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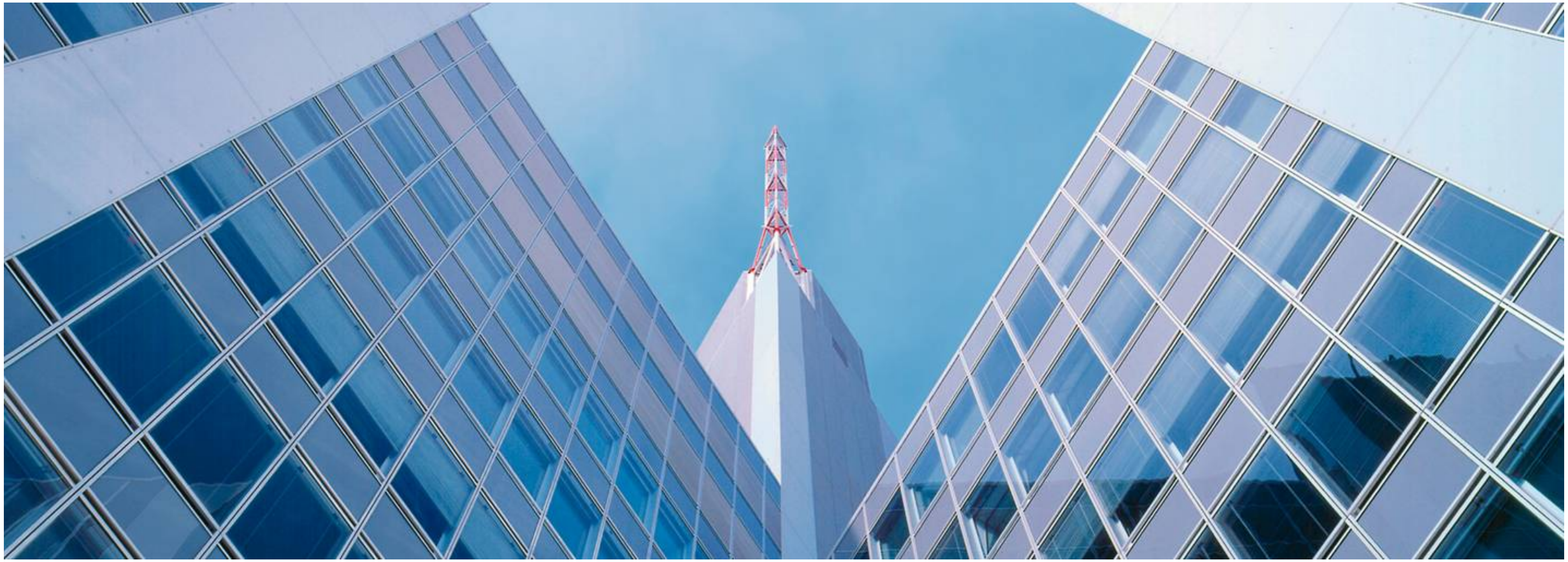


Managing liquidity in a post crisis world

Goldman Sachs European Financials Conference

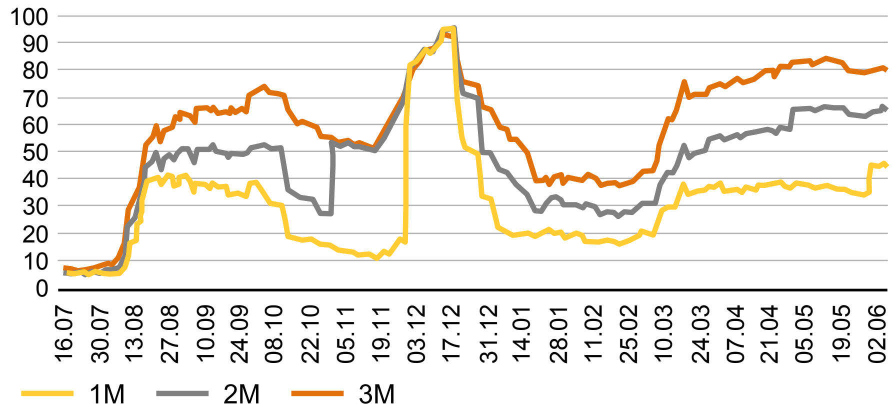
Michael Reuther | Member of the Board of Managing Directors | Berlin / 13th June 2008

