



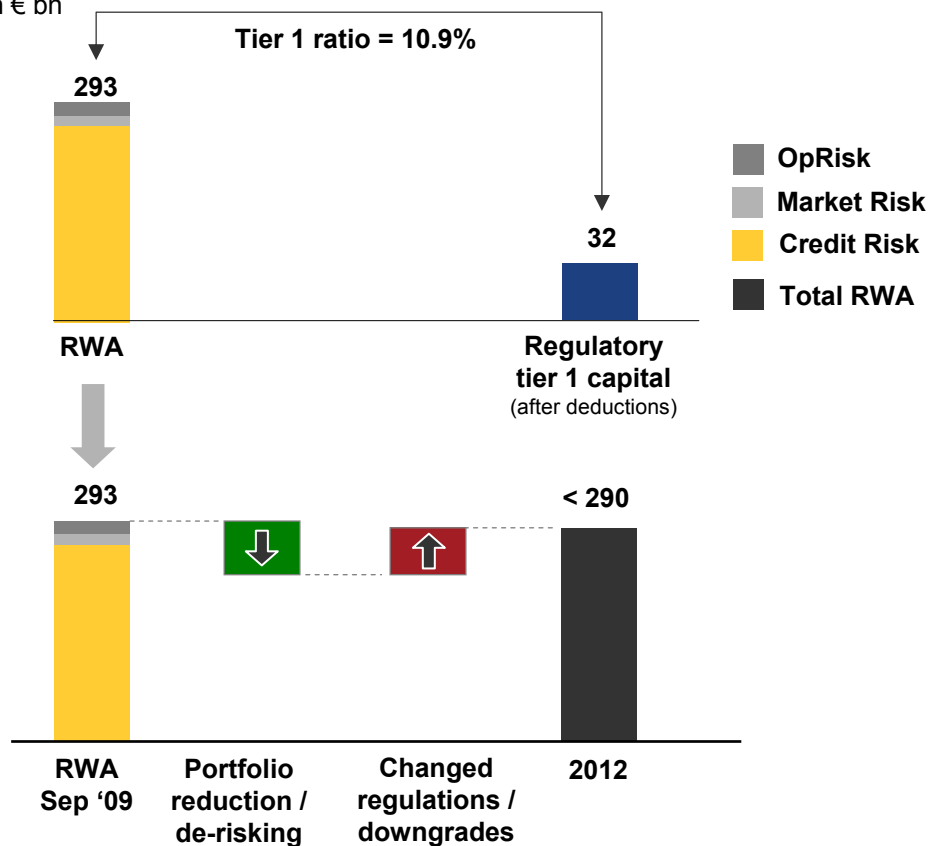
# Risk Management in Times of Crisis

Risk Management – Investors' Day 2009

## Commerzbank is well capitalized and well prepared

### Regulatory capital situation

Sep '09  
in € bn

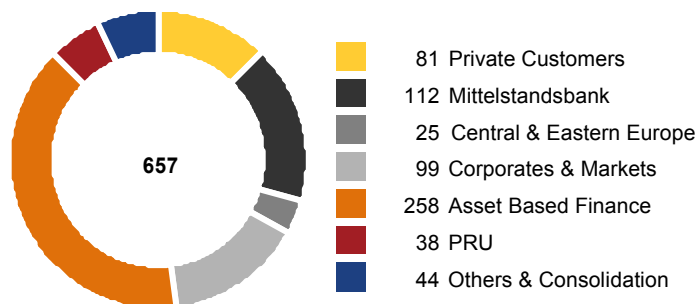


- › Prepared for tighter regulatory framework
  - New regulatory requirements lead to higher risk charges (e.g. for market risk)
- › Able to withstand ongoing stressed economy
  - Economic downturn has been simulated with various internal and external stress scenarios (e.g. CEBS)
- › Capital adequacy ensured for 2012
  - Even the stress case of our current planning scenario ensures a Tier 1 capital ratio within the 7 – 9% target corridor

# Risk overview Commerzbank Group

## Exposure at Default

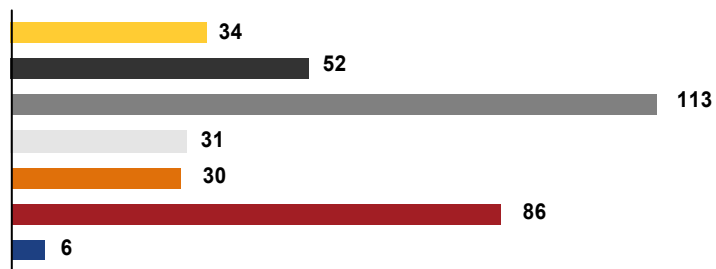
Sep '09  
in € bn



## Risk Density

Sep '09  
in bp

Commerzbank Group: **39 bp**

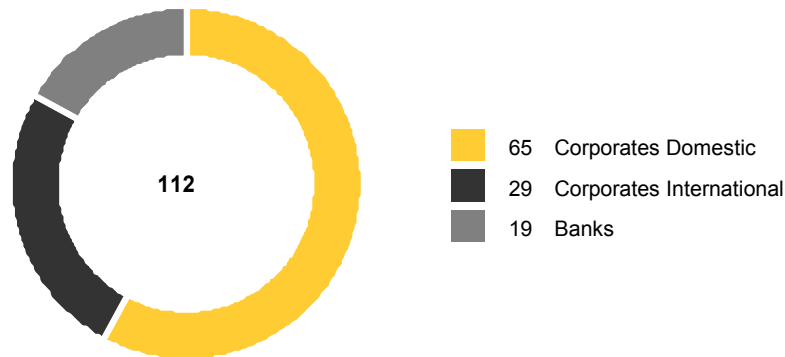


	Mar '09	Jun '09	Sep '09
<b>RWA</b> (in € bn)	<b>316</b>	<b>297</b>	<b>293</b>
<b>Economic Capital requirement</b> (in € bn)	<b>20.8</b>	<b>20.4</b>	<b>20.8</b>
– thereof Credit Risk (in %)	62%	60%	61%
– thereof Market Risk (in %)	25%	26%	25%
<b>LLP</b> (YtD, in € bn)	<b>0.8</b>	<b>1.8</b>	<b>2.9</b>
<b>Default portfolio</b> (in € bn)	<b>18.2</b>	<b>19.4</b>	<b>20.7</b>
<b>Coverage ratio</b> (in %)	<b>83%</b>	<b>85%</b>	<b>88%</b>

