

**COMMERZBANK**

The bank at your side



**Disclosure Report as at 30 September**

**2020**

in accordance with the Capital Requirements Regulation (CRR)



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# Introduction

## Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in nearly 50 countries. The Bank serves more than 11 million private and small-business customers nationwide and over 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. Its Polish subsidiary mBank S.A. has around 5.7 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia.

A detailed description of Commerzbank Group is given in the Annual Report 2019 and in the Interim Report as at 30 September 2020.

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

## Objective of the Disclosure Report

In this report Commerzbank Aktiengesellschaft as the ultimate parent company of the regulated banking group is complying with

the disclosure requirements of Articles 431 – 455 of regulation (EU) No. 575/2013 – the Capital Requirements Regulation (CRR) – and the guidelines on the disclosure requirements under Part Eight of Regulation (EU) No. 575/2013 – EBA/GL/2016/11 – as at 30 September 2020. The tables defined according to the EBA guidelines and integrated into the report are indicated by the table names provided with the prefix EU.

## Scope

This Disclosure Report is based on the group of companies consolidated for regulatory purposes. The companies consolidated for regulatory purposes only include those carrying out banking and other financial business. The consolidated group consists of a domestic parent company and its affiliated companies. The aim of regulatory consolidation is to prevent multiple use of capital that in fact exists only once by subsidiary companies in the financial sector. The companies consolidated under IFRS, by contrast, comprise all the companies controlled by the ultimate parent company.

Commerzbank is one of the largest financial institutions in Germany and with its consolidated balance sheet total it is regularly well above the 30 billion euro limit relevant for the quarterly disclosure obligation. Hence, independent of the criteria in Article 433 CRR, Commerzbank has implemented the reporting requirements during the period from Q2 2015 on and discloses the quarterly and semi-annually required information as appropriate.<sup>1</sup>

<sup>1</sup> See EBA/GL/2014/14, title V (18) and EBA/GL/2016/11 No. 46.

# Equity capital, capital requirement and risk-weighted assets (RWA)

## Capital structure

The composition of the regulatory capital and the capital ratios are given in the following table.

### CAP1: Equity structure (basis: EU 1423/2013)

€m		30.09.2020	31.12.2019
Line			
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,926	28,832
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-4,138	-4,466
<b>29</b>	<b>CET1 capital</b>	<b>24,788</b>	<b>24,366</b>
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,185	1,649
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
<b>44</b>	<b>Additional Tier 1 (AT1) capital</b>	<b>3,185</b>	<b>1,649</b>
<b>45</b>	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>27,973</b>	<b>26,015</b>
51	Tier 2 capital before regulatory adjustments	5,027	4,663
57	Total regulatory adjustments to Tier 2 capital	-30	-80
<b>58</b>	<b>Tier 2 capital</b>	<b>4,997</b>	<b>4,583</b>
<b>59</b>	<b>Total capital (TC = Tier 1 + Tier 2)</b>	<b>32,970</b>	<b>30,598</b>
<b>60</b>	<b>Total risk-weighted assets</b>	<b>183,337</b>	<b>181,765</b>
<b>Capital ratios</b>			
61	Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	13.5	13.4
62	Tier 1 ratio (as a percentage of total risk exposure amount)	15.3	14.3
63	Total capital ratio (as a percentage of total risk exposure amount)	18.0	16.8

More details on the composition of Commerzbank's equity capital can be found in the Disclosure Report 2019 as well as in the „Statement of changes in equity” section and in Note 41 (Regulatory capital requirements) of the Interim Report as at 30 September 2020.

Regarding the disclosure of leverage ratio information pursuant to article 451 CRR, we refer to Note 42 (Leverage ratio) of the Interim Report as at 30 September 2020, which is published on our website.

Commerzbank does not apply the transitional arrangements set out in article 473a CRR as well as the new transitional regime for the OCI (other comprehensive income) filter for central governments. Information on capital, capital ratios and leverage ratio reflect the full impact of the IFRS 9 introduction.

Information on liquidity risk and the liquidity coverage ratio (LCR) according to the guideline on LCR disclosure – EBA/GL/2017/01 – can be found in the Interim Report as at 30 September 2020 in the “Funding and liquidity” and “Liquidity risk” sections as well as in Note 43 (Liquidity coverage ratio).

