



## **Commerzbank AG**

- A new frequent borrower in the covered bond market -

# Disclaimer

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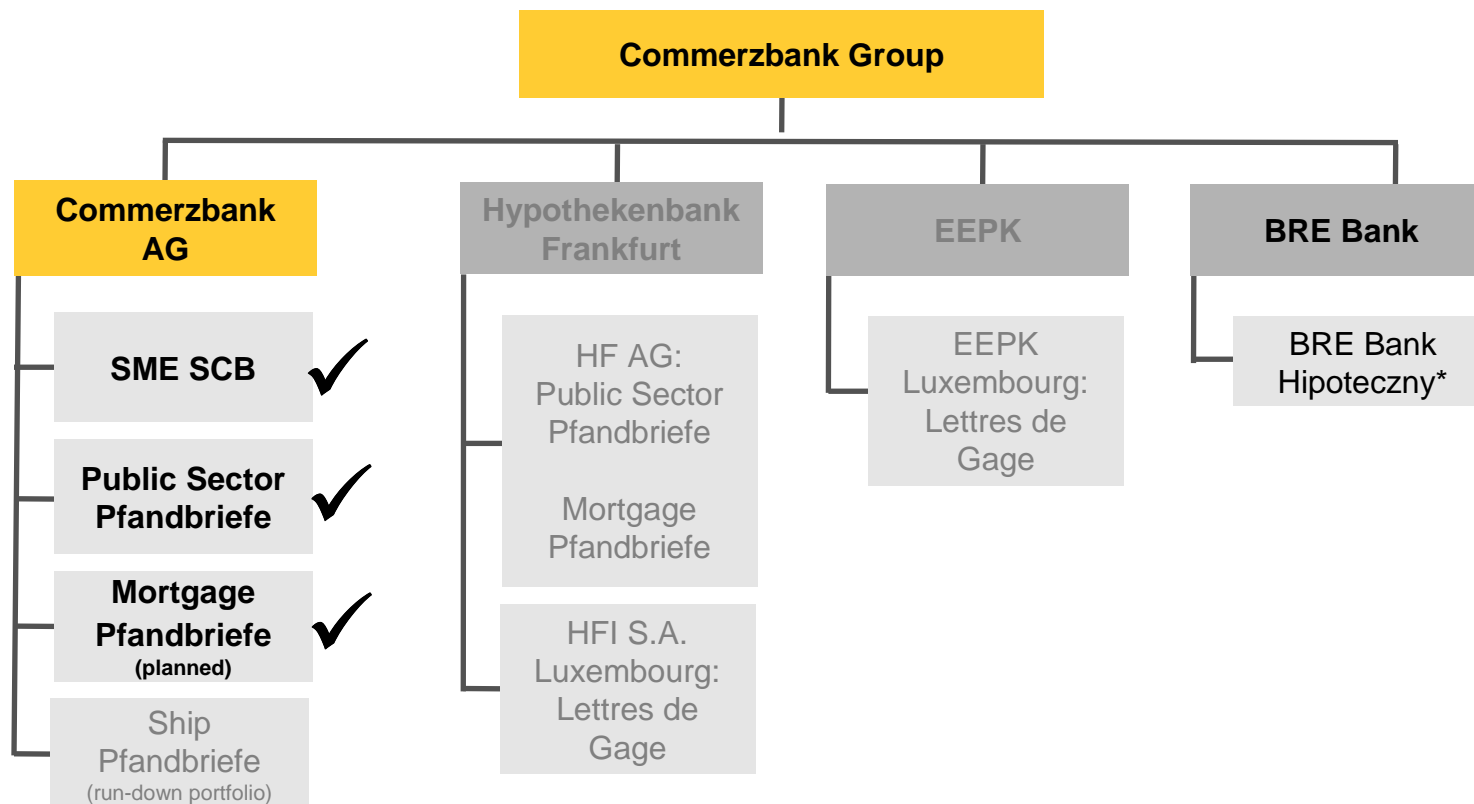
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# Agenda

|   |   |
|---|---|
| 1 | Covered Bonds Strategy of Commerzbank   |
| 2 | The SME Structured Covered Bond         |
| 3 | The Commerzbank Öffentlicher Pfandbrief |
| 4 | The Commerzbank Hypothekenpfandbrief    |
| 5 | Outlook                                 |

## Covered bonds in the Commerzbank group

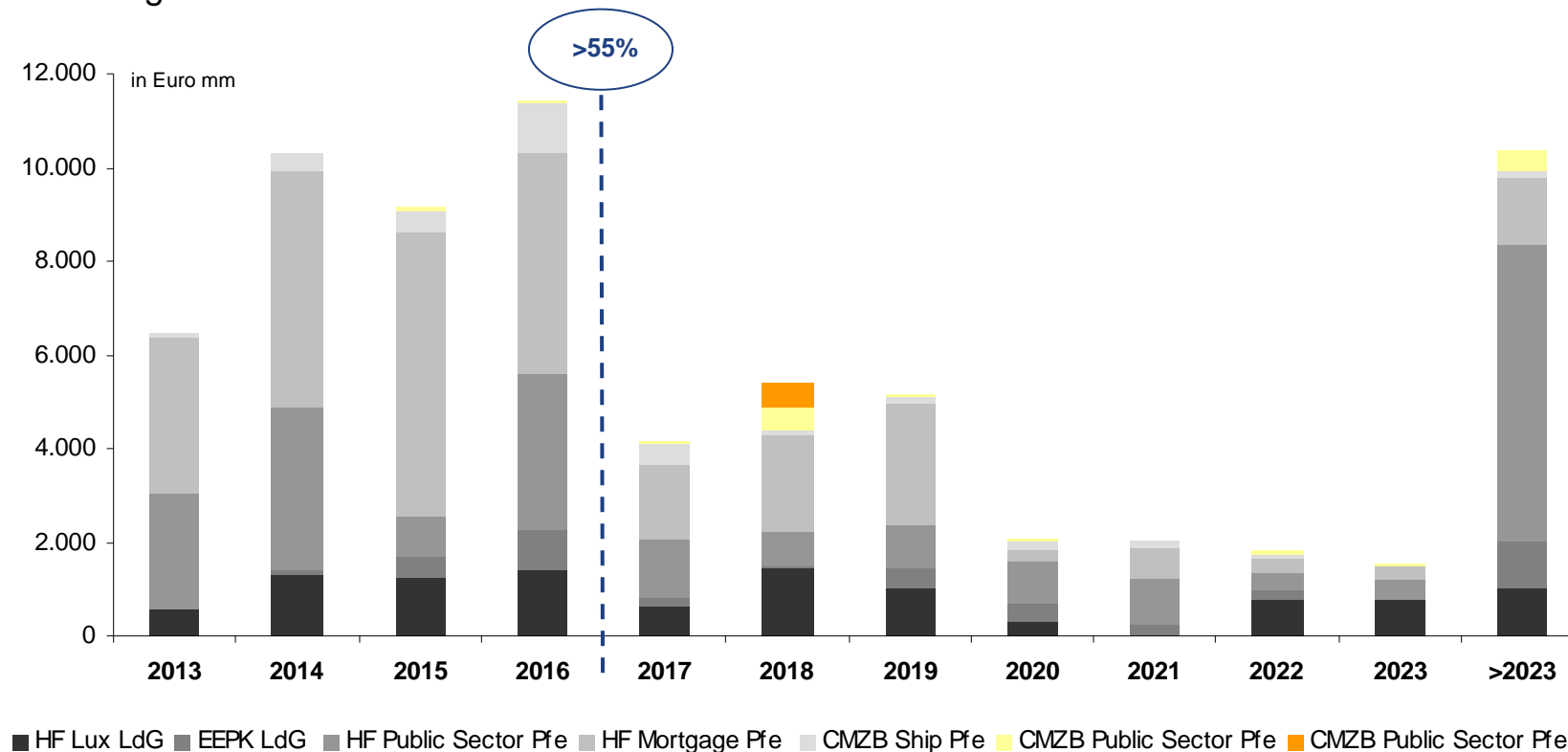


- › Run-down portfolio for Hypothekbank Frankfurt, EEPK and Ship Pfandbriefe
- › Commerzbank AG started in 2013 issuing covered bonds (inaugural SME SCB, inaugural Public Sector Pfandbriefe)

\* BRE will issue covered bonds under polish legislations out of BRE Hipoteczny

# Overview outstanding Commerzbank group covered bonds

outstanding volume ~€ 55 bn



- › Almost 60% of outstanding covered bonds will mature by end 2016
- › Maturing Hypothekenbank Frankfurt Mortgage and Public Sector, EEPK and Ship covered bonds will not be replaced


