COMMERZBANK

Stable customer business and strong capital ratio

Fixed Income presentation – Q3 2020 results

GM – Investor Relations | GM – Treasury | Frankfurt | November 2020

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All figures in this presentation are subject to rounding
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Amended version as per November 16

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Q 3 Financial Results

Clear progress in business development and transformation

PSBC

- Legal merger with comdirect completed on 2 November
- In 2020 nearly doubling of digital securities transactions and successful integration of securities brokerage in CBK mobile app in Q3
- >50% increase of contributions to securities savings plans, many first time investors

CC

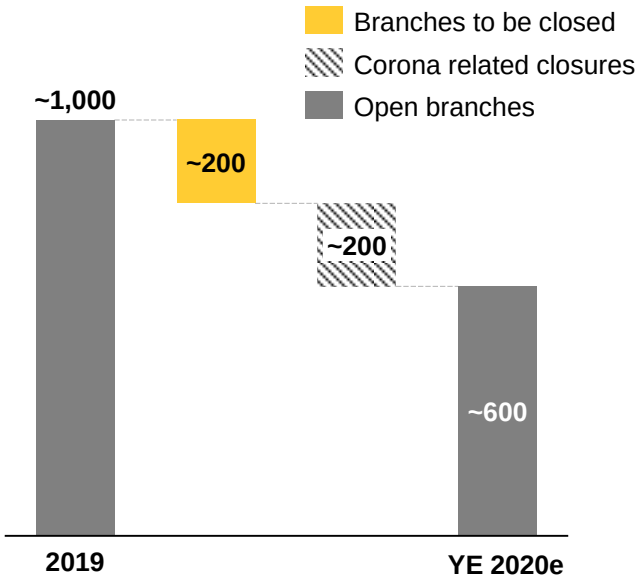
- Sustained leading position in DCM, joint lead manager of Federal Republic of Germany's inaugural green bond
- Beginning recovery of Trade Finance transactions as activity improves
- Relaunch of Cash Management App with new innovative user interface and mobile payment features for Corporate Clients

Group

- Committed to TCFD guidelines and issuance of 2nd green bond
- Investment portfolio of Commerz Ventures with €43m valuation gain
- Good acceptance of early retirement offer (~800 FTE) finalised in Q2 2020 – next programs successfully negotiated and booking of €201m restructuring charge

Branch closures and offer of early retirement result in €201m restructuring charge

Number of branches in Germany



Further personnel reduction measures (second early part-time retirement program)

- Offer available to domestic staff aged 55 to 60, who fulfill requirements to early retire at 63
- Staff will continue to work full time for the first half of the program and go into early retirement afterwards
- Staff will receive 50% of salary plus a top-up for the whole period of the program as well as a one-time special payment
- Booking of full salary as personnel expenses in first half of program; no personnel expenses in second half

Voluntary severance offer to staff in closed branches

- Branch closures result in €62m restructuring charges for administrative and personnel expenses
- Amortisation expected after 2-3 years

Impact from second early part-time retirement program

- Further reduction of ~1,000 FTEs is expected in addition to ~800 FTEs from program finalised in Q2 2020
- Additional restructuring charge of €139m

Stable customer business and strong capital ratio

Highlights Q3 2020

Stable operating performance of customer business during Q3

- Underlying customer revenues (NII and NCI) in PSBC and CC on same level as Q2
- Loan demand from corporate customers normalised following larger drawings of credit lines in H1
- Continued growth in customers (+82k) and loans (+€2bn) in PSBC Germany

Operating result of €168m; net result reflects booking of restructuring charge

- Q3 operating expenses with further savings of €37m YoY while maintaining IT investments
- YoY underlying revenues €73m lower mainly due to legal reserves for FX loan portfolio in Poland
- Risk result of -€272m includes -€181m impact from Corona in line with guidance

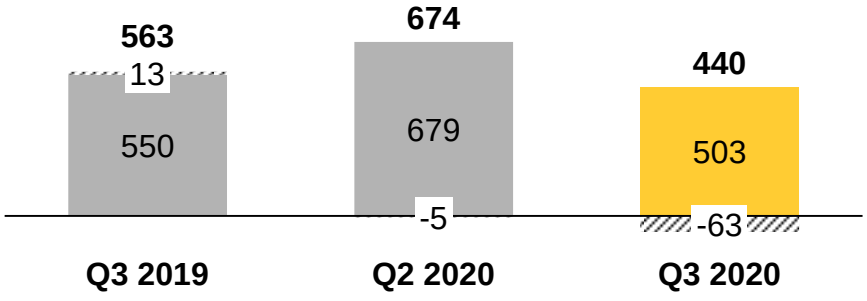
Strong capital ratio

- CET1 ratio of 13.5% and distance to MDA of ~370bp following further issuance of AT1 in Q3
- RWA reduced by €4bn with lower precautionary drawings of credit lines by customers
- NPE ratio of 0.9% underlines sound quality of loan book

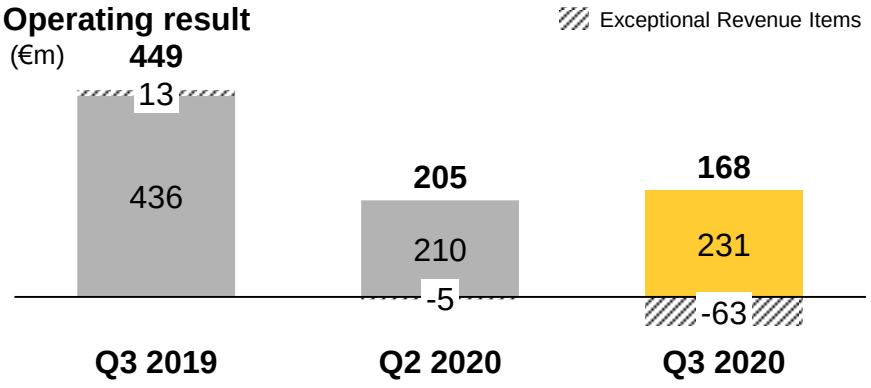
Key financial figures

Group financial results and capital

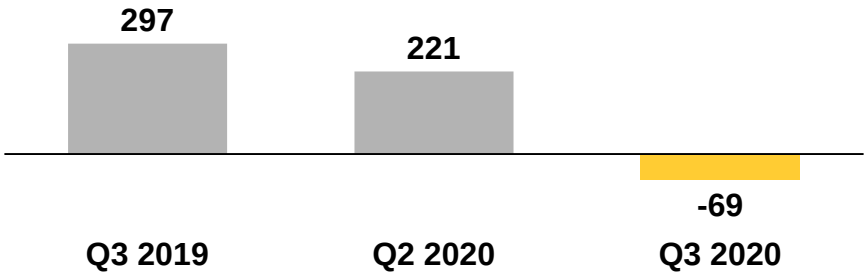
Pre-provision result
(€m)



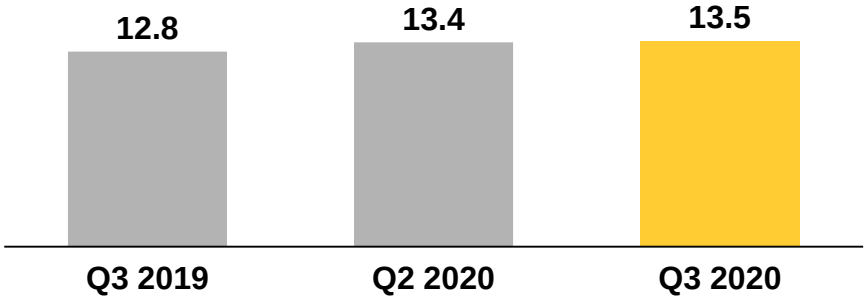
Operating result
(€m)



Net result[1]
(€m)



CET1 ratio[2]
(%)



1) Consolidated result attributable to Commerzbank shareholders and investors in additional equity components
2) Includes net results reduced by dividend accrual where applicable and potential (fully discretionary) AT1 coupons

Exceptional revenue items – FX effect on USD AT1 capital of -€36m

2019 (€m)			Revenues
Q1	Hedging & valuation adjustments	-15	-34
	PPA Consumer Finance (PSBC)	-19	
Q2	Hedging & valuation adjustments	86	34
	PPA Consumer Finance (PSBC)	-18	
	Insurance based product (CC)	-34	
Q3	Hedging & valuation adjustments	-74	13
	PPA Consumer Finance (PSBC)	-16	
	Sale ebase (PSBC)	103	
Q4	Hedging & valuation adjustments	48	11
	PPA Consumer Finance (PSBC)	-15	
	Insurance based product (CC)	-22	
FY			**24**

2020 (€m)			Revenues
	Hedging & valuation adjustments	-160	-173
	PPA Consumer Finance (PSBC)	-13	
	Hedging & valuation adjustments	49	-5
	PPA Consumer Finance (PSBC)	-12	
	Fine UK Financial Conduct Auth. (CC)	-41	
	Hedging & valuation adjustments	-51	-63
	PPA Consumer Finance (PSBC)	-11	
			-241

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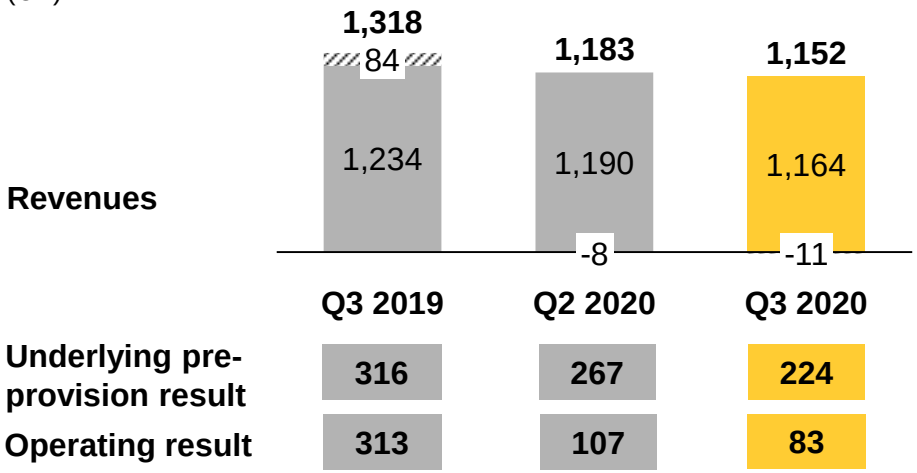
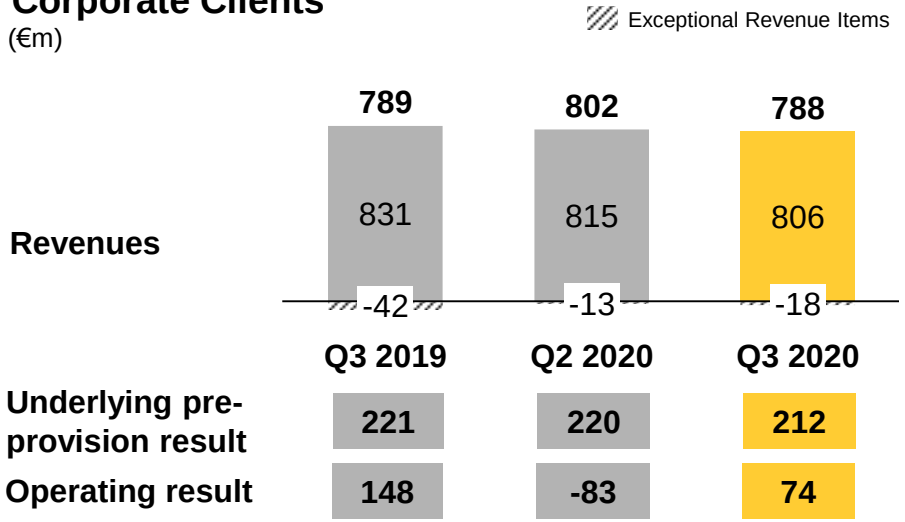
Revenues and operating result of Commerzbank segments

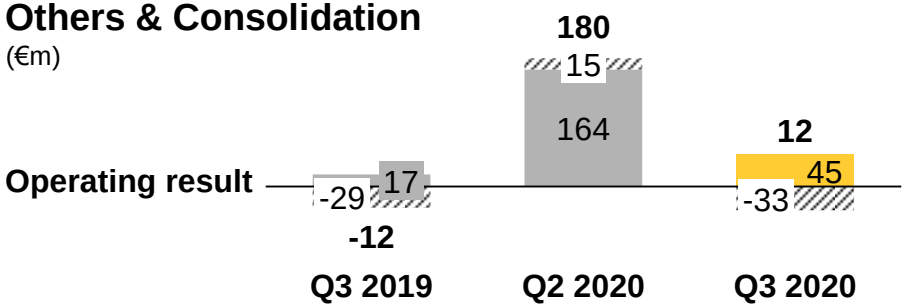
Private and Small Business Customers
(€m)



