COMMERZBANK
The bank at your side

Interim Report as at 30 September

2019

Key figures

Income statement	1.1.-30.9.2019	1.1.-30.9.2018
Operating profit (€m)	990	1.005
Operating profit per share (€)	0,79	0,80
Pre-tax profit or loss (€m)	990	1.005
Consolidated profit or loss[2] (€m)	684	751
Earnings per share (€)	0,55	0,60
Operating return on equity based on CET1[3,4] (%)	5,6	5,9
Return on equity of consolidated profit or loss[4,9] (%)	3,5	4,0
Cost/income ratio in operating business (excl. compulsory contributions) (%)	72,8	74,7
Cost/income ratio in operating business (incl. compulsory contributions) (%)	79,0	80,1

Balance sheet	30.9.2019	31.12.2018
Total assets (€bn)	513,3	462,4
Risk-weighted assets (€bn)	189,4	180,5
Equity as shown in balance sheet (€bn)	30,7	29,4
Total capital as shown in balance sheet (€bn)	38,8	38,5

Regulatory key figures	30.9.2019	31.12.2018
Tier 1 capital ratio (%)	13,7	13,4
Common Equity Tier 1 ratio[5] (%)	12,8	12,9
Common Equity Tier 1 ratio[5] (fully loaded, %)	12,8	12,9
Total capital ratio (%)	16,3	16,3
Leverage ratio (%)	4,9	5,0
Leverage ratio (fully loaded, %)	4,7	4,8

Staff	30.9.2019	31.3.2019
Germany	34.728	34903
Abroad	13.829	13.741
Total	48.557	48644

Ratings[6]	30.9.2019	31.3.2019
Moody's Investors Service, New York[7]	A1/A1/P–1	A1/A1/P–1
S&P Global, New York[8]	A/A-/A–2	A/A-/A–2
Fitch Ratings, New York/London[7]	A-/BBB+/F1	A-/BBB+/F2
Scope Ratings, Berlin[7]	–/A/S–1	–/A/S–1

1 Prior-year figures restated.
2 Insofar as attributable to Commerzbank shareholders.
3 Average Common Equity Tier 1 capital (CET 1) fully loaded.
4 Annualised.
5 The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital (CET1) mainly subscribed capital, reserves and deduction items) to risk-weighted assets. The fully loaded basis anticipates full application of the new regulations.
6 Further information can be found online at www.commerzbank.com.
7 Counterparty rating and deposit rating/issuer credit rating/short-term liabilities.
8 Counterparty rating/deposit rating and issuer credit rating/short-term liabilities.
9 Ratio of net income attributable to Commerzbank shareholders after potential (completely discretionary) AT1-Coupon and average IFRS equity after deduction of goodwill and other intangible assets without additional equity components and before minorities.

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 2019

Key statements

- Commerzbank achieved an operating profit of €990m in the first nine months of 2019, on a par with the previous year. In addition to keeping earnings stable, the Bank further reduced its costs, achieving savings of around €130m year-on-year in the year under review despite an increase in mandatory levies.
- Consolidated profit attributable to Commerzbank shareholders and investors in additional equity components was €684m, compared with €751m in the prior-year period.
- The Group risk result was €–370m, with the quality of the credit portfolio continuing to make a positive impact; the non-performing loans (NPL) ratio was 0.8%. Operating expenses were reduced by 3.5% despite ongoing investment in digitalisation and growth. Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, have been reported separately since the first quarter of 2019 and rose by 11.5% to €398m.
- The Common Equity Tier 1 ratio was 12.8%; the leverage ratio was 4.7% (fully loaded).
- The operating return on equity was 5.6%, compared with 5.9% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets and AT1 related items) was 3.5%, compared with 4.0% in the previous year. The cost/income ratio was 72.8% with compulsory contributions excluded and 79.0% including compulsory contributions.

Performance of the Commerzbank share

Events on international stock markets in the first nine months of 2019 were marked by a number of economic and geopolitical events, including growing tensions in the trade conflict between the USA and China, economic sanctions against Iran and continued unrest in the Middle East. Against the backdrop of a weaker global economic environment and increasing risks in foreign trade, leading central banks tempered their interest rate and inflation expectations. The US Federal Reserve led the way, cutting its benchmark interest rate for a further time this year. The European Central Bank (ECB) also decided to further relax its monetary policy in September, implementing a number of measures including a further 10-basis-point reduction in its deposit rate. Despite all the geopolitical challenges and uncertainties, including the ongoing failure to resolve Brexit and the UK’s future role in Europe, the stock markets performed very well overall in the first nine months of 2019. Falling interest rate expectations in the eurozone coupled with the resumption of the ECB’s bond purchasing programme had a comparatively negative impact, however, at least on the European banking sector. While the EuroStoxx 50 gained 18.9% in the first nine months of the year (DAX: +17.7%), the EuroStoxx bank index rose by just 0.8%. By comparison, the Commerzbank share price fell by 8%. This below-average performance was due in particular to the markedly negative interest rate environment and the associated decline in earnings to be expected in the medium term.

Highlights of the Commerzbank share	1.1.–30.9.2019	1.1.–30.9.2018
Shares issued in million units (30.9.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	8.26	13.82
Low	4.66	7.92
Closing price (30.9.)	5.32	8.21
Daily trading volume[1] in million units		
High	21.6	29.1
Low	3.1	4.0
Average	8.1	10.4
Index weighting in % (30.9.)		
MDAX	2.1	.
EURO STOXX Banks	0.5	1.3
Earnings per share in €	0.55	0.60
Book value per share[2] in € (30.9.)	22.79	22.66
Net asset value per share[3] in € (30.9.)	21.58	21.48
Market value/Net asset value (30.9.)	0.25	0.38

[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 in the third quarter

Changes in the Board of Managing Directors of Commerzbank

On 5 September, CFO Stephan Engels informed the Board of Managing Directors and the Supervisory Board that he was committed to fulfilling his contract, which runs until April 2020, but would decline any offer to extend it. Mr Engels has been CFO of Commerzbank since 1 April 2012 and is responsible for Group Finance, Group Tax, Group Treasury, Group Investor Relations and mBank. At its meeting on 26 September, the Supervisory Board decided that Dr. Bettina Orlopp would succeed Mr Engels as CFO on or before 31 March 2020, at which time she will also take over Group Tax, Group Treasury and Group Investor Relations. At the same meeting, the Supervisory Board appointed Sabine Schmittroth – currently a Divisional Board member in the Private and Small-Business Customers segment – to the Board of Managing Directors as future Director of Human Resources with effect from 1 January 2020. Ms Schmittroth will initially take charge of Group Human Resources from 1 January 2020 and additionally take on responsibility for Group Compliance by no later than 31 March 2020. Group Legal will then be headed by Martin Zielke. The appointment of Ms Schmittroth to the Board of Managing Directors is still subject to approval from the supervisory authority.

Commerzbank presents the Commerzbank 5.0 strategic programme

At the end of September, Commerzbank presented the cornerstones of its new Commerzbank 5.0 strategic programme. Under the new strategy, the Bank will invest in technological innovation and its core business with the aim of accelerating digitalisation, creating growth and increasing efficiency.

In the Private and Small-Business Customers segment, Commerzbank will focus above all on the rapid expansion of mobile banking, although the branch network will remain a key pillar of its customer offering. With around 800 branches in future, Commerzbank will continue to offer a broad geographical presence in Germany. The Bank expects to realise additional earnings potential from the enhanced use of data, which will enable the provision of individually tailored products and services. Commerzbank is also planning to introduce a more differentiated pricing strategy. The planned integration of comdirect will allow the Bank to bundle its digital expertise.

In the Corporate Clients segment, the Bank will strengthen its market presence, particularly in the Mittelstand division, where further digitalisation and a more efficient platform should open up greater scope for sales. This is to be reinforced by the addition of more than 150 new sales staff in Germany alone, enabling the Bank to service customers even more intensively in the future. The focus will be on better exploiting the potential of existing customer relationships and on improving capital efficiency.

The strategic programme will see the Bank invest a total of around €1.6bn in digitalisation and further cost reductions. This will include additional investments of €750m in digitalisation, IT infrastructure and growth. The remaining €850m will consist of restructuring costs related to the planned reduction in full-time positions (4,300 gross, 2,300 net) and the announced changes to the branch network. The Bank aims to use the planned sale of the majority shareholding in mBank S.A. ("mBank") in Poland to generate the financial resources needed to accelerate implementation of the strategy and the related investments.

The further development of the strategy should help the Bank achieve further growth in customers and assets and increased income by 2023, even in a market environment that is set to become even more difficult. Commerzbank is aiming to reduce costs by around €600m by 2023 compared with the current year. Investments in the ongoing modernisation of the Group-wide IT infrastructure are geared towards reducing the Bank's IT costs to €1bn. Costs are also to be further reduced in the central divisions and segments. Following the sale of mBank, the cost base should be a maximum of €5.5bn in 2023. As announced, a further Group-wide reduction in full-time positions (4,300 gross, 2,300 net) will unfortunately be unavoidable. A significant proportion of the 2,000 or so new positions will be created in strategically important areas. The details will be worked out over the next few months in consultation with the employee representative committees. As with previous measures, the aim is to make the planned headcount reduction as socially responsible as possible.

Following the implementation phase of the strategy, the Bank intends to achieve a return on equity of more than 4% over the medium term. This medium-term planning takes account of recent decisions by the European Central Bank. The target capital ratio will remain unchanged at between 12% and 13%. Coupled with the targeted return on equity, this should enable the Bank to pay regular dividends. Further information on the Commerzbank 5.0 strategy can be found at https://www.commerzbank.com.

Commerzbank publishes voluntary public acquisition offer for comdirect

On 30 October, Commerzbank AG published the offer document relating to the voluntary public acquisition offer for all the outstanding shares of comdirect bank Aktiengesellschaft ("comdirect"). Commerzbank already holds around 82% of the shares in comdirect. The other 18% are in free float. The aim is to merge comdirect into Commerzbank so as to draw on comdirect's strong digital expertise and innovative capability for the benefit of all Group customers in future. The integration will also give comdirect the opportunity to scale up its offering through Commerzbank. Commerzbank is offering comdirect's shareholders €11.44 per share in cash. This corresponds to a 25% premium on the Xetra closing price of the comdirect share on 19 September 2019, the day before Commerzbank published the ad-hoc announcement on its draft strategy "Commerzbank 5.0". The offer period for the acquisition offer runs until 6 December 2019 and the completion is subject to a minimum acceptance threshold of 90% (including the comdirect shares already held by Commerzbank).

Customers of comdirect will still have access to the high-quality products and services and will be able to benefit from Commerzbank's branch network. In return, Commerzbank customers will gain access to comdirect's excellent brokerage offering, which will be continued under the existing product brand.

This offer document and all other information on the offer is published on the following website: www.commerzbank-offer.com.

Interim Management Report

Economic conditions

Overall economic situation

Overall economic performance in the reporting period has not changed significantly compared with the statements made in the interim report as at 30 June 2019.

Financial performance, assets, liabilities and financial position

In the first quarter of 2019, we changed the presentation of compulsory contributions, which comprise contributions to deposit insurance, bank levies and the Polish bank tax. These compulsory contributions are only partially controllable and are therefore presented apart from operating expenses as a separate item in the income statement. We amended the comparative figures for 2018 in the income statement and the related notes. For information on this and other adjustments, see Note 3 to the interim financial statements.

Income statement of the Commerzbank Group

Commerzbank posted an operating profit of €990m in the first nine months of 2019, compared with €1,005m in the prior-year period.

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

At €3,764m, net interest income in the period under review was 7.2% above the prior-year level. The Private and Small-Business Customers segment managed to increase its net interest income considerably year on year. Net interest income in Germany rose due to continued credit growth, primarily in residential mortgage loans. It also benefited from measures to increase interest income from deposit business, meaning that further declines in credit margins were offset. At mBank, net interest income grew more dynamically than in Germany, driven by consumer lending business with private customers and higher income from deposit business. In the Corporate Clients segment, the negative impact of the low interest rate environment and intense price competition was more than offset by higher interest income, especially from lending business.

Net commission income fell by 2.8% year on year to €2,270m. In the Private and Small-Business Customers segment, net commission income declined compared with the same period in the previous year. In Germany, commission income from securities business is becoming increasingly stable but was still below the prior-year level overall. Neither this decline nor the lower commission income from pension business were offset by the steady growth in income from payment services. Net commission income also fell at mBank, due partly to the absence of income from the divested group insurance business. In the Corporate Clients segment net commission income was almost stable compared with the prior-year period.

The net income from financial assets and liabilities measured at fair value through profit or loss was €127m in the reporting period, after €488m in the prior-year period. The decline is attributable in particular to remeasurement effects in the Others and Consolidation segment and positive income from restructuring measures in the Corporate Clients segment in the prior-year period.

Other net income was €159m in the reporting period, compared with €145m a year earlier. This includes €103m from the completed sale of ebase GmbH. The result for the prior-year period includes income from the sale of the group insurance business of the mBank subsidiary mFinanse in the Private and Small-Business Customers segment, and from an investment in the Corporate Clients segment. Interest for tax refund claims also had a positive effect on net income in the previous year.

The risk result was €–370m in the reporting period, compared with €–292m a year earlier. In the Private and Small-Business Customers segment, the risk result was slightly above the prior-year level. In Germany, risk costs fell significantly once again and accounted for just under one-third of the total risk result. The lion's share was thus attributable to mBank, which particularly recorded an increase in loan impairments in private customer business, although the quality of the loan portfolio remained good overall. The risk result of the Corporate Clients segment increased year on year, mainly due to impairments of individual loan commitments.

Despite ongoing investment in digitalisation and growth, operating expenses were 3.5% lower year on year in the reporting period at €4,710m. While personnel expenses were 2.9% above the prior-year level at €2,647m, in part due to pay scale adjustments, administrative expenses, including depreciation on fixed assets and amortisation of other intangible assets, were reduced by 10.6% to €2,063m. This significant decrease was primarily due to lower costs for external staff on projects and lower consulting costs.

Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, have been reported separately since the first quarter of 2019 and rose by 11.5% to €398m.

Pre-tax profit from continuing operations was €990m, compared with €1,005m in the prior-year period.

Tax expense on continuing operations for the period under review was €231m, compared with €185m in the previous year.

Profit from continuing operations after tax was €759m, compared with €820m in the prior-year period.

Discontinued operations posted a result after tax of €9m. This includes the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale.

Net of non-controlling interests, a consolidated profit of €684m was attributable to Commerzbank shareholders and investors in additional equity components for the 2019 reporting period, compared with €751m in the previous year.

Operating profit per share came to €0.79 and earnings per share to €0.55. The comparable figures in the prior-year period were €0.80 and €0.60 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 30 September 2019 were €513.3bn. This represented an increase of 11.0% or €51.0bn compared with the end of 2018.

The cash reserve and demand deposits fell slightly by €0.9bn to €53.0bn. The decrease compared with the end of 2018 was due in particular to a decline in demand deposits held with central banks.

Financial assets at amortised cost increased by €23.3bn to €302.5bn compared with the end of 2018. The increase compared with the end of 2018 was largely attributable to a rise in lending business in the Private and Small-Business Customers and Corporate Clients segments and growth in loans and advances to banks due to the seasonal expansion of repo business.

Financial assets in the fair value OCI category were €30.3bn, up €3.7bn from the end of 2018. This 13.7% rise was largely driven by an increase in securitised debt instruments.

At €47.0bn, financial assets mandatorily measured at fair value through profit or loss were €12.9bn higher than at the end of the previous year. The marked increase was primarily due to a seasonal rise in secured money market transactions in the form of reverse repos and cash collateral.

Financial assets held for trading were €54.7bn at the reporting date, up €12.2bn on the figure at the end of 2018. Positive fair values of interest rate derivatives rose by €8.5bn, while positive fair values of currency and equity derivatives increased by €2.3bn overall. Securitised debt instruments increased by €1.6bn.

Non-current assets held for sale and disposal groups were €9.4bn, compared with €13.4bn at the end of 2018. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale and from comdirect bank AG's sale of ebase GmbH to the FNZ Group.

On the liabilities side, financial liabilities at amortised cost were up €23.0bn to €369.7bn compared with the end of 2018. While debt securities issued fell by €2.4bn, sight deposits – both from private and corporate customers and from banks – increased significantly compared with the end of 2018.

Financial liabilities under the fair value option increased by €14.3bn compared with the end of 2018 to €36.3bn. While there was a slight decline in debt securities issued, deposits and other financial liabilities increased significantly by €14.4bn. The increase was largely due to the rise in secured money market transactions with financial services providers and banks.

Financial liabilities held for trading were €53.6bn, up €10.2bn on the end of 2018. The increase was due to the negative fair values of interest rate and currency derivatives, which rose by €11.9bn. By contrast, delivery commitments arising from short sales of securities fell by €1.5bn.

Liabilities from disposal groups were €11.1bn, compared with €12.9bn at the end of 2018. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale and from comdirect bank AG's sale of ebase GmbH to the FNZ Group.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 30 September 2019 was €28.5bn, compared with €28.2bn at the end of 2018. Further information on the change in equity can be found on pages 42 f. of the Group financial statements.

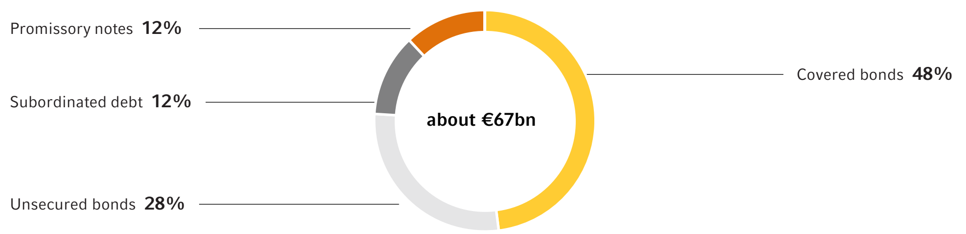
Risk-weighted assets were €189.4bn as at 30 September 2019, €8.9bn higher than at year-end 2018. Reasons for the increase included the adoption of the international accounting standard IFRS 16 at the turn of the year and credit growth in the core segments, including mBank. Parameter effects (mainly effects from the review of internal credit risk models by the regulator) also led to higher risk-weighted assets from credit risks. This growth was only slightly tempered by reductions in risk-weighted assets due to a securitisation transaction in the first quarter of 2019 and the targeted winding-down of portfolios that are not part of the core business. As at the reporting date, Common Equity Tier 1 was €24.2bn. The increase of €1.0bn compared with the end of 2018 was mainly due to the regulatory eligible profit and lower regulatory deductions. The Common Equity Tier 1 ratio was 12.8%. The negative effect on this ratio resulting from the increase in risk-weighted assets was partially offset by the increase in Common Equity Tier 1 capital. With the issue of an additional Tier 1 bond for USD 1bn at the beginning of July, Tier 1 capital (with transitional provisions) rose to €25.9bn and the corresponding Tier 1 ratio to 13.7%. The total capital ratio was 16.3% as at the reporting date. The leverage ratio based on the CRD IV/CRR rules applicable on that date, which is equal to Tier 1 capital divided by leverage exposure, was 4.9% (with transitional provisions) or 4.7% (fully loaded).

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

Funding and liquidity

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

Capital market funding structure[1]
As at 30 September 2019



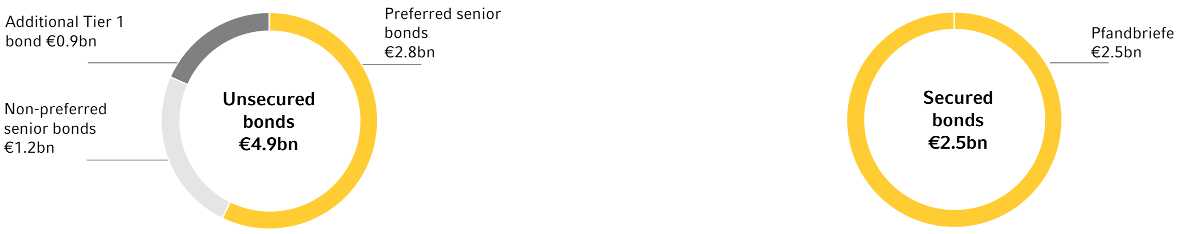
[1] Based on reported figures.

The Commerzbank Group raised a total of €7.5bn in long-term funding on the capital market in the first three quarters of 2019. The average maturity of all issues made during the reporting period was over eight years.