Database: Treasury Front Office Systems, data as of end of June 2013


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# Commerzbank's Inaugural SME Structured Covered Bond

Book Opening: 21 Feb 2013 | Maturity: 5y | Size: EUR 500m | Ratings: Aa2/AA (Moody's/Fitch) | Reoffer Spread: MS+47bps

**COMMERZBANK** 


**COMMERZBANK** 

SME Structured Covered Bond  
1.500%  
due February 2018  
EUR 500,000,000

**Joint Bookrunner**  
February 2013

**1 Most Innovative Deal**  
Commerzbank  
€500m 1.5% February 2018 SME

Source: The Cover Awards 2013

2013 

**1 Innovation**  
Commerzbank  
€500m SME Structured Covered Bond

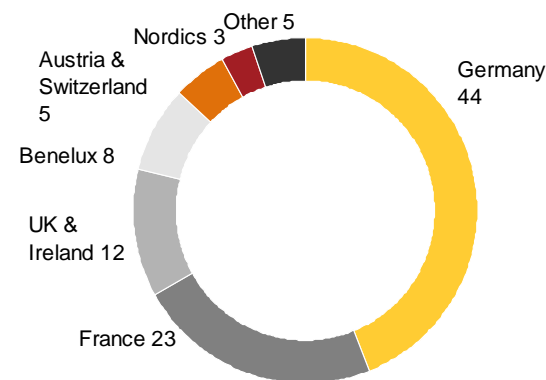
Source: The Covered Bond Report Awards for Excellence 2013

2013 

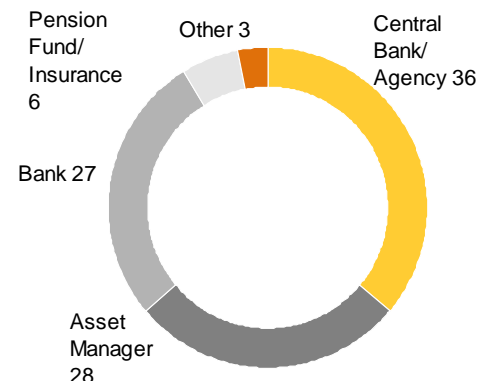
## Transaction highlights

- With its *Mittelstandsbank* segment, Commerzbank is the leading service provider for German SMEs who - referred to as the *Mittelstand* - are the backbone of the German economy
- Following a 2 years period of setting up the structure and contractual framework, Commerzbank recently conducted a Europe-wide series of investor meetings to present its SME Structured Covered Bond programme
- The programme is a novelty in that the "non-traditional" cover pool consists of Euro only loans to German SMEs
- After yesterday's successful IOI-taking process for a 5y issue, Commerzbank opened books this morning for the first ever SME Structured Covered Bond at a guidance of MS+50/55bps. It took less than two hours to accumulate a highly granular book north of EUR 1bn on the back of 60+ accounts
- After a revision of the guidance to MS+50bps area, the deal was finally priced successfully at a spread of MS+47bps. While still offering a pickup versus traditional Pfandbriefe, the SME Structured Covered Bond comes along with a considerable spread advantage versus Commerzbank's Senior Unsecured funding
- Distribution-wise, the majority of the deal was allocated outside Germany. Germany took 44%, followed by France, UK & Ireland, Benelux and Austria & Switzerland who took most of the remainder. As regards investor-types, real money accounts together with central banks and agencies took the bulk of the issue

## Distribution by geography (in %)



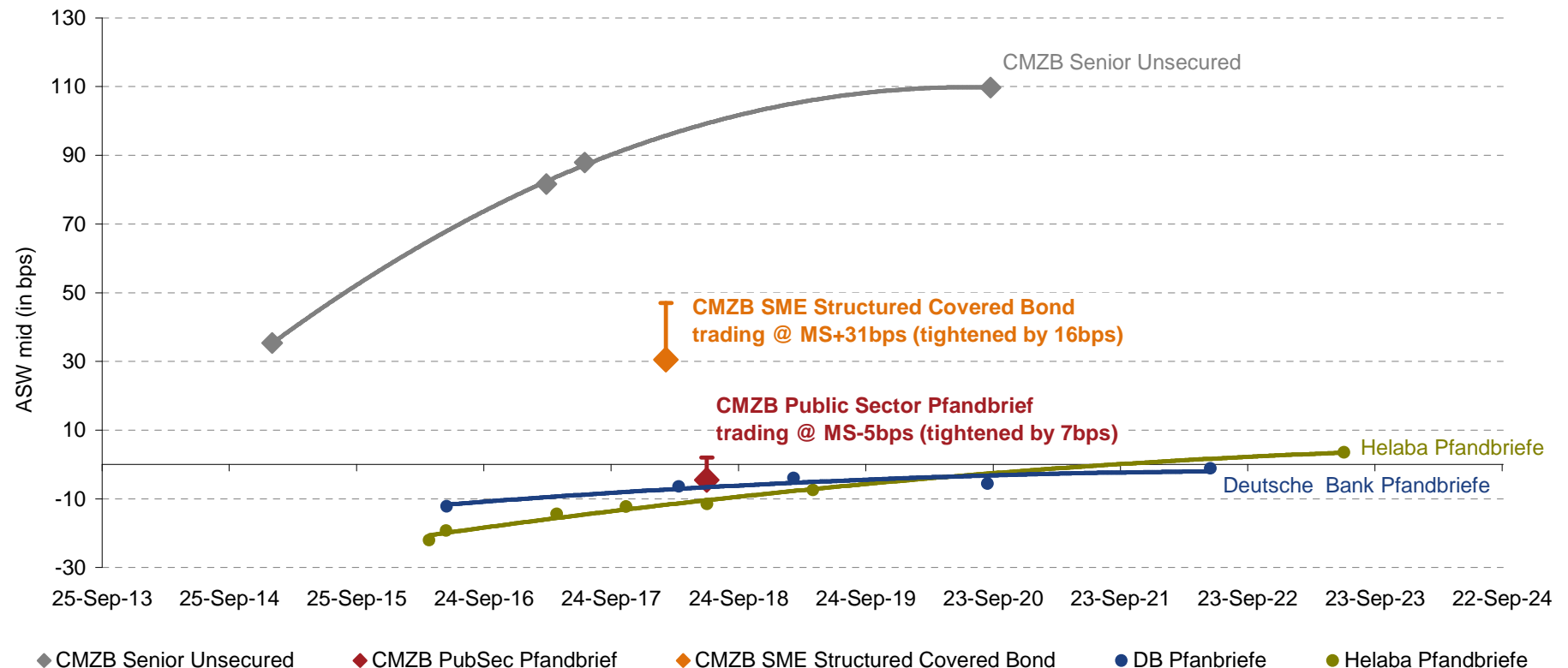
## Distribution by investor type (in %)



Source: Commerzbank Corporates and Markets; e-bookbuilding

# Commerzbank covered bonds well accepted by Investors

Refinancing core business on increasingly more favourable terms



Commerzbank broadened its repertoire of funding instruments by the SME Structured Covered Bond and the Public Sector Pfandbrief. Both features are well accepted by investors evidenced by strong market performance

