COMMERZBANK

Interim financial information as at 30 September

2021

The bank at your side

Key figures

Income statement	1.1.–30.9.2021	1.1.–30.9.2020[1]
Operating profit (€m)	1,042	94
Operating profit per share (€)	0.83	0.08
Consolidated profit or loss[2] (€m)	–131	–216
Earnings per share (€)	–0.10	–0.17
Operating return on equity based on CET1[3] (%)	5.8	0.5
Return on equity of consolidated profit or loss[3, 8] (%)	–0.7	–1.2
Cost/income ratio in operating business (excl. compulsory contributions) (%)	73.2	73.9
Cost/income ratio in operating business (incl. compulsory contributions) (%)	79.6	81.1
Balance sheet	**30.9.2021**	**31.12.2020[1]**
Total assets (€bn)	541.3	506.6
Risk-weighted assets (€bn)	175.2	178.6
Equity as shown in balance sheet (€bn)	29.8	28.6
Total capital as shown in balance sheet (€bn)	36.8	36.6
Regulatory key figures	**30.9.2021**	**31.12.2020**
Tier 1 capital ratio (%)	15.5	15.0
Common Equity Tier 1 ratio[4] (%)	13.5	13.2
Total capital ratio (%)	18.4	17.7
Leverage ratio (%)	4.6	4.9
Full-time personnel	**30.9.2021**	**30.6.2021**
Germany	27,374	27,591
Abroad	11,057	11,080
Total	38,432	38,671
Ratings[5]	**30.9.2021**	**30.6.2021**
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.

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

Contents

Performance highlights
1 January to 30 September 2021

Key statements

Commerzbank has made good progress so far this year towards the implementation of its "Strategy 2024" programme, particularly in its transformation into a digital advisory bank. The first temporary remote centres began operations in October 2021. By the end of the year, the Bank aims to have locations in Berlin, Quickborn and Düsseldorf that will serve around 750,000 customers from the catchment area of closed branches. In the Corporate Clients segment, the introduction of an electronic signature procedure was launched and is now being expanded step by step. Commerzbank confirmed its strong customer focus, being ranked once again as the leading trade finance bank for German companies. The Bank is consistently pursuing its strategic goal of higher profitability and has achieved further milestones in this respect. Following the successful launch of the voluntary reduction programme, more than half of the necessary job cuts have already been made in a socially responsible manner.

Against the backdrop of Commerzbank's good business performance in the first nine months of 2021, which benefited from good customer business and a low risk result, Commerzbank expects a consolidated profit for 2021 as a whole. The key data on the performance of the business in the period under review are as follows:

- Overall, Commerzbank posted an operating profit of €1,042m in the period under review, compared with €94m in the prior-year period.
- The Group risk result was reported at €–257m, which represents a significant decline of 75.9% compared with the prior-year period. The non-performing exposure (NPE) ratio was 0.8%.
- Excluding the expense arising in the second quarter of 2021 from the derecognition of an intangible asset, operating expenses decreased compared with the prior-year period. The exceptional charge of €200m meant that costs increased by 2.4% to €4,658m. Compulsory contributions, which are reported separately, were lower than in the previous year at €402m.
- The Bank recognised restructuring expenses of €1,052m overall in the first nine months of 2021 in connection with the implementation of the "Strategy 2024" programme.
- The consolidated profit attributable to Commerzbank shareholders and investors in additional equity components was €9m, compared with a loss of €–168m in the prior-year period.
- The Common Equity Tier 1 (CET1) ratio increased to 13.5% compared with the end of 2020; the leverage ratio was 4.6% (with transitional provisions).
- The operating return on equity was 5.8%, compared with 0.5% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets and AT-1-related items) was –0.7%, compared with –1.2% in the previous year. The cost/income ratio was 73.2% with compulsory contributions excluded and 79.6% including compulsory contributions. The corresponding figures for the previous year were 73.9% and 81.1% respectively.

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

Commerzbank strengthens Board of Managing Directors

At its meeting on 15 September 2021, the Supervisory Board of Commerzbank took staffing decisions aimed at putting the Board of Managing Directors in a position to tackle the far-reaching transformation initiated as part of the "Strategy 2024" programme.

Thomas Schaufler, currently Member of the Management Board with responsibility for Retail Banking at Austria's Erste Group Bank AG, will assume responsibility for the Private and Small-Business Customers segment at Commerzbank on 1 January 2022. The appointment of Thomas Schaufler to the Board of Managing Directors is still subject to the usual approval from the supervisory authority. As announced in June, Sabine Schmittroth will once again be concentrating fully on her duties as Director of Human Resources. This task is particularly important, both within the context of the transformation and its implementation from an HR perspective.

The Supervisory Board also appointed Dr Jörg Oliveri del Castillo-Schulz to the Board of Managing Directors as the new Chief Operating Officer (COO). The appointment of Dr Jörg Oliveri del Castillo-Schulz is also still subject to the usual approval from the supervisory authority. Dr Jörg Oliveri del Castillo-Schulz has already taken over as general representative for the COO department with effect from 1 October 2021 and thus succeeds Jörg Hessenmüller, who left the Bank on 30 September 2021.

The Supervisory Board is confident that the newly formed Board of Managing Directors brings together extensive management experience and a wealth of professional expertise and will ensure the necessary focus on the implementation of the "Strategy 2024" programme.

Commerzbank sets ambitious sustainability targets and launches sustainability dialogue

Being "sustainable" is one of the four pillars of our "Strategy 2024" programme, alongside being "customer-oriented", "digital" and "profitable". We see sustainable transformation as both an obligation and an opportunity, because sustainability is playing an increasingly important role for both our customers and investors alike. We set a good example and support our customers on their path toward greater sustainability. We are convinced that working together with our customers is the most effective way for us to reach the climate targets. The Bank explained the ambitious key elements of its sustainability strategy at its "Sustainability Dialogue" event, which was held for the first time on 17 September 2021.

