



Wake-up call for comdirect

September 2017

Summary of the Problems at Hand

- comdirect was launched into the market in June 2000 as a beacon on the Neuer Markt and of Germany's dynamic shareholder culture
- For almost two decades the business has been void of any intelligent ideas, trailing behind its main competitors
- New Commerzbank leadership under Martin Zielke have even less interest in the promises given to a large number of German investors who entrusted their savings into the hands of comdirect management
 - Dresdner Bank colleagues were placed in key positions
 - Costs escalate
 - eBase, comdirect's custody business, is dozing with AuM growth but profit stagnation
 - comdirect is asphyxiated by Commerzbank's lack of ideas and enormous cost problems
- Commerzbank has been given time in repeated discussions and letters to come up with a solution
- We will no longer accept the domination Commerzbank exerts idealessly over this business and will no longer watch over the value destruction it brings

- I. Executive Summary**
- II. Business Overview**
- III. Potential Conflicts of Interest**
- IV. Petrus Advisers Demands**

I

Executive Summary

Executive summary

- comdirect AG (“comdirect“) is a leading German direct bank with a market cap of €1.5bn and with broad capabilities spanning brokerage and online banking, plus to a lesser extent savings / asset management, as well as lending and execution platform services
- Commerzbank AG (“Commerzbank“) owns 81.3% in comdirect and has factually integrated the business including by controlling the Supervisory Board and by determining Management – no Domination Agreement is in place
- Commerzbank has embarked on a fundamental transformation project targetting €1.1bn of cost savings namely by digitizing processes, mainly in the mid- and back-office, with 9,600 FTE being reduced – none will benefit comdirect
- There are numerous potential Conflicts of Interest including cost charged to comdirect for mid- and back-office services and management being incentivised with Commerzbank Group shares
- comdirect is „neglected“ and has been performing substantially below its growth and in particular profitability potential
 - **Growth:** Focus primarily on adding customers (one of Commerzbank’s key KPIs) with too narrow focus on hard core traders and Germany
 - **Cost:** Cost/income ratio at 75.8%^{1,2} is c. 20% above peer median pointing to cost potential of €30-50 million – currently no sharing in Commerzbank’s cost savings despite integration of mid- and back-office
 - **eBase:** No material synergies with core comdirect business and lack of profit growth make this a non-core business

We urge Commerzbank AG to finally focus on creating value at comdirect or offer a fair alternative to minority investors

1) Cost / income computed as SG&A / (PBT + SG&A), as per the respective last FY.

2) Adjusted for VISA sale.

comdirect overview

- comdirect has become an orphaned stock – 6 research analysts have the stock on Sell / Hold, none on Buy

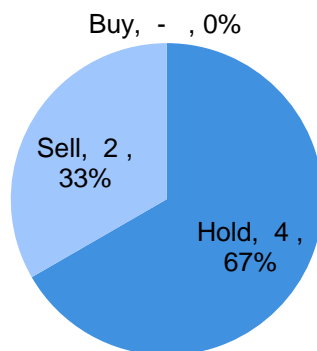
Key stats

Price	€ 10.95
Consensus / Potential Return	€ 9.32 / -14.9%
Shares outs. / Free-float	141.2m / 18.7%
Market cap	€ 1,546.4m
20 days avg. volume	26.5k shares / €0.3m
52 week range	€ 9.04 – 10.98
Country of listing	Germany

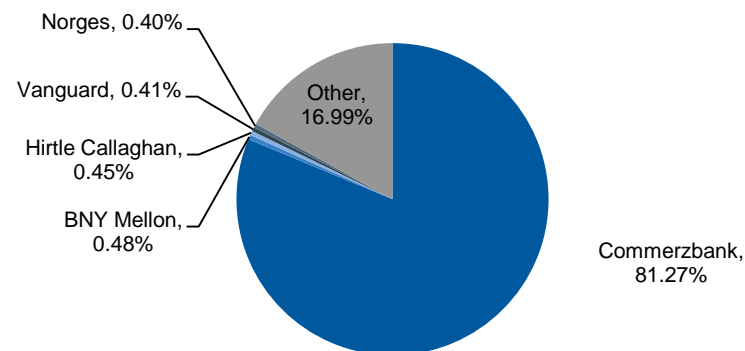
Performance (total return)