# Portfolio details Mittelstandsbank

## Exposure at Default

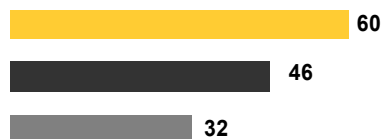
Sep '09  
in € bn



## Risk Density

Sep '09  
in bp

Mittelstandsbank total: **52 bp**

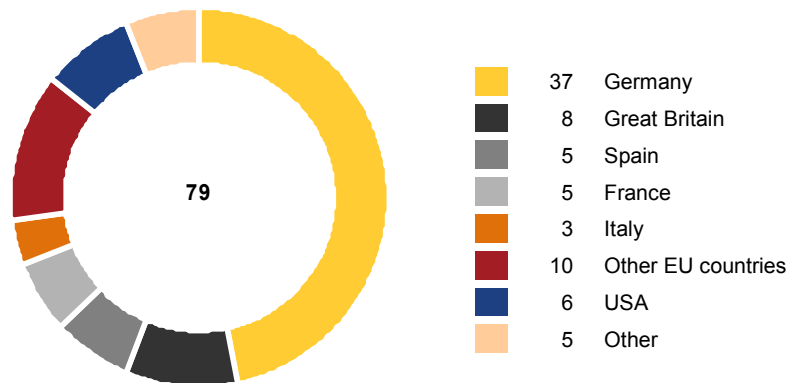


- › In the first three quarters, LLP increased, predominantly driven by Financial Institutions (FI) and International Corporates.
- › So far, domestic Mittelstand portfolio LLP remain at expected level.
- › Lower charges for Financial Institutions and International Corporates, but increasing LLP in the granular Mittelstand business expected for 2010.

# Portfolio details Commercial Real Estate

## Exposure at Default

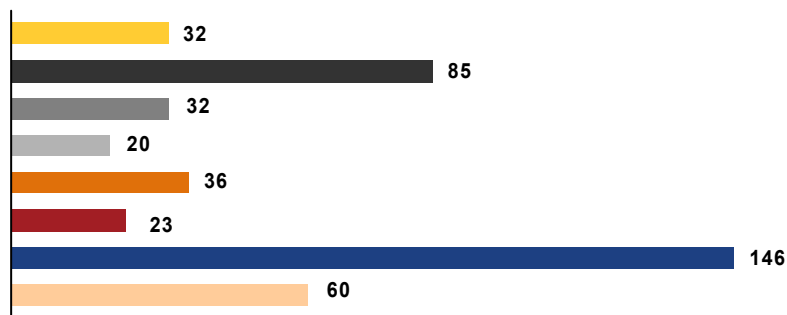
Sep '09  
in € bn



## Risk Density

Sep '09  
in bp

CRE total: **46 bp**

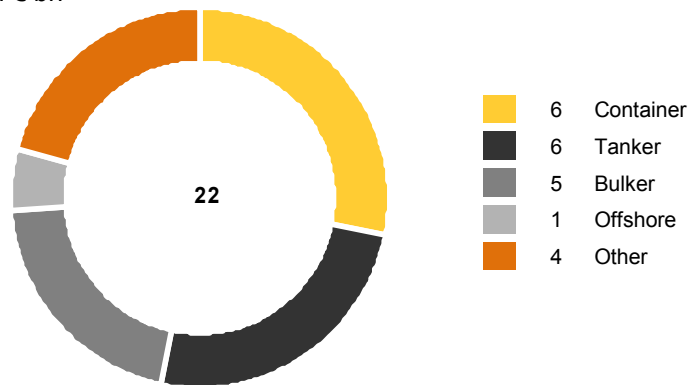


- › **USA:** US recession has ended. However, office and retail market prospects remain negative. Investment market stays weak, further write-offs are expected.
- › **Spain:** Deterioration of the economy proceeds; office markets will face a fierce environment for a longer period to come.
- › **UK:** Despite some recent economic improvements, the market environment for real estate financing has not yet recovered; short to medium term outlook for the office market continues to be subdued.
- › **Germany:** With broad based recovery of industrial sector, economic growth will gain momentum in the near future.

## Portfolio details Shipping

### Exposure at Default

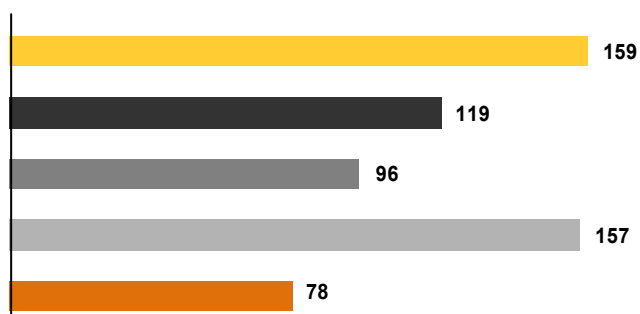
Sep '09  
in € bn



### Risk Density

Sep '09  
in bp

Shipping total\*: **106 bp**



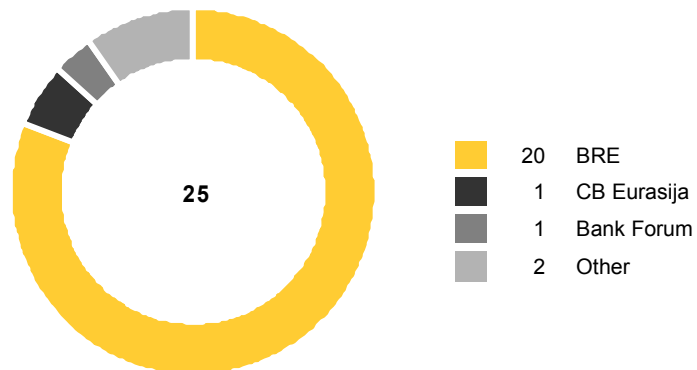
- › **Container:** Depressed freight rates caused substantial losses for main liner companies.
- › **Tanker:** Declining energy demand led to market rates below full capital service costs.
- › **Bulker:** Satisfactory business driven by continued boom in emerging markets.
- › Overall no recovery expected for 2010; focus on managing existing portfolio and risk reduction.

\*) including €5bn EaD for financing of banks and municipalities by Deutsche Schiffsbank

## Portfolio details Central & Eastern Europe

### Exposure at Default

Sep '09  
in € bn

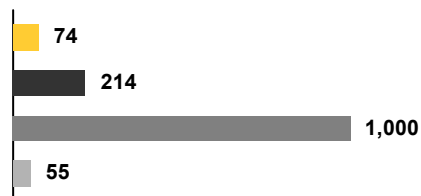


- › LLP remain high due to weak market environment.
- › Economic situation in Ukraine has severely deteriorated. Further losses expected for Bank Forum
- › Poland has been one of the most resilient countries during the crisis in Eastern Europe
- › For 2010 we expect lower charges than 2009

