

- Commerzbank was subject to the 2010 EU-wide stress testing exercise coordinated by the Committee of European Banking Supervisors (CEBS), in cooperation with the European Central Bank, and Deutsche Bundesbank and Bundesanstalt für Finanzdienstleistungsaufsicht.
- Commerzbank acknowledges the outcomes of the EU-wide stress tests.
- This stress test complements the risk management procedures and regular stress testing programmes set up in Commerzbank under the Pillar 2 framework of the Basel II and CRD<sup>1</sup> requirements as well as the German Minimum Requirements on Risk Management (MaRisk).
- The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website<sup>2</sup>). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to 9.3% in 2011 compared to 10.5% as of end of 2009. An additional sovereign risk scenario would have a further impact of 0.2 percentage point on the estimated Tier 1 capital ratio, bringing it to 9.1% at the end of 2011, compared with the CRD regulatory minimum of 4%.
- The results of the stress suggest a buffer of 10,125 mln EUR of the Tier 1 capital against the threshold of 6% of Tier 1 capital adequacy ratio for Commerzbank agreed exclusively for the purposes of this exercise. The additional sovereign risk scenario would reduce the buffer by 681 mln EUR. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.
- Deutsche Bundesbank and Bundesanstalt für Finanzdienstleistungsaufsicht have held rigorous discussions of the results of the stress test with Commerzbank.
- Given that the stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet) the information on benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.
- In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different

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<sup>1</sup> Directive EC/2006/48 – Capital Requirements Directive (CRD)

<sup>2</sup> See: <http://www.c-ebs.org/EU-wide-stress-testing.aspx>

stresses may produce different outcomes depending on the circumstances of each institution.

- **Background**

The objective of the 2010 EU-wide stress test exercise conducted under the mandate from the EU Council of Ministers of Finance (ECOFIN) and coordinated by CEBS in cooperation with the ECB, national supervisory authorities and the EU Commission, is to assess the overall resilience of the EU banking sector and the banks' ability to absorb further possible shocks on credit and market risks, including sovereign risks.

The exercise has been conducted on a bank-by-bank basis for a sample of 91 EU banks from 20 EU Member States, covering at least 50% of the banking sector, in terms of total consolidated assets, in each of the 27 EU Member States, using commonly agreed macro-economic scenarios (benchmark and adverse) for 2010 and 2011, developed in close cooperation with the ECB and the European Commission.

More information on the scenarios, methodology, aggregate and detailed individual results is available from CEBS<sup>3</sup>. Information can also be obtained from the websites of Deutsche Bundesbank or Bundesanstalt für Finanzdienstleistungsaufsicht, respectively.

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<sup>3</sup> See: <http://www.c-ebs.org/EU-wide-stress-testing.aspx>

## Stress test outputs

Name of bank: Commerzbank

### Actual results

At December 31, 2009	mIn EUR
Total Tier 1 capital	29,521
Total regulatory capital	41,437
Total risk weighted assets	280,133
Pre-impairment income (including operating expenses)	1,944
Impairment losses on financial assets in the banking book	-4,927
1 yr Loss rate on Corporate exposures (%) <sup>1</sup>	1.0%
1 yr Loss rate on Retail exposures (%) <sup>1</sup>	0.3%
Tier 1 ratio (%)	10.5 %

### Outcomes of stress test scenarios

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.

Benchmark scenario at December 31, 2011 <sup>2</sup>	mIn EUR
Total Tier 1 capital after the benchmark scenario	30,282
Total regulatory capital after the benchmark scenario	40,625
Total risk weighted assets after the benchmark scenario	288,356
Tier 1 ratio (%) after the benchmark scenario	10.5 %

Adverse scenario at December 31, 2011 <sup>2</sup>	mIn EUR
Total Tier 1 capital after the adverse scenario	28,304
Total regulatory capital after the adverse scenario	38,250
Total risk weighted assets after the adverse scenario	302,990
2 yr cumulative pre-impairment income after the adverse scenario (including operating expenses) <sup>2</sup>	7,009
2 yr cumulative impairment losses on financial assets in the banking book after the adverse scenario <sup>2</sup>	-7,128
2 yr cumulative losses on the trading book after the adverse scenario <sup>2</sup>	-1,201
2 yr Loss rate on Corporate exposures (%) after the adverse scenario <sup>1,2</sup>	1.6%
2 yr Loss rate on Retail exposures (%) after the adverse scenario <sup>1,2</sup>	0.9%
Tier 1 ratio (%) after the adverse scenario	9.3 %

