

**COMMERZBANK**



**Commerzbank AG**  
**– an active issuer in a challenging environment**  
Franz-Josef Kaufmann

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# Agenda

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# Commerzbank 4.0 – a strategic programme with three cornerstones

## Focused business model

**1** We will focus on businesses where we have clear competitive advantages, discontinuing non-core activities

## Digital enterprise

**2** We will transform the Bank into a digital enterprise

## Enhancing efficiency

**3** We will simplify the Bank, creating efficiency

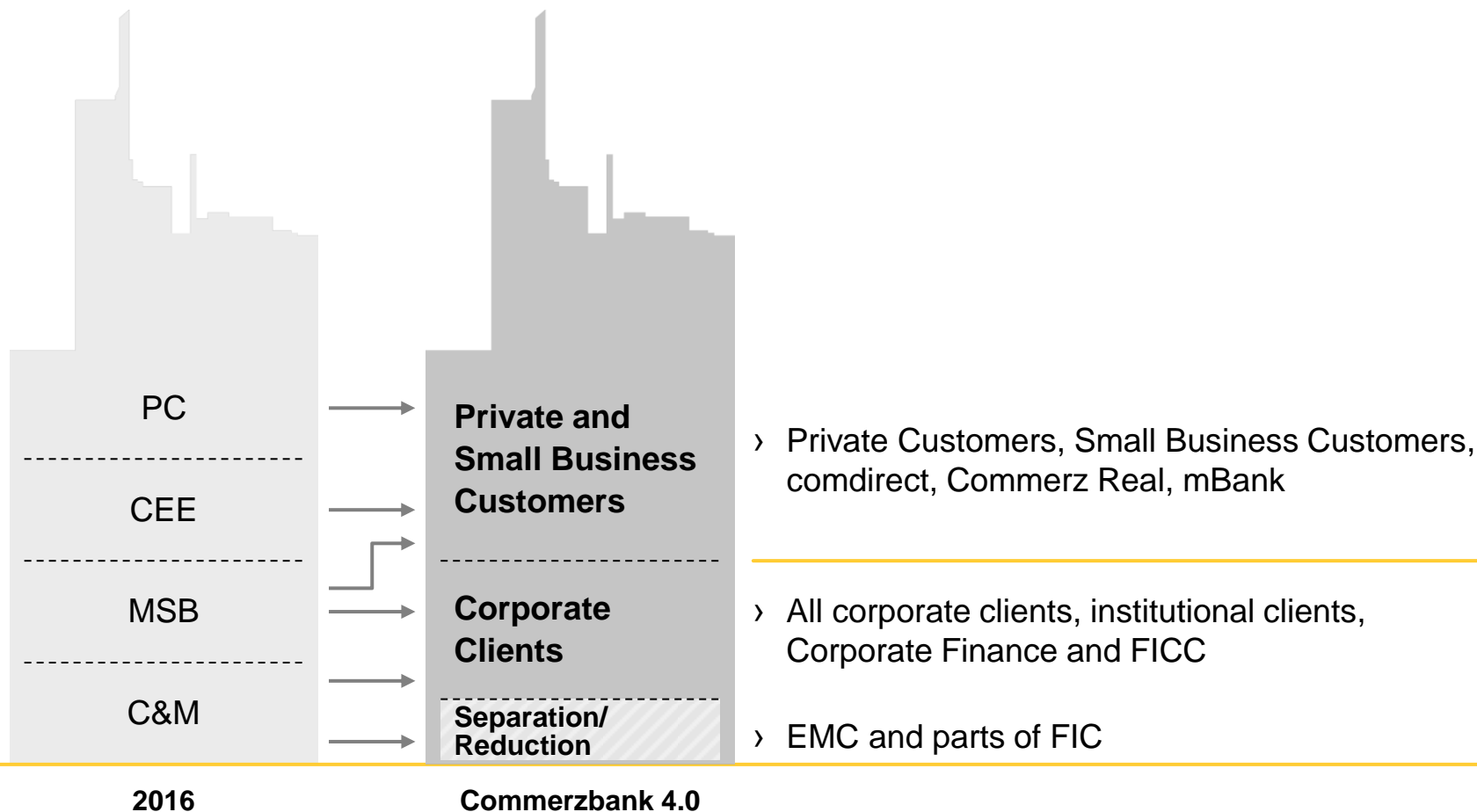
## Commerzbank 4.0

Targets 2020	Current rates	Rising rates
Revenues (€bn)	9.8-10.3	11.3
Costs (€bn)	6.5	6.5
CIR (%)	<66	~60
Net RoTE (%)	>6	>8
CET1 (%)	>13	>13