Corporate Clients
(€m)



Others & Consolidation
(€m)



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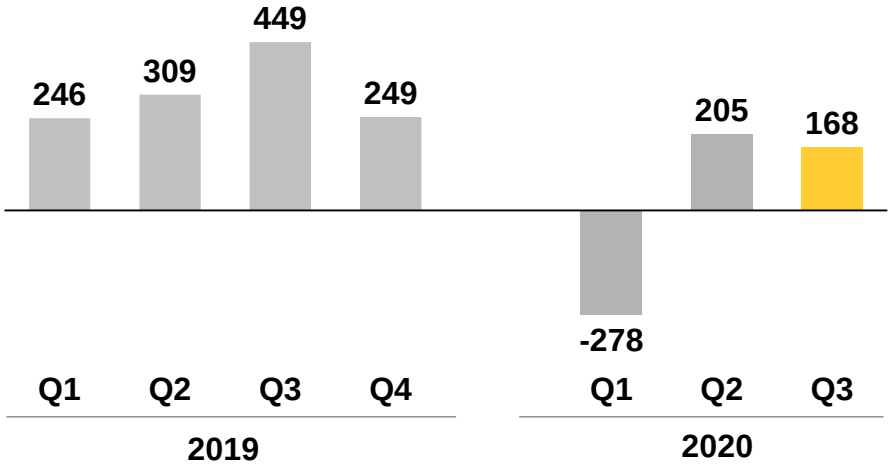
Stable customer business and costs on track

Group operating result
(€m)



Group P&L

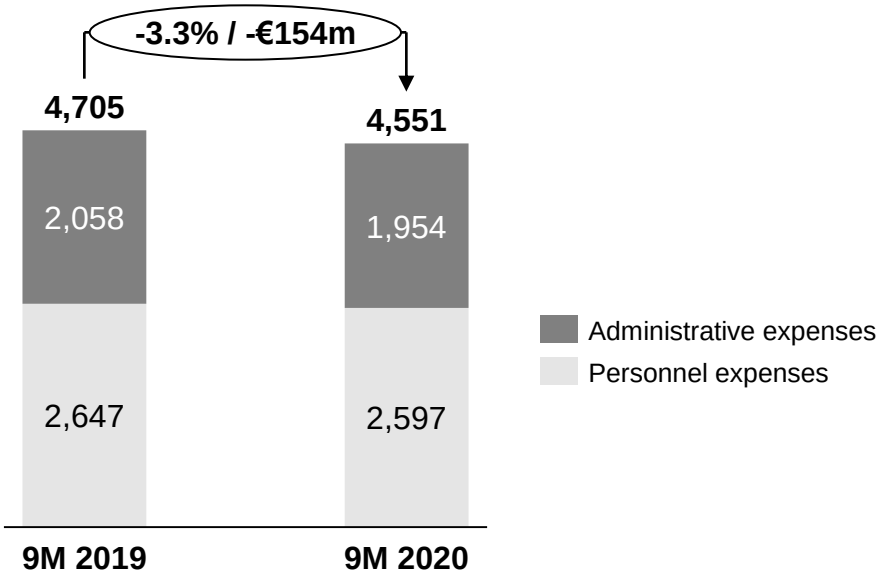
in €m	Q3 2019	Q2 2020	Q3 2020	9M 2019	9M 2020
Revenues	2,182	2,273	2,033	6,467	6,158
Exceptional items	13	-5	-63	13	-241
Revenues excl. exceptional items	***2,169***	***2,278***	***2,096***	***6,453***	***6,399***
o/w Net interest income	*1,276*	*1,295*	*1,227*	*3,820*	*3,843*
o/w Net commission income	*763*	*792*	*813*	*2,270*	*2,482*
o/w Net fair value result	*98*	*173*	*117*	*163*	*146*
o/w Other income	*32*	*19*	*-61*	*201*	*-73*
Risk result	-114	-469	-272	-370	-1,067
Operating expenses	1,559	1,526	1,521	4,705	4,551
Compulsory contributions	60	73	72	388	445
Operating result	**449**	**205**	**168**	**1,004**	**94**
Impairments on other intangible assets	-	-	-	-	-
Restructuring expenses	-	-	201	-	201
Pre-tax profit discontinued operations	**-7**	**6**	**-11**	**-7**	**40**
Pre-tax profit Commerzbank Group	**441**	**211**	**-43**	**997**	**-67**
Taxes on income	101	-24	12	228	60
Minority interests	43	13	15	87	36
Net result	**297**	**221**	**-69**	**681**	**-162**
CIR (excl. compulsory contributions) (%)	71.4	67.1	74.8	72.8	73.9
CIR (incl. compulsory contributions) (%)	74.2	70.4	78.3	78.8	81.1
Net RoTE (%)	4.5	3.2	-1.6	3.5	-1.2
Operating RoCET (%)	7.4	3.3	2.7	5.6	0.5

Highlights

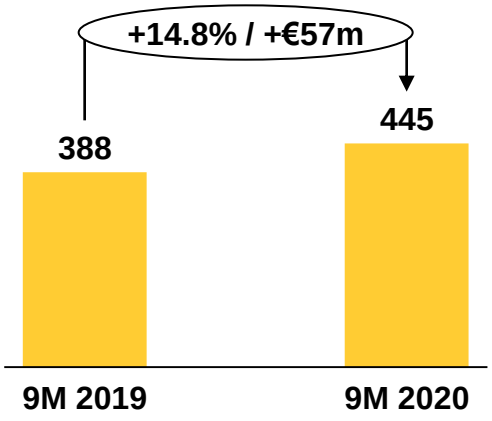
- Stable customer business; YoY 6% (+€50m) increase in NCI offsetting 4% (-€49m) lower clean NII – no booking of potential benefit from TLTRO III (~€40m per quarter)
- NFV and Other income driven by increase of legal reserves for FX loan portfolio (-€71m) in mBank and valuation of FinTech participations (€43m)
- Q3 taxes driven by mBank and comdirect

Lower costs reflect effective cost management

Operating expenses
(€m)



Compulsory contributions
(€m)

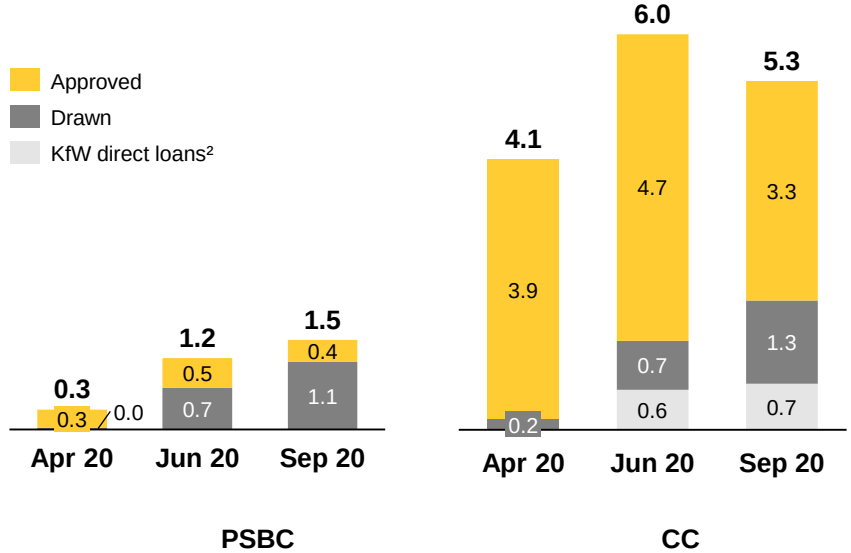


Highlights

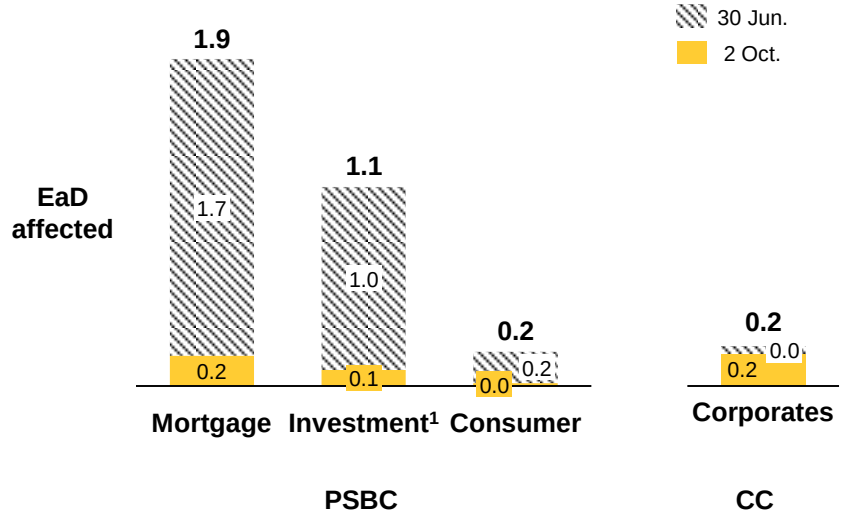
- 9M operating expenses reduced by €154m with lower administrative expenses for advertising, travel and depreciation
- Personnel expenses benefit from a YoY FTE reduction of around 750 FTEs. This includes an FTE increase within the subsidiaries (esp. mBank) as well as nearshoring locations, while reducing domestic staff by around 1,100 FTE
- Rising compulsory contributions mainly due to increased target volume of European bank levy and higher covered deposit volume

Moderate drawdown of KfW loans from our customers – deferrals largely ended by end of September

Government guaranteed loans
(€bn Germany)



Loan deferrals since start of crisis until 2 Oct.
(€bn Germany)



% portfolio	0.2%	0.4%	0.4%	0.2%

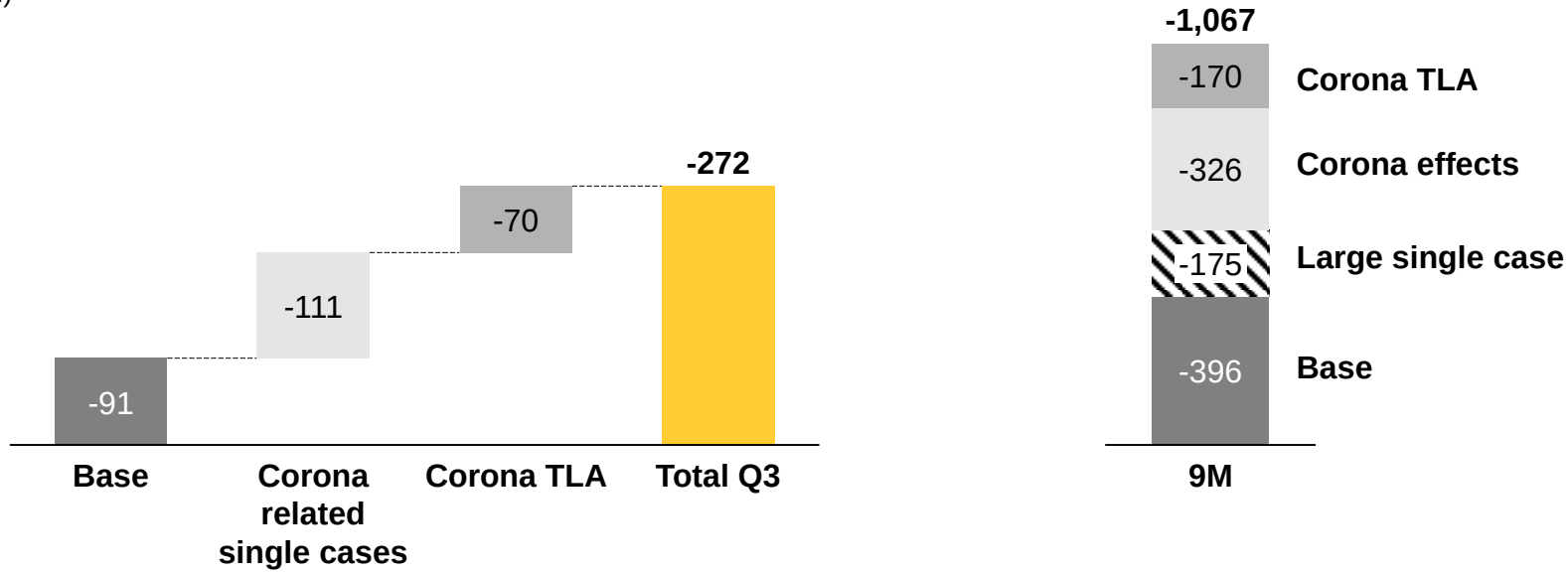
Highlights

- In Q3 moderate volume of customer requests for KfW loans – large part of initial requests so far not drawn in CC
- Most deferrals ended as scheduled in Q3 – more than 96% of customers whose deferrals have ended have so far resumed their payments
- Suspension of German insolvency law extended to year-end 2020 – could lead to additional filings in 2021

