



## **Commerzbank considerably strengthens capital to weather current market turmoils**

## Q4 at a glance

1. Extraordinary change of the economic environment
2. Significant spread widening over all asset classes
3. Capital injection resulting from new international capital requirement standards
4. Accelerated take over of Dresdner Bank initiated
5. Commerzbank set to strengthen capital position to emerge from the current market environment significantly strengthened

## Milestones in supporting Equity and Liquidity



### 10bn additional capital

- › Issue of 295m shares at 6 EUR
- › Silent participant of EUR 8,2bn at SoFFin-1 conditions
- › Reduction of EUR 17.5bn risk weighted assets\* led to EUR 700m capital relief
- › Silent participation of EUR 750m by Allianz at SoFFin-1 conditions



### General terms

- › 9% coupon p.a. non-cumulative
- › Clear commitment for repayment
- › Governance: two supervisory board seats, but without operational influence



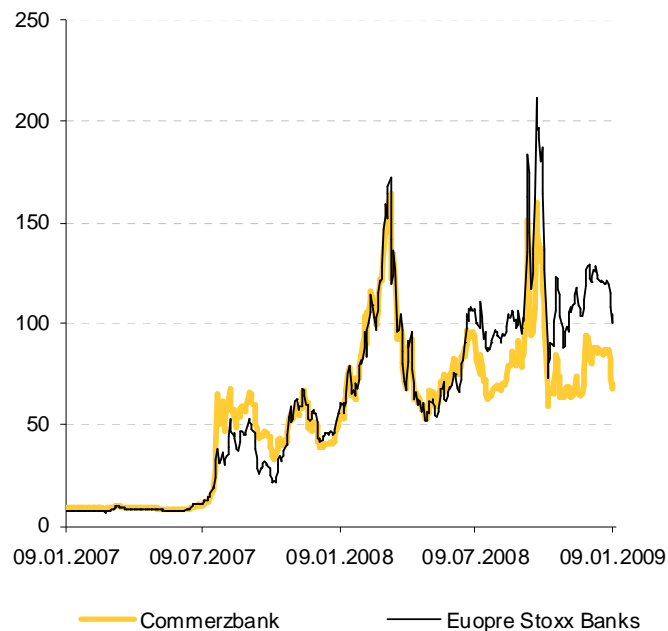
### Strong liquidity position

- › Issue of EUR 5bn “guaranteed” Benchmark-Bond
- › Significant milestone reached for unsecured funding requirements in 2009
- › Ongoing growth in deposits (+28% yoy), reaching EUR 100bn end of October
- › Commerzbank recognized as safe haven

