

Press Release

For business editors
11 February 2021

Commerzbank launches roll-out of “Strategy 2024” and plans to complete first important restructuring steps this year

- **Closure of a further 190 branches planned in current year**
- **More than 80% of headcount reduction already targeted for year-end 2023**
- **Return to positive operating profit planned for 2021, operating profit of €2.7 billion planned for 2024**
- **Resumption of dividend payments planned for financial year 2023**
- **CEO Manfred Knof: “We want to be sustainably profitable and shape our own destiny as an independent force in the German banking market”**

As early as this year, Commerzbank intends to complete key restructuring steps announced in its programme “Strategy 2024” on 3 February 2021. The aim of the restructuring is to become the direct and advisory bank for Germany and to further strengthen its leading position as the Bank for the German Mittelstand and a strong partner for around eleven million private and small-business customers.

After the financial year 2020 was negatively affected by the effects of the coronavirus pandemic and the provision set aside for the planned restructuring, the Bank is aiming to return to a positive operating result already in the current year. Over the coming four years, costs will be substantially reduced, and profitability will be significantly increased on the basis of a detailed implementation plan for the new strategy programme. Commerzbank is targeting an operating profit of around €2.7 billion and a return on tangible equity (RoTE) of around 7% for 2024. The resumption of dividend payments is planned for the 2023 financial year. There is the potential to return overall up to €3 billion to shareholders in the years 2023 and 2024 in the way of dividends or share buybacks, subject to a successful transformation and prior permission of the European Central Bank.

“We want to be sustainably profitable and shape our own destiny as an independent force in the German banking market,” commented Manfred Knof, Chairman of the Board of Managing Directors of Commerzbank. “To achieve this aim, we need to carry out an in-depth restructuring of the Bank over the coming years. Our ‘Strategy 2024’ represents customer centricity, digitalisation, sustainability, and profitability. We will consistently and rapidly implement our plan.”

As a result of “Strategy 2024”, Commerzbank is targeting a reduction in costs by €1.4 billion or around 20% in 2024 by comparison with 2020. One third of the envisaged savings are already planned for implementation by 2022. At the same time, revenues are expected to remain largely stable – mBank will continue its revenue growth.

Commerzbank will reduce approximately 10,000 full-time equivalents in gross terms as announced. At the same time, the recruitment of around 2,500 full-time positions is planned. This will allow the Bank to further reduce its costs, among others for external service providers. In total, the net reduction amounts to around 7,500 full-time positions. The necessary framework agreements are expected to be concluded with the Group Works Council until the Annual General Meeting on 5 May 2021.

Private and Small-Business Customers: Increase in profitability

Commerzbank has defined ambitious goals in both business segments for 2024. It targets a pre-tax return (RoCET) of 25% in the Private and Small-Business Customers segment including mBank and a cost-income ratio (CIR) of 59% including compulsory contributions.

The Bank will achieve this by further developing the segment into an attractive combination of a highly efficient direct bank and first-class advisory offering. This will combine the strengths of comdirect with the advisory expertise of Commerzbank. Commerzbank will reduce the number of branches from the current level of 790 to 450 locations. At these branches, customers will receive advice on issues like account, card, and consumer credit, as well as being supported in the use of digital offerings. Private and small-business customers with a greater requirement for advisory services will receive comprehensive personal support and individual solutions on all issues related to investing and financing at 220 of these locations. Commerzbank intends to significantly expand its business with affluent customers and small-business customers in Private Banking and Wealth Management.

Corporate Clients: Significant efficiency gains

In the Corporate Clients business, Commerzbank is targeting a pre-tax return (RoCET) of 9% based on stringent RWA management and is aiming for a cost-income ratio (CIR) including compulsory contributions of 62% in 2024.

In future, the Bank will focus on the German Mittelstand and large corporates and on international customers with German connectivity. Commerzbank will only provide advisory services for further international corporate clients if they are operating in selected future-oriented sectors such as mobility, sustainability, communications, life sciences, and capital goods. The Bank will continue to maintain its responsibility as a strong financing and hedging partner for German companies conducting import and export business around the world. Corporate clients will continue to be offered personal advisory services and a network of regional locations. At the same time, an innovative direct bank offering for corporate clients will gradually be established with a standardised product and advisory offering.

