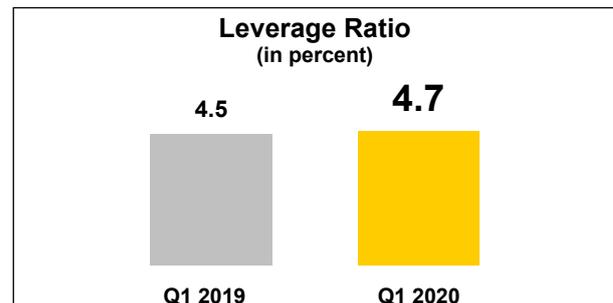
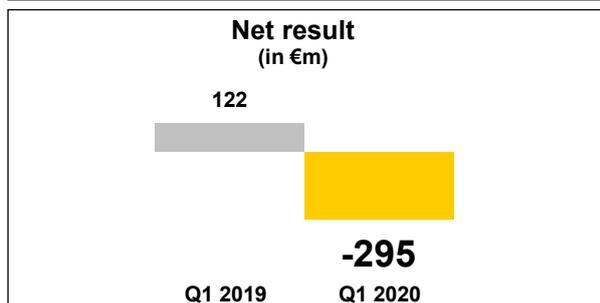
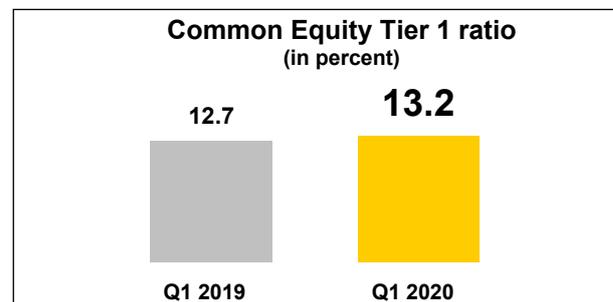
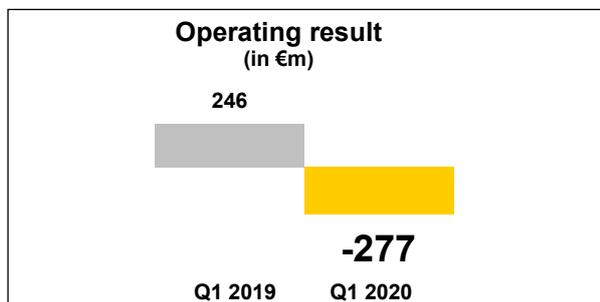


IR release

13 May 2020

Commerzbank: Strong customer business in the first quarter of 2020 – Effects of coronavirus weigh on earnings

- Revenues at €1.85bn (Q1 19: €2.16bn) due to temporary valuation effects – Good development in customer business: overall net interest income and net commission income up by 10%
- Risk result at minus €326m (Q1 19: minus €78m) due to coronavirus effects amounting to €185m
- Operating costs down to €1.50bn (Q1 19: €1.57bn), but significantly higher bank levy with negative effect
- Operating result of minus €277m (Q1 19: €246m) includes €479m negative impact from pandemic
- Private and Small-Business Customers with around 142,000 net new customers in Germany and increase in revenues of 10% – Corporate Clients segment with stable revenue development in customer business and higher lending volume
- Strong capital ratio of 13.2% and high liquidity (LCR 130%)



“Our strong balance sheet and our robust capital position place us in a good position to help the German economy with full strength through this historically unprecedented circumstances.” **Martin Zielke, CEO**

“We have a healthy loan book. We will therefore be able to cushion additional effects resulting from the pandemic. At the same time, we will intensify our cost management this year.” **Bettina Orlopp, CFO**

