



# Group Strategy

Investors' Day 2012

# Integration of Dresdner Bank significantly increased market coverage and revenue potential for Commerzbank



Commerzbank unique strategic position:  
“Serving our customers and financing the real economy”



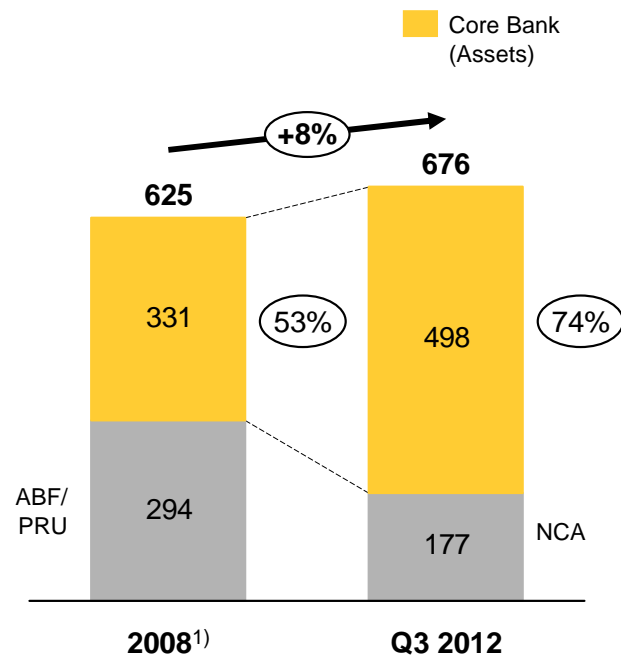
Dresdner Bank acquisition:  
“Seizing the unique consolidation opportunity”



Significant increase in market coverage and revenue potential

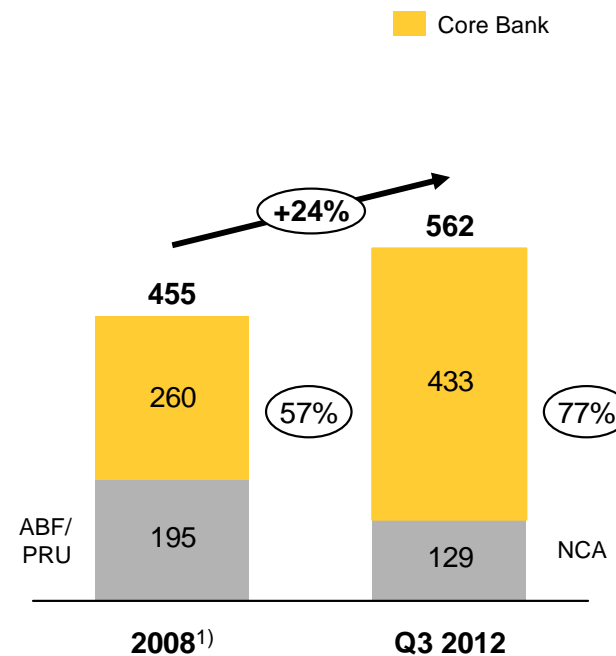
# Commerzbank is more resilient than before Dresdner Bank acquisition

**Balance sheet total**  
€bn



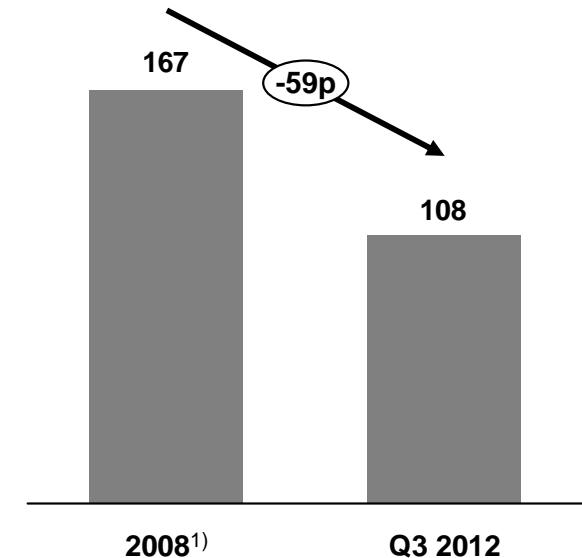
› Focus on Core Bank activities and reduction of ABF and PRU

**Client volume**  
€bn



› Strong increase in customer business mainly in MSB and PC



**Loan to deposit ratio**  
%



› Improvement of funding by deposits

1) Commerzbank stand-alone figures; segmental structure as at year-end 2009.

