



Case Study: Treasury Operating Model

Frank Bock
Group Treasury
Head of Treasury Central and Eastern Europe

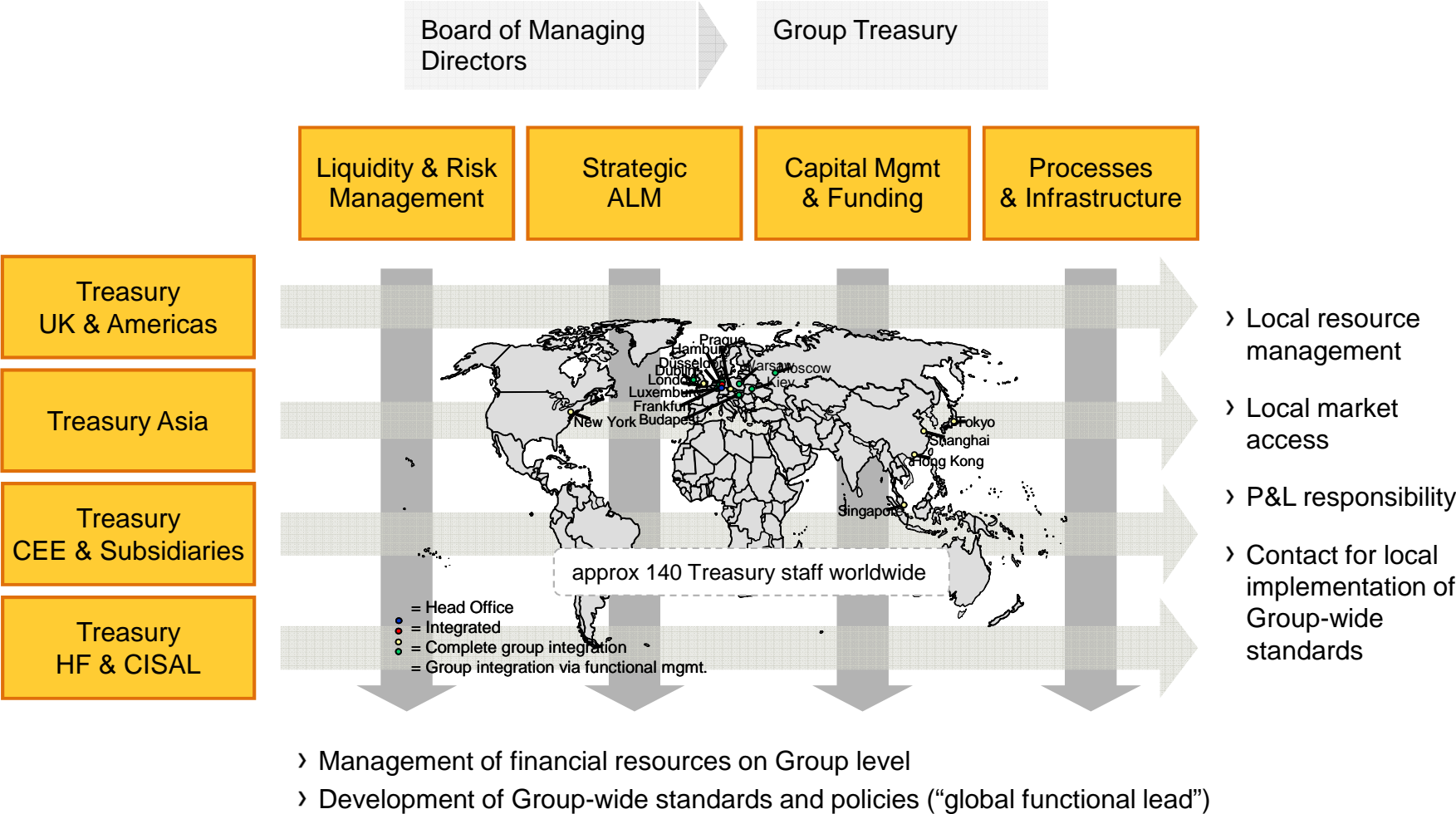
Contents

Treasury Organisation (as part of Integrated Financial Resource Management)