### Risk Density

Sep '09  
in bp

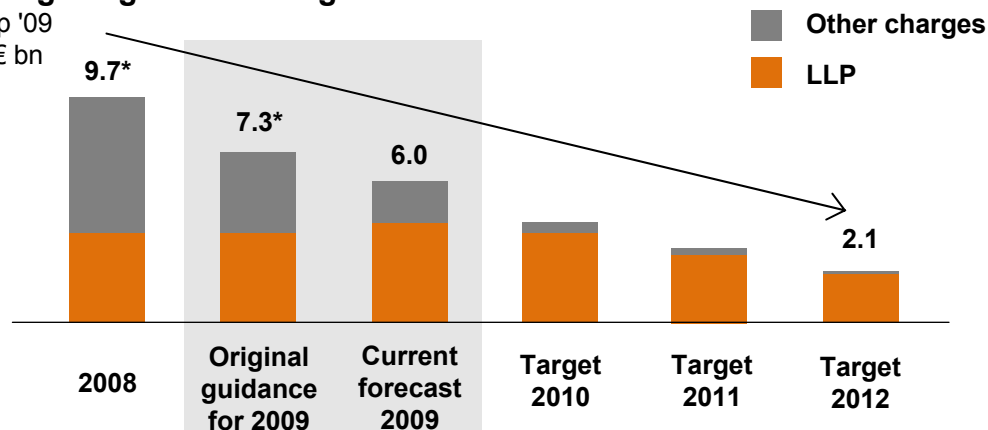
CEE total: 113 bp



## Current forecast for charges against earnings more than €1bn below original guidance for 2009; more than 35% below 2008

### Charges against earnings

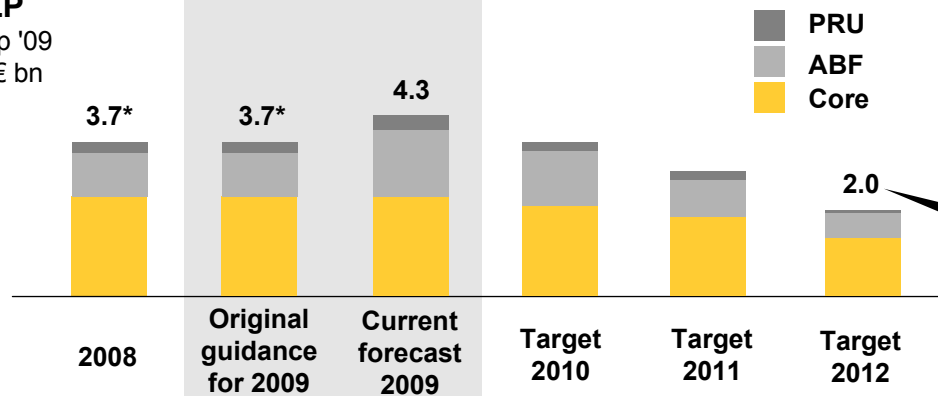
Sep '09  
in € bn



- › LLP for core bank on track despite higher charges for Central and Eastern Europe
- › Increased LLP in Mittelstandsbank compensated by lower charges in Investment Banking
- › Development of charges in ABF strongly dependent on bulk risks (CRE, Shipping)

### LLP

Sep '09  
in € bn



LLP (in € bn)	Target 2012
Private Customers	0.3
Mittelstandsbank	0.4
Central & Eastern Europe	0.4
Corporates & Markets	0.3
Asset Based Finance	0.6
PRU	< 0.1
<b>Commerzbank Group</b>	<b>2.0</b>

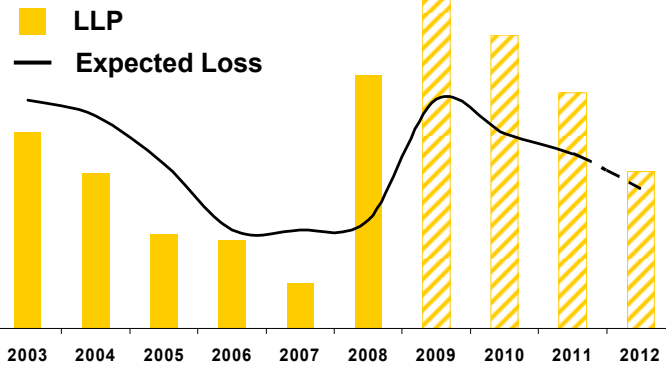
\*restatement incl. €0.15bn unwinding effects



## Normalization of LLP expected after peak in 2009

### LLP vs. expected loss

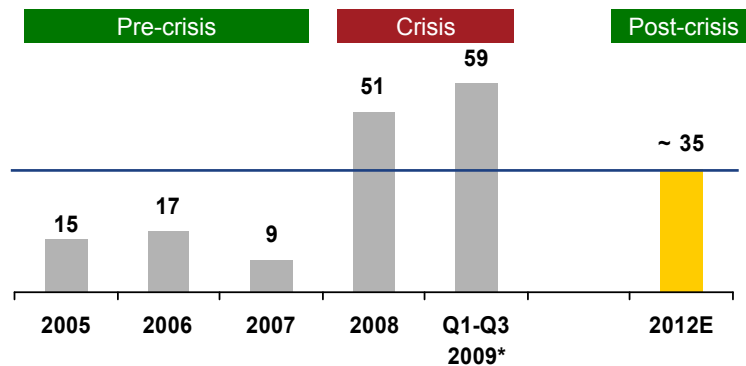
in bp of total lending



- › Due to time lag in rating cycle, current LLP significantly exceed statistically derived EL, ...
- › ... but are expected to converge towards EL by 2012

### Commerzbank Group

LLP in bp of EaD



\* annualized

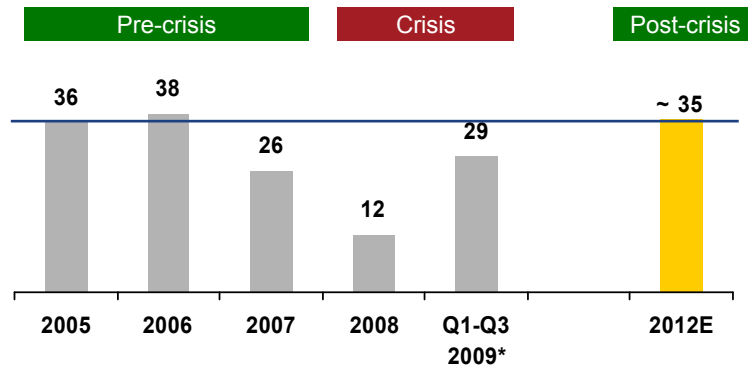


- › LLP expectation for 2012 of €2.0bn still conservative compared to normal levels (e.g. 2005 - 2007)