## Capital requirement and RWA

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The capital requirements set out below relate to the Commerzbank Group and the figures are the same with regard to content as in the capital adequacy reports submitted to the Deutsche Bundesbank under Basel 3 Pillar 1.

### Capital requirements by risk type

Of the overall capital requirement 77% relates to credit risk positions (excluding counterparty credit risk). Further 6% of the overall capital requirement relates to counterparty credit risk. Based on the EBA requirements, credit value adjustments (CVAs) are also assigned to this credit risk category.

Securitised positions in the banking book are also shown as a separate credit risk category subject to a capital requirement in the table EU OV1 below, accounting for 1.9% of total capital re-

quirement. Commerzbank treats these according to the recognition hierarchy in accordance with the change in own funds requirements (Regulation (EU) No 2017/2401) since January 2020. Capital deduction items of securitisations directly reduce the equity capital and thus are not included in the capital requirements.

As at 30 September 2020, capital requirements for market risks are 4.2% of total requirements. Commerzbank generally uses an internal market risk model to calculate the regulatory capital requirement; the standardised approaches are applied for smaller units in Commerzbank Group in accordance with the partial use option.

To calculate the capital adequacy requirement for operational risks, Commerzbank uses the advanced measurement approach (AMA). This risk category accounts for 10% of the total capital requirements.

Risk-weighted assets were €183.3bn as at 30 September 2020, €3.7bn lower than as at 30 June 2019. The reduction in the third quarter of 2020 is entirely due to a corresponding decrease in the

RWA due to credit risks. There were only minor changes in the other types of risk.

#### EU OV1: Overview of RWAs

€m		Risk-weighted assets (RWAs)		Capital requirements
CRR Article		30.09.2020	30.06.2020	30.09.2020
	1	141,070	144,990	11,286
438 (c) (d)	2	19,694	19,635	1,576
438 (c) (d)	3	0	0	0
438 (c) (d)	4	121,377	125,355	9,710
438 (d)	5	0	0	0
107, 438 (c) (d)	6	11,789	12,358	943
438 (c) (d)	7	1,948	1,912	156
438 (c) (d)	8	0	0	0
	9	0	0	0
	10	5,887	6,255	471
438 (c) (d)	11	247	273	20
438 (c) (d)	12	3,708	3,919	297
438 (e)	13	0	4	0
449 (o) (i)	14	3,548	3,496	284
	15	926	817	74
	16	608	698	49
	17	2,014	1,982	161
	18	0	0	0
438 (e)	19	7,649	7,591	612
	20	820	929	66
	21	6,829	6,662	546
438 (e)	22	0	0	0
438 (f)	23	18,732	18,056	1,499
	24	0	0	0
	25	0	0	0
	26	18,732	18,056	1,499
437 (2), 48, 60	27	548	556	44
	<b>28 Total</b>	<b>183,337</b>	<b>187,051</b>	<b>14,667</b>

The following table EU CR8 shows the RWA development of credit risk exposures in the IRBA portfolio of Commerzbank Group between 30 June 2020 and 30 September 2020. The decrease in RWA in the third quarter of 2020 was mainly attributable to a reduced portfolio size, foreign exchange movements as well as a

RWA reduction due to model changes (mainly due to CRR II). Partial compensation is due to changes in portfolio quality ("asset quality", mainly influenced by Covid-19-related credit rating migration effects).

#### EU CR8: RWA flow statements of credit risk exposures under the IRB approach

€m		a	b
		Risk-weighted assets (RWAs)	Capital requirements
<b>1</b>	<b>RWAs at previous quarter end</b>	<b>125,355</b>	<b>10,028</b>
2	Asset size	-1,251	-100
3	Asset quality	1,335	107
4	Model updates	-1,627	-130
5	Methodology and policy	0	0
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	-1,073	-86
8	Collateral effects	404	32
9	Duration effects	-1,696	-136
10	Others	-68	-5
<b>11</b>	<b>RWAs at the end of the reporting period</b>	<b>121,377</b>	<b>9,710</b>

The following table EU CCR7 shows the development of RWAs by main drivers for counterparty credit risk exposures under the IMM in the third quarter of 2020. The decrease of RWA was mainly caused by an exposure reduction.

