COMMERZBANK

# Strategy 2024

Capital Markets Day
11 February 2021

# Agenda

| | |
|---|---|
| **Manfred Knof** | Chief Executive Officer |
| **Michael Kotzbauer** | Board Member for Corporate Clients |
| **Sabine Schmittroth** | Board Member for Private and Small Business Customers |
| **Jörg Hessenmüller** | Chief Operating Officer |
| **Marcus Chromik** | Chief Risk Officer |
| **Bettina Orlopp** | Chief Financial Officer |
| **Manfred Knof** | Chief Executive Officer |

# Strategy 2024

Manfred Knof
Chief Executive Officer

# Initial analysis: strong franchise with high value potential

| STRENGTHS | CHALLENGES |
| --- | --- |
| Trusted client relationships | Low profitability |
| Strong digital competencies | Weak execution record |
| Rock solid balance sheet | Lack of performance culture |

# Clear priorities to pave the way for sustainable success


- Ambitious restructuring plan
- Stringent & rapid execution
- Transformation of organisation & business model

# Ambitious targets for 2024 require strict execution

| €1.4bn | ~10,000 | ~7% | up to €3bn |
|---|---|---|---|
| Cost reductions | Gross FTE reduction | Group RoTE | Potential for capital return[1] |

1) See capital sensitivity study in CFO section, share buy backs are subject to receiving the prior permission of the ECB

# Strategy aims at core clients, digitisation and efficiency

| Private & Small Business Customers | Corporate Clients | Operations & Head Office |
|---|---|---|
| Digital daily banking | Focus on German clients and clients with German connectivity | Increase efficiency in Operations and Head Office |
| Reduce branch network | Optimise products and international locations | Improve IT efficiency and time-to-market |
| Advisory focus on premium clients | Improve RWA efficiency | Strong transformation office |

# New strategy built on four cornerstones

## Customer-centric

1 Leading franchises focused on the needs of our core clients in PSBC and CC

## Digital

2 Superior scalable digital banking model based on a modern IT architecture

## Sustainable

3 Strong focus on sustainability and commitment to the Paris Climate Agreement

## Profitable

4 Significant transformation to deliver attractive returns for our shareholders

# Corporate Clients

Michael Kotzbauer
Board Member for CC

# Market leading position, but insufficient RWA efficiency

## STRENGTHS

- Market leader in the German Mittelstand segment
- Consistently high level of client satisfaction
- Proven ability to achieve high RWA efficiency in the SME segment
- Top partner in cash management and foreign trade

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## CHALLENGES

- Shrinking revenues and a high cost base due to significant complexity
- Costly and undifferentiated coverage
- Overall RWA portfolio efficiency below peers
- Extensive product suite with insufficient customer usage

# Broad range of levers to improve profitability

1. Focusing on **German corporate clients** and **clients** with **connectivity to Germany**
2. Establishing a **needs-based coverage model** with a **cutting-edge digital banking proposition**
3. Reducing **international footprint** with significant nearshoring and highly efficient lean branches
4. Focusing, improving and digitising the **product offering**
5. Driving **profitabilisation** through Customer Sales Analytics and Smart Pricing
6. Pursuing active **RWA management** through portfolio optimisation

# 1 German corporates are at the core of our strategy

## German corporates

We will offer our **German corporate clients** a **differentiated** coverage model as well as a product portfolio **tailored to their needs**

## International clients

In the future, we will only serve **international clients with connectivity to Germany** and / or activity in **lead sectors with significant future potential** (i.e., mobility, sustainability, communi-cations, life sciences / chemicals, capital goods)

## Institutionals

To serve our top clients with trade products and market placement capabilities, we build on **our network of correspondent banks and selected non-bank financial institutions**, which we will further optimise

# 2 Cost-efficient and differentiated coverage model

| Relationship managers | | Specialists | How we create value | | | |
|---|---|---|---|---|---|---|
| Personal coverage | Mittelstand (SME) | Product specialists | Revenue ↗ | +€110m | **Upgraded personal coverage** with an **efficient manufacturing approach** for 19,000 clients and **targeted wallet growth** with 3,000 **high-value clients** |
| | Large corporates | | Revenue ↗ | | Expansion of the **dual coverage model** with sector-based corporate finance specialists and local relationship managers to **400 large German and international clients** |
| International corporates | | | Cost ↓ | -€100m | Reduction of **product specialists for low-value clients** as well as **convergence towards benchmark load ratios, reducing >30% of FTE** (from >1,300 FTE in 2020 to >850 FTE in 2024) |
| Institutionals | | | | | |
| Digital banking proposition | | | Cost ↓ | | **Higher load ratios for 7,000 clients** enabled through **digital straight-through processing** and a **product portfolio** simplified by around 90% |

# 3 Reduced international footprint

## Rationale

**25% of top clients' revenues** with **international products**

Unchanged coverage of **major trade corridors**

Improvement of the low yielding international **RWA portfolio**

## Key initiatives

**Intention to reduce the international footprint** by exiting 15 locations (branches / subsidiaries and representative offices)

**Optimisation of European locations** by converting 5 branches into **lean branches** with a FTE-efficient middle- and back-office setup

**Optimisation of non-European locations** by significant nearshoring of middle- and back-office activities with transfer of >220 FTE to cost-efficient regional hubs

**Selective revenue growth** by (re-)allocating RWA, e.g., in lead sectors with significant future potential

# 4 Improved product offering

## Rationale

Maintaining **competitive-ness** and meeting **client needs**

**Reduction** of the offering for products with **limited demand**

**Top clients with 3x** the number of products compared to the client long-tail – **potential for cross-sell**

## Key initiatives

| | |
|---|---|
| **Products** | **Cooperation model** for **Equity Sales & Trading** as well as **Equity Research** |
| | **Discontinuation** of **Credit Solutions** within Corporate Clients |
| | **Establishment of a MidCap Corporate Finance Advisory** focusing on Capital Structuring, Succession Planning and ECM |
| | **Streamlining and targeted digitisation** of the **entire product portfolio** along client needs to reduce complexity |
| **Product infra-structure** | **Consolidation of booking and trading applications,** including horizontal integration of booking applications towards **1-stack architecture** |
| | **Full digitisation** of the trading setup resulting in a **50% reduction of trading FTE** |
| | Increase in efficiency through the **digitisation and automation** of **trade finance processing** |

# 5 Increased profitability with data analytics & rightsizing

| | |
|---|---|
| **Revenue growth** | **Repricing** of the portfolio using **Customer Sales Analytics** and **Smart Pricing** |
| | **Increase in cross-sell** through **digital lead generation** and **data-powered coverage** |
| | Implementation of a strict **monitoring and steering cadence** to ensure execution |
| **Optimisation** | **Continuing the reduction** of the **correspondent banking network** from >1,600 to ~1,300 banks |
| | **Streamlining** of the staff organisation within Corporate Clients by significantly reducing FTE |

# 6 Active RWA management

## Rationale

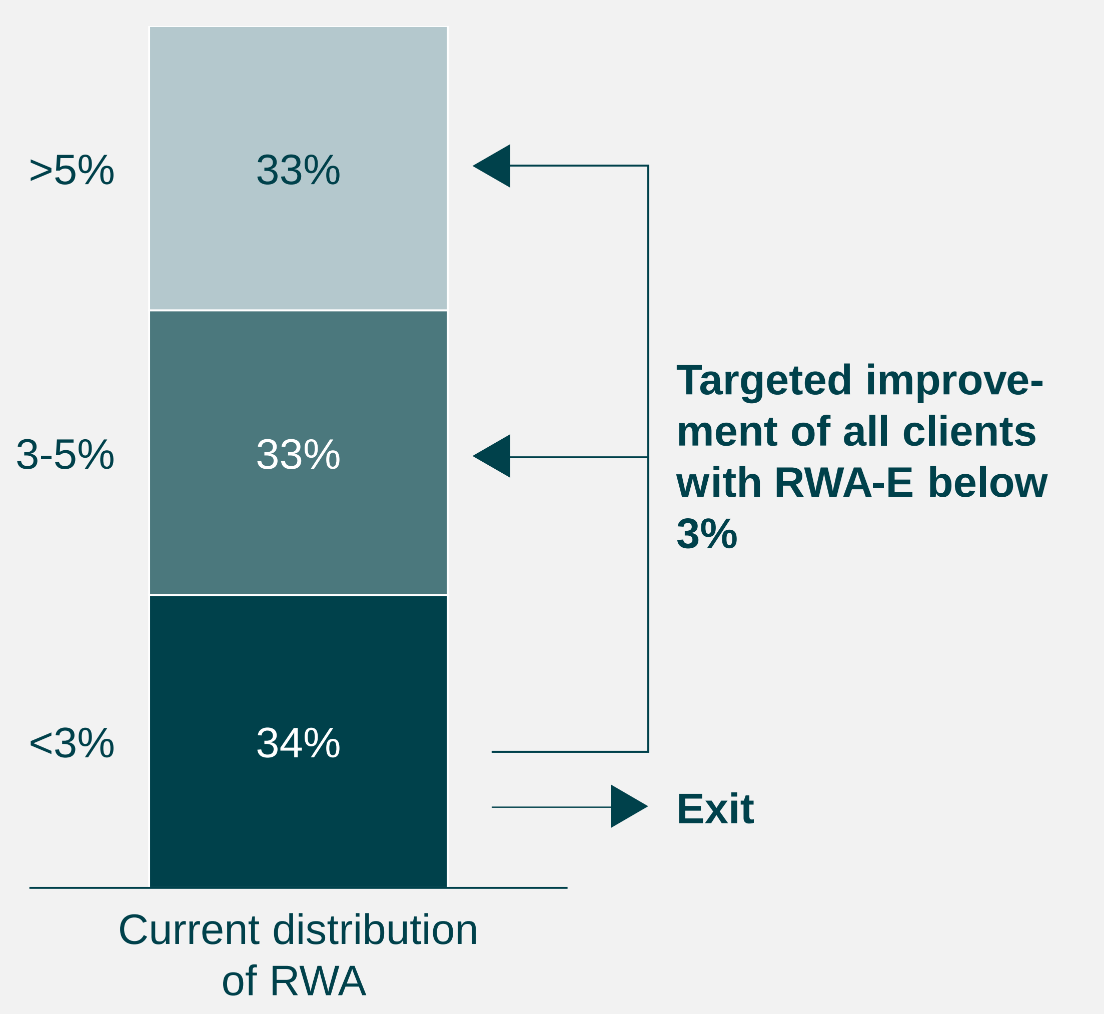
Optimisation of the **low RWA portfolio efficiency**