1) Investment and other loans
2) CBK share of KfW direct syndicated loans without CBK risk

-€181m of Q3 risk result from Corona effects – thereof -€70m TLA

Risk result Q3 and 9M 2020
(€m)



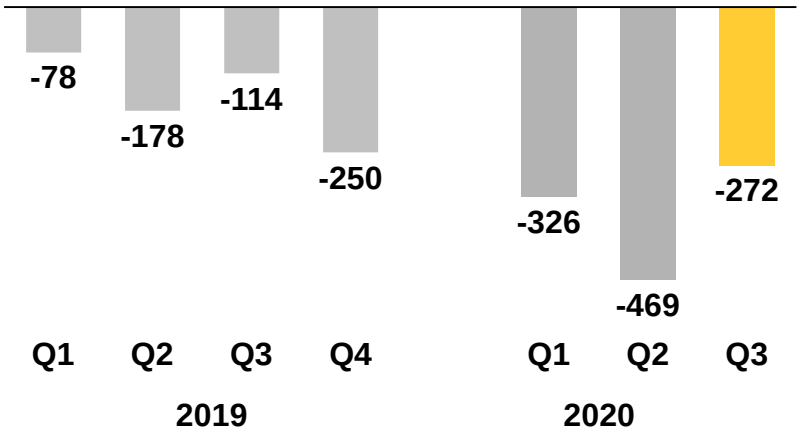
Highlights

- Additional top level adjustment (TLA) of -€70m booked in Q3 – overall TLA increased to -€170m TLA covering expected future requirements
- In Q3 -€111m Corona related single cases from a few new defaults and additional provisions for defaulted exposures
- TLA is based on in-depth portfolio analysis and the ECB's Q2 scenario which assumes a 7.1% drop in German GDP in 2020

Corona driven Q3 risk result in line with full year guidance

Risk result

(€m)



Risk result divisional split

Risk Result in €m	Q3 2019	Q2 2020	Q3 2020	9M 2019	9M 2020
Private and Small Business Customers	-87	-152	-130	-187	-444
Corporate Clients	-30	-290	-120	-186	-575
Asset & Capital Recovery	-	-	-	-24	-
Others & Consolidation	4	-27	-22	27	-49
Group	**-114**	**-469**	**-272**	**-370**	**-1,067**
NPE in €bn					
Private and Small Business Customers	1.8	2.0	2.0	1.8	2.0
Corporate Clients	1.6	2.2	2.3	1.6	2.3
Asset & Capital Recovery	-	-	-	-	-
Others & Consolidation	0.2	0.2	0.4	0.2	0.4
Group	**3.6**	**4.5**	**4.7**	**3.6**	**4.7**
Group NPE ratio (in %) [1]	0.9	0.8	0.9	0.9	0.9
Group CoR (bps) [2]	10	32	29	10	29
Group CoR on Loans (CoRL) (bps) [3]	18	58	53	18	53

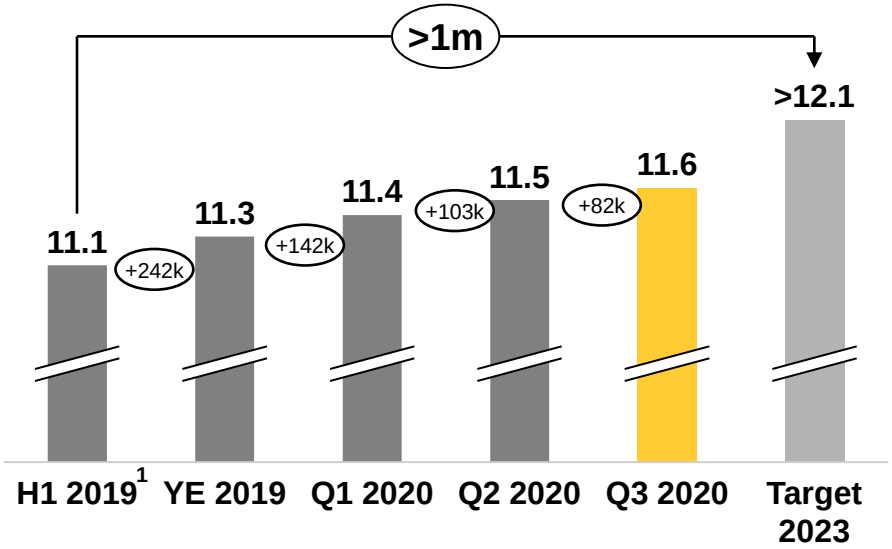
Highlights

- In CC -€120m Q3 risk result driven by Corona effects of -€95m
- In PSBC -€130m Q3 risk result contains Corona effects of -€86m – risk result of mBank -€57m in Q3
- Q3 risk result in O&C of -€22m driven by a single case
- In total, TLA of -€65m in CC, -€103m in PSBC and -€2m in O&C to cover expected future requirements
- FY 2020 risk result is expected to be -€1.3bn to -€1.5bn (CoRL 48-55 bp) – however, subject to the further development of the crisis

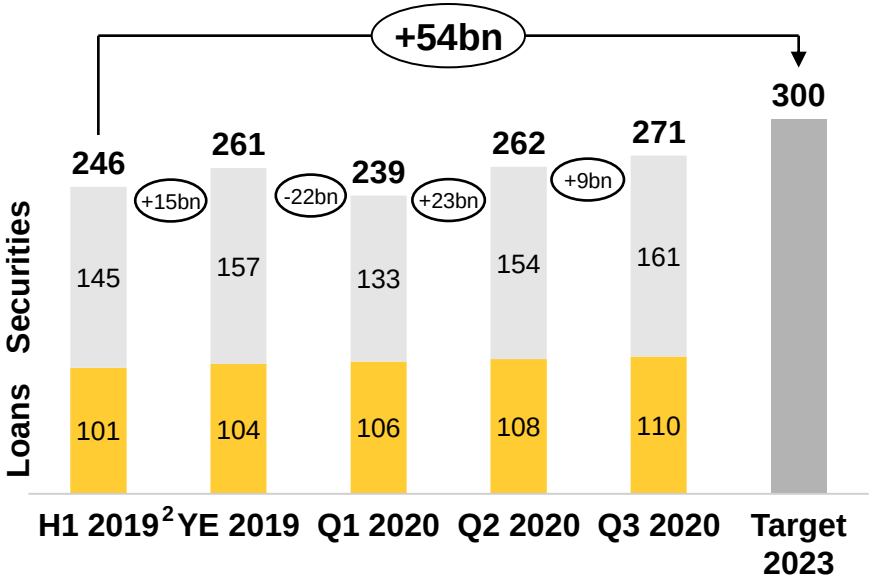
1) NPE ratio = Non-performing loans and advances / Total gross loans and advances (acc. to EBA Risk Dashboard)
2) Cost of Risk (CoR) = Risk Result / Exposure at Default
3) Cost of Risk on Loans (CoRL) = Risk Result / Loans and Advances (interim report note (19))

Private and Small Business Customers: continued growth

Customers (Germany)
(m)



Loan and securities volumes (Germany)
(€bn eop)



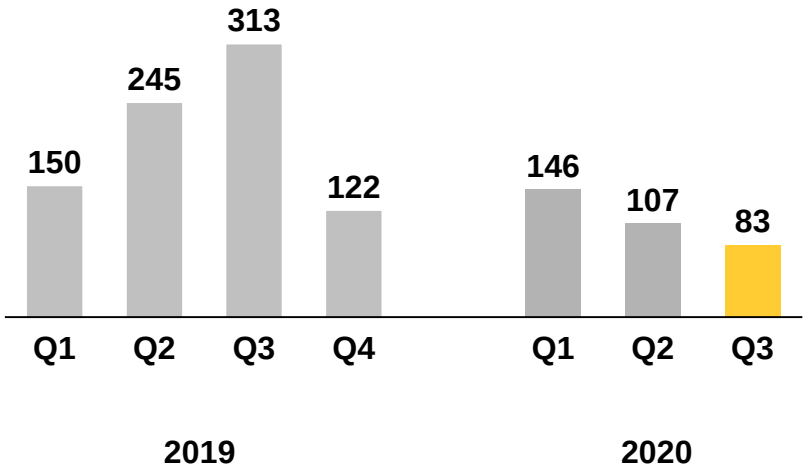
Highlights

- Continuing client and volume growth – with Corona pandemic accelerated adoption of digital channels
- Almost €2bn inflow in securities and more than €5bn increase in securities volume due to rebound in market indices
- German mortgages up 7% YoY to €84bn with strong new business in Q3 2020 – consumer finance book stable at €3.9bn

1) Numbers adjusted for ebase and inactive accounts
2) Numbers adjusted for ebase

Private and Small Business Customers: YoY stable underlying revenues excluding addition to legal reserves for mBank FX loan portfolio

Operating result
(€m)



Segmental P&L

in €m	Q3 2019	Q2 2020	Q3 2020	9M 2019	9M 2020
Revenues	1,318	1,183	1,152	3,723	3,643
o/w Private Customers	573	539	559	1,758	1,696
o/w Small Business Customers	200	199	204	605	614
o/w mBank	298	273	227	866	805
o/w comdirect	100	140	126	297	417
o/w Commerz Real	63	39	47	154	150
o/w exceptional revenue items	84	-8	-11	44	-40
Revenues excl. exceptional items	*1,234*	*1,190*	*1,164*	*3,679*	*3,683*
Risk result	-87	-152	-130	-187	-444
Operating expenses	867	859	872	2,598	2,596
Compulsory contributions	51	64	67	230	268
Operating result	**313**	**107**	**83**	**708**	**336**
RWA (end of period in €bn)	46.2	47.2	48.1	46.2	48.1
CIR (excl. compulsory contributions) (%)	65.8	72.6	75.7	69.8	71.2
CIR (incl. compulsory contributions) (%)	69.7	78.0	81.5	76.0	78.6
Operating return on equity (%)	23.1	7.6	5.8	18.0	7.9

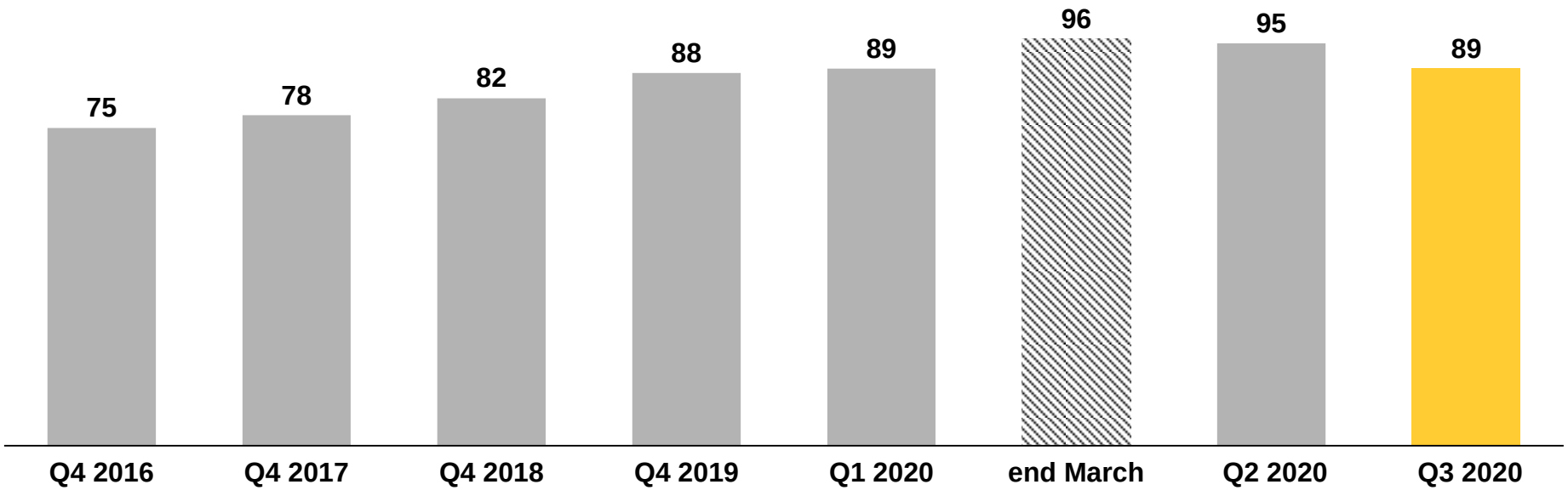
Highlights

- Private Customers revenues reflect good contribution from fee businesses – partly compensating lower contribution from modelled deposits
- comdirect continues to benefit from customers' increased securities business
- mBank revenues affected by cuts of Polish reference rate and €71m addition to legal reserves for FX loan portfolio