**Higher profitability, and enhanced competitiveness**

# Commerzbank will have two strong customer segments going forward



# Capital markets funding activities (full year 2016)

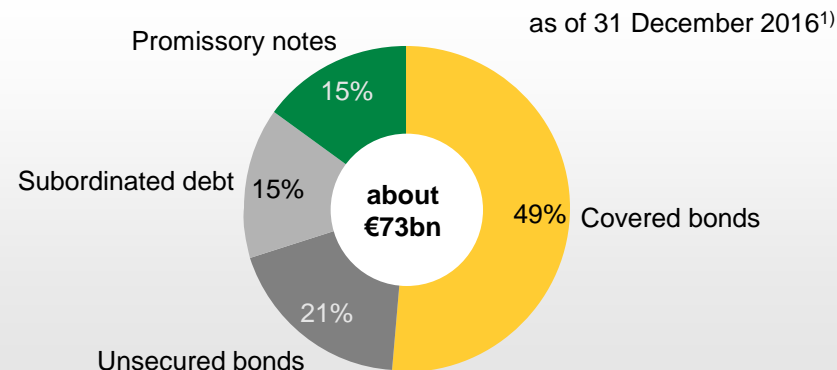
## Issuance strategy in capital markets

- › Commerzbank uses covered bonds and senior unsecured instruments for funding purposes
- › Funding via private placements and public transactions
- › Issuance programs in the Euromarkets (e.g. DIP)
- › Since 2011 USD Medium-Term Note Program (144a/3a2)
- › Issuance requirements 2017 below €10bn expected

## Capital market funding 2016 - highlights

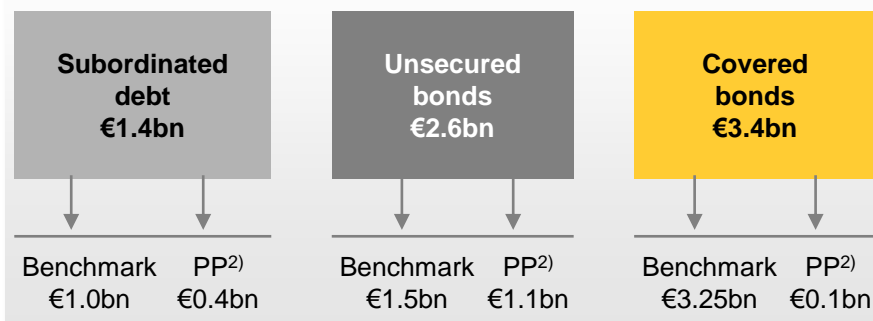
- › In 2016 Commerzbank issued a total of €7.4bn with an average term of over eight years
- › €1bn Tier 2 benchmark with maturity of ten years and \$0.4bn Tier 2 of with twelve years maturity
- › Two senior unsecured benchmarks (incl. mBank €0.5bn)
- › €3.25bn issued through four long-dated benchmark Mortgage Pfandbriefe