Addressing significant **variation in RWA efficiency**

Establishment of **capabilities for active RWA management**

Improvement of the **capital leeway** for revenue growth

## RWA efficiency




## Key initiatives

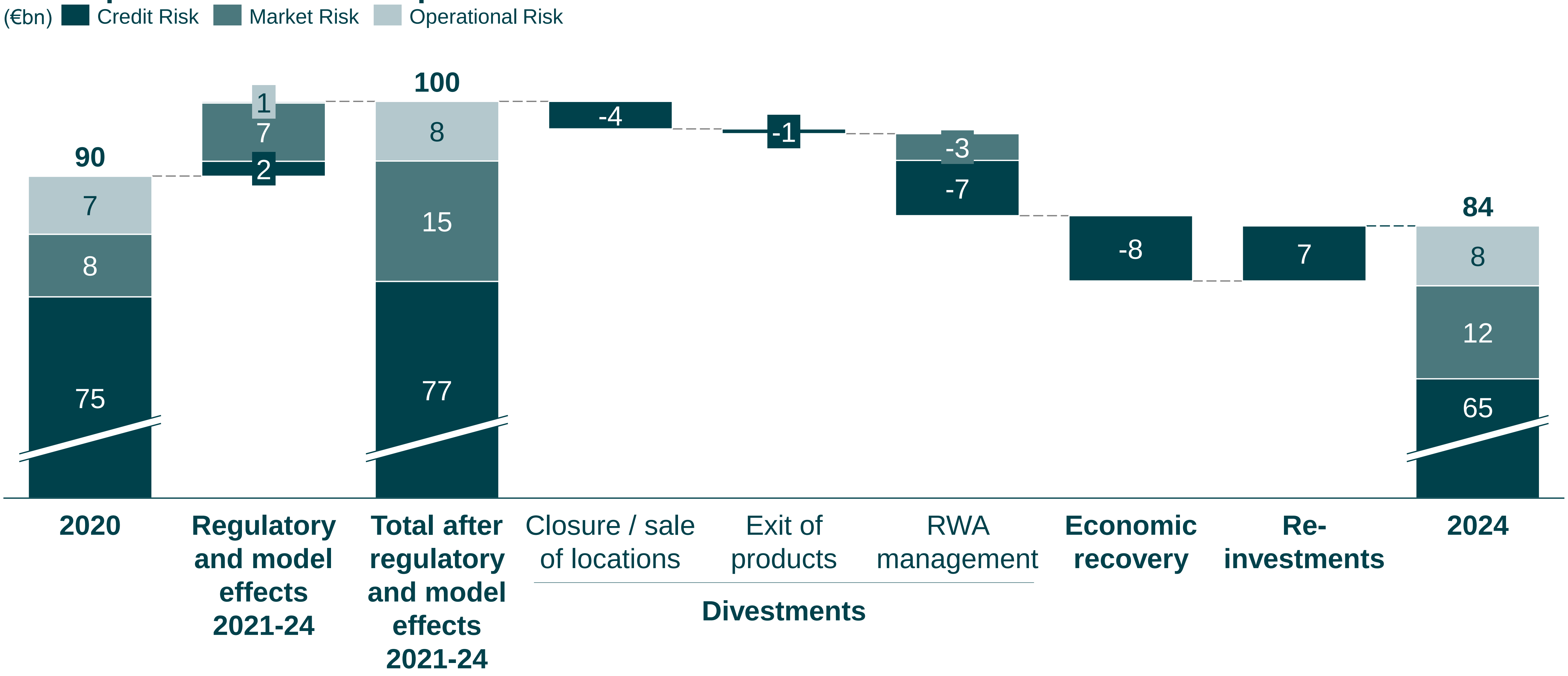
**Continuous review** of the portfolio with RWA-E below 3% to generate **profitabilisation or exit**

**Securitisation**

**CVA hedging** and **collateral management**

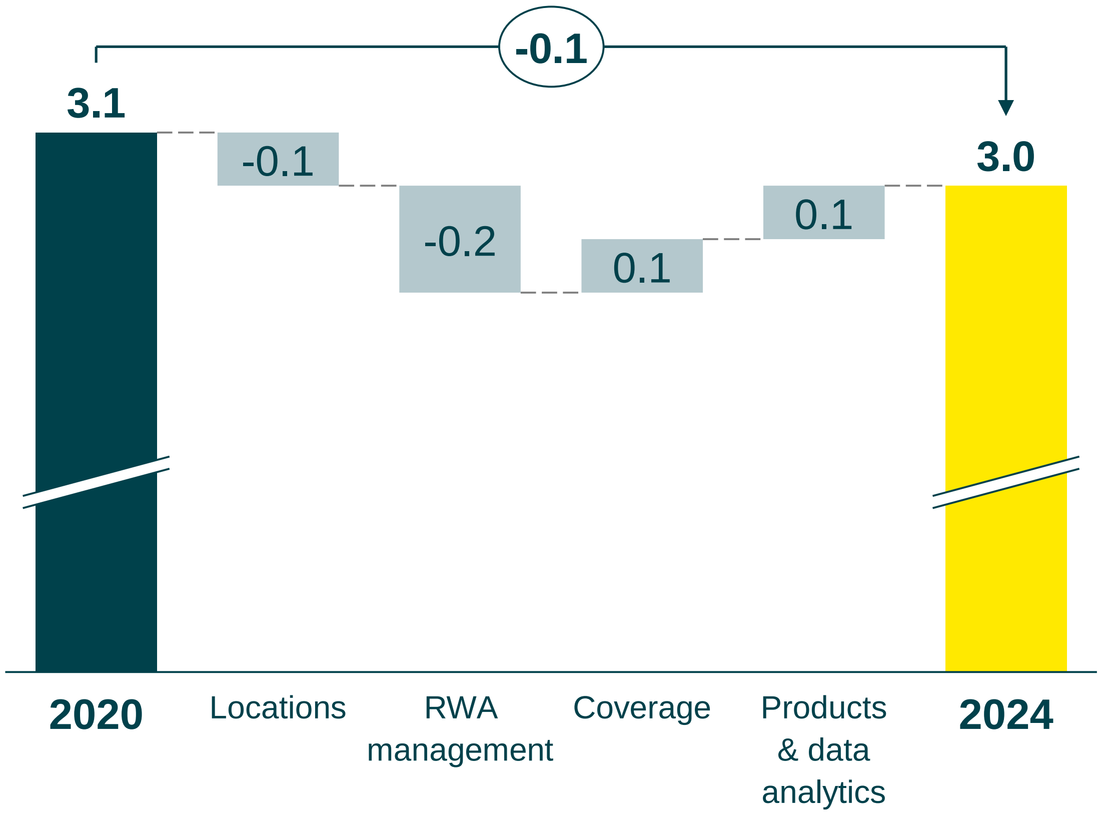
# Targeted RWA release in Corporate Clients until 2024

## Development of RWA in Corporate Clients 2020 vs. 2024

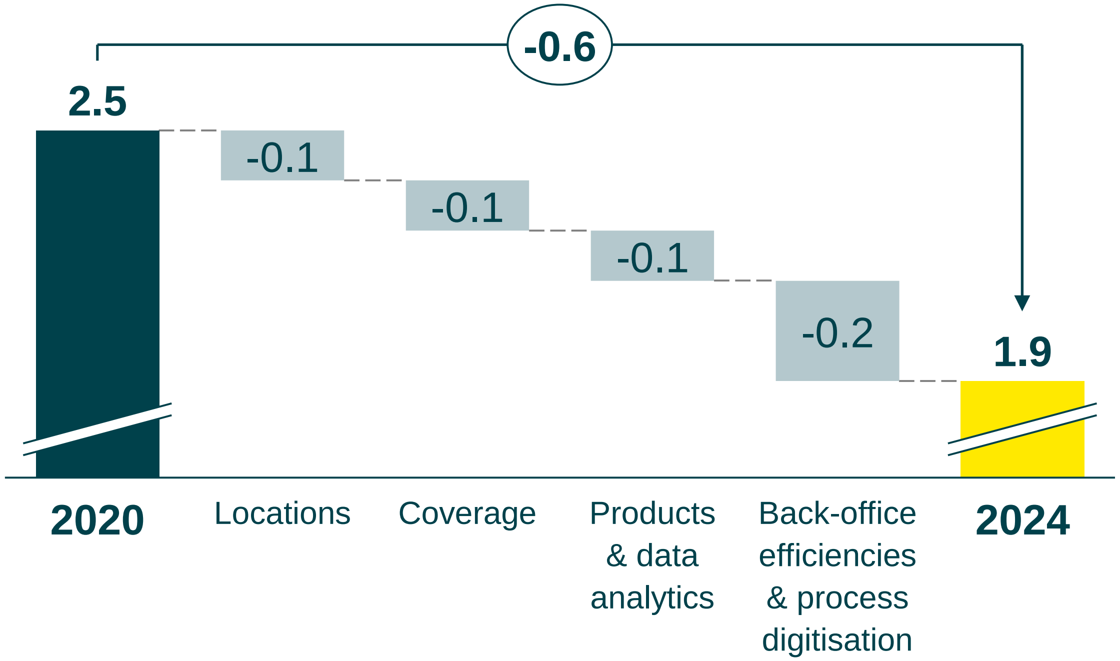


# Significant cost reduction until 2024

## Revenues Corporate Clients
(€bn)




## Costs Corporate Clients[1]
(€bn, incl. €0.3bn reduction of back-office cost allocations)




1) Differences due to rounding

# RoCET of ~9% in 2024

**2024**

| Revenues | Costs | RWA | FTE | CIR | RoCET before tax |
|---|---|---|---|---|---|
| €3.0bn | €1.9bn | €84bn | 2.5k | 62% | ~9% |

**Difference to 2020**

| Revenues | Costs | RWA | FTE | CIR | RoCET before tax |
|---|---|---|---|---|---|
| -€0.1bn | -€0.6bn | -€6bn | -900 | -18pp | +13pp |

# Clear milestones defined

## 2021

- Complete **>30% of FTE reductions**
- Roll out a **sector-focused advisory** for an **additional 150 clients**
- Further develop **Customer Sales Analytics** and **Smart Pricing**
- Increase **securitisation volumes**
- Realise **32% of risk exposure** with **RWA-E <3%**
- Activate **10% of digital banking** users

## 2022 & 2023

- Complete **>85% of FTE reductions**
- Fully establish a **digital banking proposition**
- Intend to complete the **exit / sale of 15 locations,** and finalise **nearshoring and lean branches** (subject to regulatory approval)
- Introduce a cooperation model for **Equity Sales & Trading** as well as **Equity Research** and introduce a new **MidCap Corporate Finance Advisory**
- Reduce **booking applications** from 5 to 3

## 2024

- **All MSB clients** transferred to **new coverage model**
- **International footprint** streamlined
- Full impact from **profitabilisation and headcount reduction measures** realised
- **Infrastructure further consolidated –** number of applications reduced by up to 40%
- **22% of risk exposure** with **RWA-E <3%** realised
- **100% of digital banking** users activated

# Private and Small Business Customers

Sabine Schmittroth
Board Member for PSBC

# Strong market position at weak cost income ratio

## STRENGTHS

Continuing business and customer growth ahead of market

Strong market position with profitable wealthy customers

Acknowledged expertise in direct banking & personal advice

## CHALLENGES

Profitability unsatisfactory – CIR at 85% (PSBC Germany)

Expensive parallel development of digital banking model

Insufficiently utilised potential from 11m German customer base

# Levers based on radical change of business model

1. **Cost savings –** Strongly modified sales approach with substantially lower cost-to-serve – we **close >50% of branches** and **reduce costs materially by ~20%**

2. **Unique blend –** Leverage comdirect to create scalable **digital banking model** combined with superior personal advisory expertise

