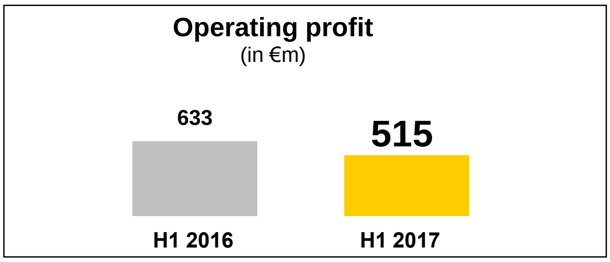
COMMERZBANK

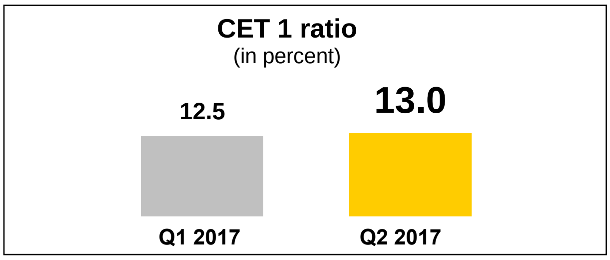
Press release

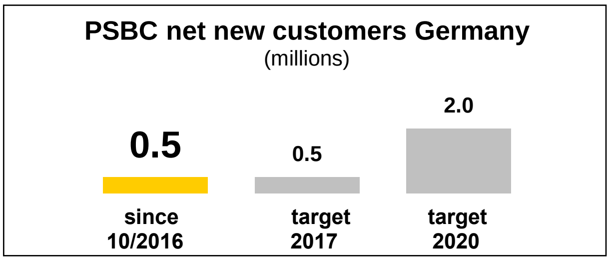
For business editors
2 August 2017

