COMMERZBANK

The bank at your side

Interim Report as at 31 March

2020

Key figures

Income statement	1.1.-31.3.2020	1.1.-31.3.2019[1]
Operating profit (€m)	–277	246
Operating profit per share (€)	–0.22	0.20
Pre-tax profit or loss (€m)	–277	246
Consolidated profit or loss[2] (€m)	–295	122
Earnings per share (€)	–0.24	0.10
Operating return on equity based on CET[3, 4] (%)	–4.6	4.2
Return on equity of consolidated profit or loss[4, 9] (%)	–4.9	1.9
Cost/income ratio in operating business (excl. compulsory contributions) (%)	81.1	72.7
Cost/income ratio in operating business (incl. compulsory contributions) (%)	97.4	85.0

Balance sheet	31.3.2020	31.12.2019
Total assets (€bn)	517.3	463.6
Risk-weighted assets (€bn)	183.8	181.8
Equity as shown in balance sheet (€bn)	30.4	30.7
Total capital as shown in balance sheet (€bn)	38.4	38.6

Regulatory key figures	31.3.2020	31.12.2019
Tier 1 capital ratio (%)	14.0	14.3
Common Equity Tier 1 ratio[5] (%)	13.2	13.4
Common Equity Tier 1 ratio[5] (fully loaded, %)	13.2	13.4
Total capital ratio (%)	16.4	16.8
Leverage ratio (%)	4.8	5.3
Leverage ratio (fully loaded, %)	4.7	5.1

Staff	31.3.2020	31.12.2019
Germany	33,775	34,584
Abroad	14,122	13,928
Total	47,897	48,512

Ratings[6]	31.3.2020	31.12.2019
Moody's Investors Service, New York[7]	A1/A1/P–1	A1/A1/P–1
S&P Global, New York[8]	A–/BBB+/A–2	A/A–/A–2
Fitch Ratings, New York/London[7]	BBB+/BBB/F2	A–/BBB+/F1

[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. The downgrade of the counterparty rating/deposit rating and issuer rating in April 2020 is already shown here
[9] Ratio of net income attributable to Commerzbank shareholders after potential (completely discretionary) AT1-Coupon and average IFRS equity afterdeduction 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 31 March 2020

Key statements

- Commerzbank had a very good start into the fiscal year 2020. The Bank recorded a strong performance in customer business. On Group level, the bank increased its net interest and commission income by 10% compared with the same quarter of the previous year – a strong proof for the strategic development of our business model. But with the crisis kicking in by mid-March we have seen a very material but temporary valuation impact as well as prudent risk provisioning in the first quarter. Both in combination, together with the even increased annual banking levy for the European single resolution fund, weighed on the results of the first quarter. So despite the strong customer revenues and 4% lower costs, we had to recognize an operating loss of €277m – including Corona-effects of €–479m.

- The Group risk result was reported at €–326m. The significant increase year on year was due to impairments of individual loan commitments and, in particular, the threat of loan losses in connection with the coronavirus pandemic, which was taken into account through a top-level adjustment. The non-performing exposure (NPE) ratio was 0.8%.

- Operating expenses were reduced by 4.1% to €1,503m thanks to systematic cost management. Compulsory contributions, which include the European banking levy, contributions to the Deposit Protection Fund and the Polish bank tax, were reported separately and rose to €301m due primarily to an increase in total assets and changed calculation parameters.

- The consolidated loss attributable to Commerzbank shareholders and investors in additional equity components was €–295m, compared with a profit of €122m in the prior-year period.

- The Common Equity Tier 1 ratio was 13.2%; the leverage ratio was 4.7% (fully loaded).

- The operating return on equity was –4.6%, compared with 4.2% in the prior-year period. The return on equity based on consolidated profit or loss (less intangible assets and AT1-related items) was –4.9%, compared with 1.9% in the previous year. The cost/income ratio was 81.1% with compulsory contributions excluded and 97.4% including compulsory contributions.

Performance of the Commerzbank share

In the first three months of 2020, events on the international stock markets were significantly overshadowed by the drastic measures taken to contain the coronavirus pandemic. In the wake of the outbreak, previously dominant geopolitical events increasingly receded into the background, including tensions in the trade conflict between the USA and China, economic sanctions against Iran and continued unrest in the Middle East. The unexpectedly swift spread of the coronavirus and the general uncertainty triggered by this led to a dramatic slump on financial and commodity markets worldwide, prompting all central banks to take extensive measures to secure liquidity. Far-reaching government programmes were put in place, including guarantees, state subsidies and emergency labour policy measures, to mitigate the economic impact of the crisis as far as possible, particularly in the private and business sectors. The temporary closure of many businesses, combined with stay-at-home restrictions for the general public and the shutting down of entire branches of industry, led to a significant slump in economic output in Germany. The threat of an economic downturn and increasing risks in the corporate sector tempered interest rate and inflation expectations both for the eurozone and worldwide. The marked decline in demand for energy sources such as oil and gas also caused prices to fall significantly.

In order to fulfil their economic function and provide affected customers with financial resources and bridging loans, the capital and liquidity standards to which banks are subject have been temporarily relaxed. Extensive assumptions of liability (KfW loans) by the state are also to be used to ensure that banks themselves only have to assume part of the potential risks from new business associated with the coronavirus pandemic. Nevertheless, the banking sector faces particular challenges due to its highly cyclical nature, especially with regard to earnings expectations, risk provisioning and capital requirements. While the EuroStoxx 50 lost 25.6% in the first three months of the year (DAX: −25.0%), the EuroStoxx bank index fell by 43.8%. By comparison, the Commerzbank share price dropped by 40.0%. The background to the below-average performance of both the sector and the Commerzbank share was the imminent threat of an economic downturn in the financial year 2020, rising risk costs and significantly weaker profit expectations for 2020. The suspension of the dividend for the past financial year is in line with the recommendations of the European Central Bank (ECB) to the banking sector to proactively strengthen capital reserves in light of the crisis.

Highlights of the Commerzbank share	1.1.–31.3.2020	1.1.–31.3.2019
Shares issued in million units (31.3.)	1,252.4	1,252.4
Xetra intraday prices in €		
High	6.83	7.70
Low	2.80	5.59
Closing price (31.3.)	3.31	6.90
Daily trading volume[1] in million units		
High	38.1	19.7
Low	4.5	4.4
Average	14.7	8.6
Index weighting in % (31.3.)		
MDAX	1.9	2.9
EURO STOXX Banks	0.5	0.8
Earnings per share in €	−0.24	0.10
Book value per share[2] in € (31.3.)	22.65	22.51
Net asset value per share[3] in € (31.3.)	21.41	21.31
Market value/Net asset value (31.3.)	0.15	0.32

[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 first quarter

Changes in the Board of Managing Directors of Commerzbank

Dr Bettina Orlopp succeeded Stephan Engels as CFO with effect from 1 March 2020. At the same time, she also assumed responsibility for Group Tax, Group Treasury and Group Investor Relations. Responsibility for mBank now lies with Michael Mandel. Sabine Schmittroth, who has been responsible for Group Human Resources and Customer Process & Data Management since 1 January 2020, additionally took on responsibility for Group Compliance, also with effect from 1 March 2020.

Annual General Meeting of comdirect approves merger with Commerzbank

On 5 May 2020, the Annual General Meeting of comdirect approved the squeeze-out under merger law in return for payment of an appropriate cash settlement. Entry in the Commercial Register is planned for late June/early July 2020. comdirect will then become a separate organisational unit of Commerzbank.

Economic completion of the sale of the Equity Markets & Commodities division

At the beginning of May 2020 Commerzbank concluded the economic completion of the sale of its Equity Markets & Commodities (EMC) division to Société Générale. In addition to trading books, customer business and employees, Commerzbank had been gradually transferring parts of its IT landscape to the French financial services provider since the beginning of 2019. Legally, a few portfolios still remain temporarily with Commerzbank; these have already been economically transferred using derivatives. With the economic completion of the sale, the Bank has implemented a key milestone in its strategy, reduced the its complexity and freed up capital for Commerzbank's core business areas. Nothing changes in the offer for customers. Existing Commerzbank products have been transferred to Société Générale. Société Générale is now the issuer of all certificates and warrants previously offered by Commerzbank. The securities can be traded as normal after the transfer.

Interim Management Report

Economic conditions

Overall economic situation

Overall economic performance in the first three months of the current financial year deviated dramatically from the forecasts in the Annual Report 2019. The global measures taken to contain the coronavirus pandemic have caused a sharp global recession. The central banks responded by significantly easing monetary policy. The US Federal Reserve lowered the key interest rate corridor by 150 basis points to between 0.0% and 0.25%. It also announced purchases of government bonds and mortgage-backed bonds in any amount necessary. The ECB intends to purchase additional bonds totalling €870bn by the end of the year. In addition, governments have put together aid packages on an unprecedented scale to support their economies.

Stock markets worldwide suffered massive price setbacks. US and German government bonds were particularly in demand. Ten-year US treasuries intermittently yielded only 0.55%, while the yield on ten-year German government bonds fell to –0.86%.

Financial performance, assets, liabilities and financial position

Explanations on the applied accounting and measurement methods as at 31 March 2020 are available in Note 5 to the interim financial statements. Information on adjustments to the prior-year figures can be found in Note 3 to the interim financial statements.

Income statement of the Commerzbank Group

Earnings performance in the first three months of the current year was boosted by strong customer business, but the crisis led to significantly negative remeasurement effects and higher risk provisions. Commerzbank made an operating loss of €–277m in the first three months of 2020, compared with an operating profit of €246m in the prior-year period.

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

At €1,321m, 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 year on year. In Germany, net interest income was maintained at almost the same level owing to further volume growth, particularly in retail mortgage financing, although the expansion in the loan portfolio did not fully compensate for the significant decline in interest income from deposit business. mBank achieved a significant increase in net interest income through both volume growth and a wider credit margin. The Corporate Clients segment achieved virtually stable net interest income thanks to increased customer activity.

Net commission income rose by 14.3% year on year to €877m. In the Private and Small-Business Customers segment, income from commission business rose significantly compared with the first three months of the previous year. The at times extremely volatile movements on the capital markets boosted commission income in domestic securities business. The increase in earnings was particularly sharp at the subsidiary comdirect, which recorded a considerable rise in transaction-based income. Higher earnings were also achieved in payment transaction services and in pension business. mBank also recorded an increase in net commission income, thanks mainly to rising income contributions from card and credit business. In the Corporate Clients segment, net commission income was also virtually unchanged compared with the prior-year period.

The net income from financial assets and liabilities measured at fair value through profit or loss was €–304m in the reporting period, after €85m in the prior-year period. The marked decline was mainly attributable to valuation fluctuations in connection with the coronavirus pandemic, which were largely reported in Others and Consolidation.

The risk result was €–326m in the reporting period, compared with €–78m a year earlier. The significant increase was due in part to a top-level adjustment (TLA) made because of the coronavirus pandemic. Further information on the TLA can be found in the Interim Risk Report on page 20 ff. The risk result in the Private and Small-Business Customers segment was significantly higher than in the previous year. A substantial part of the increase accounts for mBank. The main driver for the increase at mBank was the impact of the coronavirus pandemic. These resulted partly from a TLA due to changed macroeconomic expectations and partly from larger individual exposures where the crisis led to increased risk provisioning requirements. The higher provisioning for the german portfolio was also partly due to the coronavirus pandemic. These were recorded as a TLA. In the Corporate Clients segment the increase of the risk result compared to the first quarter of the previous year is almost entirely due to the effects of the coronavirus pandemic. In some cases, the charges resulted from larger individual counterparties where effects of the crisis were the main reason for default or which required an increase in existing risk provisions. Furthermore, effects were recorded as a TLA. Due to the crisis, the probability of default was estimated to be higher for sub-portfolios of smaller companies which were already critical before the coronavirus pandemic, and for parts of the corporate customer portfolio outside Germany, and macroeconomic expectations were changed.

Thanks to systematic cost management, operating expenses were 4.1% lower year on year in the reporting period at €1,503m. Personnel expenses were 2.3% below the prior-year level at €851m, in part due to further progress in headcount reduction, while administrative expenses, including depreciation on fixed assets and amortisation of other intangible assets, were reduced by 6.3% to €653m. 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, were reported separately and were significantly above the previous year's level at €301m. This was due in particular to an increase in total assets and changed calculation parameters.

The pre-tax loss from continuing operations was €–277m, compared with a pre-tax profit from continuing operations of €246m in the prior-year period.

Tax expense on continuing operations for the period under review was €54m, compared with €97m in the first three months of the previous year.

The loss from continuing operations after tax was €–331m, compared with a profit of €150m in the prior-year period.

Discontinued operations posted a profit after tax of €44m. This includes the income and expenses of the Equity Markets & Commodities (EMC) division sold to Société Générale.

Net of non-controlling interests, a consolidated loss of €–295m was attributable to Commerzbank shareholders and investors in additional equity components for the 2020 reporting period, compared with €122m in the previous year.

Operating profit per share came to €–0,22 and the earnings per share to €–0,24. The comparable figures in the prior-year period were €0,20 and €0,10 respectively.

Balance sheet of the Commerzbank Group

Total assets of the Commerzbank Group as at 31 March 2020 were €517.3bn. This represented an increase of 11.6% or €53.6bn compared with the end of 2019.

Cash on hand and cash on demand rose by €14.4bn to €55.6bn. The increase compared with the end of 2019 was due in particular to a rise in demand deposits held with central banks.

Financial assets at amortised cost increased by €18.2bn to €311.9bn compared with the end of 2019. The increase compared with the end of 2019 was largely attributable to a rise in lending in corporate customer business in particular and to growth in loans and advances to banks due to the seasonal expansion of repo business.

Financial assets in the fair value OCI category were €33.5bn, up €2.5bn from the end of 2019. This 8.1% rise resulted from an increase in securitised debt instruments.

At €40.0bn, financial assets mandatorily measured at fair value through profit or loss were €9.8bn 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 €55.7bn at the reporting date, up €10.8bn on the figure at the end of 2019. Positive fair values of interest rate derivatives rose by €5.5bn, while positive fair values of currency and equity derivatives increased by €4.6bn overall.

Non-current assets held for sale and disposal groups were €4.8bn, compared with €8.0bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

On the liabilities side, financial liabilities at amortised cost were up €36.8bn to €388.7bn compared with the end of 2019. Debt securities issued rose by €3.0bn, while sight deposits – both from private and corporate customers and from banks – increased significantly compared with the end of 2019.

Financial liabilities under the fair value option increased by €9.0bn compared with the end of 2019 to €29.0bn. While there was a slight decline in debt securities issued, deposits and other financial liabilities increased significantly by €9.3bn. 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 €49.3bn, up €9.9bn compared with the end of 2019. The increase was due to negative fair values of derivatives, which rose by €10.4bn. By contrast, delivery commitments arising from short sales of securities declined by €0.5bn compared with the end of the previous year.

Liabilities from disposal groups were €5.4bn, compared with €8.5bn at the end of 2019. The decline resulted from portfolio transfers in connection with the sale of the EMC business to Société Générale.

Equity

The equity capital attributable to Commerzbank shareholders reported in the balance sheet on 31 March 2020 was at the same level as the end of 2019 at €28.4bn. Further information on the change in equity can be found on page 42 ff. of the interim financial statements.

Risk-weighted assets were €183.8bn as at 31 March 2020, €2.0bn higher than at year-end 2019. The increase was mainly due to higher risk-weighted assets from credit risks in connection with the switch to the new securitisation framework and to the increase in lending in the core segments, particularly to corporate customers. Slightly higher risk-weighted assets from market price risks were offset by lower risk-weighted assets from operational risks.

As at the reporting date, Common Equity Tier 1 capital was €24.2bn compared with €24.4bn as at 31 December 2019. The fall of €0.2bn in Common Equity Tier 1 capital was largely attributable to the loss reported for the quarter and was partially offset by a proposal to be put to the Annual General Meeting, in line with the ECB's recommendation, that the distributable profit for 2019 be transferred to retained earnings rather than being distributed as a dividend. In addition, no dividend accrual for the 2020 financial year was taken into account as at 31 March 2020. The Common Equity Tier 1 ratio was therefore 13.2%. The Tier 1 ratio (with transitional provisions) was 14.0% as at the reporting date, compared with 14.3% as at the end of 2019. The decline in the Tier 1 ratio was attributable to the increase in risk-weighted assets and to a decline in eligible Additional Tier 1 capital as a result of transitional provisions which are gradually expiring. The total capital ratio was 16.4% as at the reporting date.

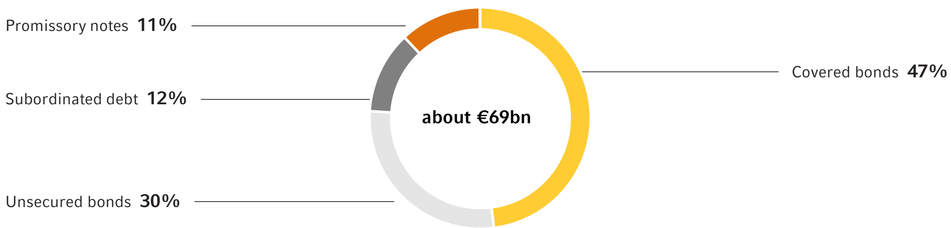
The leverage ratio based on the CRD IV/CRR rules applicable on the reporting date, which is equal to Tier 1 capital divided by leverage exposure, was 4.8% (with transitional provisions) or 4.7% (fully loaded).

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

Capital market funding structure[1]
As at 31 March 2020



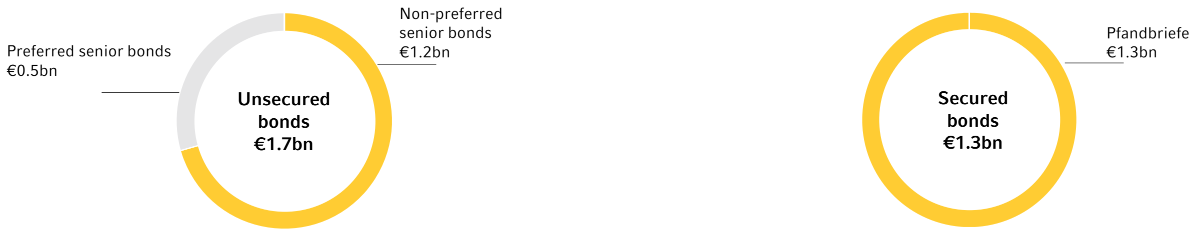
[1] Based on reported figures.

Commerzbank implemented almost one third of its planning for long-term funding in the first quarter of 2020. Since the beginning of March, the capital markets have been dominated by the reactions to the coronavirus pandemic. It is to be expected that funding costs will increase as a result. The Commerzbank Group raised a total of €3.0bn in long-term funding on the capital market. The average maturity of all issues made during the reporting period was eight years.

In the unsecured area, Commerzbank Aktiengesellschaft placed two non-preferred senior bonds in the reporting period, for €750m and for £400m – Commerzbank's first such bond in British pounds – with maturities of seven and five years respectively. In addition, a preferred senior benchmark bond was increased by €500m. €0.1bn in private placements were also issued.

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

Group capital market funding in the first three months of 2020
Volume €3.0bn



At the end of the first quarter of 2020, the Bank had a liquidity reserve of €83.4bn in the form of highly liquid assets. The liquidity reserve portfolio functions as a buffer in stress situations. It is funded in line with the liquidity risk appetite to ensure that it is kept at the required size throughout the entire reserve period stipulated by the Board of Managing Directors. A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

The Bank also holds an intraday liquidity reserve portfolio. As at the reporting date, the total value of this portfolio was €6.4bn. Commerzbank participated in the ECB's new euro and US dollar facilities launched in the first quarter of 2020.

At 129.94% (average of the last 12 month-end values), Commerzbank was well above the minimum 100% level required for the liquidity coverage ratio (LCR). Further information on the LCR can be found in Note 42 to the interim financial statements. Commerzbank's liquidity situation therefore remains stable given its conservative and forward-looking funding strategy.

Segment performance

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

More information and explanations regarding restatements of prior-year figures can be found in Notes 3 and 39 to the interim financial statements.

Private and Small-Business Customers

€m	1.1.–31.3.2020	1.1.–31.3.2019[1]	Change in %/%-points
Income before risk result	1,317	1,201	9.7
Risk result	–160	–52	.
Operating expenses	871	870	0.1
Compulsory contributions	137	125	9.0
Operating profit/loss	**150**	**153**	**–2.3**
Average capital employed	5,680	5,102	11.3
Operating return on equity (%)	10.6	12.0	–1.5
Cost/income ratio in operating business (%) – excl. compulsory contributions	66.1	72.5	–6.4
Cost/income ratio in operating business (%) – incl. compulsory contributions	76.5	82.9	–6.4

[1] Figures adjusted due to restatements (see Notes 3 and 39 to the interim financial statements).

