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Commerzbank Inaugural Preferred Senior Benchmark

Global investor call – 20 August 2018

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Agenda

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1 Commerzbank Q2 2018 results

Strategy progressing – Q2 operating result €389m

Highlights H1 2018

Commerzbank 4.0 strategy achievements

- › Net new customer growth and increased loan volumes in PSBC and CC
- › Significant simplification milestone reached with agreement on sale of EMC
- › Digitalisation ratio at 56% with 3 journeys already finished

H1 operating result of €689m vs. €505m in H1 2017

- › Underlying revenues increased 4% to €4.5bn driven by €160m increase in PSBC
- › Risk Result of €-161m benefits from strong risk profile and benign credit environment
- › Expenses of €3.7bn reflect ongoing investments and €187m bank levy booked in H1

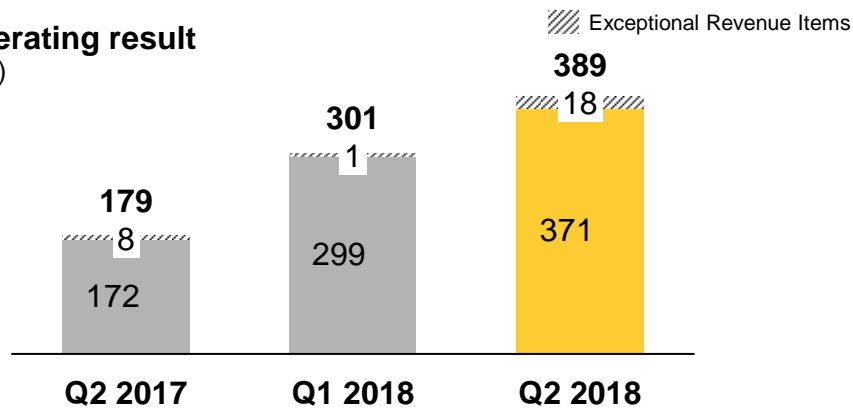
Strong balance sheet and healthy risk profile

- › CET1 ratio of 13.0% reflecting targeted loan growth – leverage ratio at 4.5%
- › Strong risk profile with improved NPL ratio of 0.9% maintained
- › €10ct per share accrued for dividend

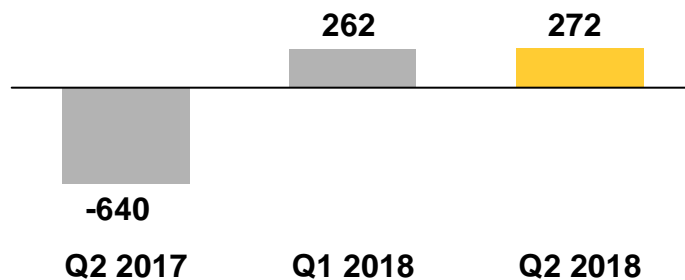
Key financial figures at a glance

Group Financial Results

Operating result (€m)

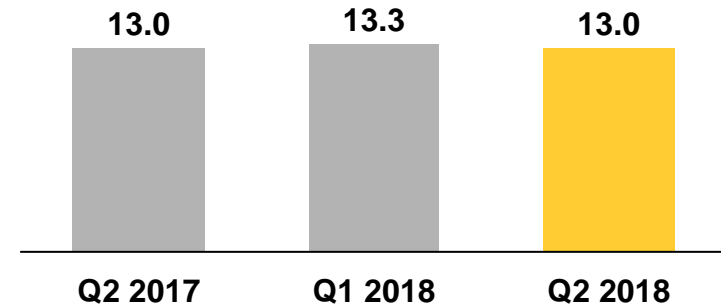


Net result¹ (€m)

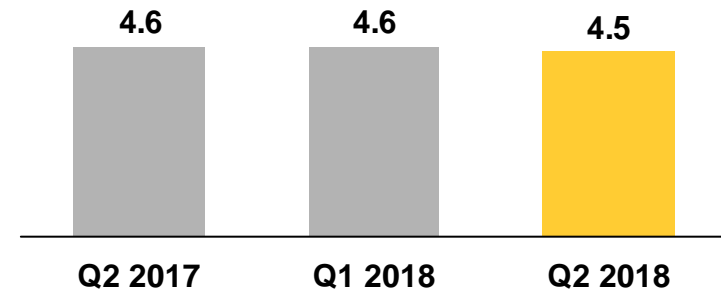


Group Capital

B3 CET1 ratio fully phased-in² (% end of period)

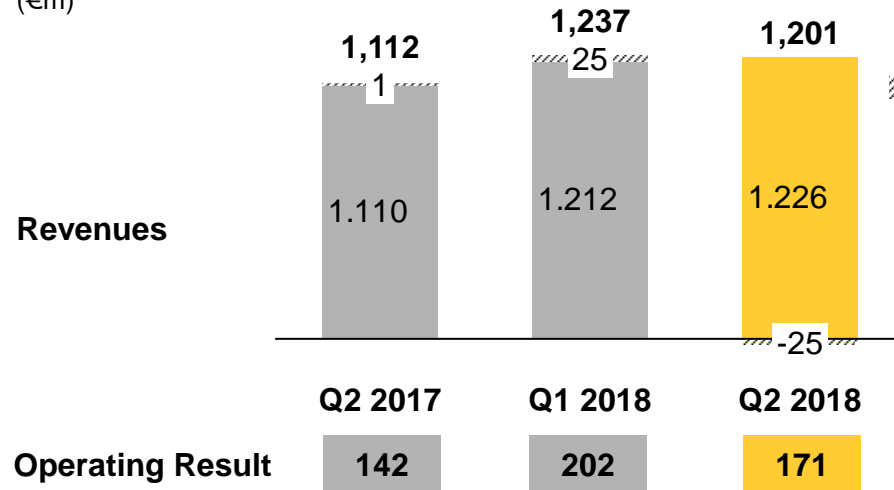


Leverage ratio fully phased-in (% end of period)