Owing to the coronavirus crisis, Commerzbank reported an operating result of minus €277 million in the first quarter of 2020. Temporary valuation effects exerted a negative impact here along with a higher risk provision booked on account of the pandemic. However, the Bank posted good development in client business and thereby increased its net interest and commission income overall by 10% in a comparison with the year-earlier quarter. Deducting the negative impact arising from the coronavirus totalling minus €479 million, the Bank would have achieved an operating profit of €202 million. In spite of the coronavirus effects, the Common Equity Tier 1 ratio at 13.2% remained at a comfortable level and forms a good basis for managing the crisis and the implementation of the Bank's strategy. The Bank has made considerable progress on this front. The complete takeover of comdirect is in the final straight, after a resolution on the squeeze-out under merger law was passed at the Annual General Meeting of comdirect. Furthermore, Commerzbank economically completed the sale of the Equity Markets & Commodities (EMC) business division to Société Générale with the successful handover of the final trading books and systems a few days ago. Meanwhile, the Bank has decided to not pursue the sale of the Polish mBank in the light of current market distortions and its own strong capital position.

With the outbreak of the pandemic, Commerzbank implemented a range of different measures directed towards safeguarding stable and secure business, and providing support for clients. At the highpoint of the coronavirus lockdown, around 80% of the employees were working remotely. Nevertheless, more than 80% of the branches were staffed during the lockdown and more than 200 large locations were open. Since the beginning of May, the Bank has adopted a step-by-step approach to opening further branches. All the self-service zones are open. Overall, more than 18,000 financing and information enquiries relating to the crisis were received from corporate clients and small business customers. The Bank carried out significantly more than 20,000 advisory consultations on financing for coronavirus with corporate clients and small business customers and it has provided them with around €11 billion of additional liquidity in Germany and abroad until the end of April. As early as the first seven weeks of the crisis, Commerzbank approved around 2,500 loan applications for the German Development Bank (KfW) amounting to a volume of nearly €4 billion. Until the end of April, Commerzbank deferred more than 20,000 loans from private customers and corporate clients with a volume of more than €2.5 billion. At the same time, user figures reached record values for digital offerings. The upward trajectory of customer growth continued with the Bank acquiring around 10,000 new customers on average each week in the first quarter primarily through online channels.

“At this moment, we are experiencing historically unprecedented circumstances. The coronavirus pandemic is putting the world and our economic system under a severe strain. We have not seen a comparable crisis since World War II. The banks have a key role to play in overcoming this crisis by providing liquidity and thereby helping their customers to get through these difficult times. We accept this responsibility and we have already provided around €11 billion of additional liquidity,” said Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank. “Our strong balance sheet and our robust liquidity and capital position place us in a good position to meet this challenge and help the German economy with full strength.”

Group revenues benefited from good customer business during the first quarter. Net interest income went up by in excess of 7%, and net commission income grew by more than 14% on the back of an excellent securities business. This contrasted above all with the temporary negative valuation effects on hedging transactions for customers and on own account amounting to €295 million. This was due to the high level of market volatility. When markets stabilise, the valuations of these derivatives are likely to recover. Overall, revenues amounted to €1,853 million (Q1 2019: €2,157 million) in the first quarter of 2020.

Costs came down to €1,804 million (Q1 2019: €1,832 million), and operating expenses were reduced by 4% to €1,503 million (Q1 2019: €1,567 million). Effective cost management was the most important contributing factor here along with advances in personnel reduction. At the end of March, the number of full-time employees in the Group stood at 39,800, a reduction of around 1,200 by comparison with the year-earlier figure. As announced, the Bank launched a new phased part-time retirement programme in April as part of the strategy “Commerzbank 5.0” to bring about further job reductions. On the other hand, negative impacts arising from compulsory contributions rose to €301 million (Q1 2019: €265 million) in the first quarter. The reason for this was the significantly higher European bank levy, which was reported in full during the first quarter.