Source: Commerzbank Corporates and Markets

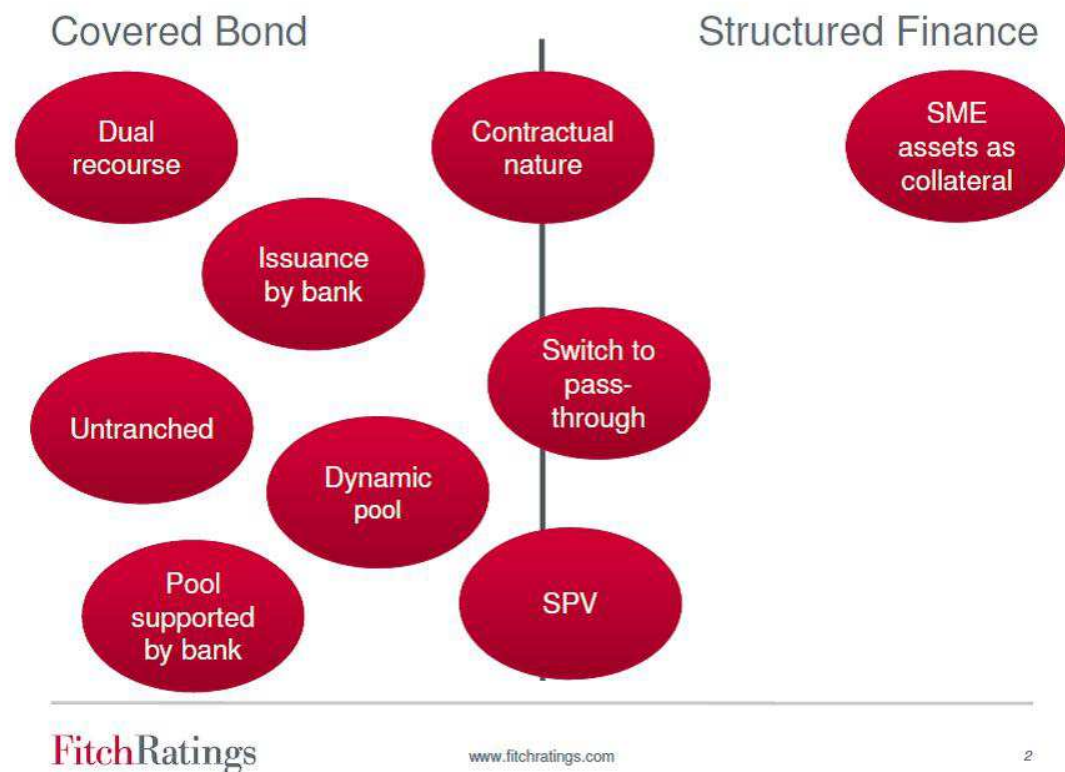


## Commerzbank's SME SCB comes with covered bond typical features

Although Covered Bond laws and contractual frameworks are not completely identical across the various jurisdictions, there are quite a number of features that all share. Commerzbank's SME Structured Covered obviously takes this into account and incorporates these features into its programme.

Fitch illustrates this in a clear way when arguing why they regard Commerzbank's SME Structured Covered Bond as a Covered Bond as opposed to securitizations

### Fitch assessment of the SME Structured Covered Bond



Source: Fitch Ratings – "Fitch's Analysis of Commerzbank's SME Structured Covered Bond Programme" (Slide 2; Panel held on a Fitch seminar on 6 February 2013)

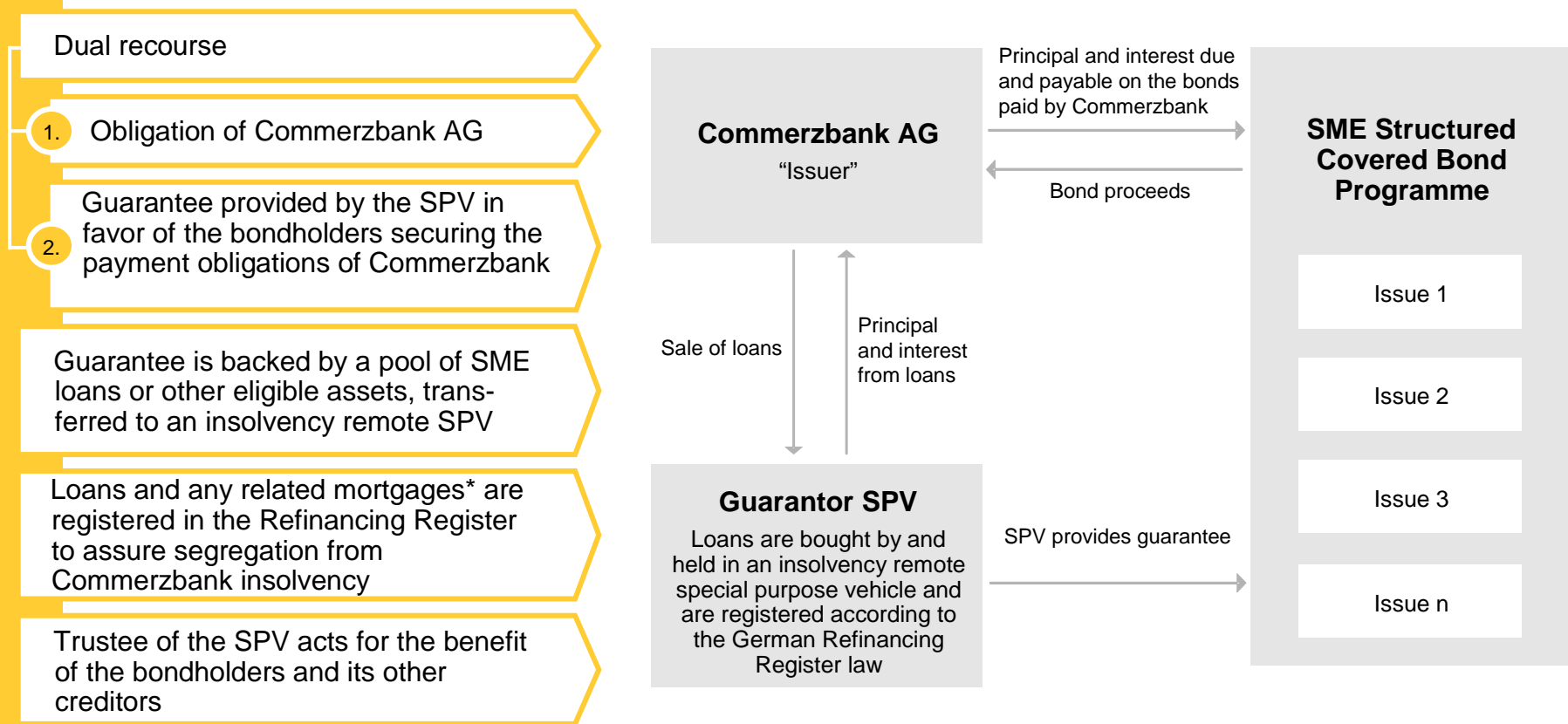
## Highlights of the SME Structured Covered Bond Programme

|                              |   |
|------------------------------|---|
| Issuer                       | Commerzbank AG, Rating A(neg)/Baa1(stable)/A+(stable) (S&P, Moody's, Fitch)   |
| Guarantor                    | SME Commerz SCB GmbH is an insolvency remote limited liability company incorporated in Germany under German law and fully-owned by three German foundations   |
| Rating                       | The SME SCB Programme is rated Aa2 by Moody's and AA by Fitch   |
| Programme size               | Up to EUR 5 billion, depending on Commerzbank's funding needs   |
| Programme type               | Structured Covered Bond (SCB) based on contractual arrangements   |
| Dual recourse                | 1 <sup>st</sup> : Repayment obligation by Commerzbank<br>2 <sup>nd</sup> : Cover pool with over-collateralisation of at least 11% on the SCB outstanding  |
| Cover pool                   | Euro-denominated senior loans to German SME companies with an internal rating between 1.0 and 4.0   |
| Segregation of collateral    | The collateral sold to the Guarantor is segregated for the benefit of bondholders and other secured parties in the context of the programme through application of the Refinancing Register   |
| Refinancing register         | All loans and any related collateral in the cover pool are registered in the Refinancing Register thereby segregating the collateral from the insolvency estate of Commerzbank for the benefit of bondholders   |
| Listing                      | Luxembourg Stock Exchange   |
| Governing law                | German  |
| Trustee                      | Deloitte & Touche GmbH  |
| ECB Liquidity category       | Liquidity class L1C (=Liquidity class 3); Asset type AT10 (=Non-jumbo covered bond); Issuer group IG4 (=Credit institution)   |
| Basel III LCR compliance     | Currently not eligible as part of the Liquidity Buffer for the LCR  |
| Covered Bond Index inclusion | Barclays confirmed inclusion in its global covered bond index (Securitised > Covered > Other covered > non-Pfandbriefe sector); Markit iBoxx Classification; "...provisionally classified as "collateralized" in category "other collateralized". ...other classification may be introduced to capture the specific structure." |
| Transparency                 | Investor reports and other data will be provided on an on-going basis   |

Source: Commerzbank; Programme base prospectus

# Structure

- › Similar to structured covered bonds in other jurisdictions
- › Uses the German Refinancing Register legislation to register the cover pool for the benefit of the Guarantor SPV
- › The structure and the inherent risk mitigation mechanisms address risks such as issuer default, credit quality of the cover pool, extension risk, time subordination



\* Other collateral, to the extent it is accessory, is attached to the registered loan

## Cover pool key statistics

as of August 30, 2013

|  |            |
|--|------------|
| Aggregate Principal Balance (in Euro)          | 605,000,00 |
| Number of Debtor Groups                        | 1229       |
| Number of Debtors                              | 1283       |
| Number of Purchased Receivables                | 1506       |
| Weighted Average Life (in years)               | 1.71       |
| Weighted Average Internal (Commerzbank) Rating | 3.0        |
| Weighted Average Internal PD                   | 0.846%     |