In the unsecured area, Commerzbank Aktiengesellschaft issued two preferred senior benchmark bonds with a total volume of €2.25bn and maturities of five years and seven years respectively in the reporting period. Two non-preferred senior bonds with a volume of €500m each and maturities of five years and seven years respectively were also placed. €0.8bn in private placements were also issued. mBank issued a preferred senior bond with a volume of CHF125m. Commerzbank Aktiengesellschaft issued its first additional Tier 1 bond in July. The bond has a volume of USD1bn, a fixed coupon of 7.0% per annum and a perpetual maturity, with the first call date in April 2025. The bond terms provide for a temporary write-down in the event that the Bank's Common Equity Tier 1 ratio drops below 5.125%. The issue will further strengthen and optimise the structure of the Bank's regulatory capital. The subordinated bond meets the criteria set out in the Capital Requirements Regulation (CRR) for additional Tier 1 capital. The bond was mainly purchased by foreign investors, who accounted for 96% of the volume.

In the secured area, mortgage Pfandbriefe with a total volume of €2.5bn were issued, including two benchmark issues in January with a volume of €1bn each and maturities of five and fifteen years respectively. Private placements accounted for €0.5bn. Commerzbank was able to place its issues with a broad range of domestic and foreign investors.

Group capital market funding in the first nine months of 2019
Volume €7.5bn



At the end of the reporting period, the Bank had a liquidity reserve of €83.0bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. This 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. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by 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. At the end of the reporting period, the total value of this portfolio was €7.1bn. At 135.20% (average of the last twelve month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the LCR can be found in Note 43 to the Group financial statements. Commerzbank's liquidity situation therefore remains comfortable given its conservative and forward-looking funding strategy. The Bank is not currently drawing on central bank liquidity facilities.

Segment performance

The comments on the segments' results for the first nine months of 2019 are based on the segment structure described on pages 63 and 268 ff. of the Annual Report 2018. The Asset & Capital Recovery segment was dissolved on 1 July 2019 following the successful winding down of assets over the last few years, with the remaining portfolios transferred to Others and Consolidation and to the Private and Small-Business Customers segment. The result achieved by the Asset & Capital Recovery segment up to the point of dissolution will continue to be shown in the segment reporting in the interim financial statements.

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

Private and Small-Business Customers

€m	1.1.–30.9.2019	1.1.–30.9.2018[1]	Change in %/%-points
Income before risk result	3,751	3,641	3.0
Risk result	−187	−184	1.4
Operating expenses	2,616	2,696	−3.0
Compulsory contributions	240	197	21.8
Operating profit/loss	**707**	**563**	**25.6**
Average capital employed	5,263	4,701	12.0
Operating return on equity (%)	17.9	16.0	1.9
Cost/income ratio in operating business (%) - excl. compulsory contributions	69.7	74.0	−4.3
Cost/income ratio in operating business (%) - incl. compulsory contributions	76.2	79.5	−3.3

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

The Private and Small-Business Customers segment showed a positive trend in the first nine months of 2019 and proved resilient in the still challenging environment. Operating profit rose by €144m to €707m and was boosted by the gain of €103m on the disposal of the comdirect subsidiary ebase GmbH, which was completed in July. Operating profit for the same period of the previous year included €52m from the gain on the disposal of mBank's group insurance business. Volume effects from further growth in loan and deposit holdings compensated for the ongoing margin pressure in the domestic lending business and weaker commission income in Germany and at mBank, resulting in a slight increase in income even excluding the one-off effects mentioned above.

Total segment income before risk result rose significantly by €110m to €3,751m in the reporting period. Net interest income in Germany rose due to continued credit growth, primarily in residential mortgage loans. It also benefited from measures to increase interest income from deposit business, meaning that further declines in credit margins were offset.

At mBank, net interest income grew more dynamically than in Germany, driven by consumer lending business with private customers and higher income from deposit business. Net interest income rose sharply by €132m overall to €2,042m. Net commission income decreased by €48m year on year to €1,413m. In Germany, commission income from securities business is becoming increasingly stable but was still below the prior-year level overall. Neither this decline nor the lower commission income from pension business were offset by the steady growth in income from payment services. Net commission income also fell at mBank, due partly to the absence of income from the divested group insurance business.

The risk result was €–187m, slightly above prior-year level. In Germany, risk costs fell significantly once again and accounted for just under one-third of the total risk result. The lion's share was thus attributable to mBank, which recorded a particularly strong increase in loan impairments in private customer business, although the quality of the loan portfolio remained good overall.

The reduction of €80m in operating expenses to €2,616m primarily reflected the measures taken to improve cost efficiency in Germany, administrative expenses declined to a greater extent than personnel expenses. At mBank, operating expenses were largely stable year on year. The strong year-on-year increase of €43m to €240m in expenses for compulsory contributions, which are reported separately, was largely attributable to mBank, where the €36m rise was largely attributable to a €23m increase in the European banking levy and an €18m hike in the Polish bank tax.

Overall, pre-tax profit in the Private and Small-Business Customers segment increased by 25.6% to €707m in the first three quarters of 2019.

Corporate Clients

€m	1.1.–30.9.2019	1.1.–30.9.2018[1]	Change in %/%-points
Income before risk result	2,418	2,620	–7.7
Risk result	–186	–121	53.3
Operating expenses	1,834	1,899	–3.4
Compulsory contributions	109	110	–0.4
Operating profit/loss	**289**	**489**	**–40.9**
Average capital employed (from continuing operations)	11,899	10,625	12.0
Operating return on equity (%)	3.2	6.1	–2.9
Cost/income ratio in operating business (%) - excl. compulsory contributions	75.8	72.5	3.3
Cost/income ratio in operating business (%) - incl. compulsory contributions	80.4	76.7	3.7

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

The first nine months of 2019 presented challenges for the Corporate Clients segment, including the tightening of already low interest rates, intense price competition in the German market and a macroeconomic environment fraught with uncertainties. A positive earnings trend in customer business was offset largely by markedly lower income from the Others division, whose earnings in the previous year were boosted by a range of factors including one-off effects. The Corporate Clients segment posted an operating profit of €289m in the first nine months of 2019, compared with €489m in the previous year. Higher interest income from lending business was offset in particular by lower net income from financial assets and liabilities measured at fair value through profit or loss.

The Mittelstand division benefited from the segment's strong market position, which is chiefly reflected in a higher total lending volume and solid earnings performance. The International Corporates division recorded an especially positive performance, with earnings growth seen particularly in lending business. Demand for hedging transactions was also higher among our customers. Business performance in the Financial Institutions division was also positive despite the prevailing trade conflicts, with trade finance in particular recording income growth.

In the period under review, income before risk result was €201m lower than in the prior-year period at €2,418m. Net interest income rose by €72m to €1,381m. The increase was mainly due to a higher contribution from lending business. Net commission income was almost stable year on year at €881m. Net income from financial assets and liabilities at fair value through profit or loss fell sharply to €114m, however. This was €286m lower than the figure for the prior-year period, which included positive income from restructuring measures.

The risk result increased year on year, mainly due to impairments of individual loan commitments. In the reporting period, the risk result was €–186m, compared with €–121m in the previous year.

Operating expenses were €1,834m, down €65m on the prior-year figure. The decrease was primarily due to lower cost allocations and administrative expenses. Investments in strategic development were successfully offset. The reduction in operating expenses was achieved ahead of schedule thanks to strict cost discipline and made a significant contribution to earnings.

The reported compulsory contributions of €109m related to regulatory expenses.

Overall, the segment posted a pre-tax profit of €289m, compared with €489m in the prior-year period, which represents a decline of around 41%.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching specific individual matters such as expenditure on regulatory fees. Consolidation reconciles the figures shown in segment reporting with the Group financial statements in accordance with IFRS. Others and Consolidation also covers staff, management and support functions, which are likewise charged to the segments. For these units, restructuring costs are an exception to transfer charging, as they are reported centrally in the division.

The Others and Consolidation segment reported an operating loss of €–37m for the first nine months of 2019, compared with €–137m in the prior-year period. The improvement was driven to a large extent by a positive valuation of an investment and higher income in Group Treasury, which is mainly attributable to better management of interest rate and currency risk due to positive market trends. Others and Consolidation also recorded a pre-tax loss of €–37m for the first nine months of 2019.

Outlook and opportunities report

Future economic situation

The risks for the economy going forward remain high. Global trade conflicts are becoming more acute. The USA and China are bombarding each other with new tariffs, and trade between the USA and the European Union (EU) is also likely to be hampered before long by further protectionist measures. Against this backdrop, an imminent recovery in the global economy is not in sight. The danger of a disorderly UK departure from the EU has been averted for the time being with the further postponement of the Brexit date to 31 January 2020.

Future situation in the banking sector

Our views regarding the expected development of the banking sector structurally and over the medium term have not changed significantly since the statements published in the interim report as at 30 June 2019. In particular, the risks for the banking environment’s short-term prospects are still high. The ongoing trade conflict between the USA and China is putting a permanent strain on international trade flows. And following the World Trade Organisation’s ruling against the European Union (EU) concerning illegal subsidies in the aviation sector, trade between the USA and the EU is now also likely to be more severely affected by the imposition of reciprocal punitive tariffs. The USA is also threatening to impose high punitive tariffs on car imports from the EU, although a final decision is still pending.

The trade problems are compounded in Europe by the danger of a no-deal Brexit and the latent risk that investors will lose confidence in the stability of Italy’s state finances. In addition, the conflict unfolding in the Middle East could severely affect global oil supplies. Against this backdrop, the German corporate sector is still extremely pessimistic about the coming months. This applies above all to Germany’s export-oriented industry, which is hugely important to the country’s economic performance.

The downside risks have risen in the period under review, and a sharper awareness of them means there is a risk that households will curtail their consumption and companies will cut back on their investment activities. This will have a greater impact on corporate and private customer business, in terms of both interest income and commission business, than was previously assumed. Although private customer business in Germany is benefiting from the ongoing high demand for residential mortgages, fuelled by the shortage of housing and the low level of interest rates, bank profitability is suffering considerably due to the now very narrow interest margins.

There are currently numerous lawsuits in Poland due to loans in foreign currency (CHF) subject to index clauses. Court rulings on these cases have been inconsistent to date, such that it will be necessary to wait and see how the law evolves in order to assess the prospects of success of these actions. Against this background, the banking sector in Poland could be faced with significant costs.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be of the order of €10bn. Commerzbank offers a broad range of products in the capital market. In addition to unsecured funding instruments (preferred and non-preferred senior bonds and Tier 2 subordinated debt), when refinancing Commerzbank can also issue secured funding instruments, in particular mortgage Pfandbriefe and public-sector Pfandbriefe. As such, Pfandbriefe are a key element of Commerzbank's funding mix. These give Commerzbank stable access to long-term funding with cost advantages compared with unsecured sources of funding. Issuance formats range from large-volume benchmark bonds to private placements. Commerzbank does not anticipate any negative effects on the placing of long-term funding instruments in connection with Brexit.

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

Planned investments

The Bank's investment plans did not change significantly in the first nine months of the current year from the plans set out on pages 99 to 101 of the Annual Report 2018. Commerzbank's current investment measures and those planned in connection with the Commerzbank 5.0 strategy mainly concern digitalisation and growth initiatives and the IT architecture.

Anticipated liquidity trends

In the third quarter of 2019, events on money and capital markets in the eurozone were again largely dictated by the monetary policy measures implemented by the European Central Bank (ECB) to support the economic recovery in the eurozone and by the political uncertainty created by trade conflicts and Brexit.

The ECB ended the securities purchase programme at the end of 2018 and only replaced the securities that were maturing. At the end of September 2019, the ECB then decided to implement further central bank measures due to the economic slowdown and declining inflation expectations.

These measures include a reduction in the interest rate on the deposit facility by another 10 basis points to −0.50%, an initially unlimited resumption of the securities purchase programme at a monthly pace of €20bn as from 1 November 2019, adjustments to the maturity and interest rate of TLTRO III (targeted longer-term refinancing operations) and the introduction of a two-tier system for minimum reserve remuneration. Under the two-tier system, the minimum reserve itself and other central bank deposits up to a multiple of six times the minimum reserve are exempt from the negative deposit facility rate. The ECB may change either the remuneration rate and/or the multiplier at any time. The two-tier system will at least mitigate the detrimental effects of the negative interest rate policy on banks' earnings.

Excess liquidity was around €1,700bn as at the end of September 2019. Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. The short-term repo market is functioning smoothly, however, and plays an important role in serving the bond and cash markets. Collateral is expected to become even tighter as a result of the introduction of mandatory bilateral margin requirements for over-the-counter (OTC) derivatives. This requirement comes into full effect for all market participants concerned at the end of 2020. The situation in the bond markets is strongly influenced by the ongoing trade conflicts and the political uncertainties surrounding Brexit. This has led to steady demand for good-quality names. With interest rates set to remain in negative territory, additional demand will come from financial investors in search of returns.

Against this backdrop, secondary market liquidity, which has already been significantly reduced, will remain modest. We expect German government bond yields to remain very low, even in the long-term segment (yields are currently negative up to 25 years) and anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Commerzbank's liquidity management is well prepared to cope with changing market conditions and able to respond promptly to new market circumstances. We still anticipate no significant impact on our liquidity situation from Brexit. The Bank has a comfortable liquidity position that is above internal limits and the currently applicable requirements prescribed by the German Liquidity Regulation and MaRisk.

Our business planning is designed to maintain a liquidity cushion commensurate with the prevailing market conditions and related uncertainties. This is supported by our business model in private and corporate customer business and continued access to secured and unsecured debt instruments in the money and capital markets.

Anticipated performance of the Commerzbank Group

As already communicated in our strategy update at the end of September, we have adjusted our outlook for the 2019 financial year. The main reason for the adjustment was the uncertain macroeconomic environment, in particular the worsening global trade conflicts. The further monetary policy easing announced by the ECB in September and the resulting pressure on margins will also have a negative impact on earnings. We therefore no longer expect to achieve our target of slightly higher Group income compared with the previous year. As noted in the strategy update, the generally difficult macroeconomic and business policy conditions and the current interest rate environment form the basis for our financial planning. Also in consideration of the fact that we anticipate a significantly higher tax rate in the fourth quarter, we expect consolidated net income for the 2019 financial year to be lower than in the previous year. Our forecast of a target Common Equity Tier 1 ratio of at least 12.75% by the end of the year remains unchanged.

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

Risk-oriented overall bank management

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

Risk management organisation

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

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

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

Further details on the risk management organisation within Commerzbank can be found in the Group Risk Report 2018.

Risk-bearing capacity and stress testing

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

Since the first quarter of 2019, the monitoring of risk-bearing capacity (RBC) from the economic perspective of the ICAAP has been carried out on the basis of the going concern approach defined by the regulator (ECB ICAAP guidelines of November 2018). The confidence level for the calculation of economically required capital is 99.90% and is harmonised with the going concern approach. Only the economic value of equity components that absorb losses in the going concern approach is taken into account in determining the economic risk coverage potential.

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 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%. As at 30 September 2019 the RBC ratio was 146% (193% as at 31 December 2018). The change in the RBC ratio is largely attributable to the methodological adjustments made in the first quarter based on the new ICAAP guidelines published by the ECB (e.g. the non-inclusion of subordinate capital components), which led to a decrease in risk coverage potential compared with December 2018. Market fluctuations led to an increase in economically required capital in the third quarter. The RBC ratio remains well above the minimum requirement.

Risk-bearing capacity Group | €bn	**30.9.2019**[1]	**31.12.2018**[1]
Economic risk coverage potential	**24**	**27**
Economically required capital[2]	**17**	**14**
thereof for default risk	10	10
thereof for market risk[3]	6	3
thereof for operational risk	2	2
thereof diversification effects	−2	−2
RBC ratio (%)[4]	**146**	**193**

[1] Confidence level as from 31 March 2019: 99.90%; as at 31 December 2018: 99.91%.
[2] Including physical asset risk, risk of unlisted investments and risk buffer for reserve risk and the quantification of potential fluctuations in value of goodwill and intangibles.
[3] As from 30 September 2019 including risk of unlisted investments.
[4] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

The final decisions for the TRIM credit risk model audits from 2017 ("residential mortgage loans" and "SME companies") were sent to Commerzbank on 17 September 2019. Details of the decisions are still under discussion with the ECB. After clarification with the ECB, there may be adjustments to the TRIM effect already reflected in the Q3 figures.

Default risk

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

Commerzbank Group

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

Credit risk parameters To manage and limit default risks in the Commerzbank Group, we use risk parameters, including the following: exposure at default (EaD), hereinafter also referred to simply as exposure, loss at default (LaD), expected loss (EL), risk density (EL/EaD), credit value at risk (CVaR = economically required capital for credit risk with a confidence level of 99.90% and a holding period of one year), risk-weighted assets and "all-in" for bulk risks.

The credit risk parameters in the rating classes 1.0 to 5.8 as at 30 September 2019 were as follows:

	30.9.2019				31.12.2018			
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	175	441	25	2,118	165	420	25	2,476
Corporate Clients	189	482	26	4,615	187	467	25	5,458
Asset & Capital Recovery					8	46	57	643
Others and Consolidation[1]	73	89	12	3,146	72	35	5	1,790
Group	**437**	**1,012**	**23**	**9,878**	**432**	**968**	**22**	**10,366**

[1] Mainly liquidity portfolios of Treasury, and since 1 July 2019 the remaining portfolios of the ACR segment. The positions as at 31 December 2018 have not been retroactively adjusted.

The CVaR decrease is driven by the adjustment of the level of confidence from 99.91% to 99.90% in the first quarter of 2019.

When broken down on the basis of PD ratings, 83% of the Group's portfolio is in the internal rating classes 1 and 2, which represent investment grade.

	30.9.2019					31.12.2018				
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	31	51	14	3	1	32	51	14	3	1
Corporate Clients	19	61	16	3	1	20	59	16	3	1
Asset & Capital Recovery						27	56	8	9	1
Others and Consolidation	60	36	3	1	0	45	53	1	0	0
Group	**31**	**53**	**13**	**2**	**1**	**29**	**55**	**13**	**2**	**1**

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe, 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.

Group portfolio by region	30.9.2019 Exposure at default €bn	30.9.2019 Expected loss €m	30.9.2019 Risk density bp	31.12.2018 Exposure at default €bn	31.12.2018 Expected loss €m	31.12.2018 Risk density bp
Germany	235	502	21	227	477	21
Western Europe	92	181	20	84	162	19
Central and Eastern Europe	45	203	45	41	197	48
North America	36	52	14	32	54	17
Asia	19	39	21	37	44	12
Other	10	36	36	10	34	33
Group	**437**	**1,012**	**23**	**432**	**968**	**22**

In view of current geopolitical developments, national economies such as Russia, Turkey and China are closely monitored. As at the end of the third quarter of 2019, exposure to Russia was €3.0bn (31 December 2018: €2.6bn), exposure to Turkey was €1.7bn (31 December 2018: €1.7bn), and exposure to China was €4.5bn (31 December 2018: €6.4bn).

The sovereign exposures of Italy and Spain are also still closely monitored as a result of the sovereign debt crisis. As at the end of the third quarter of 2019, Commerzbank's Italian sovereign exposure was €9.5bn (31 December 2018: €8.4bn), while its Spanish sovereign exposure was €2.3bn (31 December 2018: €1.3bn).

Risk result The risk result relating to the Group's lending business in the first nine months of 2019 was €–370m. From the present perspective, the risk result for the year 2019 as a whole will therefore not be less than €550m.

The following table shows the breakdown of the risk result by stage according to IFRS 9. Note 27 of the interim financial statements (credit risks and credit losses) contains details regarding the stages; the definition of the risk result can be found in Note 10 (risk result).

The fluctuations of market values in the shipping portfolio 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.