\* at Dresdner Bank

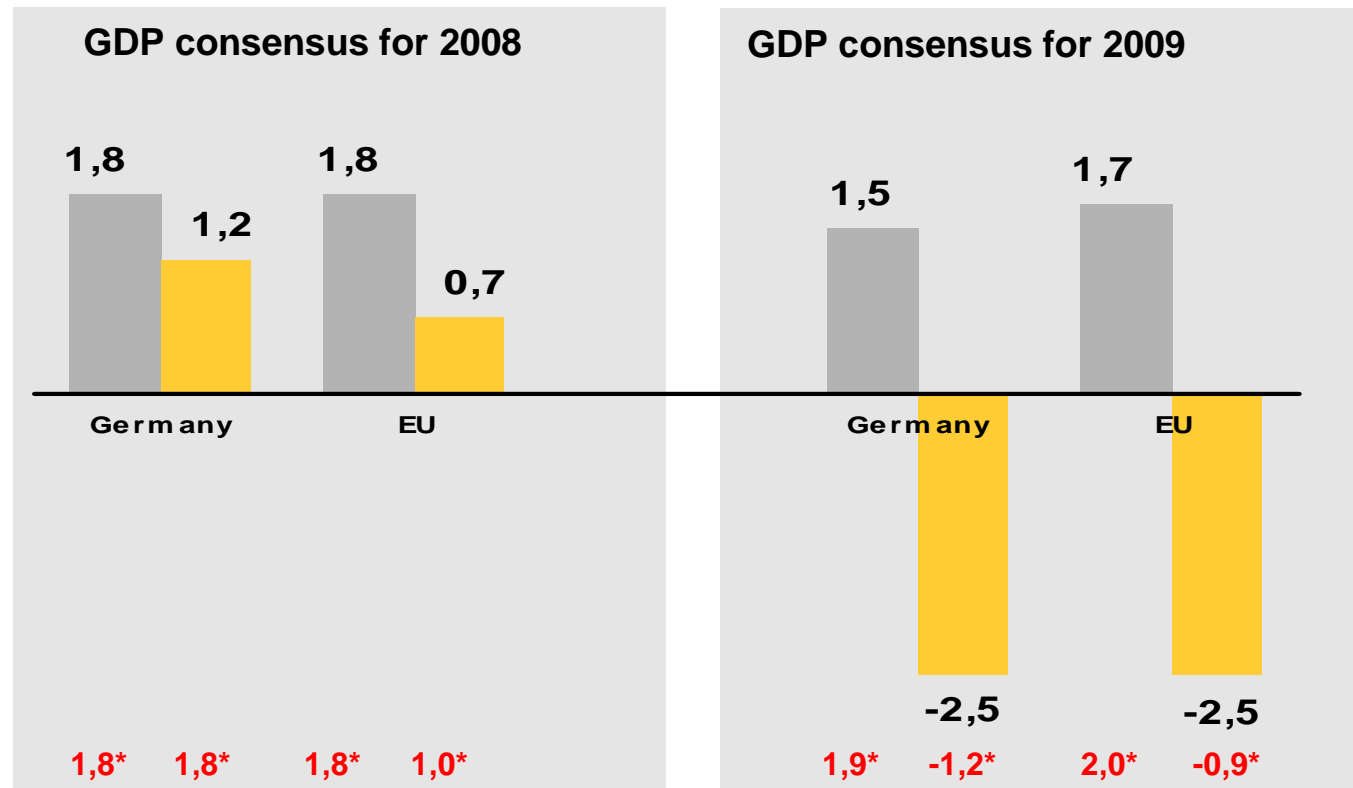
## Improvement in trust

### CDS Spread 5y (bps)



- › Commerzbank considerably strengthens position to weather current market turmoils
- › New capital levels with significant equity buffer (~ EUR 7bn) to face unique market conditions
- › Public awareness among its private clients and Mittelstand customers increased, while competitors are retreating from the German market

## Economic outlook has changed dramatically within a year



CBK Economic outlook as of January 2008  
 CBK Economic outlook as of January 2009      \* = Consensus

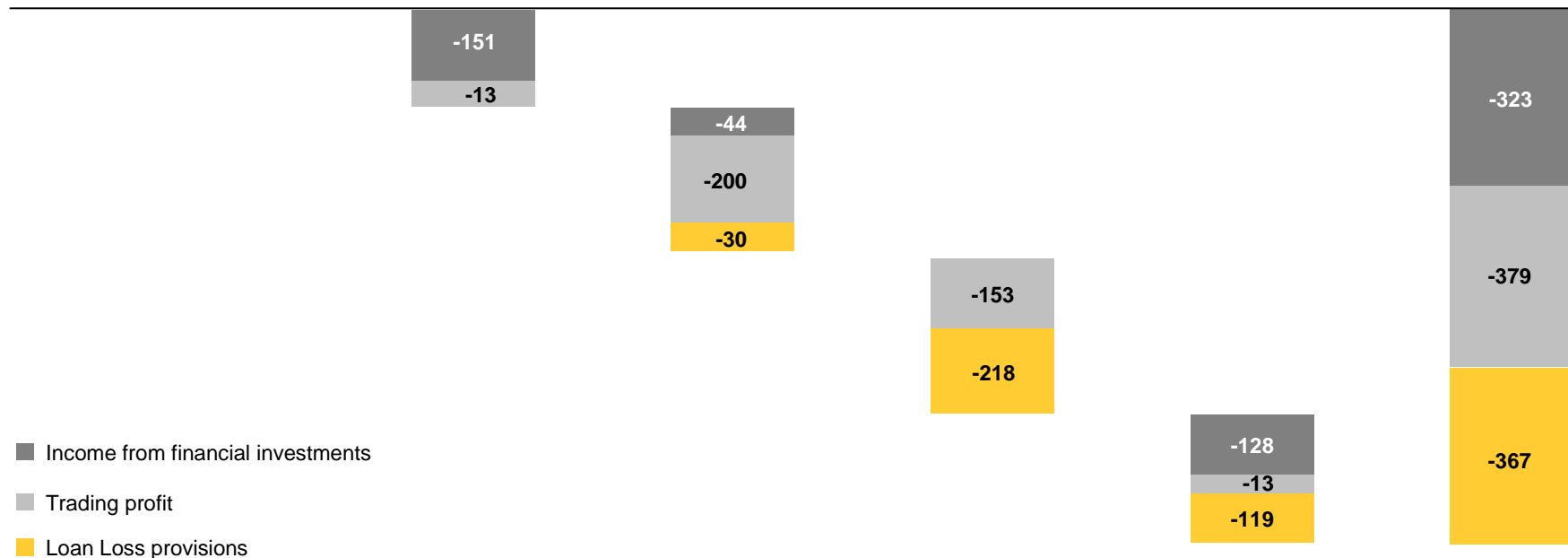
## Sound underlying operating performance