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Source: SME Structured Covered Bond Programme Investor Report September 2013

# Cover pool distribution by internal rating

as of August 30, 2013

Distribution by ...

|   | Internal Rating Categories | PD Midpoint in % | Fitch mapped ratings | Moody's mapped ratings | Number of Purchased Receivables | Aggregate Outstanding Principal Amount in EUR | Percentage of Aggregate Principal Balance |
|---|----------------------------|------------------|----------------------|------------------------|---------------------------------|---|---|
| Fitch industry sectors                              | 1.0                        | 0.000            | AA- to A             | Ba1                    | 0                               | 0   | 0.0%                                      |
|   | 1.2                        | 0.015            | AA- to A             | Ba1                    | 12                              | 2,308,138                                     | 0.4%                                      |
|   | 1.4                        | 0.025            | A+ to A-             | Ba1                    | 11                              | 2,705,001                                     | 0.4%                                      |
| Moody's industry sectors                            | 1.6                        | 0.041            | A to BBB+            | Ba1                    | 30                              | 4,978,766                                     | 0.8%                                      |
|   | 1.8                        | 0.067            | A- to BBB            | Ba1                    | 47                              | 14,038,880                                    | 2.3%                                      |
|   | 2.0                        | 0.107            | BBB to BB+           | Ba1                    | 62                              | 13,645,705                                    | 2.3%                                      |
| Commerzbank Internal Rating                         | 2.2                        | 0.168            | BBB- to BB           | Ba1                    | 90                              | 40,402,573                                    | 6.7%                                      |
|   | 2.4                        | 0.257            | BBB- to BB           | Ba1                    | 113                             | 66,960,353                                    | 11.1%                                     |
|   | 2.6                        | 0.385            | BB+ to BB-           | Ba1                    | 179                             | 95,029,638                                    | 15.7%                                     |
| Geography (Bundesländer)                            | 2.8                        | 0.565            | BB+ to BB-           | Ba1                    | 222                             | 115,216,698                                   | 19.0%                                     |
|   | 3.0                        | 0.812            | BB to B+             | Ba1                    | 201                             | 76,473,431                                    | 12.6%                                     |
|   | 3.2                        | 1.140            | BB- to B             | Ba1 / Ba2              | 150                             | 53,514,827                                    | 8.8%                                      |
| Size of turnover                                    | 3.4                        | 1.564            | B+ to B-             | Ba2                    | 157                             | 47,623,246                                    | 7.9%                                      |
|   | 3.6                        | 2.097            | B+ to B-             | Ba2 / Ba3              | 105                             | 32,787,421                                    | 5.4%                                      |
|   | 3.8                        | 2.743            | B to CCC+            | Ba3                    | 75                              | 25,770,196                                    | 4.3%                                      |
| Maturity of reference claims                        | 4.0                        | 3.500            | B to CCC+            | B1                     | 52                              | 13,547,127                                    | 2.2%                                      |
|   | 4.2                        | 4.355            | B- to CCC            | B1                     | 0                               | 0   | 0.0%                                      |
|   | 4.4                        | 5.418            | B- to CCC            | B2                     | 0                               | 0   | 0.0%                                      |
| Debtor group concentration (replenishment criteria) | 4.6                        | 6.740            | B- to CCC            | B2                     | 0                               | 0   | 0.0%                                      |
|   | 4.8                        | 8.386            | B- to CCC            | B2 / B3                | 0                               | 0   | 0.0%                                      |
|   | 5.0                        | 10.434           | CCC+ to CCC-         | B3                     | 0                               | 0   | 0.0%                                      |
|   | 5.2                        | 12.981           | CCC+ to CCC-         | B3 / Caa1              | 0                               | 0   | 0.0%                                      |
|   | 5.4                        | 16.151           | CCC to CC            | Caa1                   | 0                               | 0   | 0.0%                                      |
|   | 5.6                        | 20.094           | CCC- to C            | Caa1 / Caa2            | 0                               | 0   | 0.0%                                      |
|   | 5.8                        | 25.000           | C to D               | Caa2                   | 0                               | 0   | 0.0%                                      |
|   | 6.1                        | 100.000          | D                    | Ca                     | 0                               | 0   | 0.0%                                      |
|   | 6.2                        | 100.000          | D                    | Ca                     | 0                               | 0   | 0.0%                                      |
|   | 6.3                        | 100.000          | D                    | Ca                     | 0                               | 0   | 0.0%                                      |
|   | 6.4                        | 100.000          | D                    | Ca                     | 0                               | 0   | 0.0%                                      |
|   | 6.5                        | 100.000          | D                    | Ca                     | 0                               | 0   | 0.0%                                      |
| <b>Total</b>  |                            |                  |                      |                        | <b>1,506</b>                    | <b>605,000,000</b>                            | <b>100.0%</b>                             |

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Source: SME Structured Covered Bond Programme Investor Report September 2013

# Cover pool distribution by industry sectors

as of August 30, 2013

Distribution by ...

|  | Fitch Industry Description      | Number of<br>Purchased<br>Receivables | Aggregate<br>Outstanding Principal<br>Amount in EUR | Percentage of Aggregate<br>Principal Balance |
|--|---------------------------------|---------------------------------------|---|--|
| Fitch industry sectors                                 | Industrial/manufacturing        | 193                                   | 84,647,919  | 14.0%  |
| Moody's industry sectors                               | Building & materials            | 141                                   | 61,640,586  | 10.2%  |
| Commerzbank Internal Rating                            | Automobiles                     | 128                                   | 58,620,154  | 9.7%   |
| Geography (Bundesländer)                               | Retail (general)                | 138                                   | 54,279,406  | 9.0%   |
| Size of turnover                                       | Metals & mining                 | 108                                   | 44,732,624  | 7.4%   |
| Maturity of reference claims                           | Computers & electronics         | 124                                   | 42,066,354  | 7.0%   |
| Debtor group concentration<br>(replenishment criteria) | Transportation                  | 107                                   | 38,712,133  | 6.4%   |
|  | Food, beverage & tobacco        | 59                                    | 34,254,891  | 5.7%   |
|  | Business services               | 71                                    | 23,790,169  | 3.9%   |
|  | Chemicals                       | 32                                    | 20,782,097  | 3.4%   |
|  | Paper & forest products         | 41                                    | 20,503,163  | 3.4%   |
|  | Energy                          | 29                                    | 15,511,214  | 2.6%   |
|  | Textiles & furniture            | 51                                    | 14,406,244  | 2.4%   |
|  | Environmental services          | 58                                    | 13,928,752  | 2.3%   |
|  | Banking & finance               | 27                                    | 12,861,287  | 2.1%   |
|  | Broadcasting & media            | 32                                    | 12,758,491  | 2.1%   |
|  | Healthcare                      | 34                                    | 9,322,047   | 1.5%   |
|  | Utilities                       | 13                                    | 9,099,232   | 1.5%   |
|  | Gaming, leisure & entertainment | 29                                    | 8,092,611   | 1.3%   |
|  | Farming & agricultural services | 38                                    | 7,625,348   | 1.3%   |
|  | Consumer products               | 16                                    | 7,300,536   | 1.2%   |
|  | Pharmaceuticals                 | 16                                    | 6,261,770   | 1.0%   |
|  | Lodging & restaurants           | 8                                     | 1,893,399   | 0.3%   |
|  | Real estate                     | 8                                     | 1,566,490   | 0.3%   |
|  | Telecommunications              | 5                                     | 543,084   | 0.1%   |
|  | <b>Total</b>                    | <b>1,506</b>                          | <b>605,000,000</b>                                  | <b>100.0%</b>                                |

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Source: SME Structured Covered Bond Programme Investor Report September 2013

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| 5 | Oulook                                  |

# Commerzbank's inaugural public sector Pfandbrief

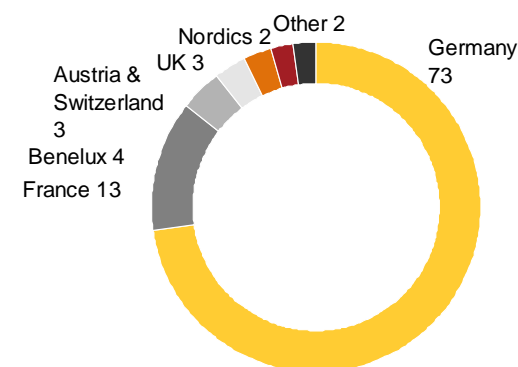
Book Opening: 18 June 2013 | Maturity: 5y | Size: EUR 500mn | Ratings: Aa1/AAA (Moody's/Fitch) | Reoffer Spread: MS+2bps