The core of the Bank's sustainability agenda is its net zero commitment. Commerzbank is fully committed to the Parisian Climate Agreement. In keeping with that commitment, the Bank has pledged to reduce the carbon emissions of its entire lending and investment portfolio to net zero by 2050 at the latest. The Bank aims to help channel more capital into sustainable economic activities in order to mitigate the consequences of climate change. It follows that our primary goal is therefore to support our customers in their own transformations to becoming sustainably operating companies. The Bank will mobilise around €300bn to that end by 2025, which corresponds to a three-fold increase in sustainable business volume compared to the end of 2020. As a bank, we are financiers of the green transformation and that makes sustainability a mainstay of our business model.

Sustainable business volume to be tripled to €300bn by 2025 Commerzbank clarified which products will be included in the sustainable business volume in its "Sustainable Finance Framework", which the Bank published in April 2021. In the corporate customer business, this includes supporting sustainability-linked syndicated loans and promissory note loans as well as issuing sustainability-linked bonds. In the retail banking business, asset management and green retail mortgage financing, for example, are expected to contribute to growth of the sustainable business volume.

Coal portfolio halved to around €1bn within two years Commerzbank has already had a binding coal directive since 2016. This policy stipulates, among other things, that the Bank will not finance any new coal-fired power plants or mines. In the past two years alone, the Bank's coal exposure has been halved to around €1bn, which is equivalent to around 0.2% of the total portfolio. The Bank is currently working on extending the policy to include gas and oil. That is set to take effect on 1 January 2022.

Measurement of the carbon footprint of the lending and investment portfolio currently in progress In order to reduce the carbon emissions of the entire lending and investment portfolio, the Bank will define specific carbon reduction targets by August 2022 in accordance with the requirements of the "Science-based Targets Initiative". This initiative provides a scientifically sound methodology for measuring carbon emission intensity. Commerzbank joined the initiative a year ago and is still the only German bank among the more than 50 companies from Europe's financial sector.

The Bank is currently working on making the carbon footprint of its loan portfolio measurable and defining the measures needed to reach the climate targets. It is focusing on carbon-intensive sectors such as energy production as a first step. Initial test calculations show that this portfolio's carbon emission intensity will have to be reduced by more than 50% by 2030 in order to achieve the provisional targets of the Parisian Climate Agreement. An even higher reduction will be required to achieve net zero. For the energy sector, the Bank intends to define specific carbon targets by as early as the end of 2021.

With a view to its own banking operations, Commerzbank is already targeting net-zero emissions by 2040 at the latest. It has reduced its own carbon emissions by 70% since 2007 and its domestic banking operations have been climate neutral since 2015. Another 30% of carbon emissions are to be saved by 2025, which corresponds to around 36,000 tonnes of carbon. Key measures in this regard include reductions in the number of flights taken for business trips and ongoing efforts to implement energy-efficient real estate renovations.

Going forward, the Bank will provide regular reports on its sustainability activities through its new online event entitled "Sustainability Dialogue".

Financial performance, assets, liabilities and financial position

For a description of the accounting and measurement methods applied as at 30 September 2021 and information on restatements of prior-year figures see “Additional information” on page 20 f.

Income statement of the Commerzbank Group

Commerzbank achieved a small consolidated profit of €9m in the first nine months 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 €1,042m in the reporting period, compared with €94m in the prior-year period.

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

At €3,549m, net interest income in the period under review was 7.2% below the prior-year level. In the Private and Small-Business Customers segment, a significant increase in income as a result of the growing lending business in Germany, especially in private retail mortgage financing and personal loans, was offset by the ongoing low interest income from deposit business. At mBank, net interest income was down on the previous year due to the interest rate cuts in Poland in 2020, despite increased volumes for both lending and deposit business. 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 European Central Bank (ECB) only partially offset the decline in net interest income.

Net commission income increased by 8.5% to €2,692m compared with the first nine months of 2020, and remained the strongest income driver in the Private and Small-Business Customers segment. The increase in the domestic market was mainly due to persistently brisk customer activity in the securities business, which is reflected in significantly higher deposit and transaction volumes. At mBank, the likewise significant increase resulted from several factors, including price adjustments in private and corporate customer business, in particular an increased deposit fee for corporate customers, as well as higher fees in lending business and for foreign currency transactions. Net commission income in the Corporate Clients segment was slightly above the level of the first nine months of the previous year.

The net income from financial assets and liabilities measured at fair value through profit or loss was €645m in the period under review, after €–116m 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 €–478m 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 customers, 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 €–257m was significantly lower than the prior-year figure of €–1,067m. The risk result for the prior-year period includes a top-level adjustment (TLA) of €–170m 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 nine months of 2021 remained significantly below the level of the prior-year period.

Operating expenses increased by 2.4% year on year to €4,658m due to the charge 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 €2,602m, with the elimination of full-time equivalents nearly completely offsetting cost-generating effects including salary adjustments and higher variable remuneration. By contrast, administrative expenses, including depreciation of fixed assets and amortisation of other intangible assets, increased by 5.3% to €2,056m. Excluding the exceptional charge, the Bank posted a significant decline. This decrease was due primarily to lower expenses for advertising, travel and depreciation.

Compulsory contributions, which are reported separately, fell €43m short of the prior-year period and amounted to €402m.

Restructuring expenses of €1,052m 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 €–10m, compared with a loss of €–106m in the prior-year period. A positive tax effect of €49m was reported in the period under review. This resulted 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 profit from continuing operations after tax was €39m, compared with a loss of €–171m in the prior-year period.

