



## Best in Germany

### Commerzbank



Commerzbank dominates the Frankfurt skyline

> Commerzbank's listed certificate business hit new heights in August this year when its turnover reached in excess of €735 million on the European Warrants Exchange (Euwax), the highest amongst German issuers during that month. With a product platform spanning more than 12,000 retail products, it is one of the largest retail structured product providers in the country.

With so many products at its disposal, you would expect the Frankfurt-based bank to have spent the last year resting on its laurels. A certain amount of recycling and savvy repackaging could have kept its structured products business ticking over nicely. But taking the easy option has never been part of Commerzbank's personality. By infusing diligence with creativity, Commerzbank illustrates how quantity is no substitute for quality.

The bank's structured products team runs a pretty tight ship when it comes to product development. It has a time frame of just six months to conceive and deliver a product to its 860-strong internal branch network. And once it gets to the shop floor, it is actively sold for just two months before a new product is introduced.

This means Commerzbank's retail team must always be six months ahead of the game, explains Frankfurt-based Thomas Timmermann, head of retail sales. This pressure to regularly put out new products has led to some fantastic innovations. In January of this year, Commerzbank launched a target redemption note called "Endlich 18" (Finally 18), which raised a whopping €400 million. It was linked to a basket of shares with an 18% target rate and a drop-out feature, so if the worst performer dropped by 80% or more, that particular share would be taken into account for coupon calculation at that year but then dropped in the following years.

Another bestseller for Commerzbank this year has been in auto-callable structures, or what is internally referred to as "side-step certificates." These are coupon payout structures that allow investors to redeem their full capital plus a maximum of 12% if the index does not dip by 45% or more on the last valuation date. These products currently generate €100 million every two weeks through the bank's internal branch networks, Timmermann notes.

While staying true to its role as a specialist in exotics, Commerzbank has also achieved success by building up a strong external distribution network – no mean feat in a market that is traditionally closed to third-party distribution of structured products. Its internal distribution network accounts for between only 10% to 15% of the bank's overall distribution make-up.

"Internal distribution was blocked to us until just a few years ago," Timmermann says. Structured products were considered to be unsuitable for retail distribution and it was not until early 2002 that Commerzbank decided to allow them to be distributed internally through retail bank branches. This forced the bank's structured products division to build external distribution routes.

The bulk of its structured products are distributed via external channels, either through intermediaries like savings and private banks, or directly to the public via internet brokers, discount brokers and exchanges.

Working against the grain seems to be one of the German bank's strengths. Germany is not known for its widespread appetite for structured funds but Commerzbank's structured funds business, devised in 1996, has a total of €1.5 billion assets under management. Its best selling product in this area over the last year has been through the All Seasons capital guaranteed structured fund, which has so far garnered €270 million in assets under management.

#### Why Commerzbank won

Commerzbank has lived up to its title as a specialist in exotics by capitalising on the German market's appetite for early redemption notes with the issue of some blockbuster products this year. While its effort to increase market share through the structured fund space, a markedly more challenging product space for German issuers, has helped it stand out from the competition.