Additional sovereign shock on the adverse scenario at December 31, 2011	mIn EUR
Additional impairment losses on the banking book after the sovereign shock <sup>2</sup>	-341
Additional losses on sovereign exposures in the trading book after the sovereign shock <sup>2</sup>	-340
2 yr Loss rate on Corporate exposures (%) after the adverse scenario and sovereign shock <sup>1,2,3</sup>	1.7%
2 yr Loss rate on Retail exposures (%) after the adverse scenario and sovereign shock <sup>1,2,3</sup>	1.0%
Tier 1 ratio (%) after the adverse scenario and sovereign shock	9.1 %
Additional capital needed to reach a 6 % Tier 1 ratio under the adverse scenario + additional sovereign shock, at the end of 2011	-

<sup>1</sup>. Impairment losses as a % of corporate/retail exposures in AFS, HTM, and loans and receivables portfolios

<sup>2</sup>. Cumulative for 2010 and 2011

<sup>3</sup>. On the basis of losses estimated under both the adverse scenario and the additional sovereign shock

## **Macroeconomic scenarios**

CEBS will publish all macroeconomic scenarios on a country-by-country basis (+ information for the EU, the Eurozone, the US and the rest of the world), using the following template. Information on the methodology applied for designing the sovereign shock will be provided as well.

This template can also be used by national supervisory authorities when they would like to publish the macro scenarios for their country.

<b>Benchmark Scenario</b>	<b>Germany</b>	
	2010	2011
GDP at constant prices (annual percent change (y-o-y))	1.2	1.7
Unemployment (as % of the labour force at year-end)	9.2	9.3
Official interest rate (Policy interest rate at year-end)		
Short-term interest rate (Short term interest rates (3M) at year-end - Euribor or Libor depending on the country)	1.2	2.1
Long term interest rates (Long term interest rates (10Y) at year-end - Treasuries)	3.5	3.8
Nominal USD exchange rate (Level of nominal USD exchange rate to the respective currency at year-end)	0.72	0.72
CPI, (% change from previous year (y-o-y))	0.7	1.0
Commercial Property Prices (% change from previous year (y-o-y))	0.0	0.0
Residential Property Prices (% change from previous year (y-o-y))	0.0	0.0
<b>Adverse Scenario</b>	2010	2011
GDP at constant prices (annual percent change (y-o-y))	0.2	-0.6
Unemployment (as % of the labour force at year-end)	9.2	9.7
Official interest rate (Policy interest rate at year-end)		
Short-term interest rate (Short term interest rates (3M) at year-end - Euribor or Libor depending on the country)	2.1	3.3
Long term interest rates (Long term interest rates (10Y) at year-end - Treasuries)	4.1	4.6
Nominal USD exchange rate (Level of nominal USD exchange rate to the respective currency at year-end)	0.7	0.7
CPI, (% change from previous year (y-o-y))	0.7	0.6
Commercial Property Prices (% change from previous year (y-o-y))	-10	-10
Residential Property Prices (% change from previous year (y-o-y))	-10	-10
<b>Additional Sovereign shock on the Adverse Scenario</b>	2010	2011
Long-term interest rates (5y) yearly average - Treasury bonds <sup>1</sup>	2.81	3.49

<sup>1</sup> including the widening of spreads relative to German government debt

## **Exposures to central and local governments**

*Banking group's exposure on a consolidated basis  
Amount in billion reporting currency*

<b>Name of bank</b>	Commerzbank
<b>Reporting date<sup>1)</sup></b>	5/31/2010

	<b>Gross exposures<sup>2)</sup></b>	<b>of which</b>		<b>Net exposures</b>
		<b>Banking book</b>	<b>Trading book</b>	
Austria	0.7	0.5	0.3	0.7
Belgium	0.8	0.5	0.3	0.8
Bulgaria	0.0	0.0	0.0	0.0
Cyprus	0.2	0.2	0.0	0.2
Czech Republic	0.4	0.4	0.0	0.4
Denmark	0.0	0.0	0.0	0.0
Estonia	0.0	0.0	0.0	0.0
Finland	0.2	0.1	0.0	0.2
France	1.3	0.6	0.7	1.3
Germany	42.8	38.6	4.3	42.8
Greece	2.9	2.9	0.0	2.9
Hungary	1.2	1.1	0.0	1.2
Iceland	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0
Italy	10.0	9.8	0.2	10.0
Latvia	0.1	0.1	0.0	0.1
Liechtenstein	0.0	0.0	0.0	0.0
Lithuania	0.3	0.3	0.0	0.3
Luxembourg	0.0	0.0	0.0	0.0
Malta	0.0	0.0	0.0	0.0
Netherlands	0.5	0.1	0.4	0.5
Norway	0.0	0.0	0.0	0.0
Poland	4.0	4.0	0.0	4.0
Portugal	1.1	1.1	0.0	1.1
Romania	0.0	0.0	0.0	0.0
Slovakia	0.5	0.5	0.0	0.5
Slovenia	0.2	0.2	0.0	0.2
Spain	3.6	3.6	0.0	3.6
Sweden	0.1	0.1	0.0	0.1
United Kingdom	2.4	2.3	0.1	2.4

1) Major portfolio changes until mid June included

2) Minor deviations due to internal classification included