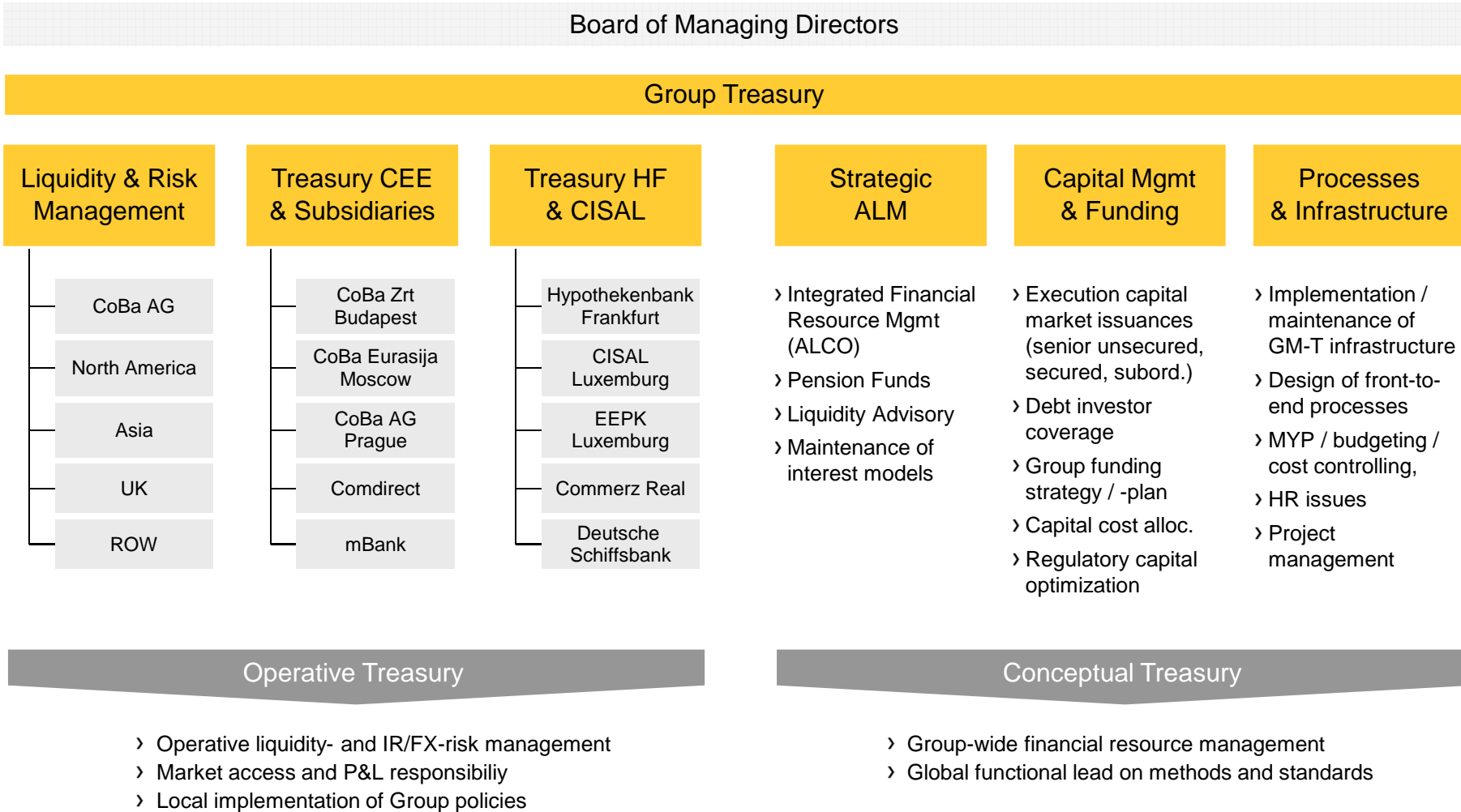
Treasury Operating Model

Outlook

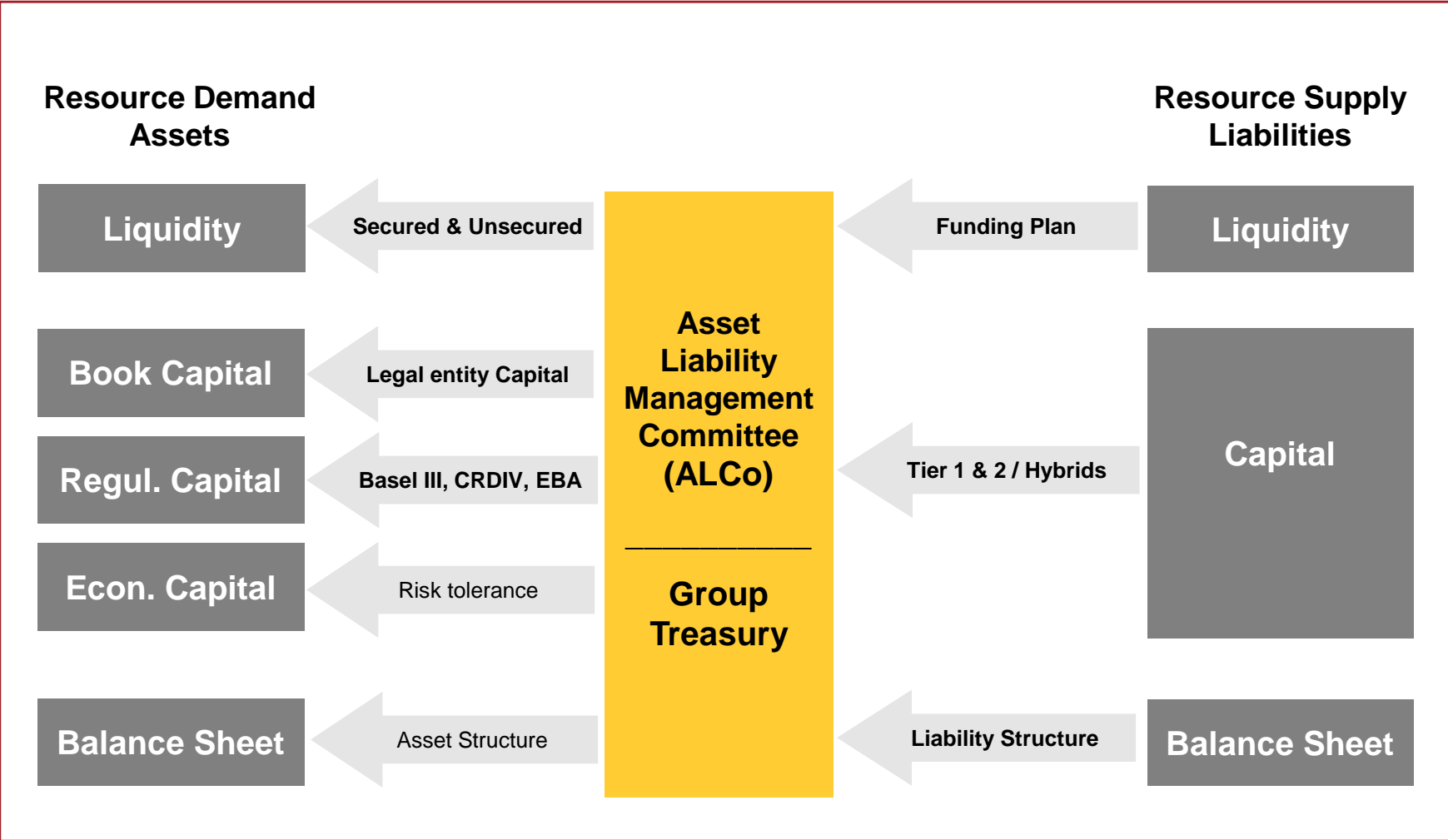
Group Management - Treasury



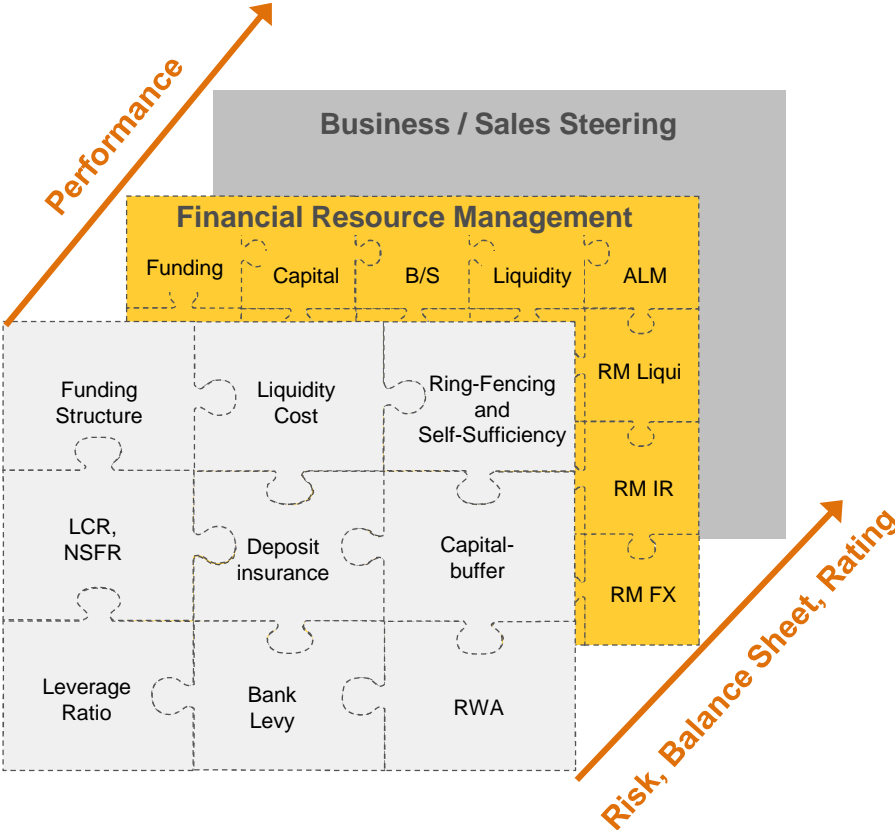
Setup Commerzbank Treasury (GM-T)



Integrated Management of Financial Resources is ...



Integrated Financial Resource Management is also...



Tasks

- › Incorporate interdependent thematic issues into a comprehensive management framework