# Significant strategic milestones of Roadmap 2012 achieved

	Roadmap 2012	Status Quo
FOCUS	<ul style="list-style-type: none"> <li>› Establishment of a "client-centric bank" with profitable core business areas</li> <li>› Substantial downsizing of investment banking and enhanced client-orientation</li> </ul>	<ul style="list-style-type: none"> <li>› Disposal of non-strategic subsidiaries, e.g. Kleinwort Benson Private Bank Ltd, Bankhaus Reuschel &amp; Co. KG, Dresdner Van Moer Courtens</li> <li>› Market VaR decreased to only 1/3</li> </ul>
		
OPTIMIZATION	<ul style="list-style-type: none"> <li>› Redimensioning asset-based credit business</li> <li>› Realignment of Eurohypo</li> </ul>	<ul style="list-style-type: none"> <li>› Reduction of PF portfolio by 49% to €80bn<sup>1)</sup></li> <li>› Reduction of CRE portfolio by 44% to €49bn<sup>1)</sup></li> <li>› <b>New:</b> decision taken to run down CRE and Ship Finance completely and separate all assets in new segment NCA</li> </ul>
		
DOWNSIZING	<ul style="list-style-type: none"> <li>› Value maximisation by active management of downsize-portfolios</li> </ul>	<ul style="list-style-type: none"> <li>› Reduction of PRU net assets by 75%</li> <li>› Remaining assets integrated into C&amp;M and NCA segments in 2012</li> </ul>
		

1) Exposure at Default.

# Commerzbank today: a competent partner for private and corporate customers with a strong core franchise

## Private Customers

- › ~11 million customers, thereof 7.8 million in the retail network
- › 1,200 branches in Germany
- › No. 1 online broker (comdirect)
- › Leading position in wealth management

## Mittelstandsbank

- › House bank of German Mittelstand with market coverage >30% of German SME and >90% of German large corporates
- › Leading position in cash & trade services
- › No. 1 in documentary credit business and No. 3 in commercial euro payments in Western Europe and North America



## Corporates & Markets

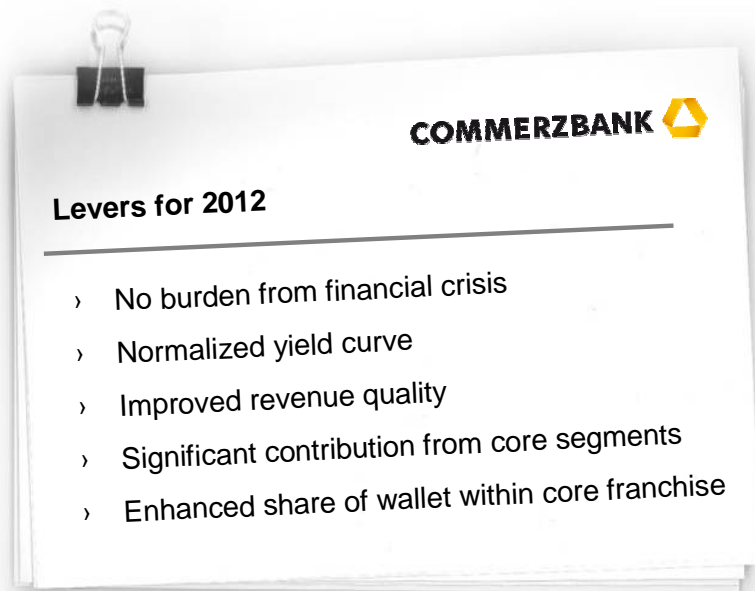
- › Prudent and client centric business model since 2004
- › Leading in European securitized products, German DCM loans & bonds and equity brokerage & international risk management solutions

## Central & Eastern Europe

- › No. 3 bank in Poland (BRE Bank) with 4 million customers
- › Strong brand in retail business with mBank in Poland, Czech Republic and Slovakia

# As the macroeconomic environment has changed dramatically since 2009, Commerzbank could not achieve the revenue targets