	1 m	3 m	12 m	Vol (90d)
COM GY	0.6%	11.8%	20.1%	14.7%
DAX Index	0.4%	-2.9%	14.4%	11.0%
SXST Index	-1.5%	-2.2%	15.2%	10.1%

Broker recommendations



Key shareholders





Business Overview

Business overview

comdirect

comdirect bank AG

- Headquarter: Quickborn
- B2C
- Full service online/ direct bank
 - Brokerage
 - Lending business
 - Investing / Saving
- Mid- and back-office provided by Commerzbank
- Front-end joint development projects with Commerzbank IT
- Treasury provided by Commerzbank as main counterparty

- Assets under custody: €46.0bn
- Customers: 2,081k
- PBT 2016: €110.6m
- Employees: 1,071
- Cost/income: 75.8%¹

ebase

European Bank for Financial Services GmbH (ebase)

- Headquarter: Ascheim
- B2B
- Full-service platform for depository services and deposit outsourcing
 - Deposit business
 - Custody platform
- No significant synergies with either comdirect bank AG or Commerzbank
- Recognised bank status

- Assets under custody: €29.8bn
- Customers: 1,036k
- PBT 2016: €10.1m
- Employees: 261
- Cost/income: 81.3%

Note: Data as of FY 2016.

1) Adjusted for the VISA sale gain.

Management board

- Management is dominated by former Dresdner Bank colleagues of Martin Zielke
- Share incentivisation is based on Commerzbank AG shares! Part of the bonus is driven by Commerzbank Group targets



Arno Walter

- CEO
- Born/age: 1967 / 50y
- Management board member since: March 2015
- Current & previous relevant positions:
 - Chairman of ebase GmbH (current)
 - CEO of Stiftung Rechnen foundation (current)
 - Representative Sales Region South-West Germany Private Clients Commerzbank
 - Private banking at **Dresdner Bank**



Dietmar von Bluecher

- CFO
- Born/age: 1973 / 44y
- Management board member since: July 2016
- Current & previous relevant positions:
 - Chairman of onvista AG
 - Divisional Manager of group finance activities for the non-core Assets segment at Hypothekenbank Frankfurt (ex. Eurohypo)
 - Department head for HGB/IFRS Financial Statements in group accounting at Commerzbank
 - Department head of Financial Controlling at **Dresdner Bank**



Martina Palte

- COO
- Born/age: 1968 / 49y
- Management board member since: 2012
- Current & previous relevant positions:
 - Deputy chairwoman of Stiftung Rechnen foundation (current)
 - Supervisory board member of ebase GmbH, onvista AG, onvista media GmbH (all current)
 - Branch director Commerzbank



Sven Deglow

- CMO
- Born/age: 1969 / 48y
- Management board member since: September 2015
- Current & previous relevant positions:
 - Chairman of onvista media GmbH (current)
 - Former head of business development, sales & direct marketing, and HR
 - Project manager marketing and sales

Supervisory board composition

- Former Dresdner Bank colleagues also dominate the Supervisory Board
- No external nor any international online brokerage / banking expertise represented

Michael Mandel

- Chairman
- Born/age: 1966 / 51y
- First elected: 2016
- Current & previous relevant positions:
 - Member of the board of Managing Directors responsible for the Business Segment Private and Business Customers (current)
 - Member of the supervisory board of Commerz Real AG, mBank SA, Schufa Holding AG, Commerz Real Investmentgesellschaft mbh (all current)
 - Segment Head Private Customers Commerzbank AG
 - CEO comdirect AG
 - Various roles at **Dresdner Bank**

Frank Annuscheit

- Born/age: 1962 / 55y
- First elected: 2006
- Current & previous relevant positions:
 - Member of the supervisory board of Commerz Services Holding GmbH
 - Member of the management board of Commerzbank
 - COO at Commerzbank
 - CIO at Commerzbank
 - european transaction bank AG
 - Deutsche Bank Group
 - Senior consultant KPMG
 - Consultant at Andersen Consulting

Sandra Persiehl

- Employee representative

Georg Roennberg

- Born/age: 1948 / 69y
- First elected: 2010
- Current & previous relevant positions:
 - Head of financial services of KPMG for EMEA
 - Partner at Peat Marwick and KPMG
 - Independent auditor and tax consultant