Money market – current environment and expected development

Market observation

- Credit spreads / liquidity premiums remain volatile and at high levels
- Overall reduction in term liquidity
- USD liquidity is increasingly expensive / cross-currency market dislocated (correlation)
- Collapse of ABCP market / consolidation of SIV´s
- Strong and continuous Central Bank intervention but no remedy for disturbed market situation

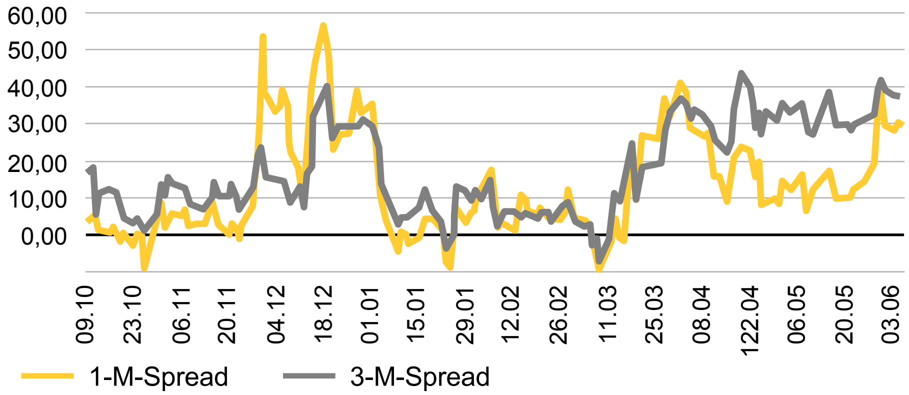
Euribor-Eonia Spread



Lessons learnt

- Credit spreads / liquidity premiums will not decline in the nearer future
- Reduction of term credit lines makes it difficult to place funds with other banks
- Business model has high impact on liquidity situation
- Customer multi currency loan facilities with options to draw in different time buckets (e.g. 1 to 6-M-Libor) are difficult to manage / to be re-priced

USD Libor vs. synthetic USD Libor Spread

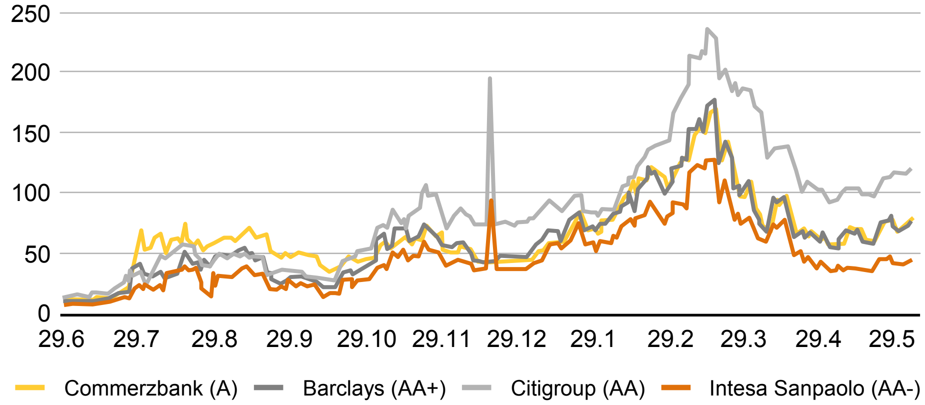


Capital market – current environment and expected development

Market observation

- Credit spreads / liquidity premiums remain volatile and at high levels
- Overall reduction of unsecured issuance activities
- Flight to quality
- Pfandbrief and covered bond market affected
- Market for senior unsecured bonds basically open for AA-rated banks

