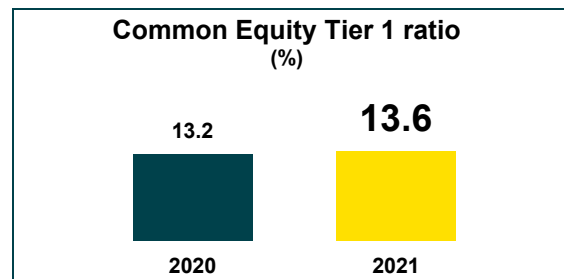
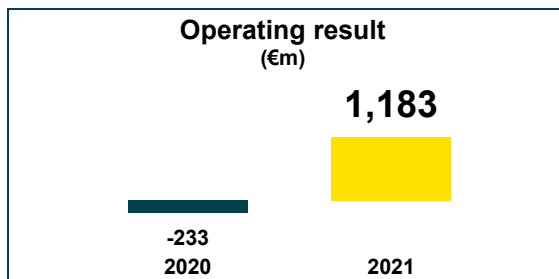
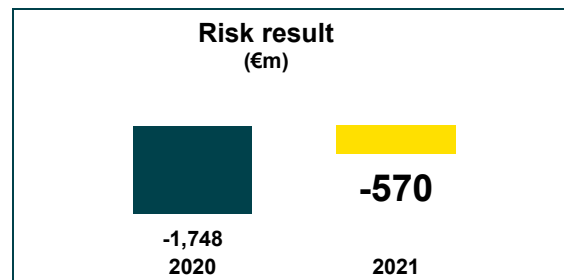
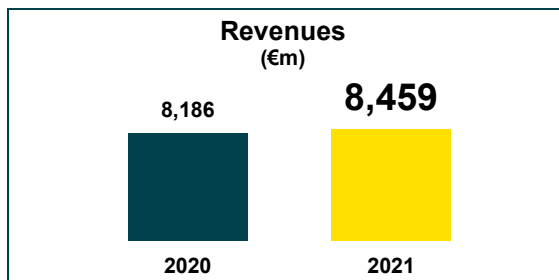


# IR Release

17 February 2022

## Successful first transformation year for Commerzbank – Positive net result despite high one-off charges

- Revenues in 2021 increased to €8.5bn (2020: €8.2bn)
- Low risk result of minus €570m in second year of pandemic (2020: minus €1.7bn) – still more than €500m top level adjustment for potential Covid-related charges
- Operating result of €1.2bn (2020: minus €233m)
- Net result positive at €430m despite restructuring charges and increased provisions for Swiss franc loans (2020: minus €2.9bn)
- Common Equity Tier 1 ratio improved to 13.6%
- Net result of more than €1bn and dividend payment planned for 2022
- Capital return policy for the coming years with pay-out ratio of 30 to 50% decided



“In the first year of the transformation, we have delivered on our promises. This increases our confidence that we will achieve our ambitious goals for 2024. We aim to pay a dividend for 2022.”

**Manfred Knof, CEO**

“In 2021, we generated an operating result of more than €1 billion and a positive net result, although we had to shoulder high one-off charges. This shows the profit potential of our Bank.”

**Bettina Orlopp, CFO**

In the first year of its transformation, Commerzbank has returned to profitability despite high one-time charges of nearly €2 billion and posted a net result of €430 million. The basis for this was the positive development of its customer business with a stabilised net interest income and a significantly higher net commission income. The Bank has also reduced its running costs as planned. Additionally, the risk result in the second year of the pandemic was significantly lower. Overall, the Bank generated an operating result of almost €1.2 billion. The Common Equity Tier 1 (CET 1) ratio improved to 13.6% providing a solid basis for the further transformation.

“In the first year of the transformation, we have delivered on our promises. We have resolutely moved ahead with our strategic initiatives. This increases our confidence that we will achieve our ambitious goals for 2024,” said Manfred Knof, Chief Executive Officer of Commerzbank. “2022 will be a decisive year in the implementation of our strategy. We intend to continue with the successful customer business of the past year and increase the net result to more than €1 billion. This means that we will aim to pay a dividend for the 2022 financial year. For the coming years, we have decided on a clear capital return policy.”

