



COMMERZBANK

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Thomas Schaufler  
PSBC

## Transcript

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*Thomas Schaufler, Board Member Private and Small Business Customers (PSBC)*

Good afternoon, I am delighted to meet you all.

As many of you know, I joined Commerzbank in December last year. Prior to that, I spent twenty-five years at Erste Bank in Austria in various different roles – most recently as Head of the Group Retail Board. Given my entire career has been working with clients, you could say, that retail and private banking are in my DNA.

Therefore, I would like to share three firm beliefs that guide my actions and decisions.

First of all, I stand for client focus. I am convinced that customer satisfaction is the most important driver for my P&L and for business success. Providing excellent service and excellent advice brings us a higher share of wallet from existing clients. And it makes us more attractive for new clients.

Secondly, I believe in “mobile first”. We will not digitize our old processes. Instead, we will invent new digital customer journeys to make their daily financial lives much more convenient. The old sentence “I have to go to the bank” is gone. We now need to be where our clients want us.

Thirdly, compelling digital offerings are a must-have to attract and retain clients. In addition, digitized processes enable significant efficiency gains. These can be reinvested in advising clients. This is why I strongly believe that skilled and motivated staff will make a real difference in serving our clients across the different channels.

In a nutshell, my assessment of PSBC is: We have a huge customer potential. We are on a clear digitization path and have identified significant efficiency potential. And, I have to say, we have a great team in place. Going forward, we will create a wow effect in the German banking industry by **positively surprising our clients – digitally and personally**. This will help us reach our profitability goals in the coming years.

And now let me guide you through the **strategic topics for PSBC**, starting with our **strengths**:

- With two very strong brands, Commerzbank and comdirect, we are able to offer the whole range of banking: from digital banking via very competitive brokerage towards private banking and wealth management.
- Over recent years, we have built-up strong digital capabilities. The most prominent example is the mobile interface which is ranked among the top three in Germany.
- We see that the loyalty of our customers remains at a high level. For instance, churn of high value customers turned out to be lower than expected for 2021.
- Our very well-established distribution continues to be our key strength.
- And last but not least, we have delivered on our financial and strategic milestones for 2021. We have permanently closed an additional 240 branches. We have raised the number of active digital banking users to 70%. Loan and securities volumes have been increased to 340 billion euros. And FTEs are down by 1.700 already in 2021.

I am convinced that we can successfully build on this strong foundation. Nevertheless, we need to keep pace and ambition high, in order to achieve our aspiration. We need to put a clear focus on further improving efficiency across all channels. We have to reduce complexity. And we need to strengthen our processes and assistance systems as they are key to helping our clients manage their daily financial lives.

Now let me guide you through the **key cornerstones of our strategic program**.

Let us start with the overview. The fundamental transformation of our business model has the clear goal to drive profitability. Our over-arching proposition is to save 20% of our costs. We will do this through reducing our cost-to-serve across the entire customer base until 2024.

Our new sales model has three key channels.

Channel one is “digital”. Our ambition is that the majority of our customer base will be active digital banking users by end of 2024. We can achieve this by establishing a true mobile-first approach for all relevant service requests and simple sales transactions.

The second channel is “remote”. In 2021, we have successfully launched the pilot by onboarding approximately 850.000 private customers. By the end of 2022, our remote centers will be fully in place. We will have 12 locations across Germany providing our clients with more flexible servicing hours.

Finally, the third channel is “personal advice”. On the one hand, we are increasing our efficiency through the conversion of our branch network. In the future, we will have 450 advisory branches in place – lean in cost and staff – providing our clients with easy and quick advice for non-complex products. On the other hand, personal advice is key for growing our business with premium clients. They will be personally serviced in our 220 premium branches. Here, our top sales staff and highly qualified specialists will be working on complex banking needs in order to create value for the clients and solve their problems.

Let us dig a bit deeper into the business model, starting with **mobile and online**.

To be very clear: developing mobile as our leading sales channel is key to the strategic transformation of our business model. In 2021, we started the roll-out of digital assistance features, for instance, by going live with our in-app financial analysis. With the help of our advanced offering, we’ve already increased the number of digital interaction points. In 2021, the number of active digital banking users rose by 9% compared to the previous year. Moreover, 77% of all logins were conducted via the app.

Meanwhile, we also substantially improved the efficiency of our mobile offering. For example, we increased authenticated in-app calls by 43% to 1 million in 2021. This ensures that clients can be advised immediately without further authentication in any other channel. Importantly, with our marketing analytics tool and based on our client data we know which of our 250 targeted campaigns is suitable for every single client on a daily basis. This is an important step towards individualized, digital advisory service. Interestingly, 76% of our digital clients use the digital post box. This makes the information and communication much more convenient and helps us on the way to a paperless bank.

Finally, client feedback on our mobile app is very positive. As already said, we are ranked in the top three in Germany.

In 2022, we will continue to deliver on our targets. By expanding our offering towards a full distribution channel, we increase our revenues by implementing further features like the in-app instalment loan. We will further reduce our cost-to-serve as we incentivize clients to use our digital channels. And finally, we will increase customer loyalty as well as our share of wallet through creating outstanding customer experience.