The Private and Small-Business Customers segment was able to significantly increase its operating income in the first quarter of 2020 compared with the same period of the previous year, while keeping operating expenses at the same level as in the previous year. Despite the significantly higher risk result, the segment achieved an operating profit of €150m, which was at the prior first quarter level. The segment has thus laid a solid foundation for the rest of the year, even though the very gloomy economic situation, persistently unfavourable interest rate environment and potential decline in volatility on the capital markets will make it difficult to match the operating profit achieved in the first quarter.

Total segment income before risk result was €1,317m in the period under review, up around 10% on the prior-year figure. Net interest income rose by €25m overall year on year to €689m. In Germany, net interest income was maintained at almost the same level owing to further volume growth, particularly in retail mortgage financing, although the expansion in the loan portfolio did not fully compensate for the significant decline in interest income from deposit business. mBank achieved a significant increase in net interest income through both volume growth and a wider credit margin. Net commission income of the segment was the main earnings driver in the reporting period, with a substantial increase of €118m to €586m. The at times extremely volatile movements on the capital markets boosted commission income in domestic securities business. The increase in earnings was particularly sharp at the subsidiary comdirect, which recorded a considerable rise in transaction-based income. Higher earnings were also achieved in payment transaction services and in pension business. mBank also recorded an increase in net commission income, thanks mainly to rising income contributions from card and credit business. Among other earnings components, which totalled €42m in the reporting period compared with €68m in the prior-year period, the fair value result declined significantly both in Germany and at mBank.

The risk result of €–160m, compared with €–52m in the prior-year period, had a significantly larger impact on earnings. A substantial part of the increase accounts for mBank. The main driver for the increase at mBank was the impact of the coronavirus pandemic. These resulted partly from a TLA due to changed macroeconomic expectations and partly from larger individual exposures where the crisis led to increased risk provisioning requirements. The higher provisioning for the german portfolio was also partly due to the coronavirus pandemic. These were recorded as a TLA.

Operating expenses were €871m in the period under review. While there was a slight decline in Germany due to ongoing measures to improve cost efficiency, mBank recorded a slight increase in costs due to organic growth. The cost of compulsory contributions increased to €137m compared with the same period of the previous year.

Overall, the Private and Small-Business Customers segment posted a pre-tax profit of €150m in the reporting period, compared with €153m in the prior-year period.

Corporate Clients

€m	1.1.–31.3.2020	1.1.–31.3.2019[1]	Change in %/%-points
Income before risk result	747	860	– 13.2
Risk result	– 166	– 28	.
Operating expenses	591	620	– 4.6
Compulsory contributions	103	93	11.5
Operating profit/loss	**– 114**	**119**	**.**
Average capital employed (from continuing operations)	11,544	11,589	– 0.4
Operating return on equity (%)	– 4.0	4.1	– 8.1
Cost/income ratio in operating business (%) – excl. compulsory contributions	79.2	72.1	7.1
Cost/income ratio in operating business (%) – incl. compulsory contributions	93.0	82.9	10.2

[1] Figures adjusted due to restatements (see Notes 3 and 39 to the interim financial statements).

The first three months of 2020 posed major challenges for the Corporate Clients segment, including market distortions and general uncertainty caused by the coronavirus pandemic, which triggered a significant increase in customer activity and in particular a sharp rise in financing enquiries. Despite an ever-widening economic shutdown and public lockdown following the outbreak of the coronavirus pandemic in Europe, the segment recorded a comparatively stable performance in direct business with core customers, which was reflected in virtually stable net interest and commission income. However, this was offset by significantly negative remeasurement effects and a higher risk result, which had a negative impact on the overall result. As a consequence, the Corporate Clients segment recorded an operating loss of €–114m in the first three months of 2020, compared with an operating profit of €119m in the same period of the previous year. A huge widening of spreads, primarily a reflection of higher credit risk with counterparties in the derivatives business, led to negative remeasurement effects of €–78m, compared with €–8m in the previous year.

The Mittelstand division benefited from the segment's strong market position and recorded a stable performance across its product range. International Corporates recorded a stable contribution from bilateral lending business, but a smaller contribution from trade finance and capital market-related financing, which were affected by a lower level of customer activity. Since the beginning of the coronavirus pandemic in Europe in March, we have recorded a significant increase in the volume of loans to corporate customers both in Germany and abroad. The Institutionals division reported a positive performance, benefiting from increased hedging in customer business, particularly in relation to currencies. The Others division was affected by a huge widening of credit spreads caused by the coronavirus pandemic, which resulted in negative remeasurement effects in counterparty business and had a negative impact on secondary market trading.

In the first three months of the year, income before risk result was €113m lower than in the prior-year period at €747m. At €445m, net interest income was only slightly below the prior-year level of €467m. Net commission income, meanwhile, was €299m, almost matching the prior-year level of €307m. Net income from financial assets and liabilities measured at fair value through profit or loss fell sharply to €–41m, however. This was €115m lower than the figure for the prior-year period, which included positive income from restructuring measures.

The risk result in the Corporate Clients segment was €–166m, compared with €–28m in the prior-year period. The increase compared to the first quarter of the previous year is almost entirely due to the effects of the coronavirus pandemic. In some cases, the charges resulted from larger individual counterparties where effects of the crisis were the main reason for default or which required an increase in existing risk provisions. Furthermore, effects were recorded as a TLA. Due to the crisis, the probability of default was estimated to be higher for sub-portfolios of smaller companies which were already critical before the coronavirus pandemic, and for parts of the corporate customer portfolio outside Germany, and macroeconomic expectations were changed.

Operating expenses were €591m, down €29m on the prior-year figure. Expenses in connection with strategic development were successfully compensated for. 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 €103m relate primarily to the European banking levy and increased by €11m year on year.

Overall, the segment posted a pre-tax loss of €–114m compared with a pre-tax profit of €119m in the prior-year period.

Others and Consolidation

The Others and Consolidation segment contains the income and expenses which are not attributable to the business segments. Others covers, for example, Group Treasury, equity holdings not allocated to the business segments and overarching 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.

Others and Consolidation reported an operating loss of €–313m for the first quarter of 2020, compared with a loss of €–19m in the prior-year period. The higher loss was mainly due to lower income in Group Treasury, which was principally attributable to valuation fluctuations resulting from the coronavirus pandemic. This mainly affected hedging transactions held for long-term foreign currency liquidity and interest rate risk hedging, which must be recognised at fair value. In addition, the prior-year period included positive effects from the reversal of provisions and a valuation of equity investments, effects that were not repeated in the period under review. Others and Consolidation also recorded a pre-tax loss of €–313m for the first quarter of 2020.

Outlook and opportunities report

Future economic situation

What happens after the inevitable slump in the first half of 2020 will largely depend on the ongoing development of the coronavirus pandemic. In China, where only a few new cases have been reported recently, restrictions have now been eased considerably. However, the country now has to deal with the sharp rise in unemployment and the global slump in demand.

In Europe, too, some countries have begun to gradually lift restrictions. The eurozone economy is likely to recover markedly as a result but is set to record a decline of 7% for 2020 as a whole. The German economy is likely to contract by 5.5%. We have revised our growth forecast for the USA for 2020 down to –4.5%.

Containing the pandemic will also allow the financial markets to calm down again. The yield on ten-year German government bonds should then even out again at –0.5%.

Future situation in the banking sector

We have adjusted our assessment in response to the coronavirus pandemic, particularly with regard to the short-term outlook for the banking environment. Aspects such as the smouldering trade disputes between the USA and China and between the USA and Europe, the dangers of a no-deal Brexit or the conflict areas in the Middle East pale in comparison to the current situation. Other problems such as the existing distrust regarding the stability of state finances in Europe – particularly in Italy – are likely to be exacerbated. Overall, planning uncertainties and risks have increased massively as a result of the coronavirus pandemic. This uncertainty is leading to significantly lower valuations of assets and much higher volatilities than in the past. Banks worldwide are currently facing completely new challenges, particularly with regard to earnings expectations, risk provisioning and capital requirements.

The closure of non-essential businesses, the drastic reduction in industrial production, the loss of income for employees and the huge drop in demand in the services sector will force many borrowers into financial difficulties. This makes it virtually impossible to deliver an accurate assessment of the future creditworthiness of existing borrowers.

All in all, private households are expected to massively curtail their consumption while companies slash their investment activities; this will likely have a considerable impact on the corporate and retail business of financial institutions. The closure of branches to protect customers and employees will also have an impact on business volumes in the banking sector this year. The enormous expansion of stock market trading, which securities commission business is also currently benefiting from, will not be enough to offset the contingent losses in the branch business. Financial institutions that offer their customers a wide range of online banking tools and agile solutions will be in a much better position in the future. It will therefore be all the more important to increase the focus on customers' use of online banking and to make more resources and enhanced digital offers available. There is considerable uncertainty surrounding earnings performance, especially as bank profitability has already been suffering from very narrow interest margins for a long time.

Operational risks increased significantly associated with the coronavirus pandemic. Changing work patterns, such as employees working from home and teams being distributed across different locations, will be a real test for the robustness of banks' contingency plans, especially in terms of IT. Disruptions to normal business operations could have a direct impact both on institutions' reputations and on their financial situation. There would also be additional challenges if key management personnel were to be affected by illness.

In the medium to long term, however, the massive negative effects being felt now should be at least partially offset by what is likely to be a correspondingly strong economic recovery.

Financial outlook for the Commerzbank Group

Planned funding measures

Commerzbank anticipates that its capital market funding requirement over the coming years will be in 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.

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 stable liquidity cushion and an appropriate funding structure.

Planned investments

The Bank's investment plans did not change significantly in the first three months of the current year from the plans set out on pages 89 to 91 of the Annual Report 2019. However, we do anticipate a somewhat lower investment volume overall as a result of the coronavirus pandemic. The investments planned for the 2020 financial year stem from central initiatives relating to the "Commerzbank 5.0" strategy, in particular the ongoing digitalisation of the Group's products and processes, which will allow Commerzbank to provide its services more quickly and efficiently in future. Further investments will be for regulatory measures.

Anticipated liquidity trends

In the first quarter of 2020, the eurozone money and capital markets were significantly influenced by the rapidly developing coronavirus pandemic.

In view of this, the ECB decided in March 2020 to take further comprehensive measures to counter the expected economic downturn in the eurozone and the resulting impact on the financial sector. Although the ECB Governing Council has not yet identified any major tensions in the money market or liquidity shortfalls in the banking system, additional long-term refinancing operations have been made available to the banks. In addition, the conditions for TLTRO III (targeted longer-term refinancing operations), which will start in June 2020, are to be significantly improved, in particular to support lending to small and medium-sized enterprises. The securities purchase programme was also increased by a further €120bn until at least the end of December 2020, and the requirements for this were relaxed. The interest rates for the main refinancing operations, the marginal lending facility and the deposit facility were confirmed.

Owing to the high excess liquidity in the market, the volume of longer-term securities repo transactions is restricted. The short-term repo market in high-quality securities such as government bonds, supranational bonds and covered bonds (high-quality liquid assets – HQLA) is functioning smoothly, however, and plays an important role in servicing the bond and cash markets. The issuance calendar for the second quarter of 2020 has been amended due to the increase in the German federal government's liquidity and financing requirements and its special funds as a result of the coronavirus pandemic. The repo markets' anticipation of the increased securities volume resulted in a general reduction in repo rates across all HQLA markets in March. The situation in the bond markets is strongly influenced by the high surplus liquidity, ongoing trade conflicts and political uncertainties. 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 over 20 years) and anticipate persistently high demand from investors for high-quality securities. In view of this, we believe credit spreads will remain tight.

Anticipated performance of the Commerzbank Group

The extensive effects of the coronavirus pandemic, both on the circumstances of each individual and on the overall economic situation, pose unprecedented challenges for all industries. The visible consequences are also reflected in our business and earnings performance. Overall, however, at this point in time it is extremely difficult to make a concrete forecast of the profit or loss for 2020. Nevertheless, we will continue to push ahead with the measures already initiated and planned to implement our "Commerzbank 5.0" strategy. The last few weeks have been an object lesson in the importance of making consistent progress towards further digitalising our business model and modernising our IT infrastructure to ensure we are a reliable partner for our customers even in difficult economic phases.

We will continue to work systematically this year on our medium-term goal of exploiting efficiency potential in all customer business areas and significantly reducing the cost base on a sustained basis. Assuming that the lockdown of social and economic life can be progressively eased, and that the situation does not deteriorate again, we expect largely stable earnings in customer business, excluding extraordinary and remeasurement effects.

The success of our cost management, already visible in the first quarter of the current year, gives us the necessary impetus to further intensify our efforts on the cost side across all areas of the Bank. By the end of 2020, we aim to achieve a cost base including IT investments on a par with the previous year.

Based on the risk provisions already made in the first few months and the emerging economic effects of the coronavirus pandemic, we are increasing our expectations regarding the risk result for 2020 as a whole. We currently expect a risk result of between €–1bn and €–1.4bn for the current financial year.

Depending on the progress of the negotiations with employee representatives' bodies planned for the rest of the year, provisions for restructuring expenses will also have an impact on earnings performance. Against this backdrop and given the performance in the first quarter of 2020, we consider our target of being able to report a profit for the 2020 financial year to be very ambitious.

With the reduction in regulatory minimum capital requirements, the Bank is adjusting its target for the CET1 ratio from at least 12.75% to at least 12.5% at the end of the year. The current CET1 ratio of 13.2% gives the Bank leeway to take advantage of additional opportunities.

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.

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

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

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

Risk-bearing capacity and stress testing

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

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

Risk-bearing capacity is 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%. In the first quarter of 2020, the RBC ratio was consistently above 100% and stood at 149% on 31 March 2020. The increase in economically required capital compared with December 2019 reflects higher risk premiums and the increased volatility in the financial markets in March 2020. These have an impact on the capture of issuer and counterparty risks (as part of the default risk) and market risk. The same applies to the capital base. The measurement of the revaluation reserve and hidden liabilities in the economic risk coverage potential also reflects the market environment. The RBC ratio is still well above the minimum requirement.

Risk-bearing capacity Group | €bn	31.3.2020	31.12.2019
Economic risk coverage potential	**23**	**24**
Economically required capital[1]	**16**	**15**
thereof for default risk	10	10
thereof for market risk[2]	4	4
thereof for operational risk	1	1
thereof diversification effects	−2	−2
RBC ratio (%)[3]	**149**	**161**

[1] Including physical asset risk, risk of unlisted investments and the risk buffer for reserve risk and for the quantification of potential fluctuations in value of goodwill and intangibles.
[2] Including deposit model risk.
[3] RBC ratio = economic risk coverage potential/economically required capital (including risk buffer).

Since mid-March 2020, the massive global spread of the coronavirus pandemic has led to drastic measures such as curfews, business closures and production stops in various countries. Public life has largely come to a standstill. The negative effects on the economy were already selectively felt in the first quarter, and there are signs these are spreading. Governments and institutions are intervening on an unprecedented scale, providing liquidity, support and assistance programmes. The situation is dynamic, and there is considerable uncertainty over how it will unfold.

Default risk

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

Commerzbank Group

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

The massive global spread of the coronavirus pandemic has led to drastic measures such as curfews, business closures and production stops in various countries since mid-March. Public life has largely come to a standstill. The negative effects on the economy were already selectively felt in the first quarter, and there are signs these are spreading.

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

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 31 March 2020 were as follows:

	31.3.2020				31.12.2019			
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	181	415	23	1,688	178	425	24	2,207
Corporate Clients	196	517	26	5,248	184	473	26	4,607
Others and Consolidation[1]	90	175	19	3,293	83	120	14	3,003
Group	**467**	**1,107**	**24**	**10,228**	**445**	**1,017**	**23**	**9,817**

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

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

	31.3.2020					31.12.2019				
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	52	14	3	1	31	51	14	3	1
Corporate Clients	20	61	15	2	2	20	60	16	3	2
Others and Consolidation	51	46	2	0	0	51	46	3	1	0
Group	**30**	**54**	**12**	**2**	**1**	**30**	**54**	**13**	**2**	**1**

The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe, 9% to North America and 6% 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.

	31.3.2020			31.12.2019		
Group portfolio by region	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	242	491	20	235	526	22
Western Europe	99	265	27	90	191	21
Central and Eastern Europe	47	213	45	49	207	42
North America	40	43	11	34	32	9
Asia	27	60	22	27	32	12
Other	11	35	31	10	29	29
Group	**467**	**1,107**	**24**	**445**	**1,017**	**23**

Risk result The risk result relating to the Group's lending business in the first quarter of 2020 was €–326m (first quarter of 2019: €–78bn). The following table shows the breakdown of the risk result by stage according to IFRS 9.

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

	1.1.-31.3.2020				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
Private and Small-Business Customers	–6	–21	–133	–160	–2	–5	–44	–52
Corporate Clients	–5	–46	–116	–166	0	–17	–12	–28
Asset & Capital Recovery	–	–	–	–	0	2	–2	–1
Others and Consolidation	–1	6	–4	0	–1	4	0	2
Group	**–12**	**–61**	**–253**	**–326**	**–3**	**–17**	**–58**	**–78**

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

The risk result has increased significantly compared with the first quarter of 2019. This is mainly due to effects of €–185m from the coronavirus pandemic.

The massive global spread of the coronavirus infection has led to drastic measures such as curfews, business closures and production stops in various countries since mid-March. Public life has largely come to a standstill. The negative effects on the economy were already selectively felt in the first quarter, and there are signs these are spreading. Governments and institutions are intervening on an unprecedented scale, providing liquidity, support and assistance programmes. The situation is dynamic, and there is considerable uncertainty over how it will unfold. Due to the IFRS 9 ECL (expected credit loss) model applied, this is not fully recognised as of the reporting date. A top-level adjustment (TLA, see also Note 26 – Credit risks and credit losses) of €–111m was therefore included in the risk result. The TLA is based on an initial assessment by the Bank and assumptions made at the time of reporting. The appropriateness of these assumptions will be reviewed, taking account of further developments up to the next reporting date. In particular, the effectiveness of the support measures and aid programmes put in place, and the assumptions regarding sectors and sub-portfolios affected, are of key importance.

Further drivers of the risk result in the first quarter of 2020 and the pro-rata TLA amount can be found in the sections on the segments.

The coronavirus pandemic will have a negative impact on the Group's risk result in 2020. The extent of this negative impact cannot yet be estimated, however. Given the substantial restrictions in effect, we currently believe that the pandemic will have been largely contained by the summer. After the two-month lockdown, we expect a gradual recovery of the economy and do not believe that a second lockdown will be necessary. On the basis of these assumptions, the risk result for 2020 as a whole is currently expected to be between €–1.0bn and €–1.4bn.

Default portfolio The Group's default portfolio increased by €199m in the first quarter of 2020 and stood at €3,934m as at 31 March 2020.

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

	31.3.2020			31.12.2019		
Default portfolio Group | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	3,921	13	3,934	3,735	0	3,735
LLP[1]	1,845	2	1,846	1,745	0	1,745
Coverage ratio excluding collateral (%)[2]	47	13	47	47	–	47
Collateral	1,018	0	1,018	968	0	968
Coverage ratio including collateral (%)[2]	73	13	73	73	–	73
NPE ratio (%)[3]			0.8			0.9

[1] Loan loss provisions.
[2] Coverage ratio: LLP (and collateral) as a proportion of the default portfolio.
[3] NPE ratio: default portfolio (non-performing exposures – NPE) as a proportion of total exposures (EaD including NPE) according to EBA Risk Dashboard.

Private and Small-Business Customers segment

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

The focus of the portfolio is on traditional owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with a total EaD of €89bn). We provide our business and small-business customers with credit in the form of individual loans with a volume of €23bn. In addition, we meet our customers' day-to-day demand for credit with consumer loans (overdrafts, instalment loans and credit cards, to a total of €16bn). The portfolio's expansion in the last three months was largely due to residential mortgage loans.

Compared with December 2019, the risk density of the portfolio decreased by one basis point to 23 basis points.

	31.3.2020			31.12.2019		
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	106	149	14	104	159	15
Business Customers	32	70	22	31	73	23
comdirect bank	3	6	19	3	7	23
Commerz Real	1	2	49	1	2	43
mBank	39	188	48	39	183	47
PSBC	**181**	**415**	**23**	**178**	**425**	**24**

The risk result in the Private and Small-Business Customers segment was €–160m in the first quarter of 2020 (first quarter of 2019: €–52m). At €–53m, mBank accounts for a substantial part of the increase. The main driver for the increase at mBank was the impact of the coronavirus pandemic in the amount of €–31m. These resulted partly from a TLA in the amount of €–17m due to changed macroeconomic expectations and partly from larger individual exposures where the crisis led to increased risk provisioning requirements. The higher provisioning for the Commerzbank portfolio was also partly due to the coronavirus pandemic. These were recorded as a TLA in the amount of €–31m. This was also based on changed macroeconomic expectations and a higher probability of default due to the crisis for sub-portfolios of corporate customers in the rating range > 4.8 which were already critical before the coronavirus pandemic. Another reason for the year-on-year increase was the new definition of default, which has been applied at Commerzbank since the end of November 2019. Partly due to the three-month probation period, this leads to an increase in the default portfolio with corresponding risk provisioning.