Net of non-controlling interests, a consolidated profit of €9m was attributable to Commerzbank shareholders and investors in additional equity components for the reporting period, compared with a loss of €–168m in the prior-year period.

Operating profit per share was €0.83 and earnings per share €–0.10. The comparable figures in the prior-year period were €0.08 and €–0.17 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2021 were €541.3bn. This represented an increase of €34.6bn compared with the end of 2020. The significant growth of 6.8% was due in particular to the increase of central bank balances, the expansion of secured money market transactions and the increased lending business with private clients.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 30 September 2021 was €25.5bn, up slightly by €0.7bn compared with year-end 2020. Further information on the change in equity can be found on page 18 f.

Risk-weighted assets were €175.2bn as at 30 September 2021 and thus €3.4bn lower than at the end of 2020. This change is mainly attributable to effects from the risk-weighted assets related to market risk. The significant reduction was caused by both the elimination of pandemic-related high-risk scenarios from the calculation and by changes in positions. This was reinforced by risk-weighted assets from credit risk, which decreased primarily due to active strategic management of the efficiency of risk-weighted assets. This was partially offset by increases at mBank, the implementation of the new regulatory requirements (Capital Requirements Regulation, CRR 2), the model adjustment for regulatory counterparty risks and foreign currency effects. The increase in risk-weighted assets from operational risk, recognised in anticipation of the changeover effect that will be caused by the switch from the internal model to the standard approach in the fourth quarter, had a slightly offsetting effect.

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 positive effects were partially offset by higher regulatory capital deductions. The Common Equity Tier 1 ratio was therefore 13.5%. The Tier 1 ratio (with transitional provisions) was 15.5% 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. Grandfathered Tier 2 capital instruments became ineligible due to regulatory transitional provisions, but this decline was offset by the issue of a subordinated bond with a nominal value of €500m. The total capital ratio (with transitional provisions) was 18.4% 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 always had access to the money and capital markets during the reporting period, and its liquidity and solvency were always adequate. Furthermore, the Bank'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.

The Commerzbank Group raised a total of €2.3bn in long-term funding on the capital market in the first nine months of 2021.

In September, Commerzbank Aktiengesellschaft issued a subordinated bond (Tier 2) with a volume of €500m. This bond has a term of 10.25 years with the first call date being in the period from September to December 2026 and a fixed coupon of 1.375% per annum. In June, the Bank issued an 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 Common Equity Tier 1 ratio (CET1 ratio) drops below 5.125%. With the issue of the bonds, Commerzbank is further strengthening and optimising its capital structure.

A preferred senior bond with a volume of €500m was 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. Around €0.2bn of preferred senior bonds were also issued as private placements. The average term of the senior unsecured issues was around five years.

In September, mBank issued its first green non-preferred senior bond from Poland in a €500m benchmark transaction. The bond has a term of six years with a call option after five years.

As at the reporting date, the Bank had a liquidity reserve of €116.9bn 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 always ensure solvency.

The Bank also holds an intraday liquidity reserve portfolio. As at the reporting date, the total value of this portfolio was €6.1bn.

At 147.6% (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 was therefore comfortable given its conservative and forward-looking funding strategy.

Segment performance

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

Overviews of the segments' results can be found under "Additional information" on page 23 f.

Private and Small-Business Customers

The Private and Small-Business Customers segment made progress in key earnings components in the first nine months of 2021 in what remains a very challenging environment for the banking sector. Stable income and a sharply declining risk result, together with slightly lower operating expenses and compulsory contributions, resulted in an operating profit that more than doubled to €687m, which is €350m up on the prior-year period.

Total segment income before risk result in the period under review was on a par with the prior-year level at €3,634m. Net interest income decreased by €62m year on year to €1,886m. A significant increase in income as a result of the growing lending business in Germany, especially in private retail mortgage financing and personal loans, was offset by the ongoing low interest income from deposit business. At mBank, net interest income was down on the previous year due to the interest rate cuts in Poland in 2020, despite increased volumes for both lending and deposit business.

Net commission income rose significantly by €207m to €1,810m and remained the strongest income driver in the first three quarters of the year. The increase in the domestic market was mainly due to persistently brisk customer activity in the securities business, which is reflected in significantly higher deposit and transaction volumes. At mBank, the likewise significant increase resulted from several factors, including price adjustments in private and corporate customer business, in particular an increased deposit fee for corporate customers, as well as higher fees in lending business and for foreign currency transactions.

Among the other earnings components, the fair value result increased by €27m to €183m, partly due to positive remeasurement effects at mBank. The increase in negative other net income to €–269m, from €–99m in the prior year, mainly reflects two factors. First, provisions related to retail mortgage financing issued in foreign currencies at mBank were increased under this item. Second, it was also used to recognise provisions connected with the ruling of the German Federal Court of Justice on price adjustments with private customers.

The risk result fell substantially to –125m as at the end of September, compared with €–444m in the prior-year period. Unlike in the year before, when a high level of loan loss provisions was recognised in connection with the effects of the coronavirus pandemic, only a significantly lower level of loan loss provisions has been required so far this year, particularly in Germany.

There was a net decline in operating expenses of €28m to €2,568m in the period under review. Modest cost reductions in the domestic market were offset by somewhat higher expenses at mBank. The total cost of compulsory contributions was also reduced to €254m, down from €268m in the prior-year period.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €687m in the period under review, compared with €337m in the previous year.

Corporate Clients

The performance of the Corporate Clients segment in the first nine months of 2021 was characterised by a persistently challenging operating environment. In addition to economic dependencies and the repercussions of the coronavirus pandemic, the negative interest rate environment continued to weigh on the interest margins attainable in German customer business in particular. The Corporate Clients segment recorded an operating profit of €561m in the first nine months of 2021, compared with a loss of €–123m in the prior-year period. The prior-year figure included high valuation allowances for credit risks and negative remeasurement effects.