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

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

	1.7.-30.9.2018				1.4.-30.6.2018				1.1.-31.3.2018			
Risk result[1] | €m	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**
Private and Small-Business Customers	–3	–21	–45	–69	–14	12	–63	–66	30	–42	–36	–49
Corporate Clients	–14	5	–53	–61	–8	–37	9	–35	0	–4	–21	–25
Asset & Capital Recovery	–2	2	2	2	7	3	6	16	1	–3	0	–2
Others and Consolidation	2	–4	–2	–3	–3	1	5	3	–3	2	0	–1
Group	**–17**	**–17**	**–98**	**–133**	**–18**	**–22**	**–43**	**–82**	**27**	**–48**	**–57**	**–77**

[1] Retroactively adjusted (see Note 3 to the interim financial statements).
[2] Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

	1.1.-30.9.2019				1.1.-30.9.2018[1]			
Risk result | €m	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**	**Stage 1**	**Stage 2[2]**	**Stage 3[2]**	**Total**
Private and Small-Business Customers	–11	–1	–174	–187	13	–52	–145	–184
Corporate Clients	8	24	–218	–186	–22	–36	–64	–121
Asset & Capital Recovery	0	2	–25	–24	6	1	8	15
Others and Consolidation	–4	59	–29	27	–4	0	3	–2
Group	**–7**	**83**	**–446**	**–370**	**–7**	**–87**	**–198**	**–292**

[1] Retroactively adjusted (see Note 3 to the interim financial statements).
[2] Stages 2 and 3 including POCI (POCI – purchased or originated credit-impaired).

Default portfolio The Group's default portfolio decreased by €272m in the first nine months of 2019 and stood at €3,568m as at 30 September 2019.

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. The claims in the Ship Finance and Commercial Real Estate default portfolios in the fair value category held by the Bank in the amount of €176m are not shown.

	30.9.2019			31.12.2018		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	3,568	0	3,568	3,769	71	3,839
LLP[1]	1,629	0	1,629	1,606	3	1,609
Coverage ratio excluding collateral (%)[2]	46	0	46	43	4	42
Collateral	859	0	859	913	0	913
Coverage ratio including collateral (%)[2]	70	0	70	67	4	66
NPL ratio (%)[3]			0.8			0.9

[1] Loan loss provisions.
[2] Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.
[3] NPL ratio: default portfolio (non-performing loans – NPL) as a proportion of total exposure (EaD including NPL).

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €86bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €22bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts and instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the first nine months of the year was largely due to residential mortgage loans.

The risk density of the portfolio remained stable at 25 basis points compared with the end of the previous year.

	30.9.2019			31.12.2018		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Private Customers	103	169	16	99	177	18
Business Customers	31	77	25	29	67	23
comdirect bank	3	19	63	4	6	17
Commerz Real	1	2	39	1	2	29
mBank	37	174	47	33	167	50
PSBC	**175**	**441**	**25**	**165**	**420**	**25**

In the Private and Small-Business Customers segment, the risk result in the first nine months of 2019 was €–187m.

The default portfolio in the segment stood at €1,757m as at 30 September 2019.

	30.9.2019			31.12.2018		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,757	0	1,757	1,751	0	1,751
LLP	931	0	931	850	0	850
Coverage ratio excluding collateral (%)	53	0	53	49	0	49
Collateral	531	0	531	531	0	531
Coverage ratio including collateral (%)	83	0	83	79	0	79
NPL ratio (%)			1.0			1.1

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.

	30.9.2019			31.12.2018		
Credit risk parameters	**Exposure at default €bn**	**Expected loss €m**	**Risk density bp**	**Exposure at default €bn**	**Expected loss €m**	**Risk density bp**
Mittelstand	79	232	29	74	198	27
International Corporates	72	134	18	68	149	22
Financial Institutions	21	62	30	23	69	30
Other	17	54	32	22	50	23
CC	**189**	**482**	**26**	**187**	**467**	**25**

The EaD of the Corporate Clients segment increased slightly from €187bn to €189bn compared with 31 December of the previous year. Risk density remained nearly stable at 26 basis points.

For details of developments in the Financial Institutions portfolio, please see page 23.

The risk result in the Corporate Clients segment stood at €–186m, higher than the low level of the year-earlier period. The increase was driven by a number of individual cases and was in line with expectations given the larger reversals in the segment in the year-earlier period.

The default portfolio in the segment stood at €1,566m as at 30 September 2019.

	30.9.2019			31.12.2018		
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,566	0	1,566	1,669	67	1,736
LLP	628	0	628	636	3	639
Coverage ratio excluding collateral (%)	40	0	40	38	4	37
Collateral	239	0	239	251	0	251
Coverage ratio including collateral (%)	55	0	55	53	4	51
NPL ratio (%)			0.8			0.9

Further portfolio analyses

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

Corporates portfolio by sector

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

	30.9.2019			31.12.2018		
Corporates portfolio by sector	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Energy supply/Waste management	19	57	29	18	62	34
Technology/Electrical industry	15	35	23	13	31	24
Consumption	15	50	34	14	54	37
Wholesale	14	50	35	13	48	37
Transport/Tourism	12	40	34	11	30	26
Basic materials/Metals	12	40	34	11	42	40
Services/Media	11	29	27	10	30	29
Automotive	10	36	36	10	27	28
Chemicals/Plastics	9	46	49	9	41	43
Mechanical engineering	9	27	29	9	24	28
Construction	6	16	25	6	16	28
Pharmaceutical/Healthcare	5	11	22	4	10	24
Other	7	9	13	5	7	13
Total	**145**	**446**	**31**	**133**	**421**	**32**

Financial Institutions portfolio

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

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

We are keeping a close eye on developments in various countries affected by specific issues such as recessions, embargoes and economic uncertainty caused by political events (e.g. trade wars, Brexit) and are responding with flexible portfolio management that is tailored to the individual situation of each country. Overall, our risk appetite is geared to keeping the portfolio as responsive as possible.

	30.9.2019			31.12.2018		
FI portfolio by region	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Germany	5	3	7	5	6	12
Western Europe	15	11	7	15	12	8
Central and Eastern Europe	3	16	62	3	17	56
North America	2	0	2	2	1	4
Asia	10	21	22	12	24	21
Other	5	21	39	6	23	40
Total	**40**	**73**	**18**	**43**	**83**	**19**

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 and the United States.

Commerzbank conducts new business with NBFIs partly in consid-eration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, where we focus on attractive opportunities with customers with good credit ratings. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from political events (e.g. Brexit) and are responding with flexible portfolio management that is tailored to the individual situation.

	30.9.2019			31.12.2018		
NBFI portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	18	27	15	18	25	14
Western Europe	12	34	29	12	23	19
Central and Eastern Europe	2	12	66	1	8	65
North America	9	20	22	9	24	28
Asia	2	3	14	2	2	13
Other	1	2	27	1	2	31
Total	**43**	**97**	**23**	**42**	**84**	**20**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank's customers with a current volume of €4.4bn, primarily for capital management purposes. The CoCo Finance II 2 transaction was repaid in the third quarter of 2019 as contractually agreed.

As at 30 September 2019, risk exposures with a value of €4.1bn were retained. By far the largest portion of these positions is accounted for by €3.9bn in senior tranches, which are nearly all rated good or very good.

		Commerzbank volume[1]			
Securitisation pool €bn	Maturity	Senior	Mezzanine	First loss piece	Total volume[1]
Corporates	2025–2036	3.9	< 0.1	0.1	4.4
Total 30.9.2019		**3.9**	**< 0.1**	**0.1**	**4.4**
Total 31.12.2018		5.3	< 0.1	0.1	5.9

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

Conduit exposure and other asset-backed exposures

Commerzbank is the sponsor of the multiseller asset-backed commercial paper conduit, Silver Tower. It uses the Silver Tower conduit to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. The transactions are financed predominantly through the issue of asset-backed commercial paper (ABCP) or through the drawing of credit lines (liquidity lines). In view of regulatory changes and the relocation of the Silver Tower conduit to Luxembourg, since the beginning of the year part of the financing has also been carried out through the direct purchase of funding notes that are taken onto the Bank's balance sheet. The volume and risk values for the securitisation of receivables in the Corporate Clients segment increased slightly from €3.9bn to €4.1bn in the first nine months of 2019.

Liquidity risks from securitisations are modelled in the internal liquidity risk model on a risk-adjusted basis. In the modelling, a worst-case assumption is made that Commerzbank will have to take on the funding of a major part of the purchase facilities provided to its special-purpose vehicles within the scope of the Silver Tower conduit. Also, the Bank's holdings of securitisation transactions only qualify as liquid assets if they are eligible for rediscount at the European Central Bank. These positions are only included in the liquidity risk calculation after risk-adjusted discounts are applied.

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In the third quarter of 2019 the volume remained relatively stable at €4.2bn (December 2018: €4.0bn), risk values[1] also remained nearly stable at €4.0bn (December 2018: €3.8bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €4.9bn (December 2018: €3.8bn). We have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which show a robust structure and a moderate risk profile. At the end of the third quarter of 2019 (as already at the end of 2018) this portfolio contained only AAA-rated CLO positions. Remaining structured credit positions with a volume of €1.1bn were already in the portfolio prior to 2014 (December 2018: €1.3bn), risk values stood at €0.4bn (December 2018: €0.4bn).

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 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 2018. In order to provide a consistent presentation in this report, all figures relating to the VaR are based on a confidence level of 99%, a holding period of one day, equally weighted market data and a 254-day history.

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 standalone basis.

In the first nine months of 2019, the VaR for the overall book increased by €47m to €81m. The increase in VaR resulted from the sharp increase in volatility in the interest rate markets, which leads to extreme scenarios in the VaR calculation.

VaR contribution | €m	30.9.2019	31.12.2018
Overall book	**81**	**34**
thereof trading book	8	10

[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.

The EU Benchmarks Regulation entered into force on 1 January 2018. The purpose of the Benchmarks Regulation is to improve the transparency and integrity of the calculation and application of indices used as benchmarks for financial instruments and financial contracts or for measuring the performance of investment funds. The EU recently decided to extend the transitional period until the end of 2021 so as to enable the institutions affected to prepare for the forthcoming developments and to give the market time to develop appropriate procedures that comply with the new regulation. Moreover, the European Money Market Institute (EMMI), as administrator of the Euribor, received the approval of the competent regulatory authority for the use of the "hybrid approach". This means that this index can still be used and conversion costs are significantly reduced for the banks. In preparation for this, the Bank has established a Group project and integrated it into the Delivery Organisation (Campus 2.0), which came into force on 1 July 2019 and in which all the units concerned are integrated. As part of this strategic initiative, the necessary adjustment requirements are identified and applied in an implementation plan so that the Bank is prepared in good time for the conversion of business and IT processes and can plan expenses for the following years accordingly.

The first milestone was successfully reached at the beginning of October with the introduction of the new "€STR" risk-free rate (RFR) and the implementation of EONIA fixing based on a new methodology. The change had no material impact on earnings or risk data for the transactions concerned.

Trading book

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

VaR fell slightly from €10m to €8m in the first nine months of 2019. VaR in the trading book is at a low level by historical standards.

VaR of portfolios in the trading book | €m	1.1.-30.9.2019	2018
Minimum	6	6
Mean	7	9
Maximum	11	12
VaR at end of reporting period	**8**	**10**

The market risk profile is diversified across all asset classes.

VaR contribution by risk type in the trading book | €m	30.9.2019	31.12.2018
Credit spreads	1	1
Interest rates	2	2
Equities	2	3
FX	2	2
Commodities	1	1
Total	**8**	**10**

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 in the first nine months of 2019. Stressed VaR fell from €35m at end-2018 to €28m at the end of September 2019.

The market risk profile in stressed VaR is also diversified across all asset classes. Interest rate risk is the prevailing asset class.

Stressed VaR contribution by risk type in the trading book | €m	30.9.2019	31.12.2018
Credit spreads	6	5
Interest rates	8	12
Equities	4	10
FX	6	4
Commodities	3	4
Total	**28**	**35**

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 €2m to €21m in the first nine months of 2019 and is at a low level by historical standards.

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

Analysing the results of backtesting provides an informative basis for checking parameters and for improving the market risk model. In the first nine months of 2019, we saw no negative clean P&L outliers and no negative dirty P&L outliers. The results confirm the quality of the VaR model. Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified by means of a traffic-light system laid down by the supervisory authorities. All negative backtesting outliers at Group level (from both clean P&L and dirty P&L) must be reported to the supervisory authorities, citing their extent and cause. As the VaR concept gives a prediction of potential losses assuming normal market conditions, it is supplemented by stress tests. These stress tests measure the risk to which Commerzbank is exposed, based on unlikely but still plausible events. These events may be simulated using extreme movements on various financial markets. The key scenarios relate to major changes in credit spreads, interest rates and yield curves, exchange rates, share prices and commodities prices. Examples of events simulated in stress tests include all stock prices falling by 15%, a parallel shift in the yield curve and changes to the curve's gradient. Extensive Group-wide stress tests and scenario analyses are carried out as part of risk monitoring.

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

Banking book

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

In market risk management, credit spread sensitivities in the banking and trading books are considered together. Credit spread sensitivities (downshift of 1 basis point) for all securities and derivative positions (excluding loans) were at €50m as at the end of the third quarter of 2019 (31 December 2018: €41m).

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 (BaFin) and the European Central Bank (ECB) have prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/–200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter.

The outcome of the +200 basis points scenario would be a potential loss of €2,873m (31 December 2018: €1,651m potential loss), while the –200 basis points scenario would result in a potential profit of €316m, both as at 30 September 2019 (31 December 2018: €230m potential 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.

As at 30 September 2019, the interest rate sensitivity of the entire banking book (without pension funds) was €8.2m per basis point of interest rate reduction.

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.

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.

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 third quarter. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of the third quarter of 2019, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €20.6bn and €22.8bn respectively.

Net liquidity in the stress scenario | €bn		30.9.2019	31.12.2018
Idiosyncratic scenario	1 month	27.6	16.6
	3 months	32.2	19.2
Market-wide scenario	1 month	29.9	21.6
	3 months	32.0	22.7
Combined scenario	1 month	20.6	11.0
	3 months	22.8	11.7

Liquidity reserves

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

As at the end of the third quarter, the Bank had a liquidity reserve of €83.0bn in the form of highly liquid assets (year-end 2018: €77.3bn). A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times. In addition, the Bank operates an intraday liquidity reserve portfolio, which amounted to €7.1bn on the reporting date (31 December 2018: €10.0bn).

Liquidity reserves from highly liquid assets | €bn	30.9.2019	31.12.2018
Highly liquid assets	83.0	77.3
of which level 1	77.9	61.9
of which level 2A	3.9	14.1
of which level 2B	1.1	1.3

Liquidity ratios

In the first nine months of 2019, Commerzbank's internal liquidity ratios, including the regulatory liquidity coverage ratio (LCR), were at all times 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 regulatory LCR is contained in the internal liquidity risk model as a binding secondary condition. The LCR is calculated as the ratio of liquid assets to net liquidity outflows under stressed conditions. It is used to measure whether a bank has a large enough liquidity buffer to independently withstand any potential imbalance between inflows and outflows of liquidity under stressed conditions over a period of 30 calendar days. Since 1 January 2018, banks have had to maintain a ratio of at least 100%.

In the first nine months of 2019, Commerzbank significantly exceeded the minimum ratio of 100% on every reporting date. As at the end of the third quarter of 2019, the average month-end value of the LCR over the last twelve months was 135.20% (as at the end of 2018: 135.66%).

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

Operational risk

In compliance with the regulatory requirements (Capital Requirements Regulation – CRR), Commerzbank defines operational risk (OpRisk) as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems or from external events. This definition also includes legal risks, but it does not cover strategic or reputational risks. Commerzbank treats compliance risks separately as a material risk type. Given the increasing digitalisation of the business environment, cyber risk is an inherent existential threat for Commerzbank and is also managed as a separate risk type. However, losses from compliance risks and cyber risks are incorporated into the model for determining the regulatory and economic capital required for operational risks.

Commerzbank takes an active approach to managing operational risk, aiming to systematically measure the risk profile and potential concentrations and to determine risk mitigation measures if necessary.

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 €21.9bn at the end of the third quarter of 2019 (31 December 2018: €21.4bn, 99.90% quantile), while economically required capital was €1.7bn (since the first quarter of 2019: 99.90% quantile; 31 December 2018: €1.8bn, 99.91% quantile).

The implementation plan of the Basel Committee provides for the introduction of the standardised approach for calculating operational risk (OpRisk) regulatory capital requirements from 1 January 2022. This approach is based on the multiplication of two components. The first component is derived from the business indicator, which is the sum of an interest, leases and dividend component, and a coefficient determined by the size of the business indicator. The second component in the standardised approach is the risk-sensitive internal loss multiplier, which reflects the Bank’s internal operational losses.

OpRisk management includes an annual evaluation of the Bank’s internal control system (ICS) and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis. Lessons learned activities are carried out for loss events ≥ €1m. External OpRisk events at competitors are also systematically evaluated. The total charge for OpRisk events as at 30 September 2019 was approximately €37m (full-year 2018: €30m). The events mainly related to losses in the “Products and business practices” category.

OpRisk events[1] | €m	**30.9.2019**	**31.12.2018**
Internal fraud	5	4
External fraud	8	7
Damage and IT failure	1	5
Products and business practices	15	–17
Process related	8	30
HR related	0	0
Group	**37**	**30**

[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 and compliance risk are shown below. As regards all other risks, there were no significant changes in the first nine months of 2019 compared with the position reported in the Group Risk Report 2018.

Legal risk Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance or payment transactions, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by US authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures. Regulatory authorities and governmental institutions in various countries in which Commerzbank and its subsidiaries are or have been active have for some years been investigating irregularities in connection with the fixing of foreign exchange rates and with foreign exchange business in general. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on Commerzbank or have approached the company with requests for information. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. In one case the investigating authority transferred the process to the national tribunal for competition affairs. The possibility of financial consequences arising from some of these matters cannot be ruled out.

The public prosecutor's office in Frankfurt is investigating equity transactions conducted by Commerzbank and the former Dresdner Bank around the dividend record date (cum-ex transactions). Commerzbank had already initiated a forensic analysis of cum-ex transactions at the end of 2015, which was concluded at the start of 2018 in respect of Commerzbank's equity transactions and in September 2019 in respect of the equity transactions of the former Dresdner Bank. The public prosecutor's office in Cologne conducted investigations at Commerzbank in mid-September 2019 in connection with a separate case concerning cum-ex transactions. Commerzbank is cooperating fully with the authorities.

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted with external support of the cum-cum transactions, the Bank recognised precautionary provisions for potentially refundable own investment income taxes. Within the framework of Commerzbank AG's ongoing tax on-site inspection, the tax audit commented for the first time on the treatment of these transactions in the form of audit notes. Further discussions on this issue will take place in the coming weeks. Furthermore, with regard to the assessments for the years 2014 and 2015, the tax office reduced the allowance for investment income taxes in accordance with the BMF circular.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for crediting entitlements that have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Based on our estimates, there could be a financial impact in these cases.

For the other cum-cum-relevant transactions, Commerzbank has concluded that the legal structuring it adopted was appropriate under Article 42 of the German Tax Code.

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 connection with the indexing clauses of loans denominated in Swiss francs (CHF) to Polish private customers, a court in Warsaw in a proceeding against another bank submitted a request for a preliminary ruling to the European Court of Justice (ECJ). The question related to the consequences under Polish law that an abusive indexing clause of a foreign currency loan would have in individual cases. The ECJ did not issue a legal decision on when an indexing clause may be declared abusive in a given case, ruling that this remains a matter for the Polish courts.

It remains to be seen how Polish case law on contracts with indexing clauses will evolve and how the developments of law required to evaluate the likelihood of lawsuits being successful will unfold. There have not yet been enough court rulings since the ECJ judgement to permit a reliable assessment of future case law and its impact. Depending on the ruling of the Polish courts, this could lead to negative financial impacts for the affected banks in Poland, which include a Commerzbank subsidiary, and therefore also to significant adverse consequences for Commerzbank. These consequences cannot be determined reliably at this time. As at 30 September 2019 the portfolio held amounts to €3.3bn.

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

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

Compliance risk In 2015 Commerzbank reached settlements with various US authorities regarding violations of US sanctions and anti-money laundering provisions. The Bank has already dealt with the majority of the findings relating to the settlements. The Bank has also received various interim reports and 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 dealt with most of the measures. As a result, the monitor has completed its activities and the appointment ended on 24 June 2019.

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 put in place a full-scale remediation project, the implementation of which is being evaluated by the skilled person, with half-yearly reports to the FCA. Here too, Commerzbank has made good progress in implementation. In the third quarter of 2019, the skilled person began the fourth phase of their audit as scheduled based on the agreed interim statement of work.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). In accordance with a consent order issued by the CFTC on 8 November 2018, Commerzbank has engaged an outside consultant approved by the CFTC for a period of two years. The CFTC may extend this period by a further year at its discretion, based on its assessment of Commerzbank's remedial efforts. During the review period, the outside consultant will produce annual reports assessing the swap dealer's compliance with the Commodity Exchange Act and the regulations of the CFTC. The report will also contain recommendations on improving the swap dealer's practices, policies and procedures. The outside consultant started work in April 2019 and is expected to present an initial report in the first quarter of 2020.