Sabine Schmittroth

- Born/age: 1965 / 52y
- First elected: 2012
- Current & previous relevant positions:
 - Member of the supervisory board of Commerz Direktservice GmbH, Commerz Real AG, Commerz Real Investmentgesellschaft mbH
 - Segment Head Private Customers Central
 - Segment Head Private Customers Middle
 - Various roles at **Dresdner Bank** including Assistant to the Management Board and Head of Sales Support

Maria Xiromeriti

- Employee representative

Stock price since IPO

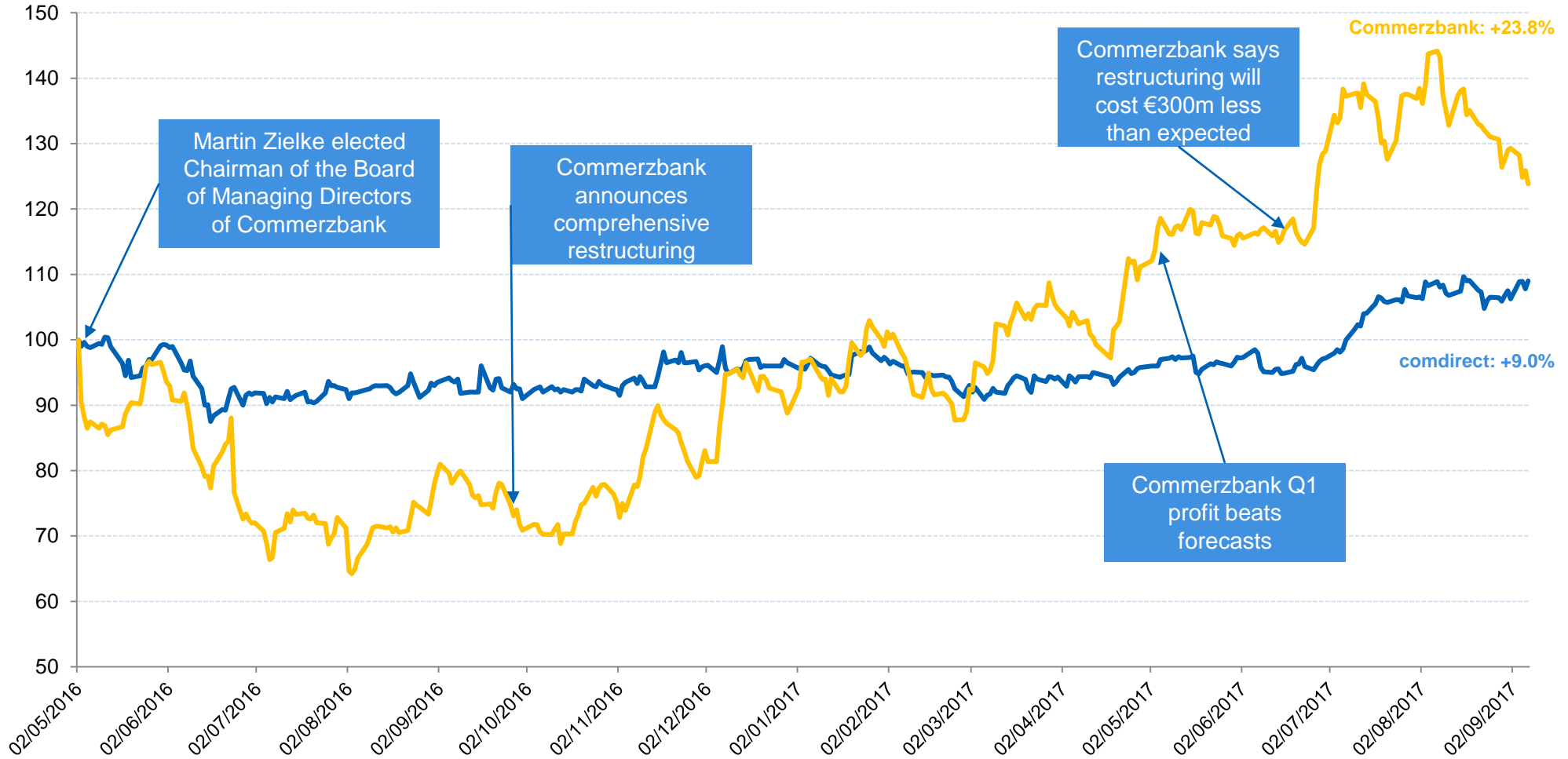
- While comdirect's share price has stabilized, it has never regained its momentum as a growth business
- Lack of dynamic growth strategy makes it unlikely IPO investors will ever get their money back