The Mittelstand division recorded slightly positive income growth overall compared with the prior-year period. While income from lending business declined, capital market business showed a gratifying increase. On the other hand, International Corporates reported declining income, especially from capital market business and the strategic reduction in lending business implemented as part of the refocusing project. This could be offset only partially by higher income from transaction banking. The Institutionals division also saw a trend toward lower income in lending and capital market business. By contrast, Cash Management benefited in particular from an increase in payment transaction income and higher deposit fees. The Others division, which includes remeasurement effects in particular, performed positively year on year.

Income before risk result was €2,377m in the first nine months of 2021, €80m higher than in the prior-year period. At €1,242m, net interest income was down €58m on the prior-year level, while net commission income of €928m exceeded the prior-year level by €19m. Net income from financial assets and liabilities measured at fair value through profit or loss improved markedly to €218m, which was a significant increase by €113m compared to the figure for the first nine months of the previous year.

The risk result in the Corporate Clients segment in the period under review was €–68m, compared with €–575m in the prior-year period, which was affected by the coronavirus pandemic and the default of a large individual exposure.

Operating expenses were €1,652m, down €82m 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 €110m were recorded in the previous year.

Overall, the pre-tax profit from continuing operations was €561m, compared with a pre-tax loss of €–123m 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, for example, Group Treasury, equity holdings not allocated to the business segments and overarching specific 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 €–206m for the first nine months of 2021, compared with €–120m 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 nine months 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 targeted longer-term refinancing operations programmes (TLTRO) in particular, along with positive net remeasurement effects, also had a positive impact on earnings.

Others and Consolidation recorded a pre-tax loss of €–1,258m for the first nine months of 2021, following €–320m in the prior-year period. This figure included restructuring expenses of €1,052m relating to the implementation of Commerzbank's new strategic programme.

Outlook and opportunities report

Future economic situation

Compared with our expectations for macroeconomic development in 2021 as stated in the half-year report, there has been another increase in the risks for the economy going forward. The growing shortage of intermediate products, particularly in the automotive industry, as well as global supply bottlenecks are likely to continue well into the coming year. This, together with a sharp increase in the price of raw materials and rising energy costs, will cause consumer prices to rise further.

While the slowdown in the real estate market is exacerbating structural problems in China, it can probably be assumed that the Chinese government is willing to prevent a systemic crisis. Moreover, the coronavirus pandemic is still preventing a return to normality, which will also have an impact on economic performance going forward.

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. The Eurosystem and its securities lending programme for holdings under the asset purchase programme (APP) and pandemic emergency purchase programme (PEPP) are important methods for meeting collateral requirements in trading activities, particularly with respect to German government bonds. Under the APP programme, the ECB intends to continue to make net purchases of around €20bn per month and to discontinue these only shortly before the next interest rate hike. For the PEPP programme, net purchases are expected to be moderately lower from the fourth quarter of 2021 through the first quarter of 2022. For the ECB, the question of which approach to adopt going forward will then hinge on the further course of the pandemic.

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, as well as margin payments for derivatives and repos settled via central counterparties. 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 generally less willing to make their collateral available over the medium term (longer than three months), meaning that the market for term repos still offers only limited liquidity, especially across important reporting dates.

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 ten 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.

As expected, the total funding volume planned for 2021 will be less than €3bn.

Anticipated performance of the Commerzbank Group

We have partially revised the guidance we gave in the interim report as at 30 June 2021 regarding the Commerzbank Group’s anticipated earnings performance in 2021 to reflect the earnings performance of the third quarter of 2021.

We expect income for 2021 as a whole to be higher than in 2020. Operating costs will amount to approximately €6.5bn, plus the expense for the derecognition of an intangible asset booked in the first half of 2021. We have adjusted our expectations for the risk result based on the necessary precautions taken for credit risks up to the reporting date. For 2021 as a whole, we expect the risk result to have a negative impact of less than €–0.7bn. This is around €0.3bn less than had been forecast at midyear. Overall, the Bank expects an operating profit for 2021 and, contrary to our previous expectations, also a small consolidated profit.

The Bank expects to have a CET1 ratio of around 13.5% as at the end of 2021, well above the targeted buffer over the minimum regulatory requirement (MDA threshold).

The outlook is still based on the assumption that there will be no substantial changes with regard to mBank’s Swiss franc loan portfolio.

Risk situation

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 three quarters of 2021, the RBC ratio was consistently above 100% and stood at 178% as at 30 September 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 Group | €bn	30.9.2021	31.12.2020
Economic risk coverage potential	**22**	**22**
Economically required capital[1]	**13**	**14**
thereof for default risk	9	10
thereof for market risk[2]	4	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).

The coronavirus pandemic still does not allow a return to normality, which will also have an impact on the further course of the economic cycle. In autumn, the number of new infections is expected to rise again significantly, causing uncertainty.

Default risks

In 2021 the ongoing development of the coronavirus pandemic will further be taken into account in the calculation of default risk by means of a top-level adjustment (TLA) in the risk result. In the remaining risk figures, the expected uncertain development is largely not yet perceptible, as it will only become noticeable here with a time lag over the course of the coming year.

The credit risk parameters in the rating classes 1.0 to 5.8 as at 30 September 2021 were as follows:

	30.9.2021				31.12.2020			
Credit risk parameters	**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	203	438	22	2,208	190	401	21	2,025
Corporate Clients	176	366	21	4,278	180	430	24	4,647
Others and Consolidation[1]	106	119	11	2,203	96	141	15	2,721
Group	**485**	**922**	**19**	**8,689**	**466**	**971**	**21**	**9,393**

[1] Mainly liquidity portfolios of Treasury.