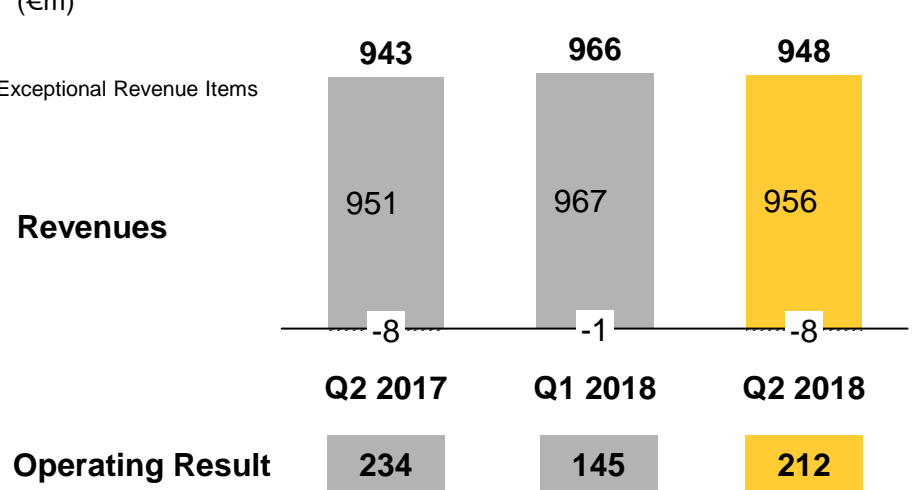


Revenues and operating results of Commerzbank divisions

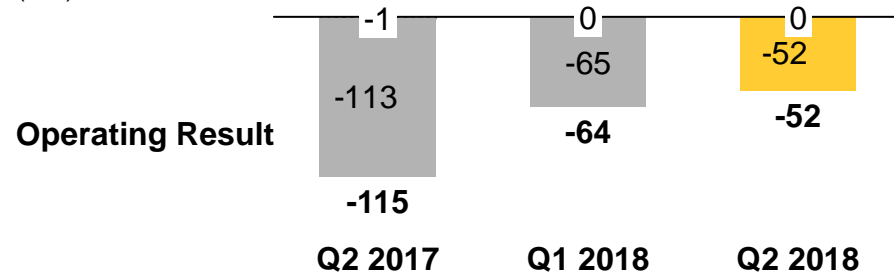
Private and Small Business Customers (€m)



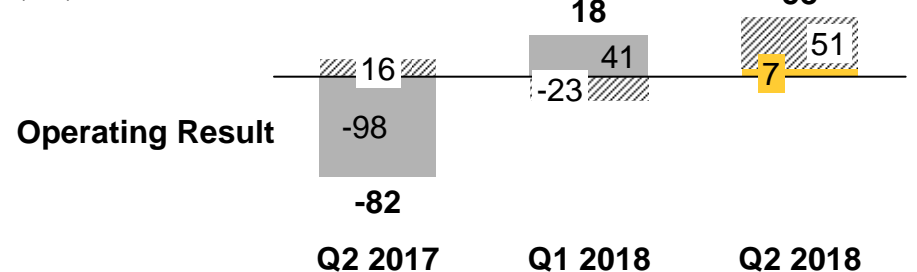
Corporate Clients (€m)



Others & Consolidation (€m)



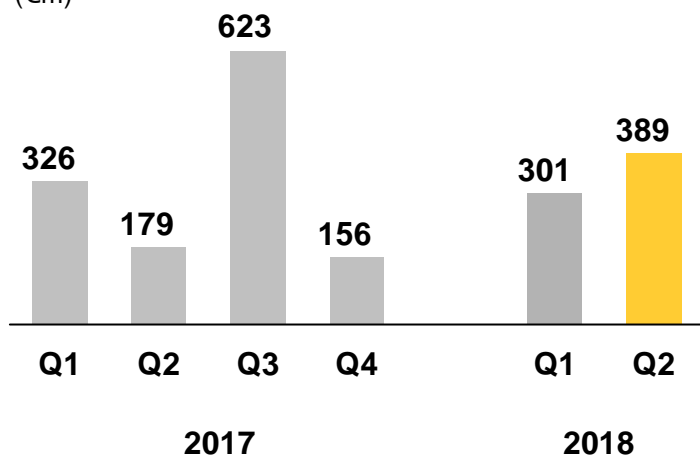
Asset & Capital Recovery (€m)



Improved operating result thanks to revenue growth and benign risk result

Group operating result

(€m)