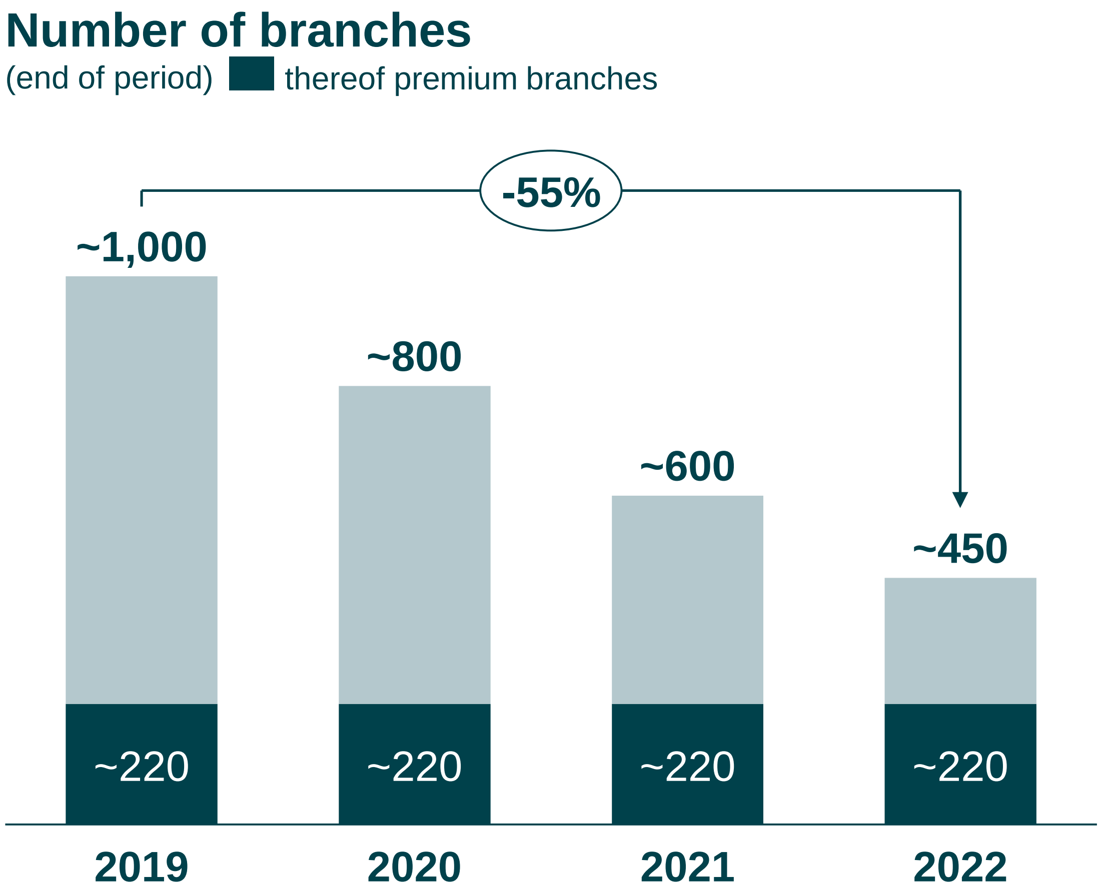
3. **"Premium" client focus –** Individually **tailored customer care model** with excellent advisory solutions for most valuable premium clients

4. **Churn mitigation –** Range of **value driven mitigation measures** address impact of branch closures and modified sales model

# 1 Strongly modified sales model – focus on profitability

| | Services for all customers | | | Exclusively for premium clients |
|---|---|---|---|---|
| | **Mobile / Online** | **Advisory center** | **Advisory points** | **Premium branch** |
| | **"Mobile First" for all requests** | **24/7 Remote advice** | **Quick advice & self-service** | **Best-in-Class branches for premium clients** |
| |  |  |  |  |
| | Self-service process | Share of customers | # of advisory points | # of branches |
| current → 2024 | ~10% → ~90% | ~25% → ~90% | ~1,000 → ~450 (thereof) | ~220 → ~220 |
| | All service requests and sales transactions with **outstanding customer experience** | Remote advisory **by highly qualified experts** | **Easy and quick advisory & sales** for non-complex products **without appointment** | **Multiple award-winning advisory** and highly qualified specialists |
| | Cost-to-Serve ↘ | | | Revenue ↗ |

# 1 Closure of >50% of branches by end of 2022




### Achievement 2020

- ~**200 branches remain closed** (closing Corona-related)

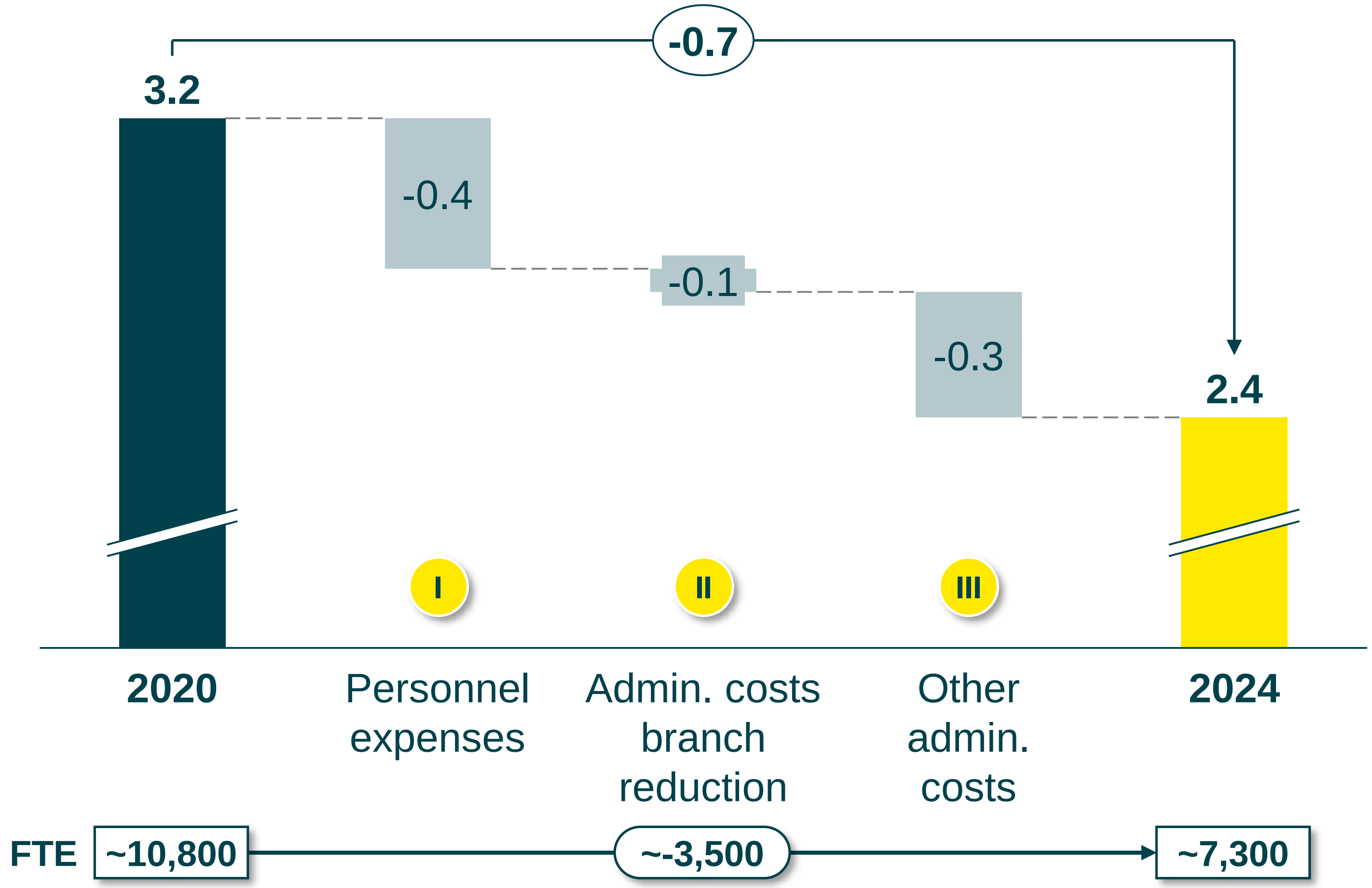
### Transformation & optimisation 2021-2022

- ~**450 advisory points**, thereof **~220 branches** for **premium clients**
- **Advisory points** are key mitigant **for churn**
- **Permanent review** of number of **advisory points**
- **~€45m costs** for **renovation** and **optimisation** of **branch network**

# €0.7bn cost savings by 2024

## Costs PSBC Germany excl. mBank[1]

(€bn, incl. €0.2bn reduction of back-office cost allocations)




**I** **Net reduction of ~3,500 FTE**
due to significant reduction of branches as well as modified sales model & synergies from comdirect integration

**II** **Closing of net ~550 branches**
due to expansion in direct customer care

**III** **Savings of administrative costs**
e.g. IT-costs, marketing expenses, postal charges and other optimisation

1) Differences due to rounding

# 2 Leverage comdirect across the entire franchise

**THE BEST BANK**

**Provide excellent customer experiences with strong direct banking capability**

- Excellent digital products and processes offered to 11 million customers
- comdirect catalyst to extend digital product range significantly faster
- Highly above-average share of wealthy and highly digital affine clients
- Unique expertise throughout the entire securities and brokerage value chain
- Earnings potential from diverting customers from deposits to securities

# 3 Focus on growth with premium clients

## Market growth of wealthy households

CAGR 2020-2024

**+2%**
Premium Clients

- Active approach to **develop existing clients into premium clients**
- **Market penetration** through modified sales model

## Increase high-margin assets

CAGR 2020-2024

**+10%**
Loans to Business Clients

**+10%**
Securities Business

- Increased use of **analytics & big data**
- Acquisition of **assets from wealthy and business clients**

## Unique client proposition

- Investment in marketing activities to **promote unique client proposition for private and business clients**

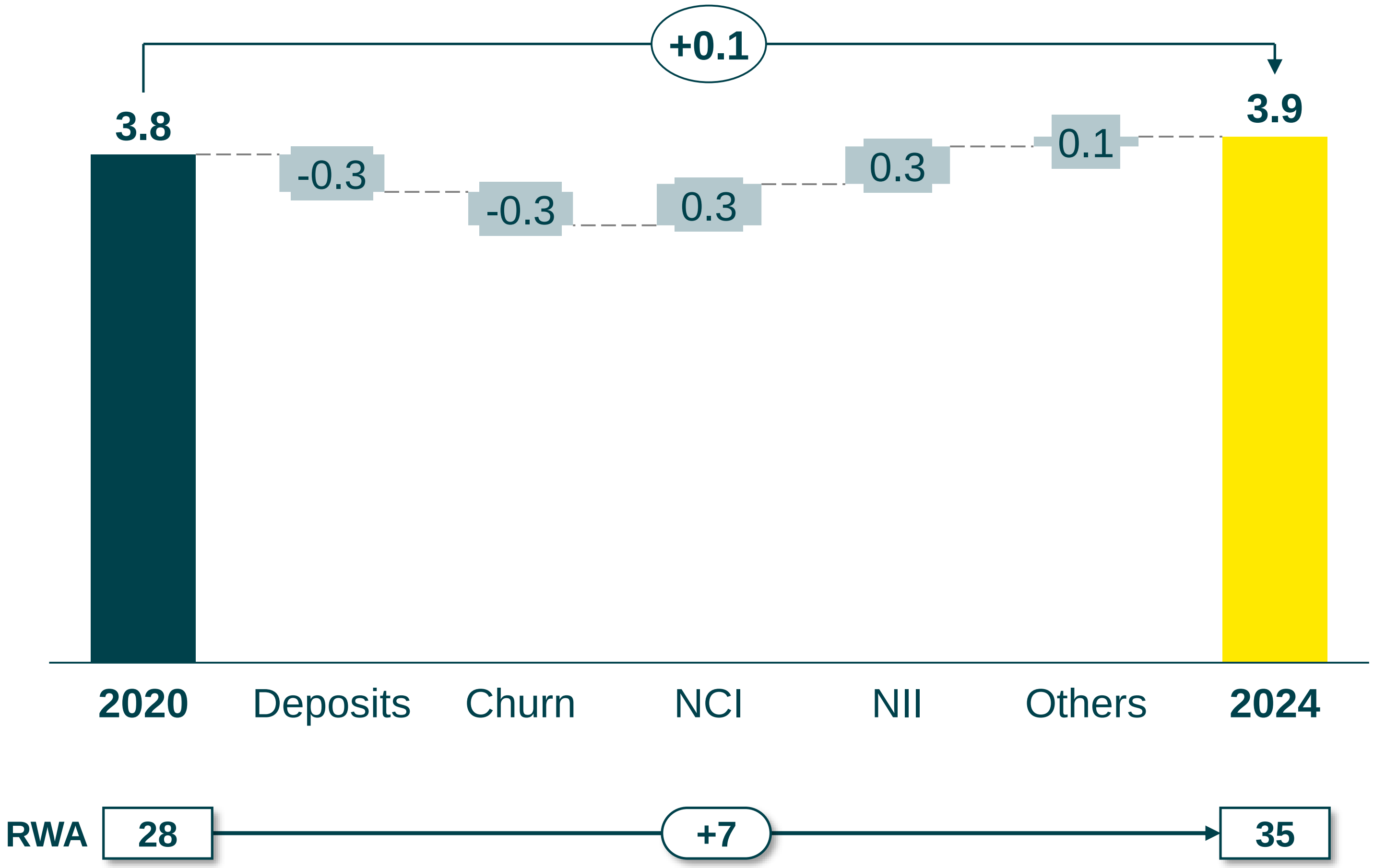
# 4 Comprehensive set of measures to limit churn

| Losing customer relationships and related income… | …will be limited by data-driven customer communication |
| --- | --- |
| … **due to modified sales model** based on proximity, branch use, advisory needs and digital skills | • **Individual support** including fast lane hotline<br>• **Promotion** of **digital offering** with active support at **advisory points**<br>• Active communication of **third party cash supply**<br>• Use of **early warning indicators** based on **data driven analysis** |
| **… due to changes in pricing model** | • **More customisable** and **flexible product range**<br>• **Communicative support** via **all channels**<br>• **Specific treatment** for customers affected by **combined effects** |

