

Commerzbank AG

SME Structured Covered Bond



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2	Commerzbank Credit
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Executive summary

Commerzbank	 Solid capital ratios (Core tier 1 at 12.2% under Basel II.5, >9% under Basel III phase in) Significant increase in customer deposits, reduction of capital markets and interbank funding Currently rated A(negative)/A-1 by S&P, A3(negative)/P-2 by Moody's and A+(stable)/F1+ by Fitch Strategic agenda for 2016: Planned ROE >10% (Core Bank), CIR of 60% and NCA RWA reduction by 42% Robust German economy reflected in Mittelstandsbank's low LLP and net releases, as well as increasing profits (€395m in Q3 2012 vs. €350m in Q3 2011) Mittelstandsbank's ROE is 28% compared to 14% of competitors
German Economy	 Germany is the fourth largest economy in the world and the largest European market with 82m inhabitants Despite the ongoing European crisis: strong German GDP growth; unemployment at historic low (5.4%) With USD 1.5trn of exports in 2011 Germany is the world's second largest exporter The "Mittelstand", the German economy's backbone, is responsible for approx. 50% of German turnover
Structured Covered Bond (SCB) Programme	 Similar to structured covered bonds in other jurisdictions Dual-recourse to Commerzbank and a pool of German SME loans Committed minimum OC of 11% The SME Structured Covered Bond Programme is expected to be rated Aa2 by Moody's and AA by Fitch Commerzbank registers the loans and related mortgages in the Refinancing Register Trustee of the SPV acts for the benefit of bondholders
Cover Pool	 Cover assets are Euro-denominated senior loans to German SME companies with a Commerzbank Internal Rating between 1.0 and 4.0 The initial €650m pool is dynamic in nature and can expand for future issuance in line with eligibility criteria The maximum weighted-average life (WAL) of the loan portfolio is 3.0 years Debt group concentration is capped at 0.5%; industry concentration at 15% Repaid or repurchased loans will be replenished by eligible loans or eligible substitute assets

Group operating profit of €216m – Core Bank with sold result

As of Sep 30, 2012

- Group operating profit of €216m negatively affected by NCA
- Operating profit in Core Bank with €692m up by 19% q-o-q, partly supported by oneoff effects
- Slight increase in NCI in light of positive market sentiment, while NII margin remains subdued
- Efficiency gains are paying-off Group CIR below 70%
- RWA almost flat q-o-q at €206bn, Core Tier I ratio at 12.2%

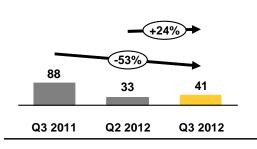
Source: Commerzbank - Group Finance (Figures as of Oct 31, 2012)



Core Bank with solid operating result

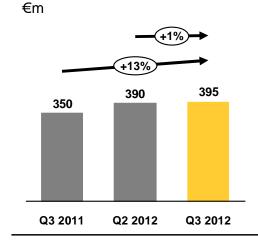
As of Sep 30, 2012

Private Customers – Operating profit €m



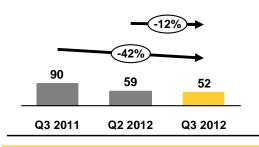
 Revenues still on a low level but increase in securities business

Mittelstandsbank - Operating profit



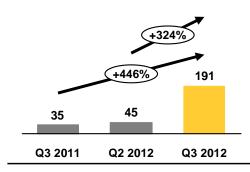
 Robust German economy reflected in low LLP level and net releases

Central & Eastern Europe – Operating profit €m



 Stable revenues in BRE and continuing growth in deposit volume

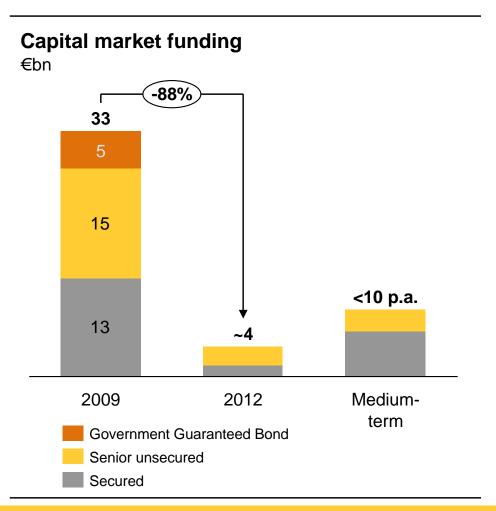
Corporates & Markets – Operating profit €m



- Improved market sentiment contributes to operating result
- Figures for the first time including former PRU assets (Structured Credit Legacy)



Due to run-down of NCA and strong increase in client deposits no significant capital market funding in the medium-term required



Comments

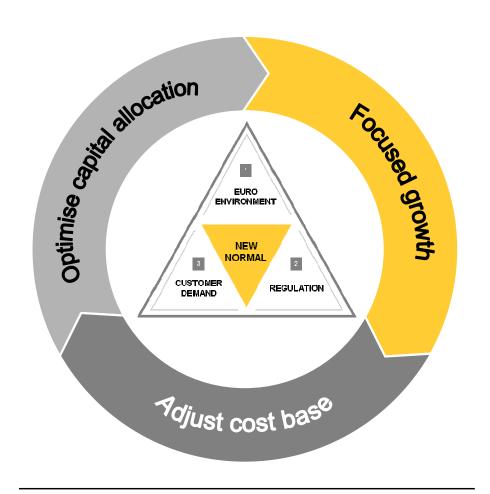
- Significant increase in customer deposits related to assets (from 31% in 2009 to 40% in Q3 2012)
- Reduction of capital market and interbank funding related to assets (from 39% in 2009 to 33% in Q3 2012)
- Currently no USD funding necessary
- Medium-term capital market funding including planned business growth in the Core Bank

Source: Commerzbank - CM Funding; Group Finance



Our financial goals for 2016

Our strategic agenda



ROE post-tax¹⁾
Core Bank
>10%

CIR

Core Bank

~60%

Basel III under phase-in Group

Source: Commerzbank - Group Finance 1) Based on implicit tax rate.



Commerzbank's SME SCB programme at a glance



Dual recourse

- Obligation of Commerzbank AG
- Guarantee provided by the SPV in favor of the bondholders securing the payment obligations of Commerzbank
- Guarantee, backed by a pool of SME loans, transferred to an insolvency remote SPV
- Commerzbank registers the loans and any related mortgages* in the Refinancing Register
- Security Trustee of the SPV acts for the benefit of bondholder

^{*} Other collateral, to the extent it is accessory, is attached to the registered loan

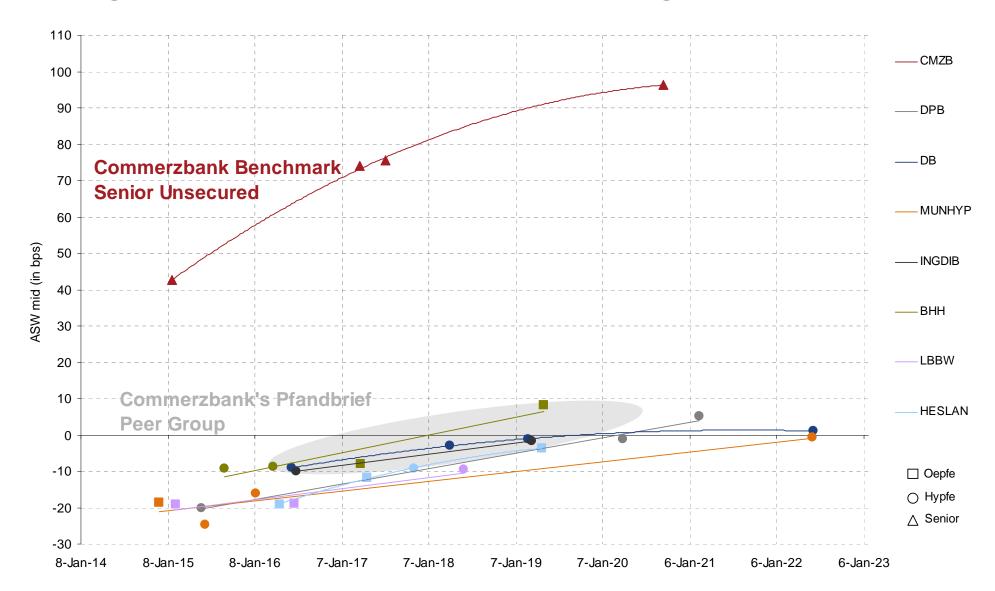


Highlights of the SME Structured Covered Bond Programme

› Issuer	Commerzbank AG, Rating A(neg)/A3(neg)/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
Expected rating	The SME SCB Programme is expected to be 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)
› Cover pool	Euro-denominated senior loans to German SME companies with an internal rating between 1.0 and 4.0
Segregation of collateral	Collateral sold to the guarantor is segregated for the benefit of bondholders and other secured parties in the context of the programme
Dual recourse	1 st : Repayment obligation by Commerzbank 2 nd : Cover pool with over-collateralisation of at least 11% on the SCB outstanding
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	SCB will likely fall into category IV
Basel III LCR compliance	In our view, it is likely not eligible as part of the Liquidity Buffer for the LCR
Covered Bond Index inclusion	Strongly intended. Final decision on the part of index teams post issuance
Transparency	Investor reports and other data will be provided on an on-going basis