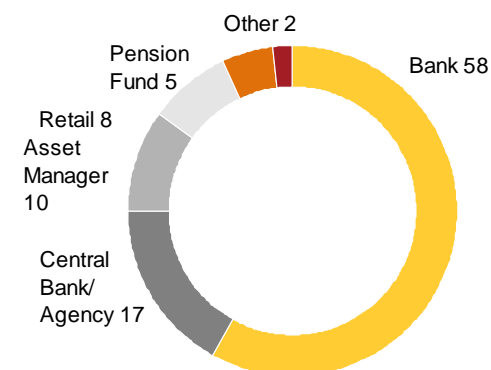
## Transaction Highlights

- › Following the inaugural SME Structured Covered Bond in February, this is the second time this year that Commerzbank approaches the Euro Benchmark Covered Bond market giving center stage to its core segment *Mittelstandsbank*
- › Vested with the *ECA securitisation guarantee (Verbriefungsgarantie)* provided by the Federal Republic of Germany, a 100% guarantee for the benefit of Pfandbrief investors, Commerzbank taps a particularly favourable funding source to refinance its export finance business
- › Last week Commerzbank conducted a Europe-wide roadshow to introduce its inaugural legislative Public Sector Pfandbrief and the underlying core business
- › The cover pool comprises the “legacy” cover pool it inherited from Deutsche Schiffsbank and export loans which are covered by *Euler Hermes*, the German export credit agency, exclusively. The risk profile thus remains entirely sovereign-related and region-wise the Germany share increases to a remarkable 90%
- › Following this morning's IOI-taking process for a 5y EUR 500mn (no grow) issue at IPTs of MS plus mid-single-digit, books were opened at a guidance of MS+3bps and priced at the tight end at MS+2bps
- › Within 90 minutes a book of EUR 1bn was accumulated on the back of around 50 accounts. Region-wise Germany was allocated three quarters, followed by France (13%) and Benelux (4%). As regards investor type, banks took the bulk with 58%, whereas most of the remainder was allocated to central bank/ agencies (17%) and asset managers (10%)

## Distribution by Geography (in %)



## Distribution by Investor Type (in %)



Source: Commerzbank Corporates and Markets; e-bookbuilding



## Euler Hermes guarantee

The basic principles for ECA covered financing are laid down in the OECD arrangement on Officially Supported Export Credits (*OECD Consensus*)

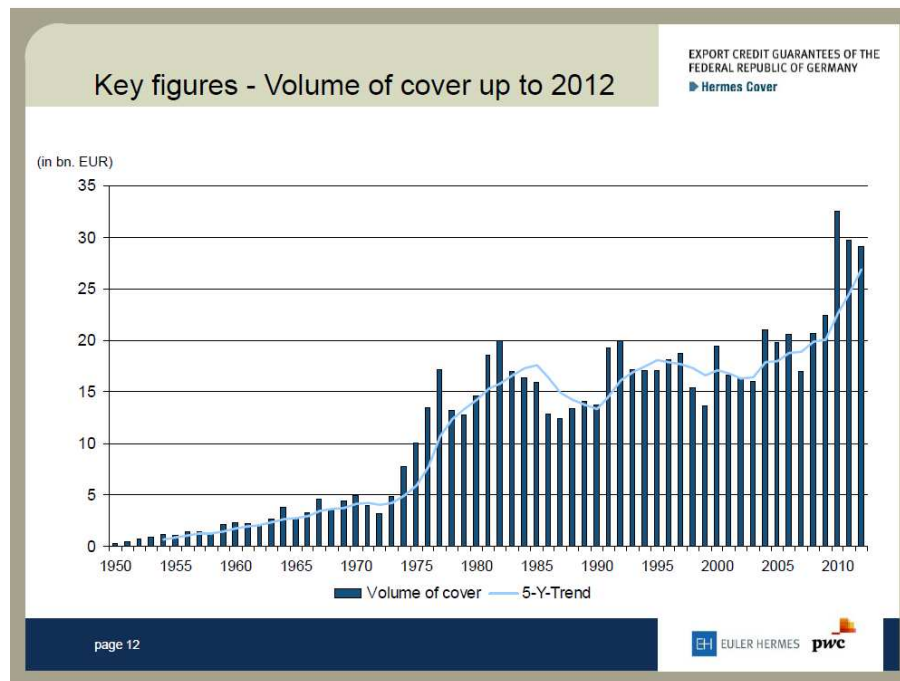


- › The BMWi is the public body responsible for the promotion of German exporters
- › Mitigation of political and economic risk components
- › Extent of cover: 95% /  
Verbriefungsgarantie 100%
- › Cover requirements:
  - Eligibility of the underlying sales contract
  - Acceptable risk
  - In accordance with OECD Consensus

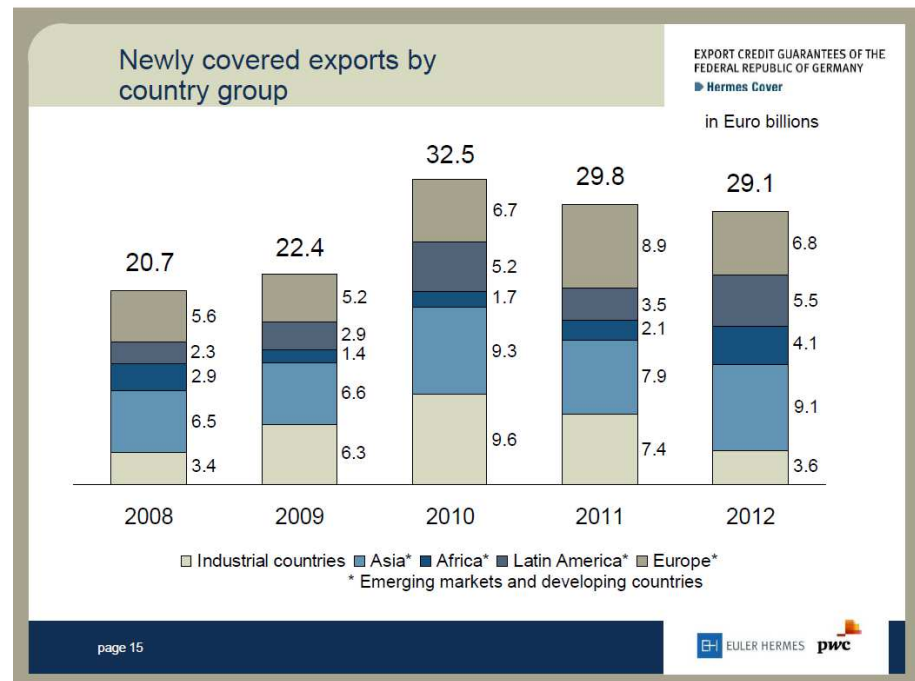


- › The Federal Republic of Germany mandated Hermes and PWC as consortium with the promotion and support of the national export industry
- › Leading part is with Hermes (hence often called „Hermes Cover“)

# Newly generated business under the export credit guarantee scheme of Hermes/PWC



- › The volume of Hermes Cover has steadily increased since 1950 and achieved its record highs always in crisis scenarios (1975, 1981, 1992 and 2010)
- › The 2012 result is ranked as the 3<sup>rd</sup> best in the history of Hermes (€29.1bn)