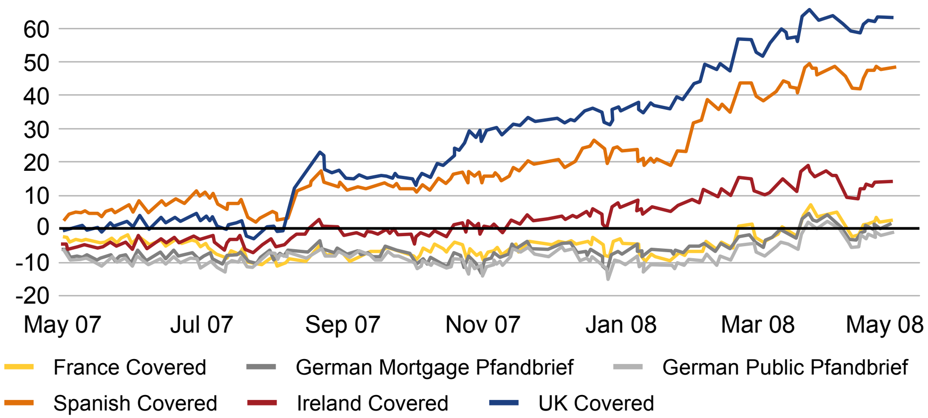
CDS levels senior unsecured (5 years)



Lessons learnt

- Funding from capital markets possible at a higher cost level
- Distressed market situation on primary and secondary market will remain longer than originally expected
- German Pfandbrief due to high quality in a relatively strong position in the covered bond market
- Business model rather than rating determines funding cost

Covered bond levels



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Central Bank activities during the crisis

Market observation

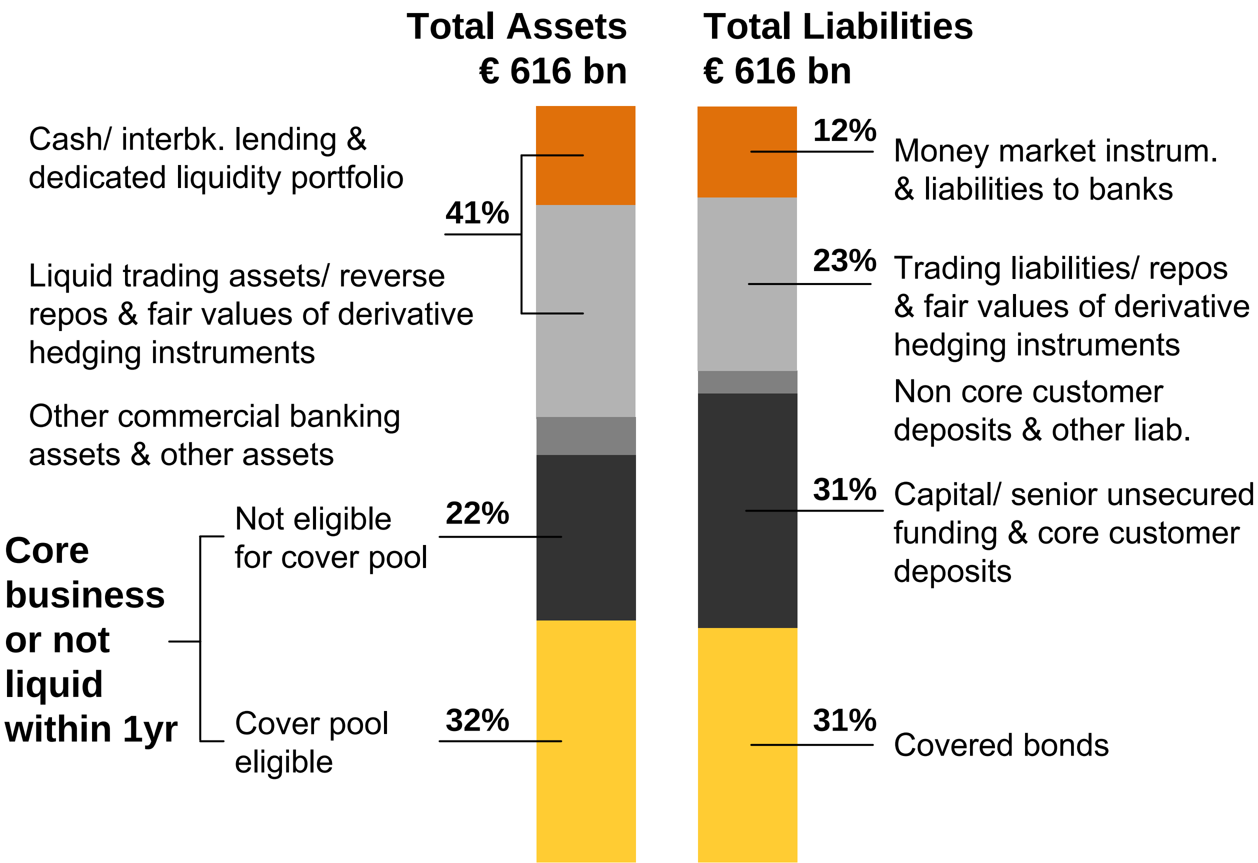
- Additional short-term liquidity provided using the existing framework
- ECB shifts volume from weekly to 3- and 6-month tender operation (30/70)
- Change to “front-loading” for minimum reserve steering by ECB caused larger volatility in interest rates
- Additional longer term liquidity available (LTRO*, TAF**)
- Expansion of eligible collateral lists (BoE, Fed)
- Coordination of cross currency facilities (Fed, ECB, SNB)
- Reduction of marginal borrowing cost and term extension (Discount Window)
- Grant access to more counterparties (PDCF***)
- Abandonment of negative stigma associated with use of Central Banks facilities (especially BoE, Fed)