**Estimated total transformation churn effect: ~€0.3bn revenues**

# Only limited net revenue growth assumed

## Revenues PSBC Germany excl. mBank
(€bn)




### Net commission income

- **Securities business** benefits from comdirect's brokerage expertise and positive market outlook
- **Payment business** with modular pricing

### Net interest income (loan business)

- **Consumer loans** expand through more third-party sales
- **Mortgage finance** growth in premium segment in particular
- **Individual loans** with focus on premium Small Business Customers

# Improve CIR from 85% to 62%

**2024 excl. mBank**

| €3.9bn | €2.4bn | €35bn | 7.3k | 62% | ~31% |
|---|---|---|---|---|---|
| Revenues | Costs | RWA | FTE | CIR | RoCET before tax |

**Difference to 2020**

| Revenues | Costs | RWA | FTE | CIR | RoCET before tax |
|---|---|---|---|---|---|
| +€0.1bn | -€0.7bn | +€7bn | -3.5k | -23pp | +23pp |

# Strict execution: progress will be visible every year

## 2021

- **Start remote advice pilot** for private customers
- **~200 branches** permanently closed
- Further development of mobile / online channels in direction of **direct banking capability**
- Start exclusive **fast lane for premium clients**

## 2022 & 2023

- Additional **~150 branches closed**
- Final completion remote **advisory center**
- **Mobile / online** offers fully digitised – direct banking capability achieved
- Final completion **comdirect integration**

## 2024

- **New sales model fully in place**
- **Active digital banking users**: 73% (+7pp vs. 2020)
- **Loan and securities volumes (GER)**: >€390bn (+€100bn vs. 2020)
- **Mobile / online channels** as well as self-service fully established

# Operations & Head Office

Jörg Hessenmüller
Chief Operating Officer

# New delivery model with more potential to be lifted

## STRENGTHS

New organisational model introduced (Campus 2.0 / Delivery Organisation)

Already significant efficiency gains realised

State-of-the-art platform for compliance and risk management

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## CHALLENGES

Structures and processes in Head Office & Operations not yet comprehensively optimised

Modernisation of IT infrastructure not yet at target level

Still too dependent on expensive external support

# Large efficiency potential but also investment needs

1

## Efficiency

**Efficiency gains and cost reduction**

**€700m**

**cost reductions 2024 vs. 2020**

| | |
|---|---|
| **Head Office** | **Downsizing & adapting functions**, e.g. finance, risk, communications and HR |
| **Operations** | **Consolidating and streamlining processes** including E2E digitisation & automation |
| **Delivery Organisation** | **Increasing efficiency** of **IT run and change** |

2

## Build new bank

**Backbone for new strategy**

**€1.7bn**

**total Change-the-Bank budget 2021-2024**

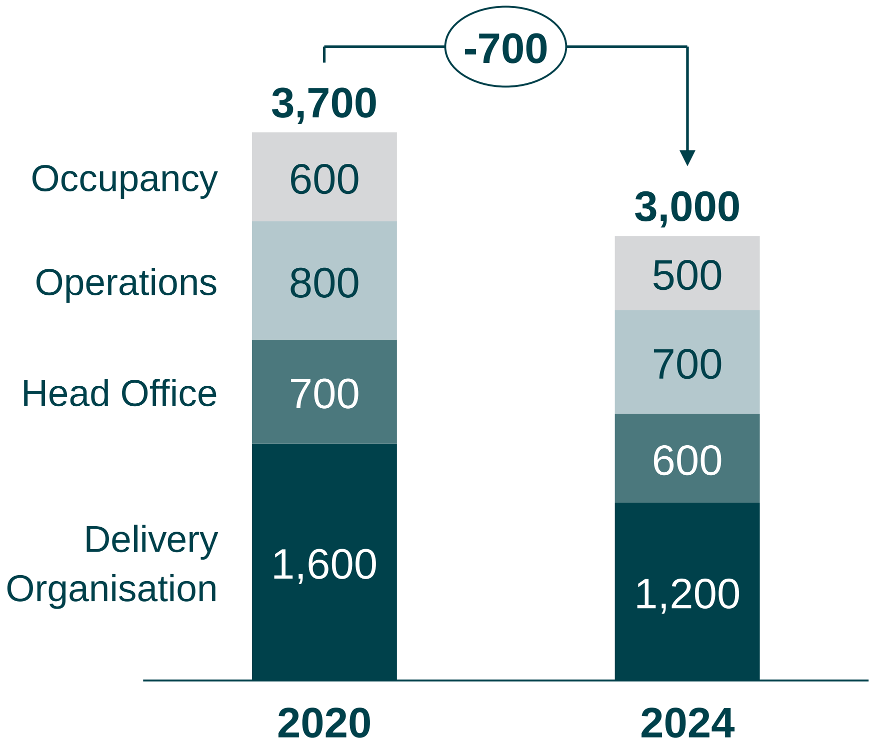
**Delivery Organisation**

- **Transforming** the **business model**
- **Modernising IT platform** and services
- **Providing superior customer experience**

# ~20% cost savings from efficiency gains

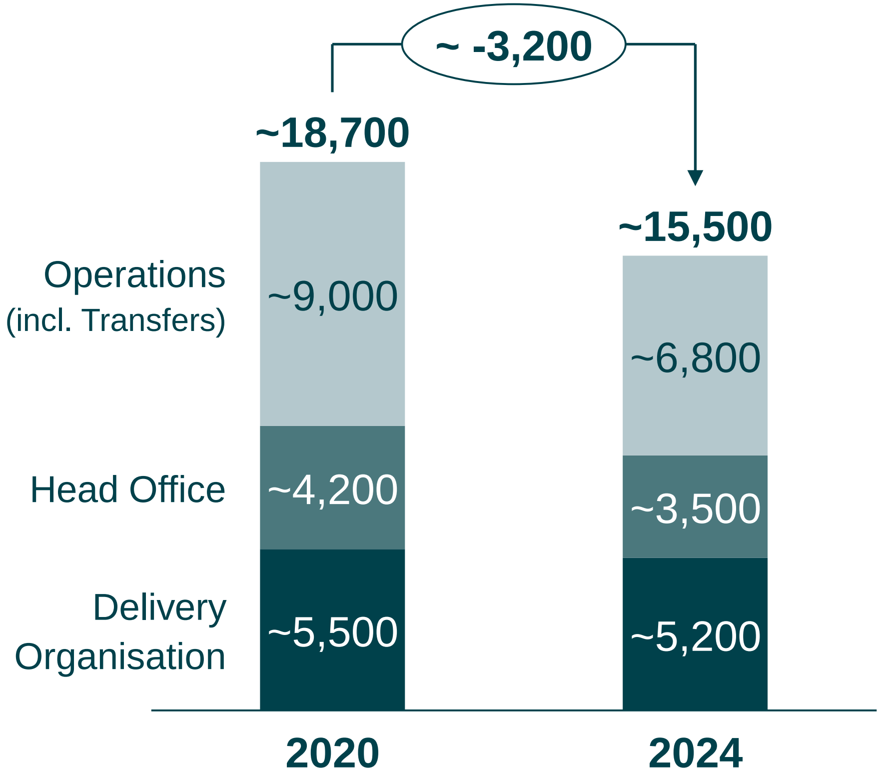
## Direct cost reduction

(€m)




## FTE reduction

(net)



# 1 Efficiency gains of €300m in Operations & Head Office

**€100m**
**occupancy cost reductions**

**€200m**
**cost reduction 2024 vs. 2020**

**~2,900**
**FTE reduction 2021-2024**

- **Downsize head office** to adapt to new business model
- **Transfer administrative processes** from sales to operations achieving more economies of scale
- **Digitise E2E and automate processes**
- **Streamline organisational structure** to reduce complexity
- **Leverage sourcing-potential** to realise further cost synergies
- **Resize domestic** and **foreign branch network** in line with office space reduction plus usage of remote working models

# 1 Delivery Organisation adds €400m to cost savings

**€400m**
**cost reduction 2024 vs. 2020**

**~300**
**FTE reduction 2021-2024**

**~1,300**
**reduction of external staff**

- **Reduce change budget** following successful trans-formation and implementation of **technological enablers**
- **Decrease FTE** at high cost locations **by ~1,000 (-20%)**
- **Increase FTE in nearshore locations by ~700 (+100%)** and **internalise** technology and IT **competencies**
- **Reduce external staff by ~60% (equals ~1,300 FTE)** to lower external dependencies and costs

# 2 Investment of €1.7bn to build new bank

**€1.7bn**
**total Change-the-Bank budget 2021-2024**

**Higher change budget 2021/22 driven by necessary transformation:**

- **Significant investments until 2024**
- **Modernisation of technological basis** and strengthening of capabilities, capacity and stability
- **Decent share of one-off investments** (e.g. comdirect integration) **or permanently change of IT delivery model**
- Close **monitoring of implementation complexity**

**Investment in technological foundation until 2024 leads to lower future development expenses** (esp. API, CI/CD[1], Cloud)

1) CI/CD = Continuous Integration / Continuous Deployment

# 2 Change of Commerzbank’s technological foundation

**Best of two business models** – scalable and efficient platforms and personal offerings

Building of a **primarily digitised business** model E2E in PSBC

Establishing one, uniform European IT platform as an **international house bank** for German Mittelstand

Moving to a much **more digitised CC business model** aligned with current and future customer needs

**Digitisation & smart automation of further mass processes** in operations, risk and other, e.g. KYC efficiencies and smart ratings

Implementation of **tech enablers** like cloud, extension APIs with **high dependence** to other initiatives

*Deep dive*

Implementation of **regulatory requirements**, especially in risk, compliance, and transaction banking

Explore and monetise **new technologies** and **business models**

*Deep dive*

# 2 Implementation of tech enablers key for strategy

## Architectural success components

| | Application infrastructure | Security architecture | Software Deve-lopment process | Architectural coupling | Data architecture |
|---|---|---|---|---|---|
| **As-Is** | • **On Premise-based**<br>• Partly based on **non-standardised, outdated software infrastructure** | • **On Premise** and **Perimeter-focused**<br>• **Expert-driven** security implementation | • **Manually driven** integration, tests and deployments (designed for few releases) | • **Monolithic applications**<br>• **Tightly coupled interfaces** (Point-2-Point connections) | • **Batch-driven** (end-of-day processing)<br>• **Complex & highly interdependent** data provisioning landscape |
| **Target** | • **85% of Apps on cloud technology** (non-mainframe)<br>• Fully based on **standardised, up-to-date software infrastructure** | • **Cloud-** and **Zero-Trust-based**<br>• Increasingly **supported by automated mechanisms** | • **Highly automated** SW integration, tests and deployments (**CI/CD**[1], **built for frequent releases**)<br>• **95% of Apps use CI/CD**[1] **pipeline** | • **Modular applications**<br>• **Loosely coupled interfaces** (e.g. APIs, Apache Kafka) – objective: **300 APIs** available | • **Event-driven** (near-time processing)<br>• **Simplified** data provisioning land-scape with **clear responsibilities** |

