



# Die neue Commerzbank

Corporates & Markets –

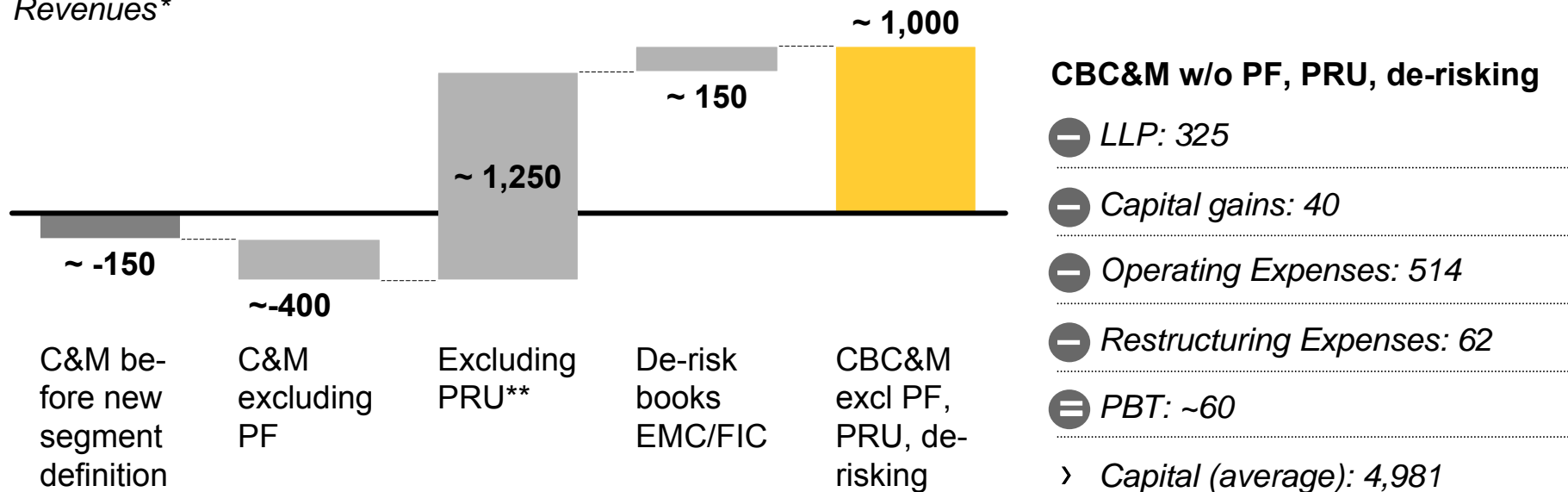
Building a client-centric German Investment Bank with a European footprint

# Q1 2009 results impacted by PRU and de-risking activities, but underlying business “CBC&M new” with solid performance

in € m

## Financial results before and after new segment definition

Revenues\*



## Highlights Q1 2009

- › Promising CBC&M quarterly results excluding Portfolio Restructuring Unit (PRU\*\*) (~ -€1.25 bn in revenues)
- › Clear de-risking strategy with PRU defined and implementation ongoing

\* Excluding capital gains and LLP

\*\* Composition of PRU as of Q1 2009

# Agenda

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**I CBC&M**

II Portfolio Restructuring Unit (PRU)

# The new CBC&M is a client-focused investment banking house with ~ 1.7x revenues of C&M old

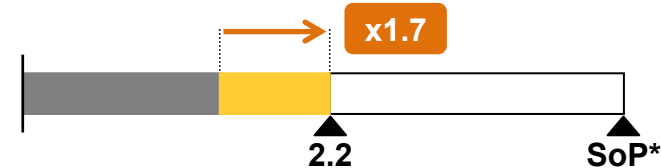
## CBC&M target business model

- › Provide German-focused investment banking products and services with European footprint
- › Client-centric business model for core customers of the bank (no "bank in the bank")
- › Efficient capital management and reduction of non-core, capital intense businesses, e.g., US, Western Europe
- › Strong sales culture with cautious approach to risk taking
- › Building on CoBa C&M chassis enhanced with selected DKIB elements
- › Two trading-hub strategy in Frankfurt and London