Lessons learnt

- Shift from weekly to 3- and 6-month tender operations to anticipate ECB volume change and increase funding stability
- Pooling of ECB eligible assets within Group proved stability in funding operations
- Renewed test of usability of Discount Window and BoE contingent facility proved to be stable
- Necessity to take up dialogue with Central Banks to further expand list of eligible collaterals (especially ECB) in case of a further market deterioration

* Long Term Repo Operation
** Term Auction Facility
*** Primary Dealer Credit Facilities

Commerzbank Group balance sheet shows sound funding structure …



Per 31.12.2007

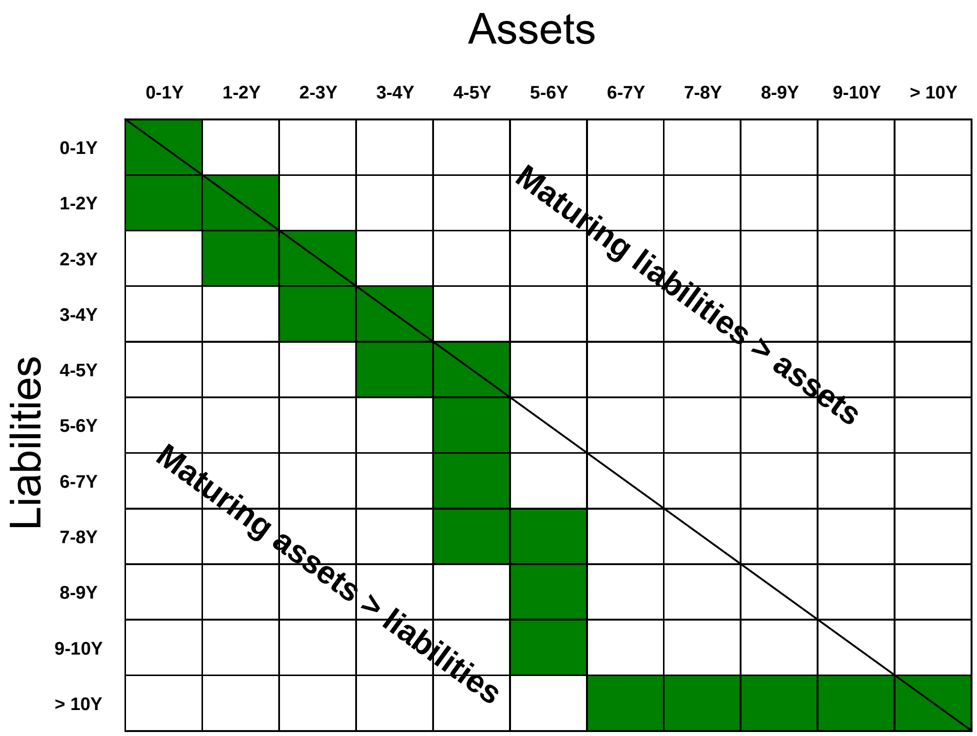
- Core business & assets not liquid within 1 year funded long-term (average term to maturity of bonds 3.4 yrs)
- Remaining unsecured and capital funding calendar until year end 2008: roughly € 5 bn
- Customer deposits on the rise