## Capital market funding structure



## Capital market funding activities

2016 – Notional €7.4bn

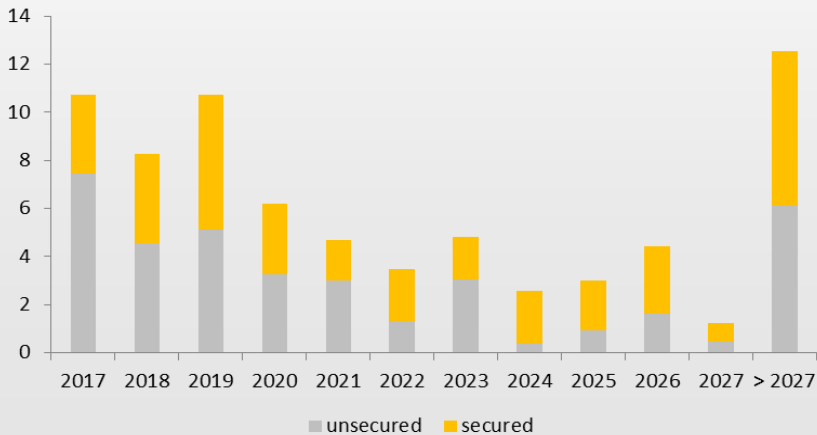
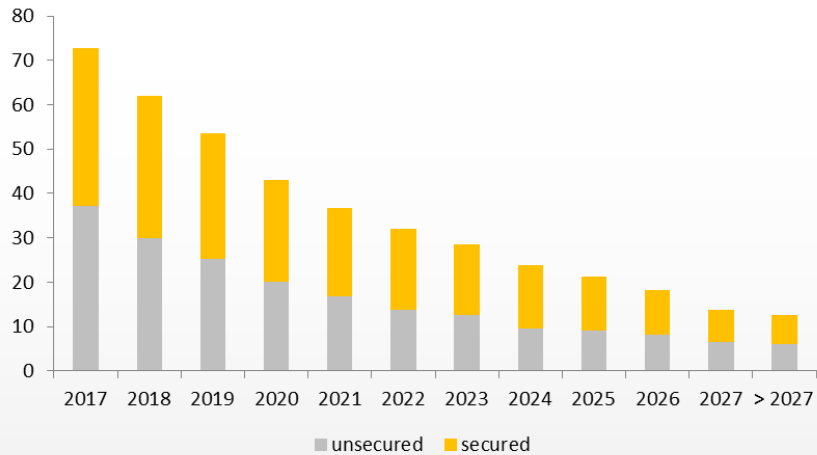


## Commerzbank AG benchmark transactions in 2016/2017

	Tier 2			Senior Unsecured	Hypothekendarlehen			
	Mar16 €1.000mn	Jan17 €500mn	Feb17 SGD 500mn	Sept16 €500mn	Jun/Jul16 €1.000mn	Jul/Aug16 €1.000mn	Aug16 €750mn	Nov16/Jan17 €1000mn
<b>Coupon</b>	4,00%	4,00%	4,875%	0,50%	0,50%	0,05%	0,125%	0,125%
<b>Tenor (years)</b>	10	10	10nc5	7	10	8	long 10	long 6
<b>Maturity</b>	23.03.2026	30.03.2027	01.03.2027	13.09.2026	09.06.2026	11.07.2024	15.12.2026	23.02.2023
<b>Re-offer (MS bp)</b>	340	340	5Y SOR +271	62	-3 (tap -5)	-4 (tap -16)	-16	-12 (tap-9)
<b>Spread ov. Bunds (bp)</b>	375	384		106	38 (tap 37)	48 (tap 33)	22	34 (tap43)
<b>Distribution Germany</b>	10%	32%		30%	55%	57%	69%	76%
<b>Distribution internationally</b>	90%	68%	91% Singapore	70%	45%	43%	31%	24%

# Balanced capital markets maturity profile

Total outstanding and maturities<sup>1)</sup> (in € bn)