Pricing environment for Commerzbank's inaugural SME SCB



Source: Commerzbank - Secondary Trading (levels as of Jan 08, 2013)



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Commerzbank financials at a glance

As of Sep 30, 2012

Group	Q3 2011	Q2 2012	Q3 2012
Operating profit (€m)	-855	451	216
Core Tier I ratio B 2.5 (%)	9.4	12.2	12.2
RWA (€bn) ¹⁾	244	210	206
Leverage ratio (%)	22	19	19
Core Bank (incl. O&C)	Q3 2011	Q2 2012	Q3 2012
Operating profit (€m)	868	580	692
Op. RoE (%)	16.4	12.6	12.9
CIR (%)	64.7	70.0	68.9
Risk density of EaD (bps)	31	28	27
LTD ratio (%)	85	78	77
NCA	Q3 2011	Q2 2012	Q3 2012
Operating profit (€m)	-1,511	-149	-476
EaD volume (€bn)²)	192	155	148
Risk density of EaD (bps)	36	51	58

Source: Commerzbank - Group Finance 1) excl. trading assets 2) EaD performing book only



Commerzbank today: a competent partner for private and corporate customers with a strong core franchise

As of Sep 30, 2012

Private Customers

- ~11 million customers, of which 7.8 million in the retail network
- > 1,200 branches in Germany
- No. 1 online broker (comdirect)
- Leading position in wealth management

Corporates & Markets

- Prudent and client centric business model since 2004
- Leading in European securitized products, German DCM loans & bonds and equity brokerage & international risk management solutions

Mittelstandsbank

- House bank of German Mittelstand with market coverage >30% of German SME and >90% of German large corporates
- Leading position in cash & trade services
- No. 1 in documentary credit business and No. 3 in commercial euro payments in Western Europe and North America



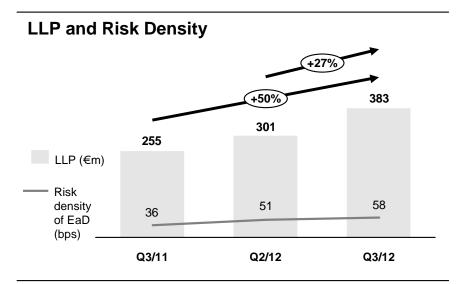
Central & Eastern Europe

- No. 3 bank in Poland (BRE Bank) with 4 million customers
- Strong brand in retail business with mBank in Poland, Czech Republic and Slovakia

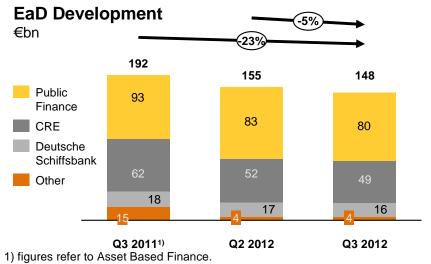


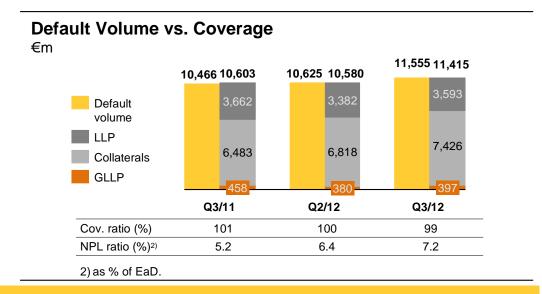
NCA: continued portfolio reduction in PF and CRE

As of Sep 30, 2012



- ▼ LLP increase in NCA of 27% q-o-q with ongoing high LLP in Deutsche Schiffsbank and LLP increase in CRE as expected
- ▲ Portfolio reduction of 5% in NCA q-o-q (-4% in PF and -6% in CRE)







Focused growth: realisation of revenue potential in the Core Bank

PC

- Establish new business/revenue model based on fairness and competence toward customers
- Increase customer base in comdirect benefiting from general trend toward direct banking

MSB

- > Intensify customer acquisition in the small-cap segment
- Increase share of wallet in the domestic mid- and large-cap segment
- > Promote international growth
- Extend cash management and international business platform

CEE

- Grow with the market in BRE
 - Leverage new mBank offering with advanced online platform
 - Create one integrated sales network for corporate and retail offering

C&M

- > Grow based on a focused offering as a large international niche player
- > Evolve product offering in Corporate Finance and EMC and expand institutional client base in FIC

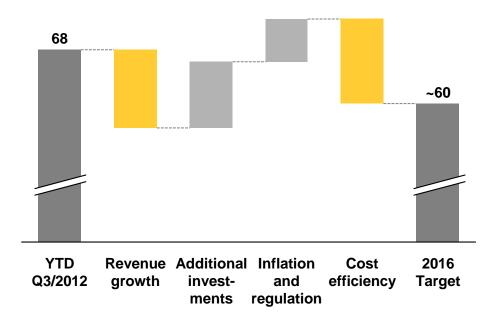


Adjust cost base: cost management is an integrated part of Commerzbank's strategic agenda

As of Sep 30, 2012

Cost/income ratio in Core Bank

%



- Unmanaged, cost base to increase by €0.7bn-€0.8bn due to inflation and regulatory charges
- In addition, investments to facilitate revenue growth, i.e. IT, new branch model



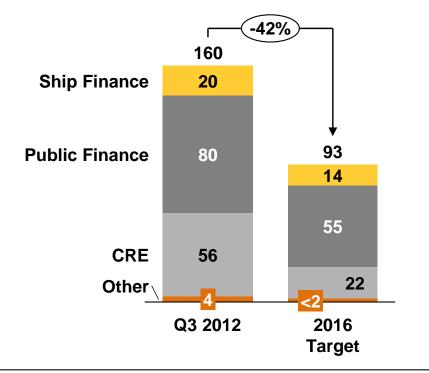
- Cost management required
 - Flat cost base for Commerzbank Group
 - CIR of 60% in Core Bank in 2016
- Main levers
 - Adjust sales distribution capacities
 - Reduce complexity
 - Adjust corporate centre capacities
 - Source/near-shore back-office activities



Optimise capital allocation: RWA reduction in NCA results in significantly improved capital allocation in 2016

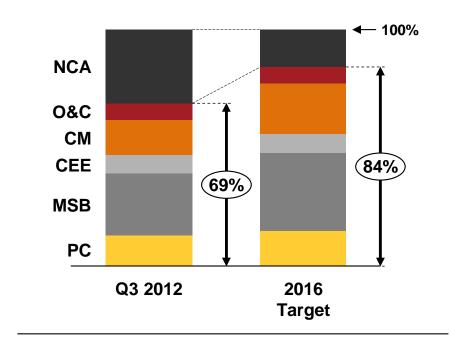
As of Sep 30, 2012





RWA Distribution

%, eop

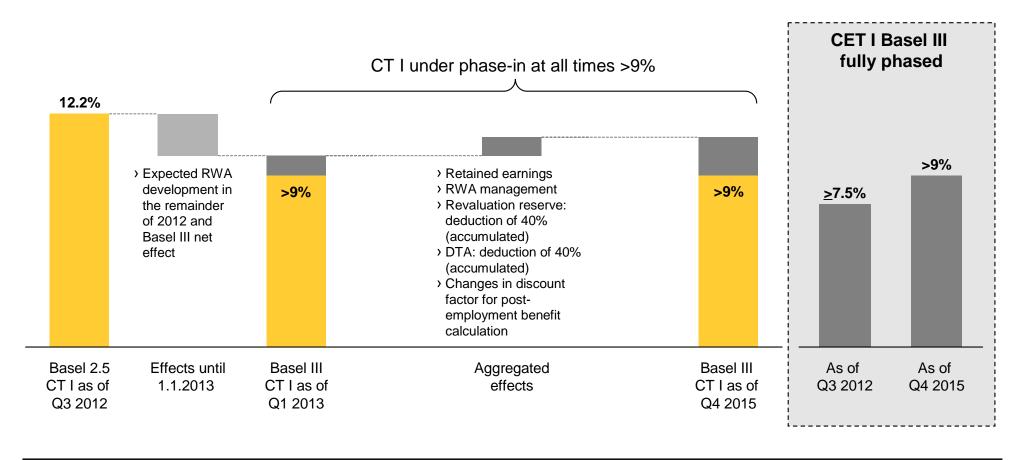




Basel III Core Tier I at all times >9% under phase-in

As of Sep 30, 2012

Basel 2.5 Core Tier I and Basel III Core Tier I under phase-in

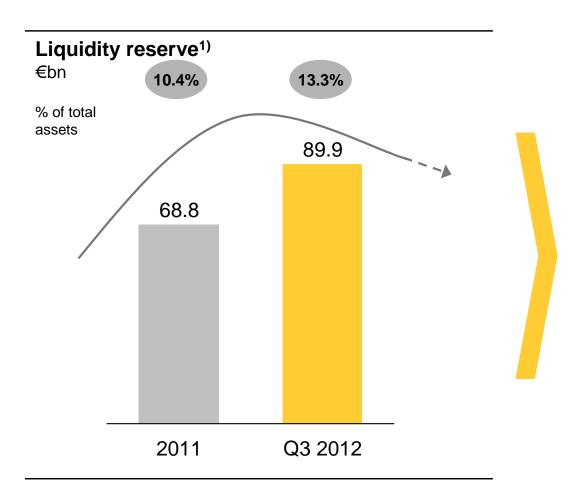


Source: Commerzbank - Group Finance Note: estimated impacts as of September 2012



In light of turbulent market we have significantly increased our liquidity reserve

As of Sep 30, 2012



Comments

- Historically high liquidity reserve reflects very conservative approach
- Central bank eligible assets with broad diversification
- Due to significantly reduced risk of Euro break-up normalisation in liquidity management
- > Payback of LTRO I in Q1 2013 envisaged



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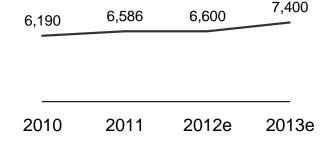
German economy has slowed down – but still outperforming Eurozone

Current development

- German economy has slowed down significantly since fall 2011
- Investment in machinery and equipment in particular have lost steam, pointing to the uncertainty regarding the future of EMU as the main reason for the slow-down
- Weak leading indicators are signaling the risk of a GDP decline in Q4
- Downward-trend of unemployment has stopped

DAX

(average p.a.)

