

Successful first half of Commerzbank 4.0 – net result of €865m

Fixed income investor update – Q4 2018 / FY 2018 preliminary and unaudited results

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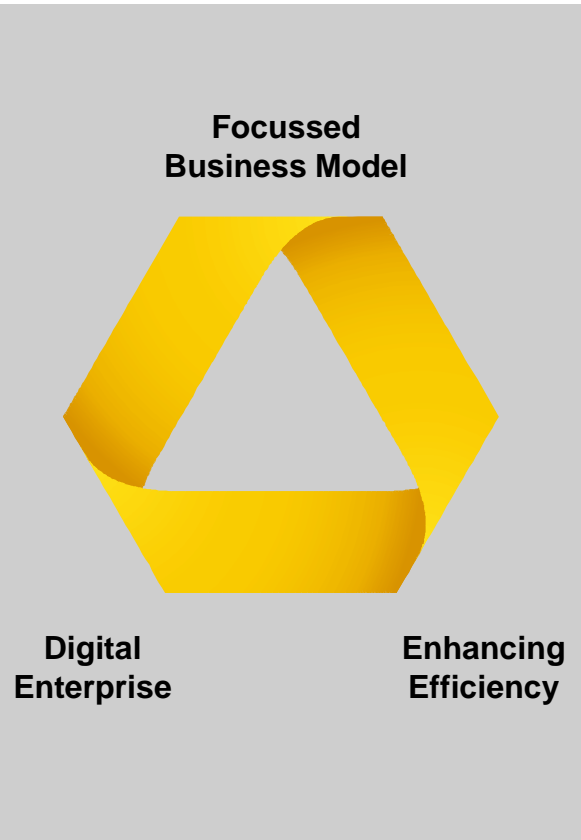
Agenda

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Commerzbank at a glance

Facts and Figures: an Overview

A leading international commercial bank with a client-focussed portfolio of financial services in two segments



Facts and Figures: Commerzbank's Global Presence



6 subsidiaries, 21 branches, and
32 representative offices internationally

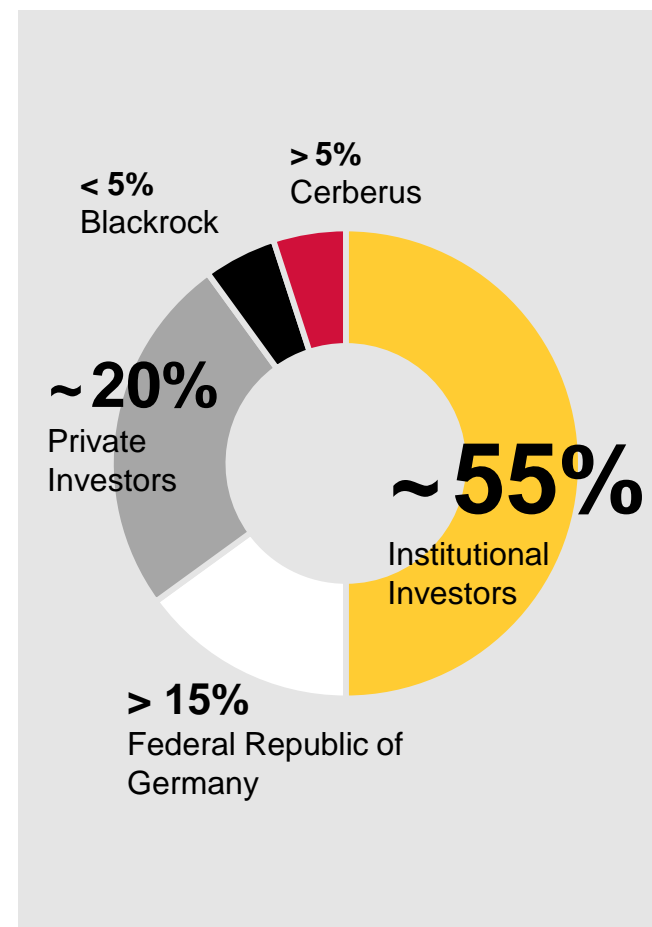
Approximately 1,000 branches in Germany

Facts and Figures: Selected Group Financial Figures

Figures	FY 2017	FY 2018 ¹	Q4 2018 ¹
Total revenues (in €m)	8,764	8,570	2,035
Op. result (in €m)	1,149	1,245	240
Consolidated profit (in €m) ²	128	865	113
Cost income ratio op. business (%)	78.0	80.3	80.6
CET 1 ratio (%) ³	14.1	12.9 ⁴	12.9 ⁴
Op. RoTE (%)	4.3	4.8	3.6

	31 Dec 2017	31 Dec 2018
Employees	49,417	49,410

Shareholder structure as of December 2018



Strategic Positioning: “Commerzbank 4.0”



**Our goal: higher profitability
and enhanced competitiveness**

We continue building on our **strengths in our core business** and advancing **digitalisation**, whilst remaining focussed on **increasing revenues** together with **reducing costs**

By 2020, 80 per cent of all relevant processes will be digital

Private and Small-Business Customers

Flexible multi-channel bank with traditional values

Corporate Clients

Long-term business partner in Germany and abroad with an **intelligent mix of credit and capital market products**

Segments of Commerzbank: Private and Small-Business Customers



€m	FY 2017	FY 2018	Q4 2018
Revenues	4,823	4,803	1,163
Op. result	858	735	172

Around **10,000 advisors** and approximately **13 million customers**: one of the leading banks for private and small-business customers in Germany

Target **2 million net new customers** in Germany by 2020

“**One**” is the name of the **multi-channel bank**: **one sole IT platform** workable for all channels and PSBC clients

Approximately 1,000 branches: **one of the densest branch networks** among German private banks

2 different types of branches: **flagship branches** focussed on advisory and **city branches** focussed on serving clients in the most efficient manner

Comdirect and **mBank**: two of the leading online banks

Segments of Commerzbank: Corporate Clients

€m	FY 2017	FY 2018	Q4 2018
Revenues	3,613	3,451	808
Op. result	676	629	122

Further improved client coverage due to **stronger linkage of our expertise in corporate banking and capital markets**

Approximately 30% market share: Commerzbank is the **leading bank** in processing **German foreign trade**

Leading financier of **SMEs** in Germany

More than 100 locations in **Germany**, almost 50 hubs **worldwide**

Leading provider of risk hedging solutions for corporate clients

Top rankings in the European bond market and a **top 10 position** in EMEA for syndicated loans



2020: Commerzbank 4.0 – a Strategy with three major Cornerstones

Focussed business model

- › We will focus on business in two operating segments: Private and Small Business Clients and Corporate Clients
- › We will continue to reduce our non-core activities systematically

Digital enterprise

- › We will transform the bank into a digital enterprise
- › Until 2020, we will digitise 80 % of all relevant processes of the whole bank

Enhancing efficiency

- › We will simplify the bank to enhance our efficiency
- › We will generate additional competitive advantages due to the simplification of our processes



Q4 2018 / FY 2018 preliminary and unaudited results

Growth on the back of successful strategy implementation

Commerzbank 4.0 drives...



Simple

- › We will focus on businesses in two operating segments: **PSBC** and **CC**
- › We will discontinue non-core activities



Digital

- › We will transform the bank into a **digital enterprise**
- › We will digitalise **80%** of all relevant processes until 2020



Efficient

- › We will simplify the bank, creating efficiency
- › We will generate additional **competitive advantages**

... business model transformation ...



PSBC

- › **Consumer Finance** business on own balance sheet
- › Setup of market segment **Small Business Customers** within PSBC



CC

- › **Integration** of all corporate client activities in one segment
- › **Sale of EMC** business



Run-down legacy portfolios

- › Legacy portfolios **cleaned up**
- › Ship finance **<€500m**

... and growth in core segments based on high quality balance sheet



PSBC

- › **1m** net new customers (GER)
- › **+€46bn** Assets under Control (GER)
- › Underlying revenue growth of **€234m** in 2018



CC

- › **8.9k** net new corporate customers
- › Loan growth of **€7bn** with corporates
- › RWA efficiency of **3.9%**

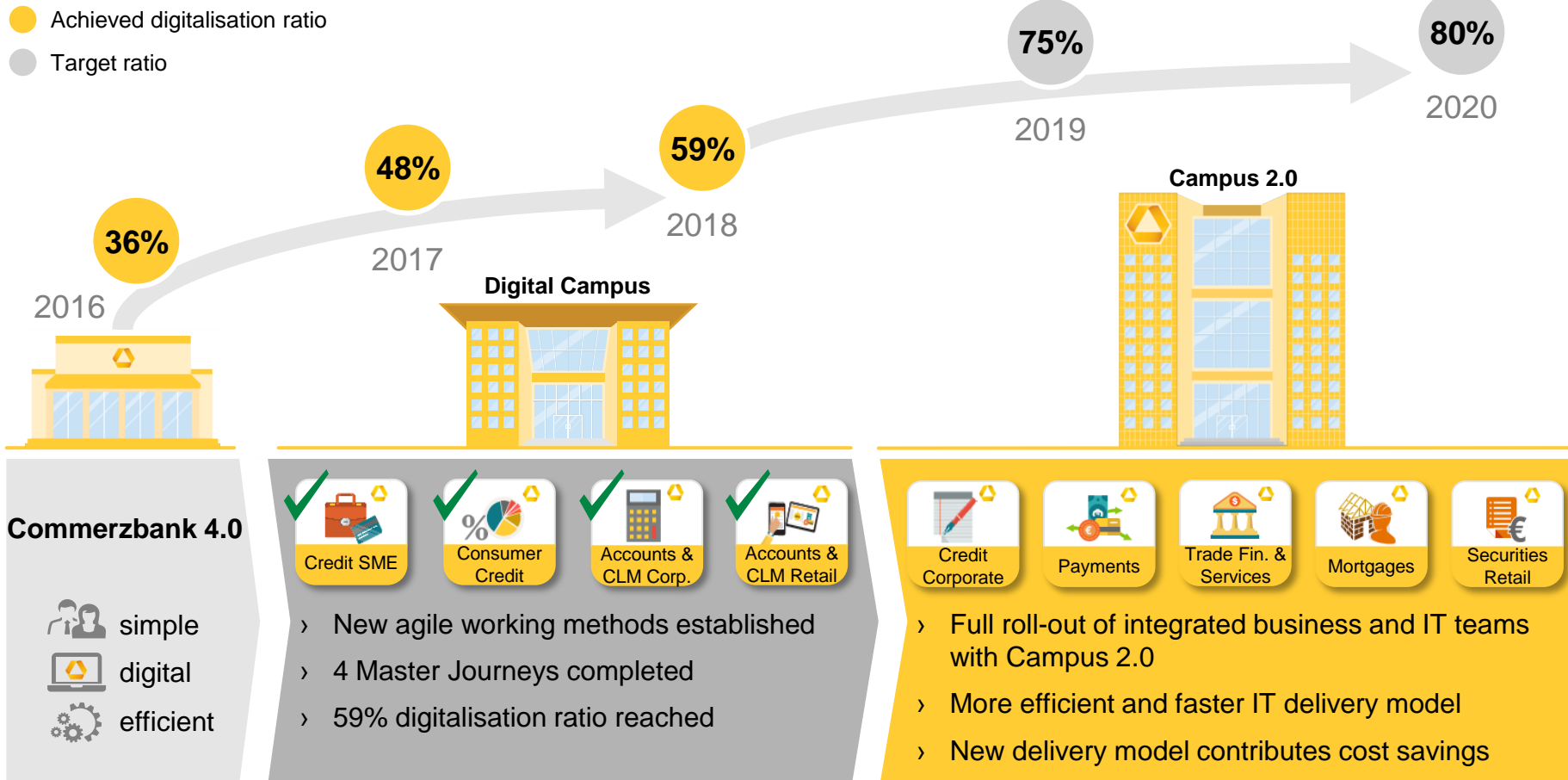


Balance sheet quality

- › Clean balance sheet with NPL **<0.9%**
- › Capital reallocated to growth in core segments