		Q1 - Q3 2007	Q1 - Q3 2008	vs. Q1 – Q3 2007
Revenues <sup>1</sup>	in € m	6,311	4,376	-31%
Operating profit	in € m	2,344	444	-81%
Clean operating profit	in € m	2,063	1,966	-4.7%
Net profit	in € m	1,716	812	-52.7%.
Operating RoE	in %	23.2	4.0	-19.2ppts

<sup>1</sup> before LLP

- › Commerzbank affected by the severe market downturn
- › Q3 loss reflecting significant write-downs due to exceptional market turmoil
- › Strong and stable performance in our core client business units
- › Strong deposit and customer growth by a quarter (~25% year-on-year)
- › Commerzbank is well funded and maintains a prudent liquidity portfolio

## Extreme market conditions weighed on Q3

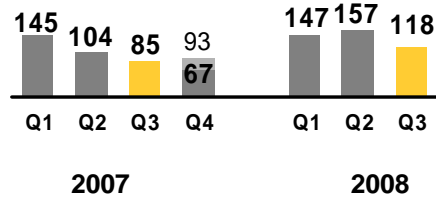


	RMBS/others	CDO/TRS	Lehman	Iceland	Total
PuG/ MSB					
CEE			-14		-14
C&M (incl. PFT)	-25	-274	-357	-232	-888
<i>of which PFT</i>	0	-165	-112	-179	-456
CRE	-144				-144
O&C				-28	-28
<b>Total</b>	<b>-169</b>	<b>-274</b>	<b>-371</b>	<b>-260</b>	<b>-1,074</b>

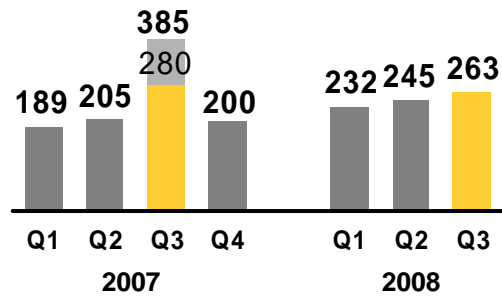
# Solid performance in core client businesses

## Operating profit, in € m

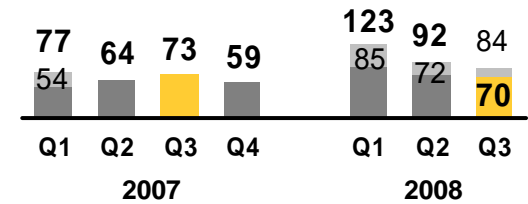
Private & Business Customers



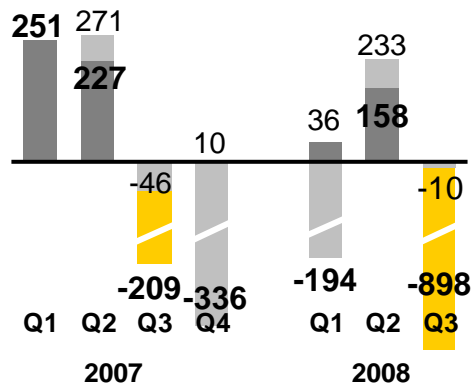
Mittelstandsbank



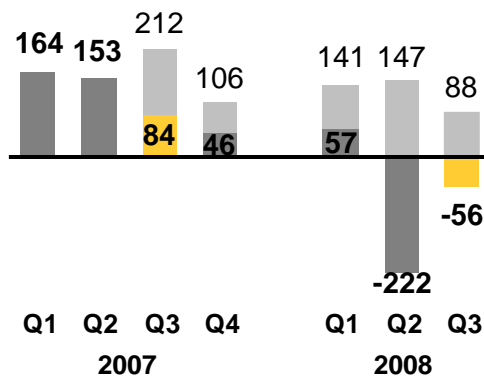
Central & Eastern Europe



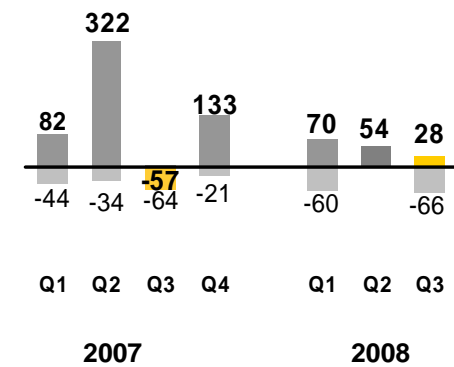
Corporates & Markets (incl. PFT)