The default portfolio in the segment stood at €1,921m as at 31 March 2020.

	31.3.2020			31.12.2019		
Default portfolio PSBC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,921	0	1,921	1,795	0	1,795
LLP	936	0	936	895	0	895
Coverage ratio excluding collateral (%)	49	–	49	50	–	50
Collateral	637	0	637	575	0	575
Coverage ratio including collateral (%)	82	–	82	82	–	82

Corporate Clients segment

The Corporate Clients segment (CC) comprises the Group's activities with mid-size corporate clients, the public sector, institutional customers and multinational corporates. The segment is also responsible for the Group's relationships with banks and financial institutions in Germany and abroad, as well as with central banks. The regional focus of our activities is on Germany and Western Europe. The Group's customer-oriented capital markets activities are also bundled in this segment.

	31.3.2020			31.12.2019		
Credit risk parameters	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp	**Exposure at default** €bn	**Expected loss** €m	**Risk density** bp
Mittelstand	81	220	27	79	257	33
International Corporates	76	154	20	68	112	16
Financial Institutions	20	78	40	20	54	27
Other	19	64	33	17	49	29
CC	**196**	**517**	**26**	**184**	**473**	**26**

The EaD of the Corporate Clients segment increased from €184bn to €196bn compared with 31 December of the previous year. Risk density remained stable at 26 basis points.

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

The risk result of the Corporate Clients segment in the first quarter of 2020 was €–166m (first quarter 2019: €–28m). The increase compared to the first quarter of the previous year is almost entirely due to the effects of the coronavirus pandemic. In some cases, the charges resulted from larger individual counterparties where effects of the crisis were the main reason for default or which required an increase in existing risk provisions. Furthermore, effects in the amount of €–62m were recorded as a TLA. Due to the crisis, the probability of default was estimated to be higher for sub-portfolios of smaller companies in rating range > 4.8 which were already critical before the coronavirus pandemic, and for parts of the corporate customer portfolio outside Germany, and macroeconomic expectations were changed.

The default portfolio in the segment stood at €1,795m as at 31 March 2020.

	31.3.2020			31.12.2019		
Default portfolio CC | €m	**Loans**	**Securities**	**Total**	**Loans**	**Securities**	**Total**
Default portfolio	1,782	13	1,795	1,707	0	1,707
LLP	809	2	810	755	0	755
Coverage ratio excluding collateral (%)	45	13	45	44	–	44
Collateral	301	0	301	306	0	306
Coverage ratio including collateral (%)	62	13	62	62	–	62

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

Since the coronavirus infection first appeared in China and subsequently spread throughout the world, it has had an impact on all areas of economic life, albeit to varying degrees in some cases. The retail trade (excluding food), motor vehicle trade, tourism, the entertainment industry and certain service providers are directly affected by the bans on physical contact and certain economic activities. Manufacturing companies, for example in the chemical and automotive sectors, are facing the challenge of maintaining or replacing supply chains. Although some sectors have not yet been directly affected by the pandemic (food retailing, parcel delivery, construction), it can be assumed that they will also be negatively impacted if the pandemic continues for a longer period of time.

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

	31.3.2020			31.12.2019		
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	22	89	41	21	82	40
Technology/Electrical industry	16	35	22	15	31	21
Consumption	15	53	36	15	49	34
Transport/Tourism	14	41	30	12	37	31
Wholesale	13	48	36	14	47	35
Basic materials/Metals	12	48	41	11	46	41
Automotive	11	46	42	10	38	39
Services/Media	11	30	28	10	28	27
Chemicals/Plastics	10	42	44	9	46	49
Mechanical engineering	9	28	30	9	26	29
Construction	6	17	27	6	16	28
Pharmaceutical/Healthcare	4	11	27	5	9	20
Other	7	7	10	7	14	21
Total	**149**	**495**	**33**	**142**	**470**	**33**

Financial Institutions portfolio

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

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

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

	31.3.2020			31.12.2019		
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	7	16	23	6	4	7
Western Europe	17	18	11	15	11	8
Central and Eastern Europe	3	12	45	3	15	55
North America	3	1	3	2	0	2
Asia	8	37	49	9	19	22
Other	6	21	37	5	19	38
Total	**42**	**106**	**25**	**40**	**70**	**18**

Non-Bank Financial Institutions portfolio

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

Commerzbank conducts new business with NBFIs partly in consideration of regulatory requirements (clearing via central counterparties) and partly in the interests of our institutional customers, with a focus on attractive opportunities with customers with good credit ratings and valuable security. We manage our portfolios with the aim of ensuring their high quality and responsiveness. We are keeping a close eye on risks stemming from global events and are responding with flexible portfolio management that is tailored to the individual situation. The main focus at present is the upheaval caused by the coronavirus pandemic, which is having an impact on the operating environment of NBFI customers. We currently expect knock-on effects from this, but these should be manageable for the affected parties, especially in light of the aid packages being implemented by the government to support the real economy, despite the considerable challenges.

	31.3.2020			31.12.2019		
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	38	21
Western Europe	14	45	31	12	23	20
Central and Eastern Europe	2	25	121	2	19	100
North America	10	16	16	9	12	13
Asia	2	3	13	2	2	13
Other	1	3	29	1	2	23
Total	**48**	**119**	**25**	**43**	**96**	**22**

Originator positions

Commerzbank has in recent years securitised receivables from loans to the Bank’s customers with a current volume of €4.8bn, primarily for capital management purposes (31 December 2019: €5.4bn).

As at the reporting date 31 March 2020, risk exposures with a value of €4.4bn were retained (31 December 2019: €5.0bn). By far the largest portion of these positions is accounted for by €4.3bn (31 December 2019: €4.8bn) of senior tranches, which are nearly all rated good or very good.

We do not see any impacts from the coronavirus pandemic on risk positions in the first quarter of 2020.

		Commerzbank volume[1]			
Securitisation pool €bn	**Maturity**	**Senior**	**Mezzanine**	**First loss piece**	**Total volume[1]**
Corporates	2025–2036	4.3	< 0.1	0.1	4.8
Total 31.3.2020		**4.3**	**< 0.1**	**0.1**	**4.8**
Total 31.12.2019		4.8	< 0.1	0.2	5.4

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

Conduit exposure and other asset-backed exposures

The Bank provides financing to securitise receivables, in particular trade and leasing receivables, from customers in the Corporate Clients segment. In this context, Commerzbank acts mainly as an arranger of asset-backed securities transactions via the Commerzbank-sponsored multi-seller conduit Silver Tower. In view of regulatory changes and the relocation of the Silver Tower conduit to Luxembourg, since the beginning of 2019 financing has been carried out through the direct purchase of funding notes that are taken onto the Bank's balance sheet. The volume and risk values for the securitisation of receivables in the Corporate Clients segment were stable at €3.5bn in the first quarter of 2020.

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

The other asset-backed exposures mainly comprise government-guaranteed asset-backed securities (ABS) held by Commerzbank Finance & Covered Bond S.A. and Commerzbank AG in Germany. In the first quarter of 2020 the volume remained stable at €4.2bn (December 2019: €4.2bn), as did risk values[1] at €4.2bn (December 2019: €4.2bn).

There are also investments in the Structured Credit area. The volume of new investments entered into since 2014 stood at €5.0bn (December 2019: €4.9bn). We have traditionally invested in bonds of senior tranches of securitisation transactions in the consumer (auto) ABS, UK RMBS and CLO asset classes, which have a robust structure and a moderate risk profile. Although market liquidity and the quality and quantity of observable prices deteriorated due to the coronavirus pandemic, the inherent structural features and credit support provide us with sufficient comfort to maintain our current strategy. At 31 March 2020 this portfolio contained only AAA-rated CLO positions (this was already the case at the end of 2019). Remaining structured credit positions with a volume of €0.5bn were already in the portfolio prior to 2014 (December 2019: €0.7bn), while risk values stood at €0.2bn (December 2019: €0.3bn).

Market risk

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

Risk management

A standardised value-at-risk model (historical simulation) incorporating all positions that are relevant for market risk is used for the internal management of market risk. Smaller Commerzbank Group entities use standardised approaches under partial use rules. Value at risk (VaR) quantifies the potential loss from financial instruments due to changed market conditions over a predefined time horizon and with a specific probability. Further details on the methodology used are given in the Group Risk Report 2019.

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

The trend in the figures for the first quarter was driven by the exceptionally strong market movements in March against the background of the coronavirus pandemic.

The VaR for the overall book increased by €30m to €119m in the first quarter of 2020. The increase in VaR resulted from the sharp increase in volatility in the interest rate markets, which led to extreme scenarios in the VaR calculation.

VaR contribution | €m	31.3.2020	31.12.2019
Overall book	**119**	**89**
thereof trading book	14	6

[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.

Trading book

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

The VaR rose from €6m to €14m in the first quarter of 2020. For the trading book, too, this was due to the strong market movements caused by the coronavirus pandemic, which led to new extreme scenarios in the VaR calculation. All relevant extreme scenarios of the historical simulation are from March 2020. The further reduction of the equities business had the effect of counteracting the market movements.

VaR of portfolios in the trading book | €m	1.1.-31.3.2020	2019
Minimum	5	4
Mean	11	7
Maximum	31	11
VaR at end of reporting period	**14**	**6**

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

VaR contribution by risk type in the trading book | €m	31.3.2020	31.12.2019
Credit spreads	3	1
Interest rates	6	1
Equities	1	1
FX	4	2
Commodities	0	1
Total	**14**	**6**

Further risk ratios are calculated for regulatory capital adequacy. This includes the calculation of stressed VaR. Stressed VaR is calculated using the internal model on the basis of the VaR method described above. The main difference lies in the market data used to value the assets. Stressed VaR measures the risk in the present position in the trading book by reference to market movements from a specified crisis period in the past. The crisis observation period used for this is checked regularly through model validation and approval processes and adjusted where necessary. The crisis observation period remained the same in the first three months of 2019. Stressed VaR rose moderately from €26m at end-2019 to €28m at the end of the first quarter of 2020. The influence of pandemic-related market fluctuations on stressed VaR is low, as the stressed VaR calculation is based exclusively on historical market data.

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

Stressed VaR contribution by risk type in the trading book | €m	31.3.2020	31.12.2019
Credit spreads	5	5
Interest rates	8	5
Equities	5	5
FX	6	5
Commodities	4	5
Total	**28**	**26**

In addition, the incremental risk charge and the equity event VaR figures quantify the risk of deterioration in creditworthiness and event risks in trading book positions. The incremental risk charge in the Commerzbank Group rose by €16m to €29m in the first quarter of 2020. This was mainly attributable to changes in positions in the Corporate Clients segment and greatly extended credit spread curves as a result of the coronavirus pandemic.

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

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

Checks were carried out to verify that none of the observed backtesting outliers were caused by model weaknesses. An investigation is nevertheless being carried out to determine the extent to which the model needs to be improved to better reflect currently observable market movements (e.g. extreme gold spot future volatility, negative oil futures prices) in connection with the current coronavirus pandemic.

Backtesting is also used by the supervisory authorities for evaluating internal risk models. Negative outliers are classified using a method prescribed by the supervisory authorities. All backtesting outliers that have led to losses (clean P&L and dirty P&L) at Group level must be analysed in detail and reported to the supervisory authorities. There was no need to make use of the temporary facilities allowed by the ECB in the first quarter with regard to backtesting outliers and the corresponding capital requirement.

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 €53m as at the end of the first quarter of 2020 (31 December 2019: €49m).

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

The impact of an interest rate shock on the economic value of the Group's banking book is simulated monthly in compliance with regulatory requirements. In accordance with the EU Banking Directive, the German Federal Financial Supervisory Authority (BaFin) and the European Central Bank (ECB) have prescribed two scenarios of uniform, sudden and unexpected changes in interest rates (+/–200 basis points) to be used by all banks, which have to report on the results of this stress test every quarter. In the scenario −200 basis points, the yield curve is floored at 0 (negative sections of the yield curve are left unchanged).

As at 31 March 2020, the outcome of the +200 basis points scenario would be a potential loss of €2,669m (31 December 2019: €2,635m potential loss), while the −200 basis points scenario would result in a potential profit of €685m (31 December 2019: €614m 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 the end of March 2020, the interest rate sensitivity of the entire banking book (without pension funds) was €9.8m (31 December 2019: €9.4m) 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. In particular, asset-backed securities (e.g. CLOs) and structured products show a higher market liquidity risk. The inherent structure and underlying credit quality of our CLO portfolios allow us to maintain the existing strategy for these portfolios.

Liquidity risk

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

Risk management

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

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

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

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

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

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

Additional information on the current developments caused by the coronavirus pandemic can be found in the "Anticipated performance of the Commerzbank Group" section of the Interim Management Report.

Quantification and stress testing

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

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

The table below shows the liquidity gap profile values after application of the respective stress scenarios for periods of one and three months as at the end of the year. Significantly more liquidity flows out in a combined scenario compared with the individual scenarios. As at the end of the first quarter of 2020, in the one-month and three-month periods, the combined stress scenario leaves net liquidity of €6.7bn and €7.5bn respectively (year-end 2019: €11.7bn and €11.2bn respectively).

Net liquidity in the stress scenario | €bn		31.3.2020	31.12.2019
Idiosyncratic scenario	1 month	14.4	18.4
	3 months	18.0	20.1
Market-wide scenario	1 month	15.7	20.7
	3 months	16.5	20.2
Combined scenario	1 month	6.7	11.7
	3 months	7.5	11.2

Liquidity reserves

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

As at the reporting date, the Bank had a liquidity reserve of €83.4bn in the form of highly liquid assets (year-end 2019: €72.4bn). A part of this liquidity reserve is held in a separate stress liquidity reserve portfolio managed by Group Treasury to cover liquidity outflows should a stress event occur and to ensure solvency at all times.

In addition, the Bank operates an intraday liquidity reserve portfolio, which amounted to €6.4bn as at the reporting date (31 December 2019: €6.3bn).

Liquidity reserves from highly liquid assets | €bn	31.3.2020	31.12.2019
Highly liquid assets	83.4	72.4
of which level 1	70.1	59.6
of which level 2A	12.6	11.5
of which level 2B	0.7	1.3

Liquidity ratios

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

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

At 129.94% (average month-end value over the last 12 months) Commerzbank significantly exceeded the minimum ratio of 100% for the LCR in the first quarter of 2020 (as at the end of 2019: 132.72%).

The Bank has established corresponding limits and early warning indicators to ensure the LCR minimum requirements are met. Further information on the composition of the LCR is given in Note 42 (liquidity coverage ratio) of the interim financial statements.

Operational risk

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

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

OpRisk management includes an annual evaluation of the Bank's ICS and a risk scenario assessment. Furthermore, OpRisk loss events are subjected to ongoing analysis and to ICS backtesting on an event-driven basis. Lessons learned activities are carried out after all material loss events.

Commerzbank uses the advanced measurement approach (AMA) to measure regulatory and economic capital for operational risks. Risk-weighted assets for operational risks on this basis came to €18.2bn at the end of the first quarter of 2020 (31 December 2019: €18.7bn). Economically required capital was €1.5bn (31 December 2019: €1.5bn).

The total charge for OpRisk events at the end of the first quarter of 2020 was approximately €1m (full-year 2019: €127m). The events mainly related to losses in the "process related" category and reversals of provisions in the "Products and business practices" category. The coronavirus pandemic did not result in any significant losses in the period under review. In particular, losses in the "external fraud" category – which subsumes potentially realised cyber risks – were at a comparable level to previous years. For the second quarter we expect losses from cost items due to the coronavirus, which are to be classified as OpRisk. These include, for example, cancellations (business trips, events), additional hygiene measures to protect employees and customers and IT measures related to increased online availability.

OpRisk events[1] | €m	31.3.2020	31.12.2019
Internal fraud	1	6
External fraud	2	12
Damage and IT failure	1	2
Products and business practices	–6	103
Process related	3	6
HR related	0	–1
Group	**1**	**127**

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

Other risks

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

Legal risk Commerzbank and its subsidiaries are involved in a variety of court and arbitration cases, claims and official investigations (legal proceedings) in connection with a broad range of issues. They include, for example, allegations of defective advice, disputes in connection with credit finance or payment transactions, entitlements to occupational pensions, allegedly false accounting and incorrect financial statements, enforcement of claims due to tax issues, allegedly incorrect prospectuses in connection with underwriting transactions, alleged violations of competition laws, and cases brought by shareholders and other investors as well as investigations by US authorities. In addition, changes to rulings by supreme courts, which may render them more restrictive, as well as to legal conditions, e.g. in the private customer business, may result in more claims being brought against Commerzbank or its subsidiaries. In these court cases, claimants are mostly asking for the payment of compensation, claims on account of unjust enrichment or the reversal of agreements already entered into. If the courts were to find in favour of one or more of the claimants in these cases, Commerzbank could be liable to pay compensation, which could in some cases be substantial, or could incur the expense of reversing agreements or of other cost-intensive measures. Regulatory authorities and governmental institutions in various countries in which Commerzbank and its subsidiaries are or have been active have for some years been investigating irregularities in connection with the fixing of foreign exchange rates and with foreign exchange business in general. In the course of these investigations, regulatory authorities and governmental institutions have also sought checks on

Commerzbank or have approached the company with requests for information. Commerzbank has cooperated fully with these bodies and also looked into the relevant matters on the basis of its own comprehensive investigations. The cases are no longer active with the exception of one case in which the investigating authority transferred the matter to the national competition tribunal. The possibility of financial consequences arising from some of these matters cannot be ruled out.

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

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

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

In the circular of the German Federal Ministry of Finance (BMF) dated 17 July 2017, the tax authorities addressed the treatment of cum-cum transactions, declaring their intention to critically examine past transactions for indications of abuse of law. According to the view put forward in the BMF circular, abuse of law pursuant to Article 42 of the German Tax Code (Abgabenordnung, AO) is indicated if there are no economically reasonable grounds for the transaction in question and the structure of the transaction appears to be largely tax-induced (tax arbitrage). The circular provides a non-exhaustive list of cases which the BMF will assess for tax purposes. Within the framework of Commerzbank AG's ongoing tax on-site inspection, the tax auditors commented for the first time on the treatment of these transactions in the form of audit notes. Further discussions are taking place on this issue. Furthermore, in the assessments for the years 2014 and 2015, the tax office reduced the credit for capital gains taxes. In response, Commerzbank AG made value adjustments to tax credits shown in the balance sheet and/or formed additional provisions for possible repayment claims in order to reflect the changed risk situation appropriately. The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the fiscal courts, cannot be completely ruled out.

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

In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants are appealing against this judgement. In March 2020 the court of appeal partially overturned the judgement of the court of first instance and referred it back. The subsidiary is considering appeals against this decision. A total of 1,731 plaintiffs have joined the class action. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons. In addition to the class action, 3,409 other individual proceedings were pending as at 31 March 2020. The subsidiary is defending itself against each of the claims. It has won the majority of the individual lawsuits.

The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgements handed down are not sufficient to permit a reliable estimate of future case law.

In deviation from the previous methodology and as a result of the observed increase in the total number of individual lawsuits and the change in the judgments handed down by the courts in such cases, the Group/subsidiary decided as of the fourth quarter of 2019 to take into account possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37.

The provision relates both to the portfolio existing as at 31 March 2020 with a carrying amount of €3.2bn and to the portfolio already repaid. The portfolio that was already repaid amounted to 6.4bn Polish zloty at the time of disbursement. The provision as at 31 March 2020 for individual lawsuits was thus a figure in the high double-digit millions.

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

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

Further information on legal proceedings may be found in Note 37 regarding provisions and Note 38 regarding contingent liabilities and lending commitments in the interim financial statements.

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

In line with the requirements of the UK Financial Services and Markets Act 2000 (FSMA), in 2017 Commerzbank London mandated a consulting company as a "skilled person". The consulting company carried out a review of existing structures and processes (especially with regard to money laundering/financing of terrorism as well as sanctions/embargoes) and prepared a report for the UK Financial Conduct Authority (FCA). Commerzbank London subsequently put in place a comprehensive 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 and completed the remediation project carried out at Commerzbank London. The outstanding topics were transferred to small projects and to the line function for further processing.