Significant progress in digitalisation – roll out of new delivery model

Digitalising our core processes – our roadmap to a digital enterprise



Sound and robust compliance framework established – Commerzbank recognised as reliable partner

Initiatives to strengthen Compliance



- › Stringent implementation of the “Three Lines of Defense” model and a culture of integrity
- › Establishment of global robust and sustainable AML and Sanctions compliance program
- › State-of-the-art transaction monitoring and sanctions screening systems
- › Definition and roll-out of consistent global KYC processes
- › US Monitorship instrumental in implementing a sound and robust global compliance – following strict US regulatory requirements



Next steps:
Continuous improvement
Further automation
Usage of big data

Substantial investment of approx. €600m



Increase of global headcount in compliance department to over 700



Full year operating profit of €1.2bn and net result of €865m

Highlights 2018

Improved underlying revenues and benign risk result

- › FY underlying revenues increased by 5% vs. 2017
- › Q4 underlying revenues remain stable vs. Q3 despite challenging markets
- › Risk Result of €-446m significantly (43%) below 2017 LLPs thanks to reduced ship finance

Costs in line with guidance

- › Expenses of €6.9bn in line with full year guidance of €7.1bn when adding back ~€200m from discontinued operations (EMC)
- › Cost management largely compensating effects of strong investments

Net RoTE of 3.4% in second transformation year

- › Q4 contributing €240m to FY operating result of €1.2bn
- › Ongoing loan demand reflected in FY RWA growth of 6% and CET1 ratio of 12.9%
- › Dividend of €20ct per share planned for AGM

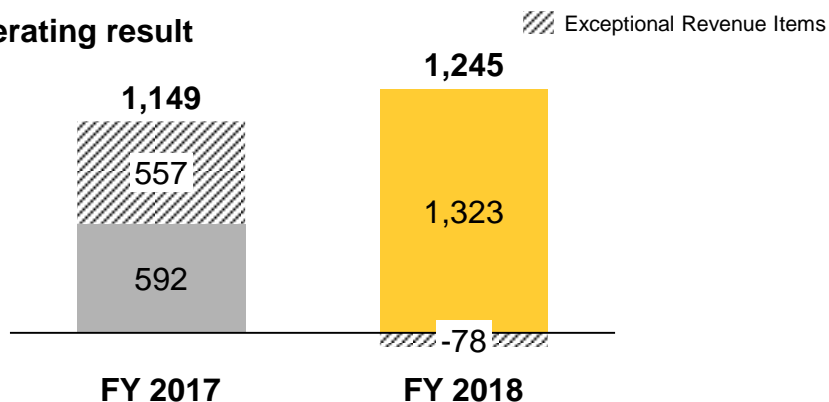
Exceptional revenue items

2017 (€m)			Revenues	2018 (€m)			Revenues
Q1	› Hedging & valuation adjustments	108	108	› Hedging & valuation adjustments	-24	1	
				› Polish group insurance business (PSBC)	52		
				› PPA Consumer Finance (PSBC)	-27		
Q2	› Hedging & valuation adjustments	8	8	› Hedging & valuation adjustments	42	18	
					› PPA Consumer Finance (PSBC)		-25
Q3	› Hedging & valuation adjustments	28	502	› Hedging & valuation adjustments	41	18	
	› Concardis (PSBC)	89					
	› Consumer Finance Joint Venture	160					
	- thereof PPA (PSBC)	-16					
	› Property sales gains (O&C)	225					
Q4	› Hedging & valuation adjustments	-32	-60	› Hedging & valuation adjustments	-95	-115	
	› PPA Consumer Finance (PSBC)	-29			› PPA Consumer Finance (PSBC)		-21
FY			557	-78			

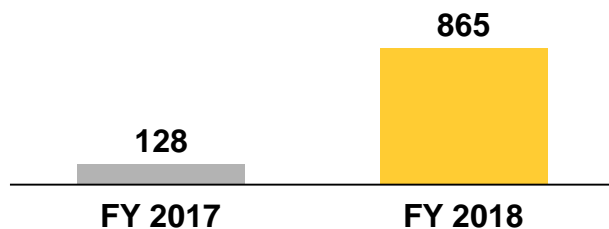
Key financial figures at a glance

Group Financial Results

Operating result (€m)

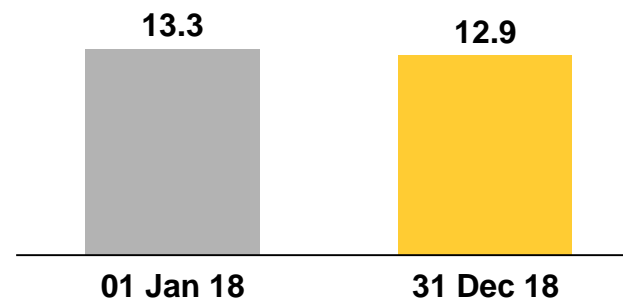


Net result¹ (€m)

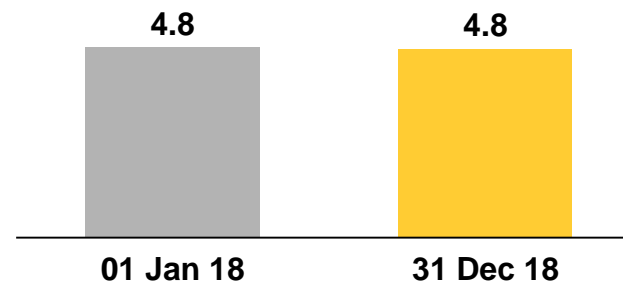


Group Capital²

B3 CET1 ratio fully phased-in (%)



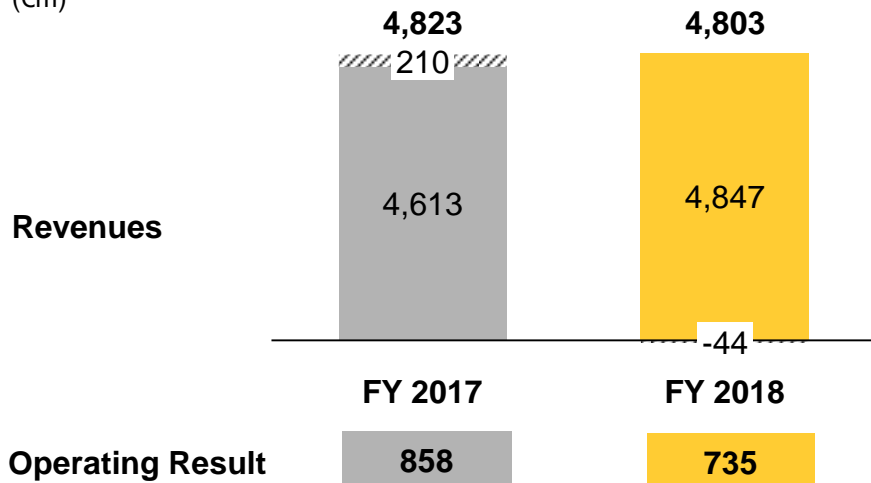
Leverage ratio fully phased-in (% end of period)



Revenues and operating results of Commerzbank divisions

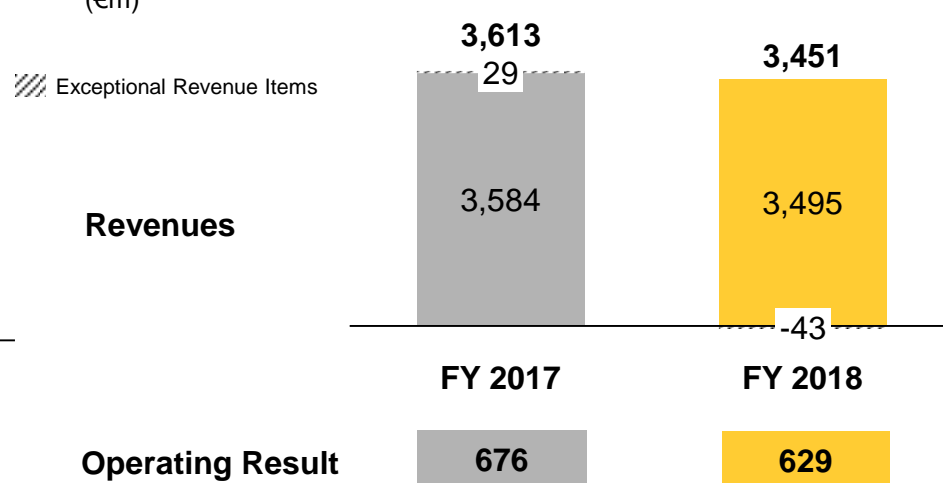
Private and Small Business Customers

(€m)



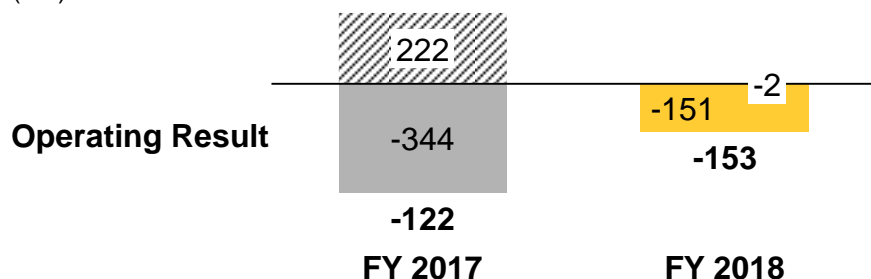
Corporate Clients

(€m)



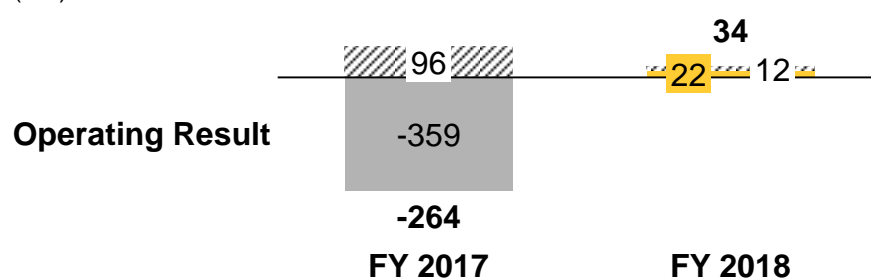
Others & Consolidation

(€m)



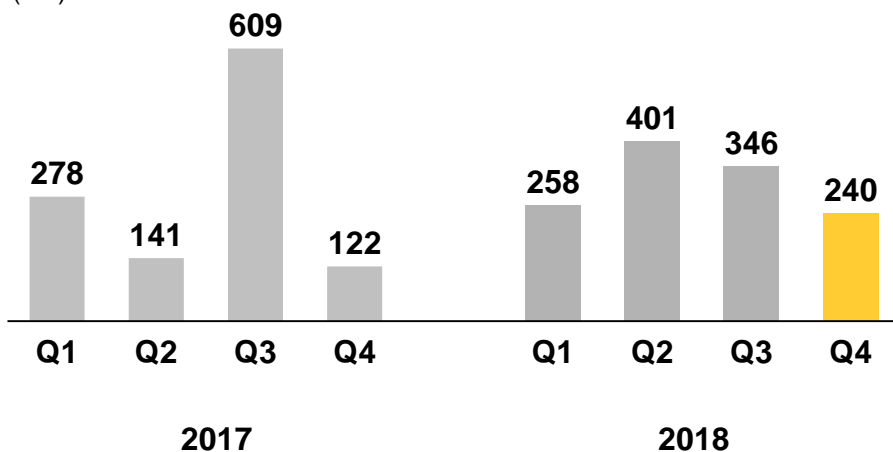
Asset & Capital Recovery

(€m)