At the request of the Hong Kong Monetary Authority (HKMA), Commerzbank Hong Kong engaged an outside consultant to review the branch's local control and governance structures. The outside consultant concluded their audit during the summer and provided a report on the audit findings; processing of the issues addressed in the report is under way.

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

Interim Financial Statements

Statement of comprehensive income

Income statement

€m	Notes	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Interest income accounted for using the effective interest method	(8)	5,741	5,454	5.3
Interest income accounted for not using the effective interest method	(8)	925	937	– 1.3
Interest income	(8)	6,666	6,391	4.3
Interest expenses	(8)	2,902	2,881	0.7
Net interest income	(8)	3,764	3,511	7.2
Dividend income	(9)	16	30	– 44.6
Risk result	(10)	– 370	– 292	26.6
Commission income	(11)	2,773	2,819	– 1.6
Commission expenses	(11)	503	484	4.0
Net commission income	(11)	2,270	2,336	– 2.8
Net income from financial assets and liabilities at fair value through profit or loss	(12)	127	488	– 73.9
Net income from hedge accounting	(13)	132	26	.
Other sundry realised profit or loss from financial instruments		12	– 7	.
Gain or loss on disposal of financial assets – Amortised Cost		– 22	– 2	.
Other net income from financial instruments	(14)	– 9	– 9	3.3
Current net income from companies accounted for using the equity method		9	9	– 7.8
Other net income	(15)	159	145	9.9
Operating expenses	(16)	4,710	4,880	– 3.5
Compulsory contributions	(17)	398	357	11.5
Pre-tax profit or loss from continuing operations		990	1,005	– 1.5
Taxes on income	(18)	231	185	24.8
Consolidated profit or loss from continuing operations		**759**	**820**	**– 7.4**
Consolidated profit or loss from discontinued operations		9	13	– 26.5
Consolidated profit or loss		**768**	**832**	**– 7.7**
Consolidated profit or loss attributable to non-controlling interests		84	81	3.4
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components[2]		684	751	– 8.9

[1] Prior-year figures adjusted due to restatements (see Note 3).
[2] Position designation adjusted.

€		1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Earnings per share	(19)	0.55	0.60	– 8.9

[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. No conversion or option rights were outstanding either in the previous or current year. The figure for diluted earnings per share was therefore identical to the undiluted figure.

Condensed statement of comprehensive income

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Consolidated profit or loss	768	832	– 7.7
Change from remeasurement of defined benefit plans not recognised in income statement	– 195	– 86	.
Change from the remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	– 0	– 0	.
Change in value not recognised in income statement	6	1	.
Change in Own Credit Spread (OCS) of Liabilities FVO not recognised in income statement	– 61	88	.
Items not recyclable through profit or loss	**– 250**	**2**	**.**
Change in revaluation reserve (FVOCImR)			
Reclassified to income statement	– 18	– 3	.
Change in value not recognised in income statement	72	– 31	.
Change in cash flow hedge reserve			.
Reclassified to income statement	3	17	– 82.9
Change in value not recognised in income statement	14	13	13.0
Change in currency translation reserve			
Reclassified to income statement	–	– 2	.
Change in value not recognised in income statement	31	– 81	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	– 0	1	.
Items recyclable through profit or loss	**102**	**– 86**	**.**
Other comprehensive income	– 149	– 84	77.5
Total comprehensive income	**620**	**749**	**– 17.2**
Comprehensive income attributable to non-controlling interests	67	57	17.1
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components[2]	552	691	– 20.1

[1] Prior-year figures adjusted due to restatements (see Note 3).
[2] Position designation adjusted.

€m	1.7.-30.9.2019	1.7.-30.9.2018[1]	Change in %
Consolidated profit or loss	337	242	39.2
Change from remeasurement of defined benefit plans not recognised in income statement	45	79	–43.0
Change from the remeasurement of equity instruments (FVOCIoR)			
Reclassified to retained earnings	–0	–0	.
Change in value not recognised in income statement	1	0	.
Change in Own Credit Spread (OCS) of Liabilities FVO not recognised in income statement	–14	36	.
Items not recyclable through profit or loss	**32**	**115**	**–72.5**
Change in revaluation reserve (FVOCImR)			
Reclassified to income statement	7	2	.
Change in value not recognised in income statement	3	–4	.
Change in cash flow hedge reserve			
Reclassified to income statement	1	2	–64.4
Change in value not recognised in income statement	8	1	.
Change in currency translation reserve			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–25	71	.
Change from non-current assets held for sale or disposal groups			
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	–0	–0	.
Items recyclable through profit or loss	**–7**	**72**	**.**
Other comprehensive income	25	187	–86.7
Total comprehensive income	**361**	**429**	**–15.8**
Comprehensive income attributable to non-controlling interests	13	46	–72.3
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components[2]	349	383	–8.9

[1] Prior-year figures adjusted due to restatements (see Note 3).
[2] Position designation adjusted.

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

Other comprehensive income | €m	1.1.-30.9.2019			1.1.-30.9.2018[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in Own Credit Spread (OCS) of Liabilities FVO	– 61	– 0	– 61	83	4	88
Change from the remeasurement of equity instruments (FVOCIoR)	6	– 0	6	1	– 0	1
Change from remeasurement of defined benefit plans	– 220	26	– 195	– 125	39	– 86
Change in revaluation of debt securities (FVOCImR)	70	– 16	54	– 45	11	– 34
Change in cash flow hedge reserve	23	– 5	17	35	– 6	30
Change in currency translation reserve	31	– 0	31	– 83	0	– 83
Change from non-current assets held for sale or disposal groups	–	–	–	–	–	–
Change in companies accounted for using the equity method	– 0	–	– 0	1	–	1
Other comprehensive income	**– 148**	**– 0**	**– 149**	**– 132**	**49**	**– 84**

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

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

Other comprehensive income | €m	1.7.-30.9.2019			1.7.-30.9.2018[1]		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Change in Own Credit Spread (OCS) of Liabilities FVO	– 14	– 0	– 14	37	– 1	36
Change from the remeasurement of equity instruments (FVOCIoR)	1	– 0	1	0	0	0
Change from remeasurement of defined benefit plans	70	– 24	45	118	– 39	79
Change in revaluation of debt securities (FVOCImR)	13	– 3	10	– 2	– 0	– 2
Change in cash flow hedge reserve	11	– 2	8	4	– 1	3
Change in currency translation reserve	– 25	– 0	– 25	71	–	71
Change from non-current assets held for sale or disposal groups	–	–	–	–	–	–
Change in companies accounted for using the equity method	– 0	–	– 0	– 0	–	– 0
Other comprehensive income	**59**	**– 35**	**25**	**229**	**– 42**	**187**

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

Income statement (by quarter)

€m	2019			2018[1]			
	3rd quarter	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Interest income accounted for using the effective interest method	1,911	1,919	1,911	1,864	1,866	1,827	1,761
Interest income accounted for not using the effective interest method	305	317	303	414	335	298	304
Interest income	2,217	2,235	2,214	2,278	2,201	2,125	2,065
Interest expenses	957	961	983	1,041	978	936	967
Net interest income	1,259	1,274	1,231	1,237	1,223	1,190	1,098
Dividend income	5	10	1	6	9	6	14
Risk result	– 114	– 178	– 78	– 154	– 133	– 82	– 77
Commission income	903	931	939	931	909	941	970
Commission expenses	139	192	171	178	138	178	169
Net commission income	763	739	768	754	771	763	802
Net income from financial assets and liabilities at fair value through profit or loss	15	28	85	– 121	85	200	203
Net income from hedge accounting	36	46	50	22	6	36	– 16
Other sundry realised profit or loss from financial instruments	– 5	33	– 15	47	8	4	– 19
Gain or loss on disposal of financial assets - Amortised Cost	– 15	– 2	– 5	– 12	– 2	– 1	0
Other net income from financial instruments	– 20	31	– 20	35	6	3	– 19
Current net income from companies accounted for using the equity method	2	2	5	2	1	3	6
Other net income	124	– 1	37	101	40	– 24	129
Operating expenses	1,560	1,581	1,569	1,579	1,607	1,636	1,638
Compulsory contributions	61	72	265	63	55	58	244
Pre-tax profit or loss from continuing operations	**448**	**298**	**244**	**240**	**346**	**401**	**258**
Taxes on income	108	26	97	82	94	99	– 7
Consolidated profit or loss from continuing operations	**340**	**272**	**147**	**158**	**252**	**302**	**265**
Consolidated profit or loss from discontinued operations	– 3	26	– 13	– 23	– 10	– 7	30
Consolidated profit or loss	**337**	**298**	**134**	**135**	**242**	**295**	**296**
Consolidated profit or loss attributable to non-controlling interests	43	27	14	22	24	23	34
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components[2]	294	271	120	113	218	272	262

[1] Prior-year figures adjusted due to restatements (see Note 3).
[2] Position designation adjusted.

Balance sheet

Assets | €m	**Notes**	**30.9.2019**	**31.12.2018**[1]	**Change in %**
Cash on hand and cash on demand		53,018	53,914	– 1.7
Financial Assets – Amortised Cost	(20)	302,482	279,160	8.4
of which pledged as collateral		3,173	3,637	– 12.8
Financial Assets – Fair Value OCI	(22)	30,323	26,659	13.7
of which pledged as collateral		1,950	2,377	– 18.0
Financial Assets – Mandatorily Fair Value P&L	(24)	46,962	34,073	37.8
of which pledged as collateral		–	–	.
Financial Assets – Held for Trading	(25)	54,660	42,501	28.6
of which pledged as collateral		1,983	1,246	59.2
Value adjustment on portfolio fair value hedges		1,526	199	.
Positive fair values of derivative hedging instruments		2,329	1,457	59.8
Holdings in companies accounted for using the equity method		181	173	4.5
Intangible assets	(31)	3,102	3,246	– 4.4
Fixed assets	(32)	3,591	1,547	.
Investment properties		13	13	–
Non-current assets held for sale and disposal groups	(34)	9,395	13,433	– 30.1
Current tax assets		733	783	– 6.4
Deferred tax assets		3,100	3,111	– 0.3
Other assets	(36)	1,928	2,119	– 9.0
Total		**513,343**	**462,386**	**11.0**

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

Liabilities and equity | €m	**Notes**	**30.9.2019**	**31.12.2018[1]**	**Change in %**
Financial Liabilities – Amortised Cost	(21)	369,661	346,668	6.6
Financial Liabilities – Fair Value Option	(23)	36,250	21,949	65.2
Financial Liabilities – Held for Trading	(26)	53,570	43,404	23.4
Value adjustment on portfolio fair value hedges		1,773	532	.
Negative fair values of derivative hedging instruments		2,457	1,462	68.1
Provisions	(38)	2,708	3,158	– 14.2
Current tax liabilities		409	472	– 13.3
Deferred tax liabilities		34	20	66.9
Liabilities of disposal groups	(35)	11,101	12,914	– 14.0
Other liabilities	(37)	4,705	2,384	97.4
Equity		30,674	29,423	4.3
Subscribed capital		1,252	1,252	–
Capital reserve		17,192	17,192	–
Retained earnings		10,260	10,066	1.9
Other reserves (with recycling)		– 168	– 287	– 41.4
Equity attributable to Commerzbank shareholders[2]		28,535	28,223	1.1
Additional equity components		885	–	.
Non-controlling interests		1,254	1,200	4.5
Total		**513,343**	**462,386**	**11.0**

[1] Prior year figures adjusted due to restatements (see Note 3).
[2] Position designation adjusted.

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings[1]	Other reserves			Equity attributable to Commerzbank shareholders[1,3]	Additional equity components[2]	Non-controlling interests	Equity[1]
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve				
Equity as at 31.12.2017 (after restatements)	**1,252**	**17,192**	**11,230**	**−571**	**−54**	**−192**	**28,858**	**–**	**1,164**	**30,022**
Change from first-time application of IFRS 9	–	–	−1,821	657	−2	–	−1,166	–	−24	−1,190
Equity as at 1.1.2018	**1,252**	**17,192**	**9,409**	**86**	**−55**	**−192**	**27,692**	**–**	**1,141**	**28,832**
Total comprehensive income	–	–	754	−34	30	−58	691	–	57	749
Consolidated profit or loss			751	–	–	–	751	–	81	832
Change in Own Credit Spread (OCS) of Liabilities FVO			88	–	–	–	88	–	–	88
Change from remeasurement of defined benefit plans			−86	–	–	–	−86	–	−0	−86
Change in measurement of Equity Instruments (FVOCIoR)			1				1	–	0	1
Change in revaluation of Debt Securities (FVOCImR)				−34			−34	–	0	−34
Change in cash flow hedge reserve			–	–	30	–	30	–	–	30
Change in currency translation reserve			–	–	–	−58	−58	–	−24	−83
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			–	–	–	–	–	–	−22	−22
Changes in ownership interests			−1	–	–	–	−1	–	–	−1
Other changes			−3	–	–	–	−3	–	1	−2
Equity as at 30.9.2018	**1,252**	**17,192**	**10,159**	**52**	**−26**	**−250**	**28,379**	**–**	**1,176**	**29,555**

[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.
[3] Position designation adjusted.

€m	Sub–scribed capital	Capital reserve	Retained earnings	Other reserves			Equity attributable to Commerz-bank share–holders[2]	Additional equity com–ponents[1]	Non-controlling interests	Equity
				Revalu–ation reserve	Cash flow hedge reserve	Currency trans–lation reserve				
Equity as at 1.1.2019	**1,252**	**17,192**	**10,066**	**– 9**	**– 15**	**– 264**	**28,223**	**–**	**1,200**	**29,423**
Total comprehensive income			434	56	12	50	552	–	67	620
Consolidated profit or loss			684		–		684	–	84	768
Change in Own Credit Spread (OCS) of Liabilities FVO			– 61		–		– 61	–	–	– 61
Change from remeasurement of defined benefit plans			– 194		–		– 194	–	– 1	– 195
Change in measurement of Equity Instruments (FVOCIoR)			5	–			5	–	1	6
Change in revaluation of Debt Securities (FVOCImR)				56			56	–	– 3	54
Change in cash flow hedge reserve					12	–	12	–	5	17
Change in currency translation reserve						51	51	–	– 20	31
Change from non-current assets held for sale and disposal groups				–		–	–	–	–	–
Change in companies accounted for using the equity method						– 0	– 0	–	–	– 0
Dividend paid on shares			– 250				– 250	–	– 7	– 257
Changes in ownership interests			4				4	–	– 2	2
Other changes			6				6	885	– 4	887
Equity as at 30.9.2019	**1,252**	**17,192**	**10,260**	**48**	**– 3**	**– 213**	**28,535**	**885**	**1,254**	**30,674**

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

AT1-bond

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

Other changes

As at 30 Sptember 2019, 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 thus far are due to the US dollar, Polish zloty, British pound, Russian rouble and Brazilian real. Other changes primarily include changes from taxes not recognised in the income statement.

The changes in ownership interests of €2m in 2019 resulted from the purchase of additional shares in companies that had already been consolidated.

Cash flow statement (condensed version)

€m	2019	2018[1]	Change in %
Cash and cash equivalents as at 1.1.	**53,914**	**55,222**	**–2.4**
Net cash from operating activities	–2,088	2,738	.
Net cash from investing activities	–164	–296	–44.7
Net cash from financing activities	1,282	153	.
Total net cash	**–969**	**2,595**	**.**
Effect from exchange rate changes	73	87	–15.8
Cash and cash equivalents as at 30.9.	**53,018**	**57,904**	**–8.4**

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

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

Selected notes

General information

(1) Accounting policies

The Commerzbank Group has its headquarters in Frankfurt/Main, Germany. The parent company is Commerzbank Aktiengesellschaft, which is registered in the Commercial Register at the District Court of Frankfurt/Main under registration no. HRB 32000. Our interim financial statements as at 30 September 2019 were prepared in accordance with Art. 315e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

All standards and interpretations that are mandatory within the EU in financial year 2019 have been applied. We have not applied standards and interpretations that are not required until financial year 2020 or later.

The interim management report, including the separate interim risk report pursuant to Art. 315 of the German Commercial Code, is published on pages 7 to 32 of this interim report.

Uniform accounting and measurement methods are used throughout the Commerzbank Group in preparing the financial statements. For fully consolidated companies and holdings in companies accounted for using the equity method we have generally used financial statements prepared as at 30 September 2019.

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

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

Initially applicable standards and interpretations

The IASB published a new standard on the accounting treatment of leases, IFRS 16 Leases, in January 2016, which was transposed into EU law in the fourth quarter of 2017. The standard must be applied in the EU for financial years beginning on or after 1 January 2019. It replaces IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27.

The application of IFRS 16 resulted in an increase of €2.307m. in total assets as of 1 January 2019. In financial year 2019, instead of the previously recognised administrative expenses, the income statement will show depreciation on the recognised rights of use and interest expenses from the unwinding of the discount on lease liabilities.

Note 6 of this interim report contains the reconciliation table as at 1 January 2019 in accordance with IFRS 16.

On 7 June 2017, IFRIC Interpretation 23 (Uncertainty over Income Tax Treatments) was published. This interpretation aims to clarify the recognition and measurement of income taxes in accordance with IAS 12 when uncertainty prevails regarding the treatment for income tax purposes. The IFRIC interpretation must be applied in the EU for financial years beginning on or after 1 January 2019. There were no impacts on the Group financial statements.

Revised standards

Revised standards IFRS 3, IFRS 11, IAS 12 and IAS 23, which were implemented as part of the Annual Improvements Project 2015–2017, did not have any material impacts on the Group financial statements. The revised standards must be applied for all financial years beginning on or after 1 January 2019.

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. The standard, which must be applied in the EU for financial years beginning on or after 1 January 2021, still needs to be transposed into European law. Based on our current analyses, we do not expect any significant impact on the Group Financial Statements.

As part of the Interest Rate Benchmark Reform the IFRS 9, IAS 39 and IFRS 7 standards have been revised. The revisions are mandatory in the EU for financial years beginning on or after 1 January 2020. Based on our current analyses, we do not expect any significant impact on the Group financial statements.

(3) Changes

The realisation result from the disposal of financial assets at amortised cost was transferred out of the sub-item of the risk result as at 31 December 2018 and is now shown as a sub-item of other net income from financial instruments. This resulted in a more accurate presentation and a consistent separation into valuation and realisation components for financial instruments measured at amortised cost and fair value OCI. The comparative figures for the third of 2018 have been adjusted accordingly. This had no impact on the statement of comprehensive income or the earnings per share.

In the first quarter of 2019, we changed the presentation of compulsory contributions, which comprise contributions to deposit insurance, bank levies and the Polish bank tax. These compulsory contributions are only partially controllable and in future will therefore be presented apart from operating expenses as a separate item in the income statement. We amended the comparative figures and disclosures in the income statement structure and the related notes for 2018. The restatements had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

Additionally, the prior-year figures in the income statement for the discontinued business division EMC have been restated in accordance with the requirements of IFRS 5 (see Note 33).

€m	Originally reported 1.1.-30.9.2018	Adjustments according to IAS 8	Adjustments discontinued operations[1]	Restated 1.1.-30.9.2018
Interest income	6,441	–	–49	6,391
Interest expenses	3,036	–	–155	2,881
Net interest income	3,405	–	106	3,511
Dividend income	30	–	–	30
Risk Result	–295	3	–	–292
Commission income	2,864	–	–45	2,819
Commission expenses	535	–	–52	484
Net commission income	2,329	–	7	2,336
Net income from financial assets and liabilities at fair value through profit or loss	791	–	–303	488
Net income from hedge accounting	26	–	–	26
Other profit or loss from financial instruments	–6	–3	–	–9
Current net income from companies accounted for using the equity method	9	–	–	9
Other net income	144	–	1	145
Operating expenses	5,412	–364	–168	4,880
Compulsory contributions	–	364	–7	357
Pre-tax profit or loss	**1,020**	**–**	**–15**	**1,005**
Taxes on income	187	–	–2	185
Pre-tax profit or loss from continuing operations	**832**	**–**	**–13**	**820**
Consolidated profit or loss from discontinued operations	–	–	13	13
Consolidated profit or loss	**832**	**–**	**–0**	**832**
Consolidated profit or loss attributable to non-controlling interests	81	–	–	81
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	751	–	–0	751

[1] EMC business, which is to be sold to Société Générale (see Note 33).