Group P&L

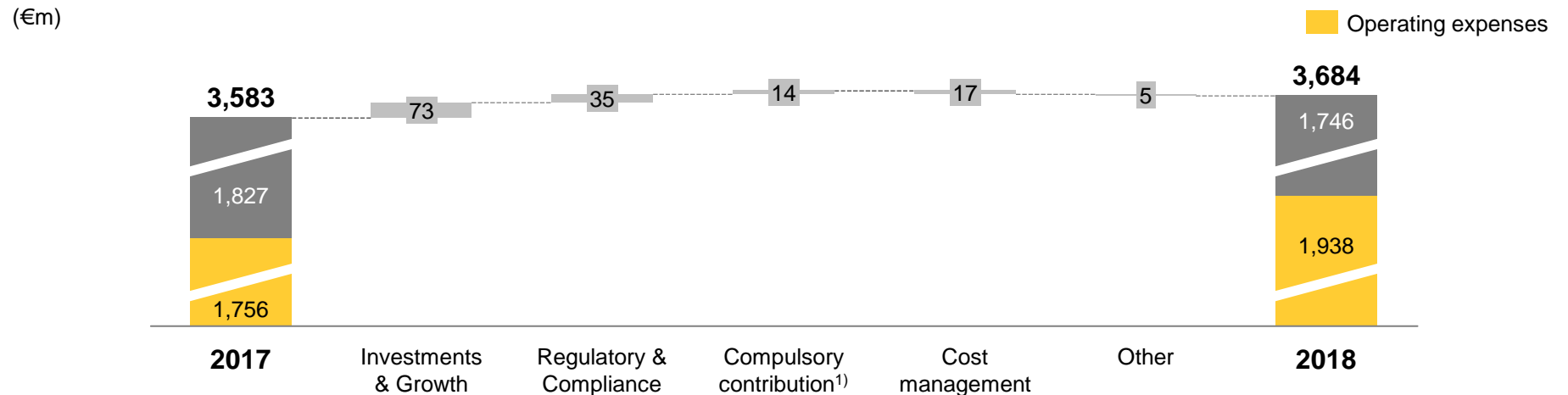
in €m	Q2 2017	Q1 2018	Q2 2018	H1 2017	H1 2018
Revenues	2,064	2,314	2,221	4,450	4,534
Exceptional items	8	1	18	115	19
Revenues excl. exceptional items	2,056	2,312	2,203	4,335	4,515
o/w Net interest income	1,009	1,071	1,186	2,068	2,258
o/w Net commission income	779	797	765	1,666	1,562
o/w Net fair value result	281	382	226	563	607
o/w Other income	-13	62	26	39	89
Risk result (2017: LLP)	-167	-77	-84	-362	-161
Operating expenses	1,718	1,936	1,748	3,583	3,684
Operating result	179	301	389	505	689
Impairments on goodwill and other intangible assets	-	-	-	-	-
Restructuring expenses	807	-	-	807	-
Taxes on income	-13	5	94	67	99
Minority interests	25	34	23	45	57
Net result ¹	-640	262	272	-414	533
CIR (%)	83.2	83.7	78.7	80.5	81.3
Net RoTE (%)	-9.8	4.2	4.3	-3.2	4.3
Operating return on CET1 (%)	3.1	5.3	6.9	4.3	6.1

Highlights

- › Underlying revenues €180m higher vs. H1 2017 thereof €146m contribution of Q2 2018 vs. Q2 2017
- › Q2 2018 vs. Q2 2017 increase driven by NII (+€177m) with consumer finance contributing €124m
- › H1 net result of €533m benefiting from a low tax rate of 14%

Further investments in digitalisation and higher regulatory costs

Transition costs H1 2017 vs. H1 2018



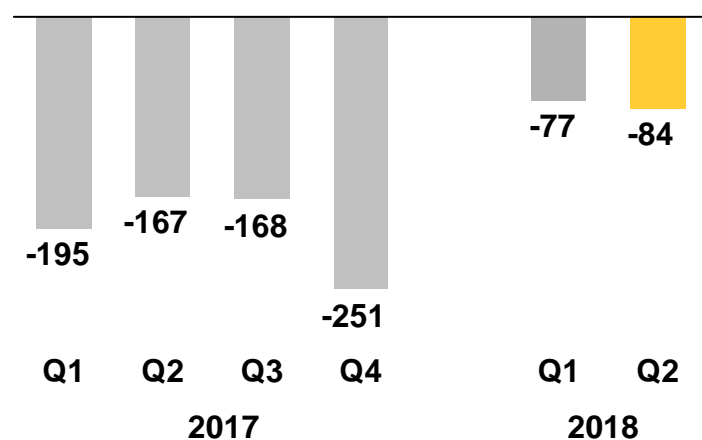
Highlights

- › Higher investments in digitalisation and technology, and for the separation of EMC
- › Increased costs for regulatory requirements (mainly running costs as well as depreciation for regulatory projects such as MiFIR / MiFID II and IFRS 9)
- › Cost Management driven by FTE reduction in Commerzbank AG – temporarily affected by intensified sourcing
- › Other includes €27m increased depreciation resulting from higher investments in digitalisation and technology

Low risk result (IFRS 9) reflecting portfolio quality and credit environment

Risk Result (Provisions for loan losses in 2017)

(€m)



Risk Result divisional split

Risk Result in €m	Q2 2017	Q1 2018	Q2 2018	H1 2017	H1 2018
Private and Small Business Customers	-43	-52	-70	-75	-121
Corporate Clients	-33	-23	-33	-76	-56
Asset & Capital Recovery	-92	-	14	-211	13
Others & Consolidation	-	-2	5	-	3
Group	-167	-77	-84	-362	-161
NPL in €bn	Q2 2017	Q1 2018	Q2 2018	H1 2017	H1 2018
Private and Small Business Customers	1.7	1.8	1.8	1.7	1.8
Corporate Clients	2.8	2.1	1.9	2.8	1.9
Asset & Capital Recovery	2.0	0.3	0.2	2.0	0.2
Others & Consolidation	-	-	-	-	-
Group	6.5	4.2	4.0	6.5	4.0
Group NPL ratio (in %) ¹	1.5	1.0	0.9	1.5	0.9
Group CoR (bps) ²	16	7	7	16	7

Highlights

- › PSBC and CC continue to benefit from the stable German economy and quality of our loan book
- › CC and ACR profit from write backs of €69m in H1
- › PSBC reflects transfer of consumer finance portfolio on own balance sheet in Q3 2017 and corporate business in mBank