Operating result with substantially increased revenue quality

Group operating result (€m)



Group P&L

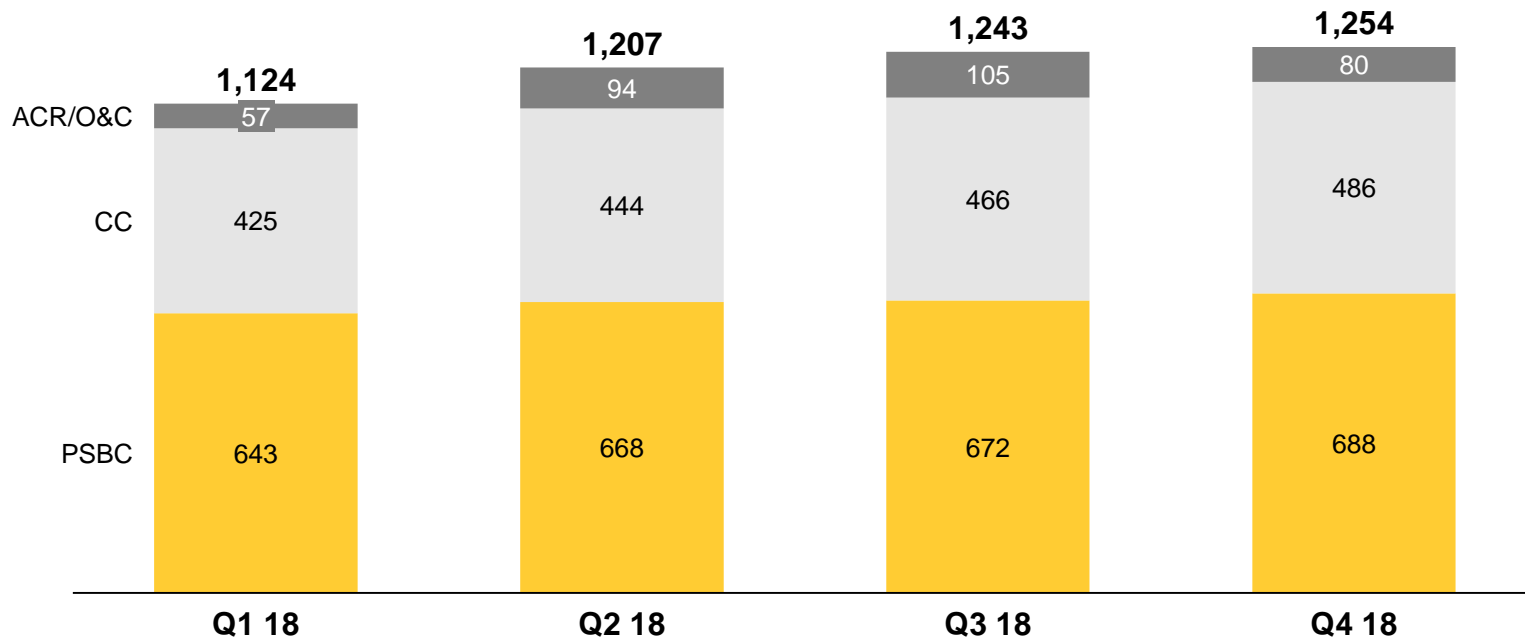
in €m	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Revenues	2,105	2,140	2,035	8,764	8,570
Exceptional items	-60	18	-115	557	-78
Revenues excl. exceptional items	2,165	2,122	2,151	8,208	8,648
<i>o/w Net interest income</i>	1,169	1,243	1,254	4,370	4,828
<i>o/w Net commission income</i>	778	771	754	3,192	3,089
<i>o/w Net fair value result</i>	69	53	17	456	410
<i>o/w Other income</i>	149	55	126	189	321
Risk result (2017: LLP)	-251	-133	-154	-781	-446
Operating expenses	1,731	1,661	1,641	6,834	6,879
Operating profit	122	346	240	1,149	1,245
Restructuring expenses	-	-	-	808	-
Pre-tax profit discontinued operations	16	-15	-30	118	-15
Pre-tax profit Commerzbank Group	137	331	210	459	1,230
Taxes on income	35	89	75	237	262
Minority interests	27	24	22	94	103
Net result ¹	75	218	113	128	865
CIR (%)	82.3	77.6	80.6	78.0	80.3
Net RoTE (%)	1.2	3.5	1.8	0.5	3.4
Operating RoCET (%)	2.0	6.0	4.1	4.9	5.4

Highlights

- › Significantly improved revenue quality (+€441m) – largely compensating for exceptional items (-€635m)
- › FY 5% increase in underlying revenues driven by NII while NCI and NFV slightly lower
- › Low risk result due to further balance sheet improvement drives increased operating result
- › Discontinued operations reflect agreement on sale of EMC

Positive trajectory of NII throughout 2018 – reflecting growth in PSBC and CC

Net Interest Income (excluding exceptional items)
(€m)

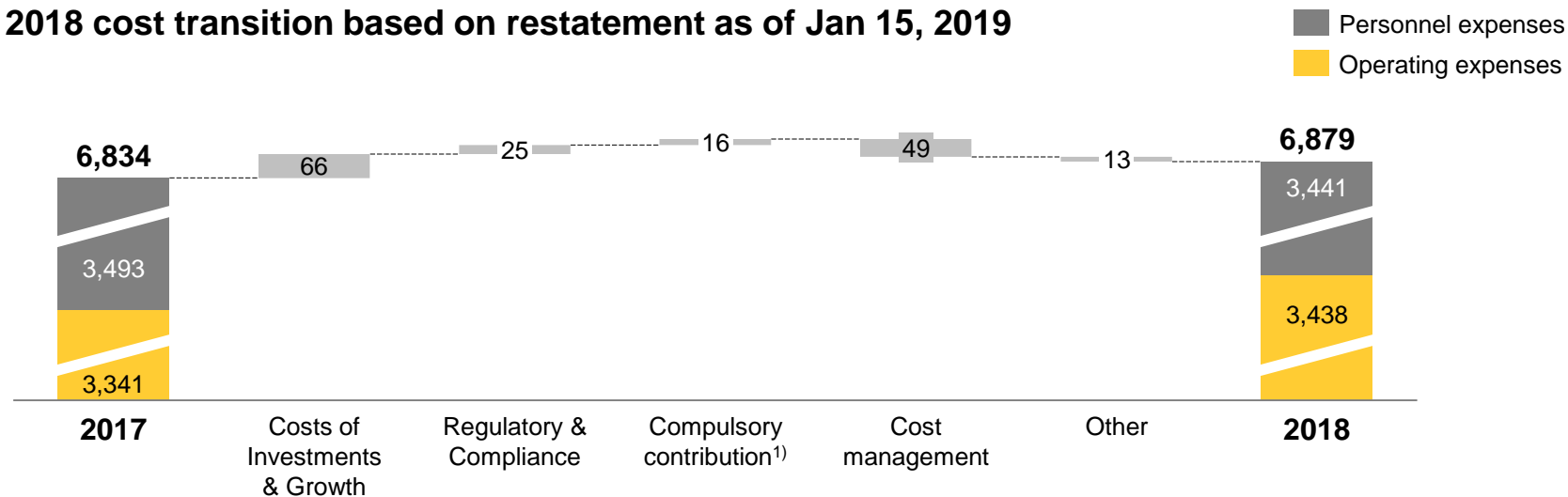


Loans and deposits as well as markets business in CC contributed to increase

Cost development in line with FY guidance

2017 vs. 2018 cost transition based on restatement as of Jan 15, 2019

(€m)



Highlights

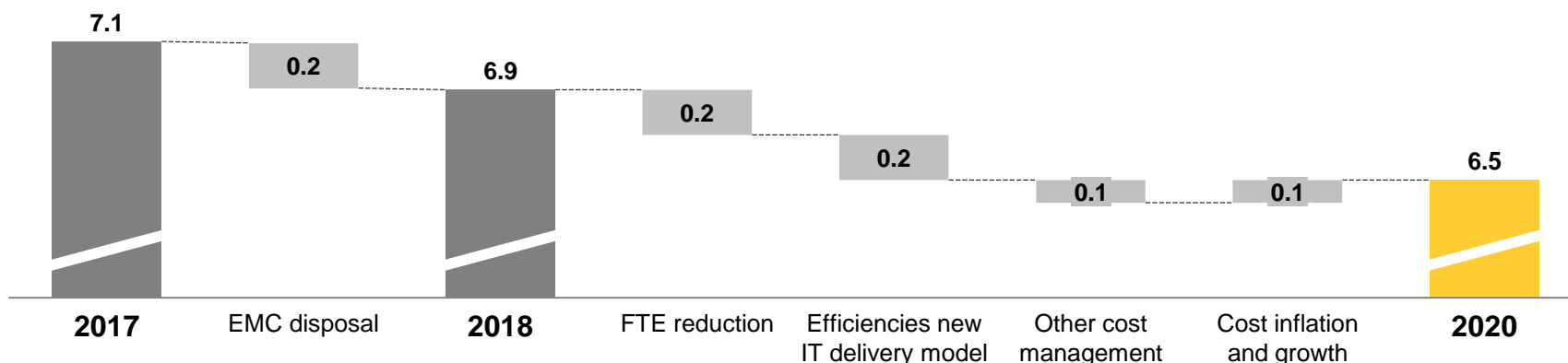
- › Continued strategic investments in digitalisation and growth peaked in mid 2018 as planned
- › Higher costs for regulatory requirements and compulsory contributions – 12M overall compulsory contribution of €420m
- › Cost Management driven by staff reduction and sourcing

For reference: 2018 costs of €6,879m correspond to guided €7.1bn when adding €246m from discontinued EMC business

Further cost savings through increased efficiency and FTE reductions

Drivers of cost development

(€bn)



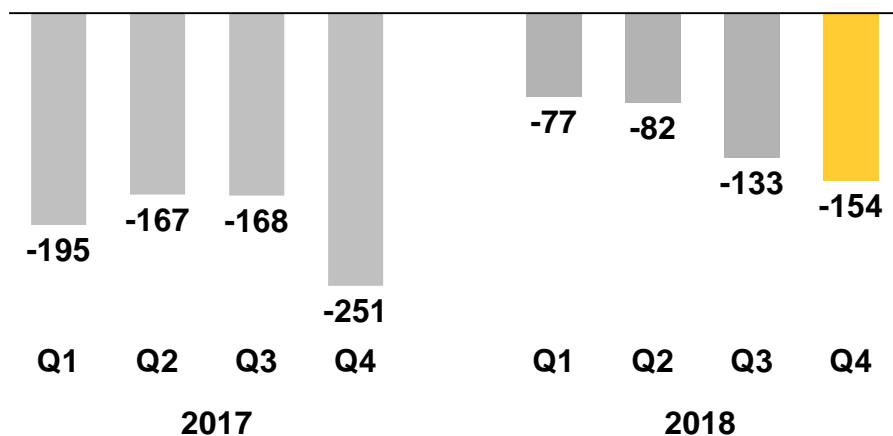
Highlights

- › Targeted cost reduction to <€6.8bn in 2019 and €6.5bn in 2020
 - FTE reductions based on efficiency gains including digitisation
 - Efficiencies from new Campus 2.0 delivery model including benefits of internalisation
 - Other ongoing cost management measures offset effects from cost inflation and growth
- › Growth, sourcing and internalisation in IT lead to revised expected FTE of >38k

