

Press Release

For business editors
3 February 2021

Commerzbank resolves new strategy until 2024

- **Announced cornerstones of “Strategy 2024” confirmed**
- **Supervisory Board supports content and technical aspects of strategy proposed by Board of Managing Directors and constructively backs implementation**
- **Initial arrangement has been made between the employee representatives and the Board of Managing Directors on provisions for employees as well as on negotiations**
- **Private and Small-Business Customers: combination of a scalable online bank with personal advisory to increase efficiency**
- **Corporate Clients: focus on clients with German connectivity and streamlining of international presence allow for consistent RWA management and higher profitability**
- **CEO Manfred Knof: “Our new strategy creates the prerequisites for a sustainably profitable Commerzbank.”**
- **Preliminary financials 2020: operating profit at minus €233 million, net result at almost minus €2.9 billion**

Today, the Board of Managing Directors resolved the new strategy for the period ending 2024 following a discussion with the Supervisory Board. The cornerstones of the new strategy programme “Strategy 2024” had already been announced on 28 January 2021. Commerzbank will present details of the strategy, the concrete measures and targets for the years 2021 to 2024 at the annual results press conference on 11 February 2021.

Today’s resolution of the Board of Managing Directors initiates an **in-depth restructuring programme** as well as a comprehensive digitalisation of the Bank. The objective of the transformation is to combine the benefits of a **fully digitalised bank** with **personal advice, consistent customer focus, and sustainability**.

Manfred Knof, Chairman of the Board of Managing Directors of Commerzbank AG: “Our new strategy creates a strong foundation for a sustainably profitable and highly efficient Commerzbank. The planned reductions are certainly very painful. We will implement this programme rigorously and consistently but also in a fair manner and with mutual respect. The agreement signed with the employee representatives today will contribute to creating clarity for our workforce soon.”

Agreement concluded with the Group Works Council

Today, the Board of Managing Directors signed an agreement with the Group Works Council of Commerzbank AG. The agreement enables the Bank to expedite the negotiations on human resources aspects of the transformation process swiftly and with the appropriate fairness and transparency. The agreement defines fundamental principles for shaping the transformation process at Commerzbank AG Germany. The objective is to provide clarity and transparency as early as possible about positions affected, timeframes and perspectives. The objective is to conclude **the necessary framework arrangements – framework settlement of interests and a framework social plan –** with the Group Works Council already for the **Annual General Meeting being held on 5 May 2021**.

Cost reductions of €1.4 billion targeted

As a result of the restructuring, Commerzbank targets a **return on equity (RoTE) of approximately 7 per cent** for the **financial year 2024**. Compared to the figures expected for 2020, costs will be reduced by €1.4 billion or around 20 per cent by 2024. At the same time, revenues are expected to remain largely stable – excluding the further growth of mBank. Commerzbank anticipates restructuring expenses totalling €1.8 billion, which will be fully financed with existing funds. The restructuring expenses will be fully booked in the current financial year. A provision of €0.8 billion was already set aside in the financial year 2020 to cover a substantial proportion of the restructuring expenses that will be incurred. In addition, there are further €0.1 billion in provisions from 2019. By 2024, Commerzbank will reduce approximately 10,000 full-time equivalents in gross terms.

Despite the significant restructuring, the Bank targets a common equity tier 1 ratio (CET 1) which is at least **200 to 250 basis points above the minimum regulatory requirements (MDA)**. This will enable Commerzbank to remain robust and resilient while efficiently managing its capital.

As part of the Group, mBank will continue pursuing its growth strategy.

Private and Small-Business Customers: transferring the strengths of comdirect to the entire segment

Commerzbank will significantly transform its business with private and small-business customers. The objective is to create an attractive combination of a **scalable online bank** and a **premium advisory offering**. This will merge the digital and innovation strengths of comdirect with the advisory expertise of Commerzbank.

Services will be based on the individual needs of customers. In future, the **digital services of an online bank** will be available to all eleven million private and small-business customers in Germany. Efficient **use of data** will enable customers to receive tailor made, needs-based solutions – at the right moment and through the right channel. The Bank will offer personal advice at branches and at central advisory centres 24/7.