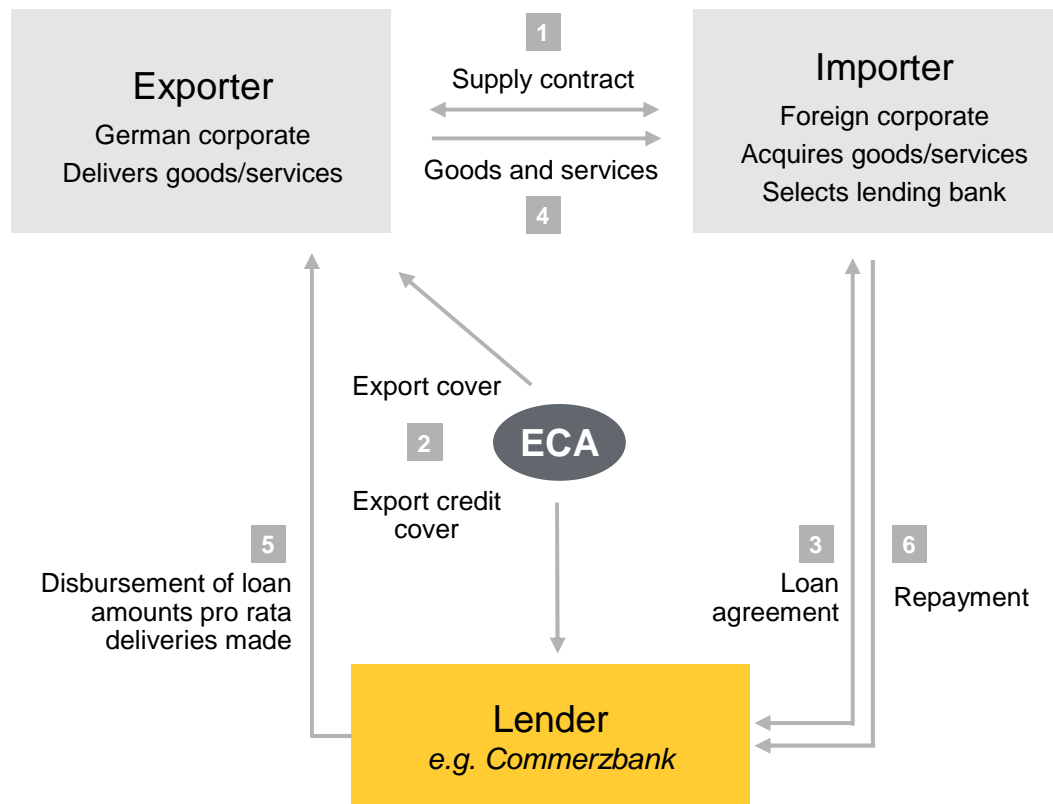


- › New Hermes Cover in 2012 has been provided for 169 different countries, 87.5 % thereof to Emerging market countries
- › Eastern Europe is the major region for Hermes Cover (30.6 %), followed by Asia (27 %) and industrial countries incl. Western Europe (12.7 %)

Source: Annual Report 2012 Euler Hermes

# The export credit guarantee mechanism

## Key parties and activities in a ECA covered buyer credit



## Major steps

- 1** Exporter and importer settle contract for delivery of goods and/or services
- 2** ECA covers up to 85% of supply contract value
- 3** Bank concludes loan agreement directly with buyer tailored to specific needs of supply contract
- 4** Exporter delivers goods/services as determined in contract and lending bank receives proof of fulfillment of formalities required
- 5** Lending bank disburses exporter directly according to loan agreements
- 6** Importer repays loan to bank according to repayment schedule

1. in case importer chooses local/foreign bank, loan agreement will be concluded between respective banks

Source: Commerzbank – Project Team

## Product: Hermes covered buyer credit

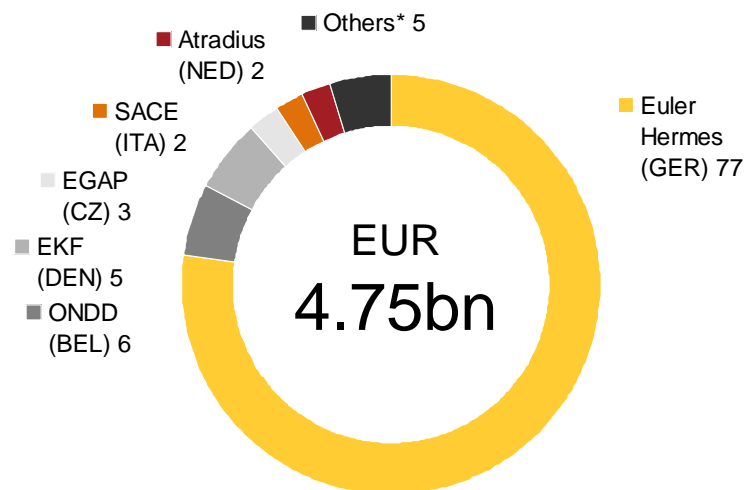
- Long-term financing of durable capital goods, produced in the country of the ECA
- Contract value and cover costs financed under ECA Cover
- Lender's-risk-participation: 5% of the loan amount for political and economic risk  
Collateral: 95% ECA-/Hermesdeckung
- Borrower: Corporate, bank, sovereign  
Lender: Commerzbank or consortium

„Verbriefungsgarantie“ - 100% ECA Cover for Pfandbrief investors

# Commerzbank's ECA portfolio

## Breakdown by ECAs

%

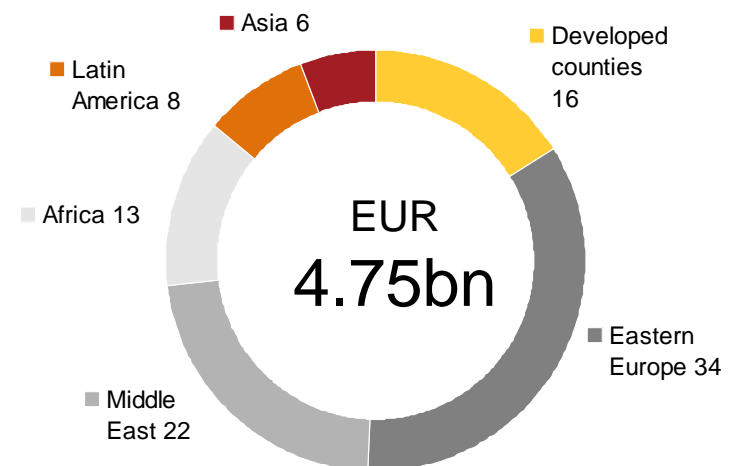


\* Others: C&L Deutsche Revision (GER), CESCE (ESP), Coface (FRA), ECGD (UK), EKN (SWE), EXIM (USA), Finnvera (FIN), KUKE (POL), ODL (LUX), OeKB (AUT), PwC (GKA-Germany), SERV (CH)

- › Significant part of ECA exposure is based on Hermes Cover (77 %)
- › Medium and long term transactions mainly in the range from 5 years to 12 years according to OECD consensus

## Breakdown by importer region

%



- › From 2009-2012 new medium and long term ECA business volume amounts to €1bn p.a. on average
- › Traditionally major destinations of exports financed are Eastern Europe (34 %), Middle East (22 %) and Africa (13 %)

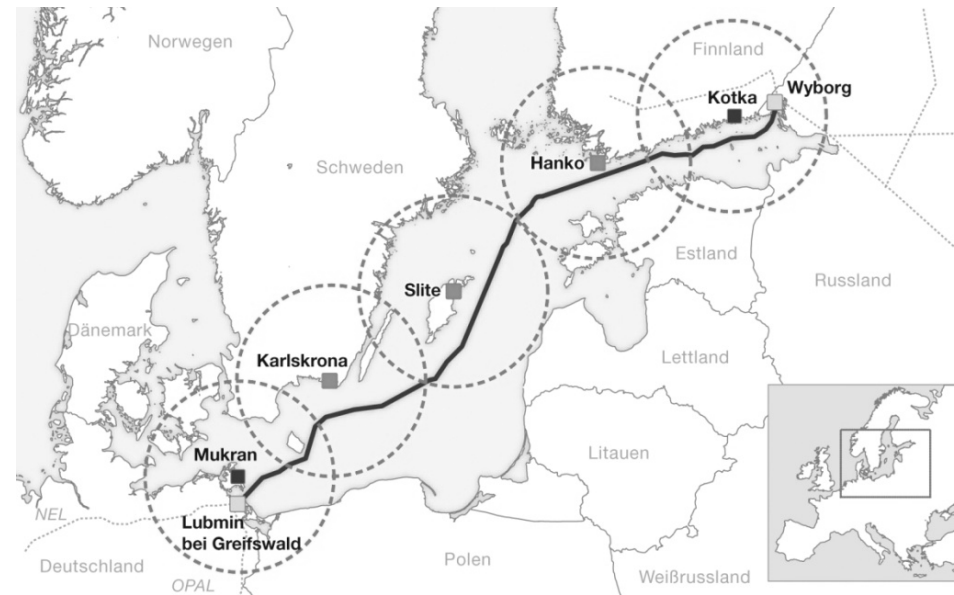
\* Exposure per 31.03.2013 incl. disbursed loans plus loans concluded, but not fully drawn