The Bank’s capital return policy provides for dividend payments in the coming years of 30 to 50% of the net result after deduction of AT 1 coupon payments. For the year 2022, a pay-out ratio of 30% is initially planned if the Bank meets its targets. Prerequisite for a dividend is a CET 1 ratio, which is at least 200 basis points above the regulatory requirement (MDA threshold) even after a dividend payment. In addition to dividend payments, the capital return policy provides for the possibility of share buybacks subject to the further successful execution of “Strategy 2024” and a regulatory approval.

Commerzbank has consistently tackled the implementation of its “Strategy 2024” in the past year, with which it intends to realign its business model to the needs of its customers, streamline the organisation, and modernise processes. Key flagship projects were successfully launched on the path to becoming *the* digital advisory bank for Germany. The first three advisory centres for private customers began to operate. In the Corporate Clients segment, direct banking support and services have been piloted for the first customers.

The Bank also has set ambitious sustainability goals with the net-zero target as its key element. By 2050, the net CO<sub>2</sub> emissions of the entire loan and investment portfolio will be lowered to net zero. The Bank intends to increase its sustainable business volume to €300 billion per annum by 2025. In 2021, the volume of sustainable financial products already rose by 88% to €194 billion. With a tougher policy on fossil fuels, Commerzbank is pushing the coal phase-out and the transformation of the economy.

The Bank made important progress towards sustainably higher profitability. The framework agreement for the necessary personnel reduction was reached with the employees’ representatives, and the negotiations on the future target structure were successfully concluded. In

total, the Bank will reduce headcount by approximately 10,000 full-time positions in gross terms by 2024. Especially thanks to successful voluntary and early retirement programmes, a reduction of more than 6,000 positions has already been fixed by corresponding individual contracts with employees. In total, the Bank had nearly 36,700 full-time positions at the beginning of 2022, almost 2,800 less than one year ago. To optimise its branch network, the Bank further reduced the number of locations from about 800 to around 550. This means that the Bank is progressing well towards the target size of 450 branches. Before the pandemic, the Bank had approximately 1,000 branches.

The streamlining of the international network has proceeded more quickly than originally expected. During 2021, the Bank closed 6 out of the 15 foreign locations scheduled for closure. In addition, an agreement was reached on the sale of the Hungarian subsidiary Commerzbank Zrt. Moreover, the agency network in Switzerland has already been decommissioned. To optimise its capital market business, Commerzbank entered a comprehensive cooperation in equity brokerage and equity research with ODDO BHF. Good progress has also been made to increase in capital efficiency in the Corporate Clients segment. The proportion of the business with a low RWA efficiency was reduced to a greater extent than planned – by 5 percentage points to 29% in 2021.

Commerzbank increased its revenues in the 2021 business year by a total of 3% to €8,459 million (2020: €8,186 million). This already includes the announced additional charges of €600 million for provisions in connection with the foreign currency loans of mBank. In contrast, a positive effect was seen not only from the extraordinary income from the Targeted Longer-Term Refinancing Operations (TLTRO) of the European Central Bank (ECB), but also from the contribution of almost €220 million from CommerzVentures.

A clear upwards trend was seen in securities business which led to an increase of the underlying net commission income by approximately 9% to €3,616 million (2020: €3,320 million) in 2021. Given the negative interest rate environment, the underlying net interest income amounted to €4,617 million (2020: €4,996 million). However, net interest income improved from quarter to quarter thanks to higher contributions from lending business and the expansion of pricing for large deposits.

The risk result in the past year was minus €570 million, a significantly lower level than in the previous year (2020: minus €1,748 million). The ratio of non-performing loans (NPE) improved as of the end of December to a very low 0.9% (end of December 2020: 1.0%). This confirms the high quality of the Bank's loan portfolio. The additional provision for expected Covid effects, the so-called top-level adjustment, amounted to €523 million as of the end of the year. It remained almost unchanged compared to the end of 2020 and is still available as a provision to cover the direct and indirect effects of the pandemic.