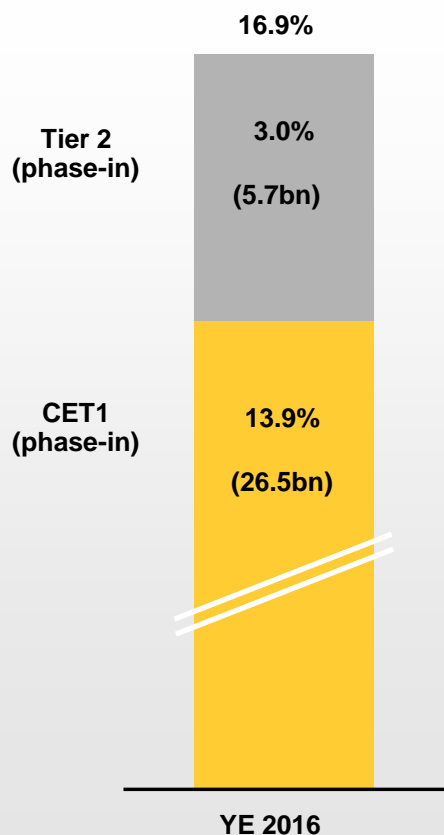
Highlights

- › Outstanding capital markets volume end of 2016 of app. €73bn
- › Well balanced profile of funding products
- › Manageable maturity profile

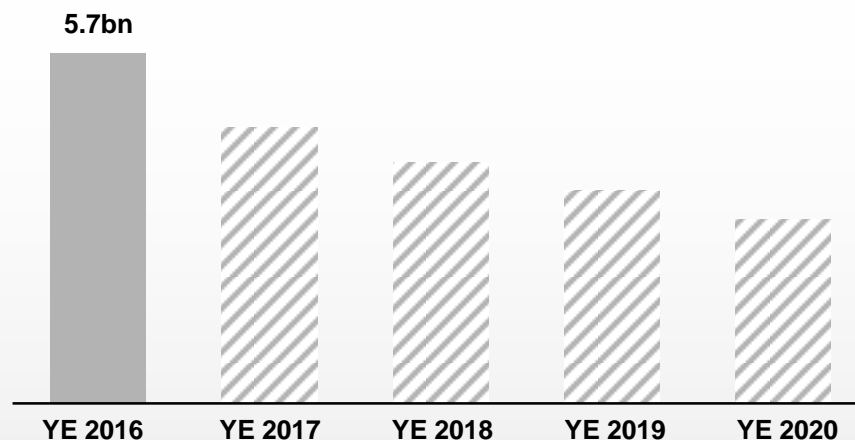


# Total Capital – Tier 2

Total Capital<sup>1)</sup> (%)



Tier 2 roll-off profile<sup>2)</sup> € bn



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

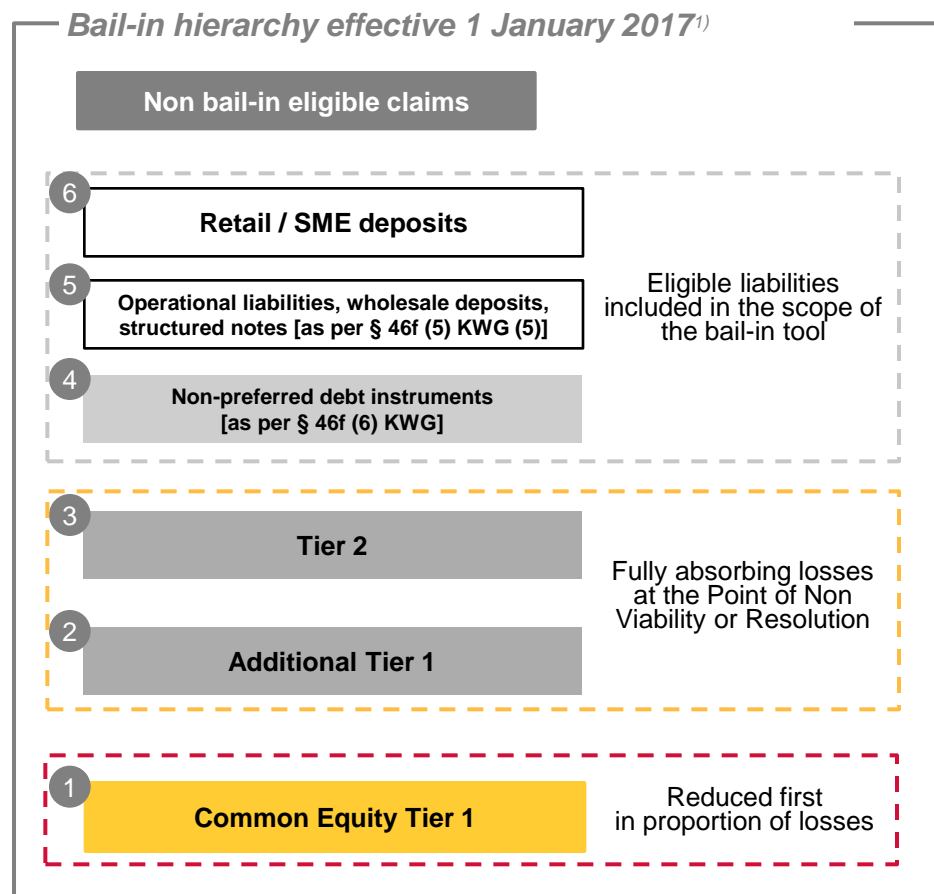
<sup>1)</sup> Additional Tier 1 covers capital deductions