In the third quarter of 2019, an error was corrected in the valuation adjustments for risks from AC loans & advances associated with the systematic consideration of overly long maturities for receivables from letters of credit. In conjunction with this, a correction was also made in deferred income tax assets and other provisions. The valuation allowances were also adjusted for the 2018 financial year (see Note 27). This had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

Assets | €m	Originally reported 31.12.2018	Adjustments according to IAS 8	Restated 31.12.2018
Financial Assets – Amortised Cost			
Loans and advances	247,387	23	247,410
Deferred tax assets	3,116	–5	3,111

Liabilities and equity | €m	**Originally reported 31.12.2018**	**Adjustments according to IAS 8**	**Restated 31.12.2018**
Provisions			
Other provisions	2,069	5	2,074
Equity			
Retained earnings	10,054	12	10,066

(4) Report on events after the reporting period

On 30 October, Commerzbank Aktiengesellschaft published the offer document for the voluntary public purchase offer for all outstanding shares in comdirect bank Aktiengesellschaft ("comdirect"). Commerzbank already holds around 82% of the shares in comdirect. The remaining 18% are in free float. The aim is to merge comdirect with Commerzbank in order to exploit the high level of digital expertise and innovative strength of comdirect for all of the Group's customers in future. For additional explanatory material, please refer to the interim management report contained in this interim report (see page 7 ff).

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

Accounting and measurement policies

(5) Changes in accounting and measurement policies

With the exception of the application of IFRS 16 (see Note 6) and the changes described in Note 3, we have applied the same accounting and measurement policies in these interim financial statements as in our Group financial statements as at 31 December 2018 (see page 159 ff. of the Annual Report 2018).

(6) First-time application of IFRS 16

The effects of the application of IFRS 16 and the new accounting policies applied as of 1 January 2019 are presented below.

First-time application is in accordance with the transitional provisions of IFRS 16 using the modified retrospective method. The figures for the comparison period were not adjusted. There were no effects to be recognised in equity.

With the application of IFRS 16, the Commerzbank Group recognised lease liabilities as of 1 January 2019 for leases previously classified as operating leases under IAS 17. These liabilities were measured at the net present value of the outstanding lease payments discounted at the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate was 1.22% per annum.

For the lessee, the previous classification according to operating and finance leases no longer applies. The requirements for the lessor remain essentially unchanged, however.

For the first-time application, we made use of the simplification rule to include any provisions for onerous contracts in the right of use. For leases previously classified as operating leases, the status as at the changeover date was used as the basis. There was no retrospective calculation and consideration of initial direct costs. The exercise of extension or termination options continued to be assessed on the basis of the current facts and not based on the retrospective probability of exercise at the start of the contract. We also chose to use the optional simplification rule to exclude leases for low-value leased assets from recognition in the balance sheet. At the time of initial application, we did not assess whether a contract existing prior to 1 January 2019 should be classified in whole or in part as a lease in accordance with IFRS 16. The estimates made in accordance with the previous regulations IAS 17 and IFRIC 4 were adopted. The right of use per lease was recognised according to the lease liability adjusted for prepaid or accrued payments.

In future, a right-of-use asset and a corresponding lease liability will be recognised for all leases. We recognise the right of use under fixed assets and depreciate it on a straight-line basis over the term of the lease. Maturity and call options are recognised as soon as their exercise is deemed sufficiently certain. The lease liability is recognised at the net present value of the future lease payments to be made. Subsequent measurement is performed using the effective interest method. We make use of the option to exclude low-value leases from accounting and recognise them directly as expenses.

The following table shows the reconciliation to the lease liability as of 1 January 2019, based on the lease obligations under operating leases as at 31 December 2018.

€m	
Off-balance sheet lease liabilities as at 31.12.2018	**2,657**
Of which not IFRS 16 relevant	130
Application relief for leases of low-value assets	55
Others	0
Gross lease liabilities as at 1.1.2019	**2,472**
Discounting	154
Total lease liabilities as at 1.1.2019	**2,317**

As at 30 September 2019, the recognised rights of use amounted to €2,118m and mainly consisted of lease agreements for land and buildings.

(7) Consolidated companies

Sale of ebase GmbH

On 16 July 2019, our subsidiary comdirect bank AG, Quickborn, sold ebase GmbH (European Bank for Financial Services GmbH). The sale of the wholly owned subsidiary of comdirect bank AG was agreed in July 2018. Following approval by the banking supervisory authorities and the competition authorities, the sale to the financial technology provider FNZ Group, London was completed for a purchase price of €154m. This sale had a positive effect on the income statement through other net income (see Note 15).

Acquisition of LeaseLink Sp. z.o.o.

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

The following table shows the assets and liabilities recognised in the balance sheet that were consolidated at provisional values as at 30 September 2019:

€m	30.9.2019
Financial assets - Amortised Cost	16
Intangible assets	1
Fixed assets	0
Other assets	1
Total identified assets	**18**
Financial liabilities - Amortised Cost	17
Total identified liabilities	**17**
Net asset value	**0**
Purchase price/consideration	**7**
Goodwill	**7**

All shares in Commerz Funds Solutions S.A., Luxembourg, which was previously included in the group of consolidated companies, were sold in the second quarter of the 2019 financial year. This transaction is one of the steps in the transfer of the Equity Markets & Commodities (EMC) division to Société Générale Group. Please refer to Note 33 for further details on the transfer of the EMC division.

Apart from this, 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.

In the first quarter of financial year 2018, the Bank sold its interest in Capital Investment Trust Corporation, Taipei, Taiwan, a shareholding that previously had been accounted for using the equity method. This sale resulted in a positive effect on the income statement in other net income (see Note 15).

Notes to the income statement

(8) 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 contains all interest expenses, including reversals of premiums/discounts or other amounts based on the effective interest method, as well as interest-like expenses in connection with the ordinary banking business.

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

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Interest income accounted for using the effective interest method	**5,741**	**5,454**	**5.3**
Interest income – Amortised Cost	5,395	5,135	5.1
Interest income from lending and money market transactions	4,773	4,500	6.1
Interest income from the securities portfolio	622	635	– 2.1
Interest income – Fair Value OCI	252	233	8.1
Interest income from lending and money market transactions	18	18	– 2.7
Interest income from the securities portfolio	235	215	9.0
Prepayment penalty fees	94	86	9.6
Interest income accounted for not using the effective interest method	**925**	**937**	**– 1.3**
Interest income – Mandatorily Fair Value P&L	591	518	14.0
Interest income from lending and money market transactions	549	510	7.7
Interest income from the securities portfolio	42	8	.
Positive interest from financial instruments held as liabilities	334	419	– 20.3
Interest expenses	**2,902**	**2,881**	**0.7**
Interest expenses – Amortised Cost	1,925	1,997	– 3.6
Deposits	1,208	1,226	– 1.4
Debt securities issued	717	771	– 7.0
Interest expenses – Fair Value Option	581	400	45.1
Deposits	557	376	48.1
Debt securities issued	24	24	– 1.5
Negative interest from financial instruments held as assets	364	469	– 22.3
Interest expenses from lease liabilities	19	–	.
Other interest expenses	13	15	– 14.3
Total	**3,764**	**3,511**	**7.2**

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

(9) Dividend income

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

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

€m	1.1.-30.9.2019	1.1.-30.9.2018	Change in %
Dividends from equity instruments – Fair Value OCI	2	1	84.5
Dividends from equity instruments – Mandatorily Fair Value P&L	10	17	–43.6
Current net income from non-consolidated subsidiaries	5	11	–60.3
Total	**16**	**30**	**–44.6**

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified in the fair value OCI category. In the first nine months of 2019, dividends of €2m were received from these stocks and recognised in the income statement in dividend income (previous year: €1m).

(10) Risk result

The risk result contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. This also includes reversals of loss provisions when derecognition occurs because of scheduled redemptions, write-ups and amounts recovered on claims written-down and direct write-downs not resulting from a substantial modification. In addition, changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit, see Note 39) are taken into account.

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Financial Assets – Amortised Cost	–355	–325	9.2
Financial Assets – Fair Value OCI	11	0	.
Financial Guarantees	–0	–10	–99.7
Lending commitments and indemnity agreements	–26	43	.
Total	**–370**	**–292**	**26.6**

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

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

(11) Net commission income

The Group reports income and expenses generated from the utilisation of services in net commission income. These amounts are realised when clients are provided with operational facilities, special business relationships or creditworthiness without changing the capitalised balance of banking claims. This also applies with respect to commissions from the sale of foreign currencies, bank notes and precious metals, provided the activity relates to a service transaction and not to proprietary trading. The same applies conversely when the Bank utilises third-party services.

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Commission income	**2,773**	**2,819**	**–1.6**
Securities transactions	814	876	–7.1
Asset management	253	231	9.5
Payment transactions and foreign business	1,056	1,028	2.7
Guarantees	167	155	7.4
Net income from syndicated business	162	185	–12.3
Intermediary business	117	152	–23.6
Fiduciary transactions	16	17	–6.5
Other income	189	174	8.7
Commission expenses	**503**	**484**	**4.0**
Securities transactions	165	194	–14.7
Asset management	24	22	9.2
Payment transactions and foreign business	116	115	0.2
Guarantees	17	16	9.7
Net income from syndicated business	0	0	–11.1
Intermediary business	132	101	30.6
Fiduciary transactions	9	11	–11.6
Other expenses	39	25	57.1
Net provision income	**2,270**	**2,336**	**–2.8**
Securities transactions	648	683	–5.0
Asset management	229	209	9.5
Payment transactions and foreign business	940	913	3.0
Guarantees	149	140	7.1
Net income from syndicated business	162	185	–12.3
Intermediary business	–15	51	.
Fiduciary transactions	7	7	1.7
Other income	149	149	0.5
Total	**2,270**	**2,336**	**–2.8**

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

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

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

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.

1.1.-30.9.2018 €m	Private and Small-Business Customers	Corporate Clients[2]	Asset & Capital Recovery	Others and Consolidation[1]	Group
Securities transactions	873	37	–	– 34	876
Asset management	229	3	–	–	231
Payment transactions and foreign business	468	568	1	– 9	1,028
Guarantees	20	145	–	– 9	155
Net income from syndicated business	2	183	–	–	185
Intermediary business	153	49	–	– 49	152
Fiduciary transactions	12	6	–	–	17
Other income	141	47	1	– 15	174
Total	**1,897**	**1,038**	**1**	**– 117**	**2,819**

[1] The items in Others and Consolidation mainly relate to effects from the consolidation of expenses and income.
[2] Prior-year figures adjusted due to restatements (see Note 3).

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

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

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

- interest income, including dividends received and interest expenses from financial instruments held for trading;
- realised gains and losses from the sale of securities held for trading purposes, claims, foreign currencies and precious metals;
- net remeasurement gain or loss from remeasurements to fair value;
- net gain or loss from derivative financial instruments;
- net gain or loss from fair value adjustments (credit valuation adjustment/CVA, debit valuation adjustment/DVA, funding valuation adjustment/FVA);
- commission expenses and income incurred in connection with the acquisition or disposal of financial instruments held for trading purposes.

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

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Profit or loss from financial instruments – Held for Trading	45	439	– 89.7
Profit or loss from financial instruments – Fair Value Option	– 138	51	.
Profit or loss from financial instruments – Mandatorily Fair Value P&L	220	– 3	.
Total	**127**	**488**	**– 73.9**

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

(13) Net income from hedge accounting

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

€m	1.1.-30.9.2019	1.1.-30.9.2018	Change in %
Fair Value Hedges			
Changes in fair value attributable to hedging instruments	– 344	333	.
Micro fair value hedges	– 434	289	.
Portfolio fair value hedges	90	44	.
Changes in fair value attributable to hedged items	476	– 307	.
Micro fair value hedges	543	– 265	.
Portfolio fair value hedges	– 67	– 42	61.4
Cash Flow Hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	0	0	.
Total	**132**	**26**	**.**

(14) Other net income from financial instruments

This item contains the gain or loss on disposals 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 and loss when the asset is disposed of. In the previous year this was also applicable for the available for sale category.

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 costs.

In addition, the gain or loss from changes in estimates and well as the net remeasurement gain or loss from non-substantial modifications of financial instruments – Amortised cost are reported in this item.

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Other sundry realised profit or loss from financial instruments	12	−7	.
Realised profit or loss from financial assets – Fair Value OCI	18	3	.
Realised profit or loss from financial liabilities – Amortised Cost	11	1	.
Gain or loss on non-substantial modifications – Amortised Cost	−2	−3	−50.6
Gain or loss on non-substantial modifications – Fair Value OCI	–	–	.
Changes in uncertainties in estimates – Amortised Cost	−15	−7	.
Changes in uncertainties in estimates – Fair Value OCI	–	–	.
Gain or loss on disposal of financial assets (AC portfolios)	−22	−2	.
Gains on disposal of financial assets (AC portfolios)	124	0	.
Losses on disposal of financial assets (AC portfolios)	146	3	.
Total	**−9**	**−9**	**3.3**

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

The Commerzbank Group has loan portfolios totalling €305bn (previous year: €281bn) with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI- non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor´s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets.

The net gain or loss from the sale of financial instruments (AC portfolios) mainly resulted when the Group sold 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.

(15) 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 jointly controlled entities.

€m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Other material items of income	**453**	**395**	**14.5**
Reversals of provisions	101	93	9.4
Operating lease income	131	125	4.2
Income from building and architects' services	0	0	−78.3
Hire-purchase income and sublease income	11	8	36.7
Income from investment properties	1	1	−6.4
Income from non-current assets held for sale	–	–	.
Income from disposal of fixed assets	3	14	−78.2
Income from FX rate differences	18	31	−42.4
Remaining other income	188	123	52.5
Other material items of expense	**311**	**307**	**1.0**
Allocations to provisions	53	87	−39.3
Operating lease expenses	109	93	18.1
Expenses arising from building and architects' services	11	0	.
Hire-purchase expenses and sublease expenses	6	4	71.6
Expenses from investment properties	0	0	−6.2
Expenses from non-current assets held for sale	–	–	.
Expenses from disposal of fixed assets	2	1	37.4
Expenses from FX rate differences	23	34	−30.5
Remaining other expenses	106	89	19.6
Other tax (netted)	14	22	−35.9
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	3	35	−91.6
Other net income	**159**	**145**	**9.9**

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

The remaining other income position includes realisation gains of €103m from the sale of ebase GmbH (European Bank for Financial Services GmbH).

(16) Operating expenses

Personnel expenses | €m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Wages and salaries	2,470	2,384	3.6
Expenses for pensions and similar employee benefits	177	188	−5.8
Total	**2,647**	**2,572**	**2.9**

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

Administrative expenses | €m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Occupancy expenses	166	431	−61.6
IT expenses	390	456	−14.5
Workplace and information expenses	176	185	−4.9
Advisory, audit and other expenses required to comply with company law	193	304	−36.6
Travel, representation and advertising expenses	171	200	−14.6
Personnel-related administrative expenses	86	108	−20.3
Other administrative expenses	128	130	−1.9
Total	**1,309**	**1,815**	**−27.9**

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

Depreciation and amortisation | €m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Office furniture and equipment	85	91	−7.0
Land and buildings	8	8	0.5
Intangible assets	390	394	−1.1
Right of use	271	n/a	
Total	**754**	**494**	**52.7**

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

(17) Compulsory contributions

Compulsory contributions | €m	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change. in %
Deposit Protection Fund	106	108	−1.7
Polish bank tax	88	70	25.1
European bank levy	204	179	14.0
Total	**398**	**357**	**11.5**

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

(18) Taxes on income

Group tax expense was €231m as at 30 September 2019 (previous year: €185m). With pre-tax profit of €990m (previous year: €1,005m) the Group's effective tax rate was 23,3% (previous year: 18,5% (Group income tax rate: 31.5%, previous year: 31.5%). Group tax expense mainly comprises the current tax expenses of the mBank subgroup, comdirect bank Aktiengesellschaft and Commerzbank Aktiengesellschaft for the reporting period. The reduction in the tax rate compared with the Group income tax rate was primarily attributable to aperiodic tax income and lower tax rates at foreign locations on the operating profit realised there.

(19) Earnings per share

	1.1.-30.9.2019	1.1.-30.9.2018[1]	Change in %
Operating profit (€m)	990	1,005	−1.5
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	684	751	−8.9
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	–
Operating profit per share (€)	0.79	0.80	−1.5
Earnings per share (€)	0.55	0.60	−8.9

[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 Credit risks and credit losses).

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

€m	30.9.2019	31.12.2018[1]	Change in %
Loans and advances	269,720	247,410	9.0
Central banks	851	93	.
Banks	32,946	31,798	3.6
Corporate clients	99,668	92,090	8.2
Private customers	107,343	100,902	6.4
Other financial corporations	14,790	11,369	30.1
General governments	14,121	11,159	26.5
Debt securities	32,762	31,750	3.2
Banks	2,464	2,563	−3.8
Corporate clients	4,263	3,506	21.6
Other financial corporations	5,042	5,529	−8.8
General governments	20,992	20,152	4.2
Total	**302,482**	**279,160**	**8.4**

[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 planned closure of the Asset & Capital Recovery segment (run-off portfolio), this portfolio was grouped under Treasury and has been administered by the Investment Office since 1 January 2019 (see also Note 40). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and management remuneration are therefore not based on fair value. The objective of the portfolio is to generate the 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 "amortised cost" category. The effective interest rate calculated at the time of reclassification was 2.8%. For the first nine months of 2019, interest income for the reclassified portfolio was €54m and interest expense was zero.

The fair value of the portfolio at 30 Sptember 2019 was €3.2bn. 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 €−186m which mainly resulted from credit spread effects on the British pound. Since reclassification, the portfolio has 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.

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

€m	30.9.2019	31.12.2018	Change in %
Deposits	326,572	301,144	8.4
Central banks	4,760	2,955	61.1
Banks	50,563	45,076	12.2
Corporate clients	82,871	80,618	2.8
Private customers	135,603	125,899	7.7
Other financial corporations	36,795	30,993	18.7
General governments	15,980	15,603	2.4
Debt securities issued	43,090	45,524	– 5.3
Money market instruments	3,145	5,648	– 44.3
Covered bonds	18,207	18,869	– 3.5
Other debt securities issued	21,737	21,006	3.5
Total	**369,661**	**346,668**	**6.6**

New issues with a total volume of €9.6bn were issued in the first nine months of 2019. In the same period, the volume of bonds maturing amounted to €13.2bn and redemptions to €0.6bn.

(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. All gains or losses from these equity instruments are never reclassified to the income statement, rather they are reclassified into retained earnings when sold (without recycling). These equity instruments are not subject to impairment testing. Any dividends paid on these instruments are recognised as dividend income in the income statement, provided they do not involve a return of capital.

€m	30.9.2019	31.12.2018	Change in %
Loans and advances (with recycling)	1,204	1,300	–7.3
Central banks	–	–	.
Banks	159	148	7.4
Corporate clients	482	539	–10.6
Private customers	–	–	.
Other financial corporations	89	38	.
General governments	474	574	–17.4
Debt securities (with recycling)	29,074	25,328	14.8
Banks	11,181	10,448	7.0
Corporate clients	681	749	–9.0
Other financial corporations	6,004	5,001	20.1
General governments	11,208	9,131	22.8
Equity instruments (without recycling)	45	31	44.1
Corporate clients	43	30	44.7
Other financial corporations	2	1	29.4
Total	**30,323**	**26,659**	**13.7**

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

As at 30 September 2019, the fair value of these shares amounted to €45m (previous year: €31m). Dividends of €2m (previous year: €1m) were received from these shares and recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in a realised profit or loss totalling €0m (previous year €0m) which was recognised in retained earnings without effect on income.

(23) Financial liabilities – Fair Value Option

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

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

€m	30.9.2019	31.12.2018	Change in %
Deposits	35,445	21,083	68.1
Central banks	4,155	2,734	52.0
Banks	11,234	8,498	32.2
Corporate clients	865	1,015	– 14.8
Private customers	153	157	– 2.6
Other financial corporations	18,803	8,511	.
General governments	236	167	41.1
Debt securities issued	805	866	– 7.0
Other debt securities issued	805	866	– 7.0
Total	**36,250**	**21,949**	**65.2**

For liabilities to which the fair value option was applied, the change in fair value in the first nine months of 2019 due to credit risk reasons was €61m (previous year: €– 88m). The cumulative change was €– 2m (previous year: €– 59m).

