

COMMERZBANK

The bank at your side



Disclosure Report as at 31 March

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 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 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide.

A detailed description of Commerzbank Group is given in the Annual Report 2018 and in the Interim Report as at 31 March 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 31 March 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 Line	31.3.2019	31.12.2018
Common Equity Tier 1 capital: instruments and reserves		
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,617	28,767
28 Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-5,028	-5,560
29 CET1 capital	23,588	23,206
36 Additional Tier 1 (AT1) capital before regulatory adjustments	798	904
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
44 Additional Tier 1 (AT1) capital	798	904
45 Tier 1 capital (T1 = CET1 + AT1)	24,387	24,110
51 Tier 2 capital before regulatory adjustments	5,308	5,469
57 Total regulatory adjustments to Tier 2 capital	-80	-80
58 Tier 2 capital	5,228	5,389
59 Total capital (TC = Tier 1 + Tier 2)	29,614	29,499
60 Total risk-weighted assets	185,158	180,498
Capital ratios		
61 Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	12.7	12.9
62 Tier 1 ratio (as a percentage of total risk exposure amount)	13.2	13.4
63 Total capital ratio (as a percentage of total risk exposure amount)	16.0	16.3

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 42 (Regulatory capital requirements) of the Interim Report as at 31 March 2019.

Regarding the disclosure of leverage ratio information pursuant to article 451 CRR, we refer to Note 43 (Leverage ratio) of the Interim Report as at 31 March 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 31 March 2019 in the “Funding and liquidity” and “Liquidity risk” sections as well as in Note 44 (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 7.1% 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 1.6% 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 31 March 2019, capital requirements for market risks are 4.3% 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 11.6% of the total capital requirements.

EU OV1: Overview of RWAs

€m			Risk-weighted assets (RWAs)		Capital requirements
Article in CRR			31.03.2019	31.12.2018	31.03.2019
	1	Credit risk (excluding CCR)	138,755	134,328	11,100
438 (c) (d)	2	Of which the standardised approach	20,206	20,943	1,617
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	118,549	113,385	9,484
438 (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	0	0	0
107, 438 (c) (d)	6	Counterparty credit risk (CCR)	13,139	12,739	1,051
438 (c) (d)	7	Of which mark to market	1,779	1,638	142
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)	7,572	7,635	606
438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	175	14	14
438 (c) (d)	12	Of which CVA	3,613	3,451	289
438 (e)	13	Settlement risk	0	0	0
449 (o) (i)	14	Securitisation exposures in the banking book (after the cap)	3,043	2,461	243
	15	Of which IRB approach	1,982	1,543	159
	16	Of which IRB supervisory formula approach (SFA)	670	538	54
	17	Of which internal assessment approach (IAA)	791	703	63
		Of which internal rating-based approach (SEC-IRBA)	269		22
	18	Of which the standardised approach	1,061	918	85
		Of which internal assessment approach (SEC-IAA)	175		14
438 (e)	19	Market risk	8,014	8,944	641
	20	Of which the standardised approach	1,053	1,533	84
	21	Of which IMA	6,962	7,410	557
438 (e)	22	Large exposures	0	0	0
438 (f)	23	Operational risk	21,562	21,393	1,725
	24	Of which basic indicator approach	0	0	0
	25	Of which the standardised approach	0	0	0
	26	Of which advanced measurement approach	21,562	21,393	1,725
437 (2), 48, 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	644	633	51
500	28	Floor adjustment	0	0	0
	29	Total	185,158	180,498	14,813

Risk-weighted assets were €185.2bn as at 31 March 2019, €4.7bn higher than at year-end 2018. The increase resulted from higher risk-weighted assets from credit risks in connection with the credit growth in the core segments, and from effects arising from the adoption of IFRS 16 at the turn of the year. This increase was only slightly offset by reductions in risk-weighted assets due to a new securitisation transaction.

The following table EU CR8 shows the RWA development of credit risk exposures in the IRBA portfolio of Commerzbank Group between 31 December 2018 and 31 March 2019. The increase in RWA in the first quarter of 2019 was mainly attributable to further

growth in the operating segments (“Asset size”). The increase in RWA from the “Methodology and policy” category was due to the effects of the introduction of IFRS 16. The RWA in the “Foreign exchange movements” category rose, driven by the US dollar exchange rate. The increase in RWA from the “Model updates” category was mostly due to the recalibration of risk parameters. However, a further improvement in the portfolio quality (“Collateral effects”, “Asset quality”) and “Duration effects” (RWA reduction due to the regular expiry of residual terms) led to an RWA reduction 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	113,385	9,071
2 Asset size	4,127	330
3 Asset quality	-264	-21
4 Model updates	229	18
5 Methodology and policy	2,046	164
6 Acquisitions and disposals	0	0
7 Foreign exchange movements	705	56
8 Collateral effects	-540	-43
9 Duration effects	-1,199	-96
10 Others	60	5
11 RWAs at the end of the reporting period	118,549	9,484

The following table EU CCR7 shows the development of RWAs by main drivers for counterparty credit risk exposures under the IMM in the first quarter of 2019.

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	7,635	610.8
2 Asset size	19	1.5
3 Credit quality of counterparties	-102	-8.1
4 Model updates	21	1.6
5 Methodology and policy	0	0.0
6 Acquisitions and disposals	0	0.0
7 Foreign exchange movements	-1	-0.1
8 Others	0	0.0
9 RWAs at the end of the reporting period	7,572	605.8

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 first quarter of 2019.

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

	a	b	c	d	e	f	g
€m	VaR	SVaR	IRC	Comprehensive risk measure	Others	Total RWAs	Total capital requirements
1 RWAs at previous quarter end	1,268	5,791	352	0	0	7,411	593
1a Regulatory adjustment	0	0	0	0	0	0	0
1b RWAs at the previous quarter-end (end of the day)	1,268	5,791	352	0	0	7,411	593
2 Movement in risk levels	-127	-530	197	0	0	-460	-37
3 Model updates/changes	0	0	11	0	0	11	1
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)	1,141	5,261	560	0	0	6,962	557
8b Regulatory adjustment	0	0	0	0	0	0	0
8 RWAs at the end of the reporting period	1,141	5,261	560	0	0	6,962	557

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 €449m mainly results from the stressed VaR. The decrease of RWA from stressed VaR was due to position changes in Treasury and in the Corporate Clients segment.

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
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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