Objectives and expectations for 2018

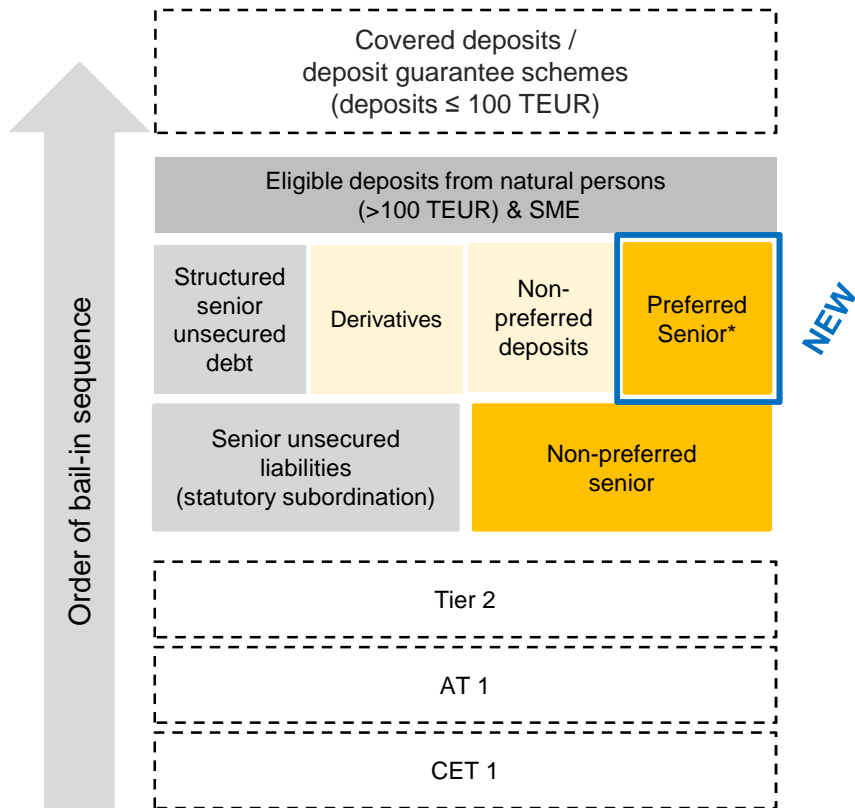
FY 2018 – Outlook

- We focus on further growth and the execution of our strategy Commerzbank 4.0
- We expect higher underlying revenues on Group level with PSBC exceeding and CC below 2017
- We will manage our cost base at ~€7.1bn
- We expect a Risk Result under the IFRS 9 regime of less than €500m
- We aim to pay a dividend of €20ct per share for the financial year 2018

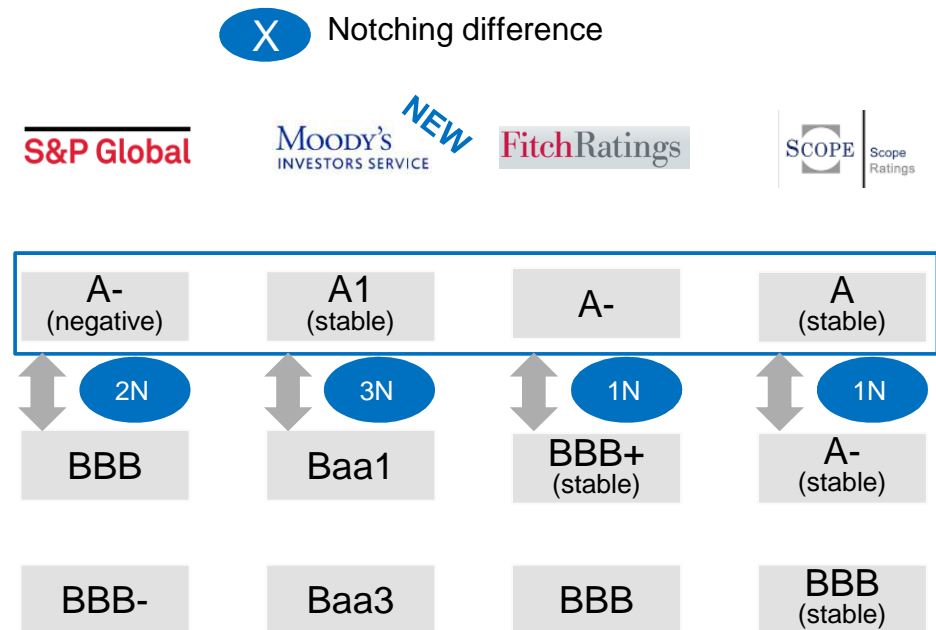
2 Commerzbank capital management and funding

German creditor hierarchy – Commerzbank Ratings

German creditor hierarchy



Different rating categories

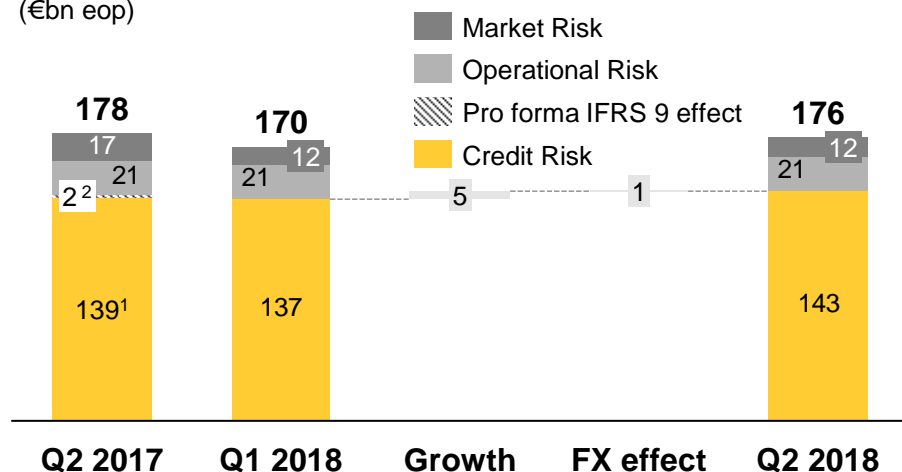


*New preferred and non-preferred senior: after implementation of BRRD Article 108 into §46f KWG