Source: Bloomberg as of 08/09/2017

comdirect vs. Commerzbank share price performance

- comdirect's share price demonstrates that all management focus is on Commerzbank



Source: Bloomberg as of 08/09/2017

Cost/income ratio - peer comparison

- comdirect's cost/income ratio is some 20% above the peer median – even when adjusting for ebase (i.e. B2C only)
- We believe the main reasons are an inflated cost base due to the integration of comdirect with Commerzbank including its mid- and back-office

Cost/income	2012	2013	2014	2015	2016
Avanza	64.1%	62.1%	57.5%	47.5%	49.3%
BinckBank	77.1%	77.1%	79.2%	76.9%	95.3%
Charles Schwab	70.3%	68.6%	65.1%	64.3%	60.0%
E Trade	114.5%	85.5%	71.3%	93.1%	57.8%
Fineco	51.9%	60.3%	55.5%	52.6%	51.4%
Hargreaves Lansdown	31.1%	27.7%	27.8%	31.4%	31.8%
IG Group	53.9%	52.5%	52.6%	59.8%	56.8%
ING DiBa	56.2%	49.0%	45.3%	41.8%	41.0%
PLUS500	n.a.	41.6%	37.7%	52.8%	53.9%
Renta4	80.2%	71.2%	67.4%	68.3%	72.8%
Swissquote	73.1%	88.0%	78.5%	98.2%	82.5%
TD Ameritrade	64.1%	59.5%	57.3%	57.9%	59.7%
Peer median	64.1%	61.2%	57.4%	58.8%	57.3%
comdirect (B2C)	70.2%	76.0%	76.3%	74.8%	75.8% ¹
Delta (%)	6.1%	14.8%	18.9%	15.9%	18.5%
Implied cost saving potential delta (€m)	17.2	43.1	57.1	50.4	53.0