<sup>2)</sup> Reflecting linear amortisation according to CRR Article 64 and capital deductions

## German insolvency law protects depositors and operational liabilities

- › European Bank Recovery and Resolution Directive (“BRRD”) and resulting German legislation is intended to prevent use of taxpayers’ money in the event of a bank insolvency or in resolution.
- › As a result of the German Resolution Mechanism Act<sup>1)</sup>, deposits, operational liabilities and liabilities for which an inclusion in bail-in could be an impediment to resolvability are preferred to plain vanilla debt holders.
- › Hence, own funds and non-preferred debt instruments will be eligible to contribute to Minimum Requirements for Own Funds and Eligible Liabilities (MREL).

**Note:** Statements on this page do not reflect the “Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on amending Directive 2014/59/EU of the European Parliament and of the Council as regards the ranking of unsecured debt instruments in insolvency hierarchy”, published by the European Commission on 23 November 2016





# Portfolio break down mortgage cover pool

as of 31.12.2016

Since May 2016 cover pools HF AG and Commerzbank AG are merged

## Mortgage cover pool calculation\*

**Total over assets in €mn** 18.753

Cover loans in €mn 18.233

Further cover assets in €mn 520

Number of loans >179.000

Fixed rated assets 97%

WA loan-to-value ratio 52%

Residual WA life time (capital lockup) ~13 years

**Outstanding Pfandbriefe in €mn** 14.776

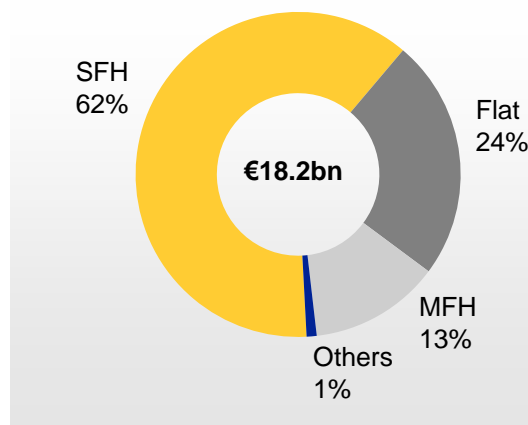
Fixed rated Pfandbriefe 98%

**Cover surplus in €mn (nom.)** 3.977  
27%

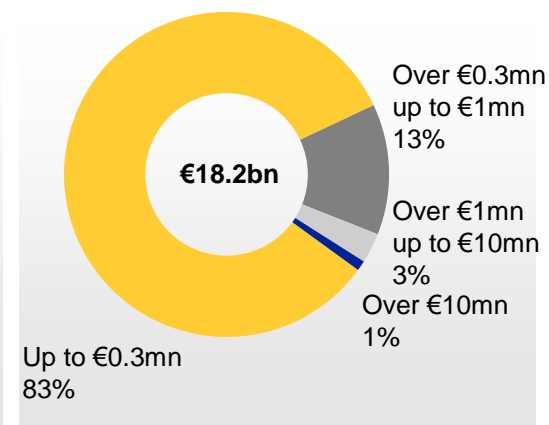
## Rating

Moody's Aaa

## Break-down by property type\*



## Break-down by size categories\*

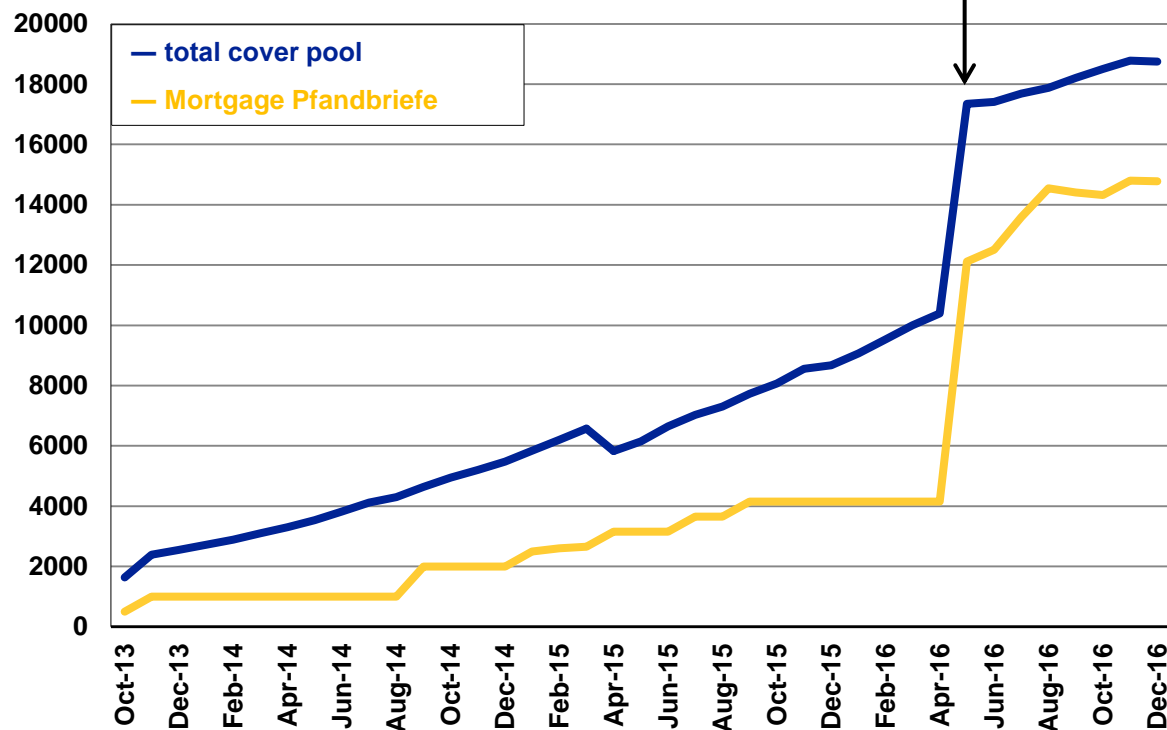


- › Mortgage Pfandbriefe are secured by only German mortgage loans
- › Share of fixed-rated assets 97%, fixed-rated Pfandbriefe 98%
- › Over 98% residential mortgages, less than 2% commercial real estate business
- › Over 70% of residential mortgages are “owner occupied”
- › 83% of the mortgages are €300.000 or smaller
- › Average loan amount ~ €100.000