Commercial Real Estate



Others & Consolidation

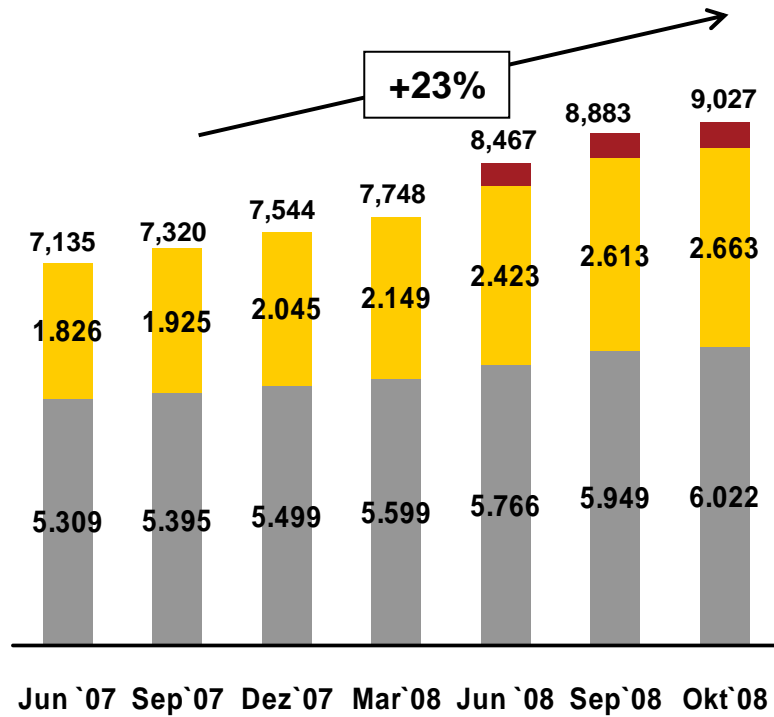


■ Impairments in context of financial crisis and other one-offs



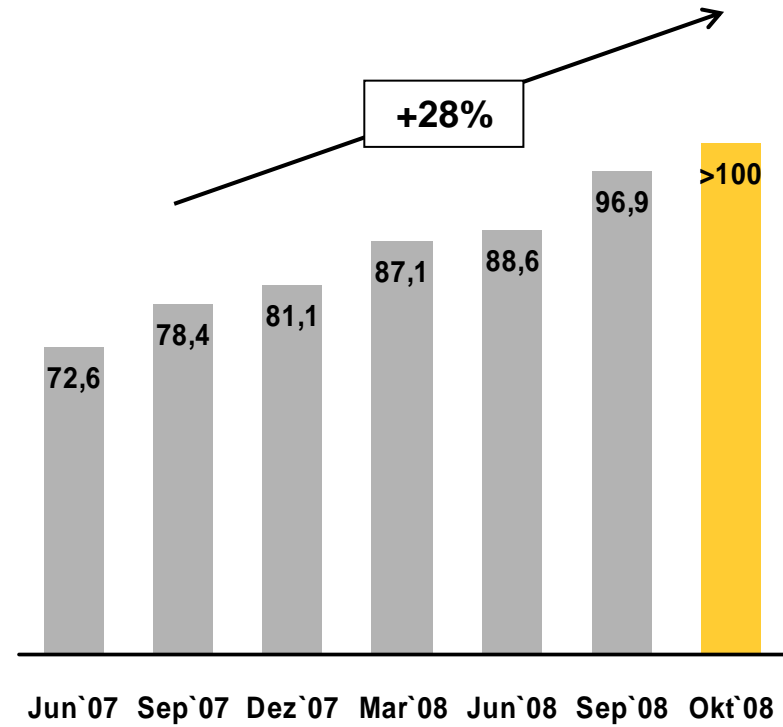
# Deposit volume grew to more than 100 billion