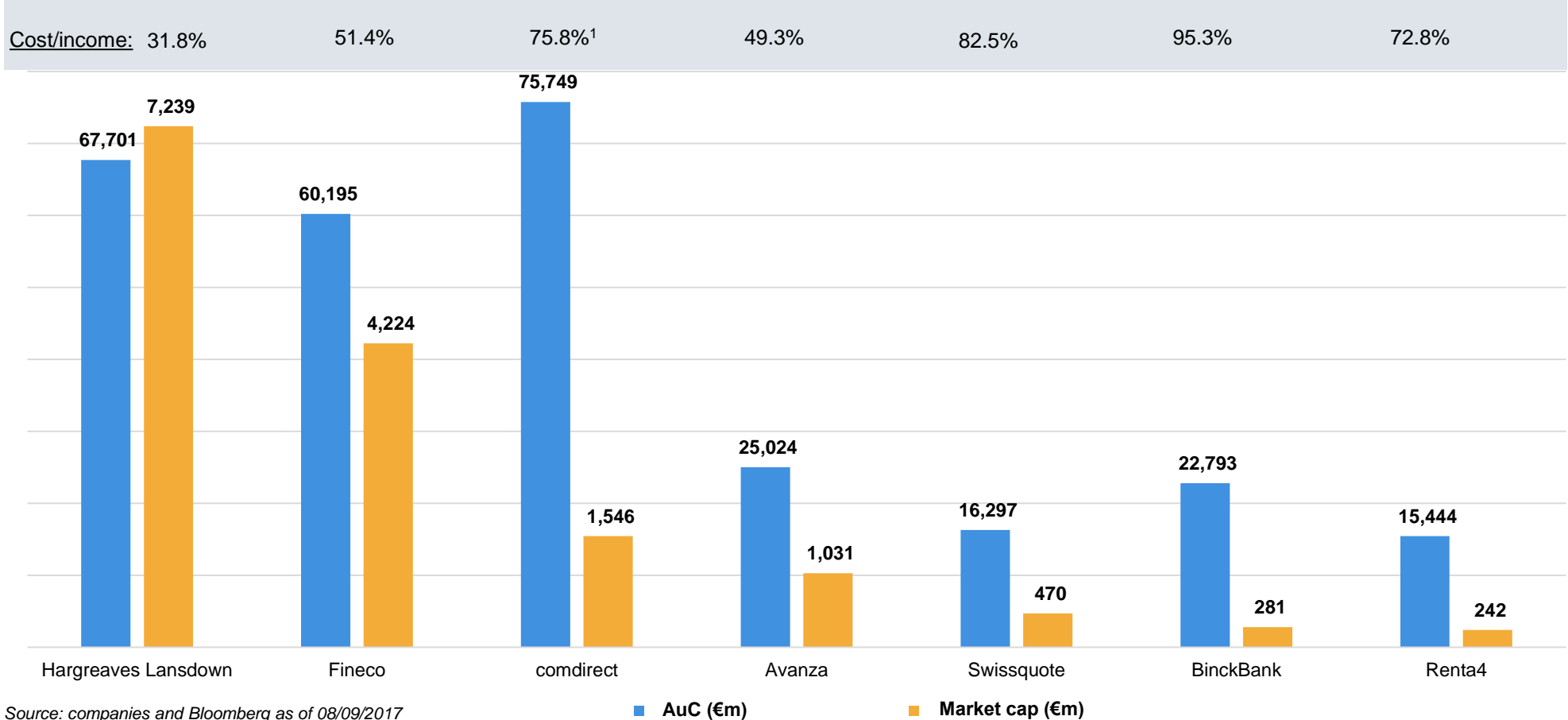
Source: companies' reports

Note: cost / income computed as SG&A / (PBT + SG&A).

1) Adjusted for the VISA sale gain.

AuC / market cap - peer comparison

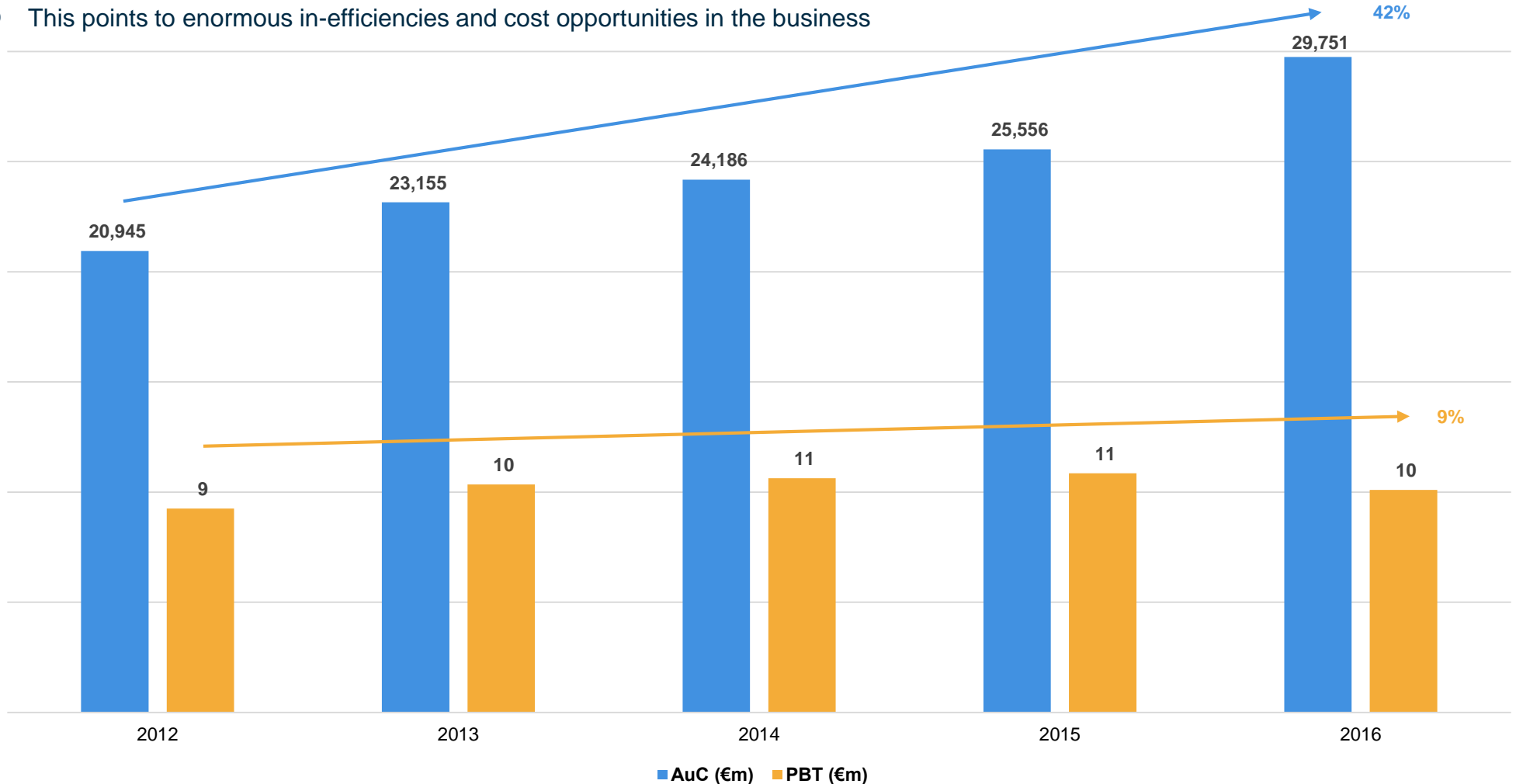
- Despite a large asset base, comdirect's market capitalization is small
- Successful peers such as Avanza, Fineco, and Hargreaves Lansdown have created substantially more shareholder value by profitably growing into attractive parts of the market opportunity
- comdirect's cost/income ratio compares to small players lacking scale