- › Derive consistent steering targets, respecting regulatory restrictions
- › Control central instrument variables directly (e.g. liquidity buffer, capital market funding, capital structure)
- › Control de-central instrument variables indirectly through appropriate incentives for sales / business operations (e.g. internal transfer prices)

Contents

Treasury Organisation (as part of Integrated Financial Resource Management)

Treasury Operating Model

Outlook

Tactical Bank Steering Process

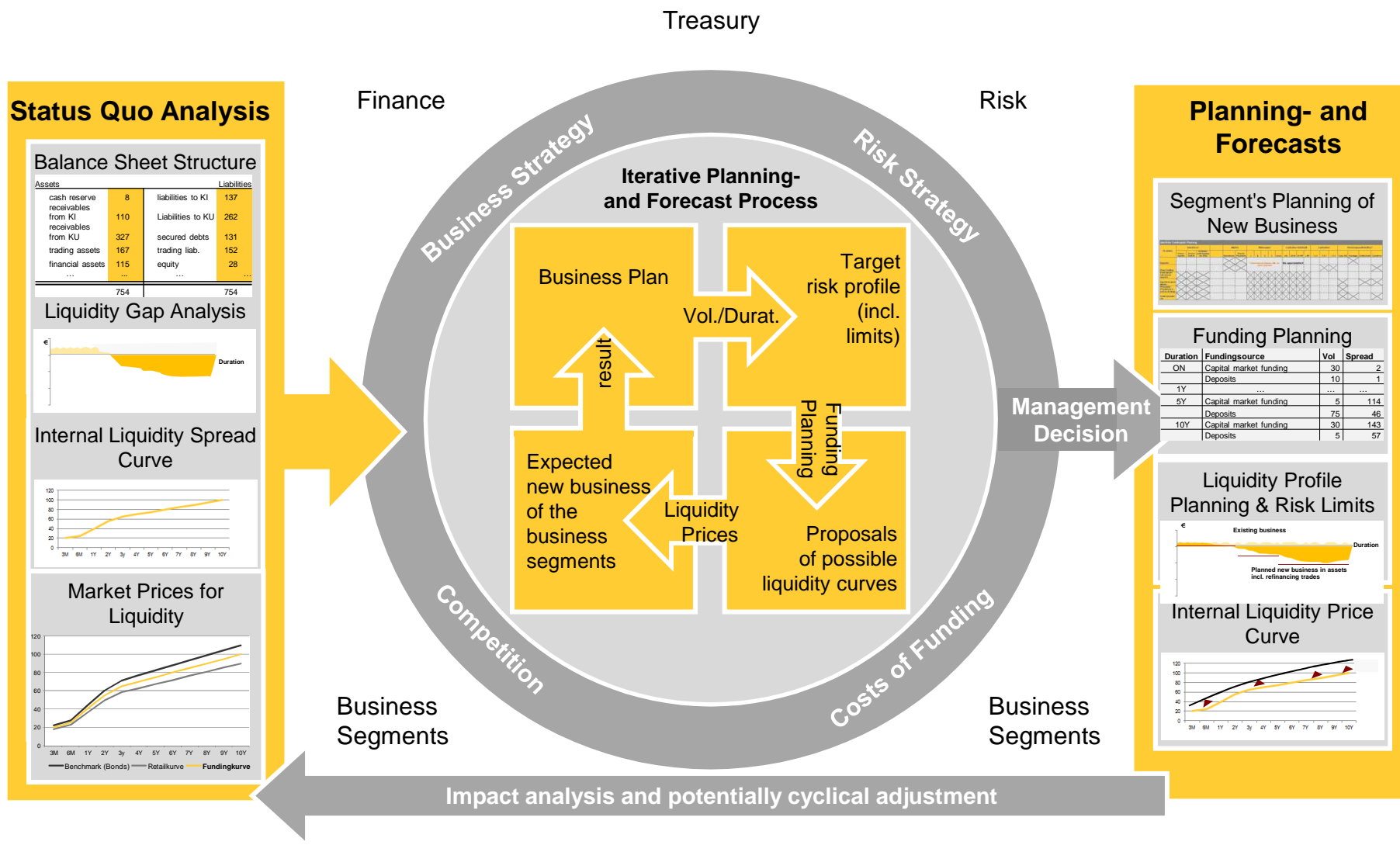
In order to execute the banks strategy as set out by the Board it is necessary to define a tactical bank steering process which ensures efficient and timely decision making in compliance with corporate governance rules and banking supervision.