Since 31 December 2012, Commerzbank has been provisionally registered as a swap dealer with the U.S. Commodity Futures Trading Commission (CFTC). On 8 November 2018, Commerzbank reached agreement with the CFTC in a consent order waiving an investigation into breach of the U.S. swap dealer rules in the U.S. Commodity Exchange Act and the regulations of the CFTC. In accordance with this consent order, Commerzbank has engaged an outside consultant approved by the CFTC (Compliance Consultant) 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. The Compliance Consultant started work in April 2019 and will probably submit their initial report by May 2020.

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

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

Unlike information security risk, whose scope is limited to the Bank and third-party companies with a business connection, the scope of cyber risk extends to unknown persons, to take full account of the requirement to protect their legitimate expectations when using cyber space.

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

In order to prevent cyber risk organisationally, Commerzbank has – in addition to the established governance processes of information security, the related risk reports on key risk indicators and management via the Internal Control System (ICS) – set up a cyber security programme focusing on specific aspects of cyber security. The results of the cyber security programme feed both the ICS and the Bank's risk reporting.

Since 1 January 2020, cyber and information security risks have been managed by the new Group division "Group Risk Management – Cyber Risk & Information Security", which reports to the Group Chief Information Security Officer (CISO).

Cyber risk generally has consequences for operational risk and the Bank's other material risk types. These can be broken down into direct and indirect consequences.

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

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

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

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

The basic principles of model risk management are the identification and avoidance of model risks and appropriate consideration of known model risks (e.g. through conservative calibration or consideration of model reserves). Model risks that are unknown and hence cannot be mitigated are accepted as an inherent risk in the complexity of the Commerzbank business model. In respect of the governance of model risk management, requirements relating to model validation and model changes are established.

There are currently a number of regulatory initiatives that have a strong impact on the management of model risks.

The current coronavirus pandemic, with its considerable economic and social impact, poses major challenges for the risk models used. Commerzbank has introduced a series of measures to counter the increased model risk and to ensure appropriate management even in the current phase. To this end, among other things, the ongoing monitoring of the performance of the models has been expanded and the processes for using the models have been partially adapted.

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

Interim Financial Statements

Statement of comprehensive income

Income statement

€m	Notes	1.1.-31.3.2020	1.1.-31.3.2019[1]	Change in %
Interest income accounted for using the effective interest method	(7)	1,815	1,912	–5.1
Interest income accounted for not using the effective interest method	(7)	288	303	–4.7
Interest income	(7)	2,103	2,215	–5.0
Interest expenses	(7)	782	983	–20.4
Net interest income	(7)	1,321	1,232	7.2
Dividend income	(8)	2	1	4.3
Risk result	(9)	–326	–78	.
Commission income	(10)	1,034	939	10.1
Commission expenses	(10)	157	171	–8.4
Net commission income	(10)	877	768	14.3
Net income from financial assets and liabilities measured at fair value through profit or loss	(11)	–304	85	.
Net income from hedge accounting	(12)	–70	50	.
Other sundry realised profit or loss from financial instruments		18	–15	.
Gain or loss on disposal of financial assets – Amortised cost		–5	–5	10.4
Other net income from financial instruments	(13)	13	–20	.
Current net income from companies accounted for using the equity method		2	5	–49.7
Other net income	(14)	12	37	–67.5
Operating expenses	(15)	1,503	1,567	–4.1
Compulsory contributions	(16)	301	265	13.4
Pre-tax profit or loss from continuing operations		**–277**	**246**	**.**
Taxes on income	(17)	54	97	–44.1
Consolidated profit or loss from continuing operations		**–331**	**150**	**.**
Consolidated profit or loss from discontinued operations		44	–13	.
Consolidated profit or loss		**–287**	**136**	**.**
Consolidated profit or loss attributable to non-controlling interests		8	14	–40.9
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components		–295	122	.

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

€		1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Earnings per share	(18)	–0.24	0.10	.

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

Condensed statement of comprehensive income

€m	1.1.-31.3.2020	1.1.-31.3.2019[1]	Change in %
Consolidated profit or loss	–287	136	.
Change from remeasurement of defined benefit plans not recognised in income statement	515	–224	.
Change from remeasurement of equity instruments (FVOCIoR)			.
Reclassified to retained earnings	–1	0	.
Change in value not recognised in income statement	–3	4	.
Change in own credit spreads (OCS) of liabilities FVO not recognised in income statement	220	–10	.
Items not recyclable through profit or loss	**731**	**–231**	**.**
Change in revaluation of debt securities (FVOCImR)			.
Reclassified to income statement	–17	–12	35.4
Change in value not recognised in income statement	–280	19	.
Change in cash flow hedge reserve			.
Reclassified to income statement	1	1	–49.7
Change in value not recognised in income statement	57	5	.
Change in currency translation reserve			.
Reclassified to income statement	1	–	.
Change in value not recognised in income statement	–256	55	.
Change from non-current assets held for sale and disposal groups			.
Reclassified to income statement	–	–	.
Change in value not recognised in income statement	–	–	.
Change in companies accounted for using the equity method	–1	0	.
Items recyclable through profit or loss	**–495**	**68**	**.**
Other comprehensive income	236	–163	.
Total comprehensive income	**–52**	**–27**	**92.6**
Comprehensive income attributable to non-controlling interests	–45	11	.
Comprehensive income attributable to Commerzbank shareholders and investors in additional equity components	–6	–38	–83.5

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

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

Other comprehensive income | €m	**1.1.-31.3.2020**			**1.1.-31.3.2019**		
	Before taxes	**Taxes**	**After taxes**	**Before taxes**	**Taxes**	**After taxes**
Change in own credit spread (OCS) of liabilities FVO	238	–17	220	–10	–0	–10
Change from the remeasurement of equity instruments (FVOCIoR)	–5	0	–5	4	–0	4
Change from remeasurement of defined benefit plans	720	–205	515	–264	40	–224
Change in revaluation of debt securities (FVOCImR)	–375	78	–297	12	–5	7
Change in cash flow hedge reserve	73	–15	58	8	–2	6
Change in currency translation reserve	–256	0	–255	55	–0	55
Change from non-current assets held for sale and disposal groups	–	–	–	–	–	–
Change in companies accounted for using the equity method	–1	–	–1	0	–	0
Other comprehensive income	**393**	**–158**	**236**	**–196**	**33**	**–163**

Income statement (by quarter)

€m	2020	2019[1]			
	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Interest income accounted for using the effective interest method	1,815	1,815	1,912	1,920	1,912
Interest income accounted for not using the effective interest method	288	292	305	317	303
Interest income	2,103	2,107	2,218	2,237	2,215
Interest expenses	782	800	957	961	983
Net interest income	1,321	1,307	1,260	1,275	1,232
Dividend income	2	19	5	10	1
Risk result	−326	−250	−114	−178	−78
Commission income	1,034	933	903	931	939
Commission expenses	157	147	139	192	171
Net commission income	877	786	763	739	768
Net income from financial assets and liabilities measured at fair value through profit or loss	−304	116	15	28	85
Net income from hedge accounting	−70	−27	36	46	50
Other sundry realised profit or loss from financial instruments	18	19	−5	33	−15
Gain or loss on disposal of financial assets - Amortised cost	−5	17	−15	−2	−5
Other net income from financial instruments	13	36	−20	31	−20
Current net income from companies accounted for using the equity method	2	2	2	2	5
Other net income	12	−65	122	−2	37
Operating expenses	1,503	1,608	1,559	1,579	1,567
Compulsory contributions	301	65	60	63	265
Impairments on goodwill and other intangible assets	–	28	–	–	–
Restructuring expenses	–	101	–	–	–
Pre-tax profit or loss from continuing operations	**−277**	**122**	**450**	**311**	**246**
Taxes on income	54	136	108	26	97
Consolidated profit or loss from continuing operations	**−331**	**−14**	**342**	**284**	**150**
Consolidated profit or loss from discontinued operations	44	−27	−3	26	−13
Consolidated profit or loss	**−287**	**−42**	**339**	**310**	**136**
Consolidated profit or loss attributable to non-controlling interests	8	13	43	30	14
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	−295	−54	296	280	122

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

Balance sheet

Assets | €m	**Notes**	**31.3.2020**	**31.12.2019**	**Change in %**
Cash on hand and cash on demand		55,582	41,164	35.0
Financial assets – Amortised cost	(19)	311,873	293,658	6.2
of which pledged as collateral		876	1,814	–51.7
Financial assets – Fair value OCI	(21)	33,459	30,942	8.1
of which pledged as collateral		2,408	1,355	77.7
Financial assets – Mandatorily fair value P&L	(23)	40,040	30,196	32.6
of which pledged as collateral		–	0	.
Financial assets – Held for trading	(24)	55,688	44,840	24.2
of which pledged as collateral		1,019	842	21.0
Value adjustment on portfolio fair value hedges		1,552	959	61.8
Positive fair values of derivative hedging instruments		2,326	1,992	16.8
Holdings in companies accounted for using the equity method		182	177	2.4
Intangible assets	(30)	2,986	3,053	–2.2
Fixed assets	(31)	3,345	3,487	–4.1
Investment properties		13	13	.
Non-current assets held for sale and disposal groups	(33)	4,752	7,955	–40.3
Current tax assets		423	439	–3.5
Deferred tax assets		2,824	3,011	–6.2
Other assets	(35)	2,224	1,752	27.0
Total		**517,270**	**463,636**	**11.6**

Liabilities and equity | €m	**Notes**	**31.3.2020**	**31.12.2019**	**Change in %**
Financial liabilities – Amortised cost	(20)	388,747	351,909	10.5
Financial liabilities – Fair value option	(22)	29,001	19,964	45.3
Financial liabilities – Held for trading	(25)	49,250	39,366	25.1
Value adjustment on portfolio fair value hedges		1,346	1,212	11.1
Negative fair values of derivative hedging instruments		5,909	4,402	34.2
Provisions	(37)	1,940	2,704	–28.3
Current tax liabilities		440	439	0.3
Deferred tax liabilities		34	27	25.1
Liabilities of disposal groups	(34)	5,364	8,528	–37.1
Other liabilities	(36)	4,793	4,418	8.5
Equity		30,445	30,667	–0.7
Subscribed capital		1,252	1,252	–
Capital reserve		17,192	17,192	–
Retained earnings		10,538	10,211	3.2
Other reserves (with recycling)		–611	–169	.
Equity attributable to Commerzbank shareholders		28,371	28,487	–0.4
Additional equity components		885	885	.
Non-controlling interests		1,189	1,296	–8.2
Total		**517,270**	**463,636**	**11.6**

Statement of changes in equity

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Equity attributable to Commerz-bank share-holders[1]	Additional equity compo-nents[2]	Non-con-trolling interests[1]	Equity[1]
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve				
Equity as at 31.12.2018 (after restatements)	**1,252**	**17,192**	**10,047**	**–9**	**–15**	**–264**	**28,204**	**–**	**1,197**	**29,400**
Change from first-time application of IFRS 9	–	–	12	–	–	–	12	–	–	12
Equity as at 1.1.2019	**1,252**	**17,192**	**10,059**	**–9**	**–15**	**–264**	**28,216**	**–**	**1,197**	**29,412**
Total comprehensive income	–	–	–109	12	4	55	–38	–	11	–27
Consolidated profit or loss	–	–	122	–	–	–	122	–	14	136
Change in own credit spread (OCS) of liabilities FVO			–10	–	–	–	–10		–	–10
Change from remeasurement of defined benefit plans			–224	–	–	–	–224		–0	–224
Change in measurement of equity instruments (FVOCIoR)			3				3		1	4
Change in revaluation of debt securities (FVOCImR)	–	–	–	12	–	–	12	–	–5	7
Change in cash flow hedge reserve			–	–	4	–	4	–	2	6
Change in currency translation reserve			–	–	–	55	55	–	0	55
Change from non-current assets held for sale and disposal groups			–	–	–	–	–	–	–	–
Change in companies accounted for using the equity method			–	–	–	0	0	–	–	0
Dividend paid on shares			–	–	–	–	–		–0	–0
Changes in ownership interests			–0	–	–	–	–0		0	–0
Other changes			7	–	–	–	7		–2	5
Equity as at 31.3.2019	**1,252**	**17,192**	**9,957**	**3**	**–11**	**–209**	**28,185**	**–**	**1,206**	**29,391**

[1] Prior-year figures adjusted due to restatements (see note 3).
[2] Includes the Additional Tier 1 bond (AT1 bond), which is an unsecured subordinated bond classified as equity under IFRS.

€m	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Equity attributable to Commerzbank shareholders	Additional equity components[1]	Non-controlling interests	Equity
				Revaluation reserve	Cash flow hedge reserve	Currency translation reserve				
Equity as at 1.1.2020	**1,252**	**17,192**	**10,211**	**10**	**–5**	**–174**	**28,487**	**885**	**1,296**	**30,667**
Total comprehensive income			436	–300	39	–181	–6	–	–45	–52
Consolidated profit or loss			–295				–295		8	–287
Change in own credit spread (OCS) of liabilities FVO			220				220		–	220
Change from remeasurement of defined benefit plans			515				515		0	515
Change in measurement of equity instruments (FVOCIoR)			–4	–			–4		–1	–5
Change in revaluation of debt securities (FVOCImR)				–300			–300		3	–297
Change in cash flow hedge reserve	–	–	–	–	39	–	39	–	19	58
Change in currency translation reserve						–180	–180		–75	–255
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			–				–		–	–
Changes in ownership interests			–112				–112		–61	–173
Other changes			2				2		0	2
Equity as at 31.3.2020	**1,252**	**17,192**	**10,538**	**–290**	**34**	**–355**	**28,371**	**885**	**1,189**	**30,445**

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

AT1 bond

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

Other changes

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

As at 31March 2020, there was no material impact on "Other reserves" from assets held for sale and disposal groups.

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

The changes in ownership interests of-€173m in 2020 resulted solely from the purchase of additional shares in the already consolidated company omdirect bank Aktiengesellschaft.

Cash flow statement (condensed version)

€m	2020	2019[1]	Change in %
Cash and cash equivalents as at 1.1.	**41,164**	**53,914**	**–23.6**
Net cash from operating activities	14,715	7,888	86.5
Net cash from investing activities	–36	–155	–77.1
Net cash from financing activities	–157	–1,208	–87.0
Total net cash	**14,522**	**6,525**	**.**
Effects from exchange rate changes	–103	68	.
Cash and cash equivalents as at 31.3.	**55,582**	**60,507**	**–8.1**

[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 31March 2020 were prepared in accordance with Art. 315e of the German Commercial Code (Handelsgesetzbuch, or "HGB") and Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 (the IAS Regulation). In addition, other regulations for adopting certain international accounting standards on the basis of the International Financial Reporting Standards (IFRS) approved and published by the International Accounting Standards Board (IASB) and their interpretation by the IFRS Interpretations Committee have also been applied. This interim report takes particular account of the requirements of IAS 34 relating to interim financial reporting.

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

The interim management report, including the separate interim risk report pursuant to Art. 315 of the German Commercial Code, is published on pages 7 to 34 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 31 March 2020.

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

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

Initially applicable standards and interpretations

IBOR reform

As part of the Interbank Offered Rates reform (IBOR reform), the IBOR reference rates and the EONIA will be replaced by the euro short-term rate (€STR). Replacement will begin no later than on or after 1 January 2021. To this end, Commerzbank has implemented an IBOR reform programme with the aim of ensuring the preparation and execution of an action plan for a smooth transition to alternative reference interest rates.

The Bank is currently conducting analyses in preparation for the forthcoming changeover of euro products from EONIA to €STR discounting; the results will be available in the course of the second quarter of 2020. Over the rest of the year, the analysis will be extended to the upcoming change in US dollar products from the Effective Federal Fund Rate (EFFR) to the Secured Overnight Financing Rate (SOFR).

Due to the IBOR reform, IFRS 9, IAS 39 and IFRS 7 have been revised and republished. This completes the first phase of the IBOR reform project. The second phase is still pending. The revisions are mandatory in the EU for financial years beginning on or after 1 January 2020.

European Single Electronic Format (ESEF)

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

Revised standards

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

The Amendments to References to the Conceptual Framework in IFRS Standards were endorsed in November 2019 This Commission Regulation adopts the Amendments to References to the Conceptual Framework in IFRS Standards. The amendments have impacts on the standards IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRS 2, IFRS 3, IFRS 6, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32 and must be applied for all financial years beginning on or after 1 January 2020.

The revised standard IFRS 3 deals with more precise specifications for determining whether the acquisition of a business or the acquisition of a group of assets is involved. The endorsement process has been completed. The Regulation has not yet entered into force, so the amendment is not effective at present.

New standards

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

(3) Changes

In the case of one company included in the Group financial statements as a subsidiary, a retrospective adjustment was made to the right of use assets for leasing. As a result of this change, interest income increased by €1m, depreciation and amortisation decreased by €2m and other net income rose by €0m. In addition, financial assets – loans and advances – measured at amortised cost increased by €68m as at 31 March 2019, while fixed assets fell by €66m. As a result of these adjustments, consolidated profit increased by €3m.in the first quarter. Accordingly, retained earnings rose by the same amount. This had no material impact on the statement of comprehensive income and earnings per share.

In the case of one company included in the Group financial statements as a subsidiary, a minor retrospective adjustment was made to its compulsory contributions. As a result of this adjustment, consolidated profit decreased by the same amount. Other liabilities increased by €11m due to tax effects as at 31 March 2019. On the other hand, retained earnings decreased by €7m and non-controlling interests fell by €3m. These adjustments had no effect on the statement of comprehensive income and earnings per share.

In the first quarter of 2019, an error was corrected in the valuation allowances for risks from AC loans and advances associated with the systematic consideration of overly long maturities for receivables from letters of credit: this resulted in a reduction of €23m in the amount of valuation allowances recognised as at 31 March 2019. Consequently, deferred tax assets as at 31 March 2019 decreased by €5m. By contrast, other provisions for off-balance sheet items increased by €5m and retained earnings rose by €12m. This had no impact on consolidated profit or loss, the statement of comprehensive income or the earnings per share.

In the cash flow statement, cash flows from financing activities (subordinated liabilities) amounting to €1,146m and leases amounting to €89m, which were still shown in operating cash flow in the previous year, have been reclassified to cash flow from financing activities. These adjustments had no effect on consolidated profit or loss, the statement of comprehensive income or earnings per share.

€m	Originally reported 1.1.-31.3.2019	Adjustments according to IAS 8	Restated 1.1.-31.3.2019
Interest income	2,214	1	2,215
Interest expenses	983	–	983
Net interest income	1,231	1	1,232
Dividend income	1	–	1
Risk result	– 78	–	– 78
Commission income	939	–	939
Commission expenses	171	–	171
Net commission income	768	–	768
Net income from financial assets and liabilities measured at fair value through profit or loss	85	–	85
Net income from hedge accounting	50	–	50
Other net income from financial instruments	– 20	–	– 20
Current net income from companies accounted for using the equity method	5	–	5
Other net income	37	– 0	37
Operating expenses	1,569	– 2	1,567
Compulsory contributions	265	0	265
Restructuring expenses	–	–	–
Pre-tax profit or loss from continuing operations	**244**	**3**	**246**
Taxes on income	97	–	97
Consolidated profit or loss from continuing operations	**147**	**3**	**150**
Consolidated profit or loss from discontinued operations	– 13	–	– 13
Consolidated profit or loss	**134**	**3**	**136**
Consolidated profit or loss attributable to non-controlling interests	14	– 0	14
Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components	120	3	122

(4) Report on events after the reporting period

On 5 May 2020, the Annual General Meeting of comdirect bank Aktiengesellschaft decided to "squeeze-out" under the law of conversion. This gives the previous shareholders of comdirect a reasonable cash compensation for their shares. Registration in the Commercial Register is planned for the end of June/beginning of July 2020. Comdirect will then be moved to Commerzbank as its own organizational division.¬

At the beginning of May 2020, Commerzbank completed the sale of the Equity Markets & Commodities (EMC) business division to Société Générale with economic effect. In addition to trading books, customer business and employees, Commerzbank has gradually transferred parts of the IT landscape to the French financial services provider since the beginning of 2019.

By resolution of 11 May 2020, Commerzbank decided to retain its majority stake of 69.3% in its subsidiary mBank S.A. ("mBank") and to discontinue the sales process. A transaction at attractive conditions does not appear achievable in the current environment dominated by the coronavirus crisis.

