

COMMERZBANK

The bank at your side



Disclosure Report as at 30 September

2018

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, as well as Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 60,000 corporate clients, multinationals, financial service providers, and institutional clients.

A detailed description of Commerzbank Group is given in the Annual Report 2017 and in the Interim Report as at 30 September 2018.

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 2018. 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 Line	30.09.2018	30.06.2018
Common Equity Tier 1 capital: instruments and reserves		
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,986	28,679
28 Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-5,449	-5,861
29 CET1 capital	23,537	22,818
36 Additional Tier 1 (AT1) capital before regulatory adjustments	903	903
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
44 Additional Tier 1 (AT1) capital	903	903
45 Tier 1 capital (T1 = CET1 + AT1)	24,440	23,721
51 Tier 2 capital before regulatory adjustments	5,602	5,259
57 Total regulatory adjustments to Tier 2 capital	-80	-80
58 Tier 2 capital	5,522	5,179
59 Total capital (TC = Tier 1 + Tier 2)	29,962	28,900
60 Total risk-weighted assets	178,360	175,508
Capital ratios		
61 Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	13.2	13.0
62 Tier 1 ratio (as a percentage of total risk exposure amount)	13.7	13.5
63 Total capital ratio (as a percentage of total risk exposure amount)	16.8	16.5

More details on the composition of Commerzbank's equity capital can be found in the Disclosure Report 2017 as well as in the section „Statement of changes in equity” and in Note 46 (Regulatory capital requirements) of the Interim Report as at 30 September 2018.

Regarding the disclosure of leverage ratio information pursuant to article 451 CRR, we refer to Note 47 (Leverage ratio) of the Interim Report as at 30 September 2018, 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 2018 in the sections “Funding and liquidity”, “Liquidity risk” and in Note 48 (Liquidity coverage ratio) of the appendix.

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 74.0% relates to credit risk positions (excluding counterparty credit risk). Further 7.3% 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 1.4% 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 liable equity and thus are not included in the capital requirements.

As at 30 September 2018, capital requirements for market risks are 4.7% 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 12.2% of the total capital requirements.

EU OV1: Overview of RWAs

€m		Risk-weighted assets (RWAs)		Capital requirements		
		30.09.2018	30.06.2018	30.09.2018	30.06.2018	
	1	Credit risk (excluding CCR)	131,964	130,113	10,557	10,409
438 (c) (d)	2	Of which the standardised approach	20,739	20,841	1,659	1,667
438 (c) (d)	3	Of which the foundation IRB (FIRB) approach	0	0	0	0
438 (c) (d)	4	Of which the advanced IRB (AIRB) approach	111,225	109,272	8,898	8,742
438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0	0
107, 438 (c) (d)	6	Counterparty credit risk (CCR)	13,107	12,829	1,049	1,026
438 (c) (d)	7	Of which mark to market	1,553	1,872	124	150
438 (c) (d)	8	Of which original exposure	0	0	0	0
	9	Of which the standardised approach	0	0	0	0
	10	Of which internal model method (IMM)	7,279	7,246	582	580
438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	214	173	17	14
438 (c) (d)	12	Of which CVA	4,060	3,537	325	283
438 (e)	13	Settlement risk	5	3	0	0
449 (o) (i)	14	Securitisation exposures in the banking book (after cap)	2,570	2,552	206	204
	15	Of which IRB approach	1,629	1,606	130	128
	16	Of which IRB supervisory formula approach (SFA)	576	628	46	50
	17	Of which internal assessment approach (IAA)	711	721	57	58
	18	Of which the standardised approach	941	946	75	76
438 (e)	19	Market risk	8,381	8,078	670	646
	20	Of which the standardised approach	1,046	1,041	84	83
	21	Of which IMA	7,335	7,037	587	563
438 (e)	22	Large exposures	0	0	0	0
438 (f)	23	Operational risk	21,685	21,297	1,735	1,704
	24	Of which basic indicator approach	0	0	0	0
	25	Of which the standardised approach	0	0	0	0
	26	Of which advanced measurement approach	21,685	21,297	1,735	1,704
437 (2), 48, 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	649	636	52	51
500	28	Floor adjustment	0	0	0	0
	29	Total	178,360	175,508	14,269	14,041

Risk-weighted assets were €178.4bn as at 30 September 2018, €2.9bn above the level as at 30 June 2018. The increase mainly resulted from the risk category credit. In the risk category counterparty credit risk, the RWA increase at CVAs is significantly offset by a reduction in the area of mark to market method.

The following table EU CR8 shows the RWA development of credit risk exposures in the IRBA portfolio of Commerzbank Group between 30 June 2018 and 30 September 2018. The RWA increase

in the third quarter of 2018 essentially resulted from organic growth (asset size). The additional RWA increase in asset quality is mainly due to individual credit rating changes in the non-strategic portfolios. In contrast, collateral effects as well as duration effects through normal reduction of time to maturity led to a RWA relief in the period under review. The reduction in the category model updates was due to the recalibration of risk parameters.

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	109,272	8,742
2 Asset size	3,264	261
3 Asset quality	458	37
4 Model updates	-111	-9
5 Methodology and policy	0	0
6 Acquisitions and disposals	0	0
7 Foreign exchange movements	300	24
8 Collateral effects	-865	-69
9 Duration effects	-1,182	-95
10 Others	89	7
11 RWAs at the end of the reporting period	111,225	8,898

The following table EU CCR7 shows the development of risk-weighted assets (RWA) by main drivers for counterparty credit risk exposures under the IMM in the third quarter of 2018.

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	7,246	579.7
2 Asset size	-492	-39.3
3 Credit quality of counterparties	-101	-8.1
4 Model updates	584	46.7
5 Methodology and policy	0	0.0
6 Acquisitions and disposals	0	0.0
7 Foreign exchange movements	41	3.3
8 Others	0	0.0
9 RWAs at the end of the reporting period	7,279	582.3

RWAs at the end of the reporting period were at the previous quarter's level. The increase in the category model updates mainly results from a model adjustment relating to the calculation of the

time to maturity for exchange-traded derivatives and is mainly offset by a decrease in RWAs driven by changes in asset size.

The following table EU MR2-B shows the development of risk-weighted assets (RWA) by main drivers for market risk exposures under the Internal Model Approach (IMA) in the third quarter of 2018.

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	1,358	5,041	637	0	0	7,037	563
1a Regulatory adjustment	0	0	0	0	0	0	0
1b RWAs at the previous quarter-end (end of the day)	1,358	5,041	637	0	0	7,037	563
2 Movement in risk levels	-279	802	-226	0	0	298	24
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)	1,080	5,843	412	0	0	7,335	587
8b Regulatory adjustment	0	0	0	0	0	0	0
8 RWAs at the end of the reporting period	1,080	5,843	412	0	0	7,335	587

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

The increase of Market Risk RWA in the amount of €298m was caused by a higher stressed VaR due to position changes in the business segment Corporate Clients as well as in Treasury. The increase of RWA from stressed VaR was partly offset by a reduced RWA from regulatory VaR and IRC.

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
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 are 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, external auditors and the German and European supervisory authorities. Despite being carefully developed and regularly monitored, 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 particularly 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 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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