Digitalisation as key cornerstone of Commerzbank 4.0

Commerzbank Digitalisation Workshop – Frankfurt 27 June 2017
Digitalisation creates new opportunities and changes customer needs

Banks lack efficiency

Digital Business Models are outperforming

Source: Bloomberg, Company Reporting
Digitalisation a major cornerstone of our Commerzbank 4.0 strategy

1. Simple
   - We will focus on businesses in two operating segments: PSBC and CC, discontinuing non-core activities

2. Digital
   - We will transform the Bank into a digital enterprise and digitalise 80% of all relevant processes

3. Efficient
   - We will simplify the Bank, creating efficiency by reducing costs due to a net reduction of 7,300 FTE’s

Cost income ratio < 66%

CET 1 ratio > 13%

Net RoTE
   - > 6 % 1)
   - > 8 % 2)

Targets 2020

1) Current interest rates
2) Rising interest rates
Simplification and reduction of complexity allows to increase investments in digitalisation

Simplification & reduction of complexity allows a higher share of investments in digitalisation (~50%)

~€700m per annum investment budget (unchanged)

Focused use of IT-budgets through effective IT systems e.g. investments in a uniform distribution platform „ONE“ for CRM systems and Big Data applications groupwide
Our evolution into a digital enterprise

Target: 80% of all relevant processes are digital

Enhanced customer experience
E2E-digitalised & automated processes
Faster time-to-market
Reduced complexity
Higher flexibility

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Commerzbank is accelerating end-to-end digitalisation for a complete digital customer experience and increased efficiency.

1. **Digital customer experience**
   - **Products:**
     - Significant progress in development of our digital touch points

2. **Digital processes**
   - **Processes & organisation:**
     - Digital campus fully operational and journeys well on track

3. **Digital organisation**

   **End-to-end digitalisation**

   **Alignment of customer needs**

   **Today’s Workshop examples**
   - › Liquidity Management
   - › Digital Mortgage App
   - › Smart automation
   - › Digital onboarding of corporate clients
We have significantly expanded our digital touch points

Digital housekeeping book
Optimised banking App
Balance App on Apple Watch
Digital consumer loan

Liquidity Management
Mobile Mortgage App
Automated FX-trading
Digital Advisory process

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1) Rating as of Apple AppStore on the 09th of June
Our subsidiaries with strong digital capabilities and innovative digital offerings

**mBank**

*Mobile App 3.0 – a leading European Banking App*

- 834,000 user with 21 Monthly logins per customer
- One-click end to end mobile sales processes
- According to Forrester’s 2017 Mobile Banking Benchmark #1 in usability and #3 in functionality in Europe

**comdirect**

*Cominvest – Digital Asset Management in a few steps*

1. General investment planning
2. Identification of investor type
3. Selection of advisory concept
4. Detailed planning

- Highly automatized digital platform, which allows the management of portfolios
- Adjusting and managing master asset allocation
- Rebalancing as a result of market volatility
- Generating portfolio recommendations
Impulses are also generated by our accelerators and incubators through cooperation with or investments in Fintechs

<table>
<thead>
<tr>
<th>COMMERZ VENTURES Commerzbank Group</th>
<th>main incubator</th>
<th>start-up garage</th>
</tr>
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<tbody>
<tr>
<td>Launched in 2014</td>
<td>Launched in 2013</td>
<td>Launched in 2015</td>
</tr>
<tr>
<td>Positioning as a venture capital company</td>
<td>Ideas-scouting and -development</td>
<td>Support for startups from the time of the idea</td>
</tr>
<tr>
<td>Focus: start-up in market maturity phase</td>
<td>Focus: Startups in early phase</td>
<td>Joint construction of prototypes</td>
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- **Iwoca** offers uncomplicated short-term and flexible loans to small companies and self-employed
- Granting of loans up to EUR 50,000
- Identify risk profile of companies based on real-time data

- **OptioPay** is a bridge between modern online marketing and traditional finance
- Converting credit to higher value vouchers from many well-known retailers and service providers

- **CocktailTrade** is a search engine for stocks that are based on the search terms of the user's theme specific product recommendations (for example based on the term "Auto")

**Additionally:**

- **mBank**
- **#openspace**
Savings of 0.5bn by 2020 through 80% digitalisation of relevant processes

Digitalisation ratio leads to...