Commerzbank will reduce the number of branches from the current level of 790 to **450 locations across Germany**. This is where customers will have access to advice on topics such as accounts, cards, and consumer loans and receive support on the Bank's digital offering. At **220 of these locations**, wealth management and small-business customers with a greater need for advisory services will receive comprehensive, personal advisory support, and individual solutions on all issues relating to wealth management and finance. Commerzbank intends to significantly expand its business with wealthy customers and small-business customers in its Private Banking and Wealth Management segment.

At the central advisory centres, personal banking advisors will support customers' service requirements for **digital, mobile, or telephone banking** 24/7. Customers will also receive comprehensive advice, for example in the areas of securities investment or mortgages.

Corporate Clients: focus on clients with a clear German business angle and future-oriented sectors

Commerzbank is **the leading Bank for the Mittelstand**. During the coronavirus crisis, it succeeded in once again fulfilling its role as a strong and reliable finance partner for the German economy. Going forward, the Bank will continue to support the German **Mittelstand and large corporations, as well as international clients with German connectivity**. Commerzbank will only support other international corporate clients if they operate in selected lead sectors with significant future potential. The Bank will remain true to its responsibility as a strong finance and hedging partner for German companies engaging in import and export business throughout the world.

Commerzbank will adopt a more nuanced approach to advisory services for corporate clients and align them more directly with individual needs. Corporate clients will continue to receive **personal advisory support** and will have access to a network of regional branches. However, individual support for companies will focus on clients **with a more sophisticated need for advice and where this can be delivered on a profitable basis**. At the same time, an innovative online bank offering will gradually be rolled out for corporate clients with a standardised product and advisory requirement. Profitability is to be significantly enhanced by a number of measures including the **digitalisation of processes, optimised pricing structure** and, in particular, the use of data-based services.

The **product range is to be streamlined and will undergo additional digitalisation**. Activities in investment banking will concentrate even more strongly on the requirements of corporate clients. This

relates in particular to **equity capital markets (ECM)** and support for **mergers & acquisitions (M&A)**. These services will be offered exclusively to the Bank's corporate clients with a corresponding need for advice (e.g. business succession). Cooperations are being examined for equity trading and sales as well as equity research.

Commerzbank will remain a **strong partner** for its clients in **international markets**. Its local presence however will be structured more efficiently. This includes the bundling of back-office functions in regional hubs and the optimisation of the correspondent-bank portfolio. As a consequence, the Bank intends to exit **15 international locations** and to convert 2 branches into representative offices. Accordingly, the Bank will be present in **almost 40 countries** going forward.

2020 earnings impacted by goodwill impairment and restructuring expenses

According to preliminary figures, Commerzbank posted an operating profit of minus €233 million in the fiscal year 2020 (2019: +€1,253 million). This clearly reflects the burdens of the coronavirus pandemic. Overall, a net result of almost minus € 2.9 billion (2019: +€585 million) is expected. This includes the already announced restructuring charges of more than €800 million and a goodwill impairment of around €1.5 billion.

Despite the loss, the common equity tier 1 ratio (CET 1 ratio) remained very comfortably above the regulatory requirements at 13.2 per cent as of the end of 2020.

Commerzbank will present its complete financial results at the annual results press conference on 11 February 2021.

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About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in nearly 50 countries. The Bank's two business segments – Private and Small-Business Customers and Corporate Clients – offer a

comprehensive portfolio of financial services precisely tailored to their customers' needs. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The Bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products. Its subsidiary mBank in Poland is an innovative digital bank. The integration of Comdirect enables Commerzbank to combine the services of one of Germany's most advanced online banks with a personal advisory offering at local level. The Bank serves around 11.6 million private and small-business customers nationwide and over 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. Its Polish subsidiary mBank S.A. has around 5.7 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2019, Commerzbank generated gross revenues of €8.6 billion with approximately 48,500 employees.

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.