## Growth assumptions Investors' Day 2009

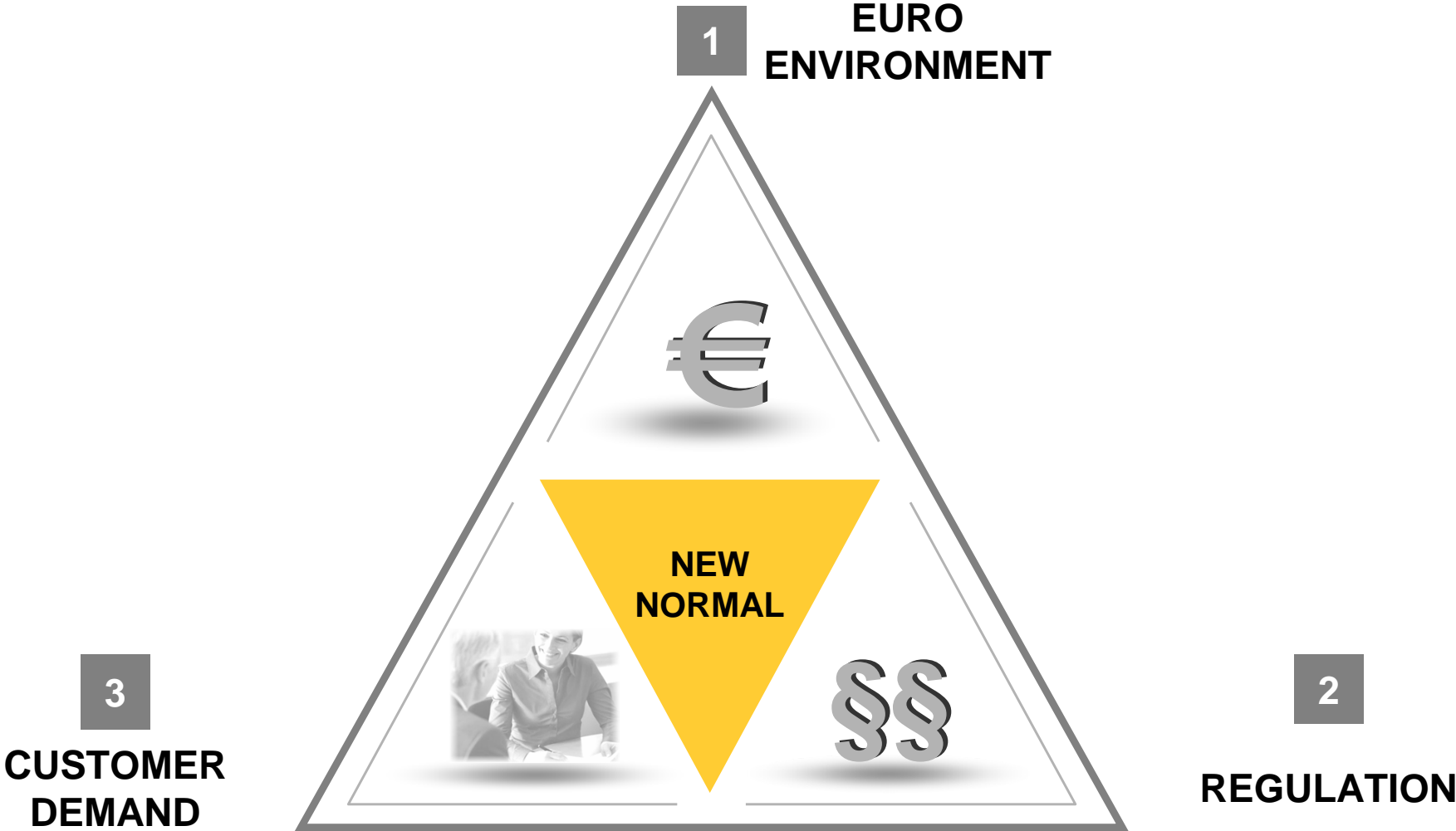


## Previous targeted KPIs

Group €bn	Target 2012	Status
RWA	290	✓✓
Revenues	13.8	—
LLP	2.0	✓
Op. costs	7.7	✓✓
CIR	<60%	—

**Cost measures could not fully compensate revenue decline**

Since conditions will remain challenging Commerzbank will have to adjust to the “New Normal”