Source: companies and Bloomberg as of 08/09/2017
 Note: FY 2016 data, 10:1 scale for AuC : Market cap
 1) Adjusted for the VISA sale gain.

Evolution of ebase Assets under Custody vs. PBT

- Despite growing the asset base substantially, ebase management has not managed to grow profitability
- This points to enormous in-efficiencies and cost opportunities in the business








Note: ebase assumed as the entirety of B2B segment. 1,000:1 scale for AuC : PBT



Potential Conflicts of Interest

Overview of Potential Conflicts of Interest (1/2)

	Potential Conflict of Interest	Assessment	Potential Impact	
Fees for Mid- and Back-office	<ul style="list-style-type: none"> ● comdirect represents a significant share of Commerzbank's retail mid- and back-office cost / infrastructure ● Service agreements in place regulating prices 	<ul style="list-style-type: none"> ● Arms' length terms of current conditions would need to be properly tested including via tendering the full mid- and back-office to outsourcing partners ● Extremely high cost / income ratio of comdirect could be the result of potential significant overcharging by Commerzbank ● comdirect apparently not sharing in any of the €1.1bn cost savings targeted by Commerzbank in the mid- and back-office 	A cost gap of €30-50m can be implied from a peer comparison ⁽¹⁾	
Relationship with Commerzbank Treasury	<ul style="list-style-type: none"> ● comdirect needs to channel its assets to Commerzbank Treasury ● Commerzbank Treasury decides on the type of funding 	<ul style="list-style-type: none"> ● Dependence on one single counter-party bears significant risk ● Commerzbank Treasury is a Profit Centre and thus implicitly charges for what should be a comdirect core competence ● Duration match depends on „analytical“ maturity of deposits (average term combined with max historical reduction) 	Risk / return impact potentially very significant	
Other Service Agreements	<ul style="list-style-type: none"> ● Many further service agreements in place (admin functions, etc.) 	<ul style="list-style-type: none"> ● Given Commerzbank's chronically inflated cost structures, high risk the terms are not the best available in the market 	See cost gap to peers	
Open Platform vs. Commerzbank Product Distribution	<ul style="list-style-type: none"> ● Growing the asset management business important ● Open platform strategies tend to perform better 	<ul style="list-style-type: none"> ● Commerzbank's in-house products potentially in competition with growth targets/ opportunities 	Could hamper growth opportunity	
Governance / Supervisory Board	<ul style="list-style-type: none"> ● Supervisory Board is mainly Commerzbank bankers ● Only one independent director (Georg Rönning) 	<ul style="list-style-type: none"> ● Raises many question marks around independence of supervisory board, especially given overlap or potential business overlap of comdirect and Commerzbank 	Likely a reason for comdirect's narrow strategy and growth plan	

Source: Petrus Advisers

(1) See page 12.