# Top-down plausibility check of 2012 LLP planning (1)

## Private Clients

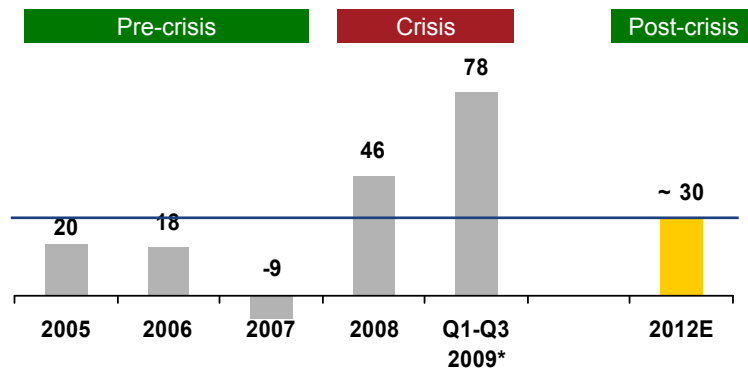
LLP in bp of EaD



- › Delayed LLP-effects anticipated until 2012
- › Continuous improvement of early warning triggers and processes
- › Pro-active adaption of policies to assure good quality of new business through the cycle

## Mittelstandsbank

LLP in bp of EaD



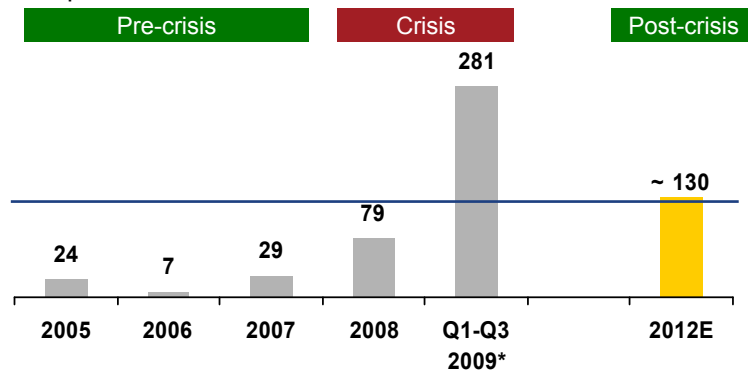
- › Winding down business with international, non-Germany related customers
- › Use of forward-looking and cash-flow based analysis of corporate portfolio
- › Selective new business based on credit processes along sector groups

\* annualized

## Top-down plausibility check of 2012 LLP planning (2)

### Central & Eastern Europe

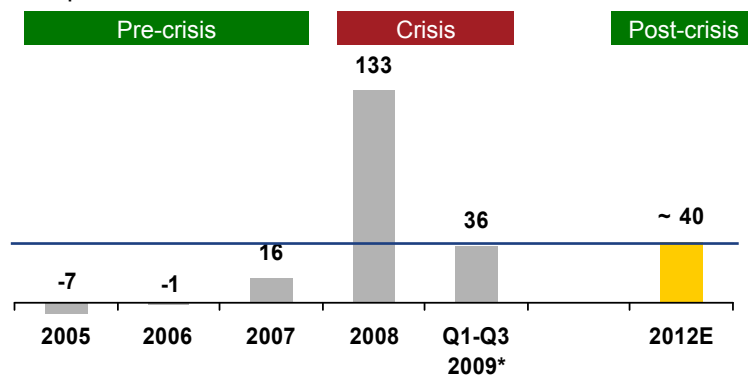
LLP in bp of EaD



- › De-risking in both Eastern European markets (Ukraine and Russia)
- › Setup of specialized restructuring and workout units with focus on Eastern Europe
- › New business based on sharpened credit conditions

### Corporates & Markets

LLP in bp of EaD



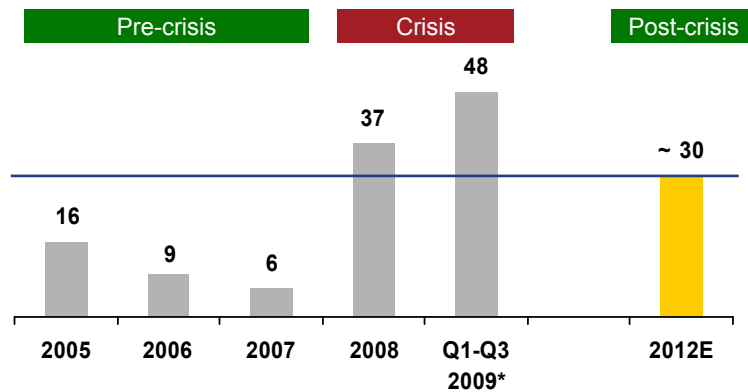
- › Continuous de-risking (e.g. bulk risks, legacy illiquid infrastructure, LBO transactions)
- › Customized credit strategies for banking sector - in particular for Emerging Markets
- › Setting tight risk frames for profitable but non-standard finance business

\* annualized

# Top-down plausibility check of 2012 LLP planning (3)

## Asset Based Finance

LLP in bp of EaD



## Real estate

- › Clear run-down targets; focus on bulk risks
- › Strict standards for selective new business

## Shipping

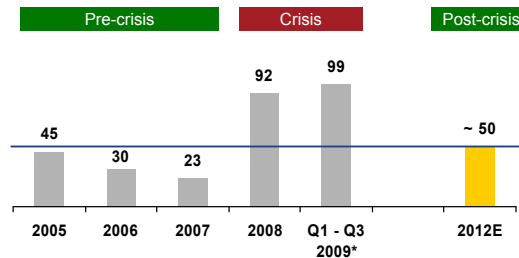
- › Use of cash-flow oriented risk assessment
- › Restructuring where economically sensible

## Public Finance

- › De-risking well on track (YTD 2009: -€23bn)