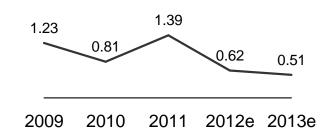


Our expectation for 2012/2013

- A still growing demand from outside the Euro area and expansionary monetary policy will prevent Germany from falling into a recession as the peripherals have already
- Willingness of the ECB to buy peripheral bonds will reduce EMU break-up risk
- Less uncertainty may lead to a revival of the German Economy in the course of 2013; chance of strong growth in 2014

Euribor

in % (average p.a.)

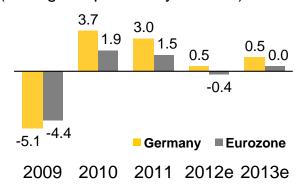


Reasons for outperformance

- > No bubbles in the housing market
- > Low level of private sector debt
- > Less need for fiscal consolidation
- Steadily improved competitiveness since start of EMU; however, the advantage is about to decline
- Germany benefits from its strong positioning in Asian markets and Emerging Markets in general

GDP

(Change vs previous year in %)



Source: Commerzbank - Economic Research



The German Mittelstand: engine of the German economy I

German Mittelstand at a glance

Scope	Growth	Contribution to society
 Comprises more than 99% of all German firms Contributes almost 52% to total economic output Employs roughly 14 million people 	The international turnover of the "German Mittelstand" has been growing by roughly 25% per year on average from 2000 onwards	The training provided by the "German Mittelstand" makes a major contribution towards the comparatively low level of youth unemployment (7.9%)

Key success factors of the German Mittelstand

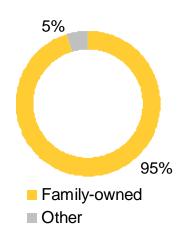
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Long-term oriented	Sound financing	Flexibility	
Almost all German SMEs are family- owned, of which many are owner- managed leading to long-term oriented business policies	Relies on sound financing models, mainly equity and bank loans	The high equity ratio and a cautious approach to expansion enable the companies to undertake medium-term and long-term investments, even in times of crisis	
Government support	Innovation-oriented strategy	Focus on young talent	
Government supports the "German Mittelstand" on key issues like investment in R&D, skills shortage, foreign trade and investment, financing needs, company start-ups and company hand-overs	54% of German SMEs launched an innovation into the market in recent years	SMEs employ 83.2% of trainees and thus tomorrows talents	

Source: German Federal Ministry of Economics and Technology, figures as of Dec 2010



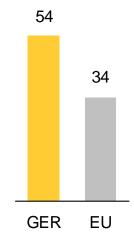
The German Mittelstand: engine of the German economy II

Share of family-owned firms among German SMEs



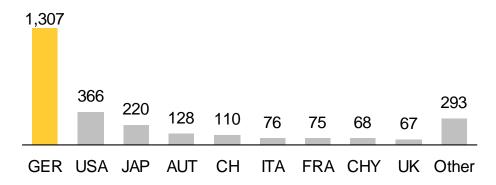
- More than 99% of all 3.7 million companies in Germany belong to the Mittelstand
- Roughly 95% of all German firms are family-owned, of which approx. 85% are owner-managed
- German Mittelstand companies tend to take a particularly long-term approach to business, based on stable client relations, a continuous human resources policy, and strong ties to the region

Innovation-driven backbone of the German economy



- More than half of German SMEs introduced a product or process innovation during 2008-2010 vs. just a third in the whole EU
- German SMEs are particularly likely to increase R&D spending. Their R&D investments rose by 71% between 2004 and 2010, vs. 19% for large corporations

Number of "Hidden Champions*" in the international comparison



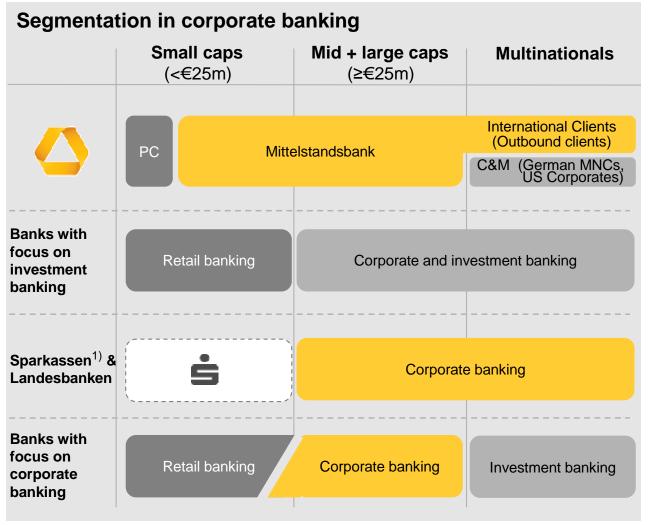
- Their focus on niche markets, coupled with technological know-how leads to an above-average share of market leaders among German SMEs, compared to other countries
 - Germany has produced more than three times as many of these "hidden champions" as the USA, the runner-up in the statistics
- The strength of these market leaders lies in electrical engineering and industrial products

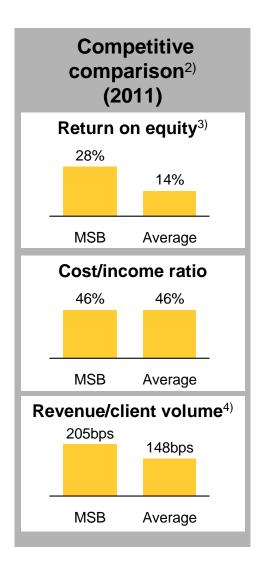
Source: German Federal Ministry of Economics and Technology, figures as of 2010 * Niche-specific market leader



Commerzbank Mittelstandsbank

Sustainable and strategic partner for the entire "Mittelstand"





¹⁾ Small caps mainly covered by local saving banks 2) Selected competitors with similar segmentation, source: annual reports 2011

Source: Commerzbank - Mittelstandsbank

^{3) 7%} regulatory capital requirement for risk-weighted assets assumed 4) Revenues = total revenues; Client volume = loan + deposit volume



Strong market position by means of unique business model

Unrivalled regional coverage in domestic market

combined with dense international network

Superior relationship-based business model

i.e. relationship managers orchestrate product specialists to ensure optimal solutions for each individual client and cross-selling

Market-leading foreign trade expertise

to support our clients in the financing and processing of foreign trade activities

Client-centric capital market know-how ensured by Corporates & Markets units

dedicated to serving the "Mittelstand"

Regional and international coverage

- 150 locations; ~1,700 relationship managers;
 ~1,400 local specialists in domestic market
- > >30 international branches
- > >7,000 correspondent banks

Revenue breakdown¹⁾ Loans Cash mgt. and trade services Deposits Others Cross-selling products Loans

Market share of export letters of credit²⁾

Germany: 30%Eurozone: 10%



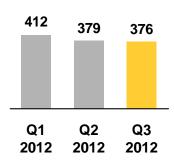
Source: Commerzbank – Mittelstandsbank 1) Basis: revenues 9M 2012 2) Source: SWIFT 2011



Mittelstandsbank divisional split

As of Sep 30, 2012

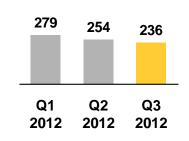
Mittelstand Germany – Revenues before LLP €m



 Stable revenues from German Mittelstand (loan and foreign trade business)

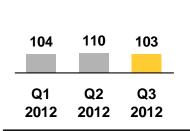
Corporate Banking & International – Revenues before LLP

€m



- Stable loan and foreign trade business
- Declining deposit margin and demand for capital market products

Financial Institutions – Revenues before LLP €m

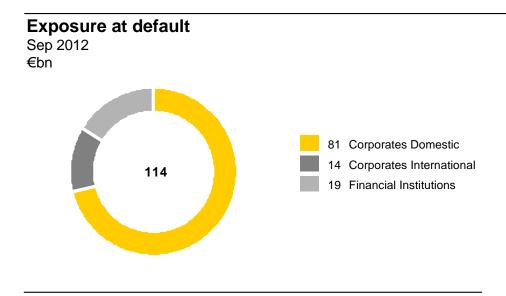


- Revenues almost stable at a sound level due to loan and foreign trade business
- Net trading income Q1 and Q3 suffered from valuation effects