Fast implementation of the new strategy

“Strategy 2024” is underpinned by clearly defined measures and milestones. The implementation plan envisages the closure of a further 190 branches over the course of 2021. The Bank will close a further 150 branches in 2022 and 2023 and establish the central advisory centres for the Private and Small-Business Customers segment. At the same time, the Corporate Clients segment will be largely digitalised, the product offering will be streamlined and the presence overseas will be adapted to the customer structure. More than 80% of the envisaged headcount reduction is set to be completed by year-end 2023. The cost savings are planned to start taking full effect in 2024.

Provision for planned restructuring and coronavirus crisis negatively impacted 2020 results

In the financial year 2020, Commerzbank established the foundation for the restructuring. With a charge of €814 million, the Bank booked a substantial proportion of the planned restructuring expenses of around €1.8 billion. Apart from the restructuring charge, the Bank incurred the impairment of goodwill and other intangible assets of around €1.6 billion, which, however, had no effects on the regulatory capital base. This led to a net result of minus €2,870 million (2019: plus €585 million).

In 2020, the operating business was clearly impacted by the coronavirus pandemic. Commerzbank took €505 million additional provisions for coronavirus effects (“top-level adjustment”) anticipated for 2021. Furthermore, legal provisions for foreign-currency loans at mBank were increased by €229 million. Together with negative exceptional revenue items, this led to an operating result of minus €233 million in 2020 (2019: plus €1,253 million).

Despite the net loss, the Common Equity Tier 1 ratio (CET 1 ratio) amounted to 13.2% at the end of 2020 (year-end 2019: 13.4%) and, with around 370 basis points, remained clearly above the minimum regulatory requirement of 9.5% (MDA threshold).

“We have cleaned-up our balance sheet and made provision for an economic environment that continues to be uncertain,” said Bettina Orlopp, Chief Financial Officer of Commerzbank. “Our comfortable capital position gives us adequate financial leeway for the implementation of our ‘Strategy 2024’ over the upcoming years.”

Stable underlying revenues – high quality of the loan book

Excluding the €229 million increase in provisions for foreign currency loans at mBank, underlying revenues continued to remain almost stable at €8,447 million (2019: 8,615 million) This was in particular due to net commission income, which the Bank increased by almost 9% thanks to a strong securities business. It more than compensated the burden from the interest rate environment. Including negative exceptional items and valuation effects, Group revenues decreased to €8,186 million (2019: €8,639 million).

Administrative expenses were reduced by 2.4% to €6,160 million (2019: €6,313 million) through effective cost management. This was driven by the net headcount reduction of around 900 full-time equivalents and savings in expenses for advertising and business travel and lower depreciation. This contrasted with a further increase of compulsory contributions by 13% to €512 million. Nevertheless, costs came down overall to €6,672 million (2019: €6,766 million) and were therefore around €200 million below the original expectation for 2020.

Against the background of the global pandemic, the risk result in 2020 rose to minus €1,748 million (2019: minus €620 million). This includes negative impacts from the coronavirus pandemic amounting to €961 million. The quality of the loan book at year-end continues to be high with a non-performing exposure ratio (NPE ratio) of only 1.0%.

Corporate Clients negatively impacted by coronavirus crisis – Lower effects on private customers

The Private and Small-Business Customers (PSBC) segment again performed well in its customer business in 2020. Loan volumes in the domestic market grew by €8 billion to €112 billion. The volume of mortgage lending alone increased by 7% to €86 billion on the back of record high new business volumes. The securities volume experienced strong growth of €20 billion to €177 billion, of which net inflows amounted to around €12 billion.

Thanks to the high level of customer activity, the segment increased net commission income by 12% to €2,151 million. This led to stable underlying revenues of €4,826 million (2019: €4,846 million) and compensated negative impacts from additional higher provisions for foreign-currency loans at mBank. The risk result rose to minus €562 million (2019: minus €254 million). Overall, the operating profit for the segment amounted to €368 million (2019: €831 million) in 2020.