Capital ratio of 13.0% reflects increase of RWA largely due to loan growth

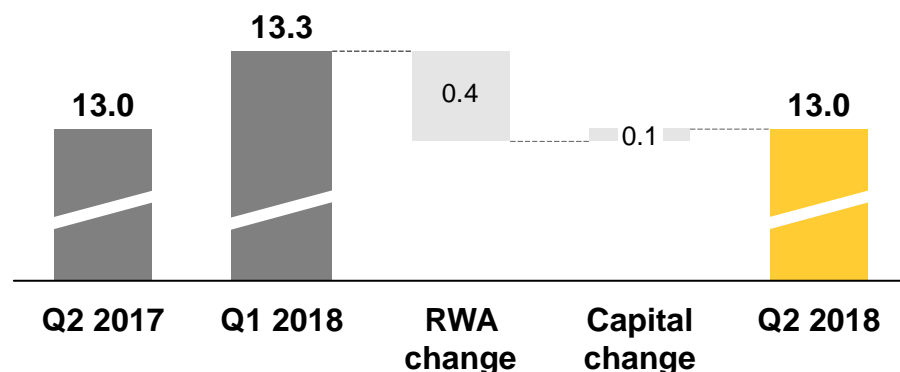
RWA¹ development by RWA classification

(€bn eop)



Transition of CET1 ratio fully phased-in

(%)

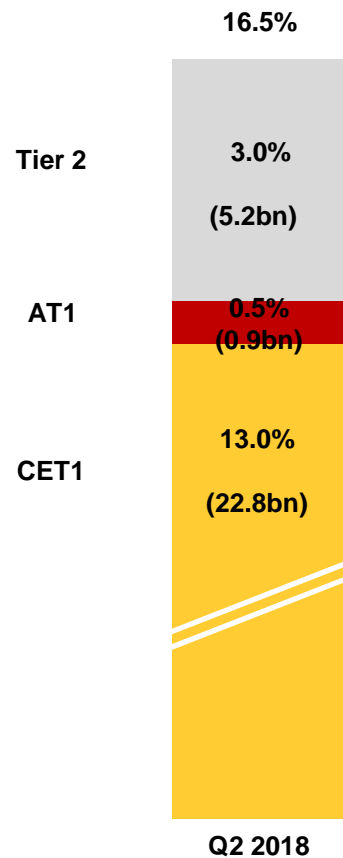


Highlights Q-o-Q

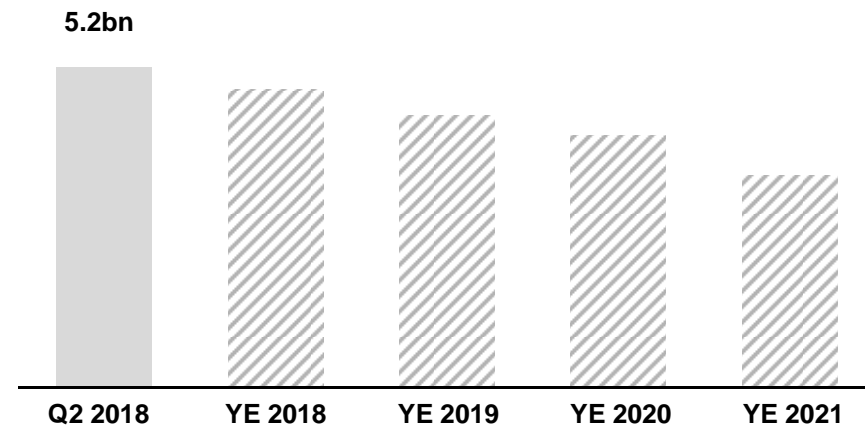
- › Q2 CET1 ratio of 13% reflects credit RWA growth
- › Increase of Credit Risk RWA driven by increased lending in core segments – including larger short-term acquisition finance transactions
- › Slight increase of capital including net result of Q2 2018 – incorporating €10ct per share for dividends YTD

Total Capital – Development of Tier 2

Total Capital
(%)



Tier 2 roll-off profile¹
(€bn)



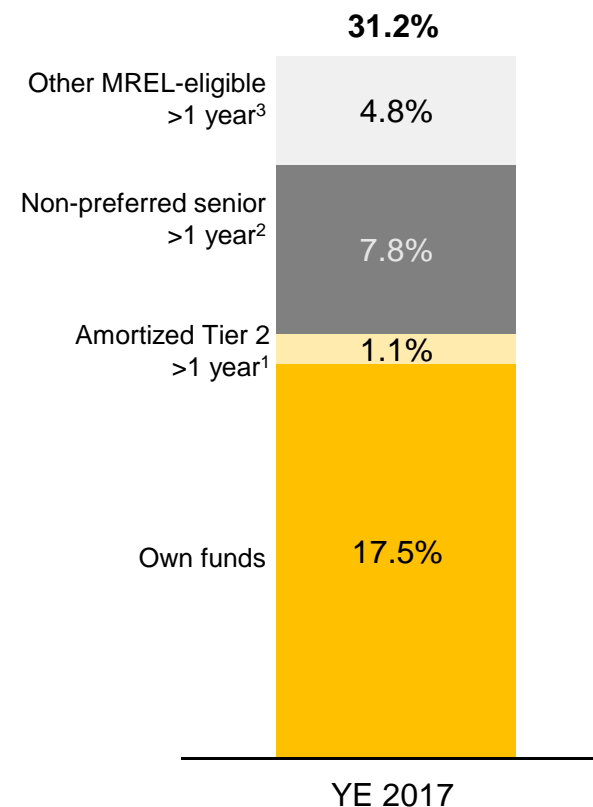
- › Increase of capital efficiency via replacement of amortizing Tier 2 instruments.
- › New supply will be limited and manageable aiming to maintain Tier 2 layer
- › Broader market access which includes US market and potentially niche markets provides flexibility