The **risk result** increased fourfold to minus €326 million (Q1 2019: minus €78 million) as a result of the coronavirus pandemic. Of this, €185 million are due to the effects of the crisis. Apart from actual losses amounting to €74 million as a consequence of the pandemic, this amount is primarily made up of top level adjustments for expected credit losses amounting to €111 million. This takes account of the charges that are currently foreseeable and of the comprehensive government aid programmes. Overall, the loan book continued to be healthy with a low ratio of non-performing loans of 0.8% thanks to the massive reduction in risk over recent years.

The **operating result** was minus €277 million (Q1 2019: €246 million). The effects of the coronavirus on the risk profit and in loan loss provisions amounted to minus €479 million. The pre-tax result was minus €233 million (Q1 2019: €227 million). It includes extraordinary proceeds from the EMC sale. The **net result** attributable to Commerzbank shareholders came out at minus €295 million (Q1 2019: €122 million).

The **Common Equity Tier 1 ratio** (CET1 ratio) stood at a strong 13.2% at the end of March 2020 despite increased Risk-Weighted Assets, also due to credit demand in the Corporate Clients segment (end of December 2019: 13.4%; March 2019: 12.7%). The leverage ratio was 4.7% (March 2019: 4.5%) and was hence clearly above the requirements. The Liquidity Coverage Ratio (LCR) of 130% at the end of March also significantly exceeded all regulatory requirements and demonstrates the comfortable liquidity position of the Bank.

“Thanks to the far-reaching measures adopted by the Federal Government, we anticipate that German companies, which make up the lion’s share of our business, will come through the crisis comparatively well,” commented Bettina Orlopp, Chief Financial Officer of Commerzbank. “We have a healthy loan book and the proportion of impaired loans has been below the average for Germany and Europe for many years now. We will therefore be able to cushion additional effects resulting from the pandemic. At the same time, we will intensify our cost management even more this year. This is because cost efficiency and powerful digital structures are absolutely essential particularly during the current period.”

Development of the segments

The Private and Small-Business Customers (PSBC) segment posted an excellent quarter in all business areas. Revenues increased by 10% to €1,317 million (Q1 2019: €1,201 million). Strong securities business made a major contribution to this, which generated an increase of 25% for net commission income. Furthermore, despite the restrictions caused by the coronavirus, the segment acquired a net increase of 142,000 customers in Germany especially on the basis of online acquisitions. The volume of mortgage lending went up by 7% to €82.2 billion. The volume in consumer finance business rose to €3.8 billion (year-end 2019: €3.7 billion).

The risk result of the PSBC segment increased to minus €160 million (Q1 2019: minus €52 million). Thereof, €83 million were attributable to mBank. Overall, revenue growth compensated for the higher risk result so that the operating profit remained stable with €150 million (Q1 2019: €153 million). Without the coronavirus effects totalling €62 million, the segment’s operating profit would have been €212 million.

The **Corporate Clients** segment succeeded in maintaining revenues in the direct customer business at a largely stable level in the first quarter compared both with the year-earlier quarter and the fourth quarter 2019 in spite of the pandemic. The loan volume of corporate clients increased as a result of the higher financing requirement to €89 billion on quarterly average. Due to the volatile markets, the valuation of hedging instruments for customers resulted in temporary negative earnings effects. Overall, the segment achieved revenues of €747 million (Q1 2019: €860 million) in the first quarter.

The risk result in the Corporate Clients segment increased to minus €166 million (Q1 2019: minus €28 million). Of this, €122 million were due to the consequences of the pandemic - €61 million was caused by defaults actually related to the coronavirus and a further €62 million for top level adjustments. Overall, the segment’s operating profit was minus €114 million (Q1 2019: €119 million). Without charges due to the crisis in the risk result and the valuation effects together totalling 201 million, the segment would have generated an operating profit of €86 million.

In **Others and Consolidation**, the Bank reported an operating profit of minus €313 million (Q1 2019: minus €19 million) in the first quarter. Once again, the reason for this were temporary effects in the valuation of long-term hedging transactions for interest and currency risks in March, which were partly compensated again in April.

