

COMMERZBANK

The bank at your side



Disclosure Report as at 31 March

2018

in accordance with the Capital Requirements Regulation (CRR)



Contents

3	Introduction
4	Equity capital, capital requirement and RWA
4	Capital structure
4	Capital requirement and RWA
8	Appendix
8	Supplement to equity structure (CAP1)
8	List of abbreviations

Introduction

Commerzbank

Commerzbank is one of Germany's leading banks for private and corporate clients, and an internationally active universal bank with locations in almost 50 countries. It has one of the densest branch networks among German private banks, with approximately 1,000 branches. Commerzbank serves more than 18 million private and small-business customers as well as more than 60,000 corporate clients worldwide.

A detailed description of Commerzbank Group is given in the Annual Report 2017 and in the Interim Report as at 31 March 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 31 March 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).

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		31.03.2018	31.12.2017
Line			
Common Equity Tier 1 capital: instruments and reserves			
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	28,510	29,523
28	Total regulatory adjustments to Common Equity Tier 1 (CET1) capital	-5,967	-3,916
29	CET1 capital	22,543	25,607
36	Additional Tier 1 (AT1) capital before regulatory adjustments	903	1,025
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	-647
44	Additional Tier 1 (AT1) capital	903	378
45	Tier 1 capital (T1 = CET1 + AT1)	23,446	25,985
51	Tier 2 capital before regulatory adjustments	5,330	5,551
57	Total regulatory adjustments to Tier 2 capital	-80	-148
58	Tier 2 capital	5,250	5,404
59	Total capital (TC = Tier 1 + Tier 2)	28,696	31,389
60	Total risk-weighted assets	170,089	171,369
Capital ratios			
61	Common Equity Tier 1 ratio (as a percentage of total risk exposure amount)	13.3	14.9
62	Tier 1 ratio (as a percentage of total risk exposure amount)	13.8	15.2
63	Total capital ratio (as a percentage of total risk exposure amount)	16.9	18.3

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 45 (Regulatory capital requirements) of the Interim Report as at 31 March 2018.

Regarding the disclosure of leverage ratio information pursuant to article 451 CRR, we refer to Note 46 (Leverage ratio) of the Interim Report as at 31 March 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.

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 73.5% relates to credit risk positions (excluding counterparty credit risk). Of the overall capital requirement 7.5% 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 (1.5% 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 31 March 2018, capital requirements for market risks are 4.8% of total requirements. Commerzbank generally uses an in-

ternal 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 12.4% of the total capital requirements.

EU OV1: Overview of RWAs

€m		Risk-weighted assets (RWAs)		Capital requirements		
Article in CRR		31.03.2018	31.12.2017	31.03.2018	31.12.2017	
	1	Credit risk (excluding CCR)	125,072	125,857	10,006	10,069
438 (c) (d)	2	Of which the standardised approach	20,799	22,024	1,664	1,762
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	104,273	103,834	8,342	8,307
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)	12,727	12,612	1,018	1,009
438 (c) (d)	7	Of which mark to market	1,644	1,438	131	115
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)	7,050	6,848	564	548
438 (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	175	157	14	13
438 (c) (d)	12	Of which CVA	3,858	4,169	309	334
438 (e)	13	Settlement risk	2	1	0	0
449 (o) (i)	14	Securitisation exposures in the banking book (after the cap)	2,612	2,749	209	220
	15	Of which IRB approach	1,652	1,709	132	137
	16	Of which IRB supervisory formula approach (SFA)	663	720	53	58
	17	Of which internal assessment approach (IAA)	769	757	62	61
	18	Of which the standardised approach	960	1,040	77	83
438 (e)	19	Market risk	8,123	8,673	650	694
	20	Of which the standardised approach	1,186	967	95	77
	21	Of which IMA	6,937	7,706	555	616
438 (e)	22	Large exposures	0	0	0	0
438 (f)	23	Operational risk	21,090	21,041	1,687	1,683
	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	21,090	21,041	1,687	1,683
437 (2), 48, 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	463	436	37	35
500	28	Floor adjustment	0	0	0	0
	29	Total	170,090	171,369	13,607	13,710

Risk-weighted assets were €170.1bn as at 31 March 2018, €1.3bn below the year-end 2017 level. The decline mainly resulted from the risk categories credit risk and market risk. The decrease in risk-weighted assets from credit risk is characterised by the conversion to IFRS 9 at the beginning of the year.

The following table EU CR8 shows the RWA development of credit risk exposures in the IRBA portfolio of Commerzbank Group between 31 December 2017 and 31 March 2018. The RWA increase in the first quarter of 2018 essentially resulted from organic growth (asset size).

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

€m	a		b	
		Risk-weighted assets (RWAs)		Capital requirements
1	RWAs as at the end of the previous reporting period	103,834		8,307
2	Asset size	3,661		293
3	Asset quality	-515		-41
4	Model updates	289		23
5	Methodology and policy	-993		-79
6	Acquisitions and disposals	0		0
7	Foreign exchange movements	-563		-45
8	Collateral effects	-436		-35
9	Duration effects	-1,176		-94
10	Others	173		14
11	RWAs as at the end of the reporting period	104,273		8,342

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 first 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 as at the end of the previous reporting period	6,848		547.8
2	Asset size	-11		-0.9
3	Asset quality	176		14.1
4	Model updates	59		4.7
5	Methodology and policy	0		0.0
6	Acquisitions and disposals	0		0.0
7	Foreign exchange movements	-23		-1.8
8	Others	0		0.0
9	RWAs as at the end of the reporting period	7,050		564.0

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 first 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	1,818	5,355	534	0	0	7,706	616
1a	Regulatory adjustment	0	0	0	0	0	0	0
1b	RWAs at the previous quarter-end (end of the day)	1,818	5,355	534	0	0	7,706	616
2	Movement in risk levels	-410	-455	96	0	0	-769	-61
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	-	-
7	Others	0	0	0	0	0	0	0
8a	RWAs at the end of the reporting period (end of the day)	1,408	4,900	630	0	0	6,937	555
8b	Regulatory adjustment	0	0	0	0	0	0	0
8	RWAs at the end of the reporting period	1,408	4,900	630	0	0	6,937	555

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

The decline in RWA in the first quarter of 2018 resulted from exposure changes and from changes in the market.

Appendix

APP1: Supplement to equity structure (CAP1)

Zeile	(B) Verweis auf Artikel in der Verordnung (EU) Nr. 575/2013
6	
28	
29	
36	
43	
44	
45	
51	
57	
58	
59	
60	
61	92 (2) (a), 465
62	92 (2) (b), 465
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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