Corporate Clients: Corona driven drawings of committed credit lines continues to be unwound

Loan volume Corporates

(quarterly average €bn | Mittelstand and International Corporates)



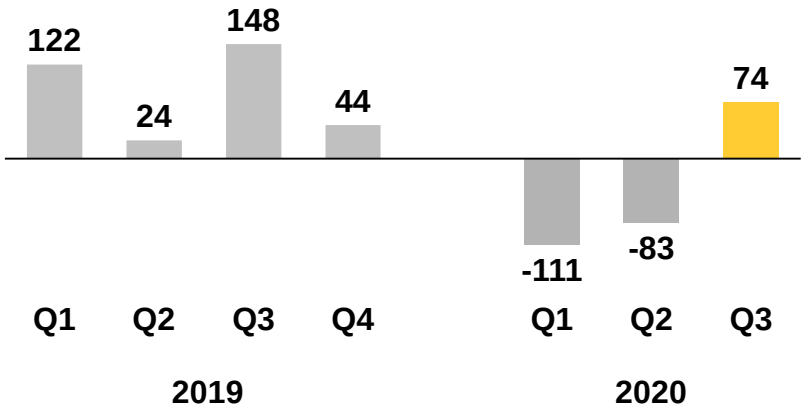
Highlights

- Loan volume reduced to Q1 level as drawing of lines by corporates peaked in March – drawing and subsequent reduction most pronounced in International Corporates
- Selective new loan business with focus on existing customers and RWA efficiency

Corporate Clients: YoY largely stable underlying pre-provision result based on solid customer business

Operating result

(€m)



Segmental P&L

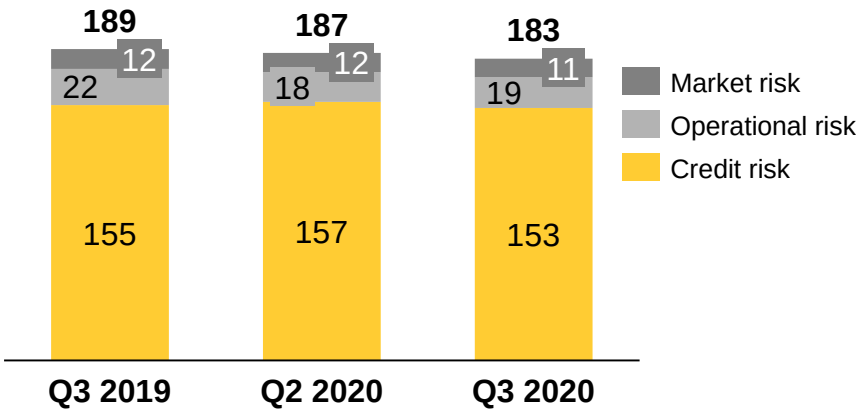
in €m	Q3 2019	Q2 2020	Q3 2020	9M 2019	9M 2020
Revenues	789	802	788	2,443	2,346
o/w Mittelstand	460	425	439	1,374	1,327
o/w International Corporates	211	259	221	633	680
o/w Institutionals	151	150	127	462	434
o/w others	9	-18	20	48	15
o/w exceptional revenue items	-42	-13	-18	-74	-109
Revenues excl. exceptional items	*831*	*815*	*806*	*2,517*	*2,455*
Risk result	-30	-290	-120	-186	-575
Operating expenses	602	588	590	1,854	1,776
Compulsory contributions	8	7	4	109	115
Operating result	**148**	**-83**	**74**	**294**	**-120**
Pre-tax profit discontinued operations	**-7**	**6**	**-11**	**-7**	**40**
RWA (end of period in €bn)	103.4	100.2	95.2	103.4	95.2
CIR (excl. compulsory contributions) (%)	76.3	73.3	74.9	75.9	75.7
CIR (incl. compulsory contributions) (%)	77.4	74.2	75.4	80.4	80.6
Operating return on equity (%)	4.9	-2.8	2.5	3.3	-1.4

Highlights

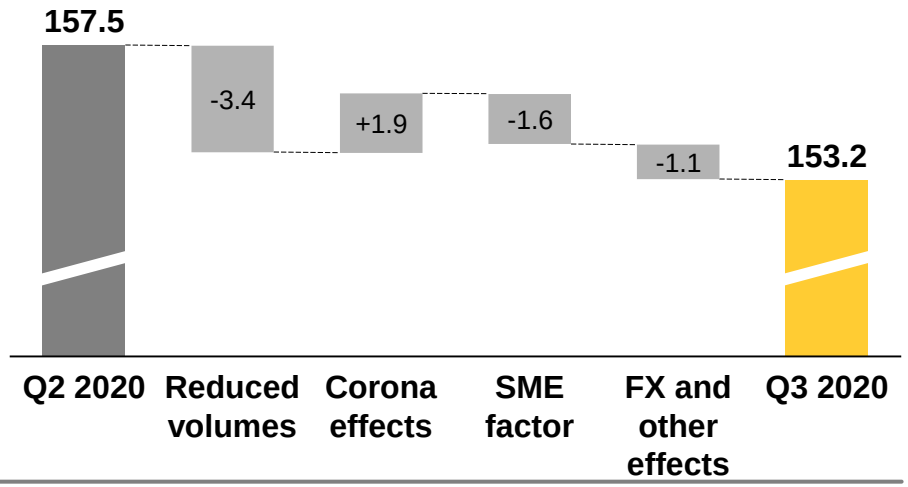
- Q3 underlying pre-provision result of €212m largely unchanged based on overall solid customer business
- YoY International Corporates division shows stable revenues from loan business and benefited from a strong capital markets business and an increased contribution from debt capital market issuances
- Mittelstand with higher revenues QoQ but still slightly below last year reflecting lower economic activity due to Corona pandemic – activity started to pick up towards the end of the quarter

Lower RWA on reduced loan volumes – in Q4 RWA increase expected from further Corona related rating migrations

RWA development by risk types
(€bn eop)



Drivers of credit RWA
(€bn eop)



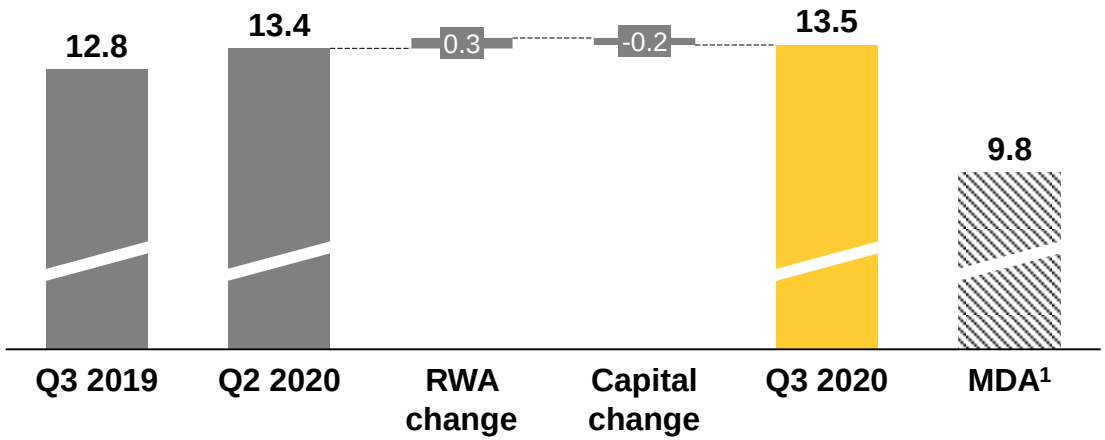
Highlights

- €3.4bn decrease of Credit RWA compared to Q2 mainly from lower drawdowns while overall volume in loan commitments increased in CC
- €1.9bn increase of Credit RWA from Corona induced prudent parameter adjustments, mainly rating migrations – in Q4 further migrations and other Corona effects are expected
- €1.6bn lower RWA from changed treatment of SME loans – TRIM effects and treatment of software intangibles to follow in Q4
- €1.1bn reduction of RWA mainly due to lower USD

Strong CET1 ratio of 13.5% and buffer to MDA of ~370bp

Transition of CET1 ratio

(%)



Highlights

- MDA reduced by 31bp to 9.8% mainly due to successful issuance of €500m AT1 capital in September 2020
- Buffer to MDA increased to ~370bp – well above mid-term expectation of > 200bp through the cycle
- CET1 ratio increased to 13.5% with lower capital balanced by reduced RWA
- Decrease in capital mainly due to negative net result as well as negative OCI effect from currency translation reserve and actuarial losses, partly compensated by revaluation reserve

1) Based on RWAs as of Q3 2020

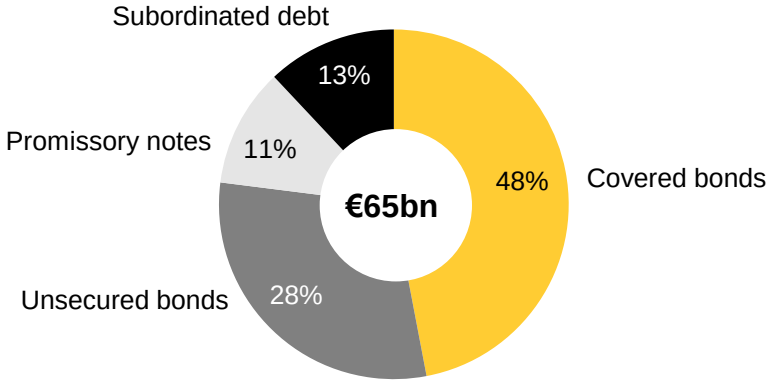
Objectives and expectations for FY2020

- We expect largely stable customer revenues in PSBC – CC more strongly impacted by Corona
- We continue our cost management and target a cost base including IT investments slightly below the level of last year
- We expect a risk result in a range of -€1.3bn to -€1.5bn – however, subject to the further development of the crisis
- We expect a CET1 ratio ≥ 13%
- We anticipate a negative net result in light of the expected risk result and booked restructuring charges

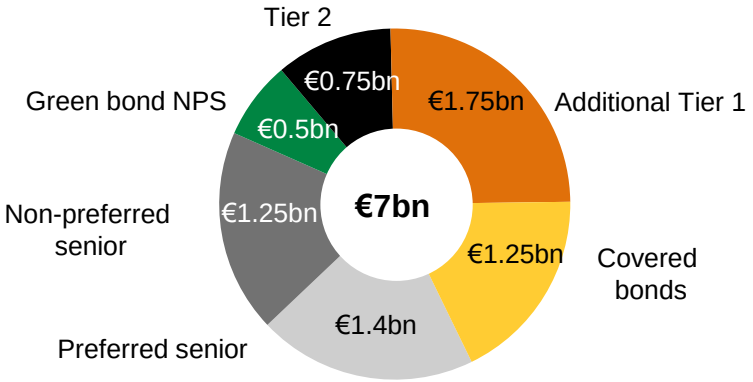
Capital and Funding

Capital markets funding activities – funding needs 2020 fulfilled

Funding structure[1]
(as of 30 September 2020)



Group funding activities 9M 2020
(nominal values)



Highlights

- Funding plan for 2020 revised to around €7bn, no funding needs for the remaining year
- YtD €7bn issued (average term 8 years[2]) thereof:
  - €1.75bn Additional Tier 1: Two AT1 issuances under newly implemented €3bn AT1 program
  - €750m Tier 2 transaction 10.5 years non-call 5.5 years
  - Second Green bond: €500m non-preferred senior issuance 5.5NC4.5 – inaugural MREL call
  - Non-preferred senior dual–tranche €750m and inaugural GBP400m
  - Preferred senior: €750m transaction with 7 years maturity and €500m re-opening of the December 2026 issue from 2019
  - €1.25bn Pfandbrief transaction with 10 years maturity

1) Unsecured bonds including preferred and non-preferred senior IFRS values
2) Average term excl. Additional Tier 1

Three Capital Transactions to strengthen our own funds position

	Tier 2	AT1	AT1
Currency / Size	€750m	€1.25bn	€500m
Book size	> €4.9bn (final)	> €9.5bn (peak)	> €3bn (peak)
Subscription	> 6.3x	> 6.8x	> 4.8x
Number of Investors	> 290 investors	> 425 investors	190 investors
IPTs	m/s +490 bps area	7% area	7% area
Final Reoffer	m/s +435 bps	6.125%	6.5%
	Favourable issuance window to place Tier 2 bond through the curve	Total order book among the highest in EUR AT1 with record investor interest	Strong market reception with minus 13bps NIP