1) CI/CD = Continuous Integration / Continuous Deployment

# 2 Targeted innovations as important building block

## Open Banking

**Creation of technological foundations** for participation in Ecosystems and connectivity to external distribution channels

## Distributed Ledger

**Systematic expansion of DLT-based products & services**, esp. in wholesale banking

## Data

**Use of data and artificial intelligence** to continuously optimise customer offering and risk management

## Digital Payments

**Further participation in German #dk and European Payment Initiative** for further development of payment transaction

## Digital Identity

**Research on the DLT-based topic "self-sovereign digital identities"** with BMWi funding (Federal Ministry of Economics)

## Fintechs

Innovation through **strategic cooperation & investments** in technology-driven start-ups

# Ambitious roadmap to achieve objectives by 2024

## 2021

- **Enforce efficiency measures** (paperless bank…) & **FTE reduction**
- Start execution of **organisational target structure** and **scaling nearshoring**
- Create basis for **occupancy cost reduction**

## 2022 & 2023

- Realise additional **sourcing and nearshoring projects**
- Implement **large share of cost savings** in Head Office as well as **occupancy cost reductions**
- **Transform IT architecture**
- Realise **major part** of **efficiency gains / FTE-Savings**

## 2024

- Full impact from **E2E digitisation / process & functional optimisation** realised – net 3,200 FTE reduced
- **Internal IT nearshoring capacity** increased to **26%**, **external staff reduced** by **~1,300**
- **Maximised space compression** (savings of ~€100m achieved)
- **IT Transformation goals achieved** (300 APIs, 85% Apps on cloud…)

# Group Risk Management

Marcus Chromik
Chief Risk Officer

# Strong risk profile

## German economy strongest in EU

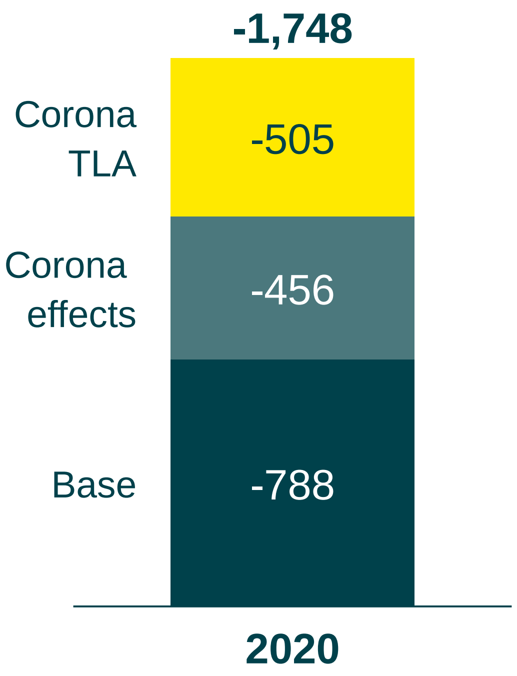
- **AAA** rated by rating agencies
- Unemployment rate of **4.7%** vs. 7.5% EU average
- Low national debt ratio of **70.0%** vs 93.9% EU average
- German **residential properties** with strong development since financial crisis
- GDP shows Germany's **stronger resilience** to **Corona pandemic**

## Commerzbank with resilient loan book

- Operating mainly in **attractive German economy**
- Focus on **stable client segments** with **low risks**, resulting in **fortress balance sheet**
- **NPE ratio of 1.0%** – significant **better than average** of European banks
- Internal ratings show **~85%** of exposure to **investment grade clients**
- **~75%** of loan book **allocated in core Europe**

# Well prepared for 2021 due to TLA booking in 2020

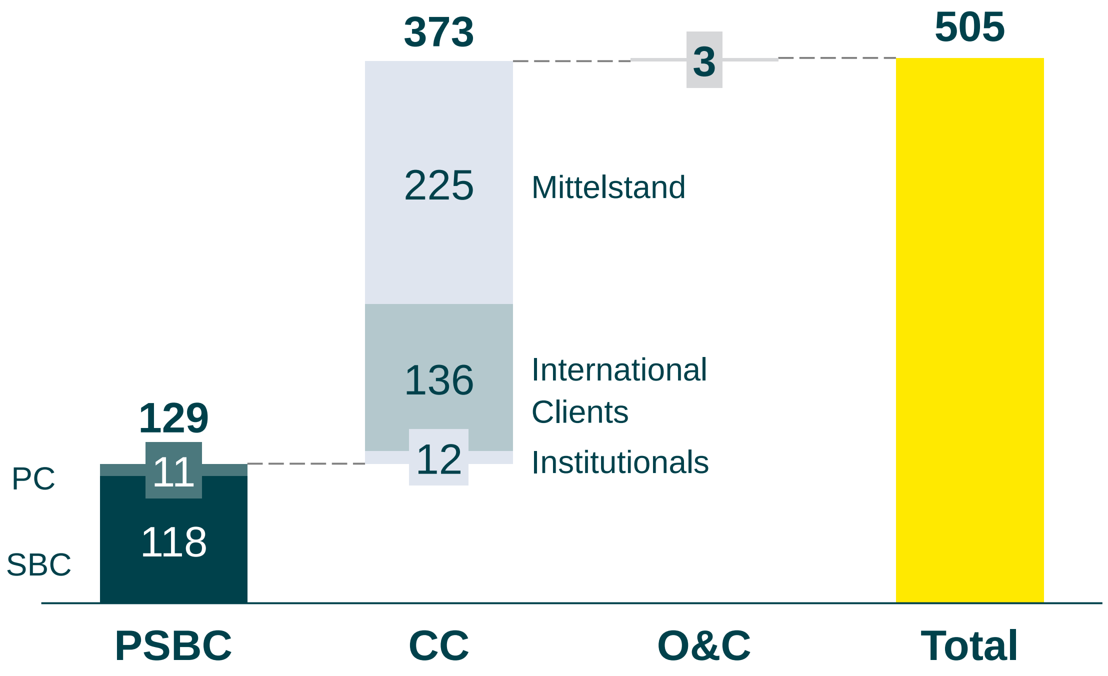
## Risk result
(€m)




- **Overall TLA increased** to **-€505m** to cover **expected impacts** considering forward looking information
- TLA is based on **in-depth portfolio analysis** considering **ECB's December scenario** which assumes a **3% increase** in German GDP in 2021
- Expected **increase in insolvencies** due to 2nd lockdown and **discontinuation of the obligation to file for insolvency**

# Limited exposure to affected sectors – covered by TLA

## Top Level Adjustment
(€m)




**Travel**
0.9% of EaD

- Tour operators and hotels severely affected by Corona crisis
- Due to shutdown of airlines / airports suppliers will also be severely affected
- Cruise ship financings mostly ECA covered

**Retail**
1.6% of EaD

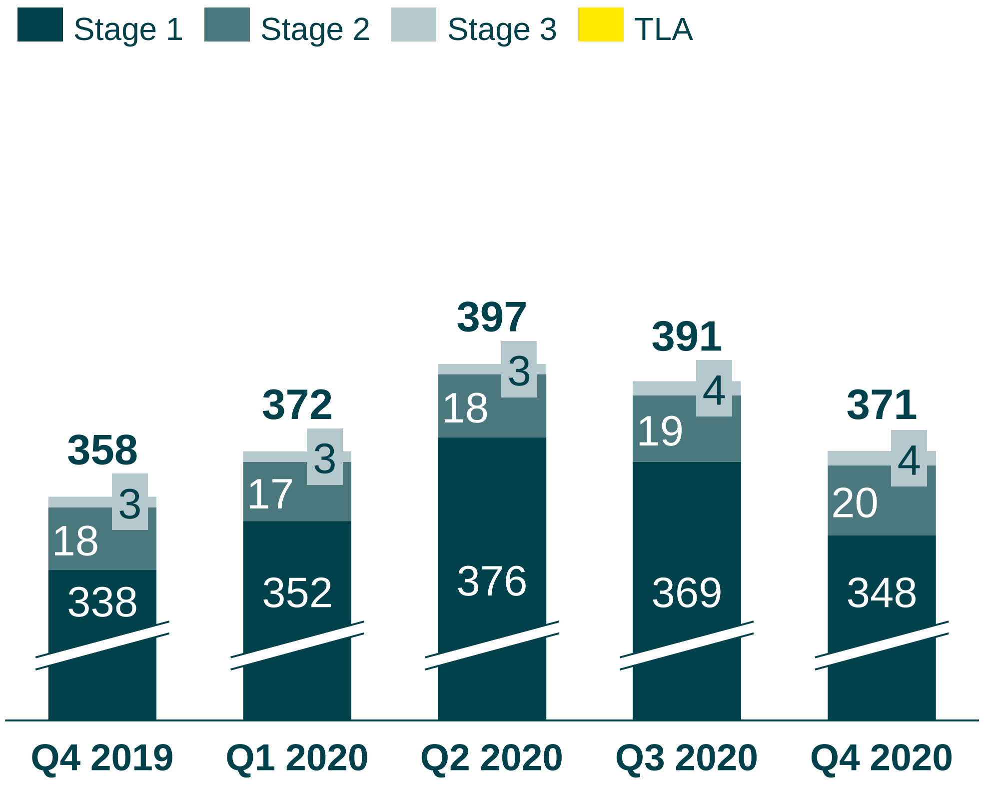
- Overall stable sector with profiteers and losers
- Food retailing and mail ordering benefit from the crises
- Stationary sales (especially textile industry and furniture specialists) are facing losses

**Automotive / Mechanical Engineering**
4.4% of EaD

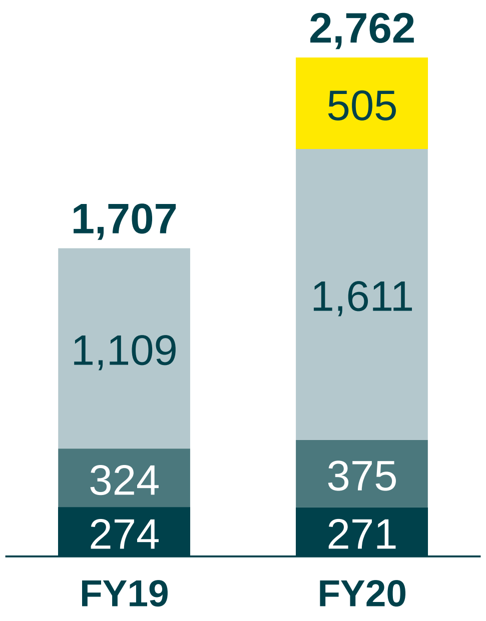
- Automotive: affected by general drop in demand, recovery to pre-crisis level not before 2023 expected
- Automotive supplier: smaller suppliers more affected due to lower capitalisation / substance
- Mechanical Engineering: outlook for top clients predominantly positive, larger challenges expected for smaller clients