Mittelstandsbank from a risk management perspective

As of Sep 30, 2012



	Dec 2010	Dec 2011	Sep 2012
Credit RWA (€bn)	63	53	50
LLP (YtD, €m)	279	188	-12
Default portfolio (€bn)	3.9	2.9	2.9
Coverage ratio incl. GLLP	83	86	77

sk density p 2012	
	29
	27
2	6

Mittelstandsbank: 28 bp

Source: Commerzbank - Group Risk Management



Expansion of proven business model to capture growth opportunities

Economic environment

- Germany maintains position as economic engine in Europe, while other European countries suffer from euro crisis (real GDP in Germany in 2013¹⁾: +0.5%, real GDP in eurozone in 2013¹⁾: 0.0%)
- The "Mittelstand" is the backbone of German economy (Share of overall turnover²⁾ ~50%)
- > Competitors with internal challenges
- Increasing internationalisation of customers and growing international trade flows (German exports in 2013³⁾: +6%)
- Dynamic growth, especially in Asia
 (e.g. real GDP in China in 2013¹⁾: +7.5%)

Strategic implication

Further strengthen position in domestic market

Use windows of opportunities to increase market share in Germany

Expand reach in dynamic growth markets and ensure participation in growing international trade flows

Support internationalisation of customers and further enhance client retention with convincing solutions in cash management

1) Source: Commerzbank - Economic Research, 28.9.2012 2) Source: turnover statistics 2010, German Federal Statistical Office 3) Source: AHK-Weltkonjunkturbericht 2012/2013



Mittelstandsbank with ambitious targets for 2016

As of Sep 30, 2012

Additional revenues of 4% p.a.

Return on equity (ROE) greater than 20%¹⁾

Sustained cost efficiency, CIR below 45%

Average equity around €7bn

More than 15% growth in customer base²⁾

Increased cross-selling, non loan ratio³⁾ above 50%

Growth in international revenues of 8% p.a.

Mittelstandsbank

- Mittelstandsbank with unique business model and market position in Germany
- Building on our strengths we will grow in our domestic market and expand internationally
- We stay the sustainable and strategic partner of the "Mittelstand"

Source: Commerzbank - Mittelstandsbank

¹⁾ Assumed regulatory capital requirement for risk-weighted assets is 9% 2) Small and mid caps Germany; compared to expected 2012 figures 3) Non-loan ratio: Share of non-loan business-related revenues in total customer-related revenues



Agenda

1	Executive Summary
2	Commerzbank Credit
3	The German Mittelstand's Role and Commerzbank's Franchise
4	The SME Structured Covered Bond
5	The Cover Pool
6	Credit Process, Monitoring of SME Loans and Commerzbank's Internal Rating Methodology
7	Appendix



Structural overview

- > 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

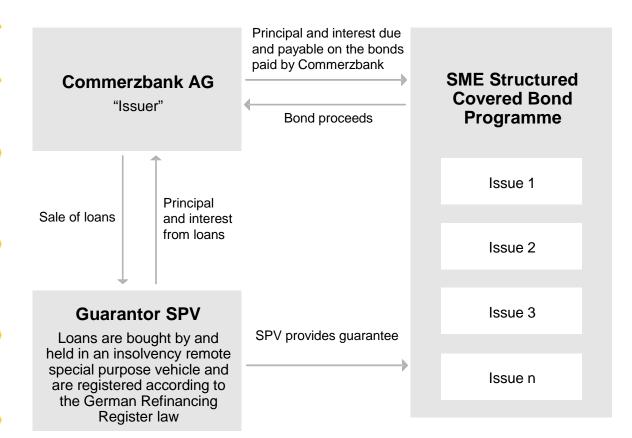
Dual recourse 1. Obligation of Commerzbank AG Guarantee provided by the SPV in favor of the bondholders securing the

payment obligations of Commerzbank

Guarantee is backed by a pool of SME loans or other eligible assets, transferred to an insolvency remote SPV

Loans and any related mortgages* are registered in the Refinancing Register to assure segregation from Commerzbank insolvency

Trustee of the SPV acts for the benefit of the bondholders and its other creditors



^{*} Other collateral, to the extent it is accessory, is attached to the registered loan



Guarantor

event of

default

Key structural features

Guarantee Asset Credit Refinancing **Amortisation** Cover pool Coverage Activation enhancement Register Test Test Event > Eligible senior loans to German SME companies: Loan agreements are governed by German law only Cover assets Borrower has its headquarter- or a branch office in Germany Loan denominations in EUR only Fixed or floating rate interest payments - Amortising, bullet or annuity loans - Unsubordinated, irrevocable, binding and enforceable obligation of the relevant debtor Pool quality > Eligible substitute assets: Cash deposits (for up to 30 calender days) with a credit institution rated at least "F2" or "A-" by Fitch and "P-2" or "Baa2" by Moody's or assets according to Sections 4 (1) Nr.1-3 and Section 19 (1), sentence 2, Nr. 1-3 or Section 20 (1) Pfandbrief Act with a rating of the relevant issuer rated of at least "F1+" or "AA" by Fitch and "P-1" or "A2" by Moody's at the time when Eligible Investment is purchased by Guarantor 10% limit of the Collateral Portfolio Aggregate Outstanding Amount applies for Eligible Investments with credit institutions (other than Kreditanstalt für Dynamic pool Wiederaufbau, the European Investment Bank or similar institutions) and for issuers rated lower than "AA" by Fitch or "Aa3" by Moody's



Key structural features

Н	Cover pool Credit enhancem	Refinancing ent Register	Asset Coverage Test	Guarantee Activation Event	Amortisation Test	Guarantor event of default
١.						
H	Cover assets	regular basis	ored using the Com logy is statistically l with regulatory ove the rerated at least ar	based and is tester ersight	•	~ ,
г			alify as eligible with loody's / Fitch acco			
I _		`	•		•	,
		 Following the purchase of loans the weighted average Internal Rating of the borrowers in the cover pool shall not be higher (i.e. worse) than 3.4 				
	Pool quality	High granularity				
Pool quality		•	concentration cont	• • •		•
		 Share of the land 	 Share of the largest borrower industry capped at 15% of the loan portfolio 			
		> Short maturities				
		 No loan final r longest outsta 	maturity can be mo anding bond	re than 5 years lor	nger than the final	maturity of the
	Dynamic pool	Following the years	purchase of loans	the loan portfolio a	average life shall n	ot exceed 3.0



Key structural features

	Cover pool Cre enh	dit nancement	Refinancing Register	Asset Coverage Test	Guarantee Activation Event	Amortisation Test	Guarantor event of default	
	Cover assets	> 1	 The cover pool is dynamic In case an additional bond shall be issued under the programme, the cover pool volume needs to be adjusted to meet the required over-collateralisation level and pass the Asset Coverage Test (ACT) 					
			 In such case Commerzbank will add eligible assets to the cover pool (i.e. the SPV will purchase additional assets) and subsequently issue further bonds against the cover pool 					
			 Removal of assets from the cover pool is possible only in accordance with the receivable purchase agreement, which includes passing the ACT Repurchase obligation Loans from borrowers with a Commerzbank Internal Rating of greater than 4.0 (i.e. higher default risk) must be repurchased by Commerzbank and replaced by loans 					
	Pool quality	> F						
П								
			from borrowers with a Commerzbank Internal Rating between 1.0 and 4.0 and/or eligible substitute assets					
Ц		> F	Replenishment & ı	replacement				
	Dynamic pool	-	 Repaid or repurchased loans will on certain dates be replenished by eligible loans and/or eligible substitute assets 					



Key structural features

Guarantee Guarantor Asset Refinancing **Amortisation** Credit Cover pool Coverage Activation event of enhancement Register Test Test Event default > 1st: Claim against Commerzbank 2nd: Guarantee provided by a Guarantor SPV that owns the cover pool Dual recourse > The bonds are a direct and unconditional obligation of Commerzbank > In case of non-payment by Commerzbank of either interest, principal or both, the bonds are guaranteed by an insolvency remote SPV (Guarantor SPV) > The guarantee payments by the Guarantor SPV are backed by the cover pool A Guarantee Activation Event, including inter alia non-payment by Commerzbank of interest or principal on the bonds for more than 30 days, activates the guarantee Over-collateralisation As long as no Guarantor Event of Default has occurred, the Guarantor will pay interest on the bonds when it is due and payable and principal on the relevant maturity date of the bonds, provided that in each case sufficient cash is available and distributed according to the applicable priority of payments Extension risk mitigation