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

New issues with a total volume of €0.0bn were issued in the first nine months of 2019. During the same period the volume of repayments was €0.1bn, and the volume of maturing issues was also €0.1bn.

(24) Financial assets – Mandatorily Fair Value P&L

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

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

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

€m	30.9.2019	31.12.2018	Change in %
Loans and advances	43,525	31,386	38.7
Central banks	4,335	8,266	−47.6
Banks	16,161	10,785	49.9
Corporate clients	1,851	2,053	−9.9
Private customers	192	262	−26.8
Other financial corporations	20,957	6,082	.
General governments	30	3,938	−99.2
Debt securities	3,068	2,350	30.5
Banks	123	73	68.6
Corporate clients	120	116	3.4
Other financial corporations	1,342	1,407	−4.6
General governments	1,483	754	96.6
Equity instruments	369	337	9.6
Banks	9	9	–
Corporate clients	301	283	6.2
Other financial corporations	58	44	33.5
Total	**46,962**	**34,073**	**37.8**

(25) Financial assets – Held for Trading

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

Irrespective of the type of product, these financial assets are measured at fair value through profit or loss. The fair value changes of the respective transactions are therefore reported through profit or loss in the income statement. If the fair value cannot be established on an active market, items are measured by means of comparable prices, indicative prices of pricing service providers or other banks (lead managers), or internal valuation models (net present value or option pricing models).

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

€m	30.9.2019	31.12.2018	Change in %
Loans and advances	909	1,028	–11.6
Banks	529	628	–15.7
Corporate clients	379	254	49.1
Other financial corporations	–	3	.
General governments	0	143	–99.7
Debt securities	3,238	1,621	99.7
Banks	644	523	23.1
Corporate clients	181	61	.
Other financial corporations	449	390	15.3
General governments	1,965	648	.
Equity instruments	1,415	1,021	38.7
Banks	13	10	29.9
Corporate clients	1,400	1,011	38.5
Other financial corporations	3	–	.
Positive fair values of derivative financial instruments	48,297	38,067	26.9
Interest-rate-related derivative transactions	35,851	27,302	31.3
Currency-related derivative transactions	9,707	7,442	30.4
Equity derivatives	797	1,518	–47.5
Credit derivatives	527	511	3.1
Other derivative transactions	1,415	1,294	9.4
Other trading positions	801	764	4.9
Total	**54,660**	**42,501**	**28.6**

(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	30.9.2019	31.12.2018	Change in %
Certificates and other issued bonds	46	49	–5.7
Delivery commitments arising from short sales of securities	1,555	3,091	–49.7
Negative fair values of derivative financial instruments	51,968	40,264	29.1
Interest-rate-related derivative transactions	39,033	29,464	32.5
Currency-related derivative transactions	10,853	8,512	27.5
Equity derivatives	507	743	–31.8
Credit derivatives	981	923	6.3
Other derivative transactions	595	622	–4.3
Total	**53,570**	**43,404**	**23.4**

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 recognised 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 12months (12-month ECL).

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

Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. Commerzbank's criterion for this classification is the definition of a default in accordance with Art. 178 of the Capital Requirements Regulation (CRR). The following events can be indicative of a customer default:

- Imminent insolvency (over 90 days past due).
- The Bank is assisting in the financial rescue/restructuring measures of the customer with or without restructuring contribution(s).
- The Bank has demanded immediate repayment of its claims;
- The customer is in insolvency proceedings.

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

Financial instruments which when initially recognised are already considered impaired as per the aforementioned definition (purchased or originated credit-impaired, or POCI) 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.

€m	As at 1.1.2019	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 30.9.2019
Valuation allowances for risks from financial assets	2,206	344	547	–	126	2,130
Financial Assets – Amortised Cost	2,190	355	559	–	126	2,112
Loans and advances	2,083	387	534	–	124	2,061
Debt securities	107	– 32	26	–	1	50
Financial Assets – Fair value OCI	16	– 11	– 12	–	1	18
Loans and advances	7	4	–	–	– 0	11
Debt securities	9	– 15	– 12	–	1	7
Provisions for financial guarantees	9	0	–	–	0	9
Provisions for lending commitments	136	– 7	–	–	– 0	129
Provisions for indemnity agreements	124	33	–	–	2	159
Total	**2,476**	**370**	**547**	**–**	**129**	**2,427**

€m	As at 1.1.2018[1]	Net allocations / reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes / reclassification	As at 31.12.2018[1]
Valuation allowances for risks from financial assets	2,203	475	466	–	– 6	2,206
Financial Assets – Amortised Cost	2,187	477	467	–	– 7	2,190
Loans and advances	2,096	462	467	–	– 9	2,083
Debt securities	90	15	0	–	2	107
Financial Assets – Fair value OCI	16	– 2	– 1	–	1	16
Loans and advances	7	– 0	–	–	0	7
Debt securities	9	– 1	– 1	–	1	9
Provisions for financial guarantees	10	– 1	–	–	0	9
Provisions for lending commitments	127	9	–	–	– 0	136
Provisions for indemnity agreements	161	– 38	0	–	1	124
Total	**2,501**	**446**	**466**	**–**	**– 5**	**2,476**

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

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	281	321	1,453	74	2,130
Loans and advances	248	297	1,453	74	2,072
Debt securities	33	24	0	–	57
Provisions for financial guarantees	2	2	3	3	9
Provisions for lending commitments	72	42	6	8	129
Provisions for indemnity agreements	1	81	62	15	159
Total	**356**	**447**	**1,524**	**101**	**2,427**

The breakdown into stages as at 31 December 2018 is as follows:

€m	Stage 1	Stage 2	Stage 3	POCI	Total[1]
Valuation allowances for risks from financial assets	273	400	1,471	62	2,206
Loans and advances	243	317	1,469	61	2,090
Debt securities	30	83	2	1	116
Provisions for financial guarantees	2	1	2	4	9
Provisions for lending commitments	70	48	13	5	136
Provisions for indemnity agreements	1	72	37	15	124
Total	**346**	**521**	**1,523**	**86**	**2,476**

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

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 finance 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:

a) financial instruments measured at fair value (fair value OCI, fair value option, mandatorily fair value P&L and held for trading);
b) 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 independent 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 FVA is approximated by the Commerzbank funding curve.

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

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

Financial assets | €bn	**30.9.2019**				**31.12.2018**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets – Fair Value OCI								
Loans and advances	–	1.2	0.0	1.2	–	1.3	–	1.3
Debt securities	20.1	8.9	0.1	29.1	15.4	9.7	0.2	25.3
Equity instruments	0.0	–	–	0.0	0.0	–	–	0.0
Financial Assets – Mandatorily Fair Value P&L								
Loans and advances	–	41.5	2.1	43.5	–	26.6	4.8	31.4
Debt securities	0.7	1.1	1.3	3.1	0.6	0.7	1.0	2.4
Equity instruments	0.0	–	0.4	0.4	0.0	–	0.3	0.3
Financial Assets – Held for Trading								
Loans and advances	0.0	0.8	0.1	0.9	0.2	0.9	–	1.0
Debt securities	1.8	1.5	0.0	3.2	0.9	0.7	0.0	1.6
Equity instruments	1.4	0.0	0.0	1.4	1.0	–	–	1.0
Derivatives	–	43.9	4.4	48.3	–	34.7	3.4	38.1
Others	0.8	–	–	0.8	0.8	–	–	0.8
Positive fair values of derivative financial instruments								
Hedge accounting	–	2.3	–	2.3	–	1.5	–	1.5
Non-current assets held for sale and disposal groups								
Loans and advances	–	0.2	–	0.2	–	0.2	–	0.2
Debt securities	1.2	0.3	0.0	1.5	2.3	0.1	0.0	2.4
Equity instruments	3.7	0.0	0.0	3.7	7.8	–	–	7.8
Derivatives	–	3.1	0.2	3.3	–	2.2	0.1	2.3
Total	**29.7**	**104.6**	**8.5**	**142.9**	**29.1**	**78.4**	**10.0**	**117.5**

Financial liabilities | €bn	**30.9.2019**				**31.12.2018**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities - Fair Value Option								
Deposits	–	35.4	–	35.4	–	21.1	–	21.1
Debt securities issued	0.8	–	–	0.8	0.9	–	–	0.9
Financial liabilities - Held for Trading								
Derivatives	–	47.9	4.1	52.0	–	37.0	3.3	40.3
Certificates and other notes issued	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	1.5	0.1	–	1.6	2.7	0.4	0.0	3.1
Negative fair values of derivative hedging instruments								
Hedge accounting	–	2.5	–	2.5	–	1.5	–	1.5
Liabilities of disposal groups								
Deposits	–	2.8	–	2.8	–	3.3	–	3.3
Debt securities issued	–	–	–	–	–	–	–	–
Derivatives	–	2.7	0.3	3.0	–	3.4	0.3	3.7
Certificates and other notes issued	3.6	0.0	–	3.6	4.5	–	–	4.5
Delivery commitments arising from short sales of securities	0.5	0.1	–	0.6	0.5	0.0	–	0.5
Total	**6.4**	**91.5**	**4.4**	**102.3**	**8.6**	**66.5**	**3.7**	**78.8**

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 on the input factors used to value the financial instrument.

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

In the first nine months of 2019 a number of reclassifications from level 1 to level 2 were carried out, as there were no listed market prices available. These related to €0.4bn in debt securities in the FVOCI category and €0.4bn debt securities in the HFT category, €0.4bn debt securities in the mFVPL category and €0.2bn delivery commitments arising from short sales of securities in the HFT category. Furthermore, debt securities of €2.3bn in the FVOCI category, debt securities of €0.5bn in the HFT category, €0.6bn delivery commitments arising from short sales of securities in the HFT category were reclassified from level 2 to level 1, as observable market prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

In financial year 2018 reclassifications from level 1 to level 2 were carried out, as there were no listed market prices available. These related to €1.2bn debt securities in the HFT category and €0.3bn debt securities in the mFVPL category, €0.5bn debt securities in the FVOCI category and €0.1bn delivery commitments arising from short sales of securities in the HFT category. Furthermore €0.8bn of debt securities in the FVOCI category, €0.1bn debt securities in the mFVPL category, €0.1bn debt securities in the HFT category, and €0.1bn delivery commitments arising from short sales of securities in the HFT category were reclassified from level 2 to level 1, as observable market prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

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

Financial Assets | €m	**Financial Assets – Fair Value OCI**	**Financial Assets – Mandatorily Fair Value P&L**	**Financial Assets – Held for Trading**	**Non-current assets held for sale and disposal groups**	**Total**
Fair Value as at 1.1.2019	**215**	**6,208**	**3,415**	**125**	**9,962**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–11	–193	1,006	–7	795
of which unrealised gains or losses	–11	–193	1,006	49	851
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	25	579	100	44	748
Sales	–1	–923	–0	–20	–944
Issues	–	–	–	–	–
Redemptions	–	–	–	–0	–0
Reclassifications to level 3	142	817	38	62	1,060
Reclassifications from level 3	–215	–24	–56	–36	–331
IFRS 9 reclassifications	–	–2,762	–	–	–2,762
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair Value as at 30.9.2019	**155**	**3,702**	**4,503**	**168**	**8,528**

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 1.1.2018	**36**	**6,319**	**3,754**	**–**	**10,109**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–1	–90	–158	–	–249
of which unrealised gains or losses	–1	–88	–153	–	–242
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	–	2,164	–9	1	2,155
Sales	–31	–2,592	–51	–	–2,674
Issues	–	–	–	–	–
Redemptions	–	–	–	–	–
Reclassifications to level 3	288	542	109	2	941
Reclassifications from level 3	–78	–135	–108	–	–321
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–122	122	0
Fair Value as at 31.12.2018	**215**	**6,208**	**3,415**	**125**	**9,962**

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.

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

In financial year 2018 €0.1bn in debt securities of the IFRS-9 category mFVPL were reclassified from level 3 back to level 2 because market parameters were observable again.

In contrast, €0.3bn of loans and receivables in the mFVPL category and €0.3bn debt securities of the mFVPL category were reclassified from level 2 to level 3 because market parameters were not observable.

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 1.1.2019	**–**	**3,330**	**334**	**3,665**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	787	– 4	783
of which unrealised gains or losses	–	786	74	860
Purchases	–	57	16	73
Sales	–	– 61	–	– 61
Issues	–	–	–	–
Redemptions	–	–	– 55	– 55
Reclassifications to level 3	–	–	45	45
Reclassifications from level 3	–	– 4	– 18	– 22
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair Value as at 30.9.2019	**–**	**4,109**	**318**	**4,427**

Financial Liabilities | €m	Financial Liabilities – Fair Value Option	Financial Liabilities – Held for Trading	Liabilities of disposal groups	Total
Fair Value as at 1.1.2018	**100**	**3,897**	**–**	**3,997**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	– 126	–	– 126
of which unrealised gains or losses	–	– 104	–	– 104
Purchases	–	120	–	120
Sales	– 100	– 2	–	– 102
Issues	–	–	–	–
Redemptions	–	– 13	–	– 13
Reclassifications to level 3	–	49	–	49
Reclassifications from level 3	–	– 261	–	– 261
Reclassification from/to liabilities of disposal groups	–	– 334	334	–
Fair Value as at 31.12.2018	**–**	**3,330**	**334**	**3,665**

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

In the first nine months of 2019 no significant reclassifications of financial liabilities to or from level 3 have taken place.

In financial year 2018 €0.1bn derivatives with negative fair values were reclassified from level 3 to level 2, as market parameters were again observable. Otherwise there were no significant reclassifications of financial liabilities into or out of level 3.

Sensitivity analysis

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

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

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

- Internal rate of return (IRR):

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

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

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

  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.
- Recovery rates, survival and default probabilities:

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

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

  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12months. 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		30.9.2019			30.9.2019	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**2,160**	**–**		–	–
Repos	Discounted cash flow model	1,345	–	Repo-curve (bps)	240	265
Ship financing	Discounted cash flow model	174	–	Credit spread (bps)	150	4,150
Other loans	Discounted cash flow model	641	–	Credit spread (bps)	70	700
Debt securities		**1,415**	**18**		–	–
Interest-rate-related transactions	Spread based model	1,415	18	Credit spread (bps)	100	550
of which ABS	Spread based model	893	–	Credit spread (bps)	100	550
Equity instruments		**355**	**–**		–	–
Equity-related transactions	Discounted cash flow model	355	–	Price (%)	90%	110%
Derivatives		**4,598**	**4,409**			
Equity-related transactions	Discounted cash flow model	221	342	IRR (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	4%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	4,377	3,900	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	–	167	IR-FX correlation (%)	−30%	52%
Other transactions		–	–		–	–
Total		**8,528**	**4,427**			

€m		31.12.2018			31.12.2018	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**4,830**	**–**		–	–
Repos	Discounted cash flow model	1,528	–	Repo-curve (bps)	126	257
Ship financing	Discounted cash flow model	479	–	Credit spread (bps)	600	1,200
Other loans	Discounted cash flow model	2,823	–	Credit spread (bps)	70	700
Debt securities		**1,267**	**–**		–	–
Interest-rate-related transactions	Spread based model	1,267	–	Credit spread (bps)	100	500
of which ABS	Spread based model	1,072	–	Credit spread (bps)	100	500
Equity instruments		**328**	**–**		–	–
Equity-related transactions	Discounted cash flow model	328	–	Price (%)	90%	110%
Derivatives		**3,537**	**3,665**			
Equity-related transactions	Discounted cash flow model	122	334	IRR (%), price (%), investment fund volatility	1%	9%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	3,415	3,152	Credit spread (bps)	100	500
		–	–	Recovery rate (%)	40%	80%
Interest-rate-related transactions	Option pricing model	–	179	IR-FX correlation (%)	−30%	52%
Other transactions		–	–		–	–
Total		**9,962**	**3,665**			

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	30.9.2019		
	Positive effects on income statement	**Negative effects on income statement**	**Changed parameters**
Loans	**16**	**–16**	
Repos	13	–13	Repo curve
Ship financing	1	–1	Credit Spread
Other loans	2	–2	Credit Spread
Debt securities	**42**	**–42**	
Interest-rate-related transactions	42	–42	Price
of which ABS	21	–21	IRR, recovery rate, credit spread
Equity instruments	**2**	**–2**	
Equity-related transactions	2	–2	Price
Derivatives	**23**	**–23**	
Equity-related transactions	11	–11	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	11	–11	credit spread, recovery rate, price
Interest-rate-related transactions	1	–1	Price, IR-FX correlation
Other transactions	–	–	

€m	31.12.2018		
	Positive effects on income statement	**Negative effects on income statement**	**Changed parameters**
Loans	**76**	**–76**	
Repos	15	–15	Repo curve
Ship financing	5	–5	Credit Spread
Other loans	56	–56	Credit Spread
Debt securities	**52**	**–52**	
Interest-rate-related transactions	52	–52	Price
of which ABS	33	–33	IRR, recovery rate, credit spread
Equity instruments	**1**	**–1**	
Equity-related transactions	1	–1	Price
Derivatives	**19**	**–19**	
Equity-related transactions	9	–9	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	10	–10	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:

	Day-One Profit or Loss		
	Financial Assets – Held for Trading	Financial Liabilities – Held for Trading	Total
Balance as at 1.1.2018	**–**	**34**	**34**
Allocations not recognised in income statement	–	35	35
Reversals recognised in income statement	–	– 11	– 11
Balance as at 31.12.2018	**–**	**58**	**58**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	– 33	– 33
Balance as at 30.9.2019	**–**	**25**	**25**

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 expen–ses 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 3may 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.

30.9.2019 | €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**360.7**	**357.8**	**2.8**	**12.4**	**103.6**	**244.8**
Cash on hand and cash on demand	53.0	53.0	–	–	53.0	–
Financial Assets – Amortised Cost	306.9	302.5	4.4	12.4	49.7	244.8
Loans and advances	276.7	269.7	7.0	–	34.3	242.5
Debt securities	30.1	32.8	– 2.6	12.4	15.4	2.3
Value adjustment on portfolio fair value hedges	–	1.5	– 1.5	–	–	–
Non-current assets held for sale and disposal groups	0.8	0.8	–	–	0.8	–
Loans and advances	0.8	0.8	–	–	0.8	–
Debt securities	–	–	–	–	–	–
Liabilities	**373.0**	**372.4**	**0.6**	**30.2**	**340.0**	**2.8**
Financial Liabilities – Amortised Cost	372.0	369.7	2.3	30.2	339.0	2.8
Deposits	326.4	326.6	– 0.2	–	326.4	–
Debt securities issued	45.6	43.1	2.5	30.2	12.6	2.8
Value adjustment on portfolio fair value hedges	–	1.8	– 1.8	–	–	–
Liabilities of disposal groups	1.0	1.0	–	–	1.0	–
Deposits	1.0	1.0	–	–	1.0	–
Debt securities issued	–	–	–	–	–	–

31.12.2018 | €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**332.0**	**333.9**	**– 2.0**	**10.8**	**102.4**	**218.8**
Cash on hand and cash on demand	53.9	53.9	–	–	53.9	–
Financial Assets – Amortised Cost	277.4	279.2	– 1.8	10.8	48.0	218.6
Loans and advances[1]	248.9	247.4	1.5	–	32.1	216.8
Debt securities[2]	28.5	31.8	– 3.3	10.8	15.9	1.8
Value adjustment on portfolio fair value hedges	–	0.2	– 0.2	–	–	–
Non-current assets held for sale and disposal groups	0.7	0.7	0.0	–	0.4	0.2
Loans and advances	0.6	0.6	0.0	–	0.4	0.2
Debt securities	0.0	0.0	0.0	–	0.0	–
Liabilities	**348.5**	**348.0**	**0.5**	**24.3**	**321.1**	**3.1**
Financial Liabilities – Amortised Cost	347.7	346.7	1.1	24.3	320.3	3.1
Deposits	300.9	301.1	– 0.3	–	300.9	–
Debt securities issued[2]	46.8	45.5	1.3	24.3	19.4	3.1
Value adjustment on portfolio fair value hedges	–	0.5	– 0.5	–	–	–
Liabilities of disposal groups	0.8	0.8	–	–	0.8	–
Deposits	0.8	0.8	–	–	0.8	–
Debt securities issued	–	–	–	–	–	–

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

The methodology for classification within the level hierarchy was amended in the second quarter of 2019 for debt securities and debt securities issued in the amortised cost category. This resulted in a reclassification from level 2 to level 1.