- CEO / Gesamtbanksteuerung**
 - Define targets (e.g. VC, RoE, NIBBT, CIR)
 - Growth Strategy
 - Legal entity capitalization and capital hedging
- CFO**
 - Solvency & regulatory capital ratios (Basel III)
 - Implementation and monitoring IFRS39
 - Reconciliation of balance sheets
- CRO**
 - Defining risk strategies
 - Analysing risk versus capital (EC)
 - Contingency Planning and stress testing
- Business Units**
 - Requests for capital, funding & access to B/S
 - Managing business VC based
 - Suggesting strategic initiatives

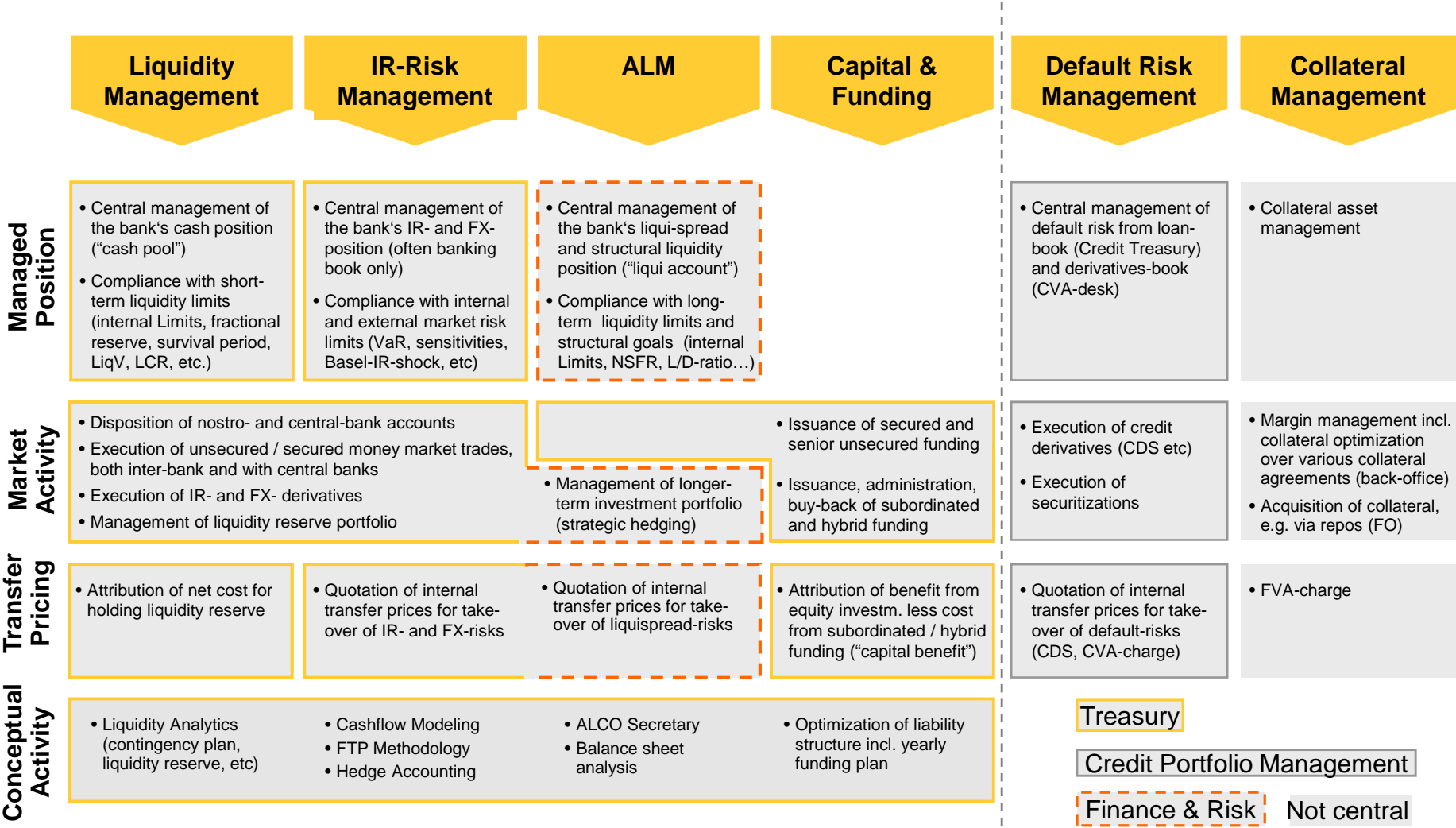
Tactical Financial Resource Management



Example: Deriving the Internal Liquidity Spread Curve **COMMERZBANK**