In uncertain times like this, real time quoting from a **stable trading platform with top execution** is key. We can offer this via comdirect. Moreover, we provide an efficient, scalable, and effective direct banking proposition.

Therefore, it is our clear goal to further develop this offering as it complements the strengths of Commerzbank. Let me give you some examples regarding the achievements of 2021: Securities volumes increased by around 25 billion euros – of which approximately 12 billion stemmed from new business. Value-based securities revenues increased by 19% compared to 2020. And assets under management of comdirect’s robo advisor cominvest rose to more than 1 billion

euros. As brokerage activity is to remain at high levels, we do expect the strong performance to continue. This is why in 2022, we will add further product innovations.

This brings me to one of my most important topics for 2022.

Through **remote advice**, we will close the gap between pure online and offline business, and we will bring our top advisors into the living rooms of our clients. Incoming, remote contacts will be directed to highly skilled experts. They provide any kind of advice and offer solutions. Depending on the needs of the clients, such advice includes mortgages and also complex securities products. Beyond the general service, we offer an exclusive fast lane for our premium clients.

The experience from the pilot is excellent. Availability of our three already established centers is around 88%. And the net promoter score – as the relevant measure for customer satisfaction – reaches levels in line with the score we usually see across our branches. In the future, we want to convince our clients with a very active advisory approach. Therefore, we are closely monitoring the development of these key factors during the ramp-up of our remote centers towards a fully functioning remote advice channel in 2022.

In 2024, we will then be finalizing our vision of a full service offering of a direct bank with personal advice via phone and video for all private clients. From a quality point of view, there shouldn't be a difference for the customers. They will get the best advice – be it sitting in the branch or at home.

When it comes to **branch closures**, we are on track.

Within in the last two years we've closed around 450 branches. At the end of 2021, approximately 550 branches still remained open – which is well ahead of our target. 100 branches will finally be closed in 2022. In terms of staff reduction, we have also made substantial progress in 2021. And we are well on track towards our FTE target for 2024. Over the last year, we decreased FTEs by 1,700 to 9,100. For 2022, further significant reductions are planned through our downsizing programs.

Nevertheless, we have to be very careful to take our clients with us on this journey.

So far, we did a good job by limiting the **churn** that we had expected from closing down a lot of branches and from implementing our new pricing strategy. We have achieved this through different measures, especially with an individualized communication towards our clients regarding all our strategic measures.

As a result, revenue churn was approximately 80% below plan for 2021. Interestingly, the average revenue of churned clients equaled only 10% of the average existing customer revenue. I believe, this means we had the right customer focus. And we actively managed to keep our valuable clients. However, we stay cautious and believe it is too early to revise our forecast. There is a certain likelihood that churn comes with a time lag to the corresponding branch closures and pricing measures. So, we are sticking to our guidance of an estimated total transformation churn effect of approximately 300 million euros.

Let us move on with the main growth element of the strategy.

Our **premium clients** are the key driver for creating additional revenues in the future. In Germany, 3,000 billion euros are on current and savings accounts with a negative return – so we are talking about a big opportunity over the coming years. Moreover, statistics show that the premium market in Germany is constantly growing. And we will participate and benefit from this with an expected annual growth in Security and Business Client loan volume of 10%. In 2021, we well exceeded this target – based on strong sales results of our advisors.

I am convinced that Commerzbank has a unique proposition for premium clients in Germany. We have the perfect combination of experience in corporate business and wealth management solutions. In the future, we want to leverage

this asset by becoming the house bank of our clients, by serving them personally with outstanding, tailor-made premium client and private banking solutions.

This brings me to the outlook for 2022. We will bring new asset management products to our clients. We will increase the value-add time of our advisory teams with our clients. We will put higher focus on managed accounts as a tailor-made solution. And our wealth management clients will profit from exclusive products from newly established co-operations. All these measures are designed to strengthen our revenue pipeline through further increasing customer loyalty. And I'm confident that we will be very successful.

In total, creating additional revenues is key to delivering our profitability target.

In 2021, we successfully **increased our revenues** in our PSBC Germany business to 4 billion euros. As we stick to our conservative assumptions for churn and have not included any upside from rate increases, we only expect a slight growth in revenues until 2024.

Our major lever to improve our cost income ratio is a **strict cost management**. We will further reduce staff expenses. But, of course, in order to reach our 2024 target of 2.5 billion euros, we will also take out complexity, reduce our IT costs and optimize administrative costs.

We have a **clear plan** going forward.

My aim is that by 2024: We will have our new sales model fully in place. We will have increased the number of active digital banking users to 73%. Our loan and securities volumes in Germany will exceed the amount of 390 billion euros. And our remote channels as well as our self-service offering will be fully established. With all these measures in place, we aim to reach a cost-income-ratio of 61% in 2024.

2021 has been a promising start to the transformation of PSBC. But there's still a long way to go. I am sure that we will face challenges in some of the target dimensions – for example very volatile markets. But I am also confident that we can manage these challenges and meet our targets for 2024.

After all, we have a common aspiration: We want to positively surprise our customers, digitally and personally. This will be the key to reaching our profitability goals in the coming years.

Thank you very much.

## Disclaimer

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