(29) Information on netting of financial instruments

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

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

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

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

Assets | €m	**30.9.2019**		**31.12.2018**	
	Reverse repos	**Positive fair values of derivative financial instruments**	**Reverse repos**	**Positive fair values of derivative financial instruments**
Gross amount of financial instruments	65,881	162,565	49,781	93,485
Book values not eligible for netting	16,111	5,182	7,997	5,018
a) Gross amount of financial instruments I and II	49,770	157,383	41,784	88,467
b) Amount netted in the balance sheet for financial instruments I[1]	26,138	108,679	24,565	51,657
c) Net amount of financial instruments I and II = a) – b)	23,632	48,704	17,219	36,810
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]	2,321	32,086	4,345	24,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	20,597	37	9,709	58
Cash collateral	2	11,466	2	7,790
e) Net amount of financial instruments I and II = c) – d)	712	5,114	3,163	4,033
f) Fair value of financial collateral of central counterparties relating to financial instruments	30	–	1,258	147
g) Net amount of financial instruments I and II = e) – f)	682	5,114	1,904	3,887

[1] Of which for positive fair values €5,455m (previous year: €2,708m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	30.9.2019		31.12.2018	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	59,365	163,125	43,793	95,193
Book values not eligible for netting	12,378	4,234	2,505	4,324
a) Gross amount of financial instruments I and II	46,987	158,892	41,288	90,869
b) Amount netted in the balance sheet for financial instruments I[1]	26,138	105,668	24,565	49,754
c) Net amount of financial instruments I and II = a) – b)	20,849	53,223	16,723	41,115
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]	2,321	32,086	4,345	24,928
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	7,365	526	10,780	730
Cash collateral	8,799	18,451	1,445	12,161
e) Net amount of financial instruments I and II = c) – d)	2,363	2,160	153	3,296
f) Fair value of financial collateral of central counterparties relating to financial instruments I	2,362	–	114	568
g) Net amount of financial instruments I and II = e) – f)	2	2,160	38	2,728

[1] Of which for negative fair values €8,467m (previous year: €4,611m) 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 €114,135m as at 30 September 2019 (previous year: €54,365m). On the assets side, €108,680m of this was attributable to positive fair values (previous year:€51,657m) and €5,455m to claims for variation margins (previous year: €2,708m). Netting on the liabilities side involved negative fair values of €105,668m (previous year: €49,754m) and liabilities for variation margins payable of €8,467m (previous year: €4,611m).

Notes to the balance sheet (non-financial instruments)

(31) Intangible assets

€m	30.9.2019	31.12.2018	Change in %
Goodwill	1,511	1,507	0.3
Other intangible assets	1,591	1,739	−8.5
Customer relationships	129	159	−19.2
In-house developed software	1,084	1,163	−6.8
Purchased software and other intangible assets	379	417	−9.2
Total	**3,102**	**3,246**	**−4.4**

(32) Fixed assets

€m	30.9.2019	31.12.2018	Change in %
Land and buildings	319	322	−0.9
Rights of use (leases)	2,118	n/a	
Land and buildings	2,088	n/a	
Office furniture and equipment	30	n/a	
Office furniture and equipment	426	458	−7.0
Leased equipment	727	766	−5.1
Total	**3,591**	**1,547**	**.**

(33) Discontinued business division

At the end of 2018, Commerzbank Aktiengesellschaft, Frankfurt and Société Générale Group, Paris, France concluded a purchase agreement for the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients. This transaction is a milestone in the implementation of the "Commerzbank 4.0" strategy launched in 2016.

The transaction will be executed in several stages. Major parts of the discontinued operation were already transferred by 30 September 2019 or will be transferred before the end of 2019. Due to the scope of the transactions and the employees to be transferred as well as the complexity of the individual transfer processes, however, it will not be possible to complete all the transfers in 2019 or by 30 September 2020. The transfer process was started according to plan in the first quarter and continued in the second quarter of 2019 with the complete transfer of the asset management business. Major parts of the development and issuing of structured financial products business have also already been transferred in the second and in the third quarter 2019, with the opportunities and risks arising from the associated assets and liabilities initially being transferred "synthetically" to Société Générale Group through the conclusion of corresponding derivative transactions. The legal transfer of the relevant assets and liabilities, which also requires their derecognition from the balance sheet, will only take place at later stages in the transaction from 2019 onwards and is expected to be completed in 2021. The economic transfer to the purchaser will be largely completed within a year. Only legal transfers will then still follow.

As at 30 September 2019, the assets and liabilities of the discontinued operation amounted to €9.3bn (previous year: €13.0bn) and €11.1bn (previous year: €12.4bn) respectively. The assets and liabilities are mostly measured at fair value.

As a result, the assets and liabilities of the EMC division were reclassified in the Group financial statements in accordance with the requirements IFRS 5. EMC is a discontinued operation because EMC's areas of business, namely the development and issuing of structured financial products and asset management, are characterised by particularly complex products and hedging transactions. These are not comparable with the other business activities of the Corporate Clients segment and of the Bank as a whole and have therefore been isolated for internal management and reporting purposes and prepared for spin-off. The earnings of this business division are therefore presented separately in the income statement. In order to achieve an economically appropriate presentation of the discontinued operation, intragroup services between continuing operations and the discontinued business division are eliminated under continuing operations. The prior-year figures were restated accordingly.

The income is mainly attributable to net remeasurement gains or losses and realised profit or loss from the portfolios to be transferred and thus to the original net income from financial assets and liabilities measured at fair value through profit or loss. The expenses relate to the corresponding operating expenses.

Detailed information on the discontinued business division is provided below.

€m	1.1.–30.9.2019	1.1.–30.9.2018[1]	Change in %
Income	149	190	–21.3
Expenses	156	175	–10.5
Pre-tax net income	–7	15	.
Taxes on income	–16	2	.
Consolidated profit or loss from discontinued operations	**9**	**13**	**–26.5**
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	9	13	–26.5

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

The profit attributable to Commerzbank shareholders from continuing operations amounted to €675m (previous year: €739m).

€	1.1.–30.9.2019	1.1.–30.9.2018[1]	Change in %
Earnings per share for discontinued operations	0.01	0.01	–26.5

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

€m	1.1.–30.9.2019	1.1.–30.9.2018[1]	Change in %
Net cash from operating activities	9	13	–26.5
Net cash from investing activities	–	–	.
Net cash from financing activities	–	–	.

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

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

€m	30.9.2019	31.12.2018	Change in %
Financial Assets – Amortised Cost	824	665	23.9
Loans and advances	824	642	28.4
Debt securities	–	23	.
Financial Assets – Fair Value OCI	–	–	.
Loans and advances	–	–	.
Debt securities	–	–	.
Equity instruments	–	–	.
Financial Assets – Mandatorily Fair Value P&L	219	325	–32.5
Loans and advances	172	241	–28.8
Debt securities	47	83	–43.1
Equity instruments	0	0	–
Financial Assets – Held for Trading	8,390	12,444	–32.6
Loans and advances	–	–	.
Debt securities	1,426	2,294	–37.8
Equity instruments	3,704	7,847	–52.8
Derivatives	3,260	2,304	41.5
Intangible assets	21	13	64.5
Fixed assets	–	23	.
Other assets	–60	–38	58.5
Total	**9,395**	**13,433**	**–30.1**

Assets of disposal groups mainly relate to the discontinuation of the EMC business division (see Note 33) and the sale of ebase GmbH. The sale of ebase GmbH has now been completed (see Note 7).

(35) Liabilities of disposal groups

€m	30.9.2019	31.12.2018	Change in %
Financial Liabilities – Amortised Cost	1,001	815	22.8
Deposits	1,001	815	22.8
Debt securities issued	–	–	.
Financial Liabilities – Fair Value Option	2,817	3,267	–13.8
Deposits	2,817	3,267	–13.8
Debt securities issued	–	–	.
Financial Liabilities – Held for Trading	7,222	8,726	–17.2
Certificates and other issued bonds	3,619	4,543	–20.3
Delivery commitments arising from short sales of securities	571	470	21.6
Derivatives	3,032	3,713	–18.4
Other liability items	61	105	–42.3
Total	**11,101**	**12,914**	**–14.0**

Liabilities of disposal groups relate to the discontinuation of the EMC business division (see Note 33) and the sale of ebase GmbH. The sale of ebase GmbH has now been completed (see Note 7).

(36) Other assets

€m	30.9.2019	31.12.2018	Change in %
Precious metals	35	26	32.5
Accrued and deferred items	299	220	36.0
Defined benefit assets recognised	96	377	–74.4
Other assets	1,498	1,496	0.1
Total	**1,928**	**2,119**	**–9.0**

(37) Other liabilities

€m	30.9.2019	31.12.2018	Change in %
Liabilities attributable to film funds	314	313	0.1
Liabilities attributable to non-controlling interests	64	66	–3.1
Accrued and deferred items	314	312	0.5
Lease liabilities	2,171	n/a	
Other liabilities	1,842	1,692	8.9
Total	**4,705**	**2,384**	**97.4**

(38) Provisions

m€	30.9.2019	31.12.2018[1]	Change in %
Provisions for pensions and similar commitments	859	1,084	–20.8
Other provisions	1,850	2,074	–10.8
Total	**2,708**	**3,158**	**–14.2**

[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 2018). The actuarial assumptions underlying these obligations at 30 September 2019 were: a discount rate of 0.8% (previous year: 1.9%) and, an expected adjustment to pensions of 1.4% (previous year: 1.6%). The reduction in the expected adjustment to pensions resulted in a one-off effect of €183m before taxes, which was recognised directly in equity.

In the first quarter of 2019, binding agreements were concluded with an insurance company for a UK pension plan to cover a major portion of the claims from defined benefit pension obligations by concluding insurance contracts, whereby the legal obligation remains with Commerzbank ("buy-in"). This transaction involved assets equivalent to €1,123m being transferred to the insurance company. As a result, around 86% of our defined benefit pension obligations in the UK will in future be covered by insurance contracts. The transaction resulted in an overall reduction equivalent to €260m in the existing pension plan surplus cover recognised in the statement of comprehensive income under other net income.

Other provisions consisted primarily of restructuring provisions and provisions for personnel-related matters. We expect the restructuring provisions of €368m (previous year: €572m) to be utilised in the period from 2019 to 2020.

Legal disputes

With respect to legal proceedings and potential recourse claims for which provisions of €210m (previous year: €233m) 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, discounted as at the balance sheet date. We have not set out the provision amounts individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for

investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).

- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. The corresponding repayment requests are mostly completed. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. To date, only a few corporate customers have submitted claims for the recovery of fees paid in the past. Commerzbank does not currently anticipate any further significant recovery claims in the future.
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. The Bank contested these actions.
- 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 these banks have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of 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.
- Investors in a fund managed by a Commerzbank subsidiary active in asset management had sued this subsidiary for compensation arising from a lending commitment allegedly made by the subsidiary in the course of a joint venture project. A settlement was reached with the claimants in September 2019, bringing the case to a close.
- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in foreign currency. In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants are appealing against this judgement. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. The subsidiary has defended itself against each of the claims. The Bank won the majority of the individual lawsuits. The subsidiary has adjusted its provision to reflect further lawsuits as well as current success rates and loss amounts.
- During the insolvency proceedings of a customer, the customer's insolvency administrator raised claims against Commerzbank. As the Bank and the insolvency administrator were not able to reach a settlement, the insolvency administrator filed a lawsuit against the Bank in June 2018. At the end of January 2019, the Bank reached an agreement with the insolvency administrator to settle the legal dispute. The complaint was withdrawn upon payment of the settlement amount.
- 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 will defend 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.

(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	30.9.2019	31.12.2018[1]	Change in %
Contingent liabilities	41,991	38,444	9.2
Banks	7,713	6,279	22.8
Corporate clients	31,175	28,681	8.7
Private customers	180	256	– 29.9
Other financial corporations	2,844	3,145	– 9.6
General governments	79	84	– 6.0
Lending commitments	82,670	78,387	5.5
Banks	1,659	1,337	24.0
Corporate clients	61,912	58,239	6.3
Private customers	10,600	9,969	6.3
Other financial corporations	8,108	8,657	– 6.3
General governments	391	185	.
Total	**124,661**	**116,831**	**6.7**

[1] Prior-year figures adjusted due to restatements (see Note 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 September 2019, the contingent liability for legal risks amounted to €1,023m (previous year: €1,038m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed by the court of first instance. The claimant has lodged an appeal. A further eight claims for damages were also filed against this subsidiary, seven of which were dismissed. The claimants withdrew all eight claims.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The lawsuits brought by bondholders, pensioners and the company's insolvency administrator were each dismissed in the first instance in favour of the Bank. Requests to review the rulings by the court of first instance are currently pending before the relevant courts of appeal and have not yet been decided.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank

terminated the contract and ceased any further loan disbursements. The plaintiff was liquidated in January 2019. As a result, in February 2019 the court dismissed the claims for intangible damages and suspended the rest of the proceedings. In February 2019, a group company of the Hungarian borrower filed a petition for the continuation of the proceedings on the basis of an (allegedly) assigned right of 75% of the claim. The petition was dismissed in September 2019. The decision is not yet final. In addition to the claim described above, a group company of the Hungarian borrower sued the Bank for damages in November 2017. The court of first instance dismissed this action in full in March 2019. The claimant appealed against the judgement in April 2019. The appeal was dismissed in September 2019. It is not yet known whether the claimant will proceed further against the judgement.

- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding, among other things, the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank will defend 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.
- In connection with the index clauses of loans denominated in Swiss francs (CHF) to Polish private customers, a court in Warsaw in a proceeding against another bank has submitted a request for a preliminary ruling to the European Court of Justice (ECJ). The question related to the consequences under Polish law that an abusive indexing clause of a foreign currency loan would have in individual cases.
  The ECJ did not issue a legal decision on when an indexing clause may be declared abusive in a given case, ruling that this remains a matter for the Polish courts. It remains to be seen how Polish case law on contracts with indexing clauses will evolve and how the developments of law required to evaluate the likelihood of lawsuits being successful will unfold. There have not yet been enough court rulings since the ECJ judgement to permit a reliable assessment of future case law and its impact. Depending on the ruling of the Polish courts, this could lead to negative financial impacts for the affected banks in Poland, which include a Commerzbank subsidiary, and therefore also to significant adverse consequences for Commerzbank. These consequences cannot be determined reliably at this time. As at 30. September 2019 the portfolio held, amounts to €3.3bn.

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

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

In a letter dated 18 July 2017, the Bundesbank asked Commerzbank to assess the financial repercussions of the potential application of the BMF circular by means of a survey form. Based on the analyses conducted with external support of the cum-cum transactions, the Bank recognised precautionary provisions for potentially refundable own investment income taxes. Within the framework of Commerzbank AG's ongoing tax on-site inspection, the tax audit commented for the first time on the treatment of these transactions in the form of audit notes. Further discussions on this issue will take place in the coming weeks. Furthermore, with regard to the assessments for the years 2014 and 2015, the tax office reduced the allowance for investment income taxes in accordance with the BMF circular.

With respect to cum-cum securities lending transactions, Commerzbank is exposed to compensation claims from third parties for credit 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.

For the other cum-cum-relevant transactions, Commerzbank has concluded that the legal structuring it adopted was appropriate under Article 42 of the German Tax Code.

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.

Segment reporting

(40) Segment reporting

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

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. The Asset & Capital Recovery segment, which was dissolved on 1 July 2019, is shown seperately with it´s half-year result. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups.

Owing to changes in customer relationship management associated with the Commerzbank 4.0 strategy, retroactive customer transfers between the Corporate Clients and the Private and Small-Business Customers segments occurred in the third quarter of 2018. The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 33). From the first quarter of 2019 onwards, the compulsory contributions for the European bank levy, bank tax and deposit insurance will no longer be shown under operating expenses but as a separate item. A portfolio of securitisations and corporate bonds was transferred out of the Corporate Clients segment in the Others and Consolidation area in the first quarter of 2019. The prior-year figures have been restated accordingly.

In addition, in the first quarter of 2019, as part of the wind-down strategy of the Asset & Capital Recovery segment, transfers of these receivables from local authorities and public-sector or quasi-public-sector institutions in North America and the UK were made to the Others and Consolidation area. No adjustment was made to the prior-year values due to the specific features of a wind-down portfolio. The remaining assets of the Asset & Capital Recovery segment, which was discontinued as of 1 July 2019, were transferred to the Private and Small-Business Customers segment, and in particular to the Others and Consolidation segment.

As at 30 September 2019, the carrying amount of the receivables transferred from the Asset & Capital Recovery segment to the Others and Consolidation area in the first quarter 2019 was €4.9bn. The main related earnings drivers were as follows: €41m net interest income, €16m risk result, €–24m net income from financial assets and liabilities at fair value through profit or loss, €–18m net income from hedge accounting, €–15m other net income from financial instruments, €1m other net income, €–15m income before risk result, €1m income after risk result, €5m operating expenses and €–4m earnings before taxes.

For the Asset & Capital Recovery segment, which was dissolved as of 1 July 2019, a carrying amount of €0.5bn was shown in the balance sheet for the Private and Small-Business Customers segment and €12.3bn for the Others and Consolidation segment as of 30 September 2019. The main earnings drivers for the third quarter were the Private and Small-Business Customers segment, which accounted for €–1m of interest income, €4m other net income, €3m income before risk result, €3m income after risk result as well as €3m pre-tax profit. The Others and Consolidation segment, which accounted for €–9m interest income, €–3m risk result €–40m net income from financial assets and liabilities at fair value through profit or loss, €10m net income from hedge accounting, €6m other net income, €–33m income before risk result €–35m income after risk result, €5m operating expenses as well as €–40m of pre-tax profit.

Further information on the segments is provided in the management report section of this interim report. The operating segments' capital requirement for risk-weighted assets based on the fully phased-in application of Basel 3 regulations has been 12% since 2018, as the capital adequacy requirements have increased. A capital requirement of 15% of risk-weighted assets on a fully phased-in basis under Basel 3 was applied to the Asset & Capital Recovery segment until its discontination.

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 of goodwill or other intangible assets or restructuring expenses. As we report pre-tax profits, non-controlling interests are included in the figures for both profit and loss and average capital employed. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit. When showing the elimination of intragroup profits from intragroup transactions in segment reporting, the transferring segment is treated as if the transaction had taken place outside the Group.

Intragroup profits and losses are therefore eliminated in Others and Consolidation.

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

Income and expenses are reported within the segments by originating unit and at market prices, with the market interest rate method being used for interest operations. The actual funding costs for the business-specific equity holdings of the segments are shown in net interest income. The Group's return on capital employed is allocated to the net interest income of the various segments in proportion to the average capital employed in the segment. The interest rate used is the long-term risk-free rate on the capital market. Net interest income also contains liquidity costs. These costs include both externally paid funding costs as well as the complete allocation of liquidity costs to the businesses and segments based on our transfer price system for liquidity costs. This system is used to allocate the interest expenses resulting from the Bank's external funding to the individual transactions and portfolios of the segments. This allocation is based on a central liquidity price curve in accordance with cost causation. The average capital employed in the segments is calculated based on the average segmented risk-weighted assets. For the Corporate Clients segment, the average capital employed in the segment is calculated without the discontinued business division. At Group level, Common Equity Tier 1 (CET1) capital is shown, which is used to calculate the operating return on equity. The calculations for the segments and the Group are both based on a fully phased-in application of Basel 3 regulations. The reconciliation of average capital employed in the segments to the Group's CET1 capital is carried out in Others and Consolidation. We also report the assets and liabilities for the individual segments and the carrying amounts of companies accounted for using the equity method. Due to our business model, the segment balance sheet only balances out at Group level.

The operating expenses reported under operating profit or loss contain personnel expenses, administrative expenses (excluding compulsory contributions) as well as amortisation, depreciation and write-downs on fixed assets and other intangible assets. Restructuring expenses and impairments of both goodwill and other intangible assets are reported below the operating profit line in pre-tax profit or loss. Operating expenses and compulsory contributions are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intragroup services is charged at market prices or at full cost.