# Euro environment: significantly reduced risk of euro break-up, but in the short-term volatile macroeconomic environment will persist

## Euro environment

- › Confirmation of ESM by the Bundesverfassungsgericht
- › ECB measures have reduced risk of euro break-up significantly
- › Still, uncertainty in Eurozone remains accompanied by high volatility
- › Inflation risk in medium term



## Management actions taken ...

- › (G)IIPS Sovereign exposure reduced by 39% since 2009
- › Early termination of payback of LTRO I in Q1 2013 envisaged
- › Hedges on (G)IIPS portfolio closed



## ... but challenges remain

- › Banking market with limited growth potential only
- › Low interest rates environment
- › Commerzbank still with significant (G)IIPS sovereign exposure





# Regulation: persistent tightening – proactive management remains key challenge

## Regulation

- › Further tightening by Basel 2.5 and Basel III
- › EBA-stress test and minimum capital requirement (EBA capital exercise)
- › Penalising of long-term assets regarding liquidity and capital
- › New European Banking Supervisory to be established



## Management actions taken ...



- › EBA requirements significantly overachieved by €2.8bn
- › Strong Core Tier I ratio and strengthening of capital structure
- › Run-down of structured credit (former PRU)

## ... but challenges remain



- › Uncertainty on timing and details on regulation, e.g. ring fencing
- › Increased cost of regulation impacts profits negatively
- › Constraints on business activities decrease revenue potential – mitigating activities still to be further pursued

# Customer demand: cultural change initiated in 2010/2011 – but further steps to be taken

## Customer demand

- › Crisis of confidence in financial institutions
- › Trend to simple and easily understandable products and full transparency
- › Customer preference for “safe haven products”
- › Customer want a modern and flexible multichannel bank



## Management actions taken ...



- › Early establishment of new compensation system
- › Sales targets on customer satisfaction in PC
- › Since 2004 open architecture at funds

## ... but challenges remain



- › Uncertainty on details regarding consumer protection
- › Low risk products/deposits lead to pressure on margins

## New brand promise: “The bank at your side”

### Vision

- › We create a new banking business that combines modern technologies, innovative products and traditional values
- › Our range of products and services is committed to customer needs and customer satisfaction

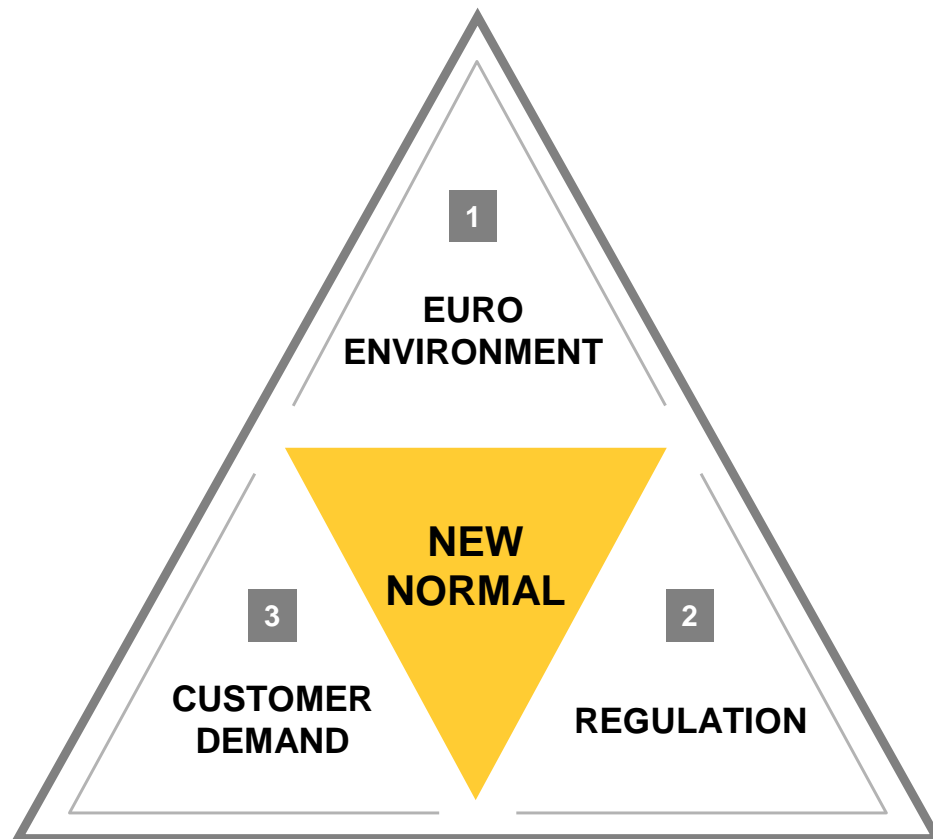
### Brand promise

- › Commerzbank brand stands for fairness and competence
- › The slogan embodies classical values of the bank and benefits from its brand value and brand awareness (used from 1977 till 2002)



