

Press Release

For business editors

8 November 2023

Commerzbank lays foundation for further strategic plan with strong 9M net profit – targeting RoTE of more than 11% in 2027

Strategy update:

- **Bank to strengthen revenue base through selective expansion of its customer business – focus on digital banking, asset management and sustainable finance**
- **Cost-income ratio to be reduced to 55% by 2027 – target net profit around €3.4 billion**
- **Attractive capital return planned for shareholders**
- **CEO Manfred Knof: “With our refined strategy, we are strengthening our position as a decisive player in the German banking market.”**

Q3 and forecast for 2023:

- **9M net profit almost doubled to €1.8 billion (9M 2022: €963 million) – “Strategy 2024” return target already achieved**
- **Q3 revenue significantly increased to €2.8 billion thanks to strong customer business and continued tailwind from interest rates (Q3 2022: €1.9 billion)**
- **For full year 2023, net profit of around €2.2 billion and RoTE of 7.5% expected**
- **Share buy-back of up to €600 million applied for approval by ECB and Finance Agency**
- **CFO Bettina Orlopp: “The transformation efforts in recent years are increasingly paying off. In the first nine months of the year, we have earned more than in the full year 2022.”**

Commerzbank continued its strong business performance in the third quarter 2023 and almost doubled its net profit after the first nine months. The Bank benefited from the interest rate environment, from a low risk result despite the economic slowdown and from its continued strict cost discipline. The Bank has almost achieved the key targets of its “Strategy 2024” and has laid a strong foundation for the targeted higher pay-out. It is now embarking on its next strategic phase. By 2027, the revenue base is to be further expanded through consistent customer orientation and profitability is to be continuously increased.

“With ‘Strategy 2024’ we have successfully implemented difficult but necessary restructuring measures. We have established a new business model and brought Commerzbank back on track for success”, said Manfred Knof, Chairman of the Board of Managing Directors of Commerzbank. “Our strategic plan up to 2027 is built on this. We will increase our revenue base, further improve the cost-income ratio, and boost our return on tangible equity. This will create value for our shareholders and expand our position as a decisive player in the German banking market.”

Net profit is to increase to €3.4 billion by 2027 and the return on tangible equity (RoTE) is expected to reach more than 11%. This will allow the Bank to earn its cost of capital. An increase in net commission income is anticipated to be the major contributing factor, while net interest

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income is expected to increase moderately from an already elevated level. The Bank's financial steering will continue to be based on the cost-income ratio, which is planned to improve to around 55% by 2027.

The target for the Common Equity Tier 1 ratio is 13.5%. The Bank plans to return more capital to its shareholders. For the years 2025 to 2027, a pay-out ratio well above 50%, but not more than the net result after deduction of AT1 coupon payments, is planned. For 2022 to 2024, the plan is still to distribute a total of €3 billion to shareholders through dividends and share buy-backs. For the current year, the Bank confirms its target to distribute 50% of its net result after deduction of AT1 coupon payments via a dividend and an applied-for share buy-back of up to €600 million. It is planned that this share buy-back takes place prior to the Annual General Meeting in 2024. The respective pay-out ratios depend on the economic development and business opportunities. All share buy-backs are subject to approval by the European Central Bank and the German Finance Agency.

The strategy until 2027 is based on three pillars: growth, excellence and responsibility. The Bank intends to support its customers with relevant products and solutions and to further improve the customer experience across all channels, i.e. in branches, in the advisory centre, and via digital access points. The revenue base will be strengthened primarily through expanded fee business. To increase its efficiency, the Bank will focus on simplifying digital processes. The cost-income ratio is also to be improved on this basis. Sustainability continues to be a key component of the strategy. The Bank will continue to actively shape the sustainable transformation of the German economy. Employees are crucial for successfully implementing the strategy. Therefore, the Bank will strengthen its position as an attractive employer for its employees and talents.

PSBC: Asset and Wealth Management as well as comdirect are drivers of growth

In the Private and Small-Business Customer segment (PSBC), the range of optimised and digital banking solutions will be expanded for the Bank's almost 11 million customers. With a holistic approach and its two brands, Commerzbank and comdirect, all customer needs will be met – be it online or mobile, in the advisory centre, or in the existing around 400 branches. Commerzbank is committed to offering every customer the right model for their daily banking needs. The Bank will also further develop its account and card offerings as well as payment transaction solutions. As a premium provider, Commerzbank pursues the claim to be first point of contact for demanding customers. It will expand its portfolio with a focus on securities and loan business. Commerzbank especially sees opportunities in Asset and Wealth Management. Here, activities will be expanded with tailor-made and holistic offerings for premium customers, for example through its newly founded asset management company Yellowfin. The Bank will use a holistic advisory tool within its Wealth Management consulting services: In addition to liquid assets also illiquid assets will be considered. With small-business customers, it will increase customer growth while focussing on specific target groups. comdirect will strengthen its position as the primary digital bank with an expanded product offering and its excellent brokerage platform. mBank will expand its leading position with private customers based on its attractive digital business model.