Н	Cover pool Credit enhance	ment	Refinancing Register	Asset Coverage Test	Guarantee Activation Event	Amortisation Test	Guarantor event of default
H	Dual recourse		certain level of ove — The minimum	er-collateralisation over-collateralisat	ired to be maintaind ion is 11% (equiva is at least 21% (equi	lent to Asset Perce	entage of 90%)
					/Moody's) initial rat		
		> -	The ACT is calcula	ated on a monthly	basis		_
			 Failure to mee 	et the ACT prohibit	s further issuance	of bonds until reso	olved
Ш				•	phibition of asset re		
Н	Over-collateralisation	(Upon the purchasonly be reduced if	e of new loans into the rating agencie	the cover pool the s have lowered the rating (Moody's/Fito	over-collateralisa eir over-collateralis	tion level may
ľ			The ACT also cov certain rating thres		nd set-off risk shou	ıld Commerzbank	be rated below
Ц	Extension risk mitigation						



d	Cover pool	Credit enhancement	
H	Dual reco	ırse	1
	Over-collatera	alisation	
	Extension risk r	nitigation —	

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

In the event of a default by Commerzbank under the bonds, the investor has extension risk relating to the repayment of the bonds. The structure has certain features to mitigate this risk:

- No loan final maturity can be more than 5 years longer than the final maturity of the longest outstanding bond
- The cover pool criteria includes a maximum average life of 3.0 years following the addition of new assets to the cover pool
- Where the cover pool assets are insufficient to meet the repayment obligations of all outstanding bonds, term subordination risk borne by longer dated investors is mitigated by the Amortisation Test (AT)
- Asset-liability matching criteria assure that the maturity of assets in the cover pool are sufficient to meet the maturity of bonds
 - At least 100% of the maturing bonds are covered by cover pool assets exceeding the fixed maturity by no more than 365 days
 - At least 50% of the maturing bonds are covered by cover pool assets exceeding the fixed maturity by no more than 180 days
- Sale or partial sale of the portfolio by the Trustee is permitted after a Guarantee
 Activation Event has occurred provided that adequate cover pool assets remain to
 cover the obligations of the Guarantor under the outstanding bonds



Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Use of the Refinancing Register to achieve insolvency remoteness from Commerzbank

Administrator(s)

- > The bonds are guaranteed by an insolvency remote SPV which purchases the cover pool loans
- > To achieve insolvency remoteness from Commerzbank's insolvency the loans are sold and assigned to the SPV and are registered in the Refinancing Register of Commerzbank in its role as "operator" of the Refinancing Registers (*Registerführendes Unternehmen*)
- > The effects of registration in the Refinancing Register according to section 22j German Banking Act (*Kreditwesengesetz KWG*) are as follows
 - The Beneficiary (Übertragungsberechtigter) of a claim for the transfer of legal title of assets from the refinancing enterprise (Refinanzierungsunternehmen) which are duly registered in the refinancing register has in the insolvency of such refinancing enterprise a claim for segregation (Aussonderung) pursuant to section 47 of the Insolvency Code (Insolvenzordnung - InsO)
 - The Refinancing Register is maintained in accordance with the legal rules of the German Banking Act and the Funding Register Statutory Order (Refinanzierungsregisterverordnung - RefiRegV)



Cover pool

Credit enhancement

Use of the Refinancing Register to achieve insolvency remoteness from Commerzbank

Administrator(s)

Refinancing Register

Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

- > The Administrator of the Refinancing Register (Verwalter des Refinanzierungsregisters) ensures that the Refinancing Register is administered properly according to §22g KWG
 - Monitors accurate administration, maintenance, and register entries as long as the originator is not insolvent
 - Is appointed by the German bank regulator upon proposal of the refinancing enterprise
- Post insolvency of the originator and if the originator is also the "operator" of the Refinancing Register (here: Commerzbank) the insolvency court will at the request of the bank regulator appoint the insolvency administrator of the Refinancing Register (Sachwalter des Refinanzierungsregisters)
 - The Sachwalter monitors accurate servicing and disposes of registered assets on behalf of the beneficiaries from the insolvency estate of the originator



Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Ensures that minimum over-collateralisation requirements are met

Calculation / Test

- > The ACT is found in other covered bond programmes and is used to confirm that the minimum over-collateralisation (OC) requirements related to the loan portfolio are met while the issuer continues to make payments
- > The test needs to be calculated on a monthly basis to confirm that the OC requirements are met
- > The over-collateralisation levels require that the principal balance of the loans in the cover pool exceed the principal amount of the bonds outstanding by a defined percentage of the SCB bonds
- > Consequences of a breach of the ACT prior to a Guarantee Activation Event
 - No further bonds may be issued by Commerzbank under the programme until the breach has been rectified
 - Certain payments under the funding agreements can no longer be made by the Guarantor SPV to the issuer (i.e. Commerzbank)
 - Commerzbank is required to transfer additional assets for the ACT to be passed again

Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Ensures that minimum over-collateralisation requirements are met

Calculation / Test

- > Pass if the Asset Coverage Test Aggregate Asset Amount (**AAAA**) is equal to or exceeds the outstanding principal balance of the bonds
- \rightarrow AAAA = A + B + C Y Z
 - A: means the product of (i) the sum of the aggregate Outstanding Principal Amounts of all Purchased Receivables (but excluding any Purchased Receivables that do not comply with item (iv)(a) (internal rating requirement) of the Eligibility Criteria) and (ii) the Asset Percentage
 - B: means all amounts standing to the credit of the Operating Account, the Interest Reserve Account, if any, and the Related Mortgage Transfer Account, if any
 - C: means the aggregate nominal amount of all Eligible Investments held by the Guarantor (other than Eligible Investments made out of any balance previously standing to the credit of the Commingling Reserve Account or the Set-off Risk Reserve Account)
 - Y: means the Related Mortgages Transfer Reserve Required Amount
 - Z: means the Negative Carry Factor



Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Following an issuer event of default

- > Following an issuer event of default, the guarantee is activated, the SPV has the obligation to make payments under the Guarantee, and the Amortisation Test applies in place of the ACT
- > The Guarantee Activation Event Priority of Payment becomes applicable
- > As long as the Amortisation Test is passed and there is no Guarantor Event of Default
 - Commerzbank can no longer repurchase cover pool loans
 - Replenishment of the pool is no longer possible
 - The bonds maintain their original maturity
 - The Guarantor SPV makes interest payments under the bonds from available cash in the Guarantor SPV accounts. Unused cash is invested in Eligible Investments
 - The Guarantor pays relevant principal amounts due on the bonds monthly on a passthrough basis. If other bond series are still outstanding, they continue to be due on their scheduled maturity date
 - To the extent that a series of bonds has passed its maturity date, the Guarantor pays floating interest on a monthly basis on such series (as indicated in the relevant Final Terms)



Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Tests cover pool assets against the obligations of the Guarantor

Calculation / Test

- > Where the cover pool assets are expected to be insufficient to meet all repayment obligations of the programme, term subordination risk borne by longer dated investors is mitigated by the Amortisation Test
- > It applies in place of the ACT following an Guarantee Activation Event
- > It is similar to the ACT without the Asset Percentage requirement
- It will be calculated monthly
- > Consequences of a breach of the Amortisation Test
 - A breach of the Amortisation Test leads to a Guarantor Event of Default
 - All bonds become immediately due and the Guarantor SPV pays principal and interest on all outstanding bonds on a pari passu basis



Cover pool

Credit enhancement

Refinancing Register Asset Coverage Test Guarantee Activation Event

Amortisation Test Guarantor event of default

Tests cover pool assets against obligations of the Guarantor

Calculation / Test

- > Pass if the Amortisation Test Aggregate Asset Amount is equal to or exceeds the outstanding principal balance of the bonds
- \rightarrow AAAA = A+B+C-V-W-X-Y-7
 - A: means the sum of the aggregate Outstanding Principal Amounts of all Purchased Receivables (but excluding any Purchased Receivables that do not comply with item (iv)(a) (internal rating requirement) of the Eligibility Criteria)
 - B: means all amounts standing to the credit of any Transaction Accounts (other than the Liquidity Facility Stand-by Account, any Relevant Liquidity Stand-by Ledger and any Swap Collateral Account (if any))
 - C: means the aggregate nominal amount of all Eligible Investments held by the Guarantor
 - V: means the Related Mortgages Transfer Reserve Required Amount
 - W: means the Commingling Reserve Required Amount
 - X: all interest that would be payable on the next Guarantor Payment Date and prior to the Guarantor Payment Date thereafter
 - Y: means the Set-off Risk Reserve Required Amount
 - Z: means the Negative Carry Factor



Asset Guarantee Guarantor Credit Refinancing **Amortisation** Cover pool Coverage Activation event of enhancement Register Test default Test Event

Guarantor Event of Default Consequences

Trustee

Following a Guarantor Event of Default which includes a breach of the Amortisation Test

- > All bonds become immediately due and payable
- > The Guarantor Event of Default Priority of Payments becomes applicable
- > Interest is paid monthly on a floating basis on all bonds pro rata and pari passu
- > Principal is paid monthly on all bonds on a pro rata and pari passu basis
- > The Trustee has the right to sell cover pool assets provided that the remaining cover pool continues to meet certain criteria



