

## Press release

For business editors  
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### Commerzbank 5.0: digital, personal, and responsible

- **Expansion of mobile banking while maintaining a strong branch presence**
- **Bundling of digital expertise through planned integration of comdirect**
- **Strengthening of distribution capability and increased efficiency in Corporate Clients**
- **€750 million for investments in digitalisation, IT infrastructure and growth**
- **Investment capacity to be strengthened by planned disposal of mBank**
- **Group cost base to come down by €600 million by 2023**
- **Social responsibility even more firmly embedded in the business model in future**

Following the ad-hoc release of the cornerstones of the new strategic programme “Commerzbank 5.0” on 20 September 2019, the Board of Managing Directors and the Supervisory Board have discussed and approved the new programme. With its new strategy, the Bank is investing in technological innovation and into its core business. This will enable the Bank to accelerate its digitalisation, generate growth and increase efficiency.

In the Private and Small Business Customers segment, Commerzbank is investing strongly into its mobile banking franchise, keeping the branch network as a core pillar of its offering. With around 800 branches, Commerzbank will continue to have a strong nationwide presence. The Bank sees revenue potential through the enhanced use of data, which will enable the provision of individually tailored products to clients. Commerzbank is also planning to introduce a new pricing strategy. Through the planned integration of comdirect the Bank will bundle its digital expertise.

In the Corporate Clients segment, the Bank will further strengthen its market presence with Mittelstand-clients, or SMEs. The further digitalisation and increased platform efficiency is expected to create greater scope for sales and advisory. In Germany alone, the Bank intends to increase its distribution capability by adding more than 150 new staff. The focus will lie on leveraging further business opportunities with existing clients and on increasing capital efficiency.

The Bank's strategic programme foresees total investments of around €1.6 billion in digitalisation and further cost reductions. This will include additional investments of €750 million in digitalisation, IT infrastructure, and

growth. The remaining €850 million will consist of restructuring costs for the planned headcount reduction of a gross 4,300 and net 2,300 full-time positions, and for the announced changes to the branch network. The planned divestment of the majority shareholding in mBank S.A. (“mBank”) in Poland is expected to generate the financial resources enabling a faster implementation of the strategy.

“Commerzbank 5.0 will put the Bank on a sustainable footing. We want it to continue to be successful with clients even in a deteriorating market environment. This means we are significantly reducing our cost base whilst making major investments in our distribution capability as well as the faster digitalisation of the Bank. We want to convince customers with a superior product and service offering and be their first choice”, commented Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank AG.

“As part of Commerzbank 5.0, we are planning to invest around €1.6 billion in digitalisation and in further improving our cost efficiency. The planned sale of mBank will result in a significant reduction of risk-weighted assets and release capital to enable us to implement our strategy faster. In a market environment that looks set to deteriorate further, we have set ourselves realistic return targets,” commented Chief Financial Officer Stephan Engels.

## **Private and Small-Business Customers: Expansion of mobile banking while maintaining a strong branch presence**

In the Private and Small Business Customers segment, Commerzbank is investing strongly into its mobile banking franchise under its mobile first strategy. Today, 1.2 million out of a total of 1.7 million daily customer contacts already take place through the mobile and online channels. As a result of the expected increase in mobile usage, Commerzbank wants to gain significantly more data points and use them to tap additional business potential. The use of algorithms will help the Bank to design products and services that are more precisely tailored to the individual needs of customers. At the same time, the enhanced use of algorithms and data should increase the efficiency of new customer acquisition.

After growing strongly over recent years and increasing its active customer base by a net 1.3 million customers, Commerzbank sees measured growth in the Private and Small-Business Customers segment. By the end of 2023, the Bank wants to win more than 1 million new customers in Germany. Following the sale of ebase with 1 million customers and the pending closure of largely inactive customer accounts amounting to a further 1 million, the Bank will continue its growth on an active customer base of 11.1 million.

Furthermore, Commerzbank is aiming to systematically tap additional revenue potential with existing customers. The Bank is introducing a new pricing strategy, thereby giving customers more choice of service and price options. In concrete terms, the basic offering will be complemented by a modular offering. In

future, under a fair use policy, inactivity will also be considered in the pricing models for otherwise free basic products.

Commerzbank will retain a nationwide presence in Germany with around 800 branches. It plans to incrementally close around 200 branches and move to a mix of branch formats that is in line with changing customer requirements. The Bank will thereby adapt its branch network to the expected changes in branch utilisation in Germany due to the greater use of digital channels. The Bank's real estate expertise will be bundled in 50 new, regional real estate centres.

### **Bundling of digital expertise through planned integration of comdirect**

Business with private and small-business customers will also be strengthened by the planned integration of comdirect into Commerzbank. Commerzbank intends to leverage the high level of digital expertise of comdirect for the entire Group. Comdirect will become part of a strong, innovative multichannel bank and will benefit from economies of scale and opportunities for growth within the Group.

Since its foundation in 1994, comdirect has set benchmarks in online banking with innovative products, services, and advisory. In future, Commerzbank intends to make this acknowledged expertise available to all its customers. Customers of comdirect will keep the service offerings they are used to, while also benefitting from Commerzbank's branch presence. In return, Commerzbank would be able to provide its customers with access to the outstanding brokerage offering of comdirect, which will be continued under the same product brand.