Highlights

- Three successful capital issuances since the outset of the corona crisis
- First EUR Tier 2 bond since 2017
- First two transactions under the newly established AT1 programme
- Highest spread move in EUR AT1 ever (87.5 bps from IPT to Re-Offer)
- All deals multiple subscribed
- All issuances contribute to capital efficiency

Commerzbank's Green Bond II at a glance

Highlights of Green Bond II

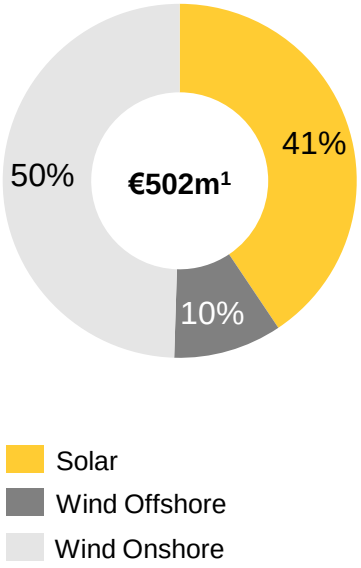
- Issue amount of €500m
- Instrument type non-preferred senior (5.5NC4.5)
- 8 times subscribed
- 78% placed with green investors
- Used of proceeds to refinance renewable energy projects
- Green Bond Framework in line with green bond principles

The Green Bond Principles

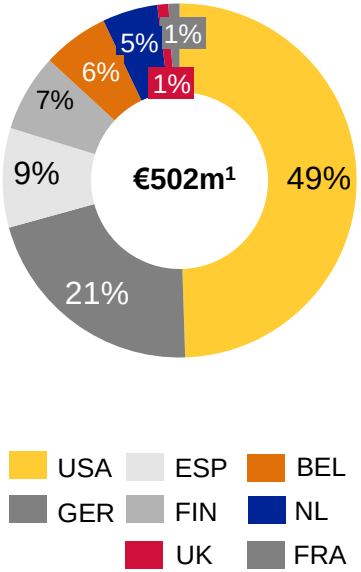
SUSTAINALYTICS

Overview of assigned assets

Allocation by technology



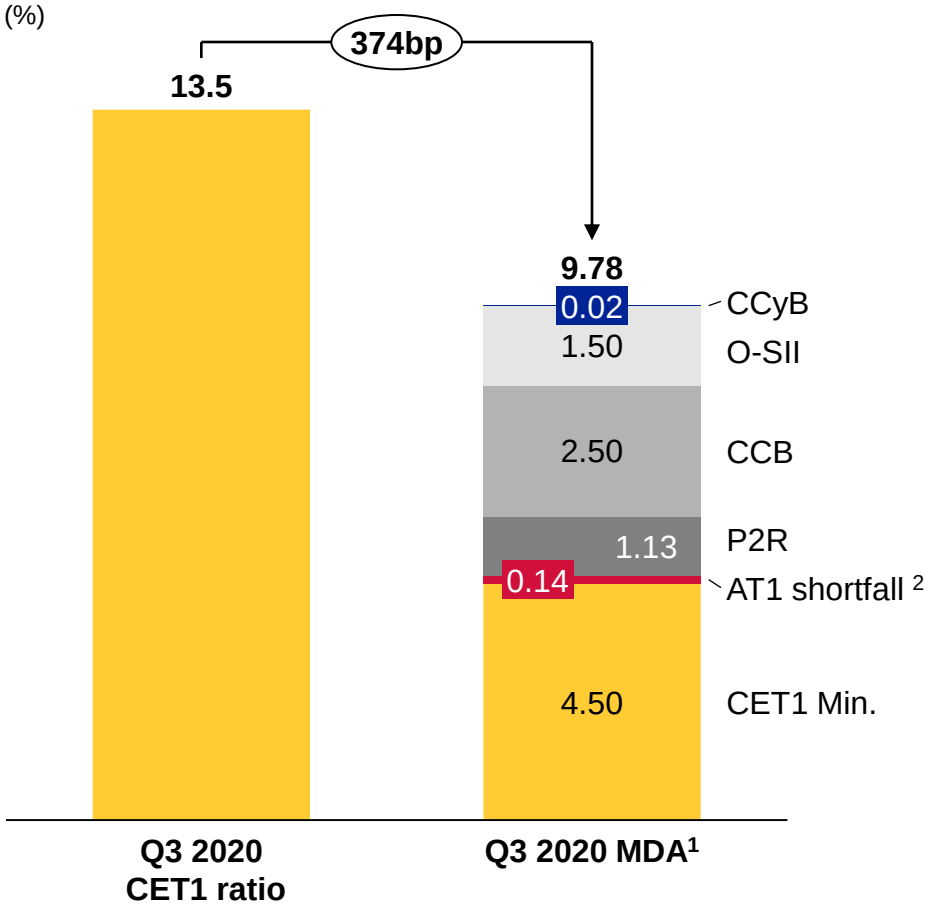
… by country



1) In total eligible assets of €1,056m

Recent capital transactions increased Commerzbank's distance to MDA

Distance to MDA based on SREP requirement (transitional) for 2020

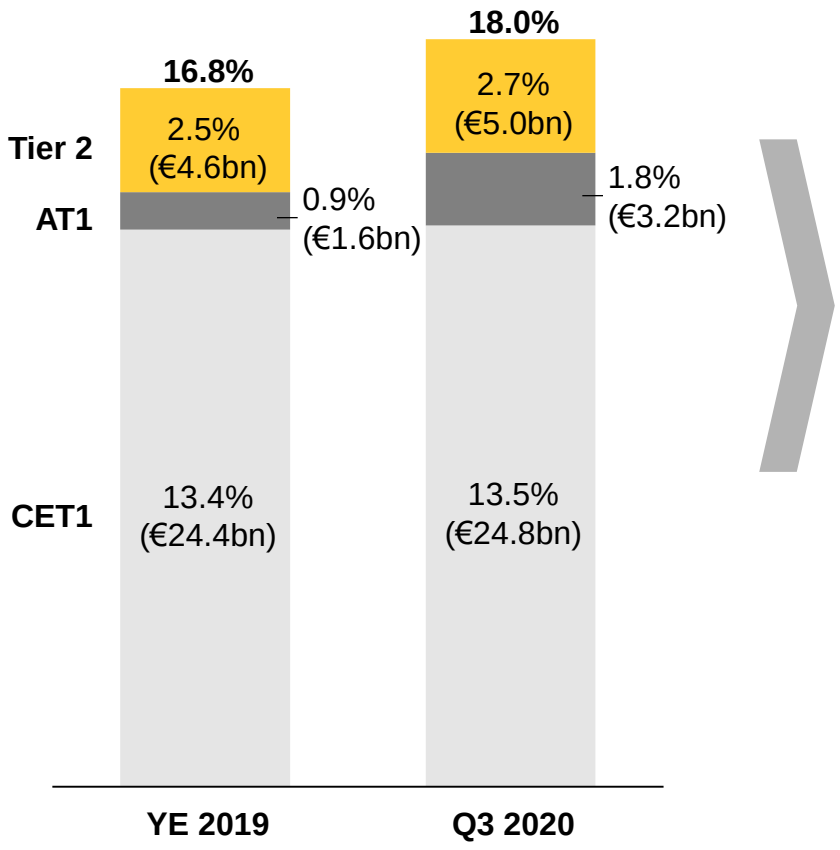


- Regulatory actions have been taken in response to Corona which include:
  - Changes in Pillar 2 Requirement structure (min. 56.25% CET1 and 75% Tier 1 capital)[2] while overall P2R remained at 2%
  - Reduction of countercyclical capital buffer requirements
- 374bp distance to MDA based on Q3 2020 CET1 ratio of 13.5% and SREP requirement for 2020
- Distance to MDA increased by €500m AT1 issuance in Q3 2020

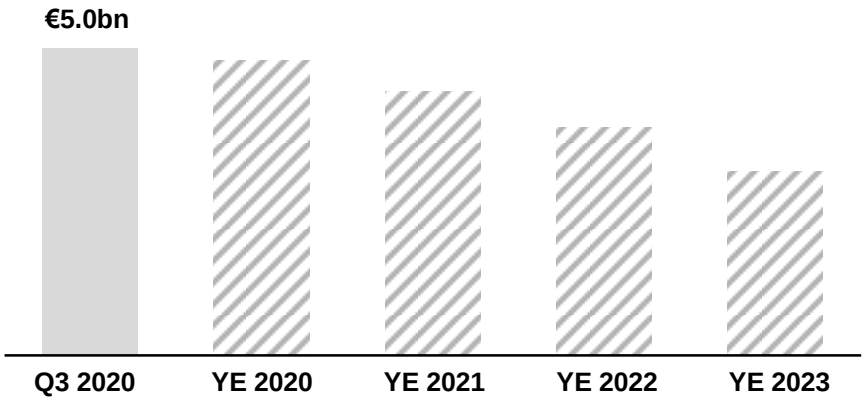
1) Based on RWAs of €183bn as of Q3 2020
2) New AT1 requirement of 1.875% and Tier 2 requirement of 2.5%

Total Capital – Development of Tier 2

Total Capital
(%)



Tier 2 roll-off profile[1]
(€bn)



- Increase of capital efficiency via replacement of amortizing Tier 2 instruments
- New supply will be limited and manageable aiming to a Tier 2 layer that remains above 2.5% of RWA

1) Reflecting linear amortization according to CRR Article 64

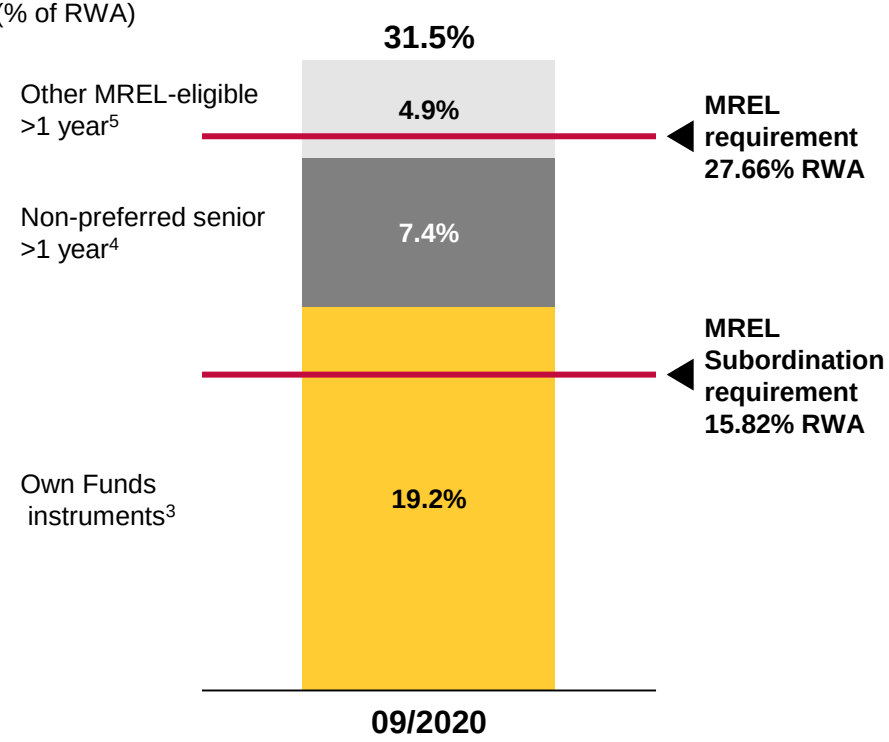
Comfortable fulfilment of MREL requirement based on RWA

MREL requirement

- Based on data as of 30th September 2020, Commerzbank fulfils the MREL RWA requirement[1] of 27.66% with a MREL ratio of 31.5% and the MREL subordination requirement[2] of 15.82% with a ratio of 26.6% of RWA
- At 12.01% the MREL TLOF ratio meets the requirement again, resolving the breach seen in Q2 2020. MREL Subordination TLOF ratio of 10.2% is well above the requirement of 6.87% as of 30th September 2020
- The MREL requirements will in future be defined in RWA and Leverage Exposure terms under the BRRD II and SRMR II framework; currently they are derived from TLOF based requirements
- A new MREL requirement based on RWA is expected in H1 2021

MREL ratio

(% of RWA)



1) In February 2020, Commerzbank AG received its current MREL requirement calibrated based on data as of 31 Dec. 2017. The resolution approach is a multiple point of entry (MPE) with two separate resolution groups (resolution group A: Commerzbank Group without mBank subgroup; resolution group B: mBank subgroup)
2) The legally binding MREL (subordination) requirement is defined as a percentage of total liabilities and own funds (TLOF) based on data as of 31 December 2017
3) Includes amortized amount (regulatory) of Tier 2 instruments with maturity > 1 year
4) According to §46f KWG or Non-Preferred Senior by contract
5) Non-Covered / Non-Preferred deposits; Preferred Senior Unsecured