## Stable growth of Commerzbank's cover pool Mortgage Pfandbriefe

### Cover Pool Mortgage Pfandbriefe

€mn



- › In May 2016 Migration of Hypothekbank Frankfurt (HF) boosts Commerzbank's Mortgage Pfandbrief volume up to €13.8bn from €4.2bn.
- › In 2016 four new Pfandbrief benchmarks (incl. two taps) summing up to €3.25bn. Year to date one tap of €500mn.
- › Stable growth of cover pool Mortgage Pfandbriefe up to €18.7bn end 2016 in line with planning



# Portfolio break down public sector cover pool

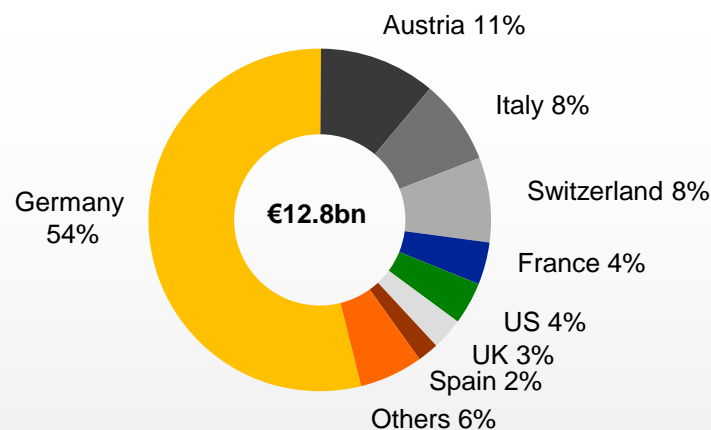
as of 31.12.2016

*Since May 2016 cover pools HF AG and Commerzbank AG are merged*

## Public sector cover pool calculation\*

<b>Total cover assets in €mn</b>	<b>12.800</b>
Cover loans in €mn	12.452
Further cover assets in €mn	348
Number of loans	>380
Fixed rated assets	68%
Residual WA life time	~8 years
<b>Outstanding Pfandbriefe in €mn</b>	<b>11.080</b>
Fixed rated Pfandbriefe	84%
<b>Cover surplus in €mn (nom.)</b>	<b>1.719</b> <b>16%</b>
<b>Rating</b>	
Moody's	Aaa