Continued low risk result

Risk Result (Provisions for loan losses in 2017)

(€m)



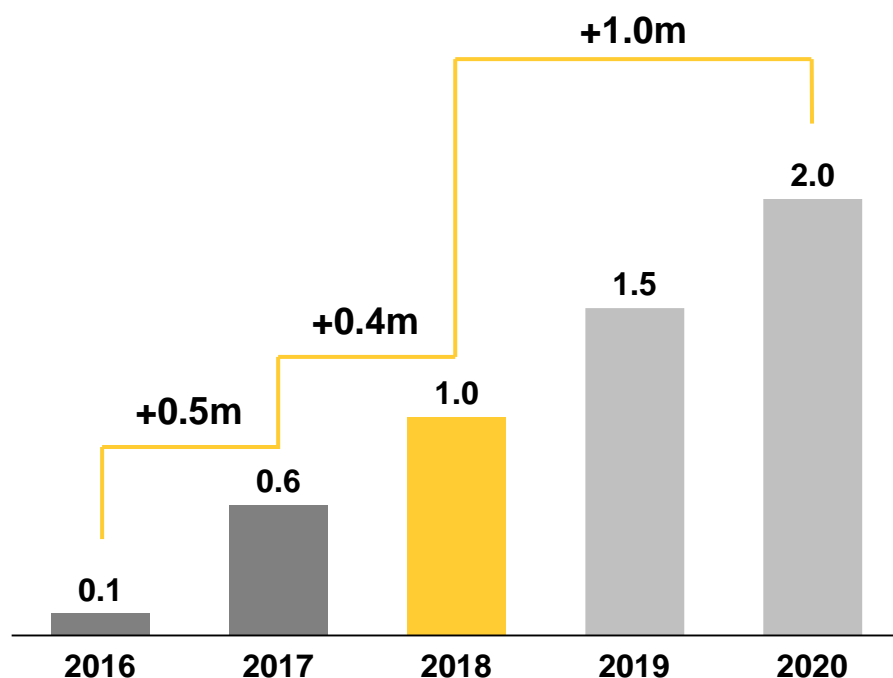
Risk Result in €m	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Private and Small Business Customers	-24	-69	-49	-154	-233
Corporate Clients	-172	-60	-71	-295	-194
Asset & Capital Recovery	-59	2	-23	-336	-8
Others & Consolidation	4	-4	-10	4	-11
Group	-251	-133	-154	-781	-446
NPL in €bn					
Private and Small Business Customers	1.9	1.8	1.8	1.9	1.8
Corporate Clients	2.6	1.7	1.7	2.6	1.7
Asset & Capital Recovery	1.1	0.2	0.4	1.1	0.4
Others & Consolidation	-	-	-	-	-
Group	5.6	3.8	3.8	5.6	3.8
Group NPL ratio (in %) ¹	1.3	0.9	0.9	1.3	0.9
Group CoR (bps) ²	18	9	10	18	10

Highlights

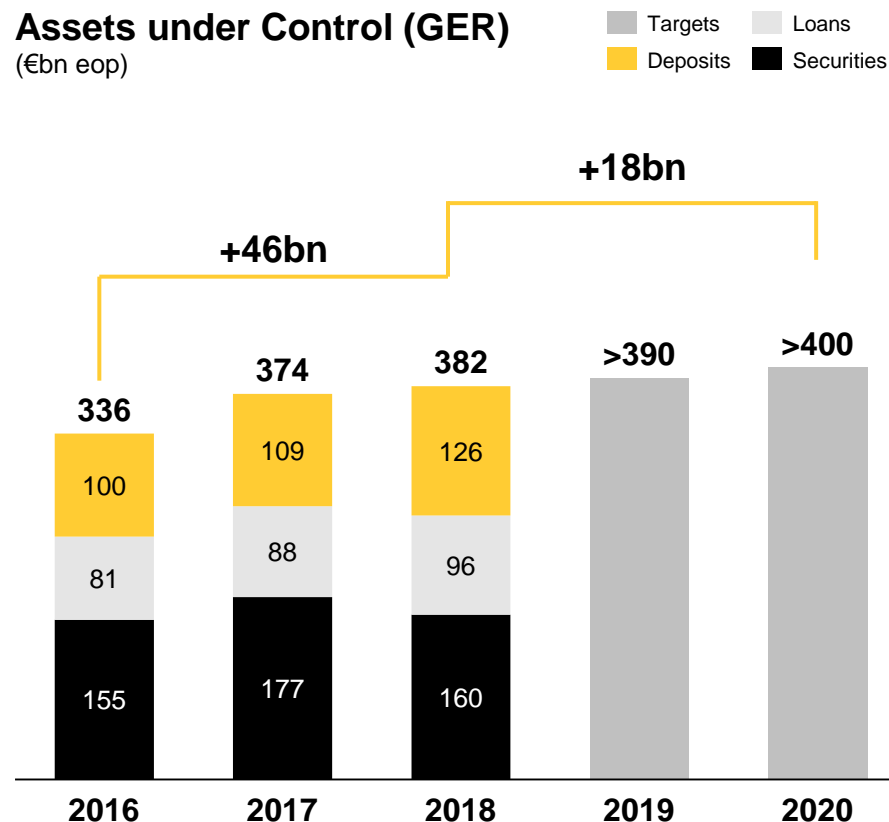
- › PSBC and CC reflect healthy risk profile based on prudent lending standards and stable German economy
- › Underlying credit losses stable throughout 2018 with H1 benefitting from write backs – H2 run-rate baseline going forward
- › PSBC reflects transferred consumer finance portfolio on own balance sheet since Q3 2017

Private and Small Business Customers: net new customer acquisition on target – lower securities volume due to weak Q4 markets

Net new customers (GER)
(m cumulative)

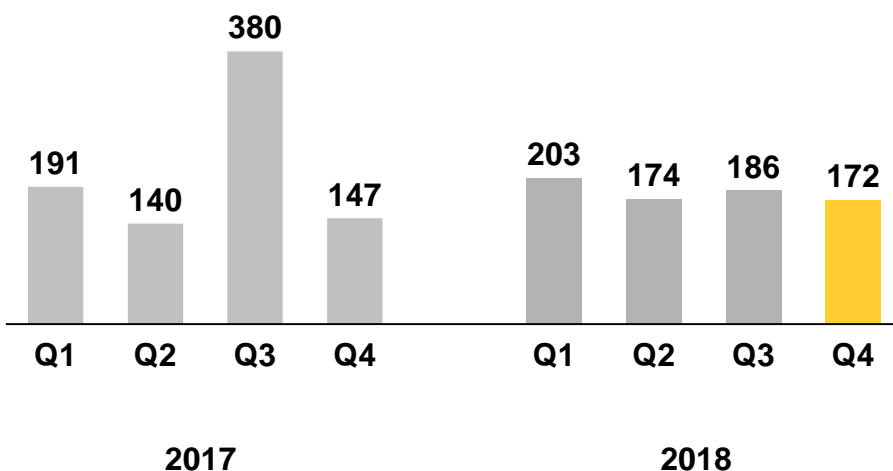


Assets under Control (GER)
(€bn eop)



Private and Small Business Customers: underlying revenue growth in 2018

Operating result (€m)



Segmental P&L

in €m	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Revenues	1,188	1,204	1,163	4,823	4,803
o/w Private Customers	598	610	581	2,243	2,392
o/w Small Business Customers	199	200	206	775	804
o/w mBank	260	265	257	998	1,040
o/w comdirect	103	95	95	378	389
o/w Commerz Real	56	56	46	219	222
o/w exceptional revenue items	-29	-22	-23	210	-44
<i>Revenues excl. exceptional items</i>	<i>1,216</i>	<i>1,226</i>	<i>1,185</i>	<i>4,613</i>	<i>4,847</i>
Risk result (2017: LLP)	-24	-69	-49	-154	-233
Operating expenses	1,016	949	941	3,811	3,835
Operating profit	147	186	172	858	735
RWA (end of period in €bn)	38.5	40.5	41.4	38.5	41.4
CIR (%)	85.6	78.8	81.0	79.0	79.8
Operating return on equity (%)	12.5	15.5	14.1	19.0	15.5

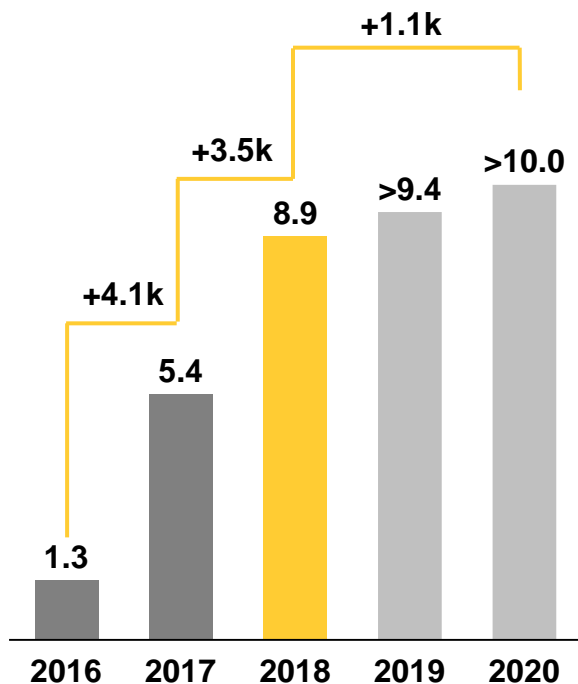
Highlights

- › FY €234m (5%) increase of underlying revenues with all subdivisions contributing
- › Q4 underlying revenues below Q3 – increased NII (+€17m) more than offset by lower NCI impacted by weak markets and fair value result
- › YoY loan volume in German mortgage business up 9% to €75.6bn and consumer finance book at €3.6bn

Corporate Clients: Further customer growth and increased loan volume

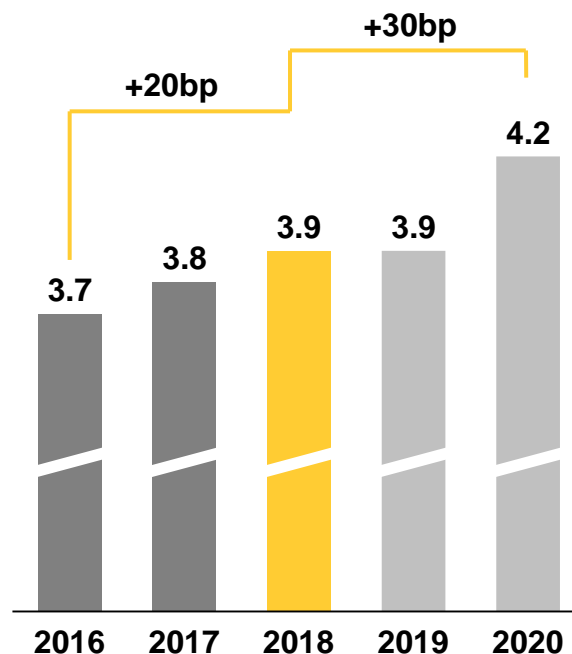
Net new customers

(k cumulative)