Source: Commerzbank – Mittelstandsbank

## Selected transactions involving Hermes cover

### Nord Stream Pipeline – A spectacular infrastructure project

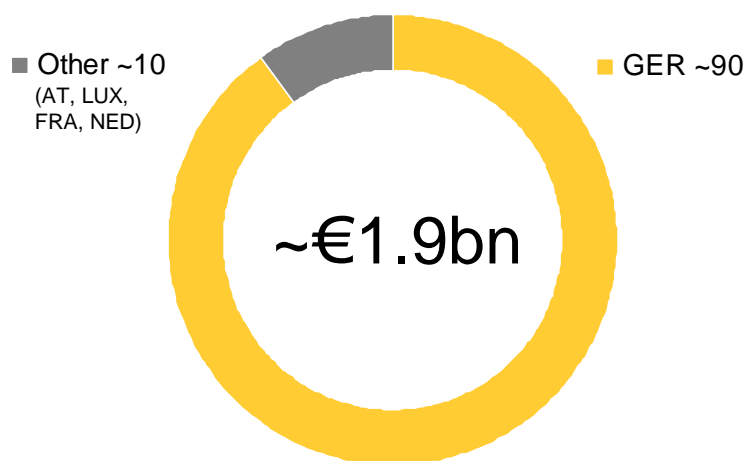
- › Flagship project to secure Europe's energy supply – designed for the supply of more than 26 million households
- › Two parallel gas pipelines – each 1.224 km in length – with an annual transmission capacity of 55 billion cubic meters of gas
- › Estimated investment: €9bn
- › Financed by a banking syndicate under the lead of Commerzbank regarding the part covered by Hermes (€2.35bn)
- › Orders for deliveries and services to more than 20 German medium-sized companies amounting to more than €2.4bn
- › Investors:



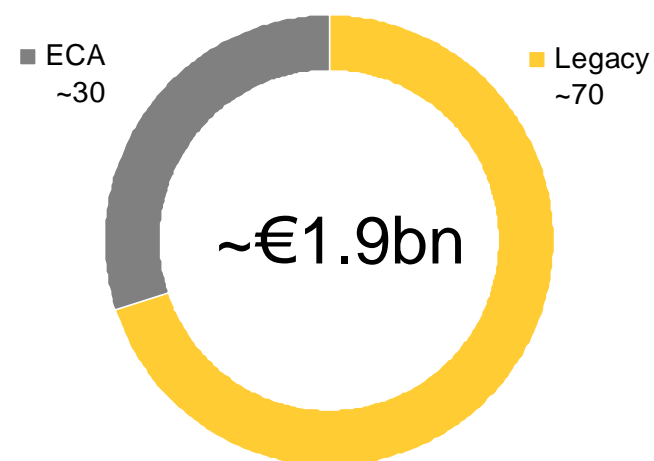
# Commerzbank's public sector Pfandbrief cover pool

(based on actual cover pool as of June 30, 2013)

Break-down by borrower/guarantor country  
%



Legacy assets vs ECA (Hermes) guaranteed loans  
%



- › Dynamic pool, ECA (Hermes covered) loans to be added to the cover pool on an ongoing basis
- › Germany share in the cover pool is expected to remain very high
- › Going forward, the ECA share of the pool will continue to increase

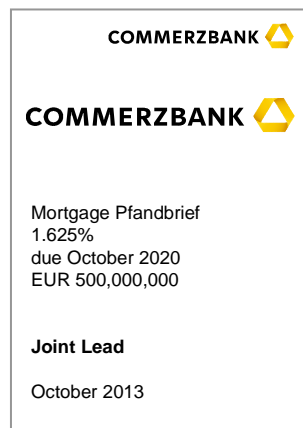
# Agenda

|   |   |
|---|---|
| 1 | Covered Bonds Strategy of Commerzbank   |
| 2 | The SME Structured Covered Bond         |
| 3 | The Commerzbank Öffentlicher Pfandbrief |
| 4 | The Commerzbank Hypothekenpfandbrief    |
| 5 | Outlook                                 |



# Commerzbank's inaugural mortgage Pfandbrief

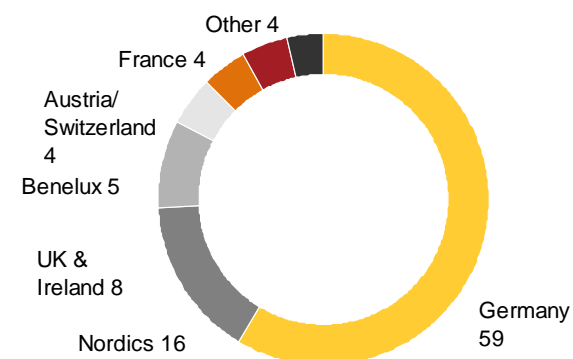
This is Commerzbank's third inaugural covered bond in 2013



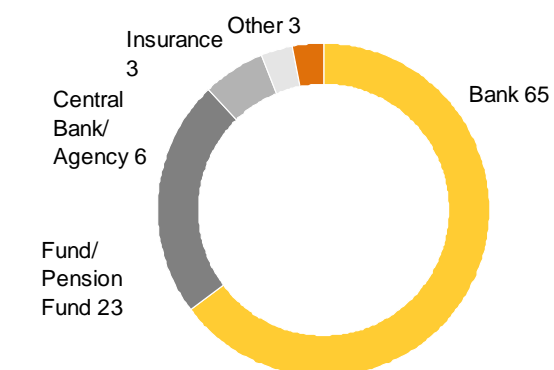
## Transaction Highlights

- › Commerzbank successfully launched and priced its inaugural Mortgage Pfandbrief. Following the first ever SME Structured Covered Bond in February and its inaugural Public Sector Pfandbrief in June, this is the third time this year that Commerzbank approaches the Euro Benchmark Covered Bond market
- › The prime quality, highly granular cover pool entirely consists of German residential mortgages. Cover pool loans are originated by Commerzbank
- › With this transaction Commerzbank once more gives center stage to its core business, supports its competitiveness and underlines its ambitions to grow in the loan business with private customers
- › Indications of interest at IPTs of MS plus low-to-mid single digit grew rapidly towards a volume of EUR 1bn. Given the absence of price sensitivity and the strong demand, the guidance was set at MS flat/+1bps. The deal priced flat to mid swaps with orders totaling EUR 1.35bn on the back of around 70 accounts
- › Geographically, the bulk was placed with investors from Germany (59%), followed by Nordic accounts (16%) and investors from the UK & Ireland (8%). Benelux (5%), Austria & Switzerland (4%) and France (4%) took most of the remainder in similar shares
- › Banks led the pack with 65%, followed by funds and pension funds (23%) and central banks and agencies (6%). Insurances were allocated 3%

**Distribution by Geography**  
(in %)



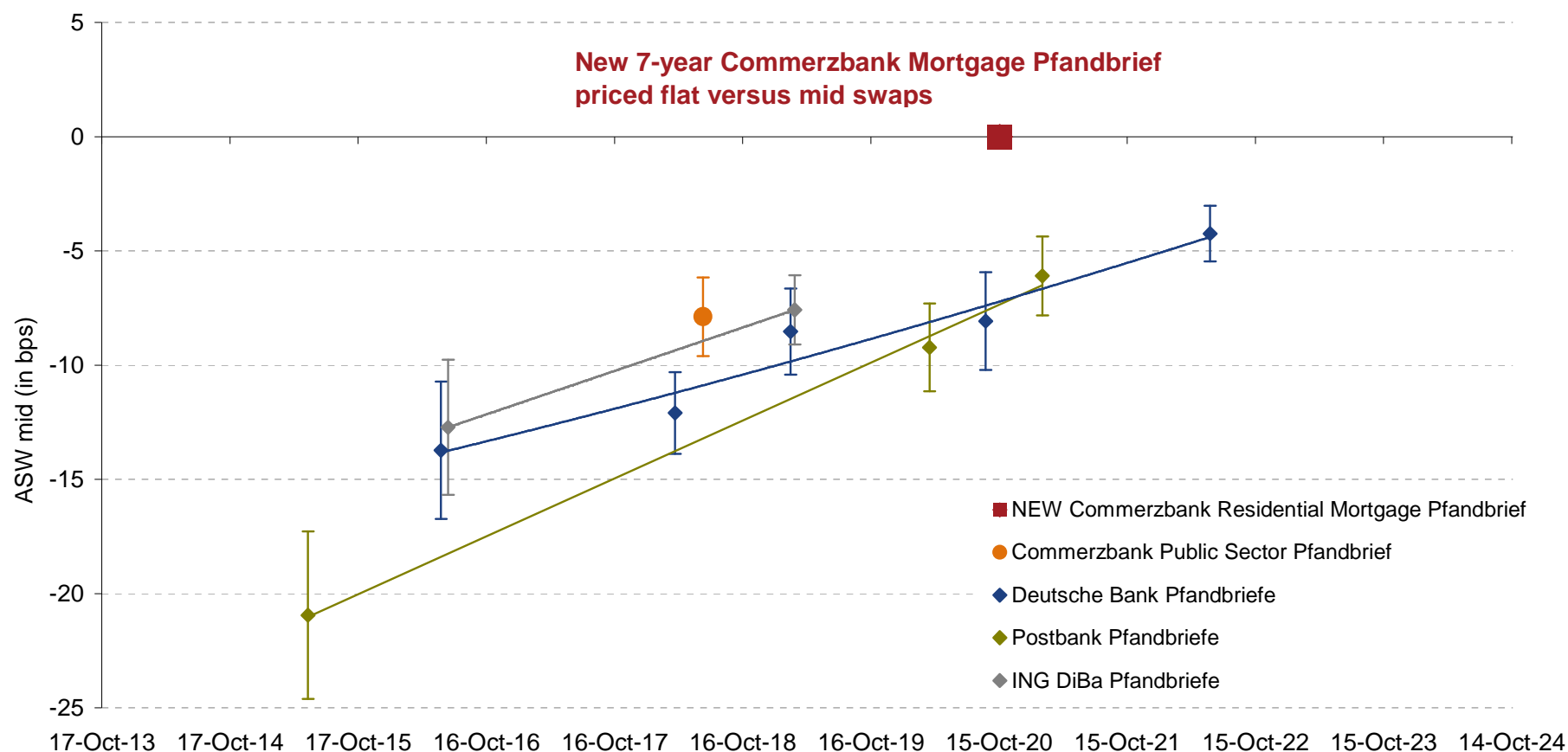
**Distribution by Investor Type**  
(in %)