When broken down on the basis of PD ratings, 86% of the Group's portfolio is in the internal rating classes 1 and 2, which comprise investment grade.

	30.9.2021					31.12.2020				
Rating breakdown EaD | %	**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	32	54	12	2	1	32	52	13	3	1
Corporate Clients	19	61	15	4	2	20	59	16	4	2
Others and Consolidation	52	45	3	0	0	56	41	3	0	0
Group	**31**	**55**	**11**	**2**	**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.

	30.9.2021			31.12.2020		
Group portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	254	378	15	248	415	17
Western Europe	101	194	19	102	238	23
Central and Eastern Europe	54	245	45	51	207	41
North America	44	43	10	33	46	14
Asia	21	26	13	24	34	15
Other	11	38	35	10	31	31
Group	**485**	**922**	**19**	**466**	**971**	**21**

Risk result The risk result relating to the Group's lending business as at 30 September 2021 was €–257m (prior-year period: €–1,067m) and is thus at a low level.

The TLA amount for the coronavirus pandemic included in the 2020 financial statements was reviewed and reassessed in the third quarter of 2021. The TLA for the third quarter of 2021 amounted to €–496m, resulting in a contribution to the TLA of €–1m.

The general approach and methodology for the calculation of the TLA is identical to the procedure in the fourth quarter of 2020. The recalculation of the TLA will ensure an adequate consideration of the updated macroeconomic scenario, the remaining uncertainty about the development of the pandemic and its impact on the economy, and the pandemic-related secondary impact on selected sectors of the economy, in particular as a result of scarce resources.

Due to the positive development of the risk result in the first three quarters of 2021 and taking into account the continuing uncertainty about the impact of the coronavirus pandemic, a value of less than €–700m is likely.

	30.9.2021				30.9.2020			
Risk result | €m	**Stage 1**	**Stage 2[1]**	**Stage 3[1]**	**Total**	**Stage 1**	**Stage 2[1]**	**Stage 3[1]**	**Total**
Private and Small-Business Customers	–29	60	–156	–125	–8	–144	–291	–444
Corporate Clients	25	–11	–83	–68	–9	–49	–516	–575
Others and Consolidation	8	–2	–69	–63	–3	9	–55	–49
Group	**3**	**47**	**–307**	**–257**	**–20**	**–184**	**–863**	**–1,067**

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

Default portfolio The Group's default portfolio fell by €524m in the first nine months and stood at €4,271m as at 30 September 2021.

Market risks

The trend in the first nine months of 2021 was driven by falling value at risk (VaR) figures, as the extreme coronavirus-related scenarios from the previous year were eliminated from the time series for the VaR calculation and therefore no longer had an influence on VaR.

VaR in the trading book fell from €12m to €4m as at the end of September 2021, while stressed VaR fell slightly from €28m as at the end of 2020 to €27m as at the end of the third quarter of 2021.

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. As a result of the scenario +200 basis points, a potential economic loss of €2,803m as at 30 September 2021 (31 December 2020: €2,776m potential economic loss) was determined, and in the scenario –200 basis points a potential economic profit of €707m (31 December 2020: €343m potential economic profit).

The interest rate sensitivity of the overall banking book (excluding pension funds) amounted to €8.8m as at 30 September 2021 (31 December 2020: €9.0m) per basis point of interest rate decline.

Liquidity risks

The stress scenarios within the Bank that underlie the liquidity risk model and are relevant for management purposes allow for the impact of both a bank-specific stress event and a broader market crisis. As at the end of September 2021, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €19.5bn and €18.9bn respectively.

As at the end of the third quarter of 2021, the Bank had a liquidity reserve of €116.9bn in the form of highly liquid assets.

The Bank also holds an intraday liquidity reserve portfolio. As at the end of the third quarter of 2021, the total value of this portfolio was €6.1bn.

In the third quarter of 2021, Commerzbank significantly exceeded the minimum ratio of 100% on every reporting date. As at the end of the third quarter of 2021, the average month-end value of the LCR over the last twelve months was 147.6%.

Operational risks

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. At the end of the fourth quarter of 2021, Commerzbank will switch to the standardised approach for the determination of regulatory capital. In order to take this into account, a corresponding RWA buffer was formed anticipatively at the end of the third quarter of 2021. The change will not affect the economically required capital. Risk-weighted assets for operational risks on this basis came to €19.8bn as at the end of the third 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 third quarter of 2021 was approximately €356m (full-year 2020: €345m). The events mainly related to losses in the "Products and business practices" category.

Other risks

As regards all other risks, there were no significant changes in the third quarter of 2021 compared with the position reported in the Group Risk Report 2020 and Interim Risk Report as at 30 June 2021, with the exception of the details set out below on current developments in respect of legal risks:

In the class action pending against a subsidiary of Commerzbank in Poland relating to the alleged ineffectiveness of index clauses in loan agreements in Swiss francs (CHF), a hearing date has been scheduled for January 2022; owing to a change in the risk assessment, the provision recognised for this has been increased by an amount in the low double-digit millions.

Independently of this, numerous borrowers have also filed individual lawsuits for the same reasons. Compared with the situation as at 30 June 2021, there was a slight increase in the number of pending individual proceedings and final judgements and in the number of proceedings suspended due to questions being referred to the Polish Supreme Court and the European Court of Justice (ECJ).

The session of the Civil Chamber of the Polish Supreme Court examining loan agreements in Swiss francs with index clauses was held on 2 September 2021. The questions referred by the President of the Supreme Court were not answered; instead, questions on the legality of the process for appointing new judges were referred to the ECJ. The further course of the proceedings and the outcome remain to be seen.