Dedicated liquidity portfolio and liquid assets larger than short term liabilities

Balance sheet prudently funded

… in all maturity buckets

Unsecured funding matrix



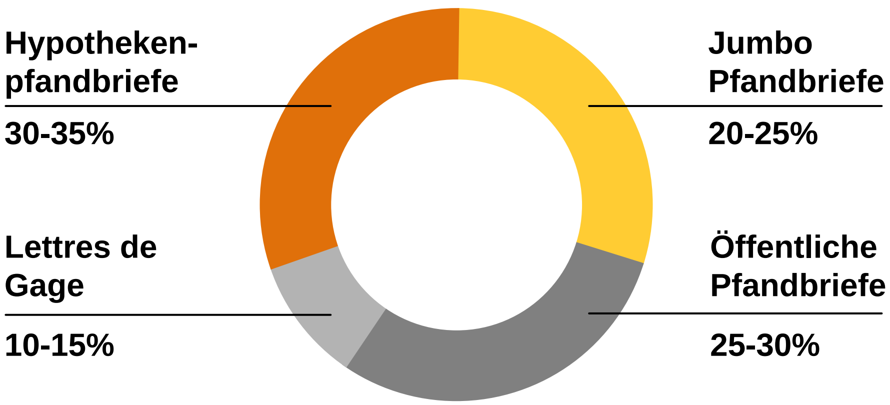
Per 31.03.2008

■ Maturing assets > liabilities ■ Maturing liabilities > assets

- Sound funding structure also reflected in all maturity buckets
- Term of funding in all buckets longer than maturing assets per bucket

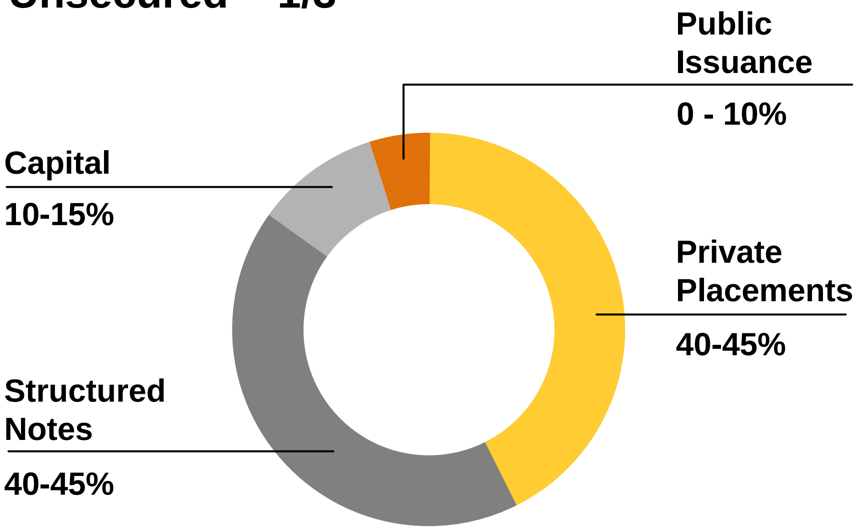
Updated funding plan 2008 – targeted volume reduced to under €25bn

Covered Bonds ~ 2/3



- Pfandbriefe issued via Eurohypo
- Two Euro Jumbo Pfandbriefe
- Lettres de Gage mainly in non-Euro currencies
- Continued utilization domestic and registered Pfandbriefe