Source: Commerzbank Corporates and Markets; e-bookbuilding

# Commerzbank's inaugural mortgage Pfandbrief

Priced flat to mid swaps, the transaction offered a premium of 5 to 7bps versus comparables



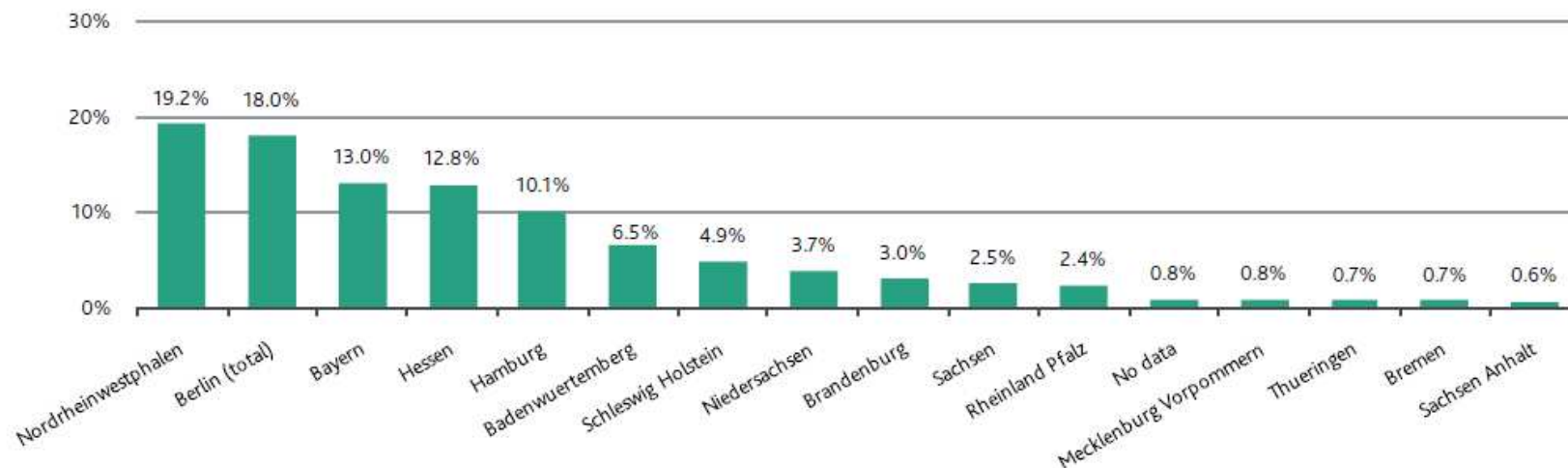
Secondary levels as per 10 October 2013 (Source: Commerzbank Corporates & Markets)

## Granular 100% German retail mortgage pool

### Preliminary Cover Pool Summary (as per September 2013)

- › Size of cover pool: €781mm
- › Average current loan: €274,182
- › Number of loans: 2848
- › Weighted average term to maturity of the mortgages: 23,9 years
- › Oldest / newest loan in portfolio Oct. 2002 / May 2013 → average seasoning 22 months
- › **Aa1** from Moody's and **AAA** from Fitch, required over collateralization 9,5% and 10,5% respectively

### Main Country Regional Distribution

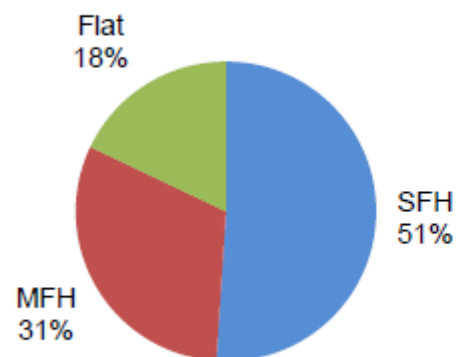


\* Source: Moody's Pre-Sale Report: Commerzbank AG – Mortgage Covered Bonds

## Portfolio break down mortgage collateral pool

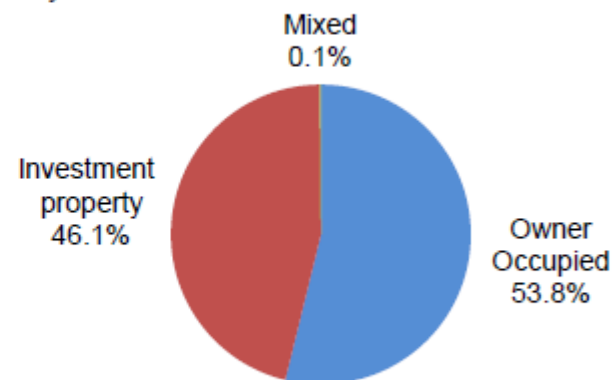
### Property Type Distribution

In % by current balance



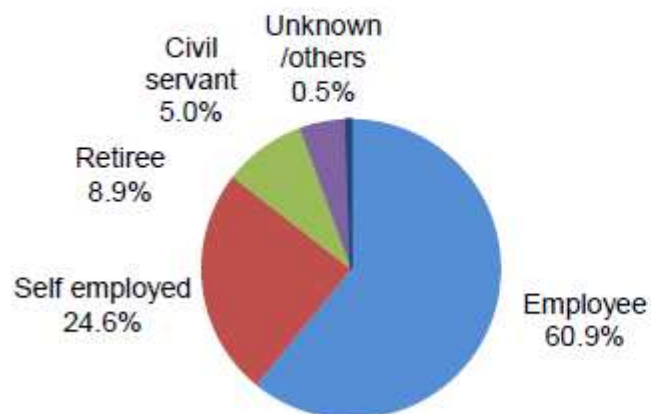
### Property Use Distribution

In % by current balance



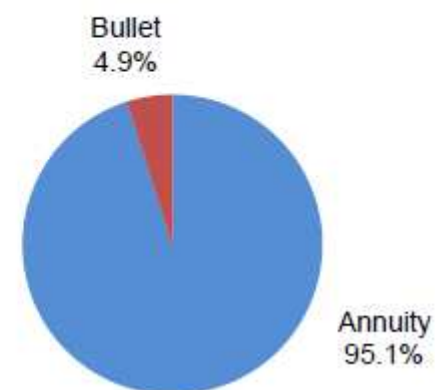
### Borrower Type Distribution

In % by current balance



### Repayment Scheme Distribution

In % by current balance



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## Covered bond funding strategy

- › Benchmark issuance, most likely EUR 500m deal size, will be utilized
- › Larger private placements may be used to supplement and “fill” the funding gaps
- › Plain vanilla transactions, minimal structured issuance
- › EURO denominated bearer bonds, USD public sector Pfandbrief may follow at a later date if cover assets in the currency suffice
- › Pfandbrief maturities will be chosen that best match the cover pool assets
- › Building a Pfandbrief curve for Commerzbank



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