**Number of retail clients**  
in `000



- Clients in PBC
- Clients of BRE Bank
- Clients of Bank Forum

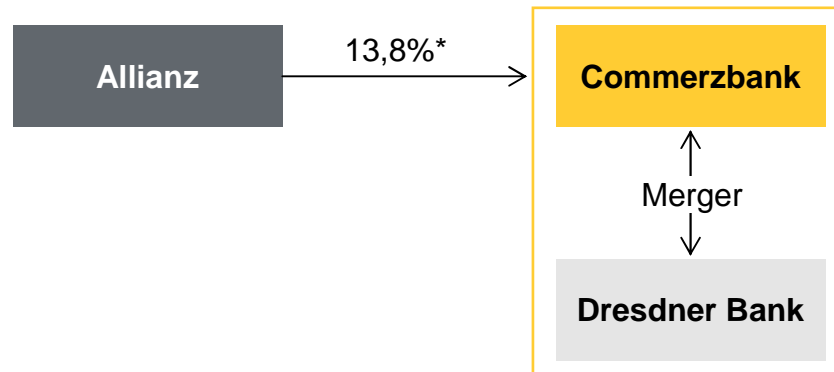
**Deposit volume <sup>1)</sup>**  
in € bn



1) Only retail and corporate customers

# Commerzbank acquires Dresdner bank for €5.1bn

## Acquisition of 100% in one step



## Financing

- › €3.215bn in cash
  - €1.565bn financed through a non-preemptive equity offering of 65.4m shares<sup>1)</sup> and debt
  - €1.4bn cash for 39.8% stake in Dresdner Bank
  - €250m for the cancellation of the contingent deferred consideration
- › €1.21bn equivalent value for 163.5m CBK shares to Allianz as contribution in-kind<sup>2)</sup>
- › Transfer of cominvest to Allianz for €0.7bn

1) ABO more than 5 times oversubscribed, share price issuance at €17.00

2) Based one month volume weighted average price of €7.40

\* After capital increase by SoFFin

## Enhanced banking platform with focus on profitable growth Balanced business mix with focus on retail and SME/corporate banking

### → **Creating the No. 1 Retail bank and the No. 2 Private Wealth Manager in Germany**

- › 11 million private clients in Germany
- › Comprehensive nationwide branch network (Target: ~1,200 branches)
- › Funding stability from larger deposit base
- › High quality earnings stream from stronger position in wealth management

### → **Germany's leading Mittelstand bank leveraging the successful franchise**

- › Strongest customer franchise in Germany (11% to 13% market share)
- › Full integration of highly complementary domestic customer bases
- › Dresdner Bank foreign activities enhance international capabilities
- › Cultural fit is better than anticipated

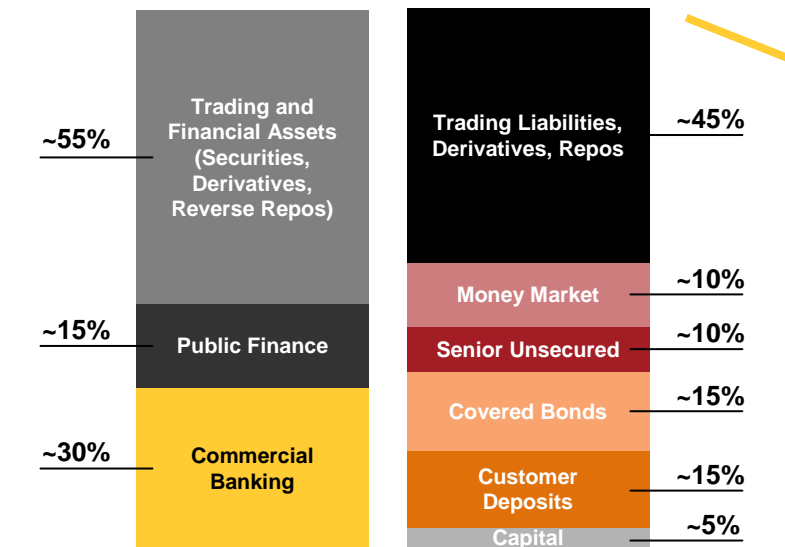
### → **Leading investment banking provider to German corporates and institutions**

- › Focus on products relevant to client base, strong reduction of prop trading activities
- › Significant cost reduction and capital release mitigates lower revenues
- › Proven and successful right-sizing track-record
- › Transfer of corporate and relevant retail activities of DKIB into respective business units

# Significant decrease of non-core assets by 2011

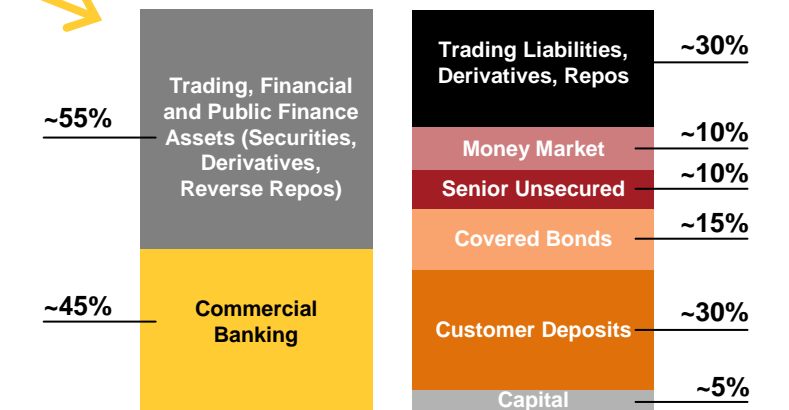
## Pro forma post acquisition

Ca. €1,100bn Assets & Liabilities



## Target 2011

Ca. €800bn Assets & Liabilities



- › Mid-term Tier-1 target range 7.0% – to 9.0%
- › Less dependence on wholesale funding