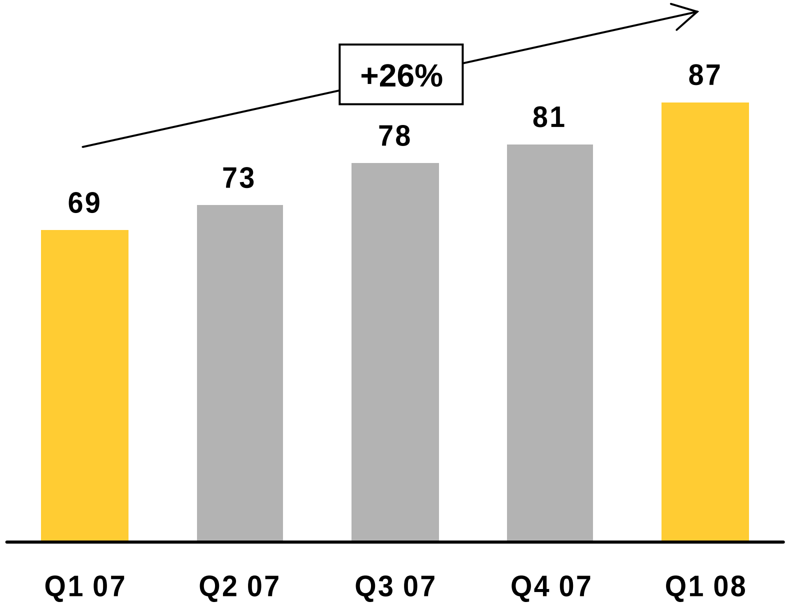
Unsecured ~ 1/3



- Significant increase of client deposits has resulted in reduction of unsecured capital markets funding requirements
- Benchmark issuance most likely unnecessary
- Limited needs for capital – *unchanged*

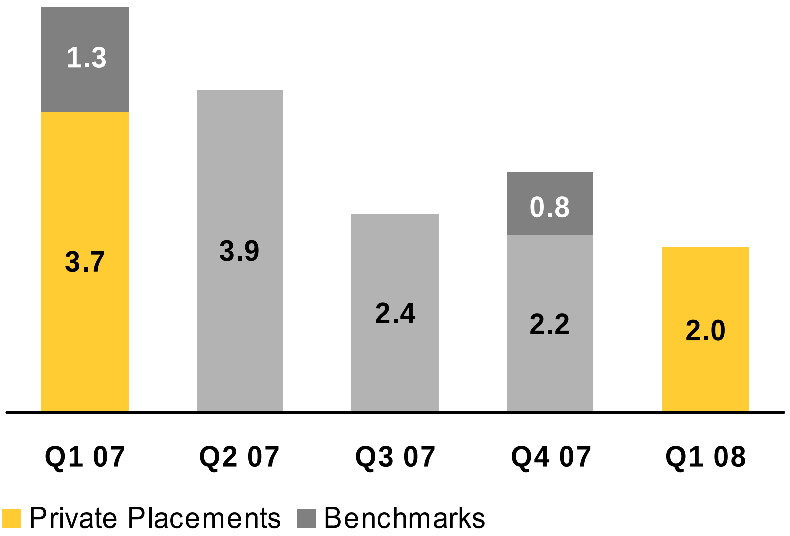
Increased client deposits have eased unsecured funding needs

Client Deposits Commerzbank Group
€ bn



Source: Commerzbank Controlling

Unsecured New Issues
€ bn



Source: Group Treasury Database

Modification of Commerzbank's liquidity risk management model

Additional scenarios analysed (e.g.)

- Loss of interbank deposits
- Disruption of capital market funding
- Pfandbrief stress
- Drawdown behaviour of (un)committed credit lines

Model adjustment & other (e.g.)