Treasury Responsibilities span classic Treasury functions



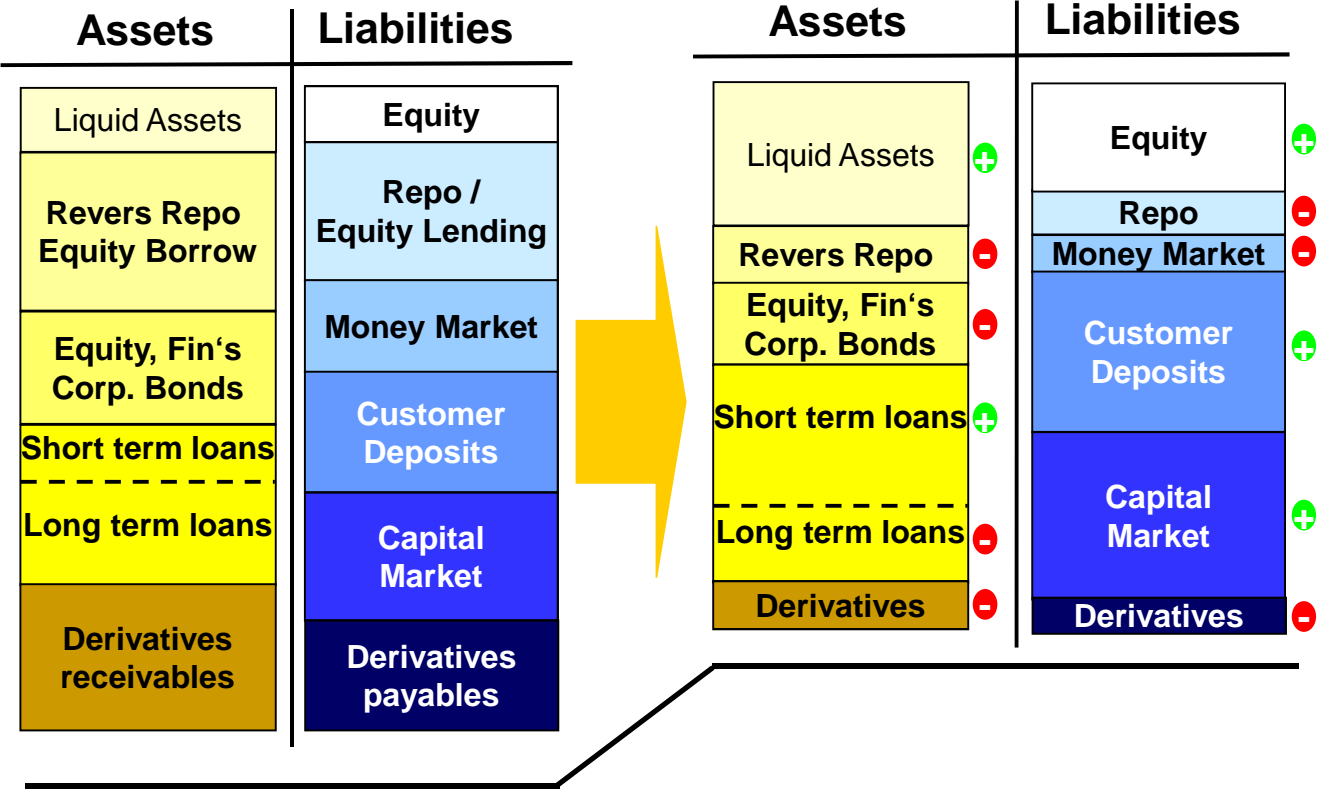
Contents

Treasury Organisation (as part of Integrated Financial Resource Management)

Treasury Operating Model

Outlook

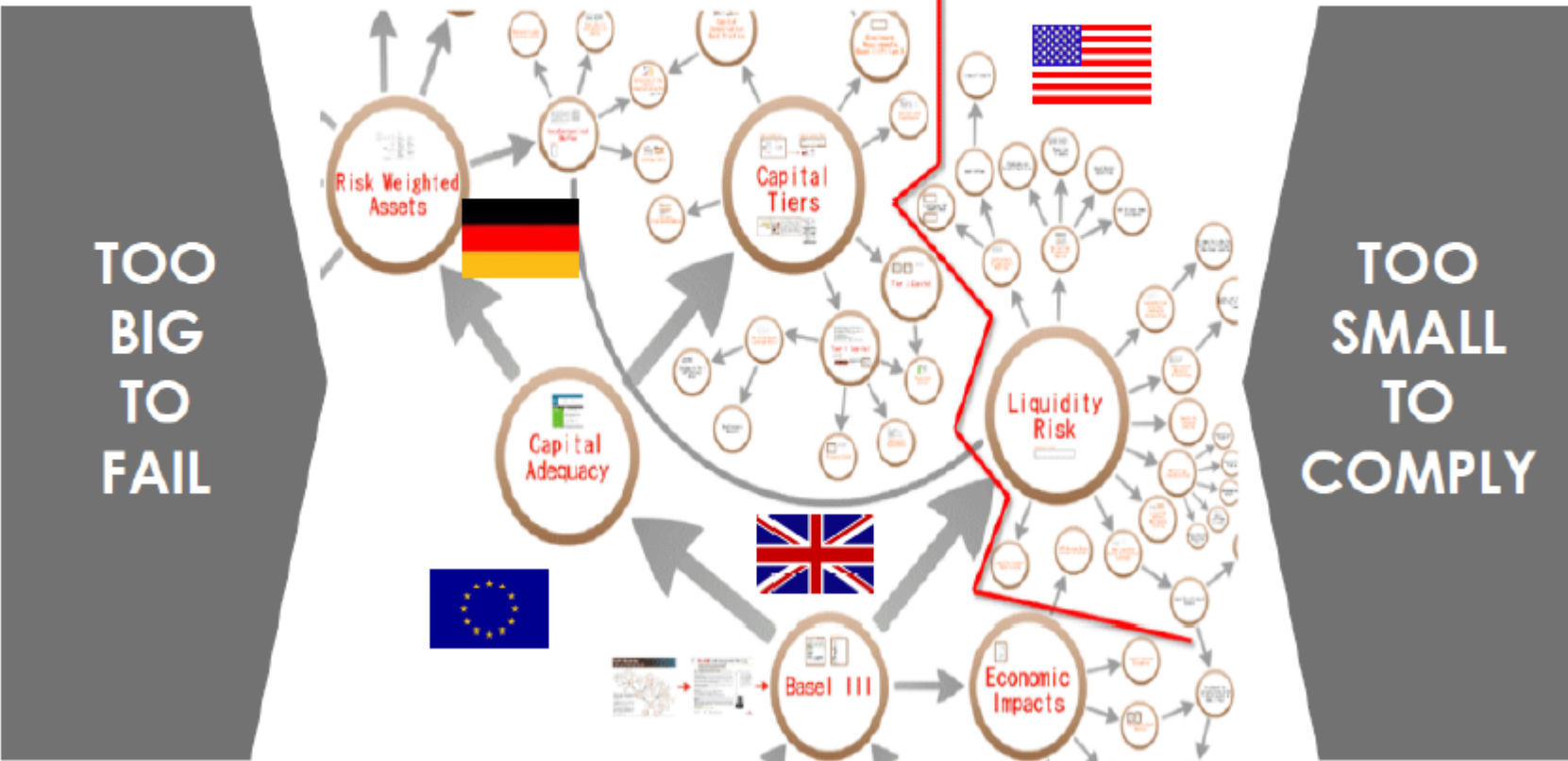
Banks will have to transform the structure of their balance sheets...