## Integration divided into three phases: Process well on track

### Preparation of Integration

- › Appointment of management level 1 + 2
- › Definition of business models for different segments
- › Confirmation of synergy levels
- › Decision on IT structure
- › Preparation for negotiations with workers councils  
= Blueprint for New CBK

→ Sep 2008 – Jan 2009 ✓

### Preparation of Implementation

- › Negotiations with workers councils
- › Further specification of blueprints and implementation concepts
- › Set-up of joint steering platform: finance, risk, treasury
- › Merger of legal entities

→ Feb 2009 – Summer 2009





### Integration

- › Implementation of Blueprints: successful rollout of joint business models
- › Realization of all integration measures
- › Full staffing of New CBK organization

→ Summer 09 – End of 2010


→ Remain fully committed to achieve full synergy potential of EUR 5bn

## Further milestones achieved in preparing for integration


1. Accelerated integration process through one-step-transaction 
2. Blueprint for new bank including business model, synergies and integration plan designed 
3. Strong management team: Board appointed 1<sup>st</sup> and 2<sup>nd</sup> level management team early on 
4. Dedicated decision to run Commerzbank's IT structure will facilitate IT integration 

## Our operating principles for the new Commerzbank


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**Stability**  Increased our mid-term Tier-1 range to peer group level (7% – 9%) and start new bank with 10% in order to reflect current markets


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**Responsibility & Opportunity**  We are committed to continue our role as an integral part of the German economy, especially when others are retreating. **We see opportunities for market share increases across the board.**

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**Strategy**  Strategic rationale for combination of Commerzbank and Dresdner Bank remains compelling and creates tremendous opportunities.

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**Competitiveness**  Being on a level playing field with our international peer group and mitigating risk of rating disadvantages. We are actively pursuing new business opportunities arising to our new strenghtend capital base.

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## Main challenges 2009



### **Ongoing weakness of international economy**

- › Risk adjusted return oriented new lending business
- › Further pressure on operating revenues
- › Increasing risk provision in commercial and corporate banking



### **Integration of Dresdner Bank**

- › Considerable rightsizing of Investment Banking
- › Accelerated Integration of operating businesses and IT structure
- › 15% cost cutting (combined Group) by restructuring case defined



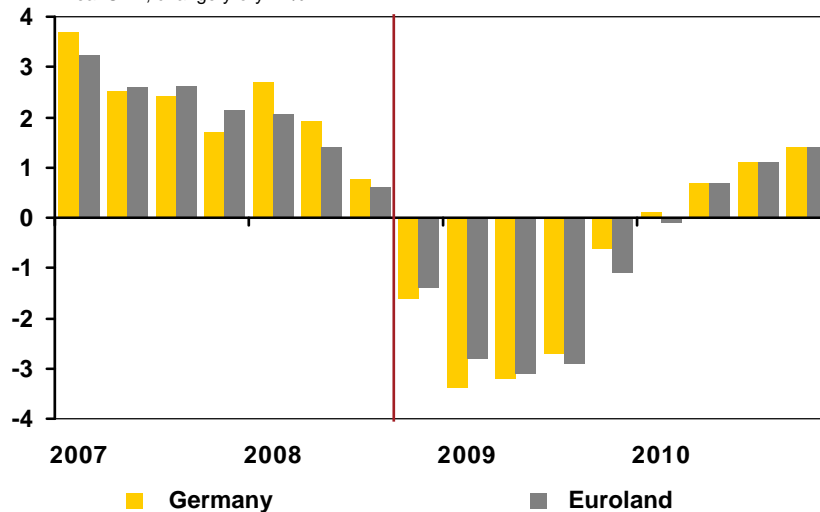
# Germany: Negative outlook for 2009, but better prospects for 2010

## Forecast for 2009/2010

- In 2009 German economy will be in a recession because of strong slowdown of world economy and aftermath of the financial market crisis.
- In 2010 the negative effect should have faded away and interest rate cuts of the ECB will boost the economy.
- Germany will probably outperform the Euro area in 2010, because it will – in contrast to many Euro area countries – not be hindered by the correction of former booms (housing market, indebtedness of consumers and firms).