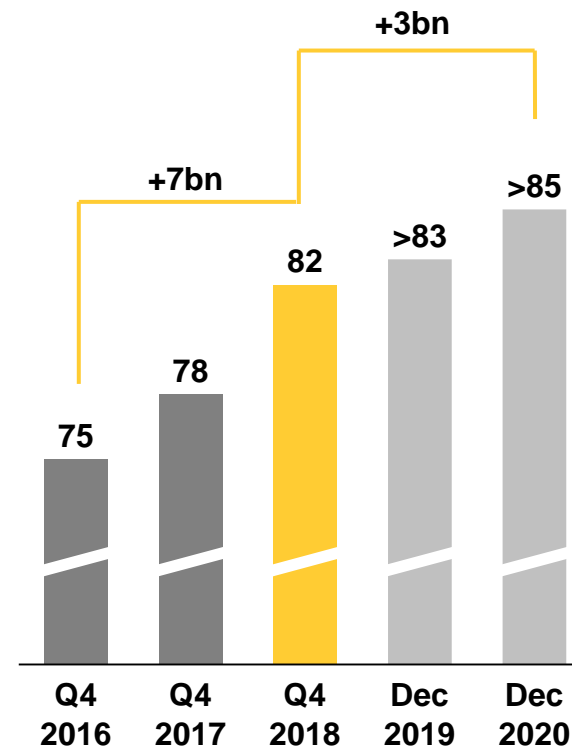
Revenues/RWA¹

(%)



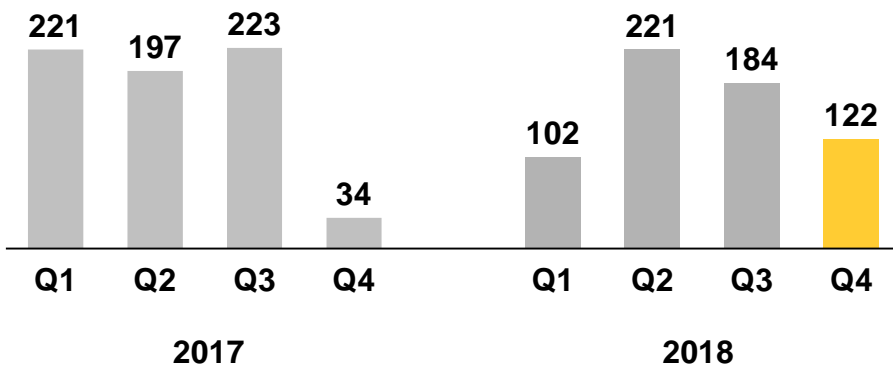
Loan Volume Corporates²

(€bn)



Corporate Clients: solid result considering ongoing margin pressure

Operating result (€m)



Segmental P&L

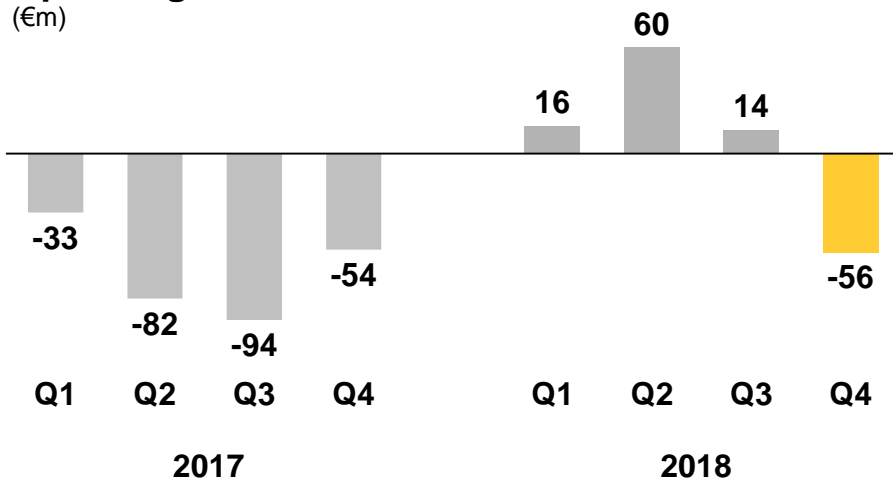
in €m	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Revenues	893	865	808	3,613	3,451
o/w Mittelstand	463	456	449	1,864	1,766
o/w International Corporates	215	206	232	889	877
o/w Financial Institutions	103	116	121	458	474
o/w others	115	73	54	373	377
o/w exceptional revenue items	-3	15	-49	29	-43
<i>Revenues excl. exceptional items</i>	<i>896</i>	<i>850</i>	<i>857</i>	<i>3,584</i>	<i>3,495</i>
Risk result (2017: LLP)	-172	-60	-71	-295	-194
Operating expenses	687	620	615	2,642	2,628
Operating profit	34	184	122	676	629
Pre-tax profit discontinued operations	16	-15	-30	118	-15
RWA (end of period in €bn)	88.1	97.4	97.6	88.1	97.6
CIR (%)	76.9	71.7	76.1	73.1	76.2
Operating return on equity (%)	1.3	6.6	4.3	6.0	5.8

Highlights

- › Underlying revenues in Q4 slightly above Q3 in a challenging market environment driven by slightly higher NII reflecting the resilient business model
- › Loan growth based on prudent lending standards
- › Financial Institutions continues positive development
- › FY International Corporates and Mittelstand reflecting margin competition and subdued demand for capital markets products

Asset & Capital Recovery: operating result driven by valuation effects

Operating result (€m)



Segmental P&L

in €m	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Revenues	24	28	-20	170	114
Revenues excl. exceptional items	54	2	22	75	103
Risk result (2017: LLP)	-59	2	-23	-336	-8
Operating expenses	19	16	12	98	72
Operating profit	-54	14	-56	-264	34
RWA (end of period in €bn)	18.0	12.6	12.1	18.0	12.1
CRE (EaD in €bn)	1.5	0.9	0.9	1.5	0.9
Ship Finance (EaD in €bn)	2.6	0.8	0.4	2.6	0.4
Public Finance (EaD in €bn)	10.0	7.5	7.7	10.0	7.7
Group Ship Finance (EaD in €bn)	3.4	1.1	0.5	3.4	0.5

Highlights

- › Operating result reflecting reduced portfolio size and valuation effects
- › Reduction of legacy positions progressing with an EaD reduction of ~€5bn in 2018
- › Well marked Shipping portfolio below €500m and fewer than 60 ships financed

Objectives and expectations for 2019

2019 – Outlook

- We continue our growth strategy and expect higher underlying revenues
- We target a cost base below €6.8bn
- We expect a Risk Result not below €550m
- We plan to maintain a dividend at level comparable to 2018
- We target a CET1 ratio $\geq 12.75\%$ in line with anticipated SREP requirements

We continue with the implementation of Commerzbank 4.0 – Strategic outlook towards 2020



We pursue our strategy based on a simplified business model and high quality balance sheet

We continue our growth strategy in a challenging macro environment – targeting average revenue growth of 3% p.a.

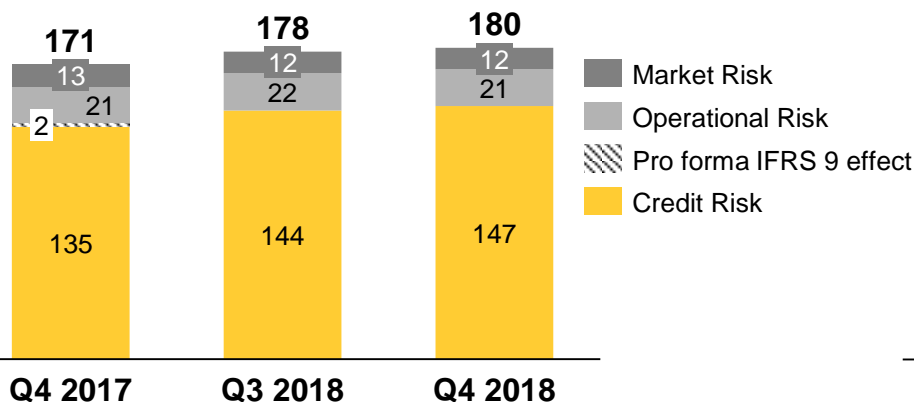
We further intensify our digitalisation efforts with Campus 2.0 – contributing to our targeted cost base of €6.5bn in 2020

Capital management and funding

Capital ratio of 12.9% due to growth and increased capital deductions

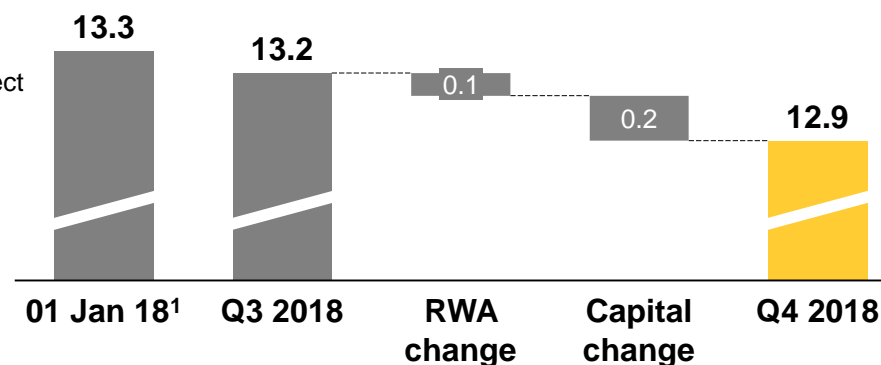
RWA development by RWA classification

(€bn eop)



Transition of CET1 ratio

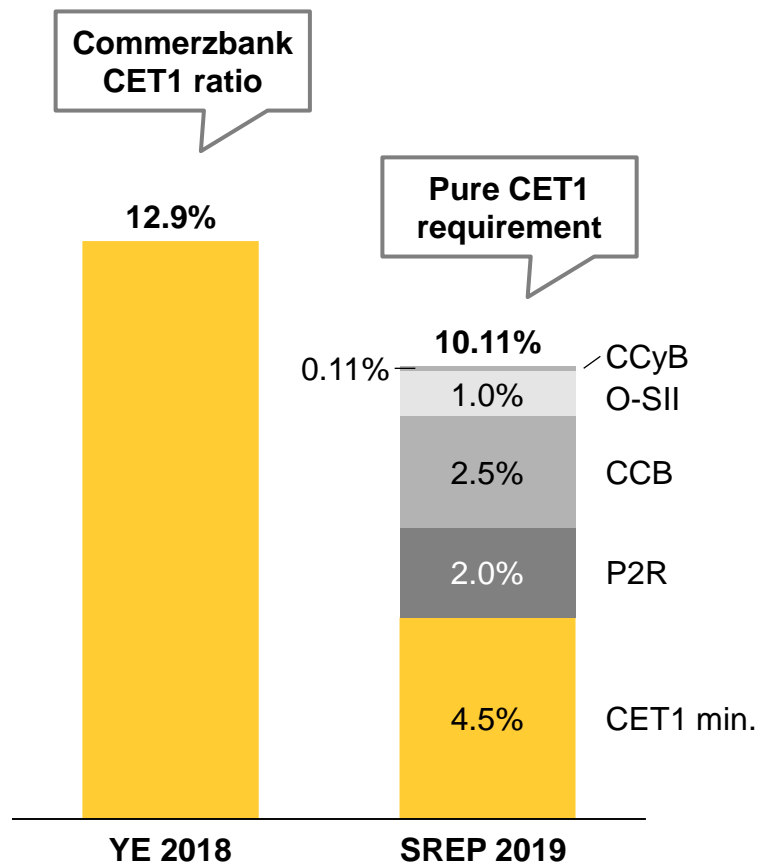
(%)



Highlights

- › Stable Market Risk RWA in line with business model
- › Higher Credit RWA driven by increased lending in PSBC and CC
- › Capital change driven by lower discount rate and reduced valuations of pension plan assets due to weak Q4 markets
- › Capital incorporates €0.20 per share dividend accrual