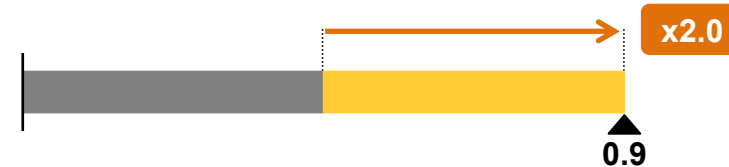
## Goal 2012 in € bn

Excl. PRU

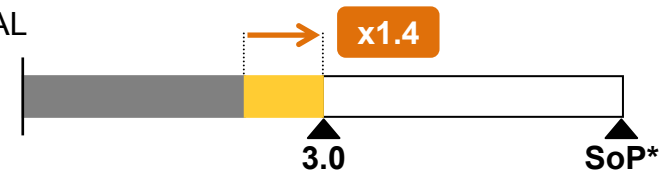
### REVENUE



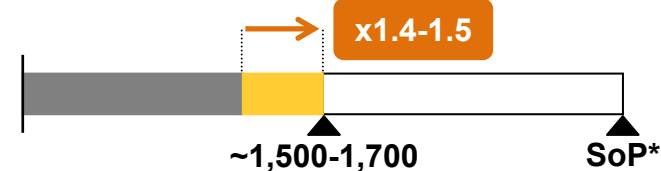
### PBT



### REG. CAPITAL



### FTE



\* Normalized sum of Parts C&M old and DKIB


## CBC&M target model based on 3 core pillars

New CBC&M			
	Equity Markets Commodities (EMC)	Fixed Income & Currencies (FIC)	Corporate Finance (CF)
TARGET STRATEGY	<ul style="list-style-type: none"> <li>› Top 3 European Equity Derivatives provider/#1 German Equity house</li> <li>› Integrated Commodities business</li> <li>› Leverage much larger retail/corporate client base</li> </ul>	<ul style="list-style-type: none"> <li>› Top counterparty for risk management solutions (IR/FX) - particularly in Corporate Germany</li> <li>› Client-centric business model: leverage on Germany as core and focused international sales forces</li> </ul>	<ul style="list-style-type: none"> <li>› Top German Corporate Finance House</li> <li>› Focus on financing and advisory of German large caps and multinationals</li> <li>› Corporate Finance advisory and execution for MSB</li> </ul>
REVENUE in € bn, goal 2012	0.7	0.7	0.8
<b>Σ 2.2</b>			
<b>Client-Relationship Management (CRM)*</b>			
› A provider of the full banking universe of services for the top 100 German Corporates and leading international Insurance companies			
<b>COO and research</b>			

\* CRM changed to cost center without separate P&L

# Our customers recognize our leading market position

## Corporate Finance

<p>COMMERZBANK </p>  <p>RWE Finance B.V.</p> <p><b>€3,000 m</b></p> <p>Dual Tranche <b>Bookrunner</b></p> <p>February 2009</p>	<p>COMMERZBANK </p>  <p>Bertelsmann AG</p> <p><b>€250 m</b> Increase of 5.750% due Nov 2013 <b>Bookrunner</b></p> <p>April 2009</p>	<p>COMMERZBANK </p>  <p>BASF SE</p> <p><b>€1,350 m</b></p> <p>3.750% due Oct 2012 <b>Bookrunner</b></p> <p>April 2009</p>	<p>COMMERZBANK  </p>  <p>Vestas Wind Systems</p> <p><b>€800 m</b> Capital increase without pre-emptive rights <b>Joint Global Coordinator and Joint Bookrunner</b></p> <p>April 2009</p>
<p>COMMERZBANK  </p>  <p>NRW Bank</p> <p><b>€2,000 m</b></p> <p>3.375% due Mar 2014 <b>Bookrunner</b></p> <p>March 2009</p>	<p>COMMERZBANK </p>  <p>ThyssenKrupp Finance Nederland B.V.</p> <p><b>€2,000 m</b></p> <p>Dual Tranche <b>Bookrunner</b></p> <p>February/April 2009</p>	<p>COMMERZBANK </p>  <p>BMW US Capital LLC</p> <p><b>€1,500 m</b></p> <p>6.375% due Jul 2012 <b>Bookrunner</b></p> <p>January 2009</p>	<p>COMMERZBANK </p>  <p>Volkswagen Int'l Finance N.V.</p> <p><b>€3,500 m</b></p> <p>Dual Tranche <b>Bookrunner</b></p> <p>January 2009</p>