<table>
<thead>
<tr>
<th>(%)</th>
<th>Q1 2017</th>
<th>2017</th>
<th>2020</th>
</tr>
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<tbody>
<tr>
<td>36</td>
<td></td>
<td>50</td>
<td>80</td>
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</table>

... a high degree of automation: Example Consumer Loan

› Access2Account: Minimisation of document checks
› Quick pay-out: Same-day pay-out planned
› Efficient E2E processes: Considerable reduction of manual work
› Automated fraud check: e.g. use of OCR- and cracking-services
› Automated bank controlling: No manual processes for loans
› Scalability: Solution a precondition for strong growth
14 Journeys are the basis for building a digital enterprise

**Master Journeys**

**Payment Transactions/Trade Finance**
- 2017: Accounts & CLM Retail
- 2017: Accounts & CLM Corporate
- 2017: Payments
- 2017: Trade Finance & Services

**Loans**
- 2017: Credit SME
- 2017: Credit Corporate
- 2017: Consumer Credit
- 2017: Mortgages

**Asset Management**
- 2017: Securities Retail

- Customer benefit: 100% online availability
- Speed: in seconds from input to decision
- Efficiency: 100% reduction of manual workflow – best case

**Support Journeys**

- 2017: Digital Customer Communication
- 2017: Digital Authorisation
- 2017: Cross Channel Banking
- 2017: Open API
Digital Campus as key accelerator of our digital transformation…

Digital Campus is the „factory“ in which agile implementation happens

› Digital Campus is a „protected area“ in which agile working methods are put into practice without organisational interferences

› Identification of best practice and lessons learnt

› Commitment to principles of "agile cooperation"

› Continuous adaption of methodological approaches and formats

Digital Campus is a stimulus for the agility of the whole of the CBK‘s organisation

› New ways of working result in a core of experienced staff who will spread knowledge within the organisation

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…and a pivot for agile collaboration

- E2E Responsibility of Top Management
- Autonomous, Empowered Staff
- Multifunctional Teams composed of IT- and Domain Experts
- 100% of Capacity in One Place
- Priority for Internal Resources
- Use of Agile Methodology
- Focus on Costs and Customer Needs
- Reduction of Time with Sufficient Resources
Agile work is based on an iterative procedure with short sprint cycles.

**Result:** MVP¹)

1) Minimum viable product
1 Smart automation

2 Digital customer experience PSBC

3 Digital onboarding of corporate clients
The new Consumer Loan of Commerzbank – Quick, Easy and Digital

Financial requirements

1. Customer has financial requirements up to € 80,000 and 120 months maturity
2. Input of little basic data into ONE (loan value, maturity)
3. Insurance as optional-product selectable

Self-disclosure

1. For customers with an online account a digital pre-filled self-disclosure form can be provided via an SMS containing a link to the automated account analysis
2. Customer and relationship manager check the pre-filled data together

Loan decision

3. Fully automated risk appraisal including fraud checks
4. Rating related pricing
5. Instant loan decision and contract offer
6. Placing-out-possibility to third parties

Conclusion of contract

3. Conclusion of contract with signature
4. Loan agreement is scanned and digitally processed
5. Same-day pay-out technically feasible
6. Fully automated transmission of welcome letter
10 months to a full-blown consumer loan production line from scratch with the help of the Digital Campus

Digital Customer Communication
Multi channel strategy within the Commerzbank 4.0 framework
- Digital loans available in branches since April
- Online loans scheduled in Q3, Point of Sale starts end of 2017
- Customer satisfaction through consistent customer experience in all sales channels

Effective Risk Management
Latest technology guarantees safety and cost-efficiency
- Automation concerning check of critical item, decision making and other parameters
- Usage of Commerzbank’s highly developed scoring procedures
- Centralised administration of loan approvals
- Placing out in accordance with rating

High Degree of Automation
Low unit costs due to factory-like handling of loans
- Access2Account – Minimisation of document checks
- Quick pay-out – same-day pay-out planned
- Efficient E2E processes – Considerable reduction of manual work
- Automated fraud check – e.g. use of OCR- and cracking-services
- Automated controlling – No manual processes for loans
- Scalability – Solution a precondition for strong growth

Consumer Finance now CBK branded
~€3bn consumer loans will be transferred to own platform
- Termination of JV and transfer of the Commerzbank accounts in Q3 2017
- Fast track migration into Commerzbank business and data processing logic

June 2016
Proof of Concept
06.04.2017
Go Live Branches
Autumn 2017
Migration & Go Live Online
End of 2017
Go Live POS
First Smart Automation potentials realised in the Delivery Centre

**Smart Automation**

- Automating processes and imitating rule-based human actions
- Transparent and comprehensive processing
- The business units can configure process steps via a simple and intuitive user interface
- Interactions can be done with systems in the same way as with human beings – without elaborate software programming

**Areas of application**

- Periodic processes with high volumes
- Rule-based processes with little space for decisions
- High degree of standardisation with few exceptions
- Usage of structured electronic data
- Processes with ≥2 IT-systems involved

**E.g. manually booked fees**

<table>
<thead>
<tr>
<th>Manually operated steps</th>
<th>Number of systems</th>
<th>Process time</th>
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<tbody>
<tr>
<td>Ca. 50</td>
<td>3</td>
<td>&lt;60 Sek.</td>
</tr>
<tr>
<td>0</td>
<td>3</td>
<td>105 Sek.</td>
</tr>
</tbody>
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1 Smart automation