- Repo and sell off assumptions for balance sheet liquidity readjusted (base and stress scenarios)
- Even more conservative assumption for capital market funding capacity under stressed situation
- Tightening of liquidity risk limits
- Increase in reporting frequency
- Review / adjustment of transfer pricing for liquidity costs
- Moving from a base scenario to a market stressed base scenario

Conclusion

- Review / adjustment of transfer pricing for liquidity costs necessary to send the right signals for new business into the organisation
- Integrated credit, market and liquidity risk management helps to speed up the process and define valid assumptions without sending wrong signals into the organisation
- Frequency for review of model assumptions needs to be aligned according to the respective market environment
- Proactive customer relationship management is essential to protect client deposits and even raise additional deposits

Regulatory environment in a post crisis world

Trends and developments

- Supervisors will use Pillar 2 to strengthen banks´ risk management practices
- Supervisors will improve risk disclosure requirements under Pillar 3
- Widening of operational framework for central banks and increasing flexibility (e.g. SNB)
- Efficient and timely exchange of information and cooperation in developing good practices on national and international level
- Call for consultation on Sound Practices for Managing Liquidity in Banking Organisation by June 2008
- German Liquiditätsverordnung and its opening clause for internal liquidity risk models – first certification audits by German supervisor already underway
- Controversial discussion on capital requirement for liquidity risk
- European commission is planning to change the large credit regulation between banking institutions
- Regulation of rating agencies

Commerzbank managing liquidity in a post crisis world

- Gained experience out of 2002 market turmoil on Commerzbank liquidity situation helped building up a proactive and strong liquidity risk management
- Maintenance of high liquidity ratios
- Integrated liquidity risk model at Group level
- Liquidity risk management fully integrated into Commerzbank's overall risk management infrastructure
- General prudent risk management – not only on liquidity risk
- Maintenance of sufficient liquidity buffers at reasonable cost levels
- Stable funding base due to well balanced business model and diversified funding structure

Appendix

Repo market – current environment and expected development

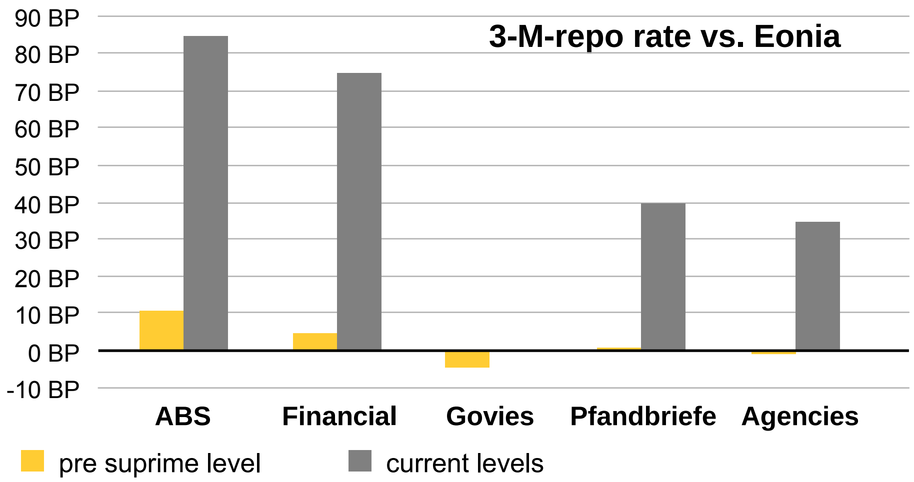
Market observation

- Overall decrease in liquidity in GC*, but also in specials market
- Experienced break down of bilateral repo market
- Decrease of security pools / for EUR most activity is in ECB eligible securities as dealers can refinance them at the central bank
- Demand for quality enhancement for (triparty) collateral pools
- Bilateral right for substituting securities (no longer for seller only)
- Increase in haircut to protect against market volatility
- Repo market is trading O/N** and T/N*** above unsecured money market (term open for GC repo)

Lessons learnt

- In a liquidity stress situation only central bank eligible collateral can be seen as really liquid
- Adjustment of repo and sell off assumptions necessary to recalibrate our internal model on liquidity risk management
- Even for ECB eligible collateral the liquidity spreads have increased significantly in the market

ECB eligible collateral – Eonia spread



* General Collateral
** Over Night
*** Tomorrow Next

Notes

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