The development in the Corporate Clients segment was significantly impacted by the coronavirus pandemic in the past financial year. Revenues came down to €3,216 million (2019: €3,360 million). The strict RWA management by the Bank and lower liquidity requirements from customers on account of the coronavirus pandemic led to a reduction in loan volumes. Furthermore, the decline in the global economy exerted a negative impact on the demand for trade finance. However,

stronger capital market business partly compensated revenue reductions in trade finance and the loan business. Due to the pandemic, the risk result of the segment increased to minus €1,081 million (2019: minus €342 million). Of these, €373 million were booked as additional provisions for expected coronavirus effects in 2021 (“top-level adjustment”). With reduced operating expenses, the operating result of the segment was minus €458 million (2019: plus €336 million).

Outlook for 2021

For the current financial year, Commerzbank expects slightly lower revenues reflecting the focus on a more efficient use of equity capital (RWA optimisation) in the transformation. With increasing investments and initial cost measures from the transformation, the Bank aims for a cost reduction to around €6.5 billion. Depending on the development of the coronavirus pandemic, the Bank expects a risk result of between minus €0.8 billion and minus €1.2 billion. A positive operating result is expected for 2021. Taking into account the planned additional restructuring expenses of around €0.9 billion, Commerzbank is targeting a Common Equity Tier 1 ratio (CET 1 ratio) of more than 12% at year-end.

Financial figures at a glance

in €m	2020	2019	2020 vs 2019 in %	Q4 2020	Q4 2019	Q4 20 vs Q4 19 in %	Q3 2020
Net interest income	4,975	5,070	-1.9	1,151	1,305	-11.8	1,226
Net commission income	3,317	3,056	+8.6	837	786	+6.5	812
Net fair value*	66	244	-72.8	182	116	+56.7	25
Other income	-172	270	-	-142	-36	-	-30
Income before risk result	8,186	8,639	-5.2	2,029	2,172	-6.6	2,033
<i>Revenues excl. exceptional items</i>	<i>8,447</i>	<i>8,615</i>	<i>-2.09</i>	<i>2,048</i>	<i>2,161</i>	<i>-5.2</i>	<i>2,096</i>
Risk result	-1,748	-620	-	-681	-250	-	-272
Operating expenses	6,160	6,313	-2.4	1,609	1,608	+0,0	1,521
Compulsory contributions	512	453	+13.0	67	65	+2.3	72
Operating profit or loss	-233	1,253	-	-328	249	-	168
Impairments on intangible assets	1,578	28	-	1,578	28	-	-
Restructuring costs	814	101	-	614	101	-	201

in €m	2020	2019	2020 vs 2019 in %	Q4 2020	Q4 2019	Q4 20 vs Q4 19 in %	Q3 2020
Current pre-tax profit or loss (discontinued operations)	30	-17	-	-10	-9	-4.7	-11
Pre-tax profit or loss (Group)	-2,597	1,108	-	-2,530	111		-43
Taxes	264	423	-37.6	199	195	+1.9	3
Minorities	9	100	-90.6	-26	13	-	15
Consolidated profit or loss**	-2,870	585	-	-2,702	-97	-	-60
Cost-income ratio in operating business excl. compulsory contributions (%)	75.2	73.1		79.3	74.0		74.8
Cost-income ratio in operating business incl. compulsory contributions (%)	81.5	78.3		82.6	77.0		78.3
Operating RoTE (%)	-0.8	4.7		-4.6	3.6		2.3
Net RoTE (%)***	-11.7	2.2		-43.9	-1.7		-1.5
Net RoE (%)	-10.7	2.0		-40.5	-1.6		-1.3
CET 1 ratio (%)****	13.2	13.4		13.2	13.4		13.5
Leverage Ratio, Basel 3 fully loaded (%)	4.9	5.1		4.9	5.1		4.8
Total assets (€bn)	507	463		507	463		544

* 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 result reduced by dividend accrual – if appropriate – and from Q3 2019 onwards additionally reduced by (fully discretionary) AT 1 coupons.

The figures presented in this press release for the year 2020 are preliminary and have not been audited.

The annual press conference will be broadcast live on the [internet](#) from 10.30 am onwards today. Photos will be available at around 1 pm [here](#).

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About Commerzbank

Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 30,000 corporate client groups and around 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 almost 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 German connectivity and companies operating in selected future-oriented industries. Following the integration of comdirect, private and small-business customers benefit from the services offered by one of Germany's most advanced direct banks combined with personal advisory support on site. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.7 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2020, Commerzbank generated gross revenues of some €8.2 billion with almost 48,000 employees.

Disclaimer and Forward-Looking Statement

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.