Accounting and measurement policies

(5) Changes in accounting and measurement policies

Coronavirus pandemic
The coronavirus pandemic had a major impact on the German economy and the global economy as a whole in the first quarter of 2020 and has therefore also affected the Commerzbank Group's interim financial statements. The effects of the pandemic on Commerzbank were reviewed in various projects and appropriate measures were decided upon. In addition to the information provided in the interim management report, descriptions of the current effects of the pandemic can be found mainly in our note on credit risks and credit losses (see Note 26), as well as in the note on the statement of changes in equity; further details can be found in Notes 9, 27, 30, 37 and 42.
Except for changes described in Note 2, we have applied the same accounting and measurement policies in these interim financial statements as in our Group financial statements as at 31 December 2019 (see page 149 ff. of the Annual Report 2019).

(6) Consolidated companies

Acquisition of LeaseLink Sp. z.o.o.
In the first quarter of 2019, mLeasing, a leasing company from the mBank subgroup, acquired a 100% interest in LeaseLink Sp. z.o.o.. LeaseLink is a company from the fintech sector specialised in leasing payment services. The purchase price is equivalent to roughly €7m, resulting in goodwill of €6m.
The following table shows the assets and liabilities recognised in the balance sheet that were consolidated at the following values:

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

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

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

Notes to the income statement

(7) Net interest income

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

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

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

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

€m	1.1.-31.3.2020	1.1.-31.3.2019[1]	Change in %
Interest income accounted for using the effective interest method	**1,815**	**1,912**	**–5.1**
Interest income – Amortised Cost	1,719	1,807	–4.9
Interest income from lending and money market transactions	1,510	1,600	–5.6
Interest income from the securities portfolio	209	207	1.1
Interest income – Fair Value OCI	66	81	–18.6
Interest income from lending and money market transactions	3	6	–49.8
Interest income from the securities portfolio	63	75	–16.1
Prepayment penalty fees	30	24	21.9
Interest income accounted for not using the effective interest method	**288**	**303**	**–4.7**
Interest income – Mandatorily Fair Value P&L	162	188	–13.6
Interest income from lending and money market transactions	138	174	–21.0
Interest income from the securities portfolio	24	13	84.4
Positive interest from financial instruments held as liabilities	126	115	9.8
Interest expenses	**782**	**983**	**–20.4**
Interest expenses – Amortised Cost	565	668	–15.4
Deposits	354	416	–15.0
Debt securities issued	211	252	–16.2
Interest expenses – Fair Value Option	133	181	–26.5
Deposits	126	174	–27.6
Debt securities issued	7	7	–0.4
Negative interest from financial instruments held as assets	77	118	–34.6
Interest expenses on lease liabilities	5	6	–14.7
Other interest expenses	2	10	–80.3
Total	**1,321**	**1,232**	**7.2**

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

(8) Dividend income

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

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Dividends from equity instruments – Fair Value OCI	1	0	.
Dividends from equity instruments – Mandatorily Fair Value P&L	0	0	−6.1
Current net income from non-consolidated subsidiaries	0	1	−67.0
Total	**2**	**1**	**4.3**

In 2019 a portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category. In the first three months of 2019, no dividends were received from these stocks and recognised in the income statement in dividend income.

(9) Risk result

The risk result contains changes to provisions recognised in the income statement for on- and off-balance-sheet financial instruments for which the IFRS 9 impairment model is to be applied. This also includes reversals of loss provisions when derecognition occurs because of scheduled redemptions, write-ups and amounts recovered on claims written-down and direct write-downs not resulting from a substantial modification. In addition, changes to provisions recognised in the income statement for certain off-balance-sheet items that are not financial guarantees as defined in IFRS 9 (certain guarantees, letters of credit, see Note 38) are taken into account.

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Financial assets – Amortised Cost	–332	–82	.
Financial assets – Fair Value OCI	–3	12	.
Financial Guarantees	–0	–3	–88.9
Lending commitments and indemnity agreements	9	–6	.
Total	**–326**	**–78**	**.**

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

In the first quarter of 2020, burdens due to the coronavirus pandemic amount to €–185m, of which €–111m are top-level-adjustments (see note 26 and risk report page 20 ff.).

(10) Net commission income

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Commission income	**1,034**	**939**	**10.1**
Securities transactions	340	273	24.8
Asset management	100	84	19.6
Payment transactions and foreign business	365	346	5.2
Guarantees	59	55	6.0
Net income from syndicated business	49	64	−23.4
Intermediary business	49	44	10.9
Fiduciary transactions	4	9	−52.4
Other income	68	63	7.2
Commission expenses	**157**	**171**	**−8.4**
Securities transactions	40	63	−36.9
Asset management	8	7	13.1
Payment transactions and foreign business	41	36	11.6
Guarantees	8	5	44.2
Net income from syndicated business	0	0	.
Intermediary business	43	42	3.0
Fiduciary transactions	2	6	−64.3
Other expenses	15	12	28.9
Net commission income	**877**	**768**	**14.3**
Securities transactions	301	210	43.1
Asset management	92	77	20.2
Payment transactions and foreign business	324	310	4.5
Guarantees	51	50	2.0
Net income from syndicated business	49	64	−24.0
Intermediary business	6	2	.
Fiduciary transactions	2	3	−23.4
Other income	52	51	2.1
Total	**877**	**768**	**14.3**

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

1.1.-31.3.2020 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	332	14	–	– 6	340
Asset management	99	1	–	0-	100
Payment transactions and foreign business	167	201	–	– 3	365
Guarantees	7	52	–	– 1	59
Net income from syndicated business	0	49	–	–-	49
Intermediary business	49	15	–	– 15	49
Fiduciary transactions	3	1	–	–	4
Other income	56	17	–	– 5	68
Total	**713**	**350**	**–**	**– 29**	**1,034**

1.1.-31.3.2019 €m	Private and Small-Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Securities transactions	271	12	0	– 11	273
Asset management	83	1	–	–	84
Payment transactions and foreign business	158	192	0	– 3	346
Guarantees	7	51	0	– 2	55
Net income from syndicated business	0	64	0	–	64
Intermediary business	43	16	0	– 15	44
Fiduciary transactions	6	3	–	–	9
Other income	55	15	0	– 7	63
Total	**622**	**354**	**0**	**– 38**	**939**

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

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

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

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

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Profit or loss from financial instruments – Held for Trading	–237	65	.
Profit or loss from financial instruments – Fair Value Option	–20	–67	–70.5
Profit or loss from financial instruments – Mandatorily Fair Value P&L	–46	87	.
Total	**–304**	**85**	**.**

(12) Net income from hedge accounting

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Fair Value Hedges			
Changes in fair value attributable to hedging instruments	–730	–121	.
Micro fair value hedges	–262	–92	.
Portfolio fair value hedges	–468	–29	.
Changes in fair value attributable to hedged items	659	170	.
Micro fair value hedges	243	115	.
Portfolio fair value hedges	416	55	.
Cash Flow Hedges			
Gain or loss from effectively hedged cash flow hedges (ineffective part only)	1	–0	.
Total	**–70**	**50**	**.**

(13) Other net income from financial instruments

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

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

In the case of financial assets in the fair value OCI category (with recycling), the difference between amortised cost and fair value is recognised in the revaluation reserve until disposal (except for impairments) without effect on income, and therefore not in the income statement. The revaluation reserve resulting from debt securities is reversed through profit or loss when the asset is disposed of.

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

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Other sundry realised profit or loss from financial instruments	18	−15	.
Realised profit or loss from financial assets – Fair Value OCI	17	12	35.4
Realised profit or loss from financial liabilities – Amortised Cost	3	1	.
Gain or loss on non-substantial modifications – Amortised Cost	−2	−1	59.0
Gain or loss on non-substantial modifications – Fair Value OCI	–	–	.
Changes in uncertainties in estimates – Amortised Cost	0	−27	.
Changes in uncertainties in estimates – Fair Value OCI	–	–	.
Gain or loss on disposal of financial instruments (AC portfolios)	−5	−5	10.4
Gains on disposal of financial instruments (AC portfolios)	1	1	47.7
Losses on disposal of financial instruments (AC portfolios)	7	6	15.8
Total	**13**	**−20**	**.**

The Commerzbank Group has loan portfolios totalling €313bn (previous year: €298bn) with financial instruments measured at amortised cost. This classification requires that the financial instruments included therein be allocated to a portfolio with the “hold to collect” business model and that no SPPI- non-compliant side agreements exist. These portfolios can involve not only redemptions but also sales of assets, while still remaining fundamentally in compliance with this business model. This is particularly the case if the debtor´s credit rating has deteriorated significantly or the asset no longer corresponds to the required criteria as set out in the internal guidelines, or if the sale is the result of portfolio reallocations just prior to the maturity of these assets.

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

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

(14) Other net income

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

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

€m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Other material items of income	**166**	**120**	**38.6**
Reversals of provisions	24	47	– 49.7
Operating lease income	39	38	1.4
Income from building and architects' services	0	0	3.0
Hire-purchase income and sublease income	3	4	– 35.8
Income from investment properties	0	0	28.1
Income from non-current assets held for sale	–	–	.
Income from disposal of fixed assets	0	1	– 63.5
Income from FX rate differences	46	6	.
Remaining other income	55	23	.
Other material items of expense	**146**	**82**	**79.2**
Allocations to provisions	10	10	2.8
Operating lease expenses	32	29	8.0
Expenses arising from building and architects' services	–	–	.
Hire-purchase expenses and sublease expenses	1	2	– 43.0
Expenses from investment properties	0	0	21.6
Expenses from non-current assets held for sale	–	–	.
Expenses from disposal of fixed assets	1	0	.
Expenses from FX rate differences	69	5	.
Remaining other expenses	33	35	– 4.7
Other tax (netted)	– 10	– 4	.
Realised profit or loss and net remeasurement gain or loss from associated companies and jointly controlled entities (netted)	2	3	– 35.9
Other net income	**12**	**37**	**– 67.6**

(15) Operating expenses

Personnel expenses | €m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Wages and salaries	799	814	– 1.9
Expenses for pensions and similar employee benefits	52	57	– 8.5
Total	**851**	**871**	**– 2.3**

Administrative expenses | €m	1.1.-31.3.2020	1.1.-31.3.2019	Change in %
Occupancy expenses	60	59	1.2
IT expenses	138	140	– 1.1
Workplace and information expenses	59	63	– 6.3
Advisory, audit and other expenses required to comply with company law	51	64	– 20.5
Travel, representation and advertising expenses	53	56	– 5.5
Personnel-related administrative expenses	18	27	– 32.3
Other administrative expenses	40	39	2.9
Total	**419**	**448**	**– 6.4**

Depreciation and amortisation | €m	1.1.-31.3.2020	1.1.-31.3.2019[1]	Change in %
Office furniture and equipment	27	29	– 6.3
Land and buildings	3	3	7.3
Intangible assets	116	128	– 8.8
Right of use assets	87	89	– 2.7
Total	**233**	**248**	**– 6.1**

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

(16) Compulsory contributions

Compulsory contributions | €m	1.1.-31.3.2020	1.1.-31.3.2019	Change. in %
Deposit Protection Fund	33	36	– 7.5
Polish bank tax	29	25	15.8
European bank levy	238	204	16.8
Total	**301**	**265**	**13.4**

(17) Taxes on income

Group tax expense was €54m as at 31 March 2020 (previous year: €97m). With pre-tax profit of €–277m (previous year: €246m; prior-year figures adjusted due to restatements; see Note 3) the Group's effective tax rate was – 19.5% (previous year: 39.6% (Group income tax rate: 31.5%, previous year: 31.5%). Group tax expense mainly comprises the current tax expenses of the mBank subgroup, and of comdirect bank Aktiengesellschaft for the reporting period. The negative effective tax rate was mainly due to the fact that, despite a pre-tax loss, a tax expense arose due to tax expenses relating to other periods and non-deductible operating expenses.

(18) Earnings per share

	1.1.-31.3.2020	1.1.-31.3.2019[1]	Change in %
Operating profit (€m)	–277	246	.
Consolidated profit or loss attributable to Commerzbank shareholders (€m)	–295	122	.
Average number of ordinary shares issued	1,252,357,634	1,252,357,634	.
Operating profit per share (€)	–0.22	0.20	.
Earnings per share (€)	–0.24	0.10	.

[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 39).

Notes to the balance sheet

Financial assets and liabilities

(19) Financial assets – Amortised cost

If the contractually agreed cash flows of a financial asset comprise only interest and principal payments (i.e. the asset is SPPI-compliant) and this asset was allocated to the “hold to collect” business model, it is measured at amortised cost. The carrying amount of these financial instruments is reduced by any loan loss provision (see Note 27 on credit risks and credit losses).

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

€m	31.3.2020	31.12.2019	Change in %
Loans and advances	277,383	260,354	6.5
Central banks	953	876	8.9
Banks	30,898	24,418	26.5
Corporate clients	104,214	97,419	7.0
Private customers	111,303	109,700	1.5
Other financial corporations	15,003	13,007	15.3
General governments	15,011	14,934	0.5
Debt securities	34,490	33,304	3.6
Banks	2,651	2,432	9.0
Corporate clients	6,553	5,363	22.2
Other financial corporations	4,959	4,706	5.4
General governments	20,326	20,803	– 2.3
Total	**311,873**	**293,658**	**6.2**

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 39). Distribution and sales activities for the portfolio have been discontinued. As of 1 January 2019, future sales for this portfolio are now only permitted in the event of a significant deterioration in credit quality. Portfolio management and the remuneration of management are no longer based on fair value. The objective of the portfolio is to generate contractually agreed cash flows. The contractually agreed cash flows are solely payments of interest and principal for the purposes of IFRS 9.

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

The effective interest rate calculated at the time of reclassification was 2.8%. For the first three months of 2020, the interest income for the reclassified portfolio amounts to €22m (prior-year period: €16m) and the interest expenses were zero (prior-year period: €0m).

The fair value of the portfolio at 31 March 2020 was €3.4bn (previous year: €3.1bn). If the portfolio had remained in the mFVPL measurement category, the fair value change since the start of the year and the offsetting change in value of the derivatives held to hedge the portfolio would have been recognised in the income statement under net income from financial assets and liabilities measured at fair value through profit or loss. This would have resulted in net income of €–201m (prior-year period: €19m), due mainly to credit spread effects. Since reclassification, the cash flows of the underlying transactions of the portfolio have been assigned to the portfolio fair value hedge accounting of Commerzbank.

(20) Financial liabilities – Amortised cost

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

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

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

€m	31.3.2020	31.12.2019	Change in %
Deposits	343,323	309,489	10.9
Central banks	13,598	4,006	.
Banks	51,640	40,434	27.7
Corporate clients	87,618	84,602	3.6
Private customers	141,149	139,350	1.3
Other financial corporations	35,691	29,395	21.4
General governments	13,626	11,701	16.4
Debt securities issued	45,425	42,421	7.1
Money market instruments	1,883	1,580	19.2
Pfandbriefe	19,774	18,670	5.9
Other debt securities issued	23,768	22,171	7.2
Total	**388,747**	**351,909**	**10.5**

New issues with a total volume of €4.4bn were issued in the first three months of 2020 (prior-year period: €5.8bn). In the same period, the volume of bonds maturing amounted to €1.3bn (prior-year period: €4.4bn)and redemptions to €0.1bn (prior-year period: €0.2bn).

(21) 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 26 “Credit risks and credit losses”. When a financial instrument is derecognised, the accumulated gains and losses recognised to date in OCI are reclassified to the income statement (recycling) and reported in other net income from financial instruments. Interest income from these financial assets is recognised in net interest income using the effective interest method.

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

€m	31.3.2020	31.12.2019	Change in %
Loans and advances (with recycling)	897	779	15.2
Central banks	–	–	.
Banks	159	151	5.3
Corporate clients	380	229	65.7
Private customers	–	–	.
Other financial corporations	76	86	– 11.7
General governments	282	312	– 9.8
Debt securities (with recycling)	32,563	30,115	8.1
Banks	13,947	12,411	12.4
Corporate clients	834	564	47.9
Other financial corporations	6,062	5,933	2.2
General governments	11,719	11,206	4.6
Equity instruments (without recycling)	–	49	.
Corporate clients	–	47	.
Other financial corporations	–	2	.
Total	**33,459**	**30,942**	**8.1**

A portfolio of European standard stocks (blue chips) held by a subsidiary in the Commerzbank Group was classified to the fair value OCI category in the first quarter of 2019.

There were no equity holdings as at 31 March 2020. In the previous year, the fair value of equity holdings was €49m. Dividend payments of €1m from equity holdings already sold (prior-year period: €0m) were recognised in the income statement in dividend income. In addition, sales from this portfolio resulted in realised profit and loss totalling €1m (previous year €0m) which was recognised in retained earnings without effect on income.

(22) Financial liabilities – Fair value option

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

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

€m	31.3.2020	31.12.2019	Change in %
Deposits	28,460	19,202	48.2
Central banks	1,350	2,075	– 34.9
Banks	8,643	4,224	.
Corporate clients	1,811	791	.
Private customers	149	151	– 0.9
Other financial corporations	16,276	11,730	38.8
General governments	230	231	– 0.4
Debt securities issued	541	761	– 28.9
Other debt securities issued	541	761	– 28.9
Total	**29,001**	**19,964**	**45.3**

For liabilities to which the fair value option was applied, the change in fair value in the first three months of 2020 due to credit risk reasons was €–238mm (previous year: €10m). The cumulative change was €–225m (previous year: €52m).

€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 €0.1bn were issued in the first three months of 2020 (prior-year period: €0.1bn). During the same period the volume of repayments was €0.1bn (prior-year period: €0.1bn), there were no significant maturing issues within the same period or in the prior-year period.

(23) 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 21).

€m	31.3.2020	31.12.2019	Change in %
Loans and advances	35,588	26,181	35.9
Central banks	3,137	4,152	– 24.5
Banks	12,172	10,254	18.7
Corporate clients	1,688	1,409	19.8
Private customers	146	182	– 19.4
Other financial corporations	18,381	10,167	80.8
General governments	64	17	.
Debt securities	4,068	3,642	11.7
Banks	93	66	40.5
Corporate clients	22	14	53.0
Other financial corporations	1,174	1,326	– 11.5
General governments	2,780	2,236	24.3
Equity instruments	384	373	2.9
Banks	9	9	–
Corporate clients	303	291	4.3
Other financial corporations	71	73	– 2.1
Total	**40,040**	**30,196**	**32.6**

(24) 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	31.3.2020	31.12.2019	Change in %
Loans and advances	1,951	1,683	15.9
Banks	627	506	24.1
Corporate clients	424	408	3.8
Other financial corporations	849	769	10.5
General governments	50	–	.
Debt securities	1,828	1,481	23.4
Banks	210	326	– 35.5
Corporate clients	150	174	– 13.8
Other financial corporations	355	409	– 13.3
General governments	1,113	572	94.5
Equity instruments	870	1,413	– 38.4
Banks	2	3	– 44.2
Corporate clients	867	1,409	– 38.5
Other financial corporations	2	1	.
Positive fair values of derivative financial instruments	50,212	39,328	27.7
Interest-rate-related derivative transactions	35,583	30,124	18.1
Currency-related derivative transactions	10,486	6,975	50.3
Equity derivatives	2,006	879	.
Credit derivatives	332	303	9.4
Other derivative transactions	1,805	1,047	72.4
Other trading positions	826	935	– 11.6
Total	**55,688**	**44,840**	**24.2**

(25) 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	31.3.2020	31.12.2019	Change in %
Certificates and other issued bonds	24	28	– 15.0
Delivery commitments arising from short sales of securities	1,034	1,574	– 34.3
Negative fair values of derivative financial instruments	48,192	37,764	27.6
Interest-rate-related derivative transactions	35,071	29,398	19.3
Currency-related derivative transactions	11,179	7,240	54.4
Equity derivatives	1,030	422	.
Credit derivatives	252	344	– 26.7
Other derivative transactions	661	360	83.5
Total	**49,250**	**39,366**	**25.1**

Credit risks and credit losses

(26) Credit risks and credit losses

Principles and measurements

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

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

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

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

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

- Financial instruments that are classified as impaired as at the reporting date are allocated to stage 3. Commerzbank's criterion for this classification is the definition of a default in accordance with Art. 178 of the Capital Requirements Regulation (CRR). In 2016, the EBA published new guidelines on the application of the default definition under Article 178 of Regulation (EU) No 575/2013. Binding application must take place by 1 January 2021 at the latest. At Commerzbank, this was already implemented in the fourth quarter of 2019. In principle, the adjustment has no effect on the Bank's expected loss, so there was no significant impact on the impairment calculation or the consolidated result. This approach is consistent because the ECL calculation also uses statistical risk parameters derived from the Basel IRB approach, which are modified to meet the requirements of IFRS 9. 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 CRR. The following events can be indicative of a customer default:

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

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

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

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

Calculation of expected credit loss

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

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

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

The Group derives the PD by applying an internal ratings procedure, which is based on the respective customer group. The determination includes a wide variety of qualitative and quantitative variables, which are taken into account or weighted based on the respective procedure. The allocation of the PD ranges to the internal rating categories and the reconciliation to external ratings can be found in the master scale contained in the Group Management Report.