## EMC



# Equity Markets & Commodities – Become leading European EQD provider and #1 German Equity house

## Where do we stand today?

- › Broad offering of Cash Equity and Equity/Fund derivatives
- › International sales and trading presence covering Europe, North America and Asia
- › Equity research covering broad range of international stocks
- › Own Fund of Hedge Fund Management including seed capital
- › Broad range of Commodity trading (cash, futures, certificates, other derivatives)
- › Global Securities Finance business with hubs in Asia and in the US



## Target Model

- › **Top 3 European Equity Derivatives provider and #1 German Equity house**
- › **Dedicated service provider for commodities**
- › **Leverage much larger retail/corporate client base**

## Implications

- › Strong focus on EQD and Commodities leveraging the much larger Retail and Corporate client base of the New Commerzbank
- › Two hub strategy driven by talent market and client origin
- › Client focus in Retail, Corporate and Financial Institutions (either directly or through distribution channels of CoBa Group)
- › No dedicated prop trading
- › Downscaling of research activities by ~50% (coverage of German equities for local and int'l investors) and non European operations
- › No added complexity: using CB's IT
- › Cash Equities strongly aligned with overall client focus: Promoting German companies

# Fixed Income & Currencies – Top provider of risk management solutions

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## Where do we stand today?

- › Both banks with well recognized expertise in FIC products
- › Strong Government Bond Trading as well as non-German Bond primary dealerships
- › Credit seen as a major trading and warehousing driven asset class
- › High Grade Financing operation with significant balance sheet usage
- › Global set-up of sales force and multiple hub trading activities




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## Target Model

- › **Top provider for risk management solutions (IR/FX) – particularly in Corporate Germany**
- › **Client-centric business model: leverage on Germany as core and focused international sales forces**

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## Implications

- › Leveraging traditional strengths of both banks and effectively combining both client franchises, especially supporting Bank wide distribution channels (e.g., MSB)
- › Strong Focus on FX, Rates and specific Emerging Market products (both risk and asset solutions)
- › Credit Risk trading mandate to be aligned with DCM & Research coverage (non-Govt Bond trading)
- › Risk taking driven by focus on supporting and monetizing value in providing liquidity to clients (non-German Bond Primary Dealerships commitments aligned accordingly)
- › Client focus on mid-sized Corporates and Financial Institutions as well as Private Clients



# Corporate Finance – Become a first class German Corporate Finance player

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## Where do we stand today?

- › An international M&A house with the balance sheet strength of a large commercial bank
- › A major player in the DCM and ECM business with a strong foothold in the UK
- › A provider of Structured and Tax Finance Solutions with a global infrastructure




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## Target Model

- › **Top German Corporate Finance House**
- › **Focus on financing and advisory of German large caps and multinationals**
- › **Corporate Finance advisory and execution for MSB**

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## Implications

- › CBC&M leverages DKIB's strengths in Corporate Finance (CF)
- › Asset Finance strengthens Germany focus
- › Equity Capital Markets reduces focus on the UK
- › M&A increases focus on German core franchise of large caps/multinationals
- › Leveraged, Tax Finance and Structured Finance tighten their operations to adapt to market demand

# Client Relationship Management – Focus on top 100 German Corporates and top Insurers

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## Where do we stand today?