Commerzbank’s issuance strategy consistent with MREL requirement

MREL requirement

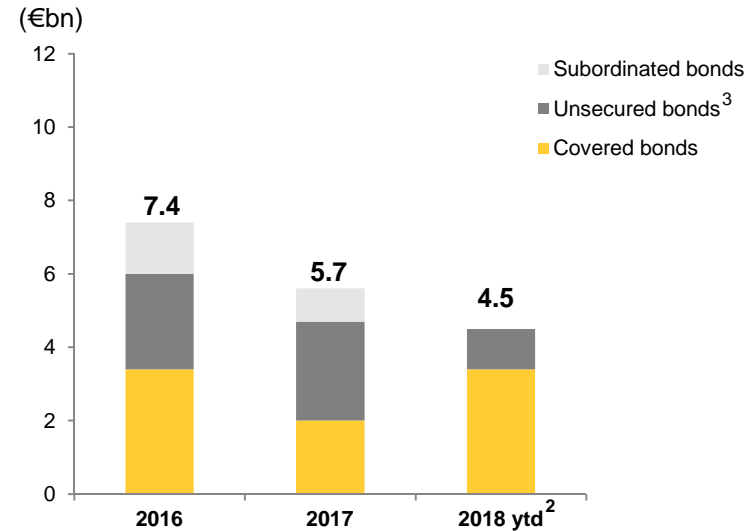
- › In June 2018, Commerzbank has received the formal MREL requirement on a consolidated basis calibrated based on data as of 31 December 2016
- › The minimum requirement in terms of RWA is 27.27%. This is in line with SRB policy.
- › The MREL requirement contains a transitional period and is to be complied with after 30 June 2020
- › As of 31 December 2017 Commerzbank fulfils the future MREL requirement with a MREL ratio of 31.2% of RWA (including IFRS-9 effects)
- › Current issuance strategy consistent with the requirement

MREL ratio (including IFRS-9 effects) (% of RWA)

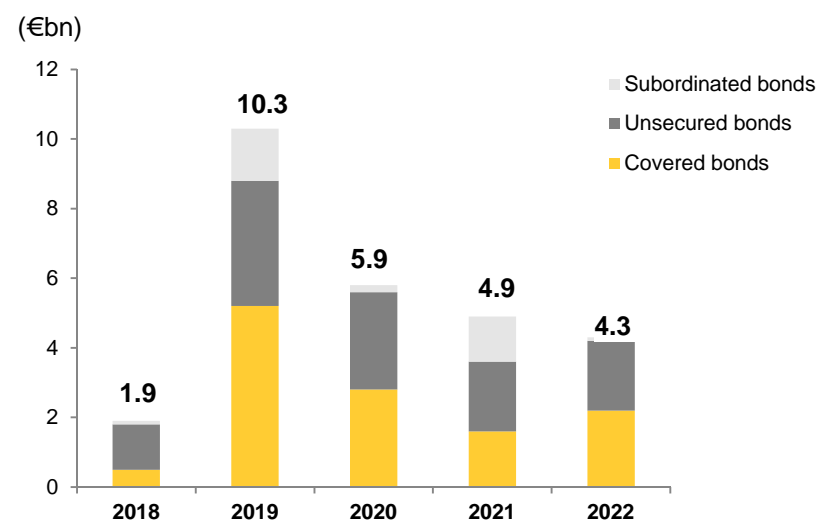


Diversification of funding sources

New issues activities



Maturities¹ until 2022



- › Issuance requirements 2018 below €10bn
- › Over €3bn covered bonds issued to support funding

- › Well balanced profile, manageable maturity profile
- › Moderate roll-off due to long durations