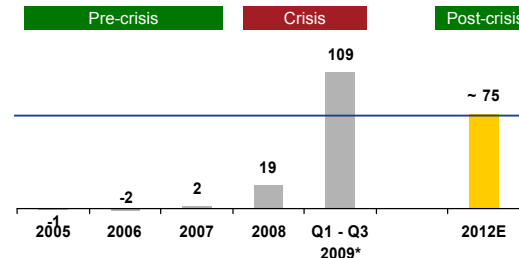
## Real Estate

LLP in bp of EaD



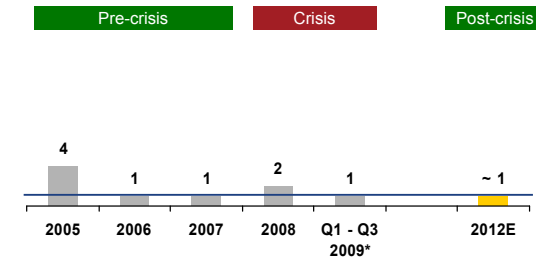
## Shipping\*\*

LLP in bp of EaD



## Public Finance

LLP in bp of EaD



\* annualized

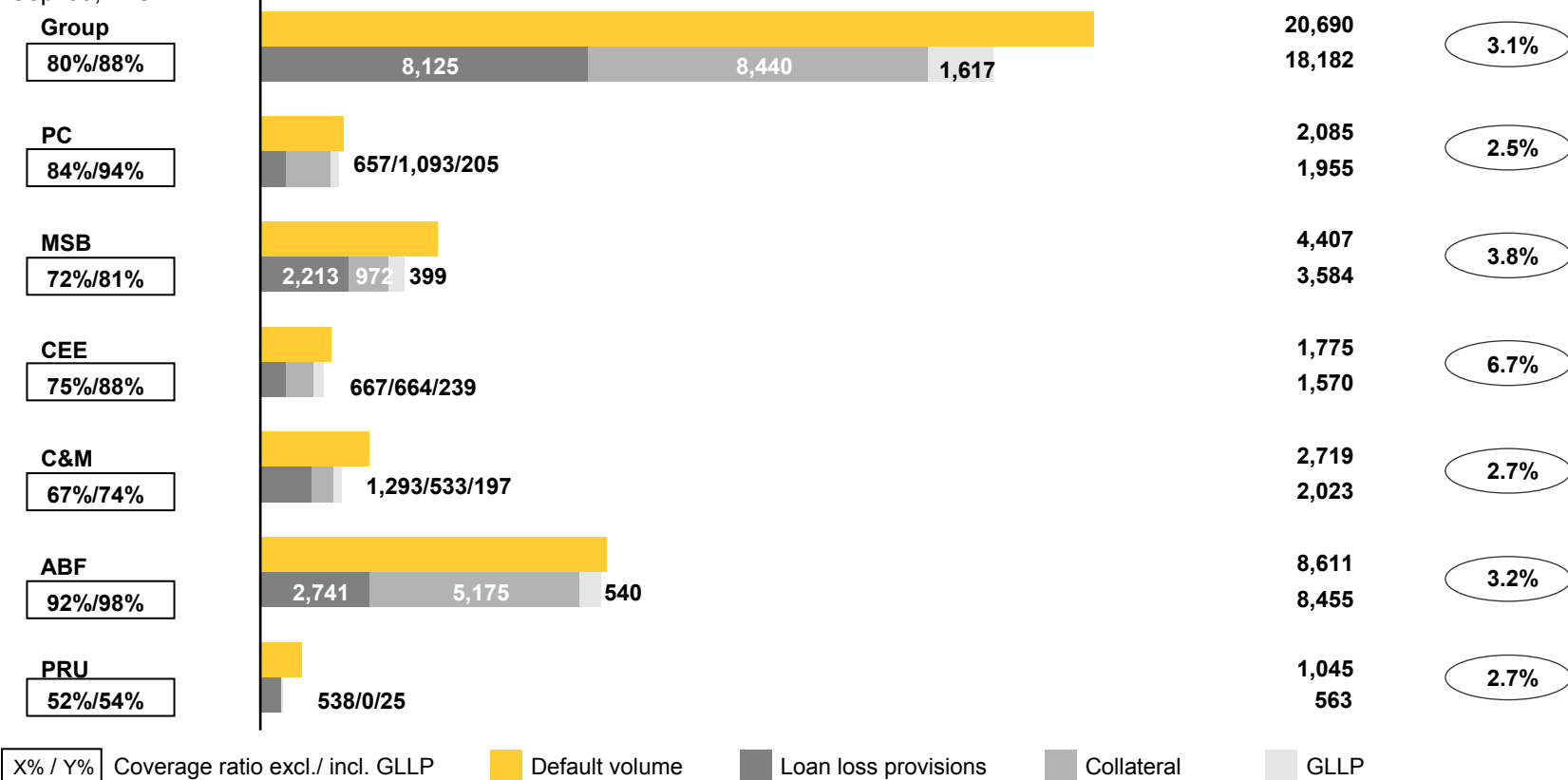
\*\*for 2005 – 2007 approximation including Dt. Schiffsbank

# Credit risk in default portfolio comfortably covered by collateral and loan loss provisions

## Default portfolio

Exposures and Coverage Ratios

Sep '09, in € m



Default portfolio and coverage ratios contain all non performing loans (NPL), not only impaired loans    \*) NPL-Ratio: EaD Default portfolio / EaD Total (perf. + non-perf.)

## Targets for 2009 achieved to date

**Set up a clear de-risking strategy**



**Improve portfolio structure by reducing risk concentrations**



**Reduction of Market Risk in trading book started**



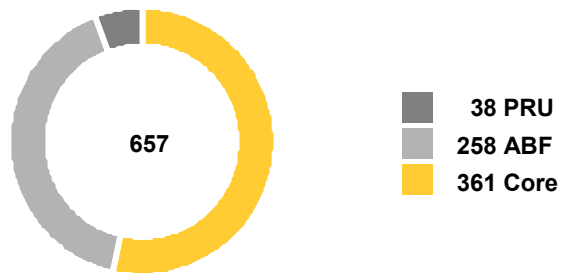
**“Growing together”: Set course for the new bank**



## Set up a clear de-risking strategy: more than 40% of the exposure at default classified as “optimize” or “downsize”

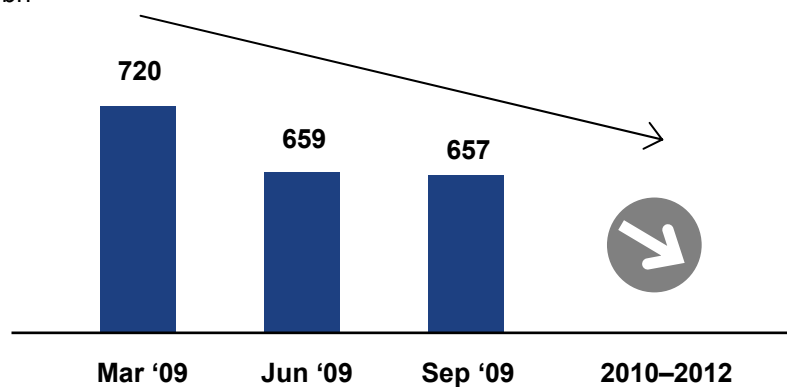
### EaD Breakdown

Sep '09  
in € bn



### EaD Trend

Sep '09  
in € bn



#### › Steps to reduce exposure in 2009:

- Balance sheet structure within C&M already significantly strengthened through reduction of non-core assets
- Targeted reduction of Public Finance portfolio
- Wind down business with international, non-Germany related customers