- › A major provider of loans to Corporates
- › Strong presence in Germany and UK
- › An international presence with focus on the USA, Europe and Emerging Markets
- › An active push into Eastern Europe and the Gulf states




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## Target Model

- › **A provider of the full banking universe for the top 100 German Corporates and leading international Insurance companies**

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## Implications

- › Clear focus on the leading German clients
- › Business will be driven by cross-selling opportunities throughout the bank's full product range and strong capital discipline
- › CRM exits coverage in Western Europe and Asia
- › Reduction of client list in US to prioritize US/German cross border activity
- › CRM will work in very close co-operation with Credit Portfolio Management unit to actively reduce CBC&M's balance sheet and to address bulk risks

# Ongoing de-risking and de-leveraging priority for us and first milestones already achieved

- › Active de-risking within business lines continues and expected to be completed by end of 2009
- › PRU as major part of de-risking strategy established
- › Critical portfolios exited/wound down



## Key achievements

### OVERALL

- › Sale of Brazil operations agreed
- › Closure of DKIB Tokyo office initiated
- › PRU established
- › Significantly improved B/S structure, e.g., Reverse Repos from €125 bn (Sept 08) to ~€60 bn (March 09), Traded Securities from €90 bn (Sept 08) to ~€50 bn (March 09)



### BY PORTFOLIO

#### EMC

- › EMC: Overall VaR for EMC reduced by 40% through significant reductions in EQD market risk by reducing dividend, implied volatility and correlation exposure
- › Commodities: reduction of VaR by 50%
- › Clearing all brokerage positions/large financing facilities



#### FIC (Rates Derivatives and Hybrids)

- › Overall VaR reduction of ~45% to ~€11.5 m
- › Reduction and containment of
  - Large outright volatility positions
  - Interest Risk exposure
- › Control of B/S usage from financing trades



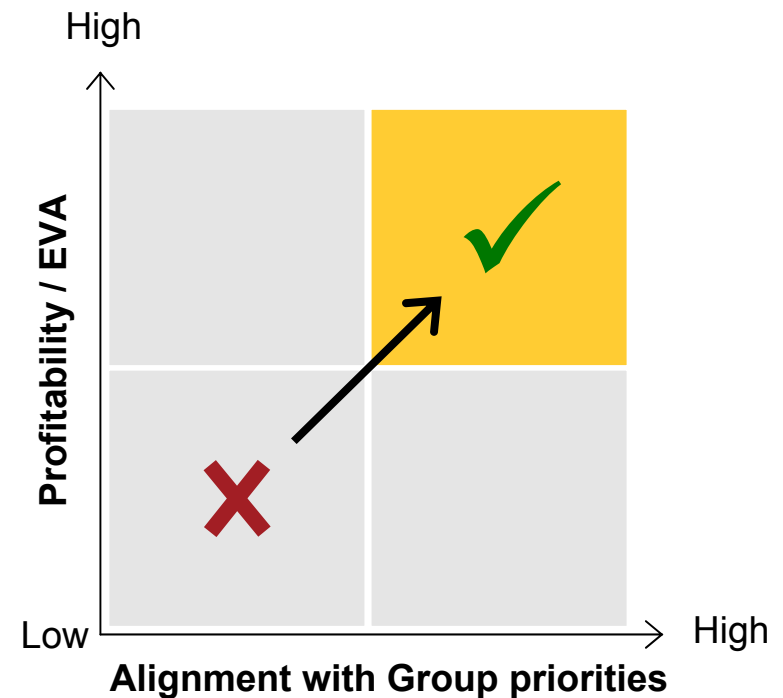
#### FIC (CPM)

- › Credit Portfolio Management hedge ratio increased by 29% since year end



## Overall, CBC&M will strive to be a strongly client-focused investment bank

- › Strong Germany focus with European footprint
- › Client focus on Corporates, Financial Institutions and Private Clients – focusing on mid-sized institutions
- › Full alignment with Group priorities: highly focused on serving client-franchises of CoBa Group ("product provider")
- › Strong client-centric business model, no dedicated proprietary trading