2 Digital customer experience PSBC

3 Digital onboarding of corporate clients
The heart of the new digital platform for business clients is Liquidity Management (LM)

Enhancement of existing business clients online banking portal

- Liquidity forecast as major feature of new digital offer
- Seamless integration into existing online banking portal
- Liquidity forecast for the upcoming 3 months
- Incorporation of third party bank accounts
- Integration of additional innovative services in the future (e.g. Dunning, Invoice management)

+ Enhancement of transaction banking
+ Small ticket leasing
+ Subsidy finder
+ Time deposits online
The new generation of residential mortgage lending

Multi-channel approach: easy mortgage lending for private customers

- **Baufi-App with complete customer journey**¹)
- Budget calculation tool supports estimation of maximum purchase price
- Find your matching property with the help of the property search feature immediately
- Obtain a realistic market value with the support of the valuation engine
- The App generated financing certificate shows preliminary affordability to real estate agent

- Contact customer advisor via phone
- Opportunity of direct loan applications¹)
- Chat function¹)

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¹) on extended level
1 Smart automation

2 Digital customer experience PSBC

3 Digital onboarding of corporate clients
Objectives, approach and outcomes of the journey “Digital Onboarding Corporates“ (Domestic Markets)

Objective of the journey
› Digital onboarding of corporate clients with the following ambitions:
  – Uniform client onboarding and account opening process across all segments
  – Digitalisation of 80% of digital onboarding processes and digital integration of all ordinary regulatory checks
  – „Time-to-market“ („24 + 24“):
    – Base case onboarding within 24h
    – Delivery of account within 24h if all necessary client documents are available and all regulatory approvals for the client are successful
    – Complete onboarding in 48h

Content of today’s workshop

Target dimensions and prerequisites of the journey
Agile working methods and principles of the journey

Artefacts of the journey

Live demo of customer journey illustrated by prototype
Master Journey Account & CLM Corporate is consistently focusing on the target dimensions and premises

**Target dimensions**

- Consistent focus on **speed**, **simplicity** and **clarity**
- **Evaluation** by customers at an early stage
- Focus on volume drivers and processes supporting **efficiency and growth targets**
- **Cross-segment solutions**
- **Development in target systems**
- **High level of reuse** of existing systems
- **ONE process** for customers and employees
- **Realization** takes place in **incremental expansion phases**

**Premises**

- **Target group**: registered legal entities
- **E2E / cross-segment** (UK & FK)
- **80/20-approach** (digitalization)

**Standardized domestic process (as well as abroad)**

- Development in target IT-architecture
- Reusability
Digital onboarding of corporate clients incl. regulatory check and account opening in 48h

Registration: 3 minutes
Customer chooses online account version...
...and registers with our portal

Statement of necessary company data: 15 minutes
...enters company data
...and answers the necessary regulatory questions

Video legitimisation and sending of power of attorney: 4 minutes
He legitimises via video...
...prints pre-filled power of attorney...
...and sends signed document back to Commerzbank

Quality assurance and customer acceptance: after 1 day 15 minutes
Quality assurance of data via back office...
...and final decision of client relationship manager....
...about customer acceptance

Shipping of „Starter Kit“: 1-2 days
Customer receives mail about account opening incl. IBAN...
...and can use branch services

Giro card will be created and all account documents delivered

Base case: all necessary client documents are present and the client passes through all regulatory checks successfully

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Digitalisation Workshop – Presenters

Frank Annuscheit (Chief Operating Officer)
Welcome remarks on Commerzbank 4.0

Jörg Hessenmüller (Head of Strategy)
Digitalisation strategy

Christian Rhino (Head of Banking Operations)
Smart automation

Ulrich Coenen (CDO & Managing Director SBC)
Digital customer experience in Private and Small-Business Customers

Dr. Christina Hepp (Cluster Lead Master Journey Accounts Corporates)
Digital onboarding of Corporate Clients
For more information, please contact Commerzbank’s IR team

Christoph Wortig (Head of Investor Relations)
P: +49 69 136 52668
M: christoph.wortig@commerzbank.com

Ansgar Herkert (Head of IR Communications)
P: +49 69 136 44083
M: ansgar.herkert@commerzbank.com

Institutional Investors and Financial Analysts

Michael H. Klein
P: +49 69 136 24522
M: michael.klein@commerzbank.com

Fabian Brügmann
P: +49 69 136 28696
M: fabian.bruegmann@commerzbank.com

Retail Investors

Simone Nuxoll
P: +49 69 136 45660
M: simone.nuxoll@commerzbank.com

Dirk Bartsch (Head of Strategic IR / Rating Agency Relations)
P: +49 69 136 22799
M: dirk.bartsch@commerzbank.com

ir@commerzbank.com
www.ir.commerzbank.com

Financial calendar

2017

02 Aug
Q2 2017 results

09 Nov
Q3 2017 results
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