# Limited stage migration throughout 2020

## Exposure
(€m, excl. mBank)



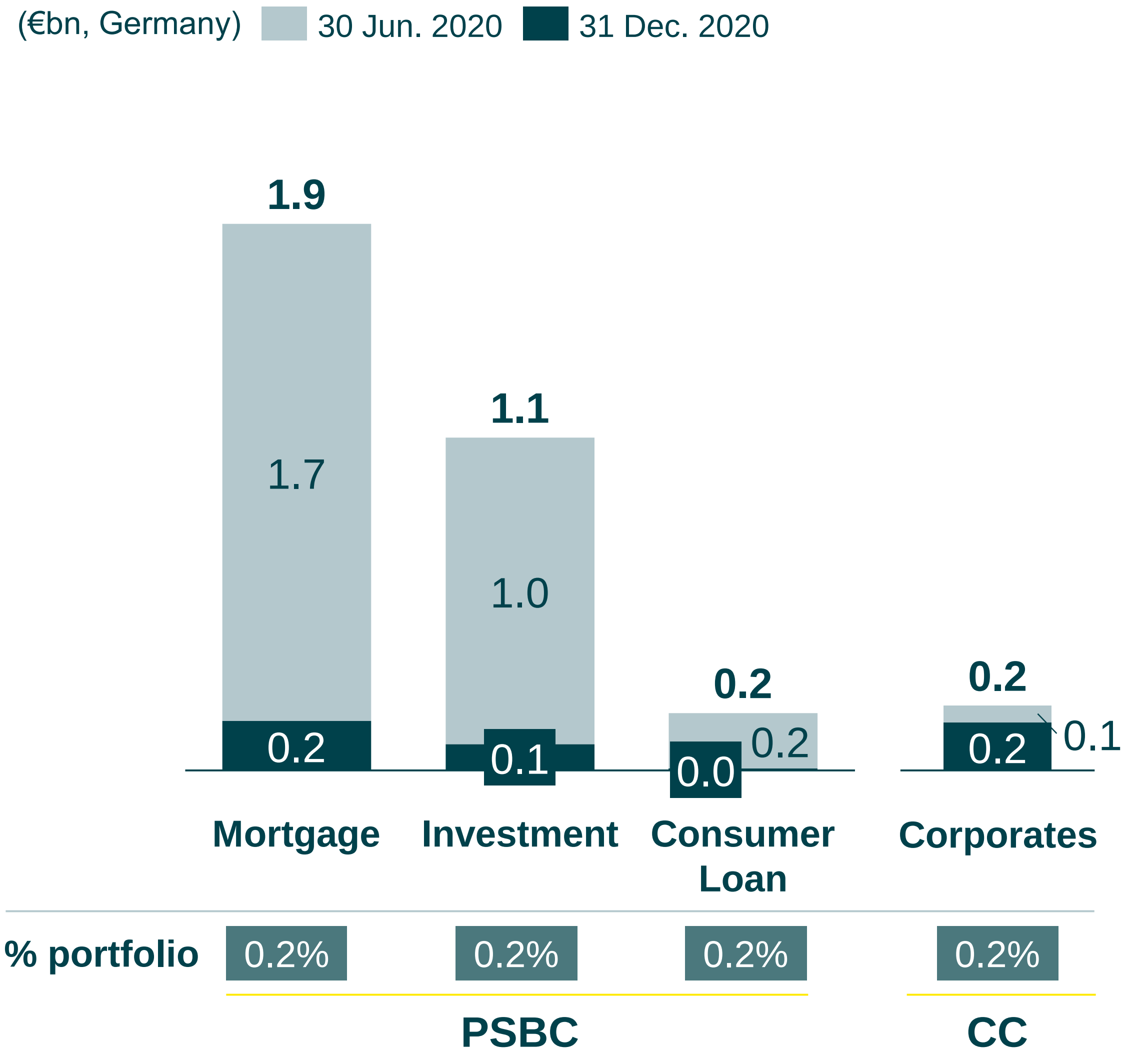

## Risk provisions
(€m, excl. mBank)




- **TLA** will cover **Corona related stage migrations** which are **anticipated today** and will **materialise in 2021**
- **Increased risk provisions** in **stage 3 driven** by a **large single case** and a **few Corona-related defaults**
- **From 2022 onwards** we expect a **normalisation**

# No significant impact of deferrals

**Loan deferrals since start of crisis until 31 Dec.**
(€bn, Germany)

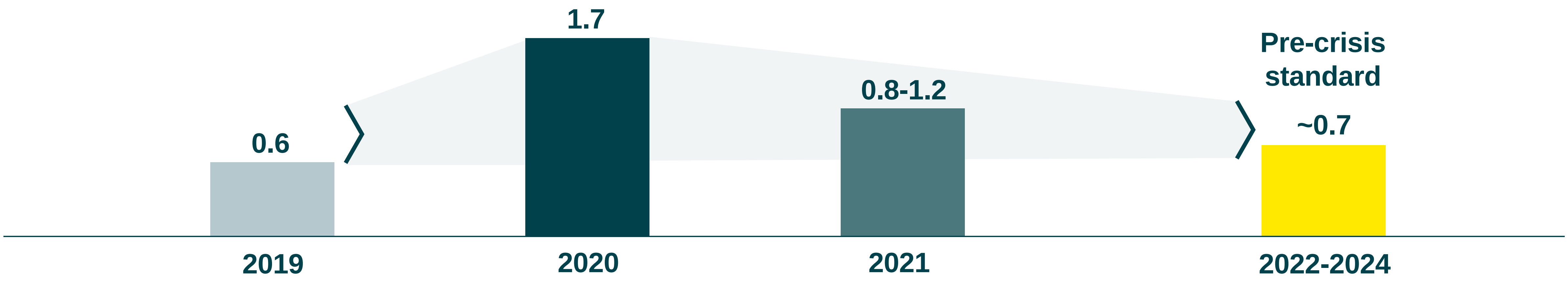



- Represents **<1%** of **Group loan portfolio**
- **Marginal impact** on our private clients loan portfolio – reflects **robust credit quality**
- Most deferrals ended as scheduled in Q3 – **more than 97%** of customers have so far resumed their payments
- Until now **limited negative effect** from 2nd lockdown and **reinstatement of insolvency law – still exemptions to insolvency law** for **companies receiving direct Corona state aid**

# Risk result expected at normalised levels from 2022

## Risk result 2019-2024

(€bn, CoRL in bps)




| | 2019 | 2020 | 2021 | 2022-2024 |
|---|---|---|---|---|
| | Low level, first signs of economic slowdown | Corona effects: -€940m in 2020 | Still Corona effects | Normalised levels |
| **CoRL:** | **24bps** | **68bps** | **30-45bps** | **~25bps** |

# Financials

Bettina Orlopp
Chief Financial Officer

# Targets 2024 based on prudent assumptions

## Economic scenario

| Unchanged Euro interest rate environment in planning period | Economic recovery in 2021<br><br>Post pandemic normalisation of economic and regulatory environment | COVID-19 accelerated adoption of digital banking<br><br>Persistent competitive pressure in German banking market |
|---|---|---|

**€1.4bn**
Cost reductions

**~10,000**
Gross FTE reduction

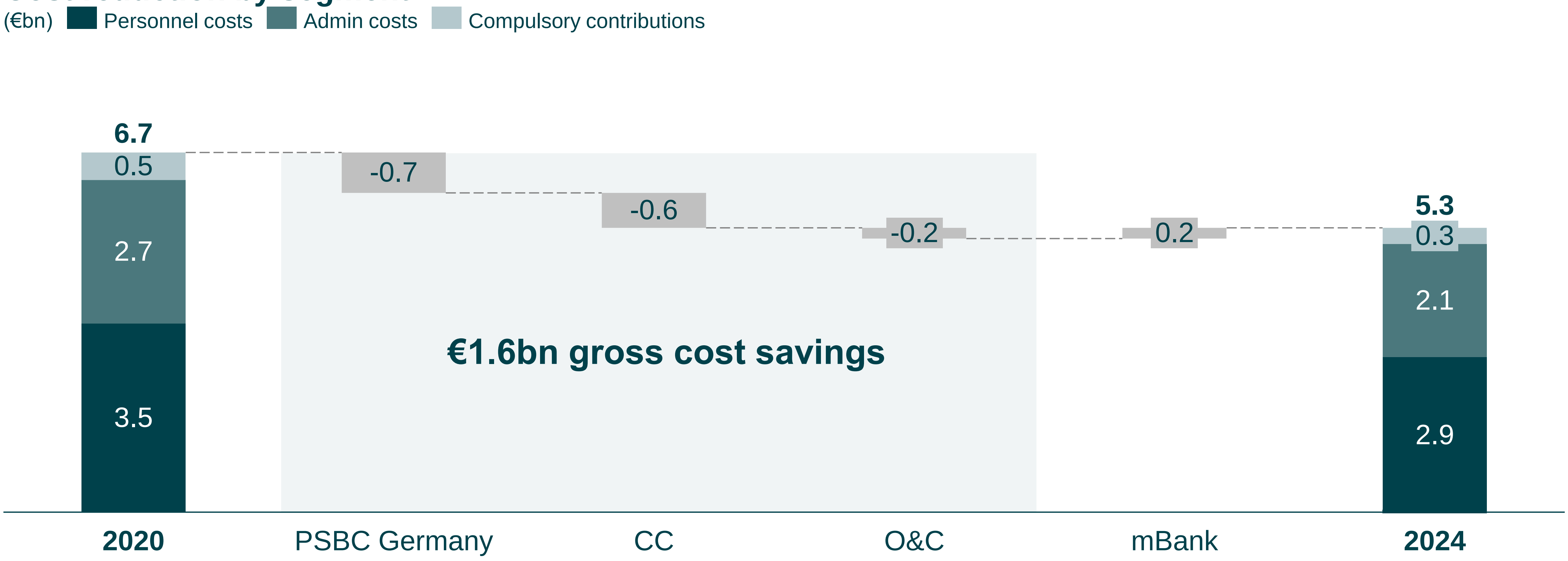
**~7%**
Group RoTE

up to **€3bn**
Potential for capital return[1]

1) See capital sensitivity study in CFO section, share buy backs are subject to receiving the prior permission of the ECB

# €1.4bn net cost savings identified and validated

## Cost reduction by segment[1]




1) Differences due to rounding

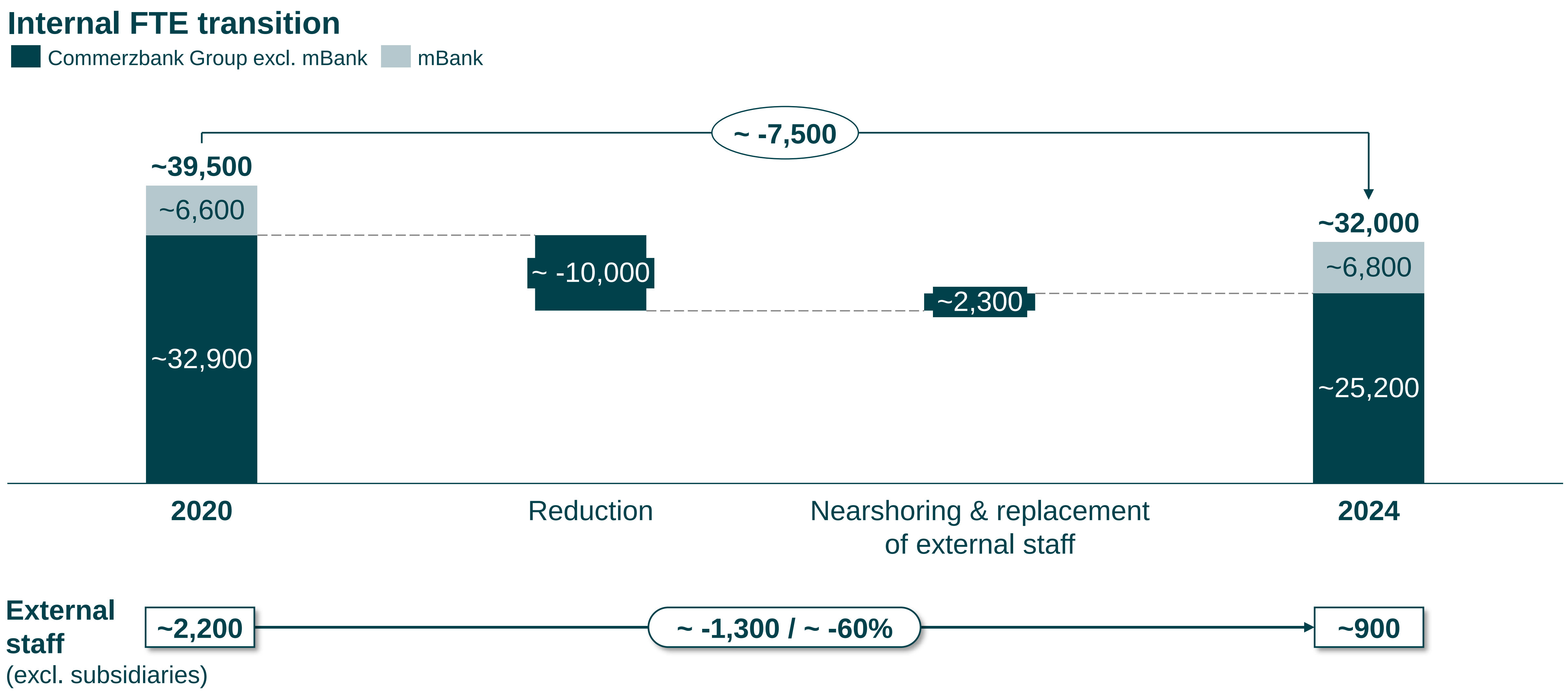
# Every year lower cost – more than ⅓ of savings by 2022