Credit Cover pool **Guarantor Event of Default** Consequences Trustee

enhancement

Refinancing Register

Asset Coverage Test

Guarantee Activation Event

Amortisation Test

Guarantor event of default

> Role of the Trustee

- For the purpose of securing the Trustee Claim the Guarantor pledges (verpfänden) and/or assigns (abtreten) to the Trustee rights and claims with respect to the loans purchased by it, to its accounts and to certain transaction documents. The Trustee shall hold and, if relevant, enforce the loans and the other assets for the benefit of the bondholders and the other secured parties
- The Trustee will enforce the assigned or pledged assets when it becomes aware that the SPV's payment obligation, towards the bondholders have become due and payable and the Guarantor SPV has defaulted
- The Trustee shall pay all Enforcement Proceeds received or recovered by it to a Trust Account and shall hold such Enforcement Proceeds on trust for the secured parties to use them for payments according to the then applicable priority of payments



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7	Appendix



Cover pool key statistics

Preliminary as of Oct 31, 2012

Aggregate principal balance (in Euro)	650,000,000
Number of debtor groups	486
Number of debtors	501
Number of loan receivables	571
Weighted average life (in years)	0.63
Average internal Commerzbank rating / Probability of default 1yr	Avg. Rating 3.0 / Avg PD 0.80%



Cover pool break-down I

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Fitch industry description	Number of purchased	Aggregate outstanding	Percentage of
	receivables	principal amount in EUR	aggregate principal
			balance
Industrial/manufacturing	86	96,722,393	14.9%
Retail (general)	68	70,373,814	10.8%
Automobiles	55	58,829,643	9.1%
Building & materials	50	57,462,098	8.8%
Metals & mining	46	51,597,047	7.9%
Food, beverage & tobacco	43	51,017,236	7.8%
Computers & electronics	31	37,889,106	5.8%
Textiles & furniture	21	26,810,000	4.1%
Chemicals	21	24,850,000	3.8%
Healthcare	19	19,788,670	3.0%
Transportation	11	19,048,958	2.9%
Paper & forest products	14	18,203,695	2.8%
Banking & finance	14	17,950,000	2.8%
Pharmaceuticals	16	17,232,120	2.7%
Business services	17	16,162,226	2.5%
Broadcasting & media	13	14,430,772	2.2%
Energy	10	13,946,464	2.1%
Farming & agricultural services	12	12,096,600	1.9%
Utilities	6	8,834,852	1.4%
Environmental services	9	7,841,245	1.2%
Gaming, leisure & entertainment	4	5,025,000	0.8%
Consumer products	5	3,888,061	0.6%
 Total	571	650,000,000	100.0%



Cover pool break-down II

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Debtor group concentration (replenishment criteria)

Moody's industry description	Number of purchased	Aggregate outstanding	Percentage of
	receivables	principal amount in EUR	aggregate principal
			balance
Beverage, Food & Tobacco	75	85,351,278	13.1%
Capital Equipment	54	64,973,049	10.0%
Construction & Building	49	56,612,098	8.7%
Automotive	48	51,763,643	8.0%
Metals & Mining	46	51,597,047	7.9%
Chemicals, Plastics, & Rubber	43	49,723,422	7.6%
Consumer goods: Non-durable	47	48,440,493	7.5%
Services: Business	41	40,798,003	6.3%
Healthcare & Pharmaceuticals	27	27,830,109	4.3%
Retail	21	25,313,061	3.9%
Consumer goods: Durable	18	21,825,000	3.4%
High Tech Industries	16	19,050,000	2.9%
Transportation: Cargo	11	19,048,958	2.9%
Forest Products & Paper	14	18,203,695	2.8%
Containers, Packaging & Glass	11	12,709,202	2.0%
Energy: Oil & Gas	9	10,696,464	1.6%
Media: Advertising, Printing & Publishing	8	10,504,310	1.6%
Utilities: Water	6	8,834,852	1.4%
Environmental Industries	9	7,841,245	1.2%
FIRE: Finance	3	5,250,000	0.8%
Media: Diversified & Production	6	4,084,072	0.6%
Utilities: Oil & Gas	1	3,250,000	0.5%
Services: Consumer	3	2,700,000	0.4%
Hotel, Gaming & Leisure	3	2,400,000	0.4%
FIRE: Insurance	1	1,000,000	0.2%
Sovereign & Public Finance	1	200,000	0.0%
Total	571	650,000,000	100.0%

Source: Commerzbank - Mittelstandsbank



Cover pool break-down III

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Debtor group concentration (replenishment criteria)

Internal	PD	Fitch mapped	Moody's	Number of	Aggregate outstanding	Percentage of
Rating	Midpoint	ratings	mapped		principal amount in EUR	aggregate principal
Categories	in %		ratings	receivables		balance
1.0	0.00	AA- to A	Ba1	0		-
1.2	0.01	AA- to A	Ba1	0		-
1.4	0.02	A+ to A-	Ba1	1	750,000	0.1%
1.6	0.04	A to BBB+	Ba1	1	1,000,000	0.2%
1.8	0.07	A- to BBB	Ba1	11	13,180,000	2.0%
2.0	0.11	BBB to BB+	Ba1	19	18,413,149	2.8%
2.2	0.17	BBB- to BB	Ba1	28	37,374,377	5.7%
2.4	0.26	BBB- to BB	Ba1	73	80,580,753	12.4%
2.6	0.39	BB+ to BB-	Ba1	118	145,516,557	22.4%
2.8	0.57	BB+ to BB-	Ba1	113	128,556,037	19.8%
3.0	0.81	BB to B+	Ba1	59	64,948,742	10.0%
3.2	1.14	BB- to B	Ba1/Ba2	44	44,394,281	6.8%
3.4	1.56	B+ to B-	Ba2	43	48,130,251	7.4%
3.6	2.10	B+ to B-	Ba2/Ba3	25	29,437,333	4.5%
3.8	2.74	B to CCC+	Ba3	19	20,857,173	3.2%
4.0	3.50	B to CCC+	B1	17	16,861,348	2.6%
4.2	4.35	B- to CCC	B1	0		-
4.4	5.42	B- to CCC	B2	0		-
4.6	6.74	B- to CCC	B2	0		-
4.8	8.39	B- to CCC	B2/B3	0		-
5.0	10.43	CCC+ to CCC-	B3	0		-
5.2	12.98	CCC+ to CCC-	B3/Caa1	0		-
5.4	16.15	CCC to CC	Caa1	0		-
5.6	20.09	CCC- to C	Caa1/Caa2	0		-
5.8	47.34	C to D	Caa2	0		-
6.1 - 6.5	100.00	D	D	0		-
Total				571	650,000,000	100.0%



Cover pool break-down IV

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Debtor group concentration (replenishment criteria)

German Federal States	Number of purchased receivables	Aggregate outstanding principal amount in EUR	Percentage of aggregate principal balance
Baden-Wuerttemberg	84	102,363,020	15.7%
Bayern	87	104,408,084	16.1%
Berlin	12	9,990,693	1.5%
Brandenburg	5	3,949,821	0.6%
Bremen	6	6,600,000	1.0%
Hamburg	5	5,687,441	0.9%
Hessen	57	64,261,608	9.9%
Mecklenburg-Vorpommern	3	4,167,500	0.6%
Niedersachsen	53	56,530,568	8.7%
Nordrhein-Westfalen	158	181,133,934	27.9%
Rheinland-Pfalz	22	24,151,500	3.7%
Saarland	0	-	0.0%
Sachsen	29	37,093,254	5.7%
Sachsen-Anhalt	12	10,505,963	1.6%
Schleswig-Holstein	30	31,558,000	4.9%
Thueringen	8	7,598,613	1.2%
Total	571	650,000,000	100.0%



Cover pool break-down V

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Purchased Receivables by Annual Turnover in EUR	Number of purchased receivables	Aggregate outstanding principal amount in EUR	Percentage of aggregate principal balance
up to 2.5 million	5	3,241,786	0.5%
2.5 - 50.0 million	209	214,444,360	33.0%
50.0 - 250.0 million	265	306,766,837	47.2%
250.0 - 500.0 million	43	58,511,145	9.0%
500.0 - 750.0 million	10	10,979,549	1.7%
more than 750.0 million	37	52,321,826	8.0%
n.a.	2	3,734,497	0.6%
Total	571	650,000,000	100.0%



Cover pool break-down VI

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Purchased receivables by maturity (Weighted average life)	Number of purchased receivables	Aggregate outstanding principal amount in EUR	Percentage of aggregate principal balance
up to 3 months	374	434,391,931	66.8%
3 - 6 months	66	74,992,500	11.5%
6 - 12 months	29	32,557,081	5.0%
1 - 2 years	82	83,501,686	12.8%
2 - 3 years	0	-	<u>-</u>
3 - 4 years	0	-	<u>-</u>
4 - 5 years	0	-	-
5 - 6 years	7	6,774,705	1.0%
6 - 7 years	6	9,719,420	1.5%
7 - 8 years	4	4,362,678	0.7%
8 - 9 years	1	3,250,000	0.5%
9 - 10 years	2	450,000	0.1%
Total	571	650,000,000	100.0%



Cover pool break-down VII

Preliminary as of Oct 31, 2012

Distribution by ...