## New CBC&M with clear benefits for clients

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### Benefits

- › Full commitment to and focus on German clients
  - › Full product range tailored to the needs of German large/mid caps and institutionals
  - › Specialist competences in core businesses of new Commerzbank and proven CoBa relationship management model
  - › Competitive infrastructure, particularly for institutional and corporate investors (e.g., FX)
  - › Together with CoBa Group franchise, best positioned to bring German products to international investors
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## Integration well on track

Announcement of Executives and next management level already in September and Q4 2008



Selection process of middle management level currently ongoing and expected to be finalized in summer



Labor committee consultation process in major locations completed; allows full operational capacity at the earliest opportunity



Migration of IT systems underway: First desks will be migrated in Q2 2009, majority of the businesses will finish migration in 2009



## Focus topics for 2009

- **De-risk DKIB business**
- **Integrate DKIB smoothly and successfully into Commerzbank**
- **Exploit the synergy potential in the Front Office and achieve near full cost synergies already in 2010**
- **Reduce complexity in systems, products and locations**
- **Fully integrate IT and trading platforms**
- **Develop a high performance culture with distinct teamwork**

# Agenda

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I CBC&M

**II Portfolio Restructuring Unit (PRU)**



# The new PRU segment separates wind-down and exit portfolios from ongoing businesses

## PRU rationale and objectives

- › **Portfolio manager and center of competence** in the Bank for winding-down all structured credit portfolios and exiting proprietary trading positions
- › **Core element** of CoBa's **de-risking and de-leveraging** strategy
- › **New segment** for high-risk structured credit, discontinued credit flow and exotic portfolios
- › **Separates non-client portfolios from core businesses** of the Bank; dedicated management and operations to maximize speed and efficiency of wind-down
- › Focuses on **clear and comprehensive** portfolio **wind-down/exit strategies**, yet no fire-sale of assets planned





### Key figures PRU\* (in € bn)

› <b>Market value</b>	› ~38
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› <b>RWA</b>	› ~34