Overview of Potential Conflicts of Interest (2/2)

	Potential Conflict of Interest	Assessment	Potential Impact	
Management	<ul style="list-style-type: none"> ● Management historically sent in by Commerzbank with route back to the mothership ● Part of bonus linked to Commerzbank Group performance ● Share incentive programme based on Commerzbank AG shares (!!!) 	<ul style="list-style-type: none"> ● Very limited / no expertise in online / direct banking ● People from Commerzbank CEO's inner circle / former Dresdner boys running comdirect ● Link of economic incentives to Commerzbank sets wrong incentives 	Management with wrong background / capability set and flawed incentives	!!!
Growth Strategy	<ul style="list-style-type: none"> ● comdirect with potential to grow business with traditional Commerzbank customers ● Internat. growth logical option 	<ul style="list-style-type: none"> ● Current strategy seems too narrow and clearly a result of a multi-channel approach dictated by Commerzbank ● No international growth agenda despite formidable business model and profitable adjacent markets 	Substantially limits growth options	!!
comdirect Equity Story / Focus	<ul style="list-style-type: none"> ● Comdirect a small part of the Commerzbank Group ● Hard for top management to fully focus on comdirect strategy and investor relations ● No clear strategy in place 	<ul style="list-style-type: none"> ● Company and stock appears neglected – not surprising given Commerzbank's transformational cost and improvement programme ● Stock has become un-investable as a result ● Significant growth opportunity remains under-exploited ● Players such as Fineco, Avanza or Hargreaves Lansdown have demonstrated that profitable growth is possible <ul style="list-style-type: none"> ● Fineco: from heavy traders focus to more profitable light asset management ● Avanza: systematic focus on attracting savers in addition to traders ● Hargreaves Landown: efficient access to funds for investors with open platform approach 	No clear strategy No liquidity Stock not investable	!!!

IV

Petrus Advisers Demands

Petrus Advisers demands for comdirect (1/3)

	Point	Petrus Advisers Assessment	Demand
<p>1.</p> <p>Reduce Mid- and Back-office Cost / Other Cost</p>	<ul style="list-style-type: none"> ● comdirect's mid- and back-office fully integrated into Commerzbank's IT backbone ● Cost / Income ratio demonstrates massive cost inefficiencies ● Commerzbank's announced cost savings program of €1.1bn that focuses mainly on mid- and back-office will not result in any cost savings for comdirect 	<ul style="list-style-type: none"> ● Back- and mid-office cost seems higher than what „market rates“ could achieve ● comdirect's cost / income ratio (BtC only) lags peers by some 20% (!) despite what appear to be reasonable revenue levels from commissions and to a lesser extent net interest margins ● Cost potentials of €30-50 million can be derived 	<ul style="list-style-type: none"> ● Reduce back- mid-office cost in comdirect by at least €25-35m ● Consider outsourcing IT functions
<p>2.</p> <p>Improve or Sell ebase</p>	<ul style="list-style-type: none"> ● ebase business as a separate business and entity lacks any form of synergies with comdirect's core BtC business ● Historical development of ebase's earnings contribution has been underwhelming despite growth in Assets under Custody 	<ul style="list-style-type: none"> ● No clear and independent strategy in place to grow ebase profitably ● No synergies ● Cost inefficiencies are apparent 	<ul style="list-style-type: none"> ● Option 1: Focus including expansion of business model combined with €3-5m cost savings programme ● Option 2: Sell

Petrus Advisers demands for comdirect (2/3)

	Point	Petrus Advisers Assessment	Demand
<p>3.</p> <p>Full Access to Commerzbank Client Base</p>	<ul style="list-style-type: none"> ● Official strategy is to be “Germany’s leading direct bank with the aspiration to be the first choice for saving, investing and trading in securities“ ● In reality: comdirect currently damned to focus on narrow client profile (‘hard-core traders’) 	<ul style="list-style-type: none"> ● Significant potential exists to grow comdirect to address a broader group of clients ● Conflicts of interest exist given Commerzbank’s strategy to grow its own online-, direct-, savings- and asset management business 	<ul style="list-style-type: none"> ● Commerzbank to prioritize growth of comdirect over own growth for as long as it dominates the company
<p>4.</p> <p>Decrease Time-to-Market</p>	<ul style="list-style-type: none"> ● Time-to-market for new comdirect products is up to 9 months ● The full integration into Commerzbank’s mid- and back-office make it difficult to speed up 	<ul style="list-style-type: none"> ● Developing new and innovative products is a key success factor for comdirect ● It seems there are “negative synergies“ from being integrated into Commerzbank 	<ul style="list-style-type: none"> ● Prioritize time-to-market for comdirect ● Likely involves significant cost for Commerzbank to make their systems / processes more flexible
<p>5.</p> <p>Review Funding Structure</p>	<ul style="list-style-type: none"> ● comdirect’s deposits to be lent to Commerzbank’s Treasury Profit Centre ● No independent funding decisions ● BaFin waver for “Grosskredite“ (significant single creditor) ● Profit margin for Commerzbank Treasury 	<ul style="list-style-type: none"> ● Opaque and questionable funding structure ● Significant concentration risk ● Commerzbank dictates one of the key parts of the business ● „Analytical“ duration of deposits likely quite long / sticky 	<ul style="list-style-type: none"> ● Review alternative funding options ● Optimize risk / return situation for comdirect ● Optimize duration match ● Needs to be driven by independent experts / management team