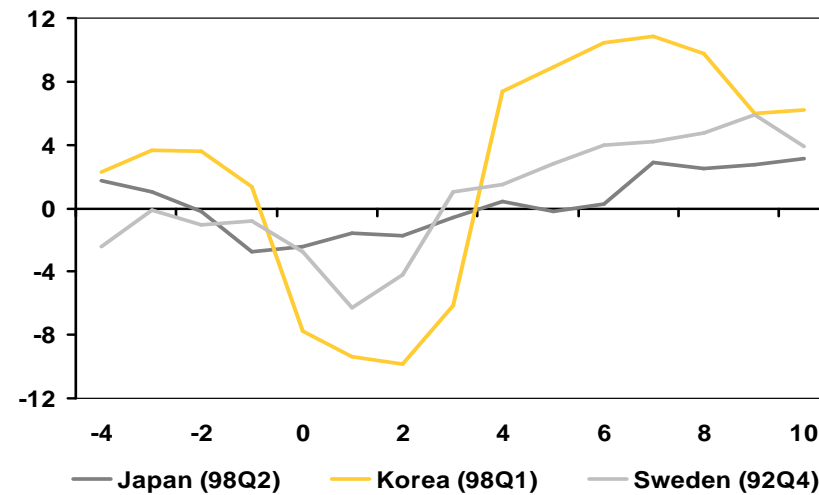
### Good chance to be an outperformer in the Euro area in 2010

Real GDP, change y-o-y in %



### Former banking crisis: Real GDP back in positive territory 4 quarters after rescue package

Real GDP, change y-o-y in %, Period 0 = announcing of rescue package (Germany 2008Q4)