# Taking into account the changed market environment, Commerzbank sets up its new strategic agenda

## Main drivers of change to the “New Normal”



## Our strategic Agenda

- 1 Focused growth
- 2 Adjust cost base
- 3 Optimise capital allocation

## Focused growth: realisation of revenue potential in the Core Bank

### PC

- › Establish new business/revenue model based on fairness and competence toward customers
- › Increase customer base in comdirect benefiting from general trend toward direct banking

### MSB

- › Intensify customer acquisition in the small-cap segment
- › Increase share of wallet in the domestic mid- and large-cap segment
- › Promote international growth
- › Extend cash management and international business platform

### CEE

- › Grow with the market in BRE
  - Leverage new mBank offering with advanced online platform
  - Create one integrated sales network for corporate and retail offering

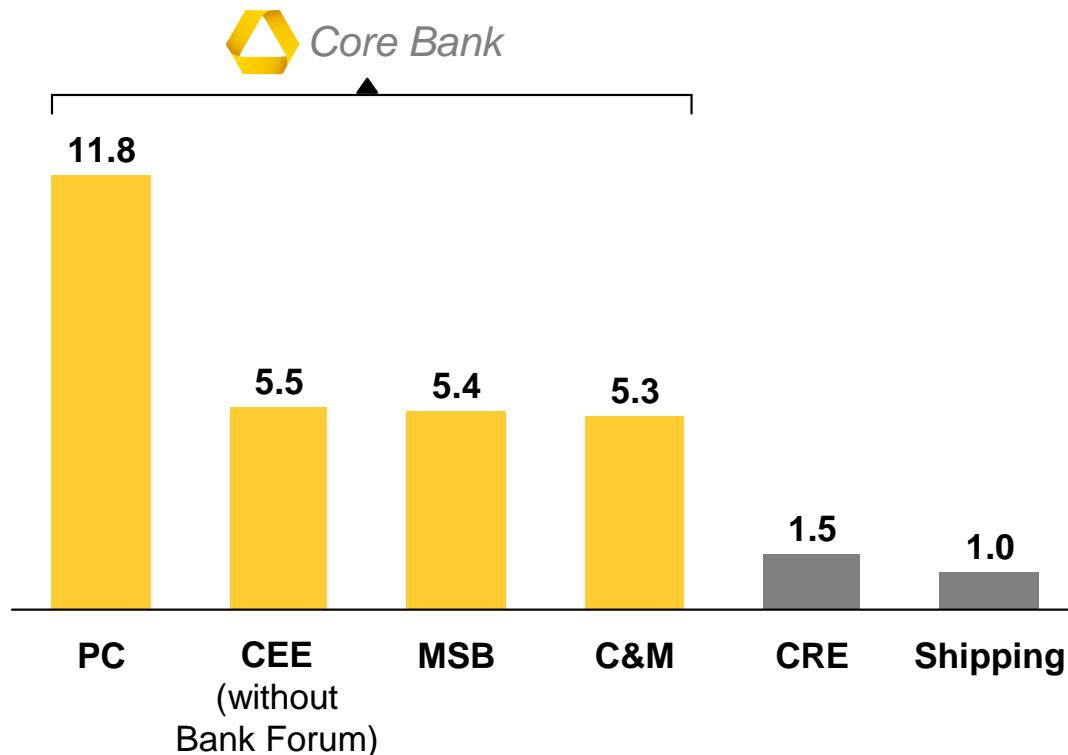
### C&M

- › Grow based on a focused offering as a large international niche player
- › Evolve product offering in Corporate Finance and EMC and expand institutional client base in FIC

