

COMMERZBANK

The bank at your side



Disclosure Report as at 30 September

2019

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 almost 50 countries. In the two business segments Private and Small-Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. With approximately 800 branches going forward, Commerzbank has one of the densest branch networks in Germany. 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 5.6 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 2018 and in the Interim Report as at 30 September 2019.

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 2019. 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.

With consolidated total assets that are regularly well in excess of €30bn, Commerzbank is one of the biggest financial institutions in Germany. 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.¹

¹ 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		30.9.2019	30.6.2019
Line			
Common Equity Tier 1 capital: instruments and reserves			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	29,081	28,825
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-4,840	-4,801
29	CET1 capital	24,241	24,023
36	Additional Tier 1 (AT1) capital before regulatory adjustments	1,689	807
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
44	Additional Tier 1 (AT1) capital	1,689	807
45	Tier 1 capital (T1 = CET1 + AT1)	25,929	24,830
51	Tier 2 capital before regulatory adjustments	5,065	5,153
57	Total regulatory adjustments to Tier 2 capital	-84	-81
58	Tier 2 capital	4,981	5,073
59	Total capital (TC = Tier 1 + Tier 2)	30,910	29,903
60	Total risk-weighted assets	189,445	186,797
Capital ratios			
61	Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	12.8	12.9
62	Tier 1 ratio (as a percentage of total risk exposure amount)	13.7	13.3
63	Total capital ratio (as a percentage of total risk exposure amount)	16.3	16.0

More details on the composition of Commerzbank's equity capital can be found in the Disclosure Report 2018 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 2019.

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 2019, which is published on our website.

Commerzbank does not apply the transitional arrangements set out in article 473a CRR. 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 2019 in the “Funding and liquidity” and “Liquidity risk” sections as well as in Note 43 (Liquidity coverage ratio).

Capital requirement and RWA

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 75% relates to credit risk positions (excluding counterparty credit risk). Further 8.2% 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 1.7% of total capital requirement. Commerzbank treats these according to the IRBA and SACR rules for securitised positions. Capital deduction items of securitisations directly reduce the equity capital and thus are not included in the capital requirements.

As at 30 September 2019, capital requirements for market risks are 3.6% 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 11.5% of the total capital requirements.

Risk-weighted assets were €189.4bn as at 30 September 2019, €2.6bn higher than as at 30 June 2019. The increase mainly resulted from higher credit risk-weighted assets caused by parame-

ter effects (mainly due to TRIM effects) and also from FX effects. This increase was partly offset by reductions in market risk-weighted assets.

EU OV1: Overview of RWAs

€m		Risk-weighted assets (RWAs)		Capital requirements	
Article in CRR		30.9.2019	30.6.2019	30.9.2019	
	1	Credit risk (excluding CCR)	141,345	138,906	11,308
438 (c) (d)	2	Of which the standardised approach	20,669	20,789	1,653
438 (c) (d)	3	Of which the foundation IRB (FIRB) approach	0	0	0
438 (c) (d)	4	Of which the advanced IRB (AIRB) approach	120,676	118,117	9,654
438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
107, 438 (c) (d)	6	CCR (counterparty credit risk)	15,540	13,845	1,243
438 (c) (d)	7	Of which mark to market	1,898	1,684	152
438 (c) (d)	8	Of which original exposure	0	0	0
	9	Of which the standardised approach	0	0	0
	10	Of which internal model method (IMM)	8,032	7,633	643
438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	176	178	14
438 (c) (d)	12	Of which CVA	5,433	4,349	435
438 (e)	13	Settlement risk	1	15	0
449 (o) (i)	14	Securitisation exposures in the banking book (after the cap)	3,173	3,028	254
	15	Of which securitisation positions IRB approach (Basel III)	1,404	1,608	112
	16	Of which IRB supervisory formula approach (SFA)	340	558	27
	17	Of which internal assessment approach (IAA)	725	693	58
	18	Of which rating based approach	339	357	27
	19	Of which securitisation positions SA approach (Basel III)	1,006	928	80
	20	Of which risk weighted positions for credit risk: securitisation positions (revised securitisation rules; Basel 3.5)	763	493	61
	21	Of which internal rating-based approach (SEC-IRBA)	304	267	24
	22	Of which the standardised approach (SEC-SA)	153	57	12
	23	Of which approach based on external ratings (SEC-ERBA)	164	50	13
	24	Of which internal assessment approach (IAA)	142	119	11
438 (e)	25	Market risk	6,859	7,526	549
	26	Of which the standardised approach	1,003	1,084	80
	27	Of which IMA	5,856	6,442	468
438 (e)	28	Large exposures	0	0	0
438 (f)	29	Operational risk	21,859	22,833	1,749
	30	Of which basic indicator approach	0	0	0
	31	Of which the standardised approach	0	0	0
	32	Of which advanced measurement approach	21,859	22,833	1,749
437 (2), 48, 60	33	Amounts below the thresholds for deduction (subject to 250% risk weight)	668	644	53
500	34	Floor adjustment	0	0	0
		Total	189,445	186,797	15,156

The following table EU CR8 shows the RWA development of credit risk exposures in the IRBA portfolio of Commerzbank Group between 30 June 2019 and 30 September 2019. The increase in RWA in the third quarter of 2019 was mainly attributable to parameter effects (including TRIM) which work additive on “Asset quality” and “Collateral effects”. Also “Foreign exchange movements” con-

tributed to higher RWAs. However, reductions in the bond portfolio overcompensating the growth in the operative segments (“Asset size”) and “Duration effects” (RWA reduction due to the regular expiry of residual terms) reduce the RWA increase in the period under review.

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

€m	a	b
	Risk-weighted assets (RWAs)	Capital requirements
1 RWAs at previous quarter end	118,117	9,449
2 Asset size	-403	-32
3 Asset quality	3,434	275
4 Model updates	94	8
5 Methodology and policy	0	0
6 Acquisitions and disposals	0	0
7 Foreign exchange movements	655	52
8 Collateral effects	-65	-5
9 Duration effects	-1,269	-102
10 Others	114	9
11 RWAs at the end of the reporting period	120,676	9,654

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 2019. The increase of RWA was mainly caused by an increased EAD.

EU CCR7: RWA flow statements of CCR exposures under the IMM

€m	a	b
	Risk-weighted assets (RWAs)	Capital requirements
1 RWAs at previous quarter end	7,633	611
2 Asset size	253	20
3 Credit quality of counterparties	13	1
4 Model updates	21	2
5 Methodology and policy	0	0
6 Acquisitions and disposals	0	0
7 Foreign exchange movements	111	9
8 Others	0	0
9 RWAs at the end of the reporting period	8,032	643

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 2019.

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
1 RWAs at previous quarter end	1,071	4,850	521	0	0	6,442	515
1a Regulatory adjustment	0	0	0	0	0	0	0
1b RWAs at the previous quarter-end (end of the day)	1,071	4,850	521	0	0	6,442	515
2 Movement in risk levels	20	-621	15	0	0	-586	-47
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 ¹	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)	1,091	4,229	536	0	0	5,856	468
8b Regulatory adjustment	0	0	0	0	0	0	0
8 RWAs at the end of the reporting period	1,091	4,229	536	0	0	5,856	468

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

The decrease of Market Risk RWA in the amount of €586m fully results from the stressed VaR. This was mainly due to position changes in the Corporate Clients segment and in Treasury.

Appendix

APP1: Supplement to equity structure (CAP1)

Line	(B) Reference to article in the regulation (EU) Nr. 575/2013
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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
TRIM	Targeted Review of Internal Models
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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