As at 30 September 2021, the provision for individual claims was €448.1m. Rulings of the Polish courts in particular may mean that the amount of the provision has to be adjusted significantly in the future.

The Bank has analysed the manifold effects on its business areas and products of the Federal Court of Justice's case law on the mechanism for changes to banks' general terms and conditions (AGB Banken). Charges introduced or increased for consumers on the basis of the mechanism for changes to banks' general terms and conditions may be potentially invalid. The Bank has set aside appropriate provisions for this.

The Bank terminated an outsourcing project prematurely. The contracting parties are currently negotiating the terms of the reversal.

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.

Statement of comprehensive income

Income statement

€m	30.9.2021	30.9.2020[1]	Change in %
Interest income accounted for using the effective interest method	4,447	5,108	–12.9
Interest income accounted for not using the effective interest method	907	719	26.2
Interest income	5,354	5,827	–8.1
Interest expenses	1,805	2,003	–9.9
Net interest income	3,549	3,824	–7.2
Dividend income	10	27	–63.2
Risk result	–257	–1,067	–75.9
Commission income	3,157	2,919	8.1
Commission expenses	464	438	5.9
Net commission income	2,692	2,481	8.5
Net income from financial assets and liabilities measured at fair value through profit or loss	645	–116	.
Net income from hedge accounting	–84	152	.
Other sundry realised profit or loss from financial instruments	44	21	.
Gain or loss on disposal of financial assets – Amortised cost	–23	–45	–49.1
Other net income from financial instruments	21	–24	.
Current net income from companies accounted for using the equity method	4	5	–7.6
Other net income	–478	–191	.
Operating expenses	4,658	4,551	2.4
Compulsory contributions	402	445	–9.6
Restructuring expenses	1,052	201	.
Pre-tax profit or loss from continuing operations	**–10**	**–106**	**–90.6**
Taxes on income	– 49	65	.
Consolidated profit or loss from continuing operations	**39**	**– 171**	**.**
Consolidated profit or loss from discontinued operations	–	40	.
Consolidated profit or loss	**39**	**– 132**	**.**
Consolidated profit or loss attributable to non-controlling interests	30	36	–15.6
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	9	–168	.

[1] Prior-year figures adjusted due to restatements (see Adjustments).

€	30.9.2021	30.9.2020[1]	Change in %
Earnings per share	– 0.10	– 0.17	– 39.5

[1] Prior-year figures adjusted due to restatements (see Adjustments).

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

Condensed statement of comprehensive income

€m	1.1-30.9.2021	1.1-30.9.2020[1]	Change in %
Consolidated profit or loss	39	–132	.
Change from remeasurement of defined benefit plans not recognised in income statement	823	287	.
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	–23	36	.
Change in revaluation of land and buildings not recognised in income statement	2	–	.
Items not recyclable through profit or loss	**803**	**318**	**.**
Change in revaluation of debt securities (FVOCImR)			
Reclassified to income statement	–55	–16	.
Change in value not recognised in income statement	–30	42	.
Change in cash flow hedge reserve			
Reclassified to income statement	2	1	25.6
Change in value not recognised in income statement	–77	75	.
Change in currency translation reserve			
Reclassified to income statement	–	1	.
Change in value not recognised in income statement	123	–416	.
Valuation effect from net investment hedge			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–4	–	.
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	**– 42**	**– 313**	**– 86.5**
Other comprehensive income	760	5	.
Total comprehensive income	**800**	**– 127**	**.**
Comprehensive income attributable to non-controlling interests	–28	–5	.
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	827	–121	.

[1] Prior-year figures adjusted due to restatements (see Adjustments).

Balance sheet

Assets[1] | €m	**30.9.2021**	**31.12.2020[2]**	**Change in %**
Cash on hand and cash on demand	103,252	75,603	36.6
Financial assets – Amortised cost	295,987	292,142	1.3
of which: pledged as collateral	1,299	1,037	25.3
Financial assets – Fair value OCI	40,170	42,862	–6.3
of which: pledged as collateral	3,283	2,299	42.8
Financial assets – Mandatorily fair value P&L	40,123	28,677	39.9
of which: pledged as collateral	–	–	.
Financial assets – Held for trading	48,587	52,176	–6.9
of which: pledged as collateral	2,524	715	.
Value adjustment on portfolio fair value hedges	534	1,752	–69.5
Positive fair values of derivative hedging instruments	919	1,878	–51.1
Holdings in companies accounted for using the equity method	173	169	1.9
Intangible assets	1,210	1,420	–14.8
Fixed assets	2,991	3,208	–6.8
Investment properties	41	13	.
Non-current assets held for sale and disposal groups	1,368	2,040	–32.9
Current tax assets	199	130	52.6
Deferred tax assets	2,698	2,693	0.2
Other assets	3,006	1,851	62.4
Total	**541,258**	**506,613**	**6.8**

[1] The assets include loans and receivables of €300,041m (previous year: €285,008m).
[2] Prior-year figures adjusted due to restatements (see Adjustments).

Liabilities and equity[1] | €m	**30.9.2021**	**31.12.2020[2]**	**Change in %**
Financial liabilities – Amortised cost	424,485	397,725	6.7
Financial liabilities – Fair value option	34,783	20,104	73.0
Financial liabilities – Held for trading	34,768	42,843	–18.8
Value adjustment on portfolio fair value hedges	671	1,412	–52.5
Negative fair values of derivative hedging instruments	5,699	5,893	–3.3
Provisions	3,756	3,119	20.4
Current tax liabilities	557	448	24.4
Deferred tax liabilities	19	10	.
Liabilities of disposal groups	1,432	2,051	–30.2
Other liabilities	5,335	4,434	20.3
Equity	29,754	28,574	4.1
Subscribed capital	1,252	1,252	–
Capital reserve	11,484	11,484	–
Retained earnings	13,272	12,576	5.5
Other reserves (with recycling)	–460	–476	–3.5
Equity attributable to Commerzbank shareholders	25,548	24,836	2.9
Additional equity components	3,114	2,619	18.9
Non-controlling interests	1,091	1,119	–2.5
Total	**541,258**	**506,613**	**6.8**

[1] The liabilities included deposits of €417,208m (previous year: €373,760m). The Debt securities issued amounted to €42,060m (previous year: €44,069m).