# Optimise capital allocation: change in business mix and reduction of activities with low RWA productivity

## Capital efficiency YTD Q3 2012<sup>1)</sup>

Income before LLP/average RWA, %



Complete run-down of CRE and Ship Finance

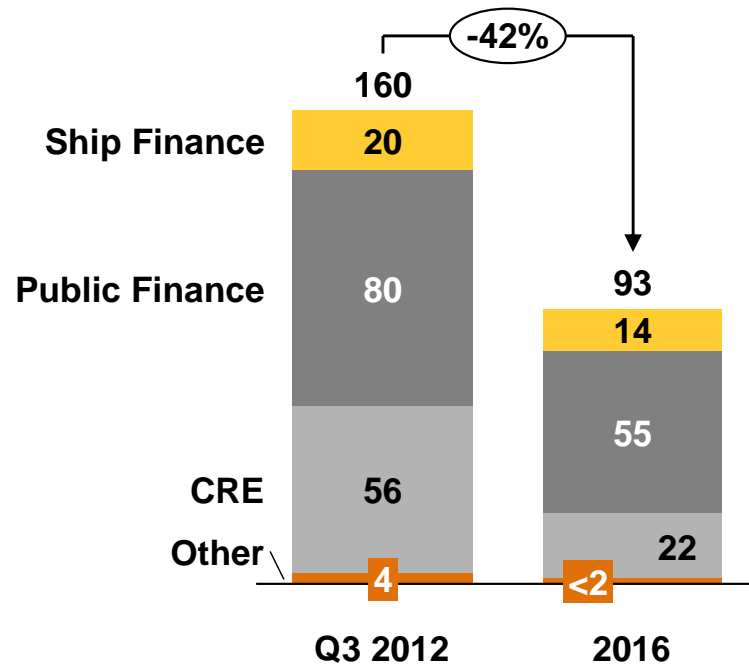
Further reduce business with low capital efficiency as well as existing non-core activities in Core Bank

Offer comprehensive banking services and further increase cross-selling

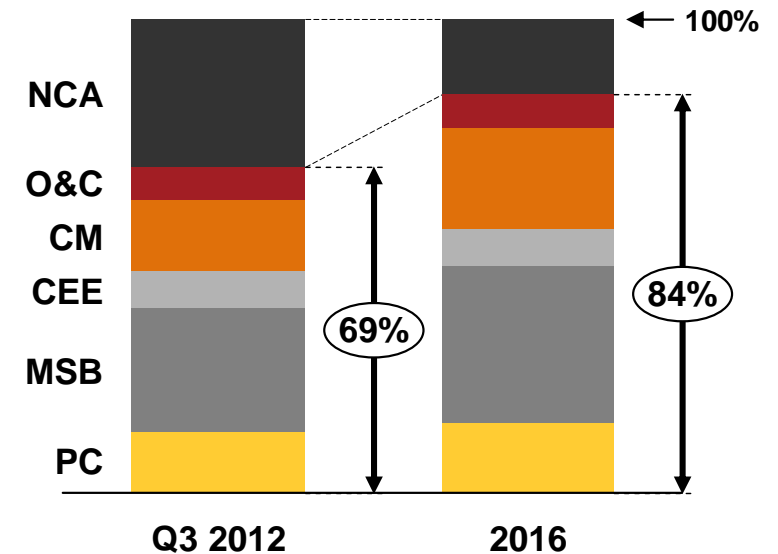
1) Annualised.