Outlook

Even during the coronavirus crisis, Commerzbank will continue to stand at the side of its customers. The Bank will further develop its business model incorporating the experiences from the Corona crisis. In view of the uncertainty about the further development of the pandemic, it is difficult to provide a concrete outlook. Assuming that the economy will gradually gain momentum after a lockdown lasting around two months and that there is no second lockdown, the Bank expects to keep revenues in customer business largely stable in the financial year 2020, excluding the influence of non-recurring and valuation effects. As a result of the intensified cost management, the Bank targets to achieve a cost base on the level of 2019 now also including IT investments of up to €0.2 billion from “Commerzbank 5.0”. Commerzbank expects charges amounting to between minus €1.0 and €1.4 billion to impact the risk result. With the 55 basis point reduction in regulatory minimum capital requirements, the Bank is adjusting its target for the CET1 ratio from at least 12.75% to at least 12.5% at the end of the year. The current CET1 ratio of 13.2% gives the Bank leeway to take advantage of additional business opportunities.

Financial figures at a glance

in €m	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019 in %	Q4 2019	Q1 2020 vs Q4 2019 in %	2019
Net interest income	1,321	1,232	+7.2	1,307	+1.1	5,074
Net commission income	877	768	+14.3	786	+11.6	3,056
Net fair value*	-304	85		116		244
Other income	-42	73	-	-36	-17.9	270
Income before risk result	1,853	2,157	-14.1	2,173	-14.8	8,643
<i>Revenues excl. exceptional items</i>	2,026	2,191	-7.5	2,163	-6.3	8,619
Operating expenses	1,503	1,567	-4.1	1,608	-6.5	6,313

in €m	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019 in %	Q4 2019	Q1 2020 vs Q4 2019 in %	2019
Compulsory contributions	301	265	+13.4	65		453
Risk result	-326	-78		-250	-27.0	-620
Operating profit or loss	-277	246		250		1,258
Impairments on intangible assets	-	-		28		28
Restructuring costs	-	-		101		101
Current pre-tax profit or loss (discontinued operations)	44	-19		-9		-17
Pre-tax profit or loss (Group)	-233	227		112		1,112
Taxes	54	91	-38.5	154	-63.8	369
Minorities	8	14	-40.9	13	-34.8	100
Consolidated profit or loss**	-295	122		-54		644
Cost/income ratio in operating business excl. compulsory contributions (%)	81.1	72.7		74.0		73.0
Cost/income ratio in operating business incl. compulsory contributions (%)	97.4	85.0		77.0		78.3
Operating RoTE (%)	-4.0	3.7		3.6		4.7
Net RoTE (%)***	-4.9	1.9		-1.1		2.4
Net RoE (%)	-4.4	1.8		-1.0		2.2
CET1 ratio (%)****	13.2	12.7		13.4		13.4
Leverage Ratio, Basel 3 fully loaded (%)	4.7	4.5		5.1		5.1
Total assets (€bn)	517	503	+2.8	464	+11.6	464

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

** Consolidated profit or loss attributable to Commerzbank shareholders and investors in additional equity components

*** Net RoTE after deduction of dividend accrual and (fully discretionary) AT 1 coupon

**** Includes net results reduced by dividend accrual and from Q3 2019 onwards additionally reduced by (fully discretionary) AT1 coupon

About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in nearly 50 countries. The Bank's two business segments – Private and Small-Business Customers and Corporate Clients – offer a comprehensive portfolio of financial services precisely tailored to their customers' needs. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The Bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products. Its subsidiaries, comdirect in Germany and mBank in Poland, are two innovative online banks. With approximately 800 branches going forward, Commerzbank has one of the densest branch networks in Germany. The Bank serves more than 11 million private and small-business customers nationwide and over 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. Its Polish subsidiary mBank S.A. has around 5.7 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2019, Commerzbank generated gross revenues of €8.6 billion with approximately 48,500 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.