Key elements of our capital management and funding

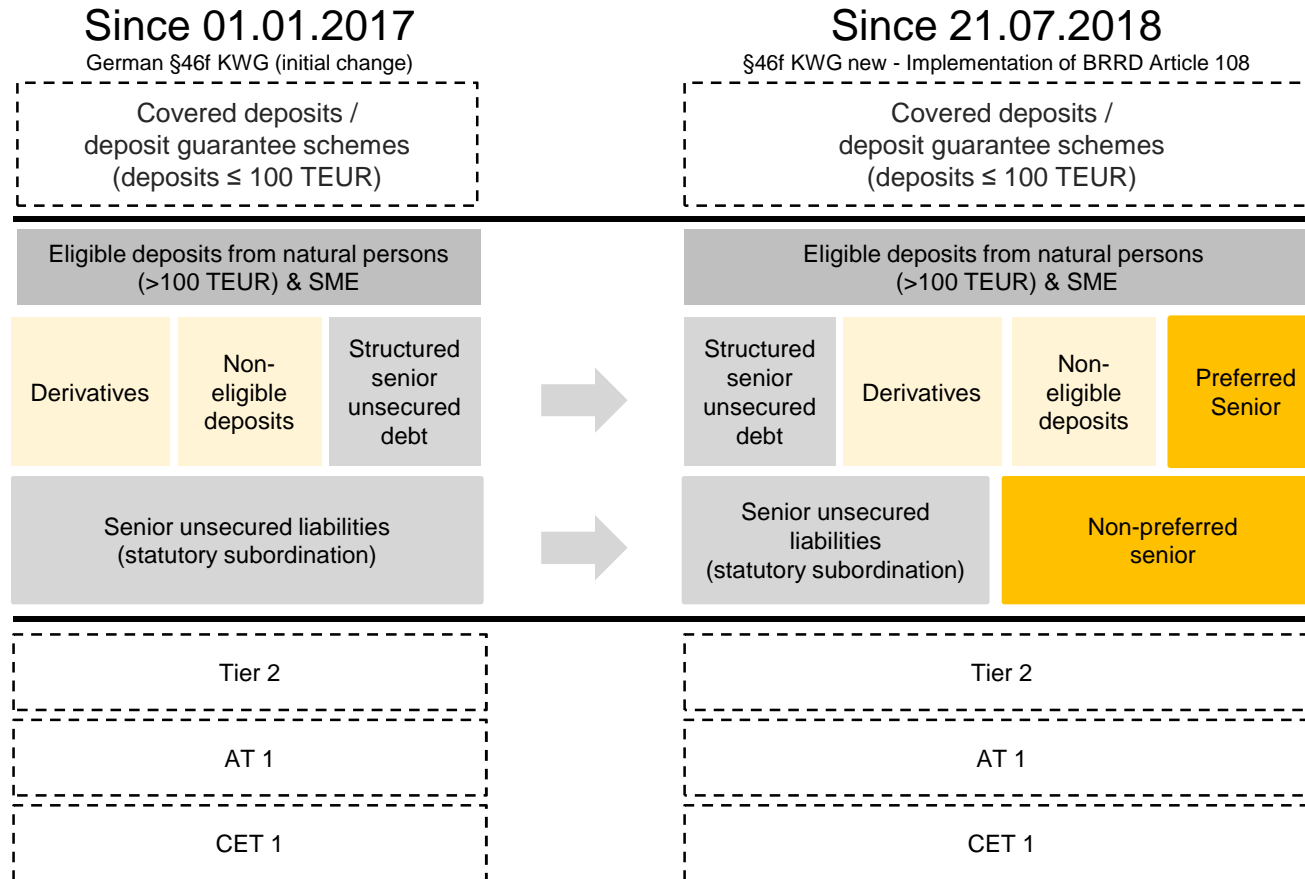
- Covered Bonds in the form of mortgage-backed Pfandbriefe are our most cost-efficient strategic funding instrument in line with PSBC business strategy.
- Preferred senior will be used as unsecured instrument for refinancing of our strategic growth and to the extent we are allowed for MREL purpose.
- Non-preferred senior is expected to be rolled-over at current volume to support the A-rating of our preferred senior instruments and client products.
- Tier 2 is managed at a layer comfortably above the amount of 2% recognised in regulatory Total Capital.

Appendix

Commerzbank financials at a glance

Group	Q2 2017	Q1 2018	Q2 2018	H1 2017	H1 2018
Operating result (€m)	179	301	389	505	689
Net result (€m)	-640	262	272	-414	533
CET1 ratio Basel 3 fully phased-in (%) ¹	13.0	13.3	13.0	13.0	13.0
Total assets (€bn)	487	470	488	487	488
RWA B3 fully phased-in (€bn)	178	170	176	178	176
Leverage ratio (fully phased-in) (%)	4.6	4.6	4.5	4.6	4.5
Cost/income ratio (%)	83.2	83.7	78.7	80.5	81.3
Net RoE (%)	-8.9	3.8	3.9	-2.9	3.8
Net RoTE (%)	-9.8	4.2	4.3	-3.2	4.3
Total capital ratio fully phased-in (%) ¹	16.3	16.5	16.1	16.3	16.1
NPL ratio (in %)	1.5	1.0	0.9	1.5	0.9
CoR (bps)	16	7	7	16	7

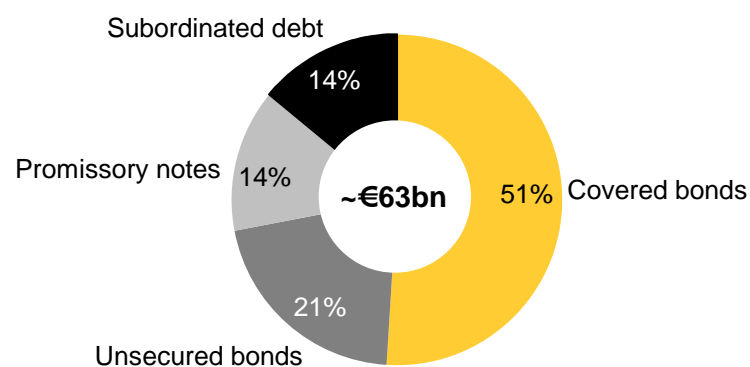
German creditor hierarchy – Implementation of BRRD Article 108



Capital markets funding activities H1 2018

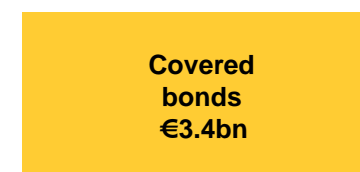
Funding structure¹

(as of 30 June 2018)



Group Funding activities²

H1 2018 – Notional €4.5bn



Benchmark	PP ³
€0.7bn	€0.4bn

Benchmark	PP ³
€3.3bn	€0.1bn

Highlights

- › €4.5bn issued in H1 2018 (average term approx. 8 years), with focus on longer tenors, thereof:
 - Pfandbrief benchmark bonds with maturities 5, 7 and 10 years with an aggregated volume of €3.0bn
 - Non-Preferred Senior transactions €0.5bn 10 years and CHF 100m 7 years
 - mBank with CHF 180m 4 years Senior Unsecured and mBank Hipoteczny with € 300m 7 years covered bond
- › Total funding volume for 2018 expected to be below €10bn