Fitch industry sectors

Moody's industry sectors

Commerzbank Internal Rating

Geography (Bundesländer)

Size of turnover

Maturity of reference claims

Debtor group by size range of principal balance in %	Number of debtor groups	Aggregate outstanding principal amount in EUR	Percentage of aggregate principal balance	Max percentage of aggregate principal balance
0.00 % to 0.25 %*	395	404,867,776	62.3%	100.0%
0.25 % to 0.35 %*	66	68,319,743	10.5%	70.0%
0.35 % to 0.45 %*	52	87,539,803	13.5%	35.0%
0.45 % to 0.50 %*	58	89,272,678	13.7%	25.0%
Total	571	650,000,000	100.0%	

^{* %} of Replenishment Cap (= EUR 650.000.000) (upper limit included) Maximum Single Debtor Group Concentration = 0.5%



Agenda

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Organisation **Credit application** Lending authorities Internal rating system Return on equity Collateral

Organisation

- Commerzbank typically defines a corporate loan as a loan advanced to a company with an annual turnover in excess of € 2,500,000
- > Loan origination of corporate customer business is decentralised and executed at the level of the branch that is responsible for the relationship with the borrower
- Credit risk in the corporate lending business is assessed, monitored and controlled by the central Group Credit Risk Management (GRM-CR) in industry-focused sector divisions

Credit application

- Credit applications are prepared at branch level by relationship managers and by credit officers in the sector teams
- The credit application summarises the rationale of the submitted lending operation and evaluates its credit risk
- All loan applications are assessed in the context of the total exposure of the Bank towards the relevant borrower



Organisation Credit application Lending authorities Internal rating system Return on equity Collateral

Depending on the borrower's exposure size, its internal PD-Rating and further credit risk parameters, the lending authorities are composed of:

- A relationship manager (front office) and a credit officer (back office)
- A segment credit committee (SKK) involving the segment CRO and two divisional managers (risk members) as well as two members of the segment board (market members)
- Commerzbank's group credit committee (KK) including the group CRO (chairman) and one head of a corporate center (GRM-CC, GRM-MR, GRM-IC or GRM-CR) as members of the "Marktfolge" division and in a semi-annual rotating scheme the segment-CEO of Corporates & Markets, the Segment-CEO of Mittelstandsbank, the segment-CEO of Commercial Real Estate and an additional segment board member of the "Markt" division
- > In special circumstances, the supervisory board of the Bank reviews credit decisions



Organisation Credit application Lending authorities Internal rating system Return on equity Collateral

The internal rating system R-Corp

- Commerzbank has developed a fully integrated internal rating system (R-Corp) for medium-sized businesses, multi-nationals and large companies
- This internal rating system generates two separate ratings for each borrower: a PD-Rating and a Credit Rating. Both ratings range on a scale from 1.0 to 5.8
- The "PD-Rating" is an assessment of the Probability of Default ("PD") of each borrower
- The "Credit Rating" or EL-Rating ("Expected Loss Rating") incorporates an assessment of loss severity based on an analysis of:
 - Loss given Default ("LGD"): based on the credit imputation factor, the value of collateral and the capital recovery factor
 - Exposure at Default ("EaD"): based on utilisation and unutilised limits



Organisation Credit application Lending authorities Internal rating system Return on equity Collateral

Return on Equity (Profit Margin)

- The calculation of the profit margin is part of the decision process for any new and incremental corporate lending business as well as for the extension of existing credit exposures
- The profit margin calculation is adjusted by standard risk costs ("SRCs"). SRC, inter alia, reflect the Expected Loss ("EL") with respect to each borrower:
 - > EL is a function of the PD, the EaD and the LGD
 - The SRCs further reflect the type of lending operation, the PD of the borrower (depending on the PD-Rating, industry and turnover size), the collateral type and maturity period

Collateral

- Commerzbank may request collateral prior to granting a loan or, in case the internal rating deteriorates, it may ask for additional collateral during the lifetime of a loan
- Any collateral requested as security for one or more credit exposures is valued on the basis of the most realistic value (*Sicherheitenwert*). Such collateral value is defined as the most conservative estimate of value, which is the value most likely to be realised in case an exposure falls into default



Monitoring and problem loan procedures

Monitoring individual credit exposures

Monitoring loan payments

Problem loan management

Monitoring individual credit exposures

- The credit officer is responsible for the credit application and the subsequent credit reviews
- All internal ratings are reviewed at least annually on receipt of the borrower's annual report and accounts and are adjusted, if necessary
- The branch relationship manager is responsible for preparing regular call reports on the client and an annual overview of the overall credit relationship
- The review process is controlled via a "Credit Watch List". This tool is managed by central units

Monitoring loan payments

- An automated system initiates the payment process for interest and principal payments
- In case of a non-payment by a borrower, the system automatically launches a reminder-process
- In such case both the credit officer and the relationship manager are required to contact the borrower immediately
- > The system will send the client up to two further reminders in intervals of three weeks
- After the expiration of the third reminder, the total outstanding amount on the loan is declared to be due
- > In case of late payments, the PD-Rating and EL-Rating are reviewed immediately



Monitoring and problem loan procedures

Monitoring individual credit exposures

Monitoring loan payments

Problem loan management

The Bank classifies "impaired" loans into three classes

- Class 1: Intensive Care (IC) loans with an internal credit rating of the borrower of 4.0 to 5.8
 - Exposures have to be presented to IC when the borrower has a PD-Rating ≥ 4.0, in case of a significant rating drift (more than 3 notches within 14 months, resulting in a new PD rating of ≥ 3.0) or in case of third-party debt enforcement measures
 - The IC process is carried out in several local units. The IC-units assume exclusive responsibility from the branches for exposures that were transferred to IC. Exposures exceeding € 30 million are usually the responsibility of a centrally organized unit in IC
 - To recover the loans, the steps taken by the IC teams (sometimes with the support of external advisors) include all kinds of credit enhancements (such as additional collateral, repayment, setting up of collateral, credit pools, etc.), enforcement measures, seizure, distressed sale of collateral and application to initiate insolvency proceedings
- > Classes 2 and 3: Loans for which provisions are to be made
 - Problem loans (Restructuring) with an internal credit rating of 6.1 to 6.3
 - > Problem loans (Workout) with an internal credit rating of 6.4 and 6.5; these accounts are considered unlikely to repay the loans in whole or in part



R-Corp: Commerzbank's internal rating system for rating corporates

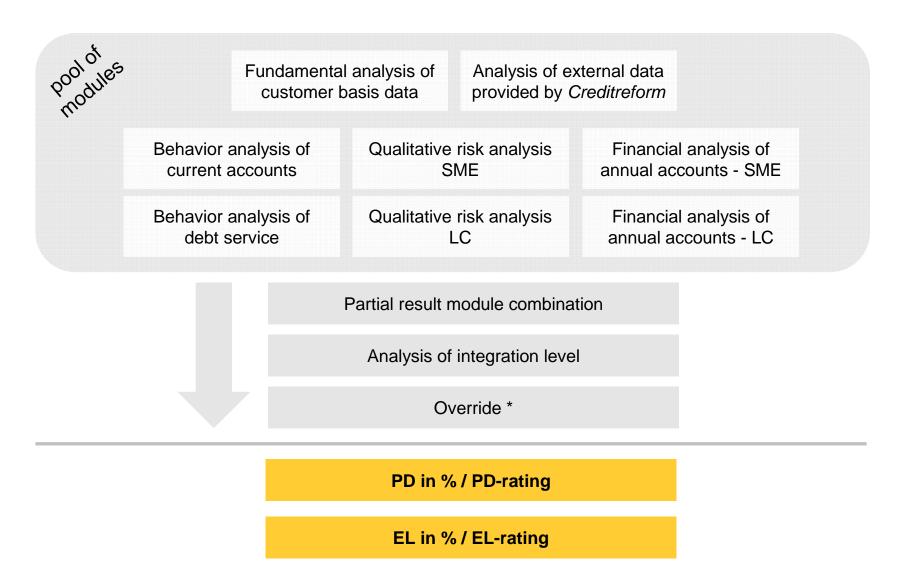
- Rating methods form an integral part of Commerzbank's risk management and are thus a core competence and forward-looking competitive factor
- Since January 2010 the same rating systems are applied to Commerzbank and former Dresdner Bank customers (except for retail clients)
- All rating systems are validated at least on a yearly basis:

Retail	Retail customers Commerzbank Retail customers Dresdner Bank
Corporates	Rating corporates
Cash Flow	Specialized Finance (LBO, Project,) Commercial Real Estate (CRE) Shipping
Financial Institutions	Banks NBFI (Insurance, Broker, Fund,)
Public Finance	Sovereigns Municipalities

- Rating Corporates (R-Corp) is the rating method applied to corporate borrowers including SME
- R-Corp is certified for the advanced IRB (AIRB) approach



R-Corp: a flexible combination of modules



Source: Commerzbank - Mittelstandsbank * except "basis process"



