounted to €19m (prior-year period: €4m).

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

Transactions with key management personnel

As at 30 June 2021, there were assets relating to key management personnel of €0m (previous year: €4m) and corresponding liabilities of €1m (previous year: €6m).

The expenses represent personnel expenses in the amount of €10m (prior-year period: €8m) and include remuneration for key management personnel and the salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group.

Transactions with entities controlled by the German federal government

The assets relating to entities controlled by the German federal government as at 30 June 2021 in the amount of €84,271m (previous year: €56,576m) comprised primarily deposits with Deutsche Bundesbank totalling €79,820m (previous year: €53,546m). Of the liabilities related to entities controlled by the German federal government in the amount of €14,024m (previous year: €13,755m), €14,010m were deposits (previous year: €13,748m). As at 30 June 2021, the Bank had granted guarantees and collateral totalling €238m to entities controlled by the German federal government (previous year: €255m).

As at 30 June 2021, income was €19m (prior-year period: €38m). Expenses amounted to €13m (prior-year period: €12m).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Helmut Gottschalk
 Chairman
 (since 14.4.2021)

Hans-Jörg Vetter
 Chairman
 (until 16.3.2021)

Uwe Tschäge¹
 Deputy Chairman

Heike Anscheit¹

Alexander Boursanoff¹

Gunnar de Buhr¹

Stefan Burghardt¹

Dr. Frank Czichowski

Sabine U. Dietrich

Dr. Jutta A. Dönges

Monika Fink¹

Dr. Tobias Guldemann
 (until 18.5.2021)

Dr. Rainer Hillebrand
 (until 18.5.2021)

Christian Höhn¹

Kerstin Jerchel¹

Burkhard Keese
 (since 18.5.2021)

Alexandra Krieger¹

Daniela Mattheus
 (since 18.5.2021)

Dr. Victoria Ossadnik
 (until 18.5.2021)

Andreas Schmitz
 (from 1.1.2021 to 24.3.2021)

Caroline Seifert
 (since 18.5.2021)

Robin J. Stalker

Dr. Gertrude Tumpel-Gugerell

Frank Westhoff
 (since 18.5.2021)

Stefan Wittmann¹

¹ Elected by the Bank's employees.

Klaus-Peter Müller
 Honorary Chairman

Board of Managing Directors

Dr. Manfred Knof
 Chairman
 (since 1.1.2021)

Jörg Hessenmüller

Dr. Bettina Orlopp
 Deputy Chairwoman

Michael Kotzbauer
 (since 14.1.2021)

Dr. Marcus Chromik

Sabine Schmittroth

Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, we confirm that the consolidated interim Group financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group, and that the interim Group management

report provides a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the rest of the financial year.

Frankfurt/Main, 2 August 2021
The Board of Managing Directors


Manfred Knof


Bettina Orlopp


Marcus Chromik


Jörg Hessenmüller


Michael Kotzbauer


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 June 2021, which are part of the half-year financial report pursuant to Sec. 115 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 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 August 2021

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, 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.

2021/2022 Financial calendar

4 November 2021 Interim financial information as at 30 September 2021

17 February 2022 Annual Results Press Conference

End March 2022 Annual Report 2021

11 May 2022 Annual General Meeting

12 May 2022 Interim financial information as at 31 March 2022

3 August 2022 Interim Report as at 30 June 2022

9 November 2022 Interim financial information as at 30 September 2022

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COMMERZBANK