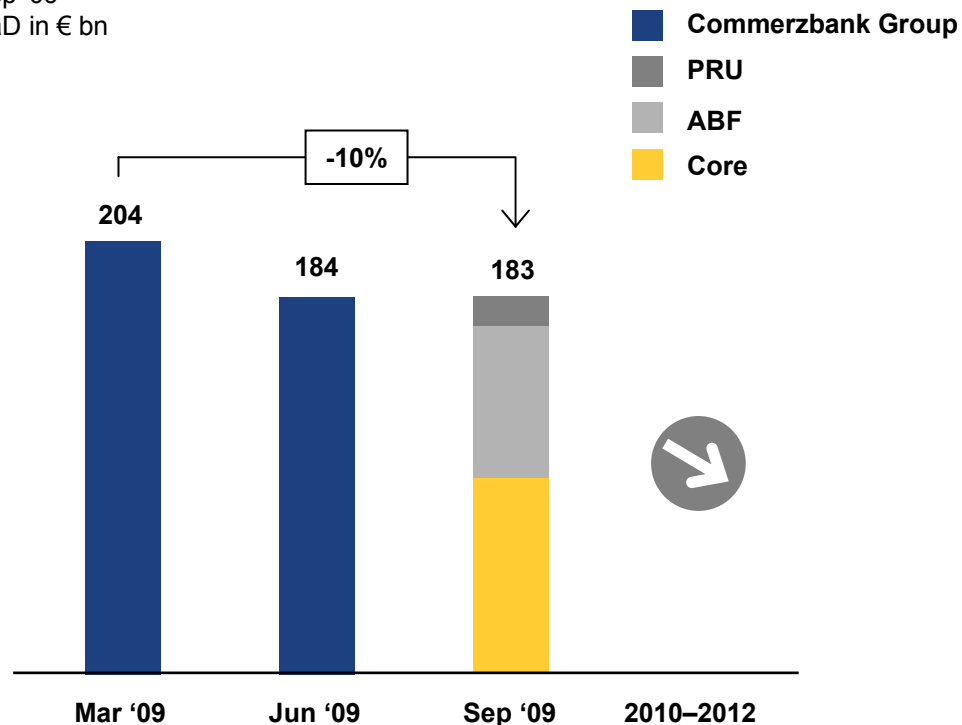
#### › Further wind down of the portfolio by:

- Optimization of ABF business
- Downsizing of PRU assets

## Improve portfolio structure by reducing risk concentrations

### Bulk Risks

Sep '09  
EaD in € bn



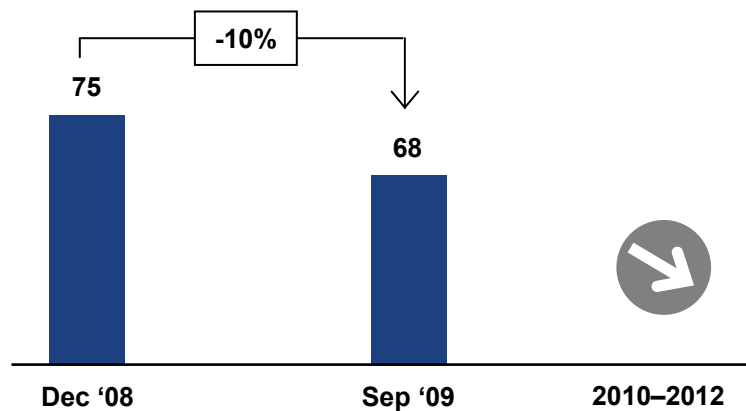
- › Shared Clients Task Force has already consolidated all relevant bulk risk exposure of new Commerzbank
- › Improved identification and measurement of bulk risks using a Monte Carlo-based asset value model as well as notional amounts
- › Significant reduction of bulk risk exposure by implementation of a clear de-risking strategy
- › Additional focus on reduction of risk concentrations in Real Estate and Shipping portfolio and on country risks



## Reduction of Market Risk in trading book started

### VaR trading book – trend

(99%, 1 day) in € m



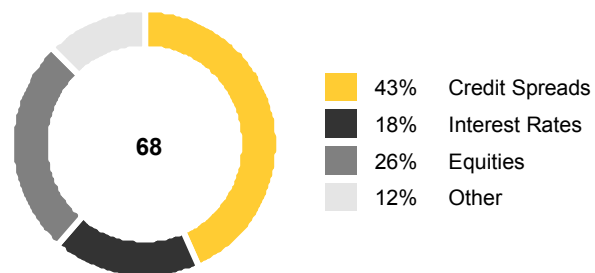
- › De-risking with focus on cutback of PRU positions
- › Ongoing reduction of Market-VaR planned

### VaR trading book – breakdown

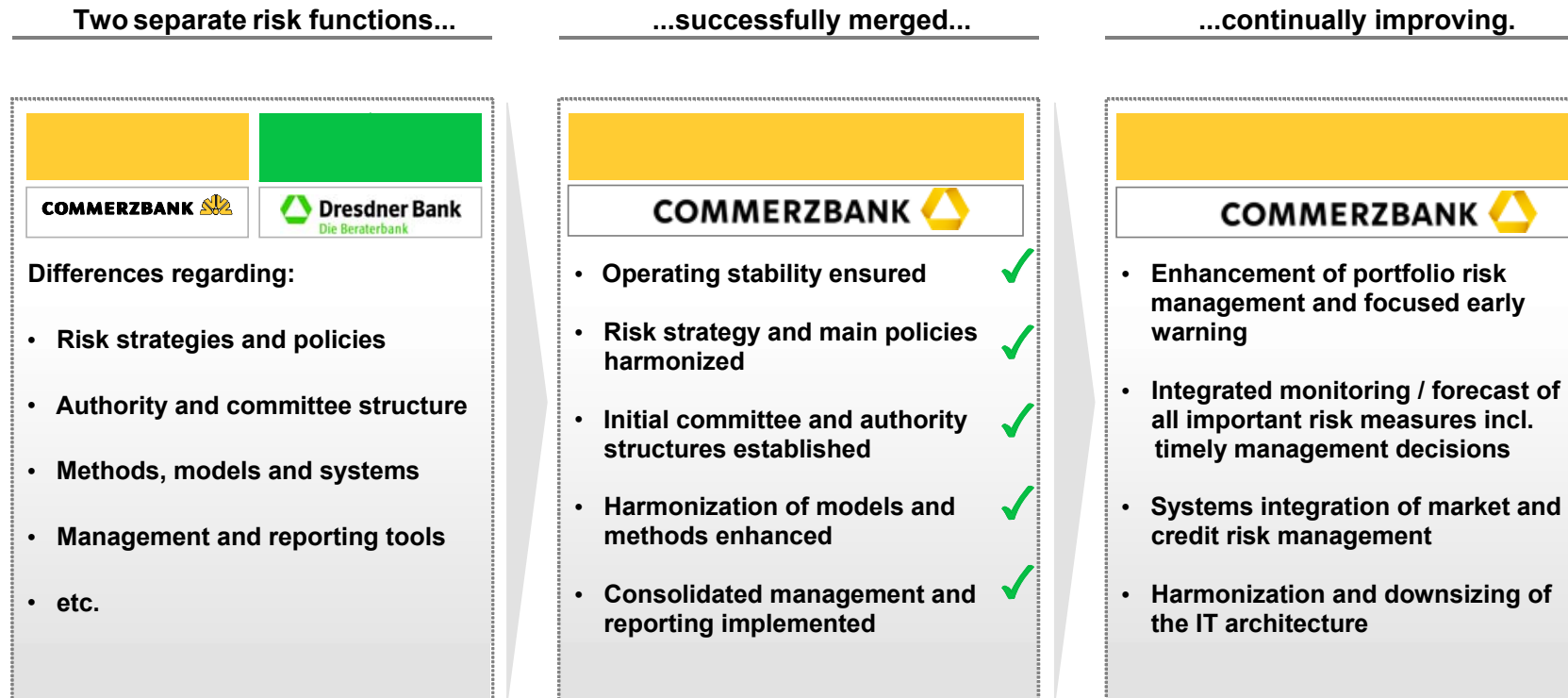
(99%, 1 day)