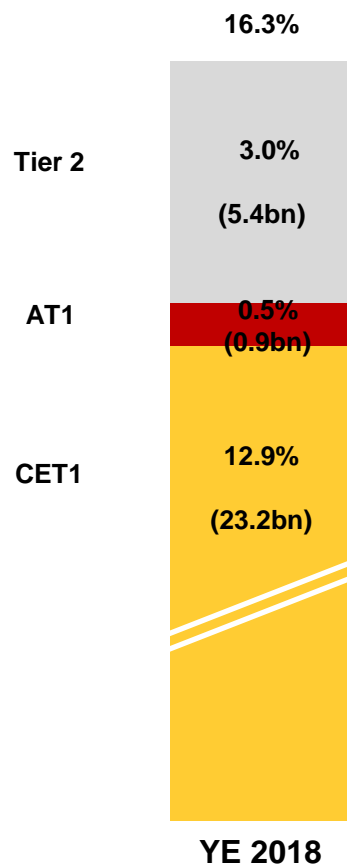
SREP 2019 – CET1 ratio well above requirement



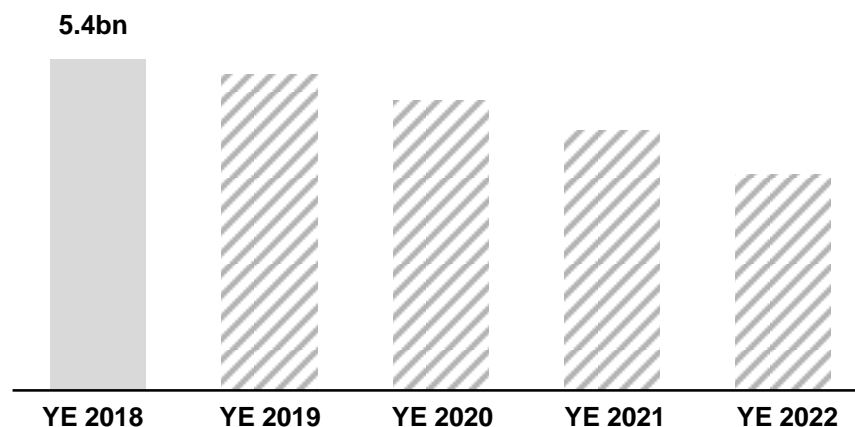
- › Commerzbank CET1 ratio of 12.9% well above SREP requirement
- › SREP 2019: Pure CET1 requirement at 10.11%
 - › Pillar 2 Requirement (P2R): Relief from 2.25% to 2.0% reflecting the progress made by Commerzbank in further risk reduction
 - › Other systematically important intuition (O-SII): 2019 phase-in from 1.0% to 1.5% has been postponed
 - › Capital Conservation Buffer (CCB): Industry-wide phase-in of Capital Conservation Buffer to 2.5%
 - › Countercyclical Buffer (CCyB): 0.11% stemming from foreign RWA

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 expected to be limited and manageable aiming at a Tier 2 layer that remains comfortably above 2% of RWA
- › Broaden market access includes potentially niche markets to provide flexibility

Funding highlights 2018

€1.75bn
dual tranche inaugural
preferred senior



4
benchmark
Pfandbriefe



Inaugural
Green bond
Non-preferred senior



AUD 225mn
Tier 2



CHF 100m
non-preferred senior

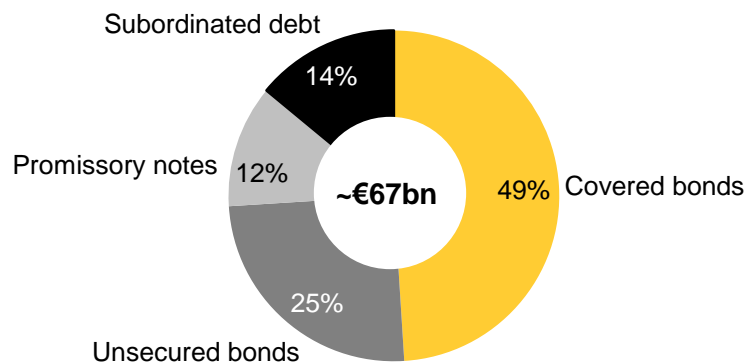
SGD 400mn
Tier 2

€500m
10Y
non-preferred senior

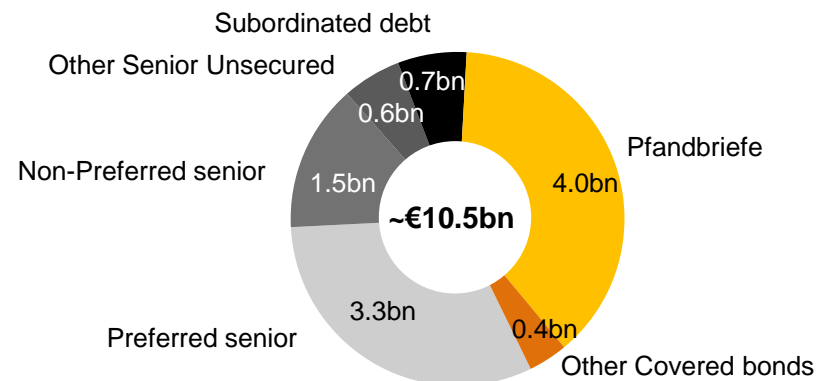
Capital markets funding activities

Funding structure¹

(as of 31 December 2018)



Group Funding activities 2018²



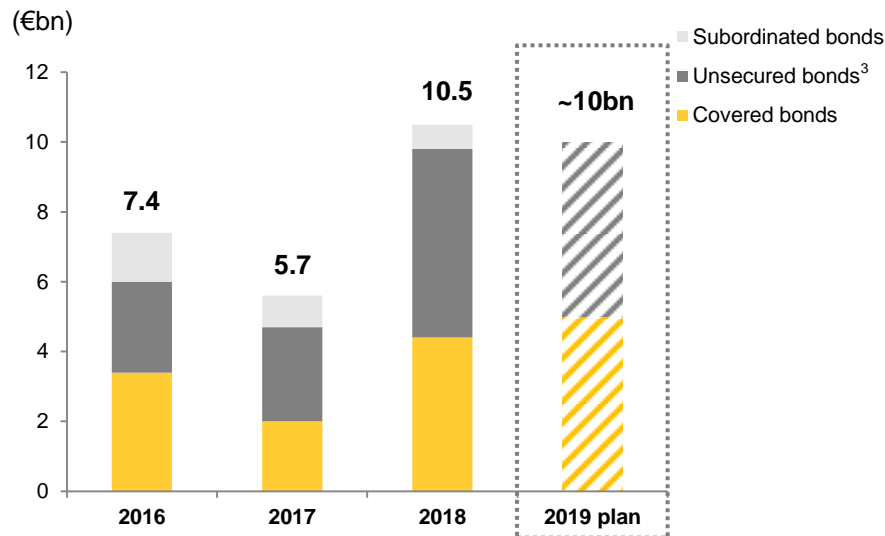
Highlights

€10.5bn issued in 2018 (average term ~7 years), with focus on longer tenors, thereof:

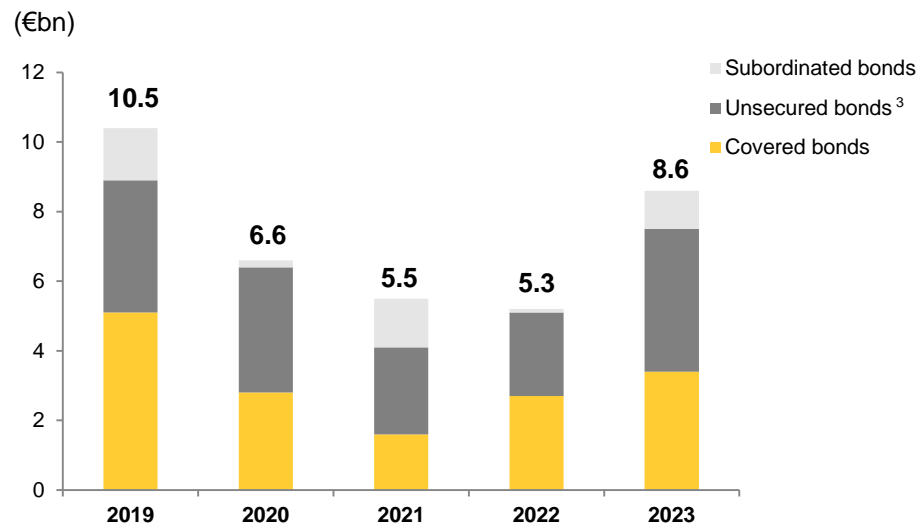
- Pfandbriefe: €3.75bn Benchmarks with maturities between 4 years and 10 years
- Preferred Senior: Benchmark transactions with total volume of €3.1bn including inaugural dual tranche in August 2018
- Non-Preferred Senior: €500m inaugural green bond backed by renewable energy loans
- Tier 2: Diversification in Asian markets (AUD 225m 10 years, SGD 400m 10 years non-call 5 years)
- mBank: €1.2bn issuances including €500m Senior Unsecured Benchmark and mBank Hipoteczny €300m 7 years covered bond

Diversification of funding sources

New issues activities¹



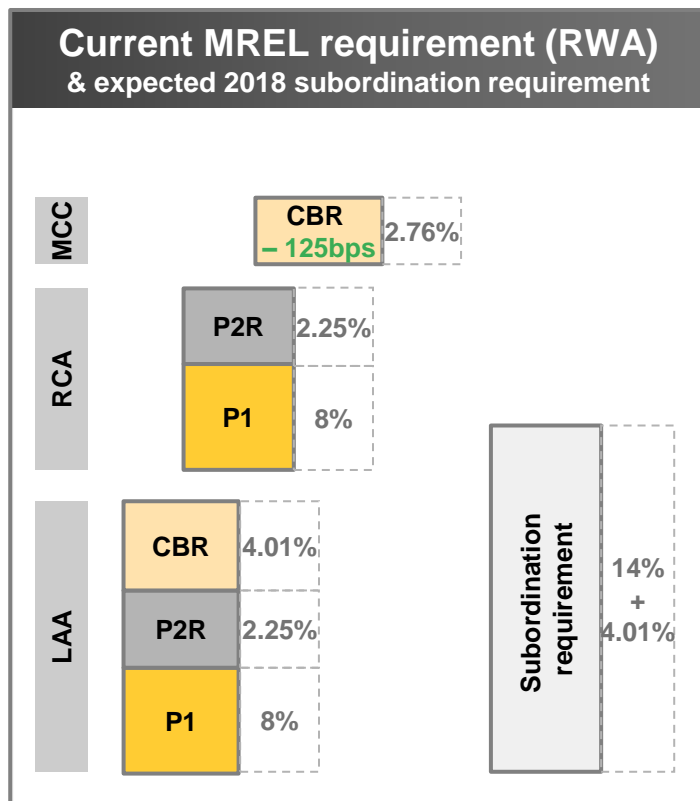
Maturities² until 2023



Strategy

- › Issuance requirements 2018 expected to be around €10bn
- › Ongoing review of funding plan throughout the year, final funding depends on asset / RWA development
- › New issuance to replace maturing debt and meet regulatory requirements
- › Continued focus on diversification: new foreign markets and new investors
- › New funding will support the well balanced maturity profile

MREL issuance planning in line with expected requirement



Total Requirement Σ 27.27% (FL)