\* Composition of PRU as of Q1 2009

## Comparison PRU-portfolio selection and annual report 2008

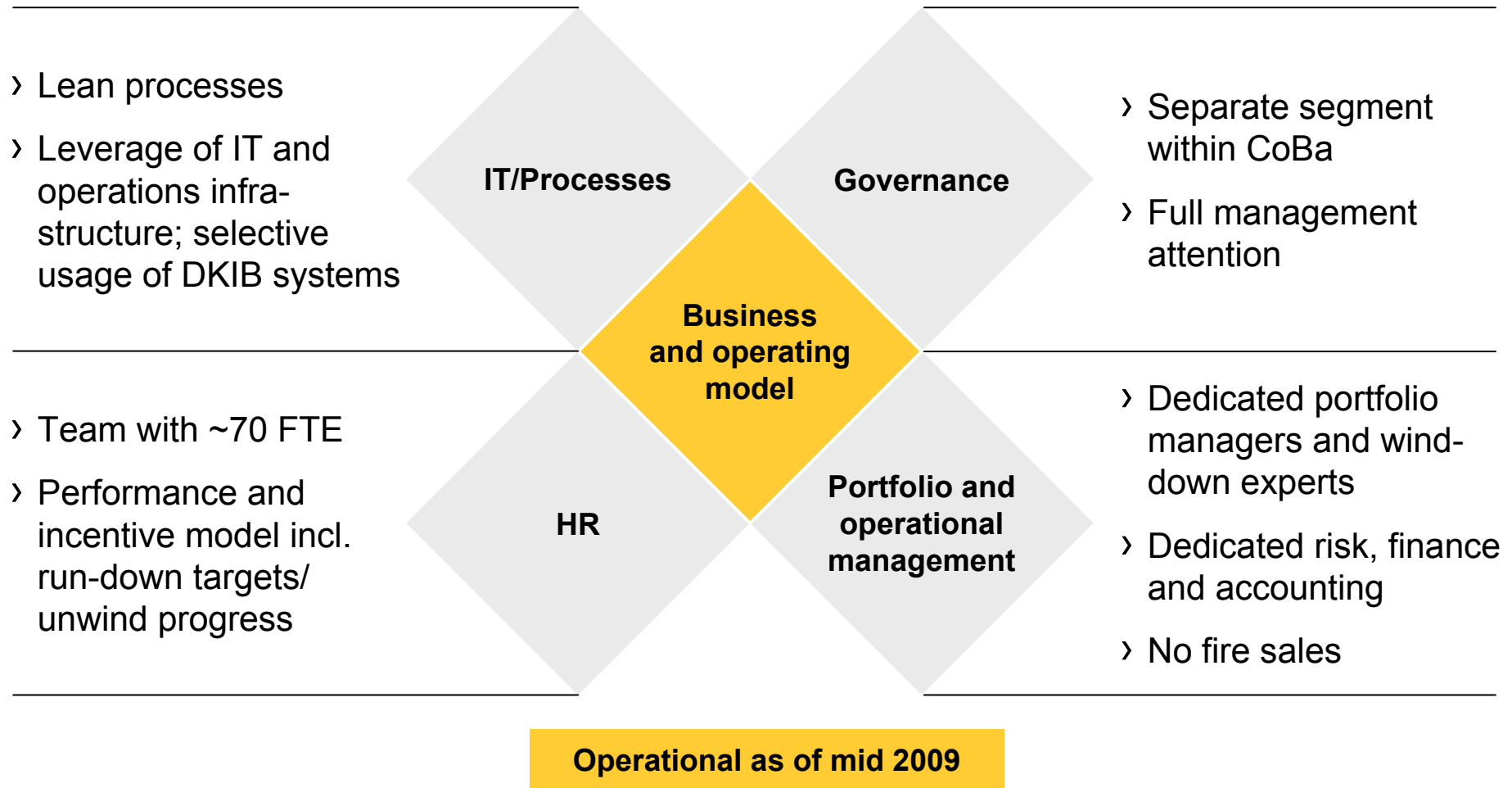
### Market values

(in € bn)	PRU Selection Q1 2009*	Annual report 12/2008 (p. 180)	Rationale for demarcation
Structured credit (ABS, MBS, CDOs, Conduits)	~28**	~29	 <ul style="list-style-type: none"> <li>› Group-wide consolidation of ABS portfolios in PRU</li> <li>› Complex credit derivatives</li> <li>› Liquid credit derivative books</li> </ul>
Structured, exotic credit derivatives (Bonds, Loans Trading, Indices, Other)	~1	-	
"Credit Flow": loan trading	~10	-	
<b>PRU-Portfolio -Total</b>	<b>~38</b>		
SLABS (Government wrapped student loans)		~6	 <ul style="list-style-type: none"> <li>› US government guaranteed positions (public finance risks)</li> <li>› Predominantly sustainable mid-sized corporates financing</li> <li>› LAF best managed in segments/units where bank competences are</li> <li>› Re-financing vehicle German "Mittelstand"</li> </ul>
Leveraged acquisition finance		~10	
Client-driven conduits		~7	
Other positions incl. volume and market value changes		~3	
<b>Annual report 12/2008 total</b>		<b>~55</b>	

\* Composition of PRU as of Q1 2009

\*\* Excluding undrawn backup lines

## PRU to operate as separate segment with a focused run-down setup



## CBC&M has laid foundations for sustainable and successful future

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### Prerequisites are in place...

CBC&M management team with successful track-record of previous turnarounds



CBC&M's core business already managed to achieve positive results

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### ...and priorities are clearly defined