### **Corporate Clients: Strengthening of distribution and increased efficiency**

In the Corporate Clients segment, Commerzbank is consistently expanding its position as the leading German bank for SMEs ("Mittelstand"). The emphasis is clearly on striking a balance between additional business, risk appetite, and capital efficiency. Furthermore, the Bank is focussing on enhancing its distribution and platform efficiency.

While continuing to grow in customer numbers, Commerzbank intends to make better use of the potential offered by existing customer relationships. It is therefore strengthening its distribution capabilities with more than 150 new front office staff in Germany alone. Distribution and advisory in selected European markets will also be increased. Furthermore, additional digitalisation and the targeted improvement in platform efficiency will open up further scope for sales. This, in conjunction with the increase in personnel, will enable an even higher intensity of client coverage and advice.

Commerzbank is also expanding its proven sector approach. In future, more than 500 corporate clients will be covered this way in Germany and in selected Eurozone countries, compared to around 100 currently. Experience since the launch of this approach in 2016 shows that supporting clients with comprehensive sector expertise also contributes to making existing customer relationships more profitable.

The efficiency of the corporate banking platform is also being enhanced. The Bank is aiming to consolidate its platforms. In future, as many international transactions as possible are to be processed on the German IT platform. In addition, greater platform utilisation is anticipated as a result of new business. Capital efficiency and cost discipline will be relevant for any additional growth to ensure an appropriate return on capital. In addition, the Bank is planning to support its growth trajectory by further strengthening its credit risk expertise.

In recent years, the incumbent Board Member responsible for the segment, Michael Reuther, has repositioned the Corporate Client segment in a challenging environment and successfully advanced the integration of corporate banking and the capital markets business. The designated Board Member for Corporate Clients, Roland Boekhout, has a long track record in Germany and in European markets that will enable him to continue to develop this strong agenda.

## **Social responsibility even more firmly embedded in the business model in future**

The foundation for the economic success of Commerzbank is and always will be the social acceptance of its approach to business. As a responsible bank, Commerzbank has a longstanding position on controversial topics such as weapons, environmentally damaging energy sources and basic food speculation. Acting responsibly also includes careful handling of customer data and high data security.

However, the Bank intends to adopt an even more ambitious approach to sustainability and environmental issues in future, and it will work even more proactively to support the achievement of the Paris climate targets. Commerzbank's operations are already climate-neutral. Also, it was recently one of the world's first signatories to the UN Principles for Responsible Banking. This rigorous approach will also generate business opportunities. In future, Commerzbank will also help its customers achieve enhanced sustainability with a greener product offering. As of this week, private customers are able to take out green mortgages. In the corporate clients business, Commerzbank will gear its credit portfolio more towards sustainability criteria.

## **Release of equity through planned disposal of mBank; acquisition offer to shareholders of comdirect bank**

On 20 September 2019, Commerzbank announced that the Bank was selling its majority shareholding in mBank S.A. ("mBank") in Poland. This will allow the Bank to generate the financial resources enabling a faster implementation of its strategy and the associated investments. The sale will result in a marked

reduction in risk-weighted assets by around €17 billion and the release of equity capital at Commerzbank. The transaction is subject to regulatory approvals.

In conjunction with the integration of comdirect, Commerzbank also intends to submit a voluntary public acquisition offer for all outstanding shares in comdirect. The offer price is €11,44 per share in cash. This corresponds to a premium of 25 per cent on the unaffected Xetra closing price of the Comdirect share on 19 September 2019, the day before publication of the ad hoc announcement on the Commerzbank draft strategy 5.0. Commerzbank already holds a stake of 82 per cent in comdirect. Details of the planned acquisition offer can be downloaded at [www.commerzbank-offer.com](http://www.commerzbank-offer.com).

## **Adjusted outlook for 2019 – Additional growth in customers, assets, and revenues over the medium term**

Over the course of 2019, the market environment has continued to deteriorate further. This has been particularly evident in the corporate clients business. The Bank is therefore no longer anticipating a rise in underlying revenues for the year 2019.

The further development of the strategy is intended to allow the Bank to achieve additional growth in customers and assets, and higher revenues by 2023, even in a market environment that is not expected to improve. Commerzbank is aiming to reduce costs by around €600 million by 2023 compared to the current year. By investing in the progressive modernisation of its Group-wide IT infrastructure, the Bank aims to reduce its IT costs to €1 billion. Costs are also to be cut further in the central divisions and segments as well. This should result in a cost base of at most €5.5 billion in 2023 following the sale of mBank. As already announced, another Group-wide headcount reduction of gross circa 4,300 and net circa 2,300 full-time positions is regrettable but inevitable. A significant proportion of the circa 2,000 new positions will be created in strategically important areas. The details will be worked out over the next months in consultation with the employee representatives. The aim is to make the planned headcount reduction as socially responsible as possible.

After the implementation phase of the strategy, the Bank intends to achieve a return on equity of more than 4 per cent over the medium term. This medium-term planning takes account of recent decisions by the European Central Bank. The targeted capital ratio remains unchanged at between 12 and 13 per cent. This, in conjunction with the targeted return on equity, should enable the Bank to pay regular dividends.

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## About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. Commerzbank finances approximately 30% of Germany's foreign trade and is the leading finance provider for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. In 2018, it generated gross revenues of €8.6 billion with approximately 49,000 employees.

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## Disclaimer

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.