Sep '09

in € m



# „Growing together“: The course for the new bank has been set



**The risk function ensures that the integration progress stays on track along with operating stability under the banner of “Growing Together”**

## Roadmap 2012

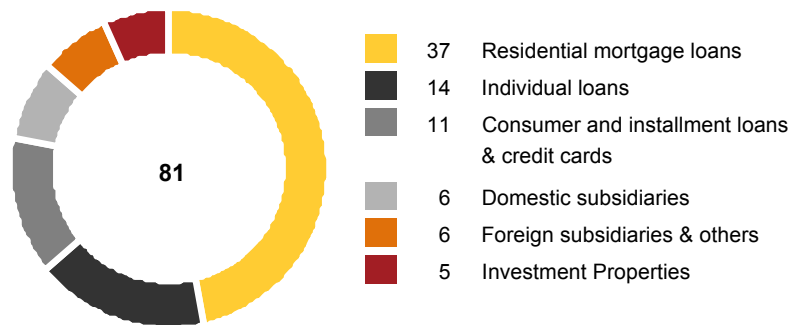
- **Reduction of LLP to €2.0bn**
- **Further reduction of risk concentrations**
- **Wind down of Investment Banking credit portfolio**
- **Targeted reduction of PRU and CRE exposure**

## Appendix

# Risk overview Private Customers

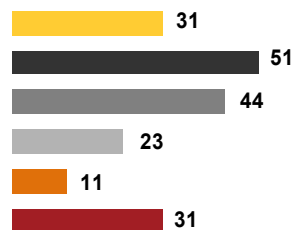
## Exposure at Default

Sep '09  
in € bn



## Risk Density

Sep '09  
in bp



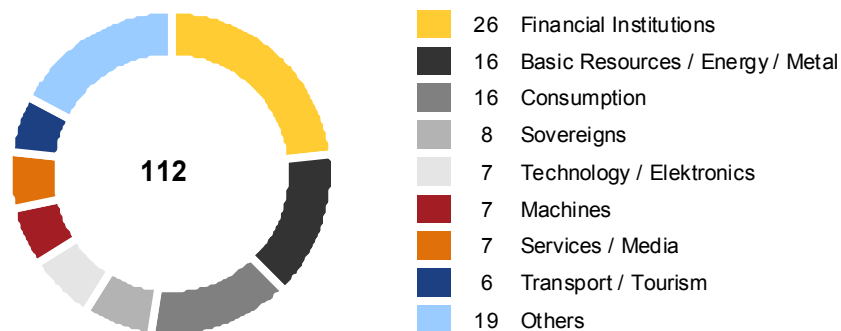
Private Customers total: **34 bp**

	Sep '09
<b>RWA</b> (in € bn)	31.5
<b>Economic Capital requirement</b> (in € bn)	2.1
- thereof <b>Credit Risk</b> (in %)	46%
- thereof <b>Market Risk</b> (in %)	14%
<b>LLP</b> (YtD, in € m)	174
<b>Default portfolio</b> (in € bn)	2.1
<b>Coverage ratio</b> (in %)	94%

# Risk overview Mittelstandsbank

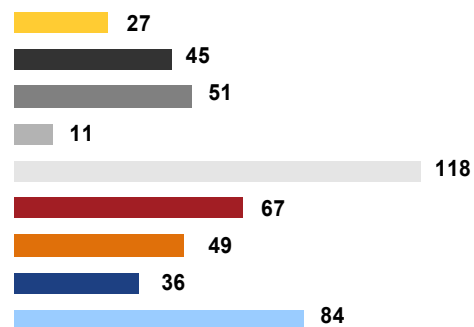
## Exposure at Default

Sep '09  
in € bn



## Risk Density

Sep '09  
in bp



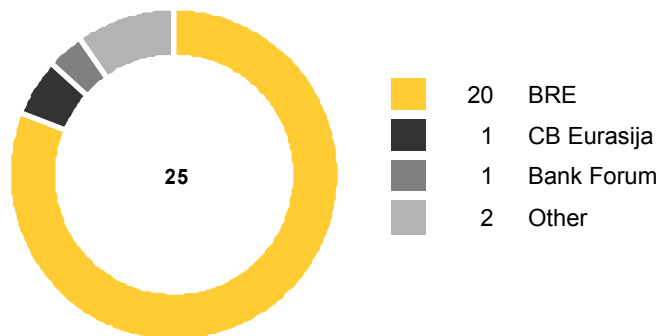
Mittelstandsbank total: 52 bp

	Sep '09
<b>RWA</b> (in € bn)	64.0
<b>Economic Capital requirement</b> (in € bn)	3.5
- thereof <b>Credit Risk</b> (in %)	87%
- thereof <b>Market Risk</b> (in %)	2%
<b>LLP</b> (YtD, in € m)	656
<b>Default portfolio</b> (in € bn)	4.4
<b>Coverage ratio</b> (in %)	81%

# Risk overview Central & Eastern Europe

## Exposure at Default

Sep '09  
in € bn



	Sep '09
<b>RWA</b> (in € bn)	19.0
<b>Economic Capital requirement</b> (in € bn)	1.0
- thereof <b>Credit Risk</b> (in %)	78%
- thereof <b>Market Risk</b> (in %)	2%
<b>LLP</b> (YtD, in € m)	516
<b>Default portfolio</b> (in € bn)	1.8
<b>Coverage ratio</b> (in %)	88%