In the past year, the total costs amounted to €6,706 million (2020: €6,672 million). This also includes the one-time write-off of €200 million for ending the outsourcing project for securities settlement in the second quarter. Excluding this one-time charge, the Bank was able to reduce its costs as planned to €6.5 billion. The operating costs were lowered by 2% to €6,039 million (2020: €6,160 million). Compulsory contributions amounted to €467 million (2020: €512 million).

The operating result increased in 2021 to €1,183 million (2020: minus €233 million); in the fourth quarter this figure was €141 million (Q4 2020: minus €328 million) despite the high additional provisions at mBank. After deduction of the restructuring expenses of €1,078 million and after taxes and minority interests, the net profit in the past year was €430 million (2020: minus €2,870 million).

The Common Equity Tier 1 (CET1) ratio improved significantly by the end of 2021 to 13.6% (end of 2020: 13.2%) due to an increase of CET 1 among others thanks to the positive net result and due to reduced risk-weighted assets (RWA). The buffer to the current regulatory requirement (MDA threshold) of 9.4% increased to around 420 basis points (end of 2020: 370 basis points).

“Thanks to the upwards trend in customer business, we were able to generate an operating result of more than €1 billion. The net result is also positive although we had to shoulder very high one-off charges. The restructuring expenses, the increase in provisions for Swiss francs loans and the extraordinary write-off due to the ending of the outsourcing of securities settlement totalled to nearly €2 billion. This shows the profit potential of our Bank,” said Bettina Orlopp, Chief Financial Officer of Commerzbank.

### **Development of the segments**

The Private and Small-Business Customers segment increased its volume of securities and loans in Germany by €50 billion to €340 billion. Of the growth of around €42 billion in the securities volume more than €15 billion came from net new inflows. The mortgage business grew by a further 7% to around €92 billion in the past year. Customer deposits also developed positively. The Bank was thus able to lower the volume to €147 billion and to introduce pricing on more deposits. Currently, private customer deposits in the amount of €18 billion are being priced.

The Private and Small-Business Customers segment was able to increase its underlying revenues in all customer businesses in Germany in 2021. The Private Customers division alone saw a revenue growth of more than 6%. The Small-Business Customers division and Commerz Real also contributed higher revenues. There was also a strong upwards trend in the operating business at mBank. Driven by higher interest rates, the net interest income of the Polish subsidiary increased by about 25% in the fourth quarter alone compared with the final quarter of 2020. The net commission income rose by 15%. However, overall revenues of mBank declined in 2021 as a result of the considerable increase in provisions for the Swiss franc loan portfolio. In total, the

underlying revenues of the Private and Small-Business Customers segment in 2021 were €4,708 million (2020: €4,825 million). Reduced costs and a lower risk result led to an operating result of €575 million (2020: €370 million). Without the additional provisions at mBank the result would have been €1,175 million (2020: €599 million).

Thanks to a strong fourth quarter, the Corporate Clients segment was able to maintain its underlying revenues for the full year at a virtually stable level of €3,113 million (2020: €3,157 million). Growth was posted by the Mittelstand division, while the underlying revenues in the International Corporates and Institutionals divisions declined as expected in line with the strategic refocussing. In the final quarter, International Corporates and Mittelstand increased their earnings year-on-year, while Institutionals remained stable. Thanks to the low risk result and successful cost management, the segment generated a total operating result of €656 million (2020: minus €465 million) in the past year.