The LGD is the forecasted loss given default as a percentage of the exposure at default (EaD), taking into account collateral and the capital recovery potential on the unsecured portion. The Group's estimates, which are made specifically for different types of collateral and customer groups, are determined using both observed historical portfolio data and diverse external information, such as indices and data regarding the development of purchasing power.

The EaD is the expected loan utilisation as at the default date, taking into account a (partial) drawing of open credit lines.

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

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

As a rule, the Group estimates the risk parameters specific to IFRS 9 based not only on historical default information but also, in particular, on the current economic environment (point-in-time perspective) and forward-looking information. This assessment primarily involves reviewing the effects which the Bank's macroeconomic forecasts will have regarding the amount of the ECL, and including these effects in the determination of the ECL. A baseline scenario is used for this purpose which relies on the respective applicable consensus (forecasts of different banks on significant macroeconomic factors, such as GDP growth and the unemployment rate). This baseline scenario is then supplemented with additional macroeconomic parameters that are relevant for the model. The transformation of the macroeconomic baseline scenario into the effects on the risk parameters is based on statistically derived models. If necessary, these models are supplemented with expert-based assumptions, the collection of which is regulated by a policy set by a panel. Potential effects from non-linear correlations between different macroeconomic scenarios and the ECL are corrected using a separately determined adjustment factor.

When calculating the expected credit loss, additional effects may also have to be taken into account resulting from scenarios or events that are not reflected in the IFRS 9 ECL parameter set presented as part of the modelling (these may relate to singular events such as substantial political decisions or military conflicts); for these additional effects, a separately determined adjustment to the result from the IFRS 9 ECL model is made. The examination as to whether such top level adjustments with the involvement of sen¬ior management are necessary, as well as their possible implementation, are regulated in a policy.

The coronavirus pandemic necessitated a top-level-adjustment to the result from the IFRS 9 ECL model in the first quarter. As at the reporting date, the parameters used in the standard model reflected neither the economic effects of the global lockdowns nor the massive support and assistance measures taken by governments and institutions. For certain sub-portfolios, therefore, effects on the probability of default and the future utilisation of credit lines were assumed. For this purpose assumptions were made as to which sectors, customer groups and sub-portfolios would be affected by the crisis. The second step was to assess the extent to which assistance programmes had been established for these. For the vast majority of the German portfolio affected, we assumed at the time of reporting that customers would make use of the extensive support measures offered and would benefit from them. We therefore only estimated an increased probability of default for German borrowers and small companies that were already assessed as critical before the crisis. For international corporate clients in the affected portfolio, the extent of the support measures could not be definitively assessed. In our opinion, gaps, especially for companies in smaller revenue categories, cannot be ruled out. For this sub-portfolio we therefore assumed sector-specific, estimated increased probabilities of default and greater utilisation of existing credit lines.

In addition, a modified macroeconomic scenario based on ECB publications was applied to the entire portfolio (with the exception of mBank), taking into account, among other things, the reduced growth assumptions due to the pandemic and the significant drop in oil prices. The effects determined on the basis of the assumptions made and the macro scenario are registered on a portfolio basis and therefore have no influence on the level to which an individual transaction is allocated.

The extent to which the result from the ECL model was adjusted was determined by the portfolio boundaries and assumptions on the effectiveness of available assistance measures.

mBank calculates IFRS risk provisions locally in line with Group requirements using its own infrastructure. Due to the coronavirus pandemic, a top-level adjustment was likewise necessary at mBank in line with changed macroeconomic expectations. In particular, the adjusted assumptions on GDP growth and the unemployment rate in Poland led to an increase in the ECL.

For more information on ECL and TLA, see the Risk Report page 20 ff.

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

€m	As at 1.1.2020	Net allocations/ reversals	Utilisation	Change in the group of consolidated companies	Exchange rate changes/ reclassification	As at 31.3.2020
Valuation allowances for risks from financial assets	2,193	335	109	–	–40	2,380
Financial assets – Amortised cost	2,185	332	109	–	–39	2,369
Loans and advances	2,130	340	109	–	–39	2,321
Debt securities	56	–8	–	–	0	47
Financial assets – Fair value OCI	8	3	–0	–	0	11
Loans and advances	1	2	–	–	0	4
Debt securities	6	1	–0	–	0	7
Provisions for financial guarantees	9	0	–	–	0	9
Provisions for lending commitments	161	–14	–	–	–1	147
Provisions for indemnity agreements	182	4	–	–	2	188
Total	**2,546**	**326**	**109**	**–**	**–39**	**2,724**

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

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

€m	Stage 1	Stage 2	Stage 3	POCI	Total
Valuation allowances for risks from financial assets	288	389	1,592	111	2,380
Loans and advances	253	372	1,590	111	2,325
Debt securities	35	18	2	–	54
Provisions for financial guarantees	2	1	3	3	9
Provisions for lending commitments	74	46	18	9	147
Provisions for indemnity agreements	1	80	93	15	188
Total	**365**	**517**	**1,705**	**138**	**2,724**

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

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

Other notes on financial instruments

(27) 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 parties in an arm's length transaction. The fair value therefore represents an exit price. The fair value of a liability is defined as the price at which the debt could be transferred to a third party as part of an orderly transaction.

The measurement of liabilities must also take account of the Bank's own credit spread. If third parties provide security for our liabilities (e.g. guarantees), this security is not taken into account in the valuation of the liability, as the Bank's repayment obligation remains the same.

When measuring derivative transactions, the Group uses the possibility of establishing net risk positions for financial assets and liabilities. The measurement takes into account not only counterparty credit risk but also the Bank's own default risk. The Group determines credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) by simulating the future fair values of its portfolios of derivatives with the respective counterparty based on observable market data (e.g. CDS spreads). In the case of funding valuation adjustments (FVAs), the funding costs or income of uncollateralised derivatives, as well as collateralised derivatives where there is only partial collateral or the collateral cannot be used for funding purposes, are recognised at fair value. Like CVAs and DVAs, FVAs are also determined from the expected value of the future positive or negative portfolio fair values using observable market data (e.g. CDS spreads). The funding curve used to calculate the FVAs is approximated by the Commerzbank funding curve.

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

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

Financial assets | €bn	**31.3.2020**				**31.12.2019**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets – Fair Value OCI								
Loans and advances	–	0.9	0.0	0.9	–	0.8	0.0	0.8
Debt securities	23.2	4.2	5.1	32.6	20.4	9.7	0.0	30.1
Equity instruments	–	–	–	–	0.0	–	–	0.0
Financial Assets – Mandatorily Fair Value P&L								
Loans and advances	–	33.2	2.4	35.6	–	23.7	2.4	26.2
Debt securities	1.0	2.0	1.1	4.1	0.9	1.6	1.1	3.6
Equity instruments	0.0	–	0.4	0.4	0.0	–	0.4	0.4
Financial Assets – Held for Trading								
Loans and advances	1.0	0.9	0.0	2.0	0.8	0.8	0.0	1.7
Debt securities	1.3	0.5	0.0	1.8	0.8	0.6	0.0	1.5
Equity instruments	0.9	0.0	0.0	0.9	1.4	0.0	0.0	1.4
Derivatives	–	49.7	0.5	50.2	–	37.7	1.6	39.3
Others	0.8	–	–	0.8	0.9	–	–	0.9
Positive fair values of derivative financial instruments								
Hedge accounting	–	2.3	–	2.3	–	2.0	–	2.0
Non-current assets held for sale and disposal groups								
Loans and advances	–	0.1	–	0.1	–	0.1	–	0.1
Debt securities	1.6	0.0	–	1.6	1.1	0.1	0.0	1.2
Equity instruments	0.6	0.0	0.0	0.6	3.6	0.1	0.0	3.6
Derivatives	–	2.0	0.2	2.2	–	2.6	0.2	2.9
Total	**30.3**	**95.9**	**9.8**	**136.0**	**30.1**	**79.8**	**5.8**	**115.8**

Financial liabilities | €bn	**31.3.2020**				**31.12.2019**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities - Fair Value Option								
Deposits	–	28.5	–	28.5	–	19.2	–	19.2
Debt securities issued	0.5	–	–	0.5	0.8	–	–	0.8
Financial liabilities - Held for Trading								
Derivatives	–	47.8	0.4	48.2	–	36.7	1.0	37.8
Certificates and other issued bonds	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Delivery commitments arising from short sales of securities	0.9	0.1	–	1.0	1.2	0.3	–	1.6
Negative fair values of derivative hedging instruments								
Hedge accounting	–	5.9	–	5.9	–	4.4	–	4.4
Liabilities of disposal groups								
Deposits	–	1.3	–	1.3	–	2.2	–	2.2
Debt securities issued	–	–	–	–	–	–	–	–
Derivatives	–	2.1	0.5	2.6	–	2.0	0.3	2.3
Certificates and other issued bonds	0.8	–	–	0.8	3.2	–	–	3.2
Delivery commitments arising from short sales of securities	0.4	0.0	–	0.5	0.4	0.0	–	0.4
Total	**2.7**	**85.7**	**0.9**	**89.3**	**5.7**	**64.9**	**1.4**	**72.0**

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

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

In the first three months of 2020, €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified back from level 2 to level 1 as quoted market prices again became available. We did not make any other significant reclassifications between level 1 and level 2.

A number of reclassifications from level 1 to level 2 were carried out in the 2019 financial year, as there were no listed market prices available. These related to €0.5bn in debt securities in the FVOCI category and €0.4bn debt securities in the HFT category, €0.4bn debt securities in the mFVPL category, €0.2bn delivery commitments arising from short sales of securities in the HFT category and €0.1bn delivery commitments arising from short sales of securities liabilities included in disposal groups.
Furthermore €2.6bn of debt securities in the FVOCI category, €0.5bn debt securities in the HFT category, €0.3bn debt securities in the mFVPL category, and €0.6bn delivery commitments arising from short sales of securities in the HFT category were reclassified, as quotedt prices were again available. We did not make any other significant reclassifications between level 1 and level 2.

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

Financial assets | €m	Financial assets – Fair value OCI	Financial assets – Mandatorily fair value P&L	Financial assets – Held for trading	Non-current assets held for sale and disposal groups	Total
Fair Value as at 1.1.2020	**29**	**3,931**	**1,625**	**237**	**5,822**
Changes in the group of consolidated companies	–	–	–	–	–
Gains or losses recognised in income statement during the period	–	– 145	48	– 5	– 102
of which: unrealised gains or losses	–	– 145	33	– 1	– 112
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	549	116	9	–	674
Sales	–	– 25	– 52	– 0	– 77
Issues	–	–	–	–	–
Redemptions	–	–	– 1,113	– 12	– 1,125
Reclassifications to level 3	4,589	5	32	55	4,681
Reclassifications from level 3	–	–	– 1	– 45	– 46
IFRS 9 reclassifications	–	–	–	–	–
Reclassifications from/to non-current assets held for sale and disposal groups	**–**	**–**	**–**	**–**	**–**
Fair Value as at 31.3.2020	**5,168**	**3,882**	**548**	**230**	**9,828**

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	– 8	– 261	1,007	61	799
of which: unrealised gains or losses	– 8	– 261	1,007	73	812
Gains or losses recognised in revaluation reserve	–	–	–	–	–
Purchases	25	877	100	44	1,046
Sales	– 101	– 1,146	– 0	– 20	– 1,268
Issues	–	–	–	–	–
Redemptions	–	–	– 2,790	– 17	– 2,807
Reclassifications to level 3	142	1,089	41	84	1,356
Reclassifications from level 3	– 244	– 74	– 148	– 40	– 507
IFRS 9reclassifications	–	– 2,762	–	–	– 2,762
Reclassifications from/to non-current assets held for sale and disposal groups	–	–	–	–	–
Fair Value as at 31.12.2019	**29**	**3,931**	**1,625**	**237**	**5,822**

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

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

In addition, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives in non-current assets held for sale and disposal groups, as no observable market parameters were available. There were no other significant reclassifications.

As at 1 January 2019 €2.8bn of a loans and advances portfolio in the mFVPL category was reclassified to the IFRS 9 AC category both in level 3 (see Note 19). €0.2bn of debt securities in the IFRS 9 FVOCI category and €0.1bn of debt securities in the IFRS 9 HFT category were reclassified in 2019 from level 3 back to level 2 because market parameters were again observable. In contrast, €0.4bn of debt securities of the mFVPL category and €0.1bn of debt securities in non-current assets held for sale and disposal groups were reclassified from level 1 to level 3 because no market parameters were observable. €0.4bn of loans and advances in the mFVPL category and €0.1bn of debt securities in the IFRS 9 FVOCI category were reclassified from level 2 to level 3 because no market parameters were observable. There were no other significant reclassifications. The changes in financial liabilities in the level 3 category during the financial year were as follows:

Financial liabilities | €m	**Financial liabilities – Fair value option**	**Financial liabilities – Held for trading**	**Liabilities of disposal groups**	**Total**
Fair Value as at 1.1.2020	**–**	**1,050**	**336**	**1,386**
Changes in the group of consolidated companies	–	–	–	–
Gains or losses recognised in income statement during the period	–	– 14	14	– 0
of which unrealised gains or losses	–	– 10	12	2
Purchases	–	7	–	7
Sales	–	– 19	–	– 19
Issues	–	–	–	–
Redemptions	–	– 647	– 19	– 666
Reclassifications to level 3	–	48	216	264
Reclassifications from level 3	–	– 6	– 71	– 76
Reclassification from/to liabilities of disposal groups	–	–	–	–
Fair Value as at 31.3.2020	**–**	**419**	**476**	**895**

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

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

In the first three months of 2020, reclassifications of €0.1bn were made from level 2 to level 3 for derivatives in liabilities from disposal groups, as no observable market parameters were available.

By contrast, reclassifications of €0.1bn were made from level 3 to level 2 for derivatives in liabilities from disposal groups, as observable market parameters were available again. There were no other significant reclassifications.

There were no significant reclassifications of financial liabilities into or out of level 3 in the 2019 financial year.

Sensitivity analysis

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

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

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

- Internal rate of return (IRR):
  The IRR is defined as the discount rate that sets the net present value of all future cash flows from an instrument equal to zero. For bonds, for example, the IRR depends on the current bond price, the nominal value and the duration.
- Credit spread:
  The credit spread is the yield spread (premium or discount) between securities that are identical in all respects except for their respective credit quality. The credit spread represents the excess yield above the benchmark reference instrument that compensates for the difference in creditworthiness between the instrument and the benchmark. Credit spreads are quoted in terms of the number of basis points above (or below) the quoted benchmark. The wider (higher) the credit spread in relation to the benchmark, the lower the instrument’s creditworthiness, and vice versa for narrower (lower) credit spreads.
- Interest rate-forex (IR-FX) correlation:
  The IR-FX correlation is relevant for the pricing of exotic interest rate swaps involving the exchange of funding instruments in one currency and an exotic structured leg that is usually based on the development of two government bond yields in different currencies. Consensus market data for longer durations are not observable for certain exotic interest

products. For example, CMT yields for US government bonds with a duration of more than ten years are not observable.

- Recovery rates, survival and default probabilities:
  Supply and demand as well as the arbitrage relationship with asset swaps tend to be the dominant factors driving pricing of credit default swaps (CDS). Models for pricing credit default swaps tend to be used more for exotic structures and off-market default swap valuation for which fixed interest payments above or below the market rate are agreed. These models calculate the implied default probability of the reference asset as a means of discounting the cash flows expected in a credit default swap. The model inputs are credit spreads and recovery rates that are used to interpolate ("bootstrap") a time series of survival probabilities of the reference asset. A typical recovery rate assumption in the default swap market for senior unsecured contracts is 40%. Assumptions about recovery rates are a factor determining the shape of the survival probability curve. Different recovery rate assumptions translate into different survival probability rates. For a given credit spread, a high recovery rate assumption implies a higher probability of default (relative to a low recovery rate assumption) and hence a lower survival probability. There is a relationship over time between default rates and recovery rates of corporate bond issuers. The correlation between the two is an inverse one: an increase in the default rate (defined as the percentage of issuers defaulting) is generally associated with a decline in the average recovery rate.
  In practice, market participants use market spreads to determine implied default probabilities. Estimates of default probabilities also depend on the joint loss distributions of the parties involved in a credit derivative transaction. The copula function is used to measure the correlation structure between two or more variables. The copula function creates a joint distribution while keeping the characteristics of the two independent marginal distributions.
- Repo curve:
  The repo curve parameter is an input parameter that is relevant for the pricing of repurchase agreements (repos). Generally, these are short-dated maturities ranging from O/N up to 12 months. Beyond 12-month maturities the repo curve parameter may become unobservable, particularly for emerging market underlyings, due to the lack of available independent observable market data. In some cases, proxy repo curves may be used to estimate the repo curve input parameter. Where this is deemed insufficient, the input parameter will be classified as unobservable. Furthermore, mutual-fund-related repos may also contain unobservable repo curve exposures.
- Price:
  Certain interest rate and loan instruments are accounted for on the basis of their price. It follows that the price itself is the unobservable parameter of which the sensitivity is estimated as a deviation in the net present value of the positions.
- Investment fund volatility:
  In general, the market for options on investment funds is less liquid than the market for stock options. As a result, the volatility of the underlying investment funds is determined based on the composition of the fund products. There is an indirect method of determining the corresponding volatility surfaces. This method is assigned to level 3 because the market data it uses are not liquid enough to be classified as level 2.

In the first quarter of 2020, a further €4.8bn of AAA-rated collateralised loan obligations in the FVOCI category were reclassified to level 3 and thus added to the existing asset-backed securities at level 3. For these holdings, the main input parameters are as follows:

- Discount margin:
  The discount margin is the average expected return on a floating-rate security above the underlying index.

- Conditional prepayment rate (CPR):
  This indicates the expected rate of prepayment for a loan portfolio, such as mortgage-backed securities (MBS), used to repay the outstanding principal. The higher the conditional prepayment rate, the more prepayments are expected, thus reducing the capital committed to the note. This is known as prepayment risk.
- Constant default rate:
  This rate is used to value losses within asset-backed securities. It is calculated as the amount of new credit defaults during the period in relation to the non-defaulted portion of the pool at the beginning of a period.
- Loss given default:
  The loss loss given default (LGD) is also expressed as 1– recovery rate. The recovery rate is the percentage of the principal amount recovered on defaulted debt.
- Recovery lag:
  This assumption is used to model the expected time from the date of a loan default to receipt of the assumed recovery amount after default.

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

€m		31.3.2020			31.3.2020	
	Valuation techniques	Assets	Liabilities	Significant unobservable input parameters	Range	
Loans and advances		**2,480**	**–**		–	–
Repos	Discounted cash flow model	1,642	–	Repo-curve (bps)	65	75
Ship financing	Discounted cash flow model	54	–	Credit spread (bps)	550	1,900
Other loans	Discounted cash flow model	784	–	Credit spread (bps)	150	2,200
Debt securities		**6,289**	**12**		–	–
Interest-rate-related transactions	Spread based model	6,289	12	Credit spread (bps)	100	500
of which ABS	Discounted cash flow model	5,636	–	Credit spread (bps)	100	500
		–	–	Discount margin (bps)	195	240
		–	–	Conditional prepayment rate (%)	0%	20%
		–	–	Constant default rate (%)	2%	19%
		–	–	Loss severity (%)	60%	60%
		–	–	Recovery lag (months)	18month	
Equity instruments		**367**	**–**		–	–
Equity-related transactions	Discounted cash flow model	367	–	Price (%)	90%	110%
Derivatives		**692**	**883**			
Equity-related transactions	Discounted cash flow model	230	483	IRR (%), price (%)	5%	20%
	Option pricing model	–	–	Investment fund volatility	1%	40%
Credit derivatives (incl. PFI and IRS)	Discounted cash flow model	462	236	Credit spread (bps)	100	750
		–	–	Recovery rate (%)	0%	80%
Interest-rate-related transactions	Option pricing model	–	164	IR-FX correlation (%)	–30%	52%
Other transactions		–	–		–	–
Total		**9,828**	**895**			

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

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

€m	31.3.2020		
	Positive effects on income statement	Negative effects on income statement	Changed parameters
Loans and advances	**21**	**−21**	
Repos	15	−15	Repo curve
Ship financing	0	−0	Credit Spread
Other loans	6	−6	Credit Spread
Debt securities	**332**	**−332**	
Interest-rate-related transactions	332	−332	Price, discount margin
of which ABS	281	−281	Price, recovery rate, credit spread
Equity instruments	**4**	**−4**	
Equity-related transactions	4	−4	Price
Derivatives	**23**	**−18**	
Equity-related transactions	16	−16	IRR, price based, investment fund volatility
Credit derivatives (incl. PFI and IRS)	5	0	credit spread, recovery rate, price
Interest-rate-related transactions	2	−2	Price, IR-FX correlation
Other transactions	–	–	

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

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

Day one profit or loss

The Commerzbank Group has entered into transactions where the fair value was calculated using a valuation model, where not all material input parameters were observable in the market. The initial carrying value of such transactions is the fair value. The difference between the transaction price and the fair value under the model is termed the "day one profit or loss". The day one profit or loss is not recognised immediately in the income statement but over the term of the transaction. As soon as there is a quoted market price on an active market for such transactions or all material input parameters become observable, the accrued day one profit or loss is immediately recognised in the income statement in the gain or loss from financial assets and liabilities measured at fair value through profit or loss. A cumulated difference between the transaction price and fair value determined by the model is calculated for the level 3 items in all categories. Material impacts result only from financial instruments held for trading.