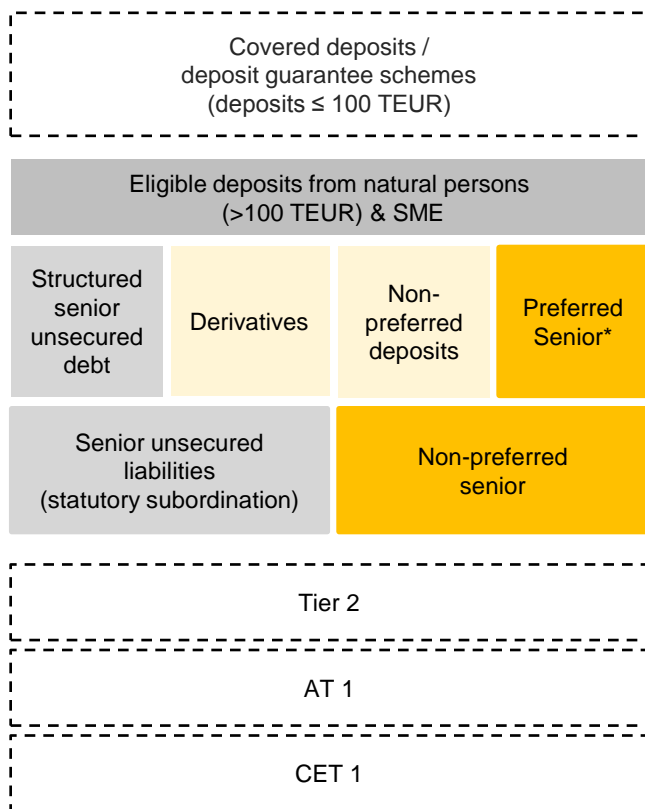
LAA = Loss Absorption Amount
RCA = Recapitalization Amount
MCC = Market Confidence Charge
MCB = Market Confidence Charge

- › The 27.27% RWA MREL requirement for Commerzbank becomes binding after 30 June 2020
- › No major changes to the MREL target are expected from the SRB's 2018 MREL policy
- › The newly introduced subordination requirement will be comfortably met, largely with capital instruments
- › Capital markets issuance of MREL instruments will be the main contributor to achieve MREL targets (in excess of CET1)
- › Commerzbank intends to keep the level of non-preferred senior debt and other subordinated instruments stable
- › After the introduction of the new preferred senior class of debt in Germany in July 2018 Commerzbank has begun issuing in this class. It plans to further increase the level of preferred senior issuance to meet MREL

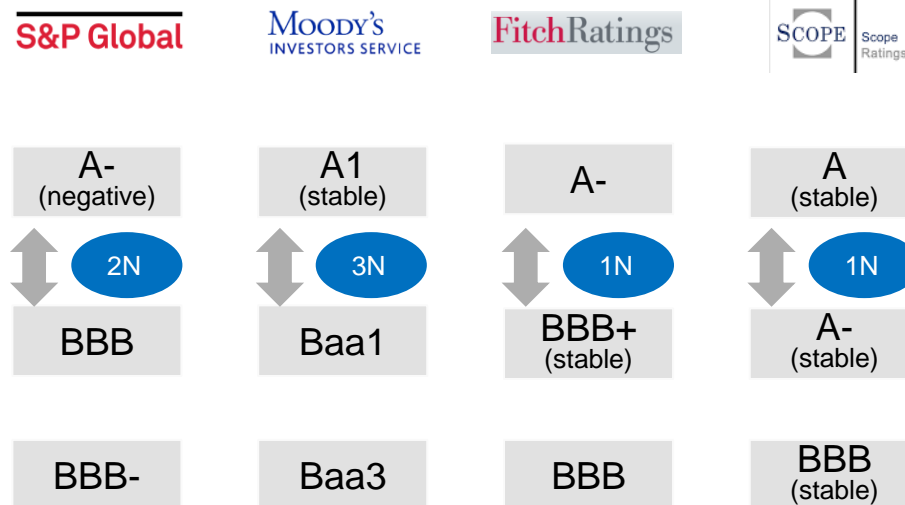
German creditor hierarchy – Implementation of BRRD Article 108


Since 21.07.2018

§46f KWG new - Implementation of BRRD Article 108



Commerzbank instrument ratings



 Notching difference

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 intended to 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

Appendix

Commerzbank Group

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German economy 2019 – ongoing upswing

Current development

- › In the course of 2018 the German economy significantly lost momentum, and the ongoing downward trend of the sentiment indicators signals that this soft patch is not yet over.
- › The main reasons are probably the temporarily stronger Euro and less dynamic demand from Asia. The US trade policy and the Brexit might have been an additional burden for the economy.
- › In contrast, the internal demand has grown further driven by the ECB's still very expansionary monetary policy.

Our expectation for 2019

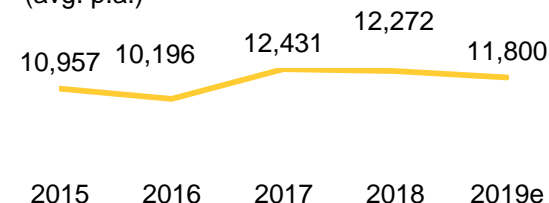
- › As long as risks do not materialise, e.g. no global trade war, a recession is unlikely because of the still expansionary stance of monetary policy.
- › In the further course of the year somewhat stronger demand in some parts of the world economy (especially in China based on the government's stimulus measures) will probably even lead to a little bit higher QoQ growth rates of the German economy. This should be signalled by an improvement of sentiment indicators starting in spring.
- › On average the German economy will to expand by 1.2% in 2019 (after 1.5% in 2018) which would be roughly in line with the long-term growth potential.

Risks in the long-run

- › The export oriented German economy could suffer especially from rising protectionism initiated by the US government.
- › In the medium term EMs – a very important market for German exports – could grow more slowly than in the past.
- › Germany's price and non-price competitiveness within the Euro area has eroded since 2009.
- › Economic policy has been geared more towards redistribution of wealth than support for growth, and this will not change with the current government.

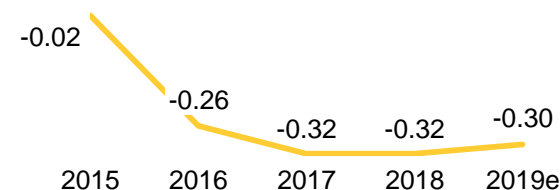
DAX

(avg. p.a.)



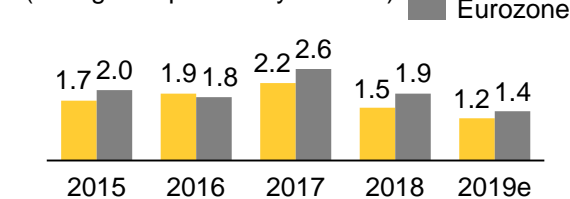
Euribor

(avg. p.a. in %)



GDP

(change vs. previous year in %)

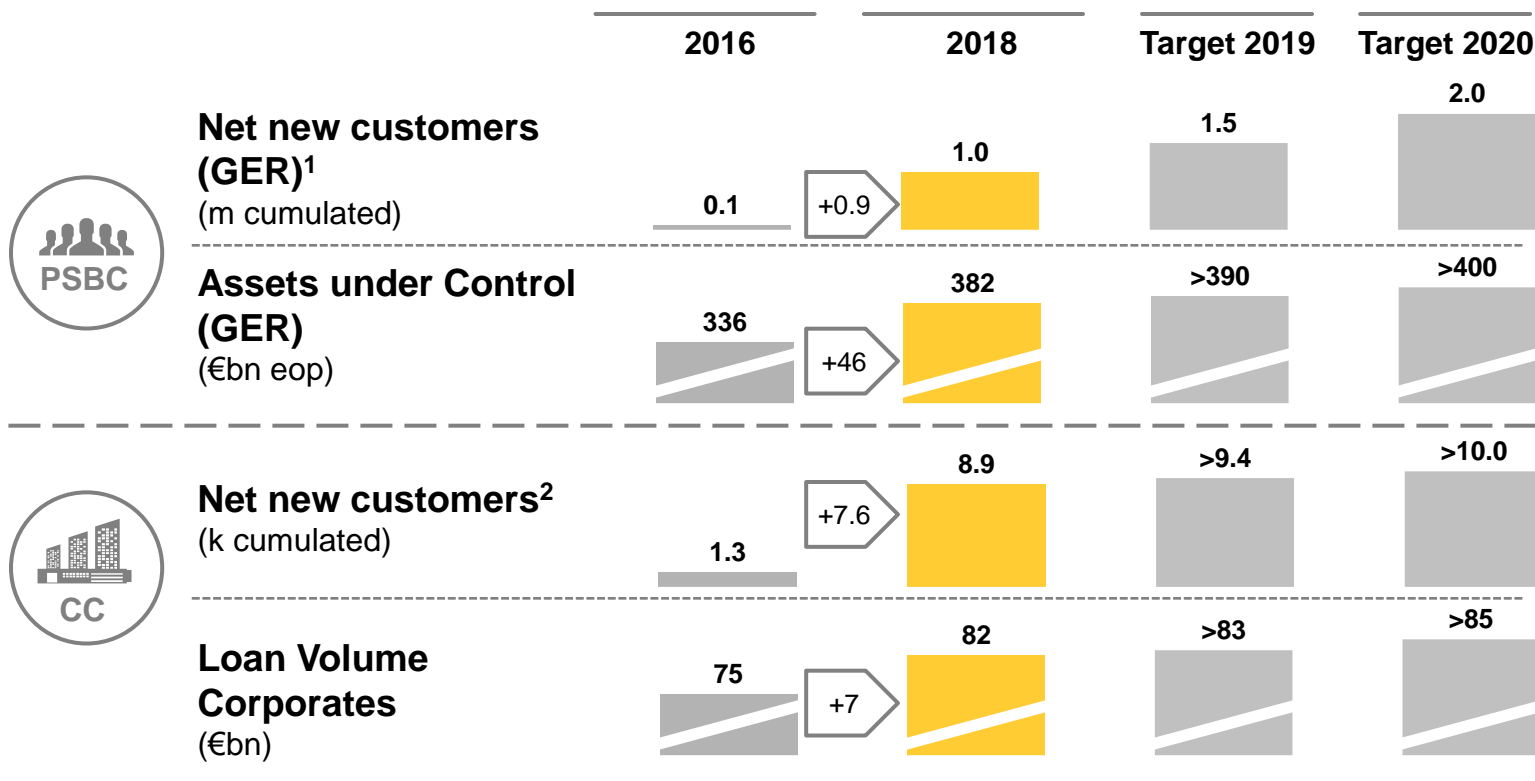


Commerzbank financials at a glance

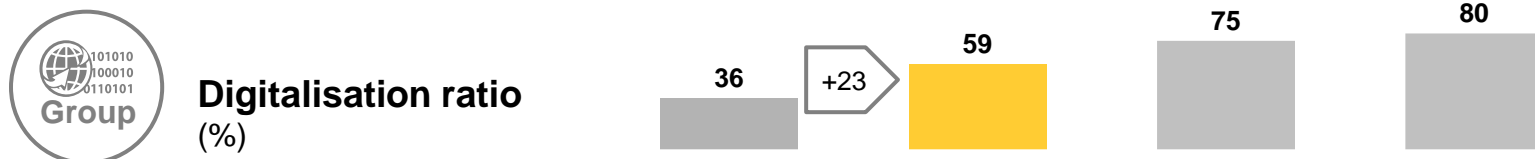
Group	Q4 2017	Q3 2018	Q4 2018	FY 2017	FY 2018
Operating result (€m)	122	346	240	1,149	1,245
Net result (€m)	75	218	113	128	865
CET1 ratio Basel 3 fully phased-in (%) ¹	14.1	13.2	12.9	14.1	12.9
Total assets (€bn)	452	493	462	452	462
RWA B3 fully phased-in (€bn)	171	178	180	171	180
Leverage ratio fully phased-in (%)	5.1	4.5	4.8	5.1	4.8
Cost/income ratio (%)	82.3	77.6	80.6	78.0	80.3
Net RoE (%)	1.0	3.1	1.6	0.4	3.1
Net RoTE (%)	1.2	3.5	1.8	0.5	3.4
Total capital ratio fully phased-in (%) ¹	17.5	16.4	15.9	17.5	15.9
NPL ratio (in %)	1.3	0.9	0.9	1.3	0.9
CoR (bps)	18	9	10	18	10