Due to rounding figures shown above do not necessarily add up exactly to the respective totals or subtotals. Presented and aggregated percentages may therefore differ from the percentages shown above

COMMERZBANK

Commerzbank 5.0

digital – personal – responsible

Appendix

Rating overview Commerzbank

As of 5 November 2020	S&P Global	Moody's Investors Service	FitchRatings
Bank Ratings	S&P	Moody's	Fitch
Counterparty Rating/Assessment[1]	A-	A1/ A1 (cr)	BBB+ (dcr)
Deposit Rating[2]	BBB+ negative	A1 stable	BBB+
Issuer Credit Rating (long-term debt)	BBB+ negative	A1 negative	BBB negative
Stand-alone Rating (financial strength)	bbb	baa2	bbb
Short-term debt	A-2	P-1	F2
Product Ratings (unsecured issuances)			
Preferred senior unsecured debt	BBB+ negative	A1 negative	BBB+
Non-preferred senior unsecured debt	BBB-	Baa2	BBB negative
Subordinated debt (Tier 2)	BB+	Baa3	BB+
Additional Tier 1 (AT1)	BB-	Ba2	-

Rating events in 9M 2020

Q3: Moody´s changed the outlook of the **issuer credit rating** resp. **preferred senior debt rating** "A1" to **negative** from stable

Q2: S&P Global downgraded the issuer credit rating of Commerzbank by 1 notch to „BBB+" following the expectation that the Corona pandemic and associated lockdown measures will lead to a global economic recession in 2020, the negative rating outlook remains

Q1: Fitch Ratings downgraded the issuer credit rating of Commerzbank by 1 notch to „BBB" following the Corona disruption, the negative rating outlook remains

1) Includes client business (i.e. counterparty for derivatives)
2) Includes corporate and institutional deposits

COMMERZBANK

Our strong commitment is underlined in above-average ESG ratings

ISS ESG QualityScores[1)]

10 9 8 7 6 5 4 3 **2** **1**

- Commerzbank assigned with low ESG risks by ISS ESG QualityScores
- Environment and Governance QualityScore 1, Social QualityScore 2

CDP Climate Change Rating

E D C **B** A

- Commerzbank's rating is above-average of the financial sector (C)
- Positioned as "Sector Leader Financials" in DACH region (ranked top 15% of financials in Germany, Austria and Switzerland)

MSCI ESG Rating

CCC B BB BBB **A** AA AAA

- Single A rated in the upper part of the MSCI ESG rating scale
- Above-average positions in terms of private & data security, financial product safety, human capital and financing environmental impact

SUSTAINALYTICS ESG Risk Rating

Severe High **Medium** Low Negligible

- Commerzbank is at medium risk of experiencing material financial impacts from ESG factors (score of 23.4 / 100 with 0 being the best)
- Very well positioned above industry average on the 15th percentile

ISS ESG ESG Corporate Rating

D- D D+ C- **C** C+ B- B B+ A- A A+

- Rated in the ISS ESG Prime Segment – top 10% of industry group
- Excellent ratings especially in the categories environmental management, corporate governance and business ethics

1) Latest change in ISS Quality Scores 25 August 2020

COMMERZBANK

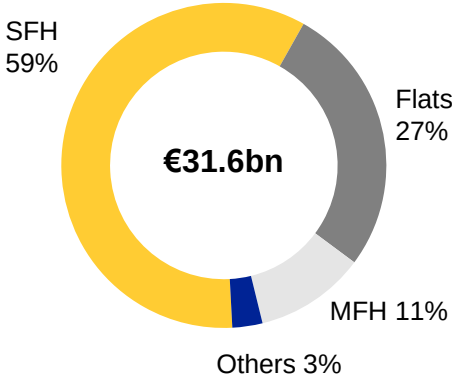
Mortgage cover pool with German mortgages

as of 30.09.2020

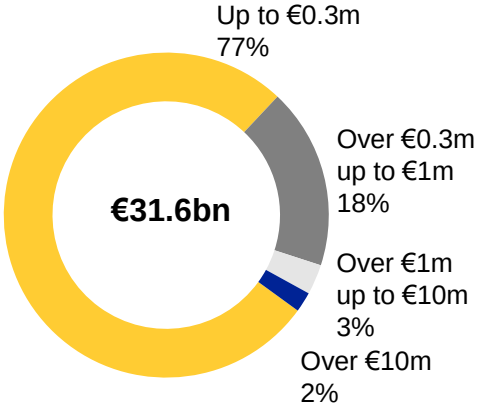
Mortgage cover pool

Total over assets	**€32,615m**
Cover loans	€31,621m
Number of loans	*>248,000*
Fixed rated assets	*99%*
WA loan-to-value ratio	*53%*
Residual WA life time (capital lockup)	*~13 years*
Further cover assets	€994m
Outstanding Pfandbriefe	**€20,409m**
Fixed rated Pfandbriefe	90%
Cover surplus (nom.)	**€12,206m**
	60%
Rating	
Moody's	Aaa

Break-down by property type



Break-down by size



- German mortgage loans only
- 97.5% residential mortgages, 2.5% commercial real estate business
- Approx. 70% of residential mortgages are "owner occupied"
- Highly granular pool
  - 77% of the mortgages are €300,000 or smaller
  - Average loan amount ~ €121,000

Source: Commerzbank §28 Pfandbrief report 30.09.2020, Moody's report 30.06.2020; GRM-CC; all nominal values; SFH:Single family houses, MFH: Multi family houses, others: commercially used real estate (retail and office buildings)

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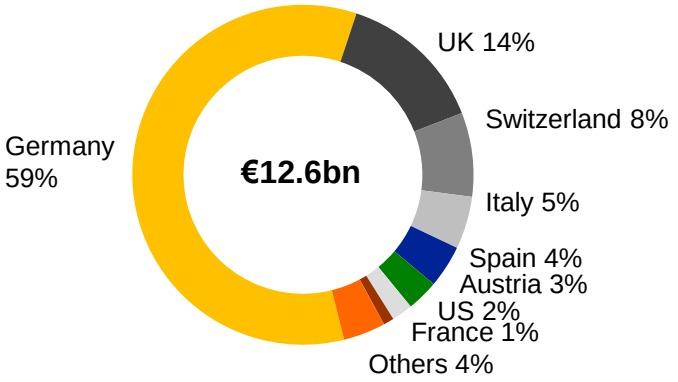
Portfolio break down public sector cover pool

as of 30.09.2020

Public sector cover pool

Total cover assets	**€12,557m**
Cover loans	€12,482m
Number of loans	*692*
Residual WA life time	*>11 years*
Further cover assets	€75m
Outstanding Pfandbriefe	**€11,436m**
Cover surplus (nom.)	**€1,120m** **10%**
Rating	
Moody's	Aaa

Break-down by borrower / guarantor country



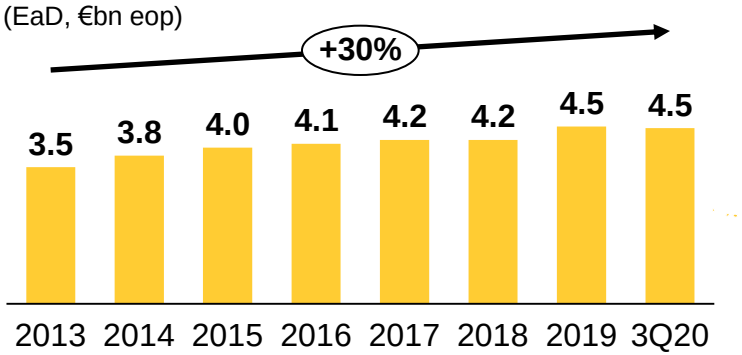
- Large portion of legacy public sector assets of former Hypothekenbank Frankfurt AG
- 17% ECA guaranteed loans
  ECA lending, a core business segment in corporate clients, continues to increase within the public sector pool

Source: Commerzbank §28 Pfandbrief report 30.09.2020, GRM-CC; all nominal values

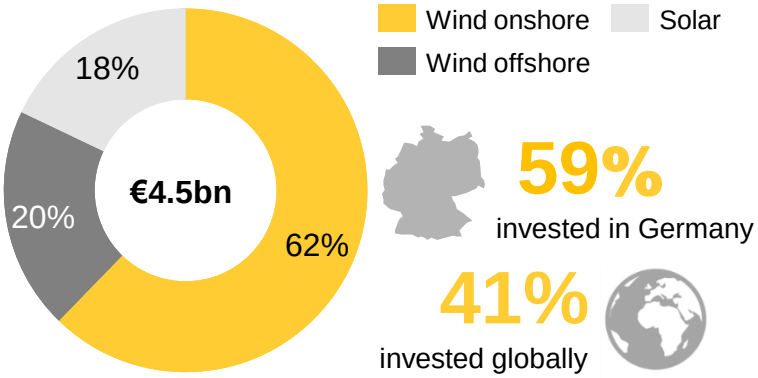
As a leading German provider of renewable energy project finance it is our objective to become Germany's most sustainable commercial bank

Renewable Energies (RE) project finance portfolio

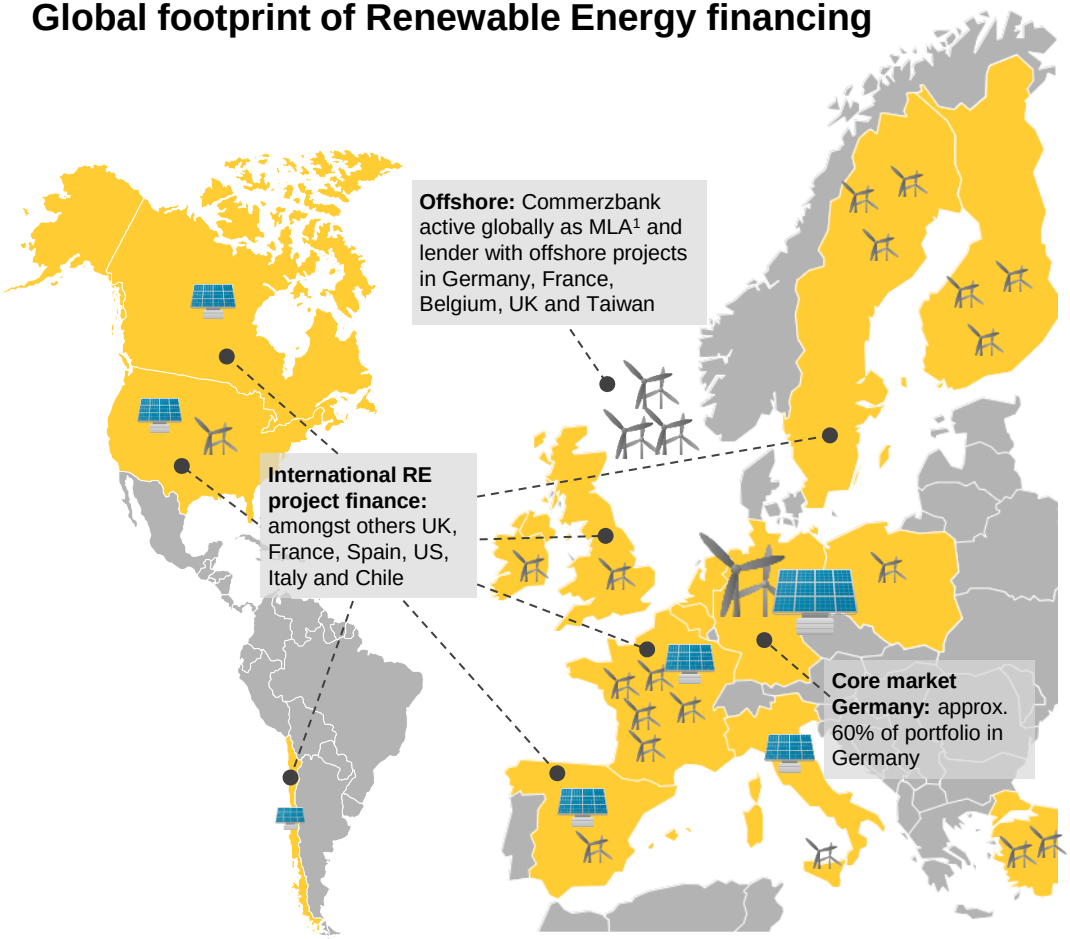
(EaD, €bn eop)



Renewable Energy portfolio



Global footprint of Renewable Energy financing



1) MLA = Mandated Lead Arranger

German economy 2020/21 – Fighting the Corona virus

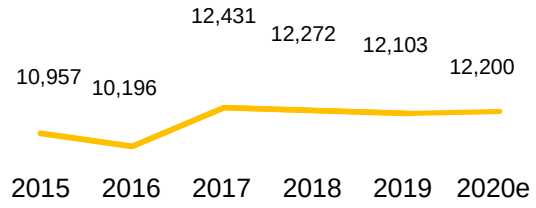
Current development

- The spreading of the Corona virus and the measures aimed at containing the outbreak resulted in a slump of economic activity in spring. As a consequence, German real GDP shrank by 1.9% qoq in Q1 and by 9.8% in Q2.
- Since May the German economy has recovered a significant part of the losses it suffered in March and April. In Q3 real GDP rose by a strong 8.2% qoq. However, economic activity was still more than 4% lower than at the end of 2019.
- Almost all parts of the German economy have been affected by this slump, albeit to a different degree. Parts of the service sector in particular have been the weak spot, after they were the mainstay of the German economy until the outbreak of the virus.
- The crisis has significantly affected the labour market. In October, the seasonally-adjusted number of officially unemployed people was 600k higher than at the start of this year. An even stronger increase has been prevented only by the massive use of state-subsidised short-time employment ('Kurzarbeit'). In August, still 2.6 million workers were participating in this scheme.