The amounts changed as follows:

€m	Day-One Profit or Loss		
	Financial assets – Held for trading	**Financial labilities – Held for trading**	**Total**
Balance as at 1.1.2019	**–**	**58**	**58**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	−34	−34
Balance as at 31.12.2019	**–**	**24**	**24**
Allocations not recognised in income statement	–	–	–
Reversals recognised in income statement	–	−4	−4
Balance as at 31.3.2020	**–**	**20**	**20**

b) Financial instruments measured at amortised cost

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

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

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

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

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

Data on the credit risk costs of major banks and corporate customers are available in the form of credit spreads, making it possible to classify them as level 2. If no observable input parameters are available, it may also be appropriate to classify the fair value of loans as level 3.

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

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

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

31.3.2020 | €bn	Fair Value	Carrying amount	Difference	Level 1	Level 2	Level 3
Assets	**369.4**	**369.3**	**0.0**	**11.4**	**105.6**	**252.3**
Cash on hand and cash on demand	55.6	55.6	–	–	55.6	–
Financial Assets – Amortised Cost	313.5	311.9	1.6	11.4	49.7	252.3
Loans and advances	282.4	277.4	5.0	–	31.3	251.0
Debt securities	31.1	34.5	–3.4	11.4	18.4	1.3
Value adjustment on portfolio fair value hedges	–	1.6	–1.6	–	–	–
Non-current assets held for sale and disposal groups	0.3	0.3	–	–	0.3	–
Loans and advances	0.3	0.3	–	–	0.3	–
Debt securities	–	–	–	–	–	–
Liabilities	**387.8**	**390.3**	**–2.5**	**32.6**	**349.2**	**6.0**
Financial Liabilities – Amortised Cost	387.6	388.7	–1.2	32.6	349.0	6.0
Deposits	342.7	343.3	–0.6	0.0	339.7	3.0
Debt securities issued	44.9	45.4	0.6	32.6	9.3	2.9
Value adjustment on portfolio fair value hedges	–	1.3	–1.3	–	–	–
Liabilities of disposal groups	0.2	0.2	–	–	0.2	–
Deposits	0.2	0.2	–	–	0.2	–
Debt securities issued	–	–	–	–	–	–

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

(28) 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	31.3.2020		31.12.2019	
	Reverse repos	Positive fair values of derivative financial instruments	Reverse repos	Positive fair values of derivative financial instruments
Gross amount of financial instruments	55,705	186,758	49,270	145,892
Book values not eligible for netting	16,796	4,423	14,695	2,918
a) Gross amount of financial instruments I and II	38,909	182,334	34,575	142,973
b) Amount netted in the balance sheet for financial instruments I [1]	22,901	131,993	24,900	101,709
c) Net amount of financial instruments I and II = a) – b)	16,008	50,341	9,675	41,264
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42 [2]	1,901	30,663	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	10,443	42	5,529	45
Cash collateral	65	8,391	98	8,653
e) Net amount of financial instruments I and II = c) – d)	3,599	11,245	2,324	6,996
f) Fair value of financial collateral of central counterparties relating to financial instruments	2,273	16	154	0
g) Net amount of financial instruments I and II = e) – f)	1,327	11,229	2,169	6,996

[1] Of which for positive fair values € 6,203m (previous year: €5,118m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

Liabilities | €m	31.3.2020		31.12.2019	
	Repos	Negative fair values of derivative financial instruments	Repos	Negative fair values of derivative financial instruments
Gross amount of financial instruments	52,062	186,069	43,512	144,775
Book values not eligible for netting	11,781	2,757	9,948	1,951
a) Gross amount of financial instruments I and II	40,280	183,312	33,564	142,824
b) Amount netted in the balance sheet for financial instruments I [1]	22,901	129,389	24,900	100,260
c) Net amount of financial instruments I and II = a) – b)	17,380	53,923	8,664	42,564
d) Master agreements not already accounted for in b)				
Amount of financial instruments II which do not fulfil or only partially fulfil the criteria under IAS 32.42[2]	1,901	30,663	1,724	25,570
Fair value of financial collateral relating to financial instruments I and II not already accounted for in b)[3]				
Non-cash collateral[4]	1,924	5	–	277
Cash collateral	7,290	13,609	3,712	11,427
e) Net amount of financial instruments I and II = c) – d)	6,265	9,646	3,229	5,291
f) Fair value of financial collateral of central counterparties relating to financial instruments I	6,259	0	3,007	2
g) Net amount of financial instruments I and II = e) – f)	6	9,646	221	5,289

[1] Of which for negative fair values €8,806m (previous year: €6,569m) is attributable to margins.
[2] Lesser amount of assets and liabilities.
[3] Excluding rights or obligations to return arising from the transfer of securities.
[4] Including financial instruments not reported on the balance sheet (e.g. securities provided as collateral in repo transactions).

(29) Derivatives

The total effect of netting amounted to €138,196m as at 31 March 2020 (previous year: €106,828m). On the assets side, €131,993m of this was attributable to positive fair values (previous year:€101,710m) and €6,203m to claims for variation margins (previous year: €5,118m). Netting on the liabilities side involved negative fair values of €129,390m (previous year: €100,259m) and liabilities for variation margins payable of €8,806m (previous year: €6,569m).

Notes to the balance sheet (non-financial instruments)

(30) Intangible assets

€m	31.3.2020	31.12.2019	Change in %
Goodwill	1,521	1,522	– 0.0
Other intangible assets	1,465	1,531	– 4.3
Customer relationships	86	91	– 5.6
In-house developed software	1,010	1,047	– 3.6
Purchased software and other intangible assets	369	393	– 6.1
Total	**2,986**	**3,053**	**– 2.2**

On the basis of current developments and the effects of the coronavirus pandemic already known, Commerzbank sees no indications that goodwill, which is allocated exclusively to the Private and Small-Business Customers segment, might be impaired as at 31 March 2020. Nevertheless, in view of the coronavirus pandemic we have reviewed the existing excess of recoverable amount over carrying amount using various scenarios, including changes in interest rate assumptions. All scenario calculations result in a reduced but still sufficient excess as at 31 March 2020 compared to 31 December 2019 and thus no need for valuation adjustments.

(31) Fixed assets

€m	31.3.2020	31.12.2019	Change in %
Land and buildings	320	326	– 1.9
Rights of use (leases)	1,931	2,034	– 5.1
Land and buildings	1,906	2,006	– 5.0
Office furniture and equipment	25	28	– 11.3
Office furniture and equipment	402	425	– 5.4
Leased equipment	692	701	– 1.2
Total	**3,345**	**3,487**	**– 4.1**

(32) Discontinued business division

In the first quarter of 2020, Commerzbank Aktiengesellschaft, Frankfurt and Société Générale Group, Paris, France continued the transfer of the Equity Markets & Commodities (EMC) division of the Business Segment Corporate Clients. The transaction will be executed in several steps and completion is scheduled for 2021 due to the number of employees and volume of transactions to be transferred and the complexity of the individual transfer processes.

The Asset Management division was initially transferred in the 2019 financial year. In addition, major parts of the development and issuing of structured financial products business were also transferred in the second in the previous year, 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 and is expected to be completed in 2021. In the first quarter of 2020, significant parts of the development and issuing of structured financial products business were transferred directly, i.e. without a "synthetic" transfer.

As at 31 March 2020, the assets and liabilities of the discontinued operation amounted to €4.8bn (previous year: €8.0n) and €5.4n (previous year: €8.5bn) respectively. The assets and liabilities are mostly measured at fair value.

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

Detailed information on the discontinued business division is provided below.

€m	1.1.–31.3.2020	1.1.–31.3.2019	Change in %
Income	73	38	89.4
Expenses	29	58	–50.3
Pre-tax profit or loss	44	–19	.
Taxes on income	0	–6	.
Consolidated profit or loss from discontinued operations	**44**	**–13**	**.**
Consolidated profit or loss on discontinued operations attributable to Commerzbank shareholders	44	–13	.

The profit attributable to Commerzbank shareholders from continuing operations amounted to €–339m (previous year: €136m) (see Note 3).

€	1.1.–31.3.2020	1.1.–31.3.2019	Change in %
Earnings per share for discontinued operations	0.04	–0.01	.

€m	2020	2019	Change in %
Net cash from operating activities	44	–13	.
Net cash from investing activities	–	–	.
Net cash from financing activities	–	–	.

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

€m	31.3.2020	31.12.2019	Change in %
Financial Assets – Amortised Cost	299	187	59.7
Loans and advances	299	187	59.7
Debt securities	–	–	.
Financial Assets – Fair Value OCI	–	–	.
Loans and advances	–	–	.
Debt securities	–	–	.
Equity instruments	–	–	.
Financial Assets – Mandatorily Fair Value P&L	145	76	90.8
Loans and advances	144	76	91.1
Debt securities	–	–	.
Equity instruments	0	0	.
Financial Assets – Held for Trading	4,375	7,742	–43.5
Loans and advances	–	–	
Debt securities	1,597	1,248	28.0
Equity instruments	552	3,631	–84.8
Derivatives	2,227	2,863	–22.2
Intangible assets	6	6	0.4
Fixed assets	–	–	.
Other assets	–73	–57	29.1
Total	**4,752**	**7,955**	**–40.3**

In 2019 assets of disposal groups year mainly relate to the discontinuation of the EMC business division (see Note 32) and the sale of ebase GmbH.

(34) Liabilities from disposal groups

€m	31.3.2020	31.12.2019	Change in %
Financial Liabilities – Amortised Cost	191	258	–26.0
Deposits	191	258	–26.0
Debt securities issued	–	–	.
Financial Liabilities – Fair Value Option	1,312	2,205	–40.5
Deposits	1,312	2,205	–40.5
Debt securities issued	–	–	.
Financial Liabilities – Held for Trading	3,848	6,027	–36.2
Certificates and other issued bonds	819	3,249	–74.8
Delivery commitments arising from short sales of securities	452	435	3.9
Derivatives	2,577	2,344	10.0
Other liability items	13	38	–65.7
Total	**5,364**	**8,528**	**–37.1**

In 2019 liabilities from disposal groups mainly relate to the discontinuation of the EMC business division (see Note 32) and the sale of ebase GmbH.

(35) Other assets

€m	31.3.2020	31.12.2019	Change in %
Precious metals	72	26	.
Accrued and deferred items	322	229	40.6
Defined benefit assets recognised	248	96	.
Other assets	1,583	1,401	13.0
Total	**2,224**	**1,752**	**27.0**

(36) Other liabilities

€m	31.3.2020	31.12.2019	Change in %
Liabilities attributable to film funds	316	316	–
Liabilities attributable to non-controlling interests	57	57	–0.2
Accrued and deferred items	309	292	5.9
Lease liabilities	1,990	2,094	–5.0
Other liabilities	2,119	1,658	27.8
Total	**4,793**	**4,418**	**8.5**

(37) Provisions

€m	31.3.2020	31.12.2019	Change in %
Provisions for pensions and similar commitments	84	713	–88.2
Other provisions	1,856	1,990	–6.8
Total	**1,940**	**2,704**	**–28.3**

The provisions for pensions and similar commitments relate primarily to direct pension commitments in Germany (see page 254 ff. of the Annual Report 2019). The actuarial assumptions underlying these obligations at 31 March 2020 were: a discount rate of 1.8% (previous year: 1.1%) and an expected adjustment to pensions of 1.4% (previous year: 1.4%). The significant increase in the discount rate compared to 31 December

2019 is due to a sharp rise in credit spreads for high-grade corporate bonds caused by the coronavirus pandemic.

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 resulted in an reduction equivalent to €283m 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 €372m (previous year: €401m) to be utilised in the period from 2020 to 2021.

Legal disputes

With respect to legal proceedings and potential recourse claims for which provisions of €247m (previous year: €261m) were recognised and which are contained in the other provisions, neither the duration of the proceedings nor the level of utilisation of the provision can be predicted with certainty at the date the provision is recognised. The provisions cover the future costs expected according to our judgement,. We have not set out the provision amounts and sensitivities individually to avoid influencing the outcome of the various proceedings.

- Commerzbank and its subsidiaries operate in a large number of jurisdictions subject to different legal and regulatory requirements. In isolated cases in the past, infringements of legal and regulatory provisions have come to light and have been prosecuted by government agencies and institutions. Some companies within the Group are currently still involved in a number of such cases.
- Commerzbank and its subsidiaries are especially active in the area of investment advisory within the Private and Small-Business Customers segment. The legal requirements for investor- and investment-oriented advisory services have been made more rigorous, especially in recent years. Commerzbank and its subsidiaries have consequently been involved in a number of legal disputes, some of which are still pending, with investors who claim to have received poor or inadequate investment advice and who demand compensation for damages or the reversal of investment transactions where information regarding commission fees was lacking (e.g. for closed-end funds).
- Following a ruling by the German Federal Court of Justice in October 2014 declaring that non-term-related processing fees in preformulated contractual terms and conditions for consumer loans were invalid, a large number of customers have lodged claims with Commerzbank for repayment of the processing fees. The majority of these claims have now been settled. In its ruling given at the beginning of July 2017, the German Federal Court of Justice extended the principles on the invalidity of non-term-related processing fees in preformulated contractual terms and conditions to loan agreements concluded between banks and entrepreneurs. To date, only a few corporate customers have submitted claims for the recovery of fees paid in the past. Commerzbank does not currently anticipate any further significant recovery claims in the future.
- Commerzbank is exposed to claims from customers owing to "cancellation joker" ("Widerrufsjoker") issues. Following a change in the law, according to which any right to cancel loan agreements concluded between 2002 and 2010 could lapse no later than on 21 June 2016, many borrowers cancelled their agreements and asserted that the information given to them about cancellation when they concluded the agreement had been deficient. Some of them took legal action against the Bank when it refused to accept their cancellation, intending to immediately pay back the loan prior to the expiry of the fixed interest term without having to compensate the Bank for the loss incurred as a consequence of the early repayment. For agreements concluded after 2010, an attempt is also being made to use the cancellation joker to withdraw from the agreements prematurely. The Bank has contested these claims.
  In its judgement of 26 March 2020, the European Court of Justice decided that a reference to other legal provisions contained in the (statutory) boilerplate information on cancellation for customer loan agreements was unclear to the consumer and regarded this as a breach of the requirements of the European Consumer Credit Directive. In its consumer loan agreements the Bank has used the legal model which the German Federal Court of Justice has already deemed to be in order in several decisions. The Federal Court of Justice has convincingly justified this by arguing that the German courts cannot disregard a national standard which is clear in its wording and meaning. The Federal Court of Justice most recently confirmed its stance in a decision on 31 March 2020. For this reason the Bank does not consider itself to be exposed to any increased risks as a result of the ECJ ruling for the current portfolio of consumer loans.
- A subsidiary of Commerzbank was involved in a South American bank which in the meantime has gone into liquidation. A number of investors and creditors of this bank have launched various legal actions in Uruguay and Argentina against the subsidiary, and, in some cases, Commerzbank as well, alleging liability as shareholders of the bankrupt companies as well as breaches of duty by the persons nominated by the subsidiary for the banks' supervisory boards. In addition, the subsidiary was involved in two funds which raised money from investors and were managed by third parties. The liquidators of these funds have launched court proceedings in the USA demanding the repayment of amounts received by the subsidiary from the funds.

- A subsidiary of Commerzbank was sued by a customer in May 2014 for compensation due to alleged fraudulent misselling of derivative transactions. The subsidiary has defended itself against the claim.
- In May 2017, a Polish court admitted a class action lawsuit against a subsidiary of Commerzbank alleging the ineffectiveness of index clauses in loan agreements denominated in Swiss francs (CHF). In October 2018, the class action suit was dismissed in its entirety by the court of first instance. The claimants appealed against this judgement.In March 2020 the court of appeal partially overturned the judgement of the court of first instance and referred it back. The subsidiary is considering appeals against this decision. A total of 1,731 plaintiffs have joined the class action. Irrespective thereof, numerous borrowers have additionally filed individual lawsuits against the Commerzbank subsidiary for the same reasons.

  In addition to the class action, 3,409 other individual proceedings were pending as of 31 March 2020. The subsidiary is defending itself against each of the claims. It has won the majority of the individual lawsuits.

  The case law of the Polish courts on loans with indexation clauses has so far been inconsistent overall. This and the number of judgements handed down are not sufficient to permit a reliable assessment of future case law. In deviation from the previous methodology and as a result of the observed increase in the total number of individual lawsuits and the change in the judgements handed down by the courts in such cases, the Group/subsidiary decided as of the fourth quarter of 2019 to take into account possible future lawsuits relating to the existing portfolio and the portfolio already repaid in addition to the lawsuits already filed when calculating the provision. The Group/subsidiary measures the provision for individual claims relating to existing and already repaid loans with CHF indexation clauses using the expected value method permitted under IAS 37.

  The provision relates both to the portfolio existing as at 31 March 2020 with a carrying amount of €3.2bn and to the portfolio already repaid. The portfolio already repaid amounted to PLN 6.4bn at the time of disbursement. For individual lawsuits the provision as of 31 March 2020 comes to a high double-digit million euro amount.

  The methodology used to calculate the provision is based on parameters that are varied, discretionary and in some cases associated with considerable uncertainty. Key parameters are the estimated total number of plaintiffs, the probability of losing a lawsuit in the last instance, the amount of the loss and the development of the exchange rate. Fluctuations in the parameters and the interdependencies between them may mean that the amount of the provision must be adjusted significantly in the future.
- A Commerzbank subsidiary together with another bank was sued for damages in May 2018 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.
- A subsidiary of Commerzbank was sued by a customer for compensation due to alleged unlawful selling of collateral. The subsidiary has defended itself against the claim.

(38) 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	31.3.2020	31.12.2019	Change in %
Contingent liabilities	41,241	40,832	1.0
Banks	6,408	6,101	5.0
Corporate clients	31,513	31,503	0.0
Private customers	189	197	– 4.1
Other financial corporations	3,060	2,954	3.6
General governments	71	78	– 8.5
Lending commitments	76,215	80,871	– 5.8
Banks	1,500	1,563	– 4.0
Corporate clients	57,282	62,189	– 7.9
Private customers	10,734	10,167	5.6
Other financial corporations	5,863	6,425	– 8.7
General governments	835	527	58.4
Total	**117,457**	**121,704**	**– 3.5**

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 31 March 2020, the contingent liabilities for legal risks amounted to €404m (previous year: €511m) and related to the following material issues:

- Several actions have been taken against a subsidiary of Commerzbank by customers of a former, now bankrupt, corporate customer which held its bank accounts with the subsidiary. The aim of the action is to obtain claims for damages from the subsidiary for allegedly assisting the management of the bankrupt corporate customer in its fraudulent dealings in relation to the management of its accounts. The claims of various customers were subsequently acquired by a company, which is now asserting a collective claim. These claims for damages were dismissed by the court of first instance. The claimant has lodged an appeal.
- The former Dresdner Bank had an equity holding in a US company that was sold by way of a leveraged buyout. During the insolvency proceedings of this company a number of lawsuits were brought in the USA against several banks, including Commerzbank as the legal successor of Dresdner Bank, for repayment of the proceeds it received from the sale of its stake. The action brought by the insolvency administrator was dismissed in the first instance; an application to review the decision is currently pending at the relevant court of appeal. The actions brought by the Company's pensioners and bondholders have been dismissed by the court of appeal in favour of, among others, the Bank; appeals against the decisions are still possible.
- Commerzbank was sued for damages by a former borrower in Hungary in April 2016. After the borrower failed to remedy multiple breaches of the loan contract, Commerzbank terminated the contract and ceased any further loan disbursements. The plaintiff was liquidated in January 2019. As a result, in February 2019 the court dismissed the claims for intangible damages and suspended the rest of the proceedings. In February 2019, a group company of the Hungarian borrower filed a petition for the continuation of the proceedings on the basis of an (allegedly) assigned right of 75% of the claim. The petition was dismissed in September 2019. The appeal was rejected in February 2020.
- A customer sued Commerzbank for recovery of monies in April 2016. The claimant is demanding, among other things, the repayment of interest which in its view was wrongly paid to Commerzbank and is also demanding the release of collateral which is being held as security for a claim by Commerzbank against the claimant. Commerzbank and the claimant are in dispute about the legal validity of Commerzbank's secured claim. Commerzbank is defending itself against the action.
- In a lawsuit filed in May 2019, a Commerzbank customer sought a ruling that the Bank must compensate the claimant for material damages caused by alleged false advice in connection with derivatives in the form of swap contracts. Commerzbank considers the lawsuit to be unfounded and has defended itself against the claim.
- A Commerzbank subsidiary together with another bank was sued for damages in February 2020 due to alleged unfair price collusion in connection with the levying of settlement fees. The subsidiary is defending itself against the action.