Petrus Advisers demands for comdirect (3/3)

	Point	Petrus Advisers Assessment	Demand
<p>6.</p> <p>Qualified & Independent Management Team and Supervisory Board</p>	<ul style="list-style-type: none"> ● comdirect run and governed by Commerzbank employees ● Only “independent“ director is Georg Rönning ● Quality and relevant direct banking experience of comdirect management board highly questionable ● Share incentive programme of comdirect management is based on Commerzbank shares 	<ul style="list-style-type: none"> ● comdirect is run by Commerzbank employees who lack relevant experience and / or management quality ● Serious question marks around conflicts of interest in the management and governance structure exist ● We deem it unheard of that a management is incentivised on the share price of a parent without a domination agreement in place 	<ul style="list-style-type: none"> ● Supervisory Board should be 2-3 independent directors with relevant industry experience ● Management’s incentives need to urgently be de-coupled from Commerzbank – independent programme to be put in place ● Strengthening of comdirect management team with high calibre people who have relevant experience appears necessary
<p>7.</p> <p>Make comdirect an Investable Stock</p>	<ul style="list-style-type: none"> ● Stock has hardly any liquidity ● Management are doing IR work “in proportion to free float“ ● No clear strategy in place 	<ul style="list-style-type: none"> ● comdirect not an “investable“ stock – completely orphaned ● Investors including retail suffer from lack of liquidity ● Management not capable of designing and presenting a growth strategy 	<ul style="list-style-type: none"> ● Business needs a clear growth strategy to take net profits to €200 million plus ● Management to properly market the stock to investors ● Focus on bringing in high quality investors and improve liquidity of the stock

Disclaimer

This document is issued by Petrus Advisers Ltd. (“Petrus”) which is authorised and regulated by the Financial Conduct Authority (“FCA”). It is only directed at those who are Professional Clients or Eligible Counterparties only (as defined by the FCA). Securities will only be offered for purchase or sale pursuant to the term sheet which must be read in their entirety.

The information included within this presentation and any supplemental documentation provided is confidential and should not be copied, reproduced or redistributed without the prior written consent of Petrus. The information and opinions contained in this document are for background purposes only and do not purport to be full or complete and do not constitute investment advice. No reliance may be placed for any purpose on the information and opinions contained in this document or their accuracy or completeness. No representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness of the information or opinions contained in this document.

Investment information Any investment with Petrus should form part of a diversified portfolio and be considered a long term investment. Past performance should not be used as a guide to future performance, which is not guaranteed. The value of an investment and any income from it fluctuate and therefore an investor may not get back the amount invested. Prospective investors should be aware that returns over the short term may not match potential long term returns and should always seek independent financial advice before making any investment decision.

Risks involved Currency movements may affect both the income received and the capital value of investments in overseas markets. Where a fund or strategy invests in fast growing economies or limited or specialist sectors it may be subject to greater risk and above average market volatility than an investment in a broader range of securities covering different economic sectors.

Detailed information can be obtained from Petrus Advisers Ltd., 100 Pall Mall, London, SW1Y 5NQ; or by telephoning 0207 933 88 08 between 9am and 5pm Monday to Friday; or by visiting www.petrusadvisers.com. Telephone calls with Petrus may be recorded.

This presentation therefore does not constitute an offer, invitation or inducement to distribute or purchase shares or to enter into an investment agreement by Petrus in any jurisdiction in which such offer, invitation or inducement is not lawful or in which Petrus is not qualified to do so or to anyone to whom it is unlawful to make such offer, invitation or inducement.

Investors should take their own legal advice prior to making any investment. In particular, investors should make themselves aware of the risks associated with any investment before entering into any investment activity. The information contained in the presentation shall not be considered as legal, tax or other advice. All information is subject to change at any time without prior notice or other publication of changes.