Commerzbank's internal rating system: Master Scale

Commerzbank Internal Rating	PD and EL midpoint (as %)	PD and EL range (as %)
1.0	0.00	0.00 - 0.00
1.2	0.01	0.00 - 0.02
1.4	0.02	0.02 - 0.03
1.6	0.04	0.03 - 0.05
1.8	0.07	0.05 - 0.08
2.0	0.11	0.08 - 0.13
2.2	0.17	0.13 - 0.21
2.4	0.26	0.21 - 0.31
2.6	0.39	0.31 - 0.47
2.8	0.57	0.47 - 0.68
3.0	0.81	0.68 - 0.96
3.2	1.14	0.96 - 1.34
3.4	1.56	1.34 - 1.81
3.6	2.10	1.81 - 2.41
3.8	2.74	2.41 - 3.10
4.0	3.50	3.10 - 3.90
4.2	4.35	3.90 - 4.86
4.4	5.42	4.86 - 6.04
4.6	6.74	6.04 - 7.52
4.8	8.39	7.52 - 9.35
5.0	10.43	9.35 - 11.64
5.2	12.98	11.64 - 14.48
5.4	16.15	14.48 - 18.01
5.6	20.09	18.01 - 22.41
5.8	47.34	22.41 - 99.99
6.1	100	> 90 days past due
6.2	100	Imminent Insolvency
6.3	100	Restructuring with Recapitalization Partial Waiving of Claims
6.4	100	Cancellation without Insolvency
6.5	100	Insolvency



R-Corp: Mapping tables

Mapped ratings used by Fitch and Moody's to assess required over-collateralisation

Common and Internal Dating		امد:-	_	Maaabda
Commerzbank Internal Rating		itcl		Moody's
1.0	AA-			Ba1
1.2	AA-			Ba1
1.4	A+	to		Ba1
1.6	A		BBB+	Ba1
1.8	A-		BBB	Ba1
2.0	BBB	to	BB+	Ba1
2.2	BBB-	to	BB	Ba1
2.4	BBB-	to	BB	Ba1
2.6	BB+	to	BB-	Ba1
2.8	BB+	to	BB-	Ba1
3.0	BB	to	B+	Ba1
3.2	BB-	to	В	Ba1 / Ba2
3.4	B+	to	B-	Ba2
3.6	B+	to	B-	Ba2 / Ba3
3.8	В	to	CCC+	Ba3
4.0	В	to	CCC+	B1
4.2	B-		CCC	B1
4.4	B-		CCC	B2
4.6	B-		CCC	B2
4.8	B-		CCC	B2 / B3
5.0	CCC+		CCC-	B3
5.2	CCC+			B3 / Caa1
5.4			CC	Caa1
5.6	CCC-		С	Caa1 / Caa2
5.8	C	to	D	Caa2
6.1		D		D
6.2		D		<u>D</u>
6.3		D		<u>D</u>
6.4		D		<u>D</u>
6.5		D		<u>D</u>
0.0				<u> </u>

- > As of Oct 31, 2012
- Mapping tables may be reviewed by Fitch and/or Moody's



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Structure

Does the bondholder have recourse to Commerzbank?

Yes, direct recourse

Who owns the cover assets?

The insolvency remote Guarantor SPV (SME Commerz SCB GmbH)

Is the issuer also the originator of the assets?

Yes, all loans in the cover pool are originated by Commerzbank and its affiliates (including by way of acquisition by a third party) and serviced by Commerzbank

Legal Framework

Are the bonds governed by a special covered bond framework?

No. The security structure (the guarantee) is based on contractual arrangements which include the use of the Refinancing Register

What's the legal framework for insolvency of the issuer of the bonds?

General German insolvency law including banking specific rules



Legal Framework (cont'd)

What is the legal framework providing the Guarantor and ultimately the SCB holders with security over the cover pool?

The loans in the cover pool are segregated from the insolvency of Commerzbank by a sale to the Guarantor SPV, who is registered as the beneficiary (*Übertragungsberechtigter*) of the loans under the German Refinancing Register legislation

The provisions of the Act, which in our view are applicable, are laid down in sections 22a to 22o KWG and in section 1 (24) to (26) KWG. The main provision for the "insolvency-proof" position is section 22j KWG. Accordingly, the beneficiary (Übertragungsberechtigter i.e. the SPV) with a claim for the transfer of legal title of assets and related mortgages of the refinancing enterprise (*Refinanzierungsunternehmen* i.e. Commerzbank) which are duly registered in the refinancing register has in the insolvency of such refinancing enterprise a claim for segregation pursuant to section 47 of the Insolvency Code ("*Insolvenzordnung – InsO*")

Cover assets

What type of assets other than eligible substitute assets are included in the cover pool?

- > In general, senior loans to German SME companies with a turnover per Borrower Group ranging from EUR 2.5 750.0m
- Loan agreements are governed by German law only
- > Borrower has its headquarter- or a branch office in Germany
- > Loan denominations in EUR only
- Fixed or floating rate interest payments
- > Amortising, bullet or annuity loans
- > Unsubordinated, irrevocable, binding and enforceable obligation of the relevant debtor



Cover assets (cont'd)

How long is the average life of the cover pool loans?

As of 31 October 2012 the average life of the provisional cover pool provided is 0.63 years. A large percentage of loans in the cover pool have an original maturity of less than 1 year

What is the geographical scope of the cover pool loans?

Loans in the cover pool may be originated in Germany only under Commerzbank's standard credit and collection policies

What will be the reporting requirements?

An investor report relating to the composition and performance of the cover pool, the Asset Coverage Test (ACT) and the Amortisation Test (AT) will be provided on quarterly

Are there credit criteria for inclusion in the Cover Pool?

Repaid or repurchased loans must be replenished monthly by loans from borrowers with a Commerzbank Rating between 1.0 and 4.0 inclusive

Loans from borrowers with a Commerzbank Rating of greater than 4.0 must be purchased back by Commerzbank on a monthly basis and replaced by a new loan from a borrower with a Commerzbank Rating between 1.0 and 4.0 inclusive

As an Advanced-IRB bank all borrowers and the loans are scored using the Commerzbank Internal Rating Methodology, which for performing loans ranges from 1.0 to 5.8 (1.0 is best)

Loans that are in default, expected to go into default, or have not been re-rated in the last 12 months are rated 6.1 or higher. The methodology is statistically based and is tested, calibrated and adjusted on a regular basis. Borrowers are re-rated at least annually



Cover assets (cont'd)

Is there a third party looking to the Commerzbank SME internal rating process?

As an Advanced-IRB bank the internal rating process and model is subject to ongoing regulatory oversight

Is there a mandatory overcollateralisation requirement? There is an over-collateralisation requirement of at least 11% (or the equivalent of an Asset Percentage of 90%) on the cover pool relative to the amount of the outstanding bonds. Typically, rating agency requirements are higher than that (over-collateralisation initially around 20%)

Is there any grace period in case of a breach of the cover test?

The issuer will have 30 days to rectify any breach of the Asset Coverage Test

What is the consequence of not fixing a breach in the cover test?

If the cover test is breached and not rectified within a 30 day period the cover pool will be fixed and cash proceeds from the amortisation of the cover pool will be re-invested in qualifying liquid instruments (substitute assets). Commerzbank continues to be responsible for payments of principal and interest under the bonds. No further bonds can be issued under the programme until the breach is rectified



Monitoring and supervision

Is there third party supervision over the cover pool and the Refinancing Register?

The administration of the register is supervised by an administrator (*Refinanzierungsregisterverwalter*) who is appointed by the German bank regulator. The administrator is neither in charge of checking the accuracy of the registered assets belonging to the refinancing enterprise nor whether they are at all eligible for registration

Segregation of assets and insolvency remoteness

Do the bonds automatically accelerate if Commerzbank goes insolvent?

No, the bonds will not accelerate unless there has been a Guarantor Event of Default

How are the bondholders protected against claims from other creditors in case of the insolvency of Commerzbank?

Preferential claim by law under the Refinancing Register legislation as well as legal sale of the loans to an insolvency remote SPV. The satisfaction of the bondholder is not limited to the cover pool assets. Creditors may also participate in the insolvency proceedings of Commerzbank

Can the cover pool assets be sold in the case of the insolvency of Commerzbank? Only if the sale meets certain requirements to cover the obligations of the Guarantor SPV to all bondholders



Segregation of assets and insolvency remoteness (cont'd)

Is there recourse to Commerzbank's insolvency estate upon a cover pool default?

Yes, pari passu with unsecured creditors of Commerzbank

Are derivatives included in the cover pool?

No derivatives are included

Other questions

Which trading desk will trade the bonds?

Banks have indicated that they will trade this instrument from their Financial Institutions / Covered Bond desk

How many rating agencies will provide a rating?

Initially the bonds will be rated Aa2 by Moody's and AA by Fitch using their Covered Bond ratings approach

Are all the bonds treated pari passu in the event of a default of Commerzbank?

In the event of a default of Commerzbank the outstanding bonds will be repaid in order of priority determined by their Scheduled Maturity Date unless all bonds that have passed their targeted maturity date or a Guarantor Event of Default has occurred in which case all outstanding bonds will be repaid pari passu



Other questions (cont'd)

How will regulators treat this product?

<u>Banking</u>: It is our view that this transaction may be treated as a secured bank bond (however not governed by a specific covered bond legislation). As such, it probably will not be an eligible instrument for the Liquidity Buffer under the proposed Basel III Liquidity Coverage Ratio.

It is our view that the bonds will be viewed as ECB-eligible instruments under category IV for ECB

<u>Insurance</u>: Is not expected to be assigned the lower solvency charge associated with Covered bonds

Will the programme be included in any of the recognised indices?

Inclusion in the major indices is determined by the managers of those indices and for new programmes this is usually determined after the issuance of the first bonds