[2] Prior-year figures adjusted due to restatements (see Adjustments).

Statement of changes in equity

€m	Sub-scribed capital	Capital reserve	Retained earnings	Other reserves: Revalu-ation reserve	Other reserves: Cash flow hedge reserve	Other reserves: Currency translation reserve	Equity attributable to Commerz-bank share-holders[1]	Additional equity compo-nents[2]	Non-con-trolling interests[1]	Equity[1]
Equity as at 31.12.2019 (before restatements)	**1,252**	**17,192**	**10,211**	**10**	**–5**	**–174**	**28,487**	**885**	**1,296**	**30,667**
Change due to 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	–	–	151	15	53	–340	–121	–	–5	–127
Consolidated profit or loss	–	–	–168	–	–	–	–168	–	36	–132
Change in own credit spread (OCS) of liabilities FVO			36				36		–	36
Change from remeasurement of defined benefit plans			287				287		–0	287
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 (FVOCImR)	–	–	–	15	–	–	15	–	12	26
Change in cash flow hedge reserve				–	53	–	53	–	23	76
Change in currency translation reserve				–		–341	–341	–	–75	–415
Valuation effect from net investment hedge										
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
Payments to instruments of Additional Tier 1 capital			–48				–48			–48
Changes in ownership interests			–113	–	–		–113		–61	–174
Other changes			–4	–	–		–4	1,738	2	1,736
Equity as at 30.9.2020	**1,252**	**17,192**	**10,004**	**25**	**48**	**–514**	**28,007**	**2,622**	**1,231**	**31,860**

[1] Prior-year figures adjusted due to restatements (see Adjustments).
[2] Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

€m	Subscribed capital	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			811	–66	–50	133	827	–	–28	800
Consolidated profit or loss			9				9		30	39
Change in own credit spread (OCS) of liabilities FVO			–23				–23		–	–23
Change from remeasurement of defined benefit plans			823				823		0	823
Change in revaluation of land and buildings not recognised in income statement			2				2		1	2
Change in measurement of equity instruments (FVOCIoR)			–	–			–		–	–
Change in revaluation of debt securities (FVOCImR)				–66			–66		–19	–85
Change in cash flow hedge reserve	–	–	–	–	–50	–	–50	–	–25	–75
Change in currency translation reserve						138	138		–15	123
Valuation effect from net investment hedge						–4	–4		–	–4
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
Payments to instruments of Additional Tier 1 capital			–140				–140		–	–140
Changes in ownership interests			–				–		–	–
Other changes			25				25	496	1	521
Equity as at 30.9.2021	**1,252**	**11,484**	**13,272**	**30**	**–8**	**–482**	**25,548**	**3,114**	**1,091**	**29,754**

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

Additional information

General information

The subject of this Group financial information as at 30 September 2021 is Commerzbank Aktiengesellschaft and its subsidiaries. The statement of comprehensive income, balance sheet and statement of changes in equity were prepared in accordance with the applicable IFRS accounting, measurement and consolidation principles for interim reporting as published by the IASB and applicable in the EU. The accounting, measurement and consolidation methods applied are the same as those used in the Group financial statements for the 2020 financial year and in the interim report as at 30 June 2021. The Group financial information does not constitute a complete set of interim financial statements in accordance with IFRS for interim financial reporting. In interim reporting periods, income tax expenses are calculated on the basis of Commerzbank's currently expected effective tax rate for the year as a whole. The Board of Managing Directors released the financial information for publication on 1 November 2021.

New and amended 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 to reporting periods beginning on or after 1 April 2021. The amendment was endorsed on 30 August 2021.

Apart from this amendment, there were no new or amended standards of material significance for the Commerzbank Group in the third quarter of 2021. Please refer to page 46 f. of our interim report as at 30 June 2021 and to page 177 of our Annual Report 2020 for further information on new and amended standards.

Changes in accounting and measurement methods and estimates

Corona-Pandemie

The coronavirus pandemic had a major impact on the German economy and the global economy both in 2020 and in the first nine months of 2021, and has therefore also affected the Commerzbank Group's interim financial information. 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 as at 30 June 2021 (see page 8 ff.), detailed descriptions of the effects of the pandemic and of the calculation of the TLA can be found primarily in the annual financial statements as at 31 December 2020 (see Note 32) and in the interim report as at 30 June 2021 (see Note 27), as well as in the note to the statement of changes in equity.

The assumptions underlying the pandemic-related TLA were reviewed and it was recalculated in the third quarter of 2021 in a manner consistent with the previous calculation.

Other changes

In this interim financial information we apply the same accounting and measurement methods as in our interim financial statements as at 30 June 2021 and our Group financial statements as at 31 December 2020 (see page 51 of the interim report as at 30 June 2021 and page 178 ff. of the Annual Report 2020).

Adjustments

In the case of one company included in the Group financial statements as a subsidiary, the change of method described in Note 38 "Provisions" within our interim financial statements as at 30 June 2021 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 the earnings per share.