## Outlook

Commerzbank anticipates an increase in underlying net interest income and net commission income in the 2022 financial year. This reflects higher expected net interest income at mBank thanks to the rate increases in Poland and should compensate for potential churn effects as a result of the efficiency measures. The costs are to be reduced to €6.3 billion. This includes higher costs at mBank due to inflation, while Commerzbank is sticking to its cost-cutting path in Germany. For the risk result, the Bank anticipates burdens of less than €700 million. The CET1 ratio is expected to exceed 13%. All in all, the Bank expects a net profit of more than €1 billion, and aims to pay a dividend for the 2022 financial year. A dividend pay-out ratio of 30% of the net result after deduction of AT 1 coupon payments is planned. The outlook is based on the assumption that there will be no substantial increase in the provisions for the Swiss franc loan portfolio of mBank.

## Financial figures at a glance

in €m	2021	2020	2021 vs 2020 in %	Q4 2021	Q4 2020	Q4 21 vs Q4 20 in %	Q3 2021
Net interest income	4,849	4,975	-2.5	1,300	1,151	+12.9	1,122
Net commission income	3,616	3,317	+9.0	924	837	+10.4	889
Net fair value*	980	66		334	182	+83.4	160
Other income	-985	-172		-459	-142		-165
<b>Total revenues</b>	<b>8,459</b>	<b>8,186</b>	<b>+3.3</b>	<b>2,099</b>	<b>2,029</b>	<b>+3.5</b>	<b>2,006</b>
<i>Revenues excl. exceptional items</i>	<i>8,071</i>	<i>8,444</i>	<i>-4.4</i>	<i>1,864</i>	<i>2,047</i>	<i>-8.9</i>	<i>2,015</i>

in €m	2021	2020	2021 vs 2020 in %	Q4 2021	Q4 2020	Q4 21 vs Q4 20 in %	Q3 2021
Risk result	-570	-1,748	+67.4	-313	-681	+54.1	-22
Operating expenses	6,239	6,160	+1.3	1,581	1,609	-1.7	1,485
Compulsory contributions	467	512	-8.7	65	67	-2.3	27
<b>Operating profit or loss</b>	<b>1,183</b>	<b>-233</b>		<b>141</b>	<b>-328</b>		<b>472</b>
Impairments on intangible assets	-	1,578			1,578		-
Restructuring costs	1,078	814	+32.3	26	614	-95.8	76
Current pre-tax profit or loss (discontinued operations)	-	<b>30</b>		-	<b>-10</b>		
<b>Pre-tax profit or loss (Group)</b>	<b>105</b>	<b>-2,597</b>		<b>115</b>	<b>-2,530</b>		<b>396</b>
Taxes	-248	264		-199	199		-6
Minorities	-77	9		-107	-26		-1
<b>Consolidated profit or loss**</b>	<b>430</b>	<b>-2,870</b>		<b>421</b>	<b>-2,702</b>		<b>403</b>
Cost-income ratio in operating business excl. compulsory contributions (%)	73.8	75.2		75.3	79.3		74.0
Cost-income ratio in operating business incl. compulsory contributions (%)	79.3	81.5		78.4	82.6		75.4
Operating RoTE (%)	4.2	-0.8		2.0	-4.6		6.6
Net RoTE (%)***	1.0	-11.7		6.0	-44.0		5.8
Net RoE (%)	1.0	-10.7		5.8	-40.5		5.6
CET 1 ratio (%)***	13.6	13.2		13.6	13.2		13.5
Leverage Ratio (%)	5.2	4.9		5.2	4.9		4.6
Total assets (€bn)	473	507	-6.6	473	507	-6.6	541

\* 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.

\*\*\* Reduced by potential dividend accrual and potential (fully discretionary) AT 1 coupons.

**The figures presented in this IR Release for the year 2021 are preliminary and have not been audited.**

**About Commerzbank**

Commerzbank is the leading bank for the German Mittelstand and a strong partner for around 28,000 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 online banks combined with personal advisory support on site. Its Polish subsidiary mBank S.A. is an innovative digital bank that serves approximately 5.5 million private and corporate customers, predominantly in Poland, but also in the Czech Republic and Slovakia. In 2021, Commerzbank generated gross revenues of some €8.5 billion with around 46,500 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.