Key Execution Indicators

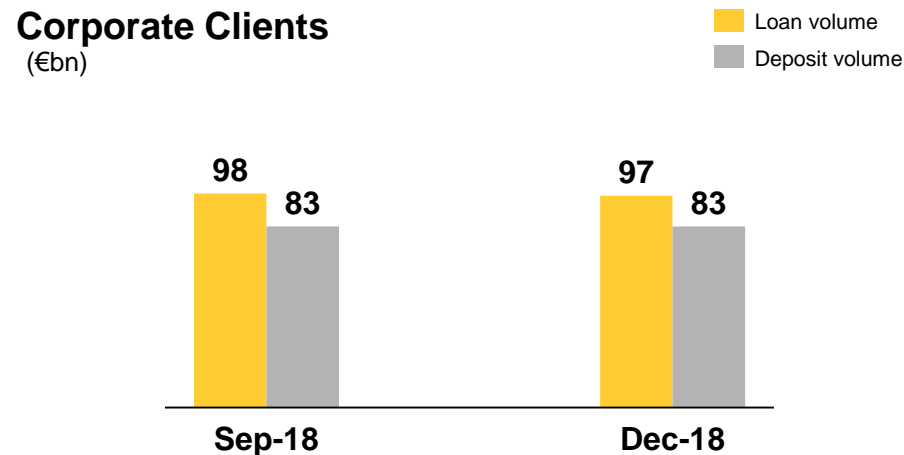
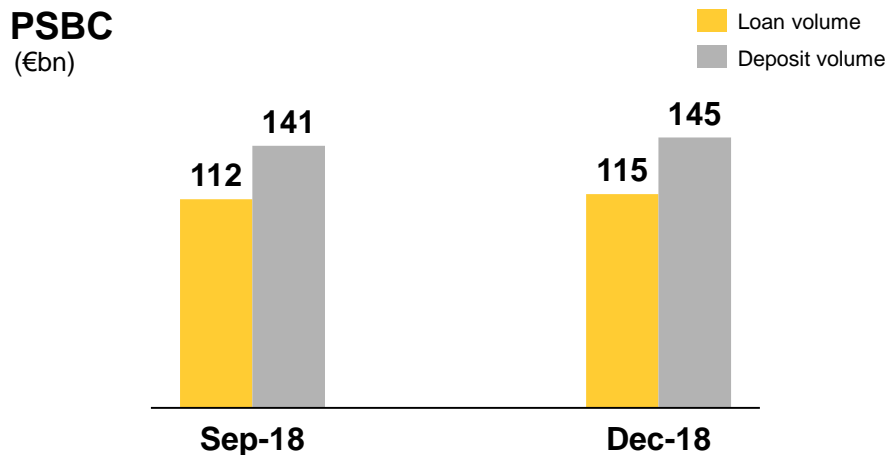
Growth



Digitalisation



Continuing loan and deposit growth

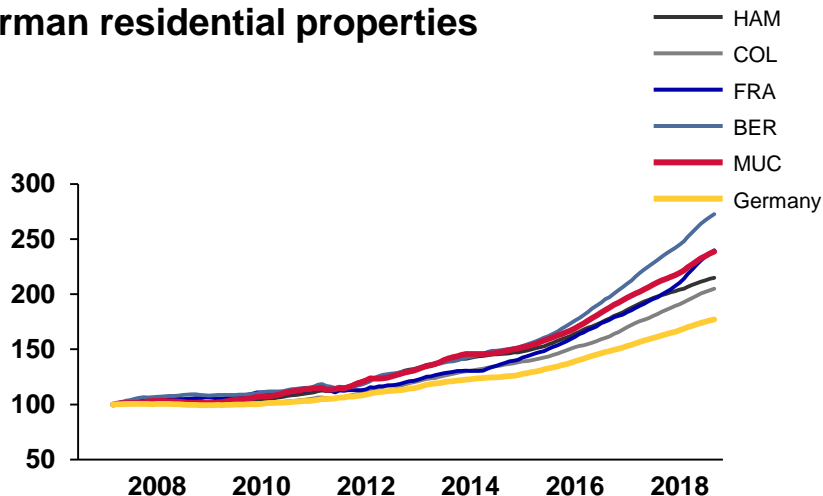


Highlights

- › Loan growth in Private and Small Business Customers mainly driven by mortgage business in Germany and mBank's loan book
- › Corporate Clients loan volume slightly lower with growth in corporate customers more than balanced by reductions with Financial Institutions and legacy books

Residential mortgage business vs. property prices

German residential properties



Source: Immobilienscout24, Commerzbank Research

- › Prices of houses and flats, existing stock and newly constructed dwellings, averages, index: March 2007 = 100; Munich (MUC), Berlin (BER), Hamburg (HAM), Frankfurt (FRA), Cologne (COL)

Overall mortgage portfolio

- › Growing mortgage volume with a very good risk quality:
 - 12/15: EaD €62.6bn – RD 12bp
 - 12/16: EaD €66.8bn – RD 10bp
 - 12/17: EaD €75.2bn – RD 9bp
 - 12/18: EaD €81.0bn – RD 9bp
- › Rating profile with a share of 90% in investment grade ratings
- › Vintages of recent years developed more favourably so far and NPLs remain at a low level
- › Due to risk-oriented selection, RD still very low
- › As a consequence of low interest rates, repayment rates remain on a very high level
- › Average “Beleihungsauslauf” (BLA) in new business of 84% in 2018. German BLA is more conservative than the internationally used LtV definition due to the application of the strict German Pfandbrief law



Risk parameters still on very good level, loan decisions remain conservative

Commerzbank Group





€m	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Total clean revenues	2,160	1,956	1,926	2,165	8,208	2,216	2,160	2,122	2,151	8,648
Exceptional items	108	8	502	-60	557	1	18	18	-115	-78
Total revenues	2,268	1,964	2,428	2,105	8,764	2,217	2,178	2,140	2,035	8,570
o/w Net interest income	1,064	1,035	1,065	1,132	4,295	1,098	1,190	1,223	1,237	4,748
o/w Net commission income	889	786	739	778	3,192	802	763	771	754	3,089
o/w Net fair value result	266	149	137	46	598	203	200	85	-121	366
o/w Other income	49	-5	486	149	679	115	25	62	166	367
o/w Dividend income	28	27	17	34	106	14	6	9	6	36
o/w Net income from hedge accounting	-33	-53	-7	8	-85	-16	36	6	22	48
o/w Other result from realisation and measurement (2017 only)	-3	-14	-29	-29	-76	-	-	-	-	-
o/w Other financial result	47	25	83	89	244	-19	3	6	35	26
o/w At equity result	7	9	5	2	23	6	3	1	2	12
o/w Other net income	3	1	417	45	466	129	-24	40	101	245
Risk result (2017: Provision for possible loan losses)	-195	-167	-168	-251	-781	-77	-82	-133	-154	-446
Operating expenses	1,795	1,656	1,652	1,731	6,834	1,882	1,694	1,661	1,641	6,879
o/w European bank levy / Polish banking tax	179	37	22	18	256	209	23	17	23	273
Operating profit	278	141	609	122	1,149	258	401	346	240	1,245
Restructuring expenses	-	807	-	-	808	-	-	-	-	-
Pre-tax profit discontinued operations	49	39	14	16	118	42	-12	-15	-30	-15
Pre-tax profit Commerzbank Group	326	-628	623	137	459	301	389	331	210	1,230
Taxes on income	81	-13	134	35	237	5	94	89	75	262
Minority Interests	20	25	21	27	94	34	23	24	22	103
Consolidated Result attributable to Commerzbank shareholders	226	-640	467	75	128	262	272	218	113	865
Total Assets	490,262	487,266	489,925	452,495	452,495	470,013	487,518	493,203	462,369	462,369
o/w Discontinued operations	-	-	-	-	-	-	-	-	12,996	12,996
Average capital employed	23,375	23,390	23,463	24,074	23,609	22,468	22,640	23,097	23,399	22,886
RWA credit risk (end of period)	144,074	140,530	138,204	136,155	136,155	136,014	141,648	142,633	145,229	145,229
RWA market risk (end of period)	19,159	16,395	14,333	12,090	12,090	10,987	10,673	11,507	10,801	10,801
RWA operational risk (end of period)	21,669	20,549	22,722	21,041	21,041	21,090	21,297	21,685	21,393	21,393
RWA (end of period) continued operations	184,903	177,474	175,259	169,285	169,285	168,091	173,618	175,825	177,423	177,423
RWA (end of period) discontinued operations	1,259	989	1,338	1,734	1,734	1,999	1,890	2,535	3,075	3,075
RWA (end of period)	186,162	178,464	176,597	171,019	171,019	170,090	175,508	178,360	180,498	180,498
Cost/income ratio (%)	79.2%	84.3%	68.0%	82.3%	78.0%	84.9%	77.8%	77.6%	80.6%	80.3%
Operating return on CET1 (%)	4.8%	2.4%	10.4%	2.0%	4.9%	4.6%	7.1%	6.0%	4.1%	5.4%
Operating return on tangible equity (%)	4.1%	2.1%	9.1%	1.8%	4.3%	4.0%	6.1%	5.3%	3.6%	4.8%
Return on equity of net result (%)	3.2%	-8.9%	6.6%	1.0%	0.4%	3.8%	3.9%	3.1%	1.6%	3.1%
Net return on tangible equity (%)	3.5%	-9.8%	7.3%	1.2%	0.5%	4.2%	4.3%	3.5%	1.8%	3.4%

Group equity composition

	Capital Q3 2018 End of period €bn	Capital Q4 2018 End of period €bn	Capital Q4 2018 Average €bn		Ratios Q4 2018 %	Ratios FY 2018 %		Ratio FY 2018 %	
Common equity tier 1 B3 capital	23.5	23.2	23.4	¹ →	Op. RoCET	4.1%	5.4%	CET1 ratio	12.9%
DTA	1.2	1.2							
Deductions on securitizations	0.2	0.2							
Deductions related to non-controlling interests	0.4	0.4							
IRB shortfall	0.2	0.2							
Other regulatory adjustments	1.0	1.0							
Tangible equity	26.5	26.3	26.4	¹ →	Op. RoTE	3.6%	4.8%		
Goodwill and other intangible assets	2.8	2.8	2.8		Pre-tax RoE	3.3%	4.3%		
IFRS capital	29.4	29.2	29.3	¹ →	Op. RoE	3.3%	4.3%		
Subscribed capital	1.3	1.3							
Capital reserve	17.2	17.2							
Retained earnings ²	9.2	8.9							
Currency translation reserve	-0.2	-0.3							
Revaluation reserve	0.1	-0.0							
Cash flow hedges	-0.0	-0.0							
Consolidated P&L	0.8	0.9							
IFRS capital without non-controlling interests	28.2	28.0	28.1	¹ →	RoE on net result	1.6%	3.1%		
Non-controlling interests (IFRS)	1.2	1.2	1.2		RoTE on net result	1.8%	3.4%		

Rating overview Commerzbank

As of 14 February 2019

				
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 2018

- › **Q2 2018: Moody's** assigned the new Counterparty Risk Rating of "A2". **S&P Global** assigned the new Resolution Counterparty Rating of "A"
- › **Q3 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 events 2019

- › **Fitch** confirmed Commerzbank's ratings in a regular rating review in January 2019

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Financial calendar

2019

08 May



Q1 2019 results

22 May



Annual General Meeting

07 Aug



Q2 2019 results

07 Nov



Q3 2019 results