# Optimise capital allocation: RWA reduction in NCA results in significantly improved capital allocation in 2016

**Asset run-down**  
EaD (incl. NPL), €bn



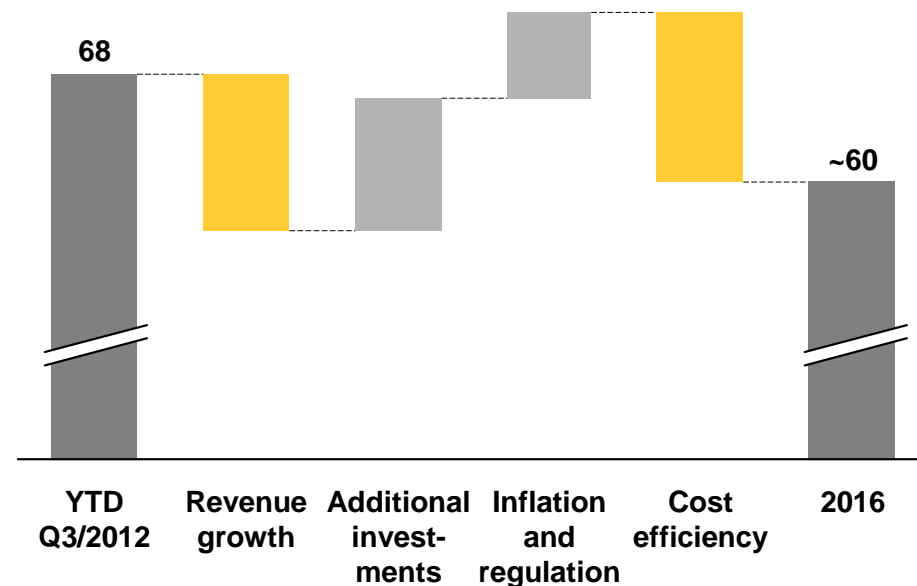
**RWA distribution**  
%, eop



# Adjust cost base: cost management integrated part of Commerzbank's strategic agenda

## Cost/income ratio in Core Bank

%



- › Unmanaged, cost base to increase by €0.7bn-€0.8bn due to inflation and regulatory charges
- › In addition, investments to facilitate revenue growth, i.e. IT, new branch model

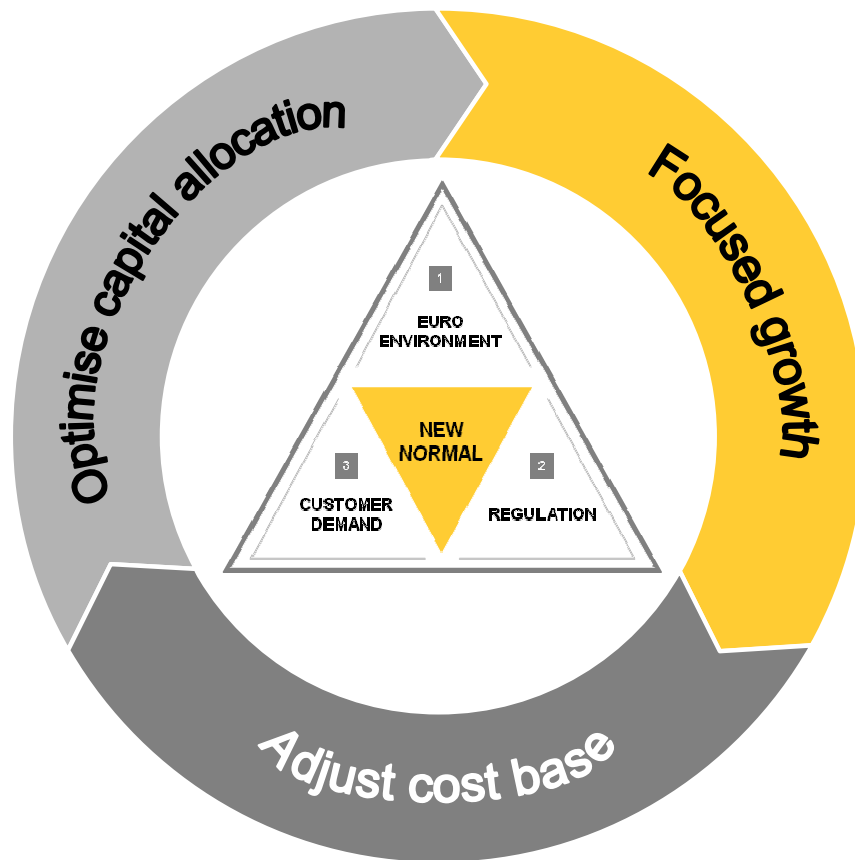


- › Cost management required
  - Flat cost base for Commerzbank Group
  - CIR of 60% in Core Bank in 2016
- › Main levers
  - Adjust sales distribution capacities
  - Reduce complexity
  - Adjust corporate centre capacities
  - Source/near-shore back-office activities



# Our financial goals for 2016

## Our strategic agenda



**ROE post-tax<sup>1)</sup>**

Core Bank

**>10%**

**CIR**

Core Bank

**~60%**

**Basel III under phase-in**

Group

**>9%**

1) Based on implicit tax rate.

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