#### EU CCR7: RWA flow statements of CCR exposures under the Internal Model Method (IMM)

€m		a	b
		Risk-weighted assets (RWAs)	Capital requirements
<b>1</b>	<b>RWAs at previous quarter end</b>	<b>6,255</b>	<b>500</b>
2	Asset size	-468	-37
3	Credit quality of counterparties	109	9
4	Model updates	85	7
5	Methodology and policy	0	0
6	Acquisitions and disposals	0	0
7	Foreign exchange movements	-95	-8
8	Others	0	0
<b>9</b>	<b>RWAs at the end of the reporting period</b>	<b>5,887</b>	<b>471</b>

The following table EU MR2-B shows the development of RWAs by main drivers for market risk exposures under the Internal Model Approach (IMA) in the third quarter of 2020.

## EU MR2-B: RWA flow statements of market risk exposures under the Internal Model Approach (IMA)

€m		a	b	c	d	e	f	g
		VaR	SVaR	IRC	Comprehensive risk measure	Others	Total RWAs	Total capital requirements
<b>1</b>	<b>RWAs at previous quarter end</b>	<b>2,392</b>	<b>3,708</b>	<b>562</b>	<b>0</b>	<b>0</b>	<b>6,662</b>	<b>533</b>
1a	Regulatory adjustment	0	0	0	0	0	0	0
1b	RWAs at the previous quarter-end (end of the day)	2,392	3,708	562	0	0	6,662	533
<b>2</b>	<b>Movement in risk levels</b>	<b>-35</b>	<b>342</b>	<b>-140</b>	<b>0</b>	<b>0</b>	<b>167</b>	<b>13</b>
3	Model updates/changes	0	0	0	0	0	0	0
4	Methodology and policy	0	0	0	0	0	0	0
5	Acquisitions and disposals	0	0	0	0	0	0	0
6	Foreign exchange movements <sup>1</sup>	0	0	0	0	0	0	0
7	Others	0	0	0	0	0	0	0
8a	RWAs at the end of the reporting period (end of the day)	2,357	4,050	422	0	0	6,829	546
8b	Regulatory adjustment	0	0	0	0	0	0	0
<b>8</b>	<b>RWAs at the end of the reporting period</b>	<b>2,357</b>	<b>4,050</b>	<b>422</b>	<b>0</b>	<b>0</b>	<b>6,829</b>	<b>546</b>

<sup>1</sup> Changes of RWA which are due to foreign exchange movements are reported under „Movement in risk levels“.

The main reason for the slight increase in the total RWA from market risk was the Stressed VaR, whose rise was mainly due to changes in the positions of the corporate clients and the Treasury.

The decline in IRC-related RWA is coming from the reduction of risk positions in the corporate clients business unit.



# Appendix

## APP1: Supplement to equity structure (CAP1)

Line	(B) Reference to article in the regulation (EU) Nr. 575/2013
6	
28	
29	
36	
43	
44	
45	
51	
57	
58	
59	
60	
61	92 (2) (a)
62	92 (2) (b)
63	92 (2) (c)

## List of abbreviations

AMA	Advanced Measurement Approach
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustments
EBA	European Banking Authority
IRC	Incremental Risk Charge
IFRS	International Financial Reporting Standards
IMA	Internal Model Approach
IMM	Internal Model Method
IRBA	Internal Ratings Based Approach
LCR	Liquidity Coverage Ratio
RWA	Risk-weighted Assets
SACR	Standard Approach to Credit Risk
sVaR	stressed Value at Risk
VaR	Value at Risk

## 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 control 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.

The interpretations with regard to CRR/CRD IV rules are still ongoing. Therefore requirements for adjustment may occur due, for example, to modified interpretations in the course of the Q&A-process with EBA or due to new binding Technical Standards or guidelines. Against this background we will continue to refine our methods and models in line with the interpretation of the rules. Thus, our measures may not be comparable with previously published measures and our competitors' measures published may differ from ours.

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