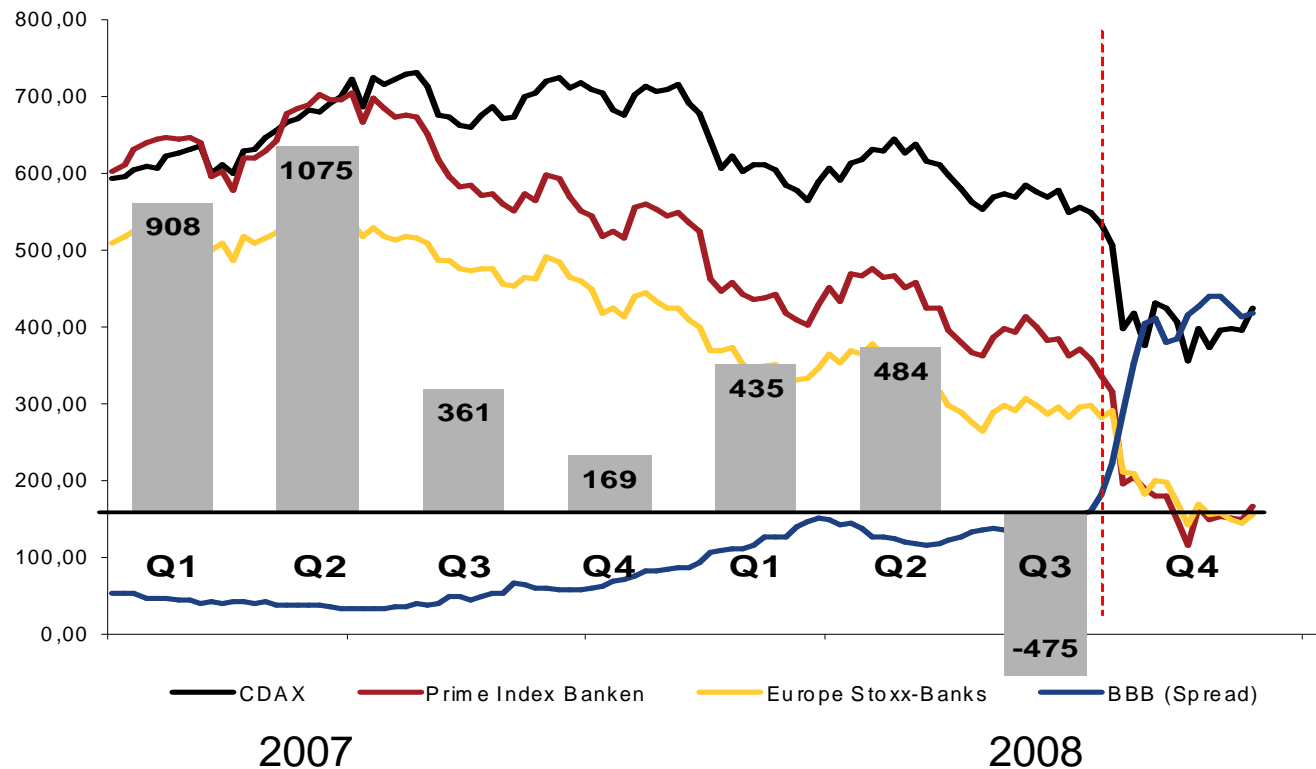
Source: Commerzbank Economic Research

## Outlook

1. Market environment remains very challenging in 2009
2. Commerzbank with strengthened and stable capital adequacy
3. Strengthening core franchise via Dresdner Bank
4. Continue to be an active market player to further increase market share in core businesses, while others are retreating from market and customers
5. Tight cost discipline, balance sheet reduction and significant synergy potential to emerge from the current market environment significantly strengthened

## Appendix

## Outlook: External factors remained challenging in Q4 2008



### Q4 2008



- › Quarterly result will reflect the continued impact of adverse market conditions
- › Further sound capital position
- › Ongoing strong deposit and customer growth (flight to safety)

## Action resulting from new international capital adequacy requirements



### Increase of Commerzbank's Tier-1 ratio via a €8.2bn silent participation by SoFFin

› Tier-1 ratio moves to 10.9% (according to IFRS) and 11.2% (according to German GAAP) based on Q3 figures

› Shareholder minded approach:

- Silent participation with a dividend-linked coupon on top of a 9% p.a. interest rate base

- Dividend payment possible from business year 2010 onwards

- Continued concentration on proven business model

- No changes to current corporate governance structure

- Board of Managing Directors agreed to a salary cap of €500,000 for 2008/2009

› Commerzbank committed to re-paying silent participation mid-term, given sound capitalization



### Additional €15bn funding option

### Capital infusion of €8.2bn through silent participation (SoFFIN-1)

- › Volume: €8.2bn in one tranche
- › Coupon: 9% p.a.
- › Additional remuneration: 0.01% interest payment for each €4.4m cash dividend paid\*
- › Term: perpetual
- › Redemption: at nominal value
- › Termination: only by Commerzbank with BaFin approval
- › Subordination in case of insolvency & liquidation: junior to existing hybrids; junior to existing and future tier II instruments (*incl. Genussrechte / Genussscheine*) and other debt; pari passu with future hybrid offerings; senior to shareholders
- › Loss sharing: pari passu with all other instruments with loss participation; no dividend payment until full compensation of shared losses (silent participation)
- › Core capital & interest subsidy: yes

### Framework guarantee of up to €15bn

- › Framework guarantee of €15bn
- › Guaranteed obligations: bearer bonds
- › Commitment fee: 0.1% p.a. (for unused guarantee)
- › Guarantee fee:
  - Term ≤ 12 months: 0.5% p.a.
  - Term > 12 months: 0.948% p.a.
- › Max. term: 36 months

## Capital infusion of €8.2bn through silent participation (SoFFin-2)

- › Volume: €8.2bn in one tranche
- › Coupon: 9% p.a.
- › Additional remuneration: 0.01% interest payment for each €4.4m cash dividend paid\*
- › Term: perpetual
- › Redemption: at nominal value
- › Termination: only by Commerzbank with BaFin approval
- › Subordination in case of insolvency & liquidation: junior to existing hybrids; junior to existing and future tier II instruments (*incl. Genussrechte / Genussscheine*) and other debt; pari passu with future hybrid offerings; senior to shareholders
- › Loss sharing: pari passu with all other instruments with loss participation; no dividend payment until full compensation of shared losses (silent participation)
- › Core capital & interest subsidy: yes

## Capital increase

- Issue of 295m ordinary shares
- Stake of 25% + 1 share

## Capital infusion of €0.75bn through silent participation (Allianz)

- › Volume: €0.75bn in one tranche
- › Coupon: 9% p.a.
- › Additional remuneration: 0.01% interest payment for each €4.4m cash dividend paid\*
- › Term: perpetual
- › Redemption: at nominal value
- › Termination: only by Commerzbank with BaFin approval
- › Subordination in case of insolvency & liquidation: junior to existing hybrids; junior to existing and future tier II instruments (*incl. Genussrechte / Genussscheine*) and other debt; pari passu with future hybrid offerings; senior to shareholders
- › Loss sharing: pari passu with all other instruments with loss participation; no dividend payment until full compensation of shared losses (silent participation)
- › Core capital & interest subsidy: yes



# Notes



# Notes



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