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. Commerzbank is exposed here to compensation claims from third parties relating to cum-cum securities lending transactions for which credit entitlements have been denied. Based on the analyses performed, Commerzbank considers it rather unlikely that such claims could be enforced. However, it cannot be ruled out. Under these circumstances, Commerzbank estimates the potential financial impact in the upper double-digit million range, plus interest on arrears.

  The possibility that this conclusion could alter as developments unfold, for example in connection with assessments made by the tax authorities and fiscal/civil courts, cannot be completely ruled out.

- 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. Appropriate provisions have been made for tax risks.

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

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

Segment reporting

(39) Segment reporting

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

Our segment reporting addresses the segment structure, comprising Private and Small-Business Customers, Corporate Clients and the Others and Consolidation segment. The Asset & Capital Recovery segment, which was discontinued on 1 July 2019, is shown separately with its previous-year result. This reflects the Commerzbank Group's organisational structure and forms the basis for internal management reporting. The business segments are defined by differences in their products, services and/or customer target groups. The income and expenses of the Corporate Clients segment and of the Group are presented without the discontinued business division (see Note 32).

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

As at 31 March 2020, the carrying amount of the receivables transferred from the Asset & Capital Recovery segment to the Others and Consolidation segment in the first quarter of 2019 was €5.1bn. The main earnings drivers were as follows: €19m net interest income, €14m net income from financial assets and liabilities at fair value through profit or loss, €–45m net income from hedge accounting, €–12m income before risk result, €–12m income after risk result, €1m operating expenses and €–13m pre-tax loss.

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 €13.9bn for the Others and Consolidation segment as of 31 March 2020. The main earnings drivers for the first quarter were: for the Private and Small-Business Customers segment, €–1m net interest income, €–2m net income from financial assets and liabilities measured at fair value through profit or loss, €7m other net income, €4m income before risk result, €4m income after risk result and €4m pre-tax profit. For the Others and Consolidation segment, €10m net interest income, €–3m risk result, €–92m net income from financial assets and liabilities measured at fair value through profit or loss, €–11m net income from hedge accounting, €–92m income before risk result, €–95m income after risk result, €3m operating expenses €–8 m compulsory contributions and €–107m pre-tax loss.

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

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

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

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

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

1.1.-31.3.2020 | €m	**Private and Small Business Customers**	**Corporate Clients**	**Asset & Capital Recovery**	**Others and Consolidation**	**Group**
Net interest income	689	445	–	186	1,321
Dividend income	1	0	–	0	2
Risk result	– 160	– 166	–	0	– 326
Net commission income	586	299	–	– 9	877
Net income from financial assets and liabilities measured at fair value through profit or loss	31	– 41	–	– 294	– 304
Net income from hedge accounting	1	6	–	– 77	– 70
Other net income from financial instruments	6	– 3	–	10	13
Current net income from companies accounted for using the equity method	0	2	–	0	2
Other net income	3	38	–	– 29	12
Income before risk result	*1,317*	*747*	–	*– 212*	*1,853*
Income after risk result	*1,157*	*581*	–	*– 211*	*1,527*
Operating expenses	871	591	–	41	1,503
Compulsory contributions	137	103	–	60	301
Operating profit or loss	**150**	**– 114**	**–**	**– 313**	**– 277**
Pre-tax profit or loss from continuing operations	**150**	**– 114**	**–**	**– 313**	**– 277**
Assets	**155,278**	**196,210**	**–**	**165,781**	**517,270**
of which: discontinued assets	–	4,752	–	–	4,752
Liabilities	**186,673**	**192,011**	**–**	**138,585**	**517,270**
of which: discontinued liabilities	–	5,364	–	–	5,364
Carrying amount of companies accounted for using the equity method	**29**	**152**	**–**	**1**	**182**
Average capital employed (from continuing operations) (based on CET1)[1]	**5,680**	**11,544**	**–**	**7,046**	**24,269**
Operating return on equity (%)[2]	**10.6**	**– 4.0**	**n/a**		**– 4.6**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**66.1**	**79.2**	**n/a**		**81.1**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**76.5**	**93.0**	**n/a**		**97.4**

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

1.1.-31.3.2019 | €m[1]	Private and Small Business Customers	Corporate Clients	Asset & Capital Recovery	Others and Consolidation	Group
Net interest income	665	467	– 15	115	1,232
Dividend income	1	1	–	0	1
Risk result	– 52	– 28	– 1	2	– 78
Net commission income	468	307	0	– 8	768
Net income from financial assets and liabilities at fair value through profit or loss	57	75	51	– 98	85
Net income from hedge accounting	1	6	– 3	46	50
Other net income from financial instruments	7	0	– 27	– 0	– 20
Current net income from companies accounted for using the equity method	3	2	– 0	–	5
Other net income	– 1	3	5	30	37
Income before risk result	*1,201*	*860*	*11*	*85*	*2,157*
Income after risk result	*1,149*	*832*	*10*	*87*	*2,079*
Operating expenses	870	620	9	68	1,567
Compulsory contributions	125	93	9	38	265
Operating profit or loss	**153**	**119**	**– 7**	**– 19**	**246**
Pre-tax profit or loss from continuing operations	**153**	**119**	**– 7**	**– 19**	**246**
Assets	**141,420**	**193,853**	**11,155**	**156,839**	**503,266**
of which: discontinued assets	–	14,068	–	–	14,068
Liabilities	**175,928**	**196,809**	**9,880**	**120,650**	**503,266**
of which: discontinued liabilities	–	12,774	–	–	12,774
Carrying amount of companies accounted for using the equity method	**28**	**149**	**–**	**1**	**177**
Average capital employed (from continuing operations) (based on CET1)[2]	**5,102**	**11,589**	**1,622**	**5,126**	**23,440**
Operating return on equity (%)[3]	**12.0**	**4.1**	**– 1.8**		**4.2**
Cost/income ratio in operating business (excl. compulsory contributions) (%)	**72.5**	**72.1**	**78.6**		**72.7**
Cost/income ratio in operating business (incl. compulsory contributions) (%)	**82.9**	**82.9**	**160.2**		**85.0**

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

Details for Others and Consolidation:

€m	1.1.-31.3.2020		
	Others	Consolidation	Others and Consolidation
Net interest income	188	– 1	186
Dividend income	0	0	0
Risk result	0	–	0
Net commission income	– 8	– 1	– 9
Net income from financial assets and liabilities measured at fair value through profit or loss	– 302	8	– 294
Net income from hedge accounting	– 77	–	– 77
Other net income from financial instruments	10	–	10
Current net income from companies accounted for using the equity method	–	0	0
Other net income	– 30	0	– 29
Operating expenses	41	– 0	41
Compulsory contributions	60	0	60
Operating profit or loss	**– 320**	**7**	**– 313**
Assets	**165,639**	**142**	**165,781**
Liabilities	**138,486**	**99**	**138,585**

€m	1.1.-31.3.2019[1]		
	Others	Consolidation	Others and Consolidation
Net interest income	114	2	115
Dividend income	0	–	0
Risk result	2	–	2
Net commission income	– 7	– 1	– 8
Net income from financial assets and liabilities measured at fair value through profit or loss	– 105	7	– 98
Net income from hedge accounting	46	–	46
Other net income from financial instruments	– 0	–	– 0
Current net income from companies accounted for using the equity method	–	–	–
Other net income	34	– 4	30
Operating expenses	74	– 6	68
Compulsory contributions	38	0	38
Operating profit or loss	***– 28***	***9***	***– 19***
Assets	**156,365**	**474**	**156,839**
Liabilities	**120,335**	**315**	**120,650**

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

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

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

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

1.1.-31.3.2020 €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	1,332	433	47	41	–	1,853
Credit-risk-weighted assets(with transitional provisions)	95,416	47,562	6,782	4,335	–	154,095

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

1.1.-31.3.2019[1] €m	Germany	Europe without Germany	Americas	Asia	Others	Total
Income before risk result	1,546	503	34	74	– 0	2,157
Credit-risk-weighted assets(with transitional provisions)	93,816	47,013	5,572	5,567	–	151,968

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

Credit-risk-weighted assets are shown for the geographical segments rather than non-current assets. In accordance with IFRS 8.32 Commerzbank has decided not to provide a breakdown of the Commerzbank Group’s total profits by products and services. We decided not to collect this data for efficiency reasons, as it is used neither for internal management activities nor for management reporting.

Other notes

(40) 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	31.3.2020 with transitional provisions	31.12.2019 with transitional provisions	31.3.2020 fully loaded[4]	31.12.2019 fully loaded[4]
Equity as shown in balance sheet	**30,445**	**30,667**	**30,445**	**30,667**
of which: additional equity components[1]	885	885	885	885
Equity as shown in balance sheet without additional equity components	29,560	29,782	29,560	29,782
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	– 148	– 79	– 148	– 79
Cumulative gains and losses due to changes in own credit risk on fair valued liabilities	– 206	13	– 206	13
Correction to non-controlling interests (minorities)	– 494	– 557	– 494	– 557
Goodwill	– 1,521	– 1,522	– 1,521	– 1,522
Intangible assets	– 1,122	– 1,174	– 1,122	– 1,174
Surplus in plan assets	– 216	– 73	– 216	– 73
Deferred tax assets from loss carryforwards	– 380	– 533	– 380	– 533
Shortfall due to expected loss	– 160	– 270	– 160	– 270
Prudential valuation	– 378	– 185	– 378	– 185
First loss positions from securitisations	– 128	– 171	– 128	– 171
Deferred tax assets from temporary differences which exceed the 10% threshold	– 358	– 382	– 358	– 382
Unrecognised gains	– 46	– 218	– 46	– 218
Others and rounding	– 191	– 265	– 191	– 265
Common Equity Tier 1[2]	**24,211**	**24,366**	**24,211**	**24,366**
Additional Equity Tier 1[3]	**1,451**	**1,649**	**1,000**	**977**
Tier 1 capital	**25,663**	**26,015**	**25,211**	**25,343**
Tier 2 capital	**4,528**	**4,583**	**4,376**	**4,491**
Equity	**30,191**	**30,598**	**29,587**	**29,824**
Risk-weighted assets	183,792	181,765	183,792	181,765
of which: credit risk	154,096	151,903	154,096	151,903
of which: market risk[3]	11,519	11,134	11,519	11,134
of which: operational risk	18,178	18,728	18,178	18,728
Common Equity Tier 1 ratio (%)	13.2%	13.4%	13.2%	13.4%
Equity Tier 1 ratio (%)	14.0%	14.3%	13.7%	13.9%
Total capital ratio (%)	16.4%	16.8%	16.1%	16.4%

[1] AT1 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.
[4] According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013.

The table reconciles reported equity to Common Equity Tier 1 (CET1) and the other components of core capital and regulatory capital. The main changes in Common Equity Tier 1 capital compared with 31 December 2019 result from the loss in the first quarter, which was partly offset by the fact that, in line with the ECB's recommendation, no dividend payment was included for 2019 and 2020. The decline in the Tier 1 capital ratio compared with the end of the year was due to this slight fall in Common Equity Tier 1 capital, the reduction in eligible Additional Tier 1 capital due to transitional provisions that are gradually being phased out, and essentially an increase in risk-weighted assets. The increase in risk-weighted assets was mainly due to higher risk-weighted assets from credit risks in connection with the switch to the new securitisation framework and to the increase in lending in the core segments, particularly to corporate clients.

(41) 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]	31.3.2020	31.12.2019	Change in %
Leverage exposure with transitional provisions (€m)	539,225	495,070	8.9
Leverage exposure fully loaded (€m)	539,225	495,070	8.9
Leverage ratio with transitional provisions (%)	4.8	5.3	
Leverage ratio fully loaded (%)	4.7	5.1	

[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 at the end of 2017.

(42) Liquidity coverage ratio

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

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

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

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

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

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

		Total unweighted value (average)			
€m[1]		30.6.2019	30.9.2019	31.12.2019	31.3.2020
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)				
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	121,225	124,862	128,364	131,572
3	Stable deposits	83,057	85,126	87,611	90,429
4	Less stable deposits	38,167	39,736	40,753	41,143
5	Unsecured wholesale funding	105,354	106,800	107,793	109,098
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	34,886	35,377	36,132	36,808
7	Non-operational deposits (all counterparties)	69,060	70,120	70,487	71,423
8	Unsecured debt	1,408	1,303	1,174	867
9	Secured wholesale funding				
10	Additional requirements	84,785	85,033	85,115	85,161
11	Outflows related to derivative exposures and other collateral requirements	8,161	7,716	7,158	7,273
12	Outflows related to loss of funding on debt products	325	421	416	394
13	Credit and liquidity facilities	76,299	76,896	77,541	77,495
14	Other contractual funding obligations	4,412	4,233	4,036	3,827
15	Other contingent funding obligations	108,364	106,847	105,908	104,396
16	**Total cash outflows**				
Cash inflows					
17	Secured lending (e.g. reverse repos)	65,431	66,572	66,964	64,569
18	Inflows from fully performing exposures	25,239	25,056	25,231	25,201
19	Other cash inflows	6,545	6,860	6,724	7,027
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**	**97,216**	**98,488**	**98,919**	**96,797**
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**	**90,868**	**91,939**	**92,227**	**90,095**
21	**Liquidity buffer**				
22	**Total net cash outflows**				
23	**Liquidity covarage ratio**				

[1] Due to recalculation required in the third quarter of 2019, the values published before for June 2019 differ slightly from those published afterwards.

		Total weighted value (average)			
€m[1]		30.6.2019	30.9.2019	31.12.2019	31.3.2020
	Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**
High-quality liquid assets					
1	Total high-quality liquid assets (HQLA)	86,066	86,557	85,942	84,993
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	8,279	8,564	8,800	8,974
3	Stable deposits	4,153	4,256	4,381	4,521
4	Less stable deposits	4,125	4,307	4,419	4,452
5	Unsecured wholesale funding	52,756	53,070	53,114	53,612
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,688	8,809	8,995	9,162
7	Non-operational deposits (all counterparties)	42,660	42,958	42,945	43,583
8	Unsecured debt	1,408	1,303	1,174	867
9	Secured wholesale funding	5,808	5,807	5,936	6,162
10	Additional requirements	22,612	22,221	21,527	21,134
11	Outflows related to derivative exposures and other collateral requirements	7,442	7,038	6,538	6,713
12	Outflows related to loss of funding on debt products	325	421	416	394
13	Credit and liquidity facilities	14,845	14,763	14,572	14,026
14	Other contractual funding obligations	3,384	3,272	3,054	2,856
15	Other contingent funding obligations	1,063	2,196	3,286	4,254
16	**Total cash outflows**	**93,901**	**95,130**	**95,716**	**96,990**
Cash inflows					
17	Secured lending (e.g. reverse repos)	6,208	6,635	6,528	6,710
18	Inflows from fully performing exposures	18,070	17,775	17,845	17,952
19	Other cash inflows	6,323	6,599	6,489	6,768
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies.)	0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)	0	0	0	0
20	**Total cash inflows**	**30,600**	**31,009**	**30,863**	**31,430**
EU-20a	**Fully exempt inflows**	**0**	**0**	**0**	**0**
EU-20b	**Inflows subject to 90% cap**	**0**	**0**	**0**	**0**
EU-20c	**Inflows subject to 75% cap**	**30,600**	**31,009**	**30,863**	**31,430**
21	**Liquidity buffer**	**86,066**	**86,557**	**85,942**	**84,993**
22	**Total net cash outflows**	**63,301**	**64,121**	**64,853**	**65,560**
23	**Liquidity coverage ratio**	**136.02%**	**135.20%**	**132.72%**	**129.94%**

[1] Due to recalculation required in the third quarter of 2019, the values published before for June 2019 differ slightly from those published afterwards.

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 12-month-end values) €m[1]	Q2/2019	Q3/2019	Q4/2019	Q1/2020
Total:	86,066	86,557	85,942	84,993
thereof Level 1	76,846	77,440	76,271	73,594
thereof Level 2A	7,938	7,746	8,269	10,113
thereof Level 2B	1,283	1,372	1,402	1,286

[1] Due to recalculation required in the third quarter of 2019, the values published before for June 2019 differ slightly from those published afterwards.

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

When calculating the LCR, the Bank takes into account the liquidity inflows and outflows for derivatives over the next 30 days. When standardised master agreements are involved, the liquidity inflows and outflows are calculated on a net basis. Commerzbank also takes into account further items that could lead to additional outflows of liquidity. These items include variation margins for changes in the value of securities pledged as collateral and a possible deterioration in credit rating, as well as additional collateral furnished because of adverse market scenarios for derivatives transactions. For other contingent liabilities, since June 2019 Commerzbank has used additional outflow weightings in accordance with Article 23 of Commission Delegated Regulation (EU) 2015/61.

(43) 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 €422m (previous year: €410m) as at 31 March 2020 included primarily loans and advances. Liabilities in the amount of €250m (previous year: €195m) comprised mostly deposits.

The income of €3m (prior-year period: €5m) comprised interest income and expenses of €16m (prior-year period: €17m), mostly from administrative expenses.

In the course of its ordinary banking activities, the Bank granted guarantees and collateral totalling €87m (previous year: €85m).

Transactions with associated companies

The assets relating to associated companies as at 31 March 2020 in the amount of €16m (previous year: €16m) included primarily loans and advances. Liabilities in the amount of €31m (previous year: €34m) comprised mostly deposits.

The income of €4m (prior-year period: €8m) 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 €36m (previous year: €39m).

Transactions with other related entities/persons

The assets pertaining to other related entities/persons as at 31 March 2020 in the amount of €27m (previous year: €27m) included primarily loans and advances as well as debt securities. Liabilities in the amount of €211m (previous year: €209m) comprised mostly deposits. The deposits were mostly attributable to external providers of occupational pensions.

As at 31 March 2020, income was €0m (prior-year period: €1m), the expenses amounted to €2m (previous year €2m).

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

Transactions with key management personnel

As at 31 March 2020, there were no significant assets or liabilities relating to key management personnel.

The expenses represent personnel expenses in the amount of €4m (prior-year period: €4m) 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 31 March 2020 in the amount of €31,412m (previous year: €20,535m) comprised primarily deposits with Deutsche Bundesbank totalling €28,393m (previous year: €17,770m). Of the liabilities related to entities controlled by the German federal government in the amount of €11,955m (previous year: €12,260m), €11,941m were deposits (previous year: €12,247m). As at 31 March 2020, the Bank had granted guarantees and collateral totalling €223m to entities controlled by the German federal government (previous year: €260m).

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
(until 31.3.2020)

Dr. Bettina Orlopp

Roland Boekhout
(since 1.1.2020)

Jörg Hessenmüller)

Sabine Schmittroth
(since 1.1.2020)

Dr. Marcus Chromik

Michael Mandel

Frankfurt/Main, 11 May 2020
The Board of Managing Directors

Martin Zielke

Roland Boekhout

Marcus Chromik

Jörg Hessenmüller

Michael Mandel

Bettina Orlopp

Sabine Schmittroth

Translation from the German language of the review report

To COMMERZBANK Aktiengesellschaft,
Frankfurt am Main

We have reviewed the interim condensed consolidated financial statements, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, condensed cash flow statement and selected explanatory notes, and the interim group management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the period from 1 January to 31 March 2020, which are part of the interim financial report pursuant to Sec. 115 (7) in conjunction with (2) No. 1 and No. 2 and (3) and (4) WpHG ["Wertpapierhandelsgesetz" German Securities Trading Act]. The executive directors are responsible for the preparation of the interim condensed consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

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

Eschborn/ Frankfurt am Main, 12. May 2020
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.

2020/2021 Financial calendar	
5 August 2020	Interim Report as at 30 June 2020
5 November 2020	Interim Report as at 30 September 2020
End March 2021	Annual Report 2020
Early May 2021	Interim Report as at 31 March 2021

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