- b/s will shrink due to reduced lending capacity (capital, leverage, liquidity)
- Liquid assets increase (liquidity buffer)
- Matched books reduced (leverage)
- Equity, Corp Bonds down (LCR)
- Duration of loan books decrease (NSFR)
- Derivatives reduced or traded via CCP (capital, leverage)
- Capital increases (capital, leverage)
- Money Market reduced (LCR)
- (Stable) Deposits increase (LCR, NSFR)
- Relative share of capital markets funding increases (NSFR)

...with target function to optimize (all) regulatory ratios under the boundary condition to remain profitable

So what is the right size and the right business model for banks?





Thank you for your attention!

Disclaimer

This presentation has been prepared in affinity to Commerzbank. Nevertheless, the methods, concepts and practices described in this presentation are personal views of its author and not necessarily those of Commerzbank.

Any information in this presentation is based on sources considered to be reliable, but no representations or guarantees are made by the author or Commerzbank with regard to the accuracy of the information. The opinions and estimates contained herein constitute the author's personal judgement at this date and time, and are subject to change without notice. This presentation is for information purposes only. It is not intended to be and should not be construed as an offer or solicitation to acquire, or dispose of any of the securities or issues possibly mentioned in this presentation. Rather, the presentation is intended for usage at professional conferences to stimulate discussion and contribute to developing better practice in the banking community.

Commerzbank Group may use the information in this presentation prior to its publication to customers or general public. Commerzbank Group or its employees may also own or build positions or trade in any securities, issues, and derivatives possibly mentioned herein and may also sell them whenever considered appropriate. Commerzbank Group may also provide banking or other advisory services to interested parties.

Commerzbank Group accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation.

This presentation contains forward-looking statements. Forward-looking statements are statements that are not historical facts; they include statements about Commerzbank's beliefs and expectations and the assumptions underlying them. These statements are based on plans, estimates and projections as they are currently available to the management of Commerzbank. Forward-looking statements therefore speak only as of the date they are made, and Commerzbank undertakes no obligation to update publicly any of them in light of new information or future events. By their very nature, forward-looking statements involve risks and uncertainties. A number of important factors could therefore cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, among others, the conditions in the financial markets in Germany, in Europe, in the United States and elsewhere from which Commerzbank derives a substantial portion of its revenues and in which it holds a substantial portion of its assets, the development of asset prices and market volatility, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives and the reliability of its risk management policies.

In addition, this presentation contains financial and other information which has been derived from publicly available information disclosed by persons other than Commerzbank ("external data"). In particular, external data has been derived from industry and customer-related data and other calculations taken or derived from industry reports published by third parties, market research reports and commercial publications. Commercial publications generally state that the information they contain has originated from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on a series of assumptions. The external data has not been independently verified by Commerzbank. Therefore, Commerzbank cannot assume any responsibility for the accuracy of the external data taken or derived from public sources.

Frank Bock

Group Treasury - Head of Treasury Central and Eastern Europe

Phone: +49 (0)69 136 46390

E-mail: frank.bock@commerzbank.com

Visitors' address:

Mainzer Landstrasse 153

60327 Frankfurt/Main

Germany

www.commerzbank.com

Postal address:

60261 Frankfurt/Main

Germany

Phone: +49 69 136-20

E-mail: info@commerzbank.com