Corporate Clients: expanding leading market position

As the leading German Mittelstandsbank, Commerzbank will continue to closely accompany its corporate clients. The Bank will drive forward its previous strategy in corporate banking through targeted investments in products and digital solutions until 2027. Commerzbank will strengthen transaction banking by investing in new systems and technologies to secure its leading position in payment transactions and in the processing of German foreign trade. In international business, the Bank serves clients worldwide with a business relationship to Germany, Austria or Switzerland or with selected future-orientated industries. In the lending business, the focus is on growth in Germany and the financing of global green infrastructure projects. To this end, Commerzbank will build on its centers of competence for renewable energies in Hamburg, New York, and Singapore. In the Capital Markets segment, the Bank wants to expand its digital offering for FX and open up its trading platform to other asset classes. In addition, it will grow its bonds business.

Basis for strategy until 2027 set by strong business development in 2023

In the third quarter of the current financial year, the Bank increased its revenues by 46% to €2.755 billion (Q3 2022: €1.886 billion). The main driver was the rise in net interest income of more than one third to €2.166 billion (Q3 2022: €1.621 billion) which once again also improved quarter-on-quarter. In addition, special burdens in Poland were significantly below the previous year's figure in the third quarter. Despite a weaker securities business, net commission income was stable at €831 million (Q3 2022: €849 million). In the first nine months of the year, the Bank's total revenues amounted to €8.052 billion (9M 2022: €7.098 billion).

Despite inflationary pressure, costs increased only slightly in the third quarter to €1.549 billion (Q3 2022: €1.520 billion). This includes a decrease in compulsory contributions to €45 million (Q3 2022: €91 million), which is mainly due to lower contributions in Poland. Operating expenses increased to €1.504 billion (Q3 2022: €1.429 billion) following higher accruals for variable compensation related to the positive business development and general salary increases. Overall, the cost-income ratio improved to 56% in the third quarter (Q3 2022: 81%). After the first nine months of 2023, total costs were down by 1.4% to €4.806 billion (9M 2022: €4.873 billion); the cost-income ratio was 60% (9M 2022: 69%).

The risk result was at a low level of minus €91 million in the third quarter despite the challenging economic environment (Q3 2022: minus €84 million). This reflects the high quality of the loan book with a non-performing exposure (NPE) ratio of only 1.0%. For possible future defaults due to secondary effects from supply chain problems, inflation, and higher interest rates, the Bank still has a general risk provision (top-level adjustment (TLA)) of €435 million available.

In the third quarter, the Bank almost quadrupled its operating result year-on-year to €1.116 billion (Q3 2022: €282 million); in the first nine months of the year, it has increased by 83% to €2.879 billion (9M 2022: €1.571 billion). Net profit after tax and minority interests increased to €684 million in the third quarter (Q3 2022: €195 million).

The Common Equity Tier 1 ratio (CET 1 ratio) increased once again to 14.6% as of 30 September 2023 (Q2 2023: 14.4%). This already takes into account the accrual for the planned pay-out of 50% of the net result after deduction of AT1 coupon payments for the 2023 financial year. The buffer to the regulatory minimum requirement (MDA threshold) of around 10.1% was 448 basis points at the end of September. Return on tangible equity (RoTE) improved significantly in the first nine months of the year to 8.6% (9M 2022: 4.3%).

“The transformation efforts in recent years are increasingly paying off. In addition to the favourable interest rate environment, we are benefiting from a low risk result and ongoing cost discipline”, said Chief Financial Officer Bettina Orlopp. “In the first nine months of the year, we have already earned more than in the full year 2022. We expect to increase the return on tangible equity to 7.5%, reaching our target from ‘Strategy 2024’ one year ahead of schedule. This is a strong basis for the planned significant increase of our pay-out.”

Segment development in Q3: successful deposit management

In the face of increasing competition for deposits, the Private and Small-Business Customer (PSBC) segment in Germany performed well. Deposits increased to €157 billion (end of June: €153 billion) as of the end of September with customers increasingly reallocating funds from their current accounts into interest-bearing products. The lending volume increased slightly to €125 billion (Q2 2023: €124 billion). Overall, PSBC’s net interest income in Germany rose by almost 9% to €597 million (Q3 2022: €550 million) in the third quarter.

The securities volume declined slightly compared to the previous quarter to €205 billion (Q2 2023: €208 billion). Year-on-year, the Bank recorded a significant increase due to the positive development on the stock exchanges (Q3 2022: €182 billion). Customers, however, traded significantly less due to low market volatility. In addition, increased interest rates on deposits prompted a reluctance to invest in securities. As such, the segment’s net commission income fell to €436 million (Q3 2022: €451 million). All in all, operating result of the Private and Small-Business Customer segment in Germany decreased slightly to €299 million (Q3 2022: €320 million).

mBank contributed €89 million to the Bank’s operating result in the third quarter thanks to its continued very strong customer business and was able to more than offset the additional provision of €234 million for its Swiss franc portfolio. In the first nine months of the year, the burdens amounted to €754 million. In the third quarter of 2022, mBank had still reported a loss of €528 million. At that time, the provision for the Swiss franc loans was almost €480 million, plus another special burden of €270 million for the “credit holidays”.