1.1.-30.9.2019 | €m	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery[3]	Others and Consolidation	Group
Net interest income	2,042	1,381	– 23	365	3,764
Dividend income	5	7	–	4	16
Risk result	– 187	– 186	– 24	27	– 370
Net commission income	1,413	881	0	– 24	2,270
Net income from financial assets and liabilities at fair value through profit or loss	156	114	111	– 254	127
Net income from hedge accounting	2	21	10	99	132
Other net income from financial instruments	23	0	– 19	– 14	– 9
Current net income from companies accounted for using the equity method	3	6	0	0	9
Other net income	106	8	0	45	159
Income before risk result	*3,751*	*2,418*	*79*	*221*	*6,469*
Income after risk result	*3,564*	*2,232*	*55*	*247*	*6,098*
Operating expenses	2,616	1,834	15	245	4,710
Compulsory contributions	240	109	9	40	398
Operating profit or loss	**707**	**289**	**31**	**– 37**	**990**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**707**	**289**	**31**	**– 37**	**990**
Assets	**147,036**	**199,425**	**–**	**166,882**	**513,343**
of which discontinued assets	–	9,347	–	–	9,347
Liabilities	**182,143**	**202,857**	**–**	**128,343**	**513,343**
of which discontinued liabilities	–	11,061	–	–	11,061
Carrying amount of companies accounted for using the equity method	**29**	**152**	**–**	**1**	**181**
Average capital employed (from continuing operations) (based on CET1)[1]	**5,263**	**11,899**	**1,620**	**5,003**	**23,785**
Operating return on equity (%)[2]	**17.9**	**3.2**			**5.6**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**69.7**	**75.8**			**72.8**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**76.2**	**80.4**			**79.0**

[1] Average CET1 capital with full implementation of Basel 3. Reconciliation carried out in Others and Consolidation.
[2] Annualised.
[3] The Asset & Capital Recovery segment was discontinued as of 1 July 2019. Until the end of the year 2019, the result achieved in the first half of 2019 will continue to be reported.

1.1.-30.9.2018 | €m[1]	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	1,910	1,308	48	244	3,511
Dividend income	11	11	1	7	30
Risk result	– 184	– 121	15	– 2	– 292
Net commission income	1,461	893	1	– 20	2,336
Net income from financial assets and liabilities at fair value through profit or loss	134	401	113	– 159	488
Net income from hedge accounting	– 2	1	0	27	26
Other net income from financial instruments	40	– 5	– 48	3	– 9
Current net income from companies accounted for using the equity method	0	10	0	–	9
Other net income	88	1	19	37	145
Income before risk result	*3,641*	*2,620*	*134*	*140*	*6,535*
Income after risk result	*3,457*	*2,498*	*150*	*138*	*6,243*
Operating expenses	2,696	1,899	50	235	4,880
Compulsory contributions	197	110	10	40	357
Operating profit or loss	**563**	**489**	**90**	**– 137**	**1,005**
Restructuring expenses	–	–	–	–	–
Pre-tax profit or loss from continuing operations	**563**	**489**	**90**	**– 137**	**1,005**
Assets	**136,612**	**185,400**	**18,226**	**152,981**	**493,220**
of which discontinued assets	–	–	–	–	–
Liabilities	**165,452**	**192,826**	**16,269**	**118,673**	**493,220**
of which discontinued liabilities	–	–	–	–	–
Carrying amount of companies accounted for using the equity method	**30**	**150**	**1**	**0**	**181**
Average capital employed (from continuing operations) (based on CET1)[2]	**4,701**	**10,625**	**2,263**	**5,157**	**22,746**
Operating return on equity (%)[3]	**16.0**	**6.1**			**5.9**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**74.0**	**72.5**			**74.7**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**79.5**	**76.7**			**80.1**

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

Details for Others and Consolidation:

€m	1.1.-30.9.2019		
	Others	Consolidation	Others and Consolidation
Net interest income	347	18	365
Dividend income	2	2	4
Risk result	27	–	27
Net commission income	– 21	– 3	– 24
Net income from financial assets and liabilities at fair value through profit or loss	– 292	38	– 254
Net income from hedge accounting	99	–	99
Other net income from financial instruments	– 10	– 4	– 14
Current net income from companies accounted for using the equity method	–	– 0	– 0
Other net income	58	– 13	45
Operating expenses	259	– 14	245
Compulsory contributions	40	0	40
Operating profit or loss	**– 90**	**52**	**– 37**
Assets	**166,737**	**144**	**166,882**
Liabilities	**128,058**	**285**	**128,343**

€m	1.1.-30.9.2018[1]		
	Others	Consolidation	Others and Consolidation
Net interest income	212	32	244
Dividend income	4	3	7
Risk result	– 2	0	– 2
Net commission income	– 17	– 3	– 20
Net income from financial assets and liabilities at fair value through profit or loss	– 168	9	– 159
Net income from hedge accounting	27	–	27
Other net income from financial instruments	4	– 1	3
Current net income from companies accounted for using the equity method	–	–	–
Other net income	50	– 13	37
Operating expenses	251	– 16	235
Compulsory contributions	40	0	40
Operating profit or loss	**– 180**	**42**	**– 137**
Assets	**152,522**	**460**	**152,981**
Liabilities	**118,397**	**276**	**118,673**

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

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

- Elimination of the net measurement gains or losses on own bonds incurred in the segments;
- Effects from the consolidation of intragroup-transactions between segments
- Effects from the consolidation of expenses and income
- Income and operating expenses of staff and management functions, which are charged to the segments and Others.

The regional breakdown contained in the segment reporting was adjusted compared with the previous presentation. We now report in this item only income before risk result and credit-risk-weighted assets with transitional provisions. The breakdown within segment reporting by geographical region, which is essentially based on the location of the branch or group entity, was as follows:

1.1.-30.9.2019 €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	4,658	1,531	101	179	–	6,469
Risk assets for credit risks (with transitional provisions)	96,848	48,450	5,905	4,090	–	155,293

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

1.1.-30.9.2018[1] €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	4,419	1,844	73	199	–	6,535
Risk assets for credit risks (with transitional provisions)	87,410	47,322	4,469	5,033	–	144,234

[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 management reporting.

Other notes

(41) Regulatory capital requirements

The overview below of the composition of the Commerzbank Group's capital shows the figures on a basis with transitional provisions (currently used) and a fully loaded basis. The reconciliation of equity reported in the balance sheet with regulatory capital is already integrated in these figures.

Position | €m	30.9.2019 with transitional provisions	31.12.2018 with transitional provisions	30.9.2019 fully loaded	31.12.2018 fully loaded
Equity as shown in balance sheet	**30,674**	**29,411**	**30,674**	**29,411**
of which: additional equity components[1]	885	–	885	–
Equity as shown in balance without additional equity components	29,789	29,411	29,789	29,411
Fair value gains and losses arising from the insitution's own credit risk related to derivative liabilities	– 111	– 159	– 111	– 159
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	– 2	– 61	– 2	– 61
Correction to non-controlling interests (minorities)	– 534	– 440	– 534	– 440
Goodwill	– 1,511	– 1,507	– 1,511	– 1,507
Intangible assets	– 1,224	– 1,328	– 1,224	– 1,328
Surplus in plan assets	– 73	– 307	– 73	– 307
Deferred tax assets from loss carryforwards	– 909	– 784	– 909	– 784
Shortfall due to expected loss	– 330	– 205	– 330	– 205
Prudential valuation	– 277	– 459	– 277	– 459
First loss positions from securitisations	– 128	– 199	– 128	– 199
Deferred tax assets from temporary differences which exceed the 10% threshold	– 177	– 453	– 177	– 453
Unrecognised gains	– 213	– 250	– 213	– 250
Others and rounding	– 60	– 53	– 60	– 53
Common Equity Tier 1[2]	**24,241**	**23,206**	**24,241**	**23,206**
Additional Equity Tier 1	**1,689**	**904**	**1,011**	**–**
Tier 1 capital	**25,929**	**24,110**	**25,252**	**23,206**
Tier 2 capital	**4,981**	**5,389**	**4,753**	**5,564**
Equity	**30,910**	**29,499**	**30,004**	**28,770**
Risk-weighted assets	189,445	180,498	189,445	180,498
of which credit risk	155,293	146,710	155,293	146,710
of which market risk[3]	12,293	12,395	12,293	12,395
of which operational risk	21,859	21,393	21,859	21,393
Common Equity Tier 1 ratio (%)	12.8%	12.9%	12.8%	12.9%
Equity Tier 1 ratio (%)	13.7%	13.4%	13.3%	12.9%
Total capital ratio (%)	16.3%	16.3%	15.8%	15.9%

[1] AT 1 issue which is equity as shown in balance sheet and which is taken into account as Additional Equity Tier 1 according to CRR.
[2] This information includes the consolidated profit attributable to Commerzbank shareholders for regulatory purposes.
[3] Includes credit valuation adjustment risk.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. The main changes in Tier 1 capital compared with 31 December 2018 result from the recognition of regulatory profit and from a reduction in regulatory deductions. The CET 1capital ratio compared with the previous year-end decreased by 0.1%. The fact that this holds true despite a rise in CET1 is the result of an increase in risk-weighted assets. The increase resulted from, among other things, the introduction of the international accounting standard IFRS 16 at the turn of the year and from credit growth in the core segments, including mBank. In addition, parameter effects (mainly due to TRIM effects) led to higher risk-weighted assets from credit risks. This growth was only slightly tempered by reductions in risk-weighted assets due to a securitisation transaction in the first quarter of 2019 and the targeted winding-down of portfolios that are not part of the core business.

(42) Leverage ratio

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

Leverage ratio according to CRR[1]	30.9.2019	31.12.2018	Change in %
Leverage ratio exposure with transitional provisions (€m)	531,643	486,335	9.3
Leverage ratio exposure fully loaded (€m)	531,643	486,335	9.3
Leverage ratio with transitional provisions (%)	4.9	5.0	
Leverage ratio fully loaded (%)	4.7	4.8	

[1] Differences between LR fully loaded and LR with transitional provisions solely due to Tier 1 capital; Transitional agreements for the leverage ratio exposure expired end of 2017.

(43) Liquidity coverage ratio

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

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

The Bank has established internal early warning indicators for the purpose of managing liquidity risk. These ensure that appropriate steps can be taken in good time to secure long-term financial solidity. Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation. They can, for example, occur with regard to maturities, large individual creditors or currencies. By means of ongoing monitoring and reporting, emerging risk concentrations in funding can be recognised in a timely manner and mitigated through suitable measures. This also applies to payment obligations in foreign currencies. The Bank also mitigates concentrations through the continuous use of the broadly diversified sources of funding available to it, particularly in the form of diverse customer deposits and capital market instruments.

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

For further information about the responsibilities for managing liquidity risk and the corresponding internal models, please refer to the liquidity risk section of the Risk Report in this document.

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

		Total unweighted value (average)			
€m[1]		31.12.2018	31.03.2019	30.6.2019	30.9.2019
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)				
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	113,826	117,593	121,225	124,862
3	Stable deposits	78,813	80,985	83,057	85,126
4	Less stable deposits	35,012	36,608	38,167	39,736
5	Unsecured wholesale funding	104,841	104,951	105,354	106,800
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	35,029	35,106	34,886	35,377
7	Non-operational deposits (all counterparties)	68,340	68,258	69,060	70,120
8	Unsecured debt	1,472	1,587	1,408	1,303
9	Secured wholesale funding				
10	Additional requirements	85,202	84,900	84,785	85,033
11	Outflows related to derivative exposures and other collateral requirements	9,046	8,642	8,161	7,716
12	Outflows related to loss of funding on debt products	199	272	325	421
13	Credit and liquidity facilities	75,957	75,985	76,299	76,896
14	Other contractual funding obligations	3,271	4,080	4,412	4,233
15	Other contingent funding obligations	110,193	109,418	108,364	106,847
16	**TOTAL CASH OUTFLOWS**				
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	65,818	65,868	65,431	66,572
18	Inflows from fully performing exposures	26,519	25,954	25,239	25,056
19	Other cash inflows	4,557	5,740	6,545	6,860
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)				
EU-19b	(Excess inflows from a related specialised credit institution)				
20	**TOTAL CASH INFLOWS**	**96,893**	**97,561**	**97,216**	**98,488**
EU-20a	**Fully exempt inflows**	**0**	**0**	**0**	**0**
EU-20b	**Inflows subject to 90% cap**	**0**	**0**	**0**	**0**
EU-20c	**Inflows subject to 75% cap**	**90,724**	**91,424**	**90,868**	**91,939**
21	**LIQUIDITY BUFFER**				
22	**TOTAL NET CASH OUTFLOWS**				
23	**LIQUIDITY COVERAGE RATIO**				

[1] On the basis of a necessary recalculation, the values for December 2018, March 2019 and June 2019 deviate from the previously published values.

		Total weighted value (average)			
€m[1]		**31.12.2018**	**31.03.2019**	**30.6.2019**	**30.9.2019**
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	85,621	85,519	86,066	86,557
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	7,726	8,006	8,279	8,564
3	Stable deposits	3,941	4,049	4,153	4,256
4	Less stable deposits	3,785	3,956	4,125	4,307
5	Unsecured wholesale funding	52,296	52,661	52,756	53,070
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,730	8,745	8,688	8,809
7	Non-operational deposits (all counterparties)	42,094	42,329	42,660	42,958
8	Unsecured debt	1,472	1,587	1,408	1,303
9	Secured wholesale funding	5,262	5,614	5,808	5,807
10	Additional requirements	23,401	23,123	22,612	22,221
11	Outflows related to derivative exposures and other collateral requirements	8,272	7,885	7,442	7,038
12	Outflows related to loss of funding on debt products	199	272	325	421
13	Credit and liquidity facilities	14,930	14,966	14,845	14,763
14	Other contractual funding obligations	2,337	3,026	3,384	3,272
15	Other contingent funding obligations	675	680	1,063	2,196
16	**TOTAL CASH OUTFLOWS**	**91,697**	**93,110**	**93,901**	**95,130**
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	4,921	5,551	6,208	6,635
18	Inflows from fully performing exposures	19,306	18,699	18,070	17,775
19	Other cash inflows	4,369	5,528	6,323	6,599
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	0	0	0	0
20	**TOTAL CASH INFLOWS**	**28,595**	**29,778**	**30,600**	**31,009**
EU-20a	**Fully exempt inflows**	**0**	**0**	**0**	**0**
EU-20b	**Inflows subject to 90% cap**	**0**	**0**	**0**	**0**
EU-20c	**Inflows subject to 75% cap**	**28,595**	**29,778**	**30,600**	**31,009**
21	**LIQUIDITY BUFFER**	**85,621**	**85,519**	**86,066**	**86,557**
22	**TOTAL NET CASH OUTFLOWS**	**63,101**	**63,332**	**63,301**	**64,121**
23	**LIQUIDITY COVERAGE RATIO**	**135.66%**	**135.02%**	**136.02%**	**135.20%**

[1] On the basis of a necessary recalculation, the values for December 2018, March 2019 and June 2019 deviate from the previously published values

The average quarterly LCR values have been consistently high. As at each of the reporting dates, Commerzbank has considerably surpassed the required minimum ratio of 100%. The composition of the highly liquid assets available to cover the liquidity outflows in the reporting period is set out below:

Highly liquid assets in accordance with EU/2015/61 (average of the last 12month-end values) | €m[1]	Q4/2018	Q1/2019	Q2/2019	Q3/2019
Total:	85,621	85,519	86,066	86,557
thereof Level 1	77,690	76,658	76,846	77,440
thereof Level 2A	7,075	7,805	7,938	7,746
thereof Level 2B	857	1,056	1,283	1,372

[1] On the basis of a necessary recalculation, the values for December 2018, March 2019 and June 2019 deviate from the previously published values.

Commerzbank additionally reports the LCR in US dollars, because under the CRR the US dollar is deemed to be an important foreign currency. In addition, the Bank ensures that foreign-exchange risk is monitored as well as limited and managed using an internal model.

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and a possible deterioration in credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions.

For other contingent liabilities, since June 2019 Commerzbank uses additional outflows in accordance with Article 23 of Commission Delegated Regulation (EU) 2015/61.

(44) Related party transactions

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

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

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

Key management personnel refers exclusively to members of Commerzbank Aktiengesellschaft's Board of Managing Directors and Supervisory Board who were active during the reporting period.

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

Transactions with non-consolidated subsidiaries

The assets relating to non-consolidated subsidiaries in the amount of €404m (previous year: €284m) as at 30 September 2019 included primarily loans and receivables. Liabilities in the amount of €204m (previous year: €231m) comprised mostly deposits.

The income of €15m (prior-year period: €26m) comprised interest income and expenses of €55m (prior-year period: €1m), mostly from administrative expenses.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €87m (previous year: €2m).

Transactions with associated companies

The assets relating to associated companies in the amount of €14m (previous year: €5m) as at 30 September 2019 included primarily loans and receivables. Liabilities in the amount of €37m (previous year: €31m) comprised mostly deposits.

The income of €12m (prior-year period: €27m) 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 €38m (previous year: €41m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 30 September 2019 in the amount of €32m (previous year: €30m) included primarily loans and receivables as well as debt securities. The liabilities of €229m (previous year: €208m) were primarily deposits. The deposits were mostly attributable to external providers of occupational pensions.

As at 30 September 2019, income was €1m (prior-year period: €2m), the expenses amounted to €7m (prior-year period: €0m).

In the course of its ordinary banking activities, no guarantees and no collaterals were granted by the Bank.

Transactions with key management personnel

As at 30 September 2019, there were no significant assets or li-abili-ties relating to key management personnel.

The expenses represent personnel expenses in the amount of €11m (prior-year period: €12m) and include remuneration for key management personnel, salaries of the employee representatives on the Supervisory Board who are employed by the Commerzbank Group and value added tax reimbursed to members of the Supervisory Board.

Transactions with entities controlled by the German federal government

The assets relating to entities controlled by the German federal government as at 30 September 2019 in the amount of €40,180m (previous year: €25,065m) comprised primarily deposits with Deutsche Bundesbank totalling €36,935m (previous year: €20,891m). Of the liabilities related to entities controlled by the German federal government in the amount of €12,281m (previous year: €12,718m), €12,261m were deposits (previous year: €12,624m). As at 30 September 2019, the Bank had granted guarantees and collateral totalling €301m to entities controlled by the German federal government (previous year: €70m).

Boards of Commerzbank Aktiengesellschaft

Supervisory Board

Dr. Stefan Schmittmann
Chairman

Uwe Tschäge[1]
Deputy Chairman

Heike Anscheit[1]

Alexander Boursanoff[1]

Gunnar de Buhr[1]

Stefan Burghardt[1]

Sabine U. Dietrich

Monika Fink[1]

Dr. Tobias Guldimann

Dr. Rainer Hillebrand

Christian Höhn[1]

Kerstin Jerchel[1]

Dr. Markus Kerber

Alexandra Krieger[1]

Anja Mikus

Dr. Victoria Ossadnik

Robin J. Stalker

Nicholas Teller

Dr. Gertrude Tumpel-Gugerell

Stefan Wittmann[1]

Klaus-Peter Müller
Honorary Chairman

[1] Elected by the Bank's employees.

Board of Managing Directors

Martin Zielke
Chairman

Stephan Engels

Dr. Bettina Orlopp

Frank Annuscheit
(until 28.02.2019)

Jörg Hessenmüller
(since 15.01.2019)

Michael Reuther

Dr. Marcus Chromik

Michael Mandel

Frankfurt/Main, 4 November 2019
The Board of Managing Directors

Martin Zielke	Marcus Chromik	Stephan Engels
Jörg Hessenmüller	Michael Mandel	Bettina Orlopp
Michael Reuther		

Translation from the German language of the review report

To COMMERZBANK Aktiengesellschaft,
Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, condensed cash flow statement and selected explanatory notes, and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 30 September 2019, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) No. 1 and No. 2 and (3) and (4) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and of the interim group management report in compliance with German Generally Accepted Standards for the Review of Financial Statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and in supplementary compliance with the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of the Company's employees and analytical assessments, and therefore does not provide the assurance obtainable from an audit of financial statements. Since, in accordance with our engagement, we have not performed an audit of financial statements, we cannot issue an auditor's report.

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

Eschborn/Frankfurt am Main, 5 November 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
Claus-Peter Wagner	Marcus Binder
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Significant Group companies

Germany
comdirect bank AG, Quickborn
Commerz Real AG, Wiesbaden

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

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

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

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

Disclaimer

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

2020 Financial calendar	
13 February 2020	Annual Results Press Conference
End-March 2020	Annual Report 2019
6 May 2020	Annual General Meeting
13 May 2020	Interim Report as at 31 March 2020
5 August 2020	Interim Report as at 30 June 2020
5 November 2020	Interim Report as at 30 September 2020

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