## Break-down by borrower / guarantor country\*

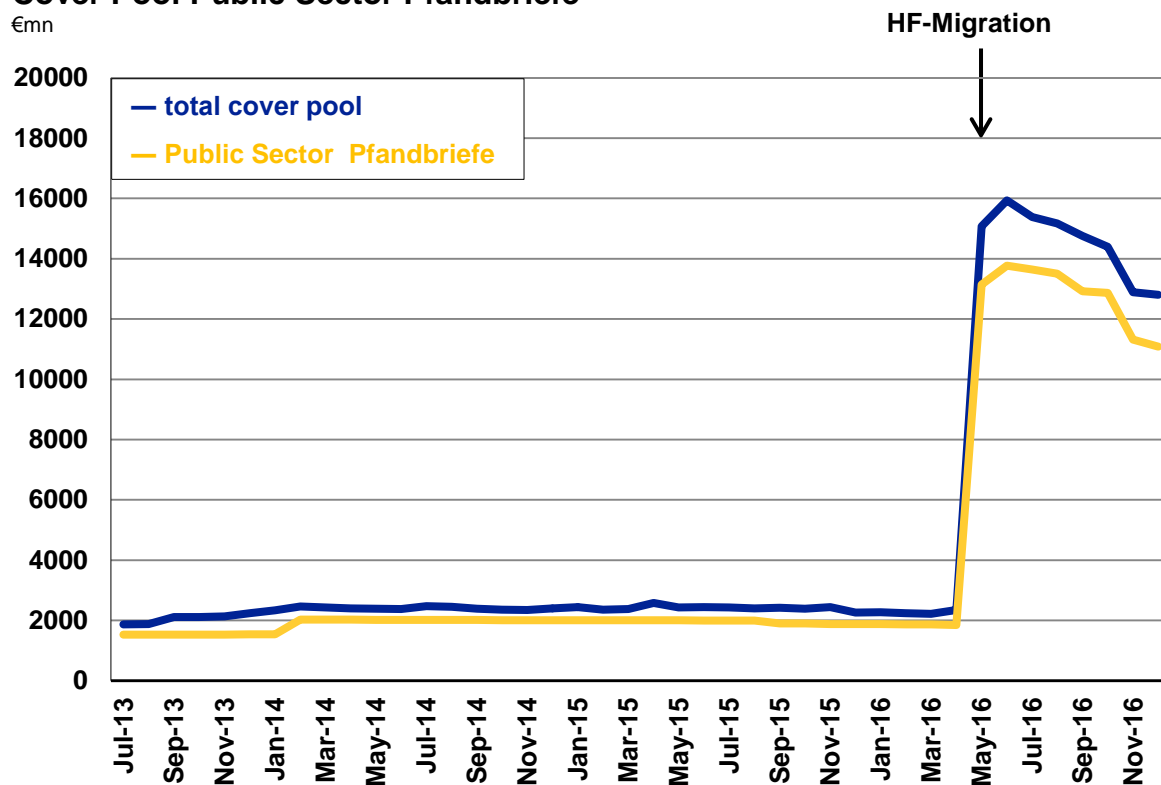


- › Public sector cover pool is dominated by legacy public sector assets of former Hypothekbank Frankfurt AG
- › 6% ECA (Euler Hermes) guaranteed loans.  
Loans to be added to the cover pool on an ongoing basis

## Declining public sector pool according to strategy

### Cover Pool Public Sector Pfandbriefe

€mn



- › In May 2016 Migration of Hypothekbank Frankfurt (HF) boosts Commerzbank's Public Sector Pfandbrief volume up to €13.1bn from €1.8bn.
- › Ongoing reduction of "former" HF-assets.
- › Only limited needs to issue Public sector Pfandbriefe.

# Rating Overview Commerzbank

## Ratings per March 28, 2017

	<b>S&amp;P Global</b>	<b>MOODY'S</b> INVESTORS SERVICE	<b>FitchRatings</b>	<b>SCOPE</b> Scope Ratings
<b>Bank Ratings</b>				
Counterparty Rating <sup>1)</sup>	A- negative	A2 (cr) <sup>2)</sup>	A- (dcr) <sup>3)</sup>	-
Issuer Credit Rating (long-term debt)	A- negative	Baa1 stable	BBB+ stable	A stable
Stand-alone Rating (financial strength)	bbb+	baa3	bbb+	-
Short-term debt	A-2	P-1	F2	S-1
<b>Product Ratings (unsecured issuances)</b>				
"Preferred" senior unsecured debt	A- negative	A2 stable	A- (emr) <sup>4)</sup>	A stable
"Non-preferred" senior unsecured debt	BBB	Baa1 stable	BBB+ stable	A- stable
Subordinated debt (Tier 2)	BBB-	Ba1	BBB	BBB stable
<b>Product Ratings (secured issuances)</b>				
Public sector Pfandbriefe		Aaa		
Mortgage Pfandbriefe		Aaa		

## Commerzbank rating changes in Q1 2017

- › **S&P Global (S&P) upgraded** Issuer Credit Rating by 1 notch to "A-" outlook negative and **downgraded** "non-preferred" senior unsecured debt by 1 notch to "BBB".
- › As of January 1, 2017 **Scope has been mandated** as a fourth rating agency for the bank rating. Previously Scope assigned ratings for Commerzbank on an unsolicited basis.



## **Franz-Josef Kaufmann**

Group Treasury  
Deputy Head Capital Management & Funding  
Head of Strategic Markets & Projects

Phone: +49 69 136 81109  
E-mail: [franz-josef.kaufmann@commerzbank.com](mailto:franz-josef.kaufmann@commerzbank.com)