The Corporate Clients segment increased its revenues by almost 15% to €1.171 billion (Q3 2022: €1.021 billion). It benefited from continued strong deposit business across all client groups. As a result, the segment was able to more than compensate for the slight decline in the capital market business due to lower market volatility. With a very low risk result of minus €4 million in Q3 (Q3

2022: plus €13 million), the operating result increased by almost 21% to €645 million (Q3 2022: €535 million).

Outlook for 2023 increased

Following the good performance in the third quarter, Commerzbank has improved its outlook for the full year 2023: it now expects a net profit of around €2.2 billion (2022: €1.4 billion). Revenues are expected to increase to around €10.6 billion (2022: €9.5 billion). Net interest income is anticipated to be more than €8.1 billion (2022: €6.5 billion). In its recent forecast, the Bank had projected a minimum of €7.8 billion in net interest income. However, some offsetting effects are expected in the fair value result in the fourth quarter as well. Net commission income is still anticipated to be slightly below last year's result of €3.5 billion.

The Bank confirms its cost target of €6.4 billion (2022: €6.5 billion). The cost-income ratio as key steering indicator is now expected to be 61%, approaching the target of 60% in 2024. The Bank now anticipates a risk result of below minus €700 million for the full year 2023 (2022: minus €876 million) before any potential usage of TLA. Until now, the Bank had anticipated burdens below €800 million. The CET 1 ratio is targeted at around 14.7% by the end of 2023. The RoTE is expected to be 7.5% (2022: 4.9%).

Financial figures at a glance

in €m	Q3 2023	Q3 2022	Q3 23 vs. Q3 22 in %	Q2 2023	9M 2023	9M 2022	9M 23 vs. 9M 22 in %
Net interest income	2,166	1,621	+33.6	2,130	6,242	4,500	+38.7
Net commission income	831	849	-2.1	841	2,587	2,714	-4.7
Net fair value ¹	-67	172		-17	-157	594	
Other income	-175	-757	+76.9	-324	-621	-709	+12.5
Total revenues	2,755	1,886	+46.1	2,629	8,052	7,098	13.4
<i>Revenues excl. exceptional items</i>	<i>2,727</i>	<i>2,066</i>	<i>+32.0</i>	<i>2,621</i>	<i>8,003</i>	<i>7,112</i>	<i>+12.5</i>
Risk result	-91	-84	-8.4	-208	-367	-654	+43.9
Operating expenses	1,504	1,429	+5.2	1,481	4,449	4,291	+3.7
Compulsory contributions	45	91	-50.9	52	357	583	-38.8
Operating profit or loss	1,116	282		888	2,879	1,571	+83.3
Restructuring costs	6	14	-55.8	4	14	54	-73.9
Pre-tax profit or loss	1,109	267		885	2,865	1,517	+88.8
Taxes	405	228	+77.8	338	1,022	653	56.6
Minorities	20	-155		19	-14	98	
Consolidated profit or loss²	684	195		565	1,829	963	+90.0

in €m	Q3 2023	Q3 2022	Q3 23 vs. Q3 22 in %	Q2 2023	9M 2023	9M 2022	9M 23 vs. 9M 22 in %
Cost/income ratio in operating business excl. compulsory contributions (%)	54.6	75.8		56.3	55.3	60.4	
Cost/income ratio in operating business incl. compulsory contributions (%)	56.2	80.6		58.3	59.7	68.7	
Operating RoTE (%)	14.6	3.8		11.8	12.7	7.2	
Net RoTE (%)	9.6	2.2		7.9	8.6	4.3	
Net RoE (%)	9.2	2.2		7.6	8.3	4.2	
CET1 ratio (%) ³	14.6	13.8		14.4	14.6	13.8	
Leverage ratio	4.9	4.5		4.9	4.9	4.5	
Total assets (€bn)	510	536		502	510	536	

¹ Net income from financial assets and liabilities measured at fair value through profit and loss.

² Net profit attributable to Commerzbank shareholders and investors in additional equity components.

³ Reduced by pay-out accrual and potential (fully discretionary) AT1 coupons.

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About Commerzbank

Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 26,000 corporate client groups and almost 11 million private and small-business customers in Germany. The Bank's two Business Segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services. Commerzbank transacts approximately 30 per cent of Germany's foreign trade and is present internationally in more than 40 countries in the corporate clients' business. The Bank focusses on the German Mittelstand, large corporates, and institutional clients. As part of its international business, Commerzbank supports clients with a business relationship to Germany, Austria, or Switzerland and companies operating in selected future-oriented industries. In the Private and Small-

Business Customers segment, the Bank is at the side of its customers with its brands Commerzbank and comdirect: online and mobile, in the advisory centre, and personally in its branches. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.7 million private and corporate customers, predominantly in Poland, as well as in the Czech Republic and Slovakia.

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.