**Full client focus**

**Focus on Germany**







**Strict cost discipline**

**Retain best talent**

# BACKUP



## Selected deals for C&M and MSB customers

<p><b>COMMERZBANK</b>  <b>Dresdner Kleinwort</b> </p> <p><b>GEA Group</b></p> <p><b>€230 m</b></p> <p>Revolving Credit Facility</p> <p>March 2009</p>	<ul style="list-style-type: none"> <li>› DKIB Loan Syndicate was acting as Mandated Lead Arranger for GEA Group in close cooperation with DKIB Risk Management as well as Commerzbank and DKIB Relationship Management</li> <li>› In total, €230 m have been raised for General Corporate Purposes and to secure liquidity headroom for the group. The syndicate consists of GEA's major relationship banks: Commerzbank/Dresdner Kleinwort, WestLB, LBBW, BayernLB and Danske Bank.</li> <li>› Uplift of pricing to 250 bp initial margin, thereafter according to rating grid, ranging from 175 bp for BBB+ or better to 425 bp for BB or below, Commitment Fee 40% of applicable margin, Tenor until 04/2011</li> <li>› Fee income for New Commerzbank: 50 bp flat on commitment (€50 m), €250 k</li> <li>› No new RWA`s, in contrast, parallel overall reduction of Commerzbank group credit exposure by more than €100 m (cancellation of bilateral cash (25 m), derivative limits (20 m) and letters of credit line (63 m))</li> </ul>
<p><b>COMMERZBANK</b> </p> <p><b>Investec</b> </p> <p><b>USD250 m</b></p> <p>Multicurrency Term Loan Facility</p> <p>April 2009</p>	<ul style="list-style-type: none"> <li>› In a difficult market environment, a team of Commerzbank and Dresdner Kleinwort loan bankers were able, along with seven other joint Club Members, to successfully sign this 1-year Multicurrency Term Loan Facility for Investec plc, the UK unit of the South African banking group.</li> <li>› Commitments were provided in three currencies: €80 m, USD110 m and GBP20 m. Commerzbank acted as Documentation Agent.</li> <li>› The close co-operation of Commerzbank and Dresdner Kleinwort deal teams was essential for the positive result of the syndication process.</li> </ul>
<p><b>COMMERZBANK</b> </p> <p><b>SES</b> </p> <p><b>€2 bn</b></p> <p>Syndicated Loan Facility</p> <p>April 2009</p>	<ul style="list-style-type: none"> <li>› Commerzbank was mandated as Facility Agent and one of 10 original Bookrunners on a €1.5 bn refinancing transaction for Luxembourg based SES. The deal was handled by a mixed team of CB and Dresdner Kleinwort professionals.</li> <li>› The transaction was significantly oversubscribed and despite an increase in the facility amount to €2 bn, Commerzbank was able to reduce its initial credit commitment by over 25 per cent.</li> <li>› Based on the close Commerzbank / Dresdner Bank relationship, it was possible to negotiate significant cross-selling in several product areas as part of the conditions for the credit commitment.</li> </ul>

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**For more information, please contact Commerzbank's IR team:**

**Jürgen Ackermann** (Head of IR)

P: +49 69 136 22338

M: [juergen.ackermann@commerzbank.com](mailto:juergen.ackermann@commerzbank.com)

**Wennemar von Bodelschwingh**

P: +49 69 136 43611

M: [wennemar.vonbodelschwingh@commerzbank.com](mailto:wennemar.vonbodelschwingh@commerzbank.com)

**Stefan Philippi**

P: +49 69 136 45231

M: [stefan.philippi@commerzbank.com](mailto:stefan.philippi@commerzbank.com)

**Sandra Büschken** (Deputy Head of IR)

P: +49 69 136 23617

M: [sandra.bueschken@commerzbank.com](mailto:sandra.bueschken@commerzbank.com)

**Ute Heiserer-Jäckel**

P: +49 69 136 41874

M: [ute.heiserer-jaeckel@commerzbank.com](mailto:ute.heiserer-jaeckel@commerzbank.com)

**Karsten Swoboda**

P: +49 69 136 22339

M: [karsten.swoboda@commerzbank.com](mailto:karsten.swoboda@commerzbank.com)

**Michael Klein**

P: +49 69 136 24522

M: [michael.klein@commerzbank.com](mailto:michael.klein@commerzbank.com)

**Simone Nuxoll**

P: +49 69 136 45660

M: [simone.nuxoll@commerzbank.com](mailto:simone.nuxoll@commerzbank.com)

**[www.ir.commerzbank.com](http://www.ir.commerzbank.com)**