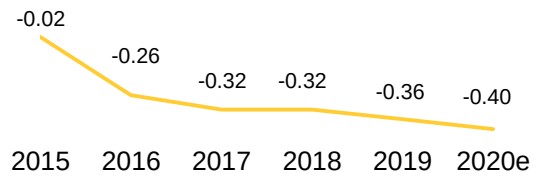
Our expectation for 2020/21

- After the fast rebound since the end of April the recovery has slowed down in the course of the summer as the virus is still hampering economic activity.
- Given the recent significant rise in infection numbers and the renewed restrictions imposed by the government, the economic activity in these sectors will fall again in Q4. As a consequence real GDP will stagnate in Q4 at most.
- Real GDP will stay below its pre-crisis level until a vaccine will be available. Then the recovery will get a new boost. We expect real GDP to reach its pre-crisis level at the end of 2021.
- We expect the German economy to shrink by 5.0% in 2020 and to increase by 3.5% in 2021. Obviously the forecast uncertainty is much higher than usual, as it depends strongly on the further development of the pandemic.

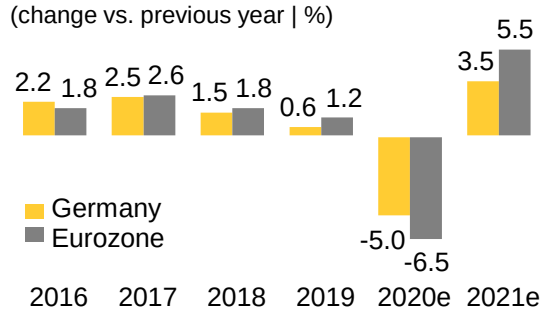
DAX
(avg. p.a.)



3m-Euribor
(avg. p.a. | %)



GDP
(change vs. previous year | %)



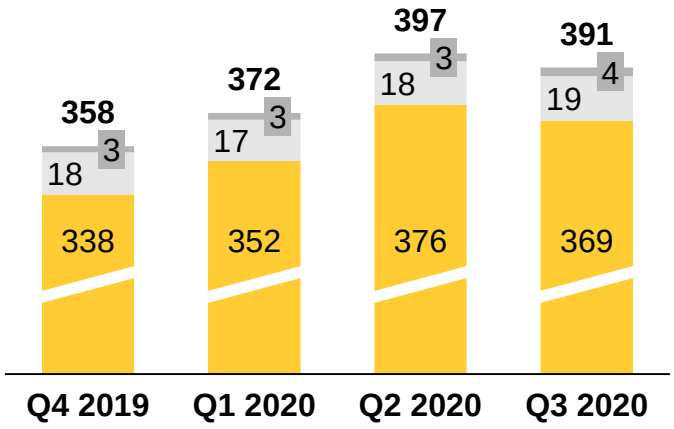
Strong governmental, regulatory and central bank action

Corona related support measures

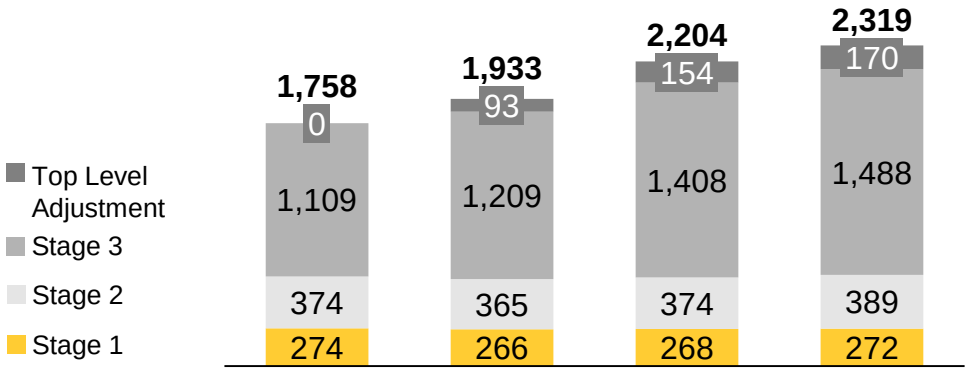
	German Government	European Union	Regulators and ECB
Regulatory measures	› Domestic short-time working scheme › Partial suspension of insolvency law until year-end 2020 › Full support for trade activities by credit insurer	› European short-time working scheme (SURE) › Extended application of EU Solidarity Fund › CRR Quick Fix › Accelerated relief from software capital treatment	› Easing of capital requirements › Broad operational relief › Reduction of procyclicality of regulations › Postponement of Basel IV introduction
Financial measures	› KfW loans with 80/90/100% guarantee available › Equity injection available › Grants given to small SME / self employed › Additional measures like revenue refund (max. 75%) announced for November restrictions	› Economic stimulus in long-term budget plan 2021-27 › Next Generation EU (€750bn recovery instrument) › European Stability Mechanism capacities › EU Investments initiative for SMEs and health care › Mobilisation of capital by European Investment Bank	› Provision of additional liquidity to banking system › New PEPP bond buying program established › Additional extension of existing QE programmes

Risk provisions increased to cover potential effects of Corona crisis

Exposure
(€bn, excluding mBank)



Risk provisions
(€m, excluding mBank)

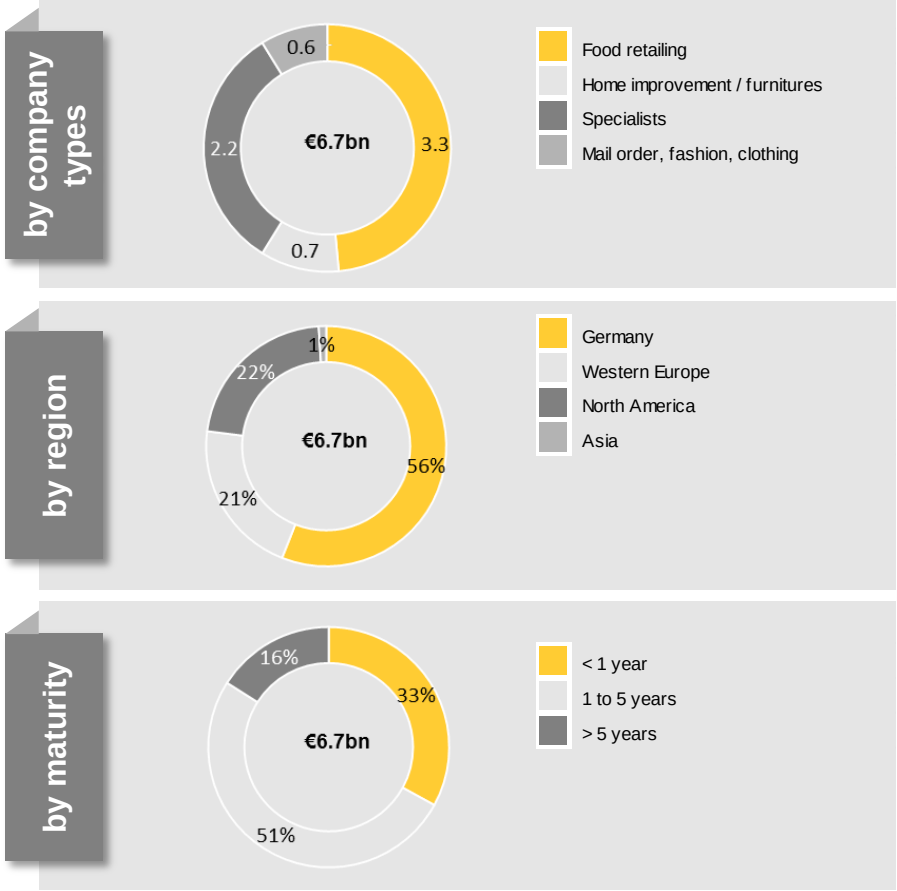


Coverage	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Stage 3	42.3%	42.8%	43.7%	42.5%
Stage 2	2.1%	2.1%	2.0%	2.1%
Stage 1	0.1%	0.1%	0.1%	0.1%

Highlights

- General loan loss provisions in stage 1 and 2 nearly unchanged over the last quarters
- Top level adjustment mainly booked for stage 2 assets to increase the effective coverage of our credit portfolio
- Increase of stage 3 LLP in Q2 includes a large single case with LLP of €175m

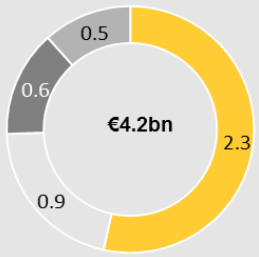
Retail with winners and losers in the Corona crisis – share of 1.4% of overall portfolio



- Overall stable sector due to high proportion of food retailing and drugstores (food retailing with 10-15% non food revenues). Top 10 borrower units represent 56% of sector EaD
- Retail industry: fierce predatory competition in all segments by price and investments in shop modernization
- In crisis: food retailing winner due to stay-at-home effect. Fashion: most severely affected. Home Improvement/Furniture/ DIY/Consumer Electronics benefit from “cocooning-impact”, shift in consumer preferences and “home office”
- After crisis: further development expected for Home Improvement/Furniture/DIY
- Corona liquidity support: processing is completed. 90% of all requests approved
- Our consistent strategy of customer selection and support of sustainable business models only over the past years pays off during the current crisis

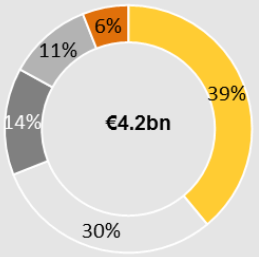
Travel related industries are strongly affected by the Corona crisis – share of only 0.9% of overall portfolio

sub portfolios



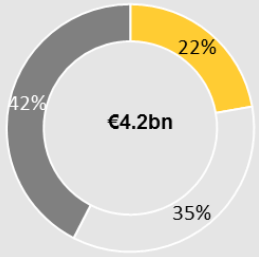
Airlines
Cruise liners
Hotels
Tour operators

by regions



Germany
Western Europe
North America
Asia
Rest of the world

by maturity

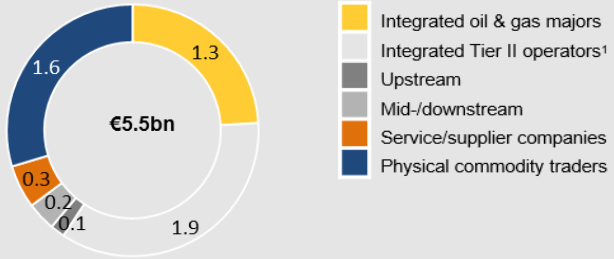


< 1 year
1 to 5 years
> 5 years

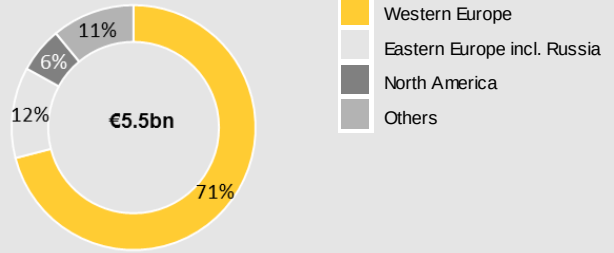
- EaD reduced by 6% vs 06/20. 33% of the portfolio with investment grade ratings (06/20 52%)
- € 2.3bn airlines portfolio consists of €1.8bn secured aircraft financing and €0.5bn corporate exposure
- Cruise liners (€0.9bn): Cruise ship financings mostly ECA covered. ECA have provided loan deferral options (“cruise debt holiday principles”) to protect liquidity. Slow re-start with first cruise travels with Covid19 health and safety protocols, but in light of increasing infection rates further development uncertain
- Hotels: Lock down in Q2/2020 with revenues nearly zero while costs largely continued. Slow recovery with start of holiday season. Afterwards uncertain outlook due to absence of business travels, fairs, etc. Most operators have rented the buildings. We see renegotiations of rent payments
- Tour operators (€0.5bn): Mix of state support and use of KfW programs. Slow recovery in Q3 observed, but increasing infection rates threaten further short-/mid-term recovery