## Costs incl. compulsory contributions

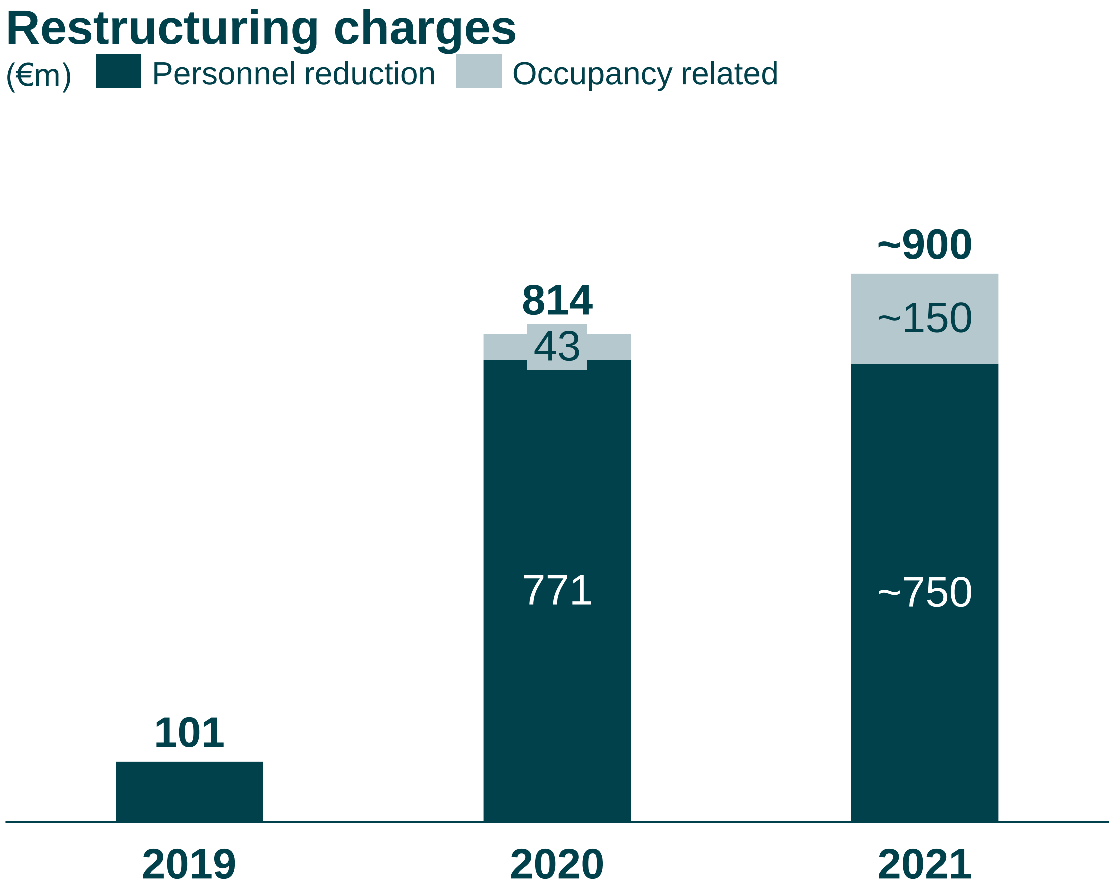
(€bn) Change-the-Bank IT cash spent


**Increased IT investments in 2021/2022 for transformation**

# Gross FTE reduction of ~30% outside mBank



# €1.8bn restructuring charges booked until 2021




- Booking of all **restructuring charges** will be **completed by end of 2021**
- **€1.6bn** restructuring charges for **gross reduction of ~10,000 FTE vs. 2020**
- **€0.2bn real estate related restructuring charges** for reduction of branch network, foreign locations and reduced central functions

# Moderate revenue growth

## Revenues 2020 vs. 2024 incl. mBank


### Drivers NII

- − Drag from rates and customer churn
- + Loan growth PSBC
- + Margin management

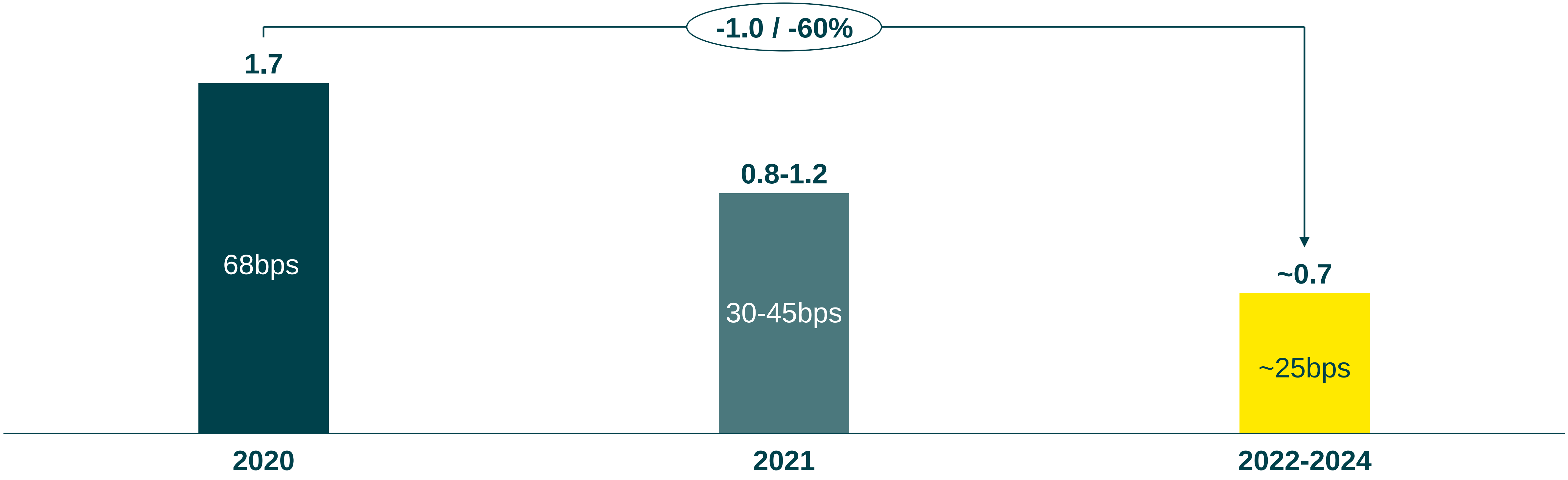
### Drivers NCI

- + Additional business with core clients in PSBC & CC
- + Growth of securities business in PSBC
- + Targeted pricing measures

# Recovery of risk result until 2022

## Risk result 2020-2024

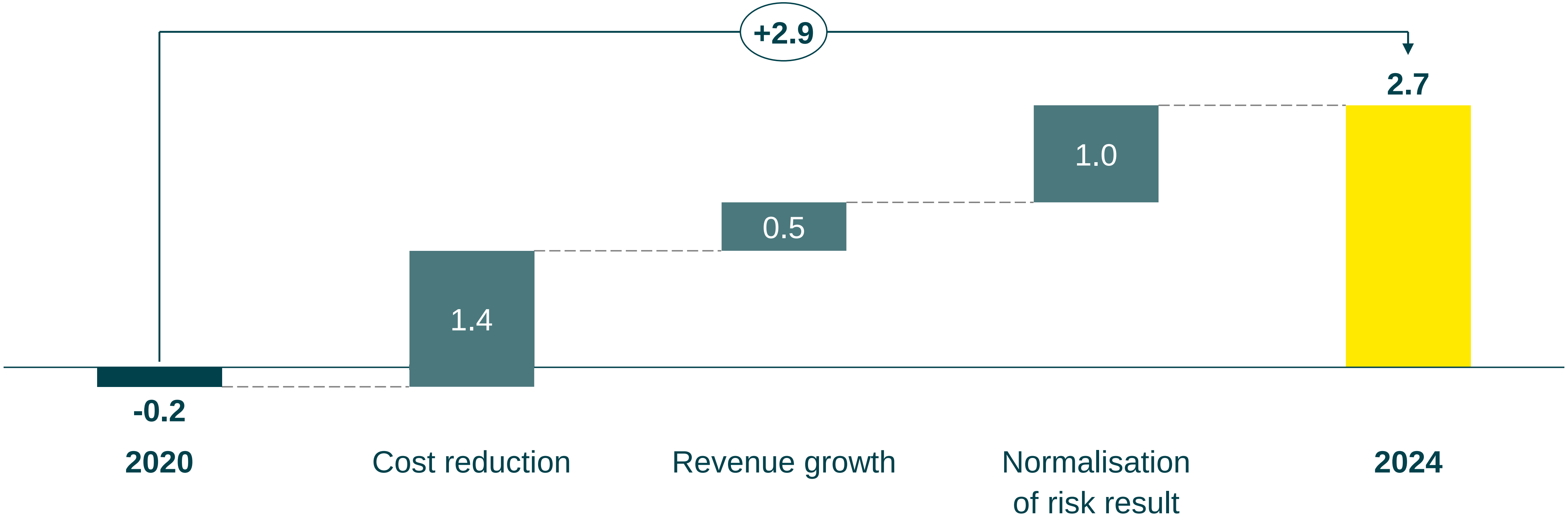
(€bn, CoRL in bps)



