

Press release

For editorial desks
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Commerzbank reaches agreement to sell its Equity Markets & Commodities business (EMC) to Societe Generale

- **Transaction would include transfer of trading books, client franchise, staff, and IT infrastructure**
- **Simplification of IT infrastructure and business model would contribute to cost and RWA reduction targets announced as part of “Commerzbank 4.0” strategy**
- **CEO Martin Zielke: “With this agreement we are delivering a further milestone in the implementation of our strategy ‘Commerzbank 4.0’”**

Commerzbank has reached an agreement to sell its Equity Markets & Commodities (EMC) business to Societe Generale. The transaction is subject to pre-clearance with competent tax authorities, approval by further relevant authorities and the employee representative committees as well as the finalisation of legal documentation. It marks a further milestone in the execution of the “Commerzbank 4.0” strategy, which is deemed to reduce the Bank’s overall complexity and free up capital for investment in Commerzbank’s core franchise.

The transaction would include the transfer of EMC’s trading books and client franchise, staff, as well as parts of the IT infrastructure. EMC front office employees and certain associated support function staff would move to Societe Generale, subject to approval by employee representative committees.

The transfer of trading books and its associated balance sheet and revenue implications are estimated to take place gradually and to start at the end of 2018. Therefore, EMC revenues are expected to fade out in the profit and loss statement of Commerzbank during 2019. The reduction of expenses associated to Commerzbank’s EMC business is estimated to reduce the Bank’s cost base by at least €200m by year-end 2020 and to contribute to the cost reduction target announced as part of the “Commerzbank 4.0” strategy in 2016.

Since the announcement of the strategy, more than €3bn of risk-weighted assets (RWA) has been released due to the streamlining of the Bank’s Fixed Income, Currencies & Commodities (FICC) business. Through the sale of its EMC business, Commerzbank would additionally benefit from the release of RWA. Further to that, the sale would contribute to avoid the RWA impact expected to apply with the Fundamental Review of the Trading Book (FRTB) regulation.

Commerzbank’s EMC business comprises the Bank’s manufacturing and market making of flow and structured trading and investment products as well as its established exchange-traded funds (ETF) brand, Comstage, and its associated leading ETF market making platform. The Equity Capital Markets (“ECM”), the Equity Brokerage (“Equity Trading” and “Equity Sales”/“Brokerage”) businesses, and the hedging business

for commodity risks will not be part of the transaction but will remain in Commerzbank's Corporate Clients segment as part of its strategic client offering.

"With this agreement, we are delivering a further milestone in the implementation of our 'Commerzbank 4.0' strategy," said Martin Zielke, Chief Executive Officer (CEO) of Commerzbank. "We are simplifying our business, we are contributing to our cost-cutting targets, and we are freeing up capital for the benefit of our core business with private and corporate clients," he added.

"As a market leader for corporates in Germany, we will of course continue to offer the full range of capital markets products including commodity hedging products and brokerage services to our clients," explained Michael Reuther, member of the Board of Managing Directors responsible for the Corporate Clients segment.

The current EMC business is an attractive and value-generating business. In 2017 it generated €381m gross revenues. It is an important ETF market maker in Europe, amongst the major retail products market makers and amongst the leading dealers of medium term notes.

"Over the last 29 years, the Equity Markets & Commodities business has grown in Commerzbank to be one of the leading European manufacturers and market makers of financial products. I am convinced that with Societe Generale and Lyxor, leading Derivatives and ETF Houses, we have found the right new owners for this franchise to grow, innovate and be even more successful in the future," said Roberto Vila, Divisional Board Member Equity Markets & Commodities. "We will ensure a smooth and transparent transition process for investors who are holding our products," Vila added.

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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 60,000 corporate clients, multinationals, financial service providers, and institutional clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2017, it generated gross revenues of €9.2 billion with approximately 49,300 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.