Oil/gas exposure stands for 1.1% of total exposure – approximately 78% investment grade

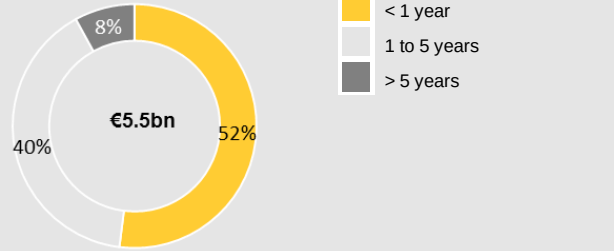
by company types



by region



by maturity



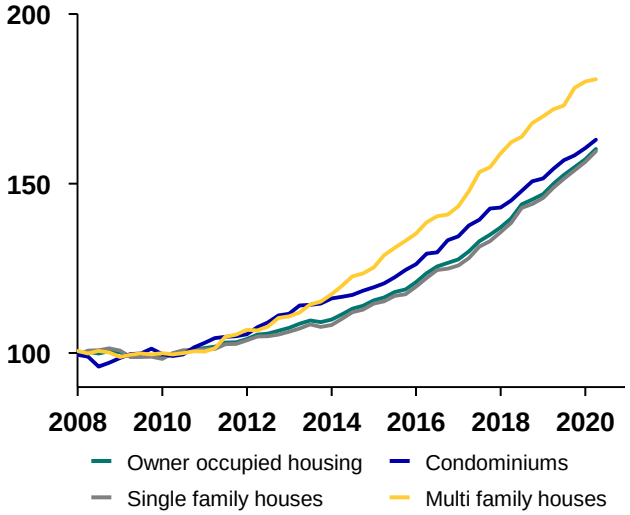
- More than 50% of the EAD exposure to integrated oil & gas majors and Tier II operators with strong balance sheets with enhanced liquidity including access to Debt Capital Markets and Hybrid Bonds
- Commodity trader exposure (30% of EAD) concentrated to world's top independent energy traders with strong liquidity profiles and benefiting from "flight to quality" and strong earnings over H1 2020
- Approximately 78% of the overall portfolio equivalent to investment grade
- No exposure to single asset operations
- No shale producers
- No project finance

1) Largely state owned and / or national companies with diversified operations with integrated upstream and downstream

Residential mortgage business vs. property prices

German residential properties

(index values)



Source: vdpresearch, Commerzbank Research

Prices of houses and flats, existing stock and newly constructed dwellings, averages

Overall mortgage portfolio

- Growing mortgage volume with unchanged risk quality:
  - 12/16: EaD €66.8bn – RD 10bp
  - 12/17: EaD €75.2bn – RD 9bp
  - 12/18: EaD €81.0bn – RD 9bp
  - 12/19: EaD €86.6bn – RD 8bp
  - 06/20: EaD €90.5bn – RD 7bp
  - 09/20: EaD €92.9bn – RD 7bp
- Rating profile with a share of 91% in investment grade ratings
- Vintages of recent years developed more favourably so far and NPEs remain at a low level
- Due to risk-oriented selection very low RD
- As a consequence of low interest rates, repayment rates remain on a very high level
- Average “Beleihungsauslauf” (BLA) in new business of 82% in Q3 2020. German BLA is more conservative than the internationally used LtV definition due to the application of the strict German Pfandbrief law

Risk parameters unchanged, impact of crisis so far negligible

RD = risk density (expected loss / EaD)

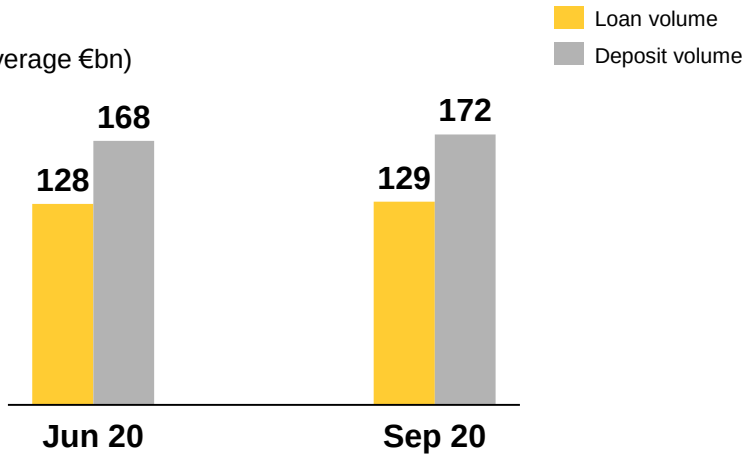
Commerzbank financials at a glance

Group	Q3 2019	Q2 2020	Q3 2020	9M 2019	9M 2020
Operating result (€m)	449	205	168	1,004	94
Net result (€m)	297	221	-69	681	-162
CET1 ratio (%)[1]	12.8	13.4	13.5	12.8	13.5
Total assets (€bn)	513	551	544	513	544
RWA €bn)	189	187	183	189	183
Leverage ratio fully loaded (%)	4.7	4.7	4.8	4.7	4.8
Cost/income ratio (excl. compulsory contributions) (%)	71.4	67.1	74.8	72.8	73.9
Cost/income ratio (incl. compulsory contributions) (%)	74.2	70.4	78.3	78.8	81.1
Net RoE (%)	4.0	2.9	-1.5	3.2	-1.1
Net RoTE (%)	4.5	3.2	-1.6	3.5	-1.2
Total capital ratio fully loaded (%)[1]	15.8	17.3	17.7	15.8	17.7
NPE ratio (in %)	0.9	0.8	0.9	0.9	0.9
Group CoR (bps) [2]	10	32	29	10	29
Group CoR on Loans (CoRL) (bps) [3]	18	58	53	18	53

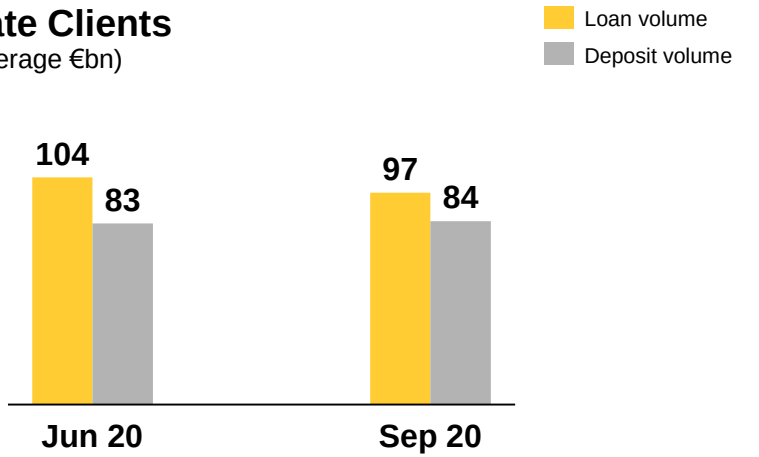
1) Includes net results reduced by dividend accrual where applicable and potential (fully discretionary) AT1 coupons
2) Cost of Risk (CoR) = Risk Result / Exposure at Default
3) Cost of Risk on Loans (CoRL) = Risk Result / Loans and Advances (see notes in interim report)

Loan and deposit development

PSBC
(monthly average €bn)



Corporate Clients
(monthly average €bn)

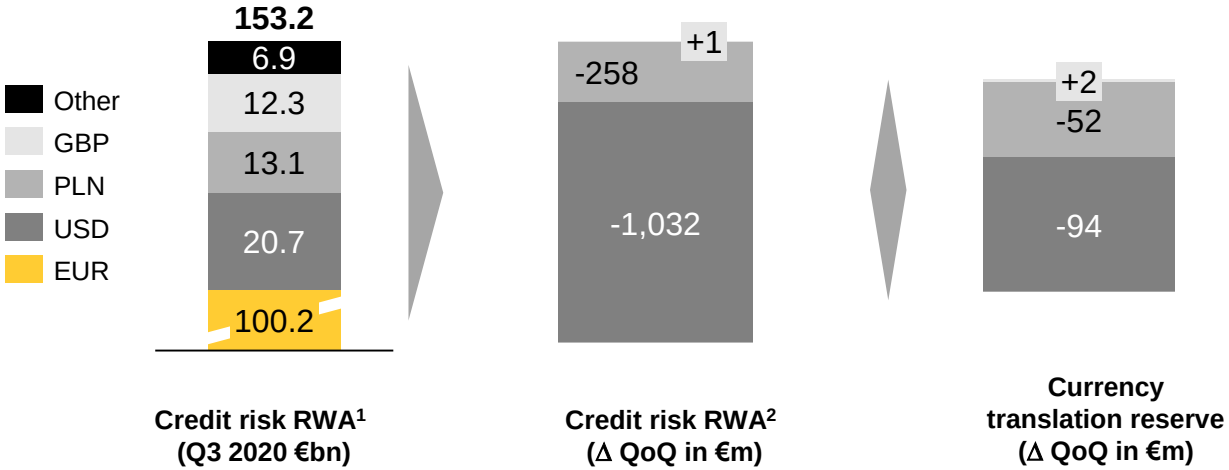


Highlights

- Loan growth in Private and Small Business Customers driven by residential mortgage business and investment loans in Germany – Corona driven increase in deposit base in Germany
- In CC lower loan volumes reflect reduced drawing of credit lines
- In CC deposit fee charged on €32bn deposits; in PSBC on €6bn

Net positive impact on CET1 ratio from FX driven lower credit risk RWA

QoQ Change in FX capital position



FX rates	06/20	09/20
EUR/ GBP	0.912	0.912
EUR/ PLN	4.456	4.546
EUR/ USD	1.120	1.171

Explanation

Negative impact on CET1 ratio due to decreasing currency translation reserve was overcompensated by capital relief caused by FX driven lower credit risk RWA

– Decreasing Credit Risk RWA from FX effects mainly due to weakening of USD and PLN against EUR

– Lower currency translation reserve due to declining USD and PLN (PLN -€52m, USD -€94m)

1) Based on current CET1 ratio
2) Change in Credit Risk RWA solely based on FX not on possible volume effects since 06/20

Glossary – Key Ratios

Key Ratio	Abbreviation	Calculated for	Numerator	Denominator		
				Group	Private and Small Business Customers and Corporate Clients	Others & Consolidation
Cost/income ratio (excl. compulsory contributions) (%)	**CIR (excl. compulsory contributions) (%)**	Group as well as segments PSBC and CC	Operating expenses	Total revenues	Total revenues	n/a
Cost/income ratio (incl. compulsory contributions) (%)	**CIR (incl. compulsory contributions) (%)**	Group as well as segments PSBC and CC	Operating expenses and compulsory contributions	Total revenues	Total revenues	n/a
Operating return on CET1 (%)	**Op. RoCET (%)**	Group and segments (excl. O&C)	Operating profit	Average CET1[1]	12% [2] of the average RWAs (YTD: PSBC €47.3bn, CC €98bn)	n/a (note: O&C contains the reconciliation to Group CET1)
Operating return on tangible equity (%)	**Op. RoTE (%)**	Group and segments (excl. O&C)	Operating profit	Average IFRS capital after deduction of goodwill and other intangible assets [1]	12% [2] of the average RWAs plus average regulatory capital deductions (excluding goodwill and other intangible assets) (YTD: PSBC €0bn, CC €0.5bn)	n/a (note: O&C contains the reconciliation to Group tangible equity)
Return on equity of net result (%)	**Net RoE (%)**	Group	Consolidated Result attributable to Commerzbank shareholders and investors in additional equity components after deduction of potential (fully discretionary) AT1 coupon	Average IFRS capital without non-controlling interests and without additional equity components [1]	n/a	n/a
Net return on tangible equity (%)	**Net RoTE (%)**	Group	Consolidated Result attributable to Commerzbank shareholders and investors in additional equity components after deduction of potential (fully discretionary) AT1 coupon	Average IFRS capital without non-controlling interests and without additional equity components after deduction of goodwill and other intangible assets [1]	n/a	n/a

Key Parameter	Calculated for	Calculation
Total clean revenues	Group and segments	Total revenues excluding exceptional revenue items
Underlying Operating Performance	Group and segments	Operating result excluding exceptional revenue items and compulsory contributions

1) Includes consolidated P&L reduced by dividend accrual and accrual for potential (fully discretionary) AT1 coupons
2) Charge rate reflects current regulatory and market standard

COMMERZBANK

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Financial calendar

2021

11 Feb	12 May	4 August	4 November
Q4 2020 press conference	Q1 2021 results	Q2 2021 results	Q3 2021 results