## Risk Density

Sep '09  
in bp

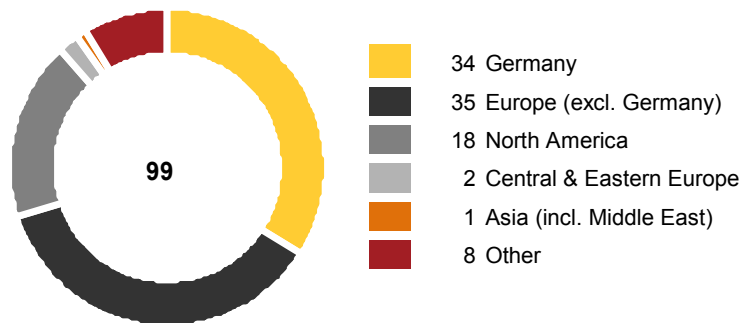
CEE total: 113 bp



# Risk overview Corporates & Markets

## Exposure at Default

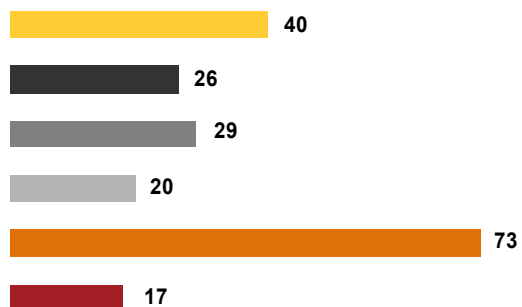
Sep '09  
in € bn



## Risk Density

Sep '09  
in bp

Corporates & Markets total: 31 bp



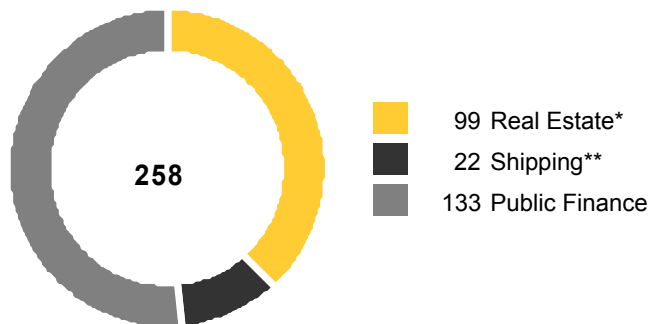
	Sep '09
<b>RWA</b> (in € bn)	60.2
<b>Economic Capital requirement</b> (in € bn)	4.1
- thereof <b>Credit Risk</b> (in %)	44%
- thereof <b>Market Risk</b> (in %)	30%
<b>LLP</b> (YtD, in € m)	265
<b>Default portfolio</b> (in € bn)	2.7
<b>Coverage ratio</b> (in %)	74%



# Risk overview Asset Based Finance

## Exposure at Default

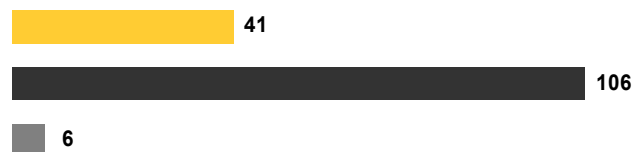
Sep '09  
in € bn



## Risk Density

Sep '09  
in bp

Asset Based Finance total: 30 bp



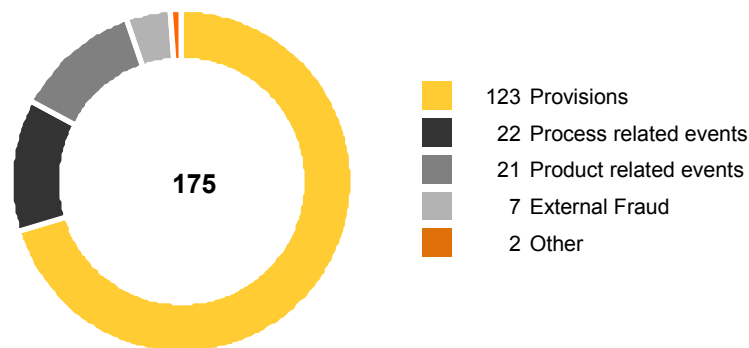
	Sep '09
<b>RWA</b> (in € bn)	90.1
<b>Economic Capital requirement</b> (in € bn)	5.6
- thereof <b>Credit Risk</b> (in %)	77%
- thereof <b>Market Risk</b> (in %)	20%
<b>LLP</b> (YtD, in € m)	933
<b>Default portfolio</b> (in € bn)	8.6
<b>Coverage ratio</b> (in %)	98%

\*) including € 20bn Eurohypo Retail \*\*) additional € 5 bn financing of banks and municipalities by Deutsche Schiffsbank (included in ABF total figure)

# OpRisk calculation based on integrated model for the new bank

## Losses and provisions

YtD Sep '09  
in € m



## Regulatory Capital and Expected Loss

Sep '09 in € m

Segment	Reg. Capital	Expected Loss
Private Customers	391	57
Mittelstandsbank	169	25
Central & Eastern Europe	74	5
Corporates & Markets	434	66
PRU	46	7
Asset Based Finance	126	10
Others & Consolidation	101	7
<b>Total</b>	<b>1,340</b>	<b>177</b>

- › For regulatory purposes stand alone AMA-models for Commerzbank and Dresdner Bank still in use (reg. capital = €1,545m)
- › Integrated model (currently in discussion with the regulator) would result in a RWA-reduction of €2.6bn
- › Legal provisions reflect clients' increased readiness for legal actions
- › Financial crisis leads to an increase in product-related events

# Glossary

<b>ABS</b>	(Asset Backed Securities)	Securities whose interest payment and repayment of principal are covered, or backed, by the underlying pool of claims. As a rule they are issued by a special purpose entity in securitized form.
<b>AfS</b>	(Available-for-Sale)	IFRS category. Financial instruments which are not used for dealing purposes, but nevertheless might be sold.
<b>EaD</b>	(Exposure at Default)	Outstanding loan amount on default date (exposure at default). All products (including letters of credit, open committed lines, derivatives, etc.) are converted to the default risk of a cash loan based on individual credit conversion factors or CCFs (e. g. undrawn externally committed lines at ~ 50%). EaD also represents the best estimate of the maximum credit risk position under IFRS.
<b>EL</b>	(Expected Loss)	Measure of the potential loss of a loan portfolio which can be expected within a single year on the basis of historical loss data.
<b>LLP</b>	(Loan Loss Provision)	<p>LLP (Loan Loss Provision): Provision for possible loan losses</p> <p>GLLP (General Loan Loss Provision) is calculated for latent risks in the performing loan book (non-default), representing coverage for general credit risks which have not yet become transparent. Starting point for the calculation is the Expected Loss (EL) on basis of Basle II parameters</p> <p>SLLP (Specific Loan Loss Provision) is calculated for significant exposures in the non-performing loan book (default) on the basis of expected cash flows from collaterals and repayments discounted to a present value.</p> <p>Port LLP (Portfolio Loan Loss Provision) is calculated for non-significant exposures in the non-performing loan book (default) on the basis of Basle II parameters.</p>
<b>LaR</b>	(Loans and Receivables)	IFRS category. Financial instruments not traded at official markets.
<b>Monte Carlo Simulation</b>		Monte Carlo Simulation is a method of calculating Value at Risk by simulating a stochastic model a large number of times (e.g. 10 000).
<b>Risk density</b>		Ratio of Expected Loss and Exposure at Default
<b>RWA</b>	(Risk-Weighted Assets)	Risk-weighted assets calculated according to the provisions of the German Solvency Regulation (Solvabilitätsverordnung)
<b>VaR</b>	(Value at Risk)	VaR refers to a method of quantifying risk. VaR is only informative if holding period (e.g. 1 day) and confidence level (e.g. 99%) are specified. VaR figure then indicates the loss ceiling which will not be exceeded within the holding period with a probability corresponding to the confidence level.

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