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

There was a further error correction in deferred taxes due to changes to the tax adjustment item in connection with provisions for contingent losses. This led to an increase of €7m in taxes on income as at 30 September 2020. Total comprehensive income therefore decreased by the same amount. The earnings per share as at 30 September 2020 decreased by €0.00. As a result of the adjustments, the 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 €19m as at 30 September 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 the adjustments, the 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 the adjustments, the 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. This led to a decrease of €1m in taxes on income as at 30 September 2020. Total comprehensive income therefore increased by the same amount. The earnings per share as at 30 September 2020 increased by €0.00. As a result of this adjustment, retained earnings were higher by €42m as at 1 January 2020.

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, the statement of comprehensive income or the earnings per share.

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.

	30.9.2021	31.12.2020	Change in %
Common Equity Tier 1[1] (€m)	23,666	23,611	0.2
Tier 1 capital (€m)	27,141	26,790	1.3
Equity[1] (€m)	32,174	31,603	1.8
Risk-weighted assets (€m)	175,217	178,581	–1.9
of which credit risk	146,691	147,960	–0.9
of which market risk[2]	8,731	12,333	–29.2
of which operational risk	19,795	18,287	8.2
Common Equity Tier 1 ratio (%)	13.5	13.2	2.3
Equity Tier 1 ratio (%)	15.5	15.0	3.3
Total capital ratio (%)	18.4	17.7	4.0

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

[2] Includes credit valuation adjustment risk.

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

	30.9.2021	31.12.2020	Change in %
Leverage Ratio Exposure (€m)	589,100	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.

	30.9.2021	31.12.2020	Change in %
NPE-ratio (%)	0.8	1.0	–20.0

Segment reporting

1.1.-30.9.2021 | €m	Private and Small Business Customers	Corporate Clients	Others and Consolidation	Group
Net interest income	1,886	1,242	421	3,549
Dividend income	7	2	0	10
Risk result	– 125	– 68	– 63	– 257
Net commission income	1,810	928	– 45	2,692
Net income from financial assets and liabilities measured at fair value through profit or loss	183	218	244	645
Net income from hedge accounting	– 3	– 4	– 77	– 84
Other net income from financial instruments	20	– 7	8	21
Current net income from companies accounted for using the equity method	0	4	– 0	4
Other net income	– 269	– 7	– 203	– 478
Income before risk result	**3,634**	**2,377**	**349**	**6,360**
Income after risk result	**3,509**	**2,308**	**286**	**6,103**
Operating expenses	2,568	1,652	439	4,658
Compulsory contributions	254	95	53	402
Operating profit or loss	**687**	**561**	**– 206**	**1,042**
Restructuring expenses	–	–	1,052	1,052
Pre-tax profit or loss from continuing operations	**687**	**561**	**– 1,258**	**– 10**
Assets	**165,238**	**150,067**	**225,953**	**541,258**
of which: discontinued assets	–	1,368	–	1,368
Liabilities	**201,007**	**178,381**	**161,870**	**541,258**
of which: discontinued liabilities	–	1,432	–	1,432
Carrying amount of companies accounted for using the equity method	**28**	**144**	**1**	**173**
Average capital employed (from continuing operations) (based on CET1)[1]	**6,106**	**9,990**	**7,655**	**23,751**
Operating return on equity (%)[2]	**15.0**	**7.5**		**5.8**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**70.7**	**69.5**		**73.2**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**77.7**	**73.5**		**79.6**

[1] Average CET1 capital. Reconciliation carried out in Others and Consolidation.
[2] Annualised.

1.1.-30.9.2020[1] | €m	Private and Small Business Customers	Corporate Clients	Others and Consolidation	Group
Net interest income	1,947	1,300	576	3,824
Dividend income	24	3	1	27
Risk result	– 444	– 575	– 49	– 1,067
Net commission income	1,603	909	– 31	2,481
Net income from financial assets and liabilities measured at fair value through profit or loss	156	105	– 377	– 116
Net income from hedge accounting	2	11	140	152
Other net income from financial instruments	11	– 27	– 9	– 24
Current net income from companies accounted for using the equity method	– 1	5	– 0	5
Other net income	– 99	– 9	– 83	– 191
Income before risk result	**3,644**	**2,297**	**217**	**6,158**
Income after risk result	**3,201**	**1,722**	**168**	**5,091**
Operating expenses	2,596	1,734	221	4,551
Compulsory contributions	268	110	67	445
Operating profit or loss	**337**	**– 123**	**– 120**	**94**
Restructuring expenses	–	–	201	201
Pre-tax profit or loss from continuing operations	**337**	**– 123**	**– 320**	**– 106**
Assets	**158,667**	**172,080**	**213,283**	**544,030**
of which: discontinued assets	–	2,167	–	2,167
Liabilities	**195,332**	**186,891**	**161,807**	**544,030**
of which: discontinued liabilities	–	3,066	–	3,066
Carrying amount of companies accounted for using the equity method	**28**	**140**	**1**	**169**
Average capital employed (from continuing operations) (based on CET1)[2]	**5,675**	**11,418**	**7,508**	**24,601**
Operating return on equity (%)[3]	**7.9**	**– 1.4**		**0.5**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**71.2**	**75.5**		**73.9**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**78.6**	**80.3**		**81.1**

[1] Prior-year figures adjusted due to restatements (see Adjustments).
[2] Average CET1 capital. Reconciliation carried out in Others and Consolidation.
[3] Annualised.

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 Abeba, Almaty, Aschgabat, 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, Johannesburg, Kiev, 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

Disclaimer

COMMERZBANK

2022 Financial calendar	
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

Commerzbank AG
Head Office
Kaiserplatz
Frankfurt am Main
www.commerzbank.com

Postal address
60261 Frankfurt am Main
Tel.: + 49 69 136-20
info@commerzbank.com

Investor Relations
Tel.: + 49 69 136-21331
ir@commerzbank.com