# Clear turnaround visible in targets

## Transition of operating result

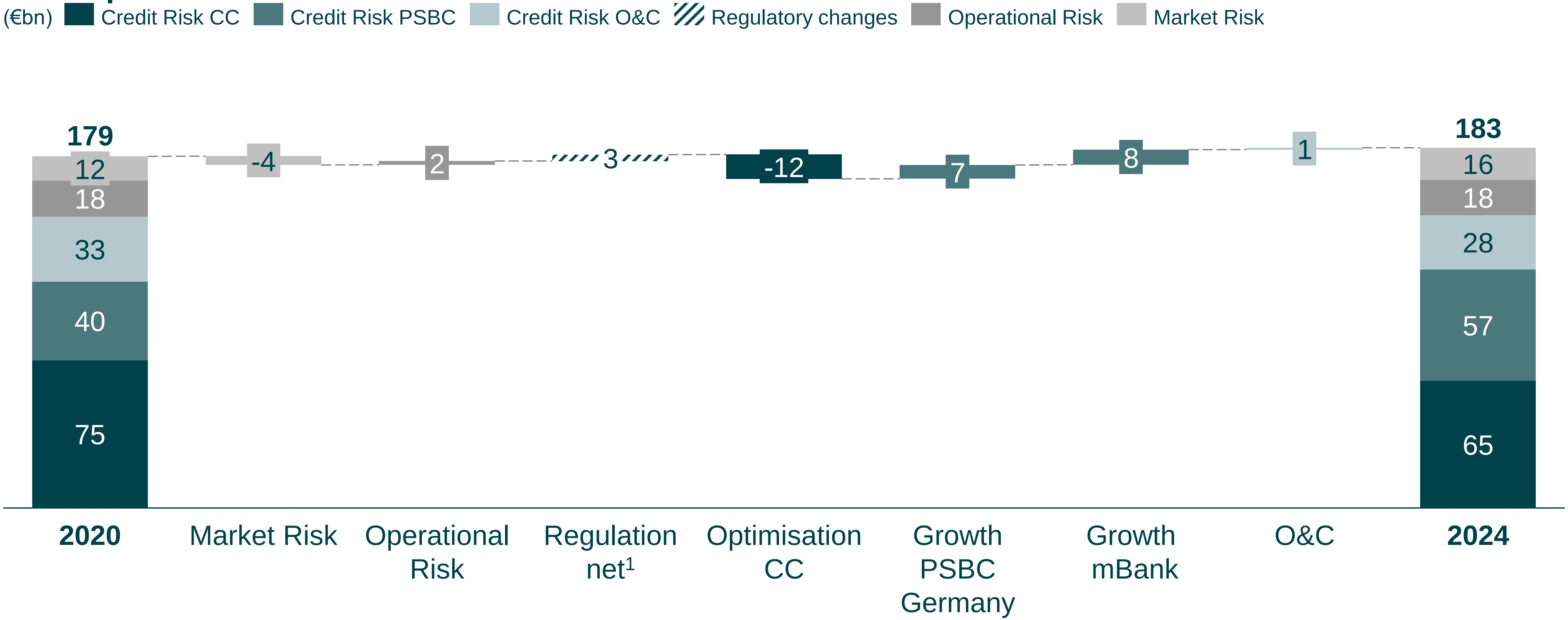
(€bn)




| | 2020 | 2024 |
|---|---|---|
| **CIR** (%, incl. compulsory contributions) | 82 | 61 |
| **Net RoTE** (%, w/o capital mgmt.) | -11.7 | ~7 |

# RWA reallocation to increase profitability

## Development of RWA 2020 vs. 2024

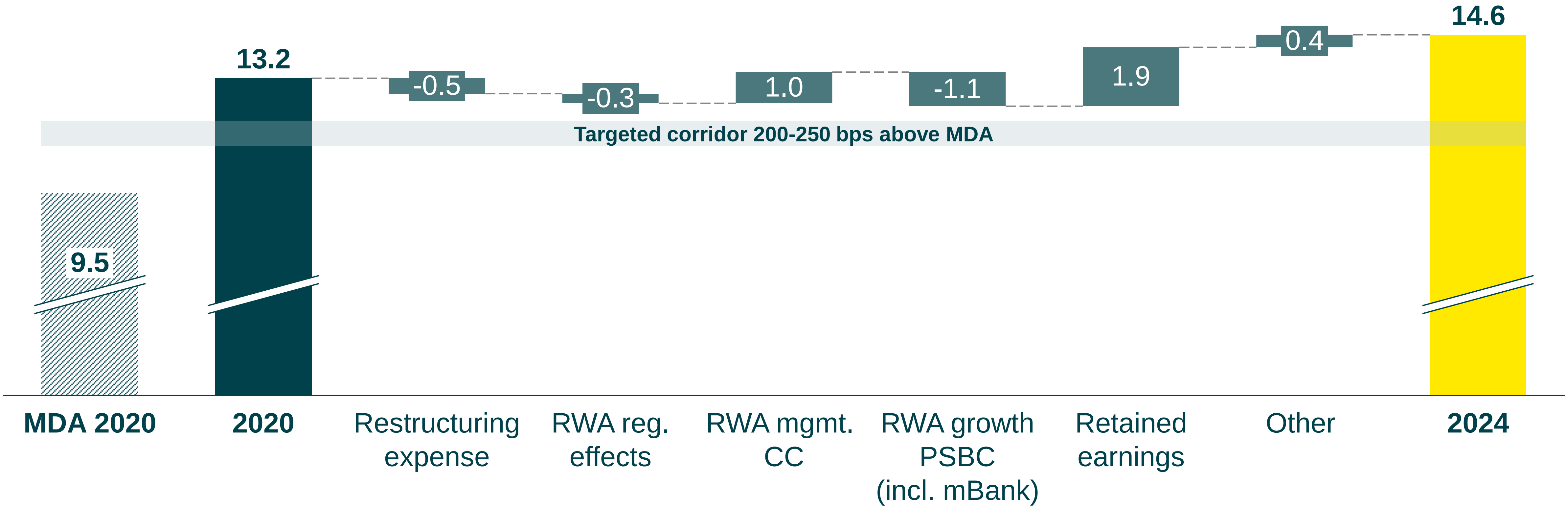



Differences due to rounding 1) Regulation net: ~ €8bn Market Risk, ~ -€2bn Operational Risk, ~ €2bn Credit Risk CC, ~ €1bn Credit Risk PSBC, ~ -€6bn Credit Risk O&C

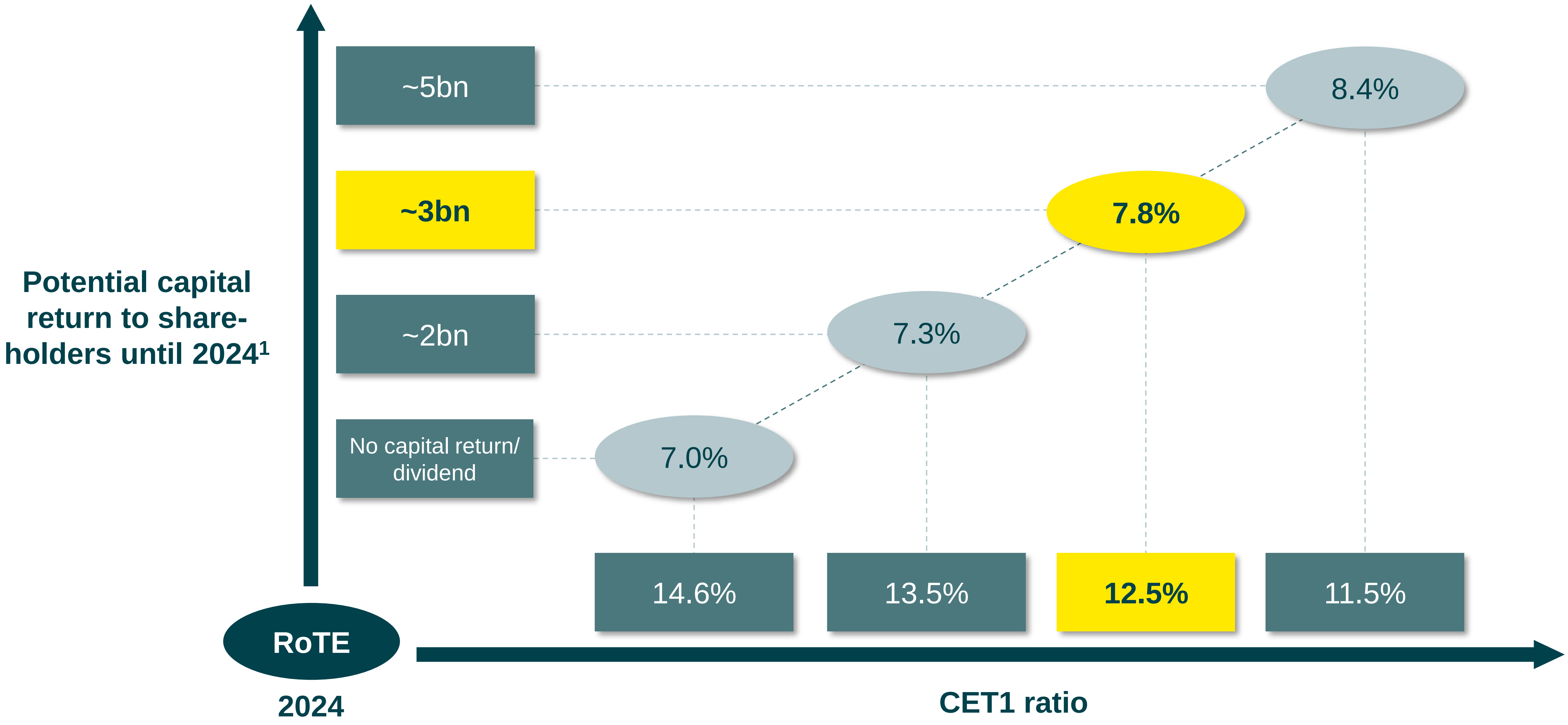
# Resulting CET1 ratio far above MDA

## Development of CET1 ratio 2020 vs. 2024

(%)



# Significant potential for capital return




1) Share buy backs are subject to receiving the prior permission of the ECB

# Transformation Management

Manfred Knof
Chief Executive Officer

# Clear governance for strict execution


## Rigorous strategy steering through:

- Bi-weekly **Strategy SteerCo** with full board participation
- Dedicated **cost reduction tracking committee** led by CFO
- **Performance dialogue** on revenues and RWA efficiency

# Create a new performance culture

Transformation management led by CEO

# Fast implementation of FTE reduction program

## Timeline

- **April / May 2021**
  Negotiation of framework agreement until AGM
- **YE 2021**
  Closing of agreement with workers' council
- **YE 2023**
  Execution of >80% of FTE reductions
- **YE 2024**
  ✓ Full execution of FTE reductions and full realisation of cost effects

## Guidelines

- **Fair treatment** of affected staff
- **Voluntary leave programs** as basis for **socially responsible** reduction program
- **Setup of qualification company** and **validation of compulsory redundancies as ultima ratio planned**

# Operational KPIs 2024 underline transformation progress

| Private & Small Business Customers | Corporate Clients | Operations & Head Office |
|---|---|---|
| **~450** (~-350) domestic locations | **15** intl. locations exited[2] | **26%** (+12pp) of IT capacity in nearshoring locations |
| **~73%** (+7pp) active digital banking users | **100%** digital banking users activated | **85%** (+53pp) decentralised applications on cloud technology |
| **>€390bn** (+100bn) loan and securities volumes (Germany) | **22%** (-12pp) of risk exposure with RWA efficiency <3%[3] | **~1,300** external staff reduced |
| **~3,200** net FTE reduced[1] | **~900** net FTE reduced | **~3,400** net FTE reduced[4] |

( ) indicates difference to 2020

1) Adjusted by mBank FTE increase (differences due to rounding) 2) Closure and sale of branches, subsidiaries and representative offices; subject to regulator 3) Operational RWA 12 months average 4) Incl. 200 FTE reductions in O&C

# Significant delivery already visible in 2021

| Private & Small Business Customers | Corporate Clients | Operations & Head Office |
|---|---|---|
| **~600** (~-200) domestic locations | **3** intl. locations exited[2] | **20%** (+6pp) of IT capacity in nearshoring locations |
| **~67%** (+1pp) active digital banking users | **10%** digital banking users activated | **50%** (+18pp) decentralised applications on cloud technology |
| **>€310bn** (+20bn) loan and securities volumes (Germany) | **32%** (-2pp) of risk exposure with RWA efficiency <3%[3] | *Reduction of external staff to start in 2022 due to CtB initiatives* |
| **~1,100** net FTE reduced[1] | **~300** net FTE reduced | **~100** net FTE reduced |

( ) indicates difference to 2020

1) Adjusted by mBank FTE increase (differences due to rounding) 2) Closure and sale of branches, subsidiaries and representative offices; subject to regulator 3) Operational RWA 12 months average

# Three major key takeaways of our new strategy

COMMERZBANK

1 **Clear and ambitious plan** with **full commitment** to related targets

2 Complete focus on **customers**, **digitalisation**, **sustainability** and **profitability**

3 **Disciplined execution** and **delivery in every single year**

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**Financial calendar 2021**

| Date | Event |
|---|---|
| **5 May** | Annual General Meeting |
| **12 May** | Q1 2021 results |
| **4 August** | Q2 2021 results |
| **4 November** | Q3 2021 results |

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