Rating overview Commerzbank

As of 7 August 2018	S&P Global	MOODY'S INVESTORS SERVICE	FitchRatings	SCOPE Scope Ratings
Bank Ratings	S&P	Moody's	Fitch	Scope
Counterparty Rating/ Assessment ¹	A	A1/ A1 (cr)	A- (dcr)	-
Deposit Rating ²	A- negative	A1 stable	A-	-
Issuer Credit Rating (long-term debt)	A- negative	A1 stable	BBB+ stable	A stable
Stand-alone Rating (financial strength)	bbb+	baa2	bbb+	-
Short-term debt	A-2	P-1	F2	S-1
Product Ratings (unsecured issuances)				
"Preferred" senior unsecured debt	A- negative	A1 stable	A-	A stable
"Non-preferred" senior unsecured debt	BBB	Baa1	BBB+ stable	A- stable
Subordinated debt (Tier 2)	BBB-	Baa3	BBB	BBB stable

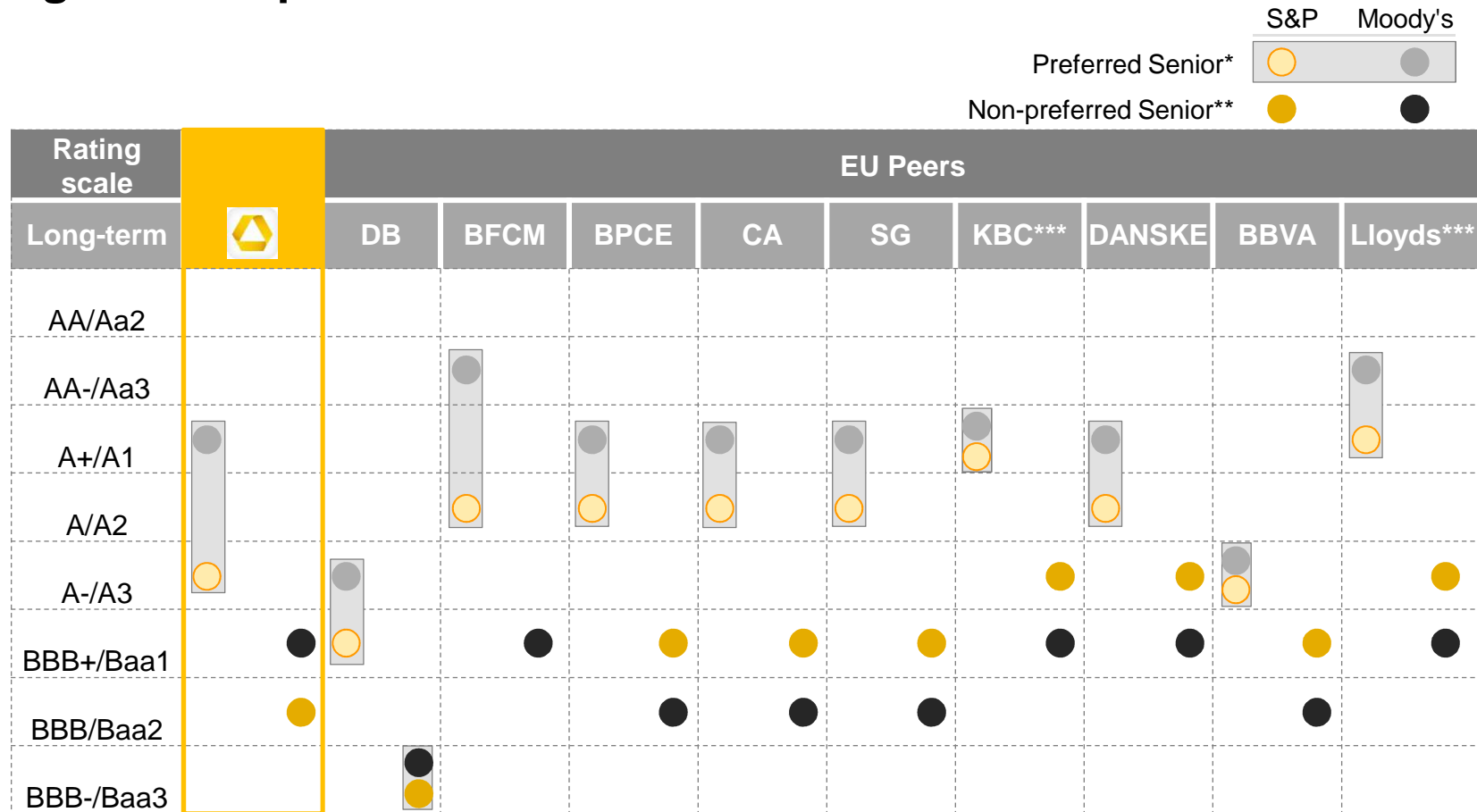
Rating events in Q2 2018

- › **Moody's** assigned the new Counterparty Risk Rating of "A2" in June 2018
- › **S&P Global** assigned the new Resolution Counterparty Rating of "A" in June 2018

Update in August 2018

- › **Moody's** upgraded counterparty risk rating, deposit rating and "preferred" senior unsecured debt rating to "A1" and subordinated debt rating to "Baa3" triggered by an uplift of the stand-alone Rating by 1 Notch to "baa2".
- › Methodical change: issuer credit rating positioned at "preferred" senior unsecured rating level and increased therefore by 3 notches to "A1"

Rating Landscape – Preferred Senior & Non-Preferred Senior



Note: Data from company information / rating agency as of 3 August 2018.

* Senior unsecured instruments that are either issued out of the Operating Company (e.g. UK bank) or statutorily rank pari passu with other senior bank claims like deposits or money market instruments (senior unsecured debt classification from Moody's, senior unsecured from S&P)

** Senior unsecured instruments that are either issued out of the Holding Company (e.g. UK bank) or statutorily junior to other senior claims against the bank like deposits or money market instruments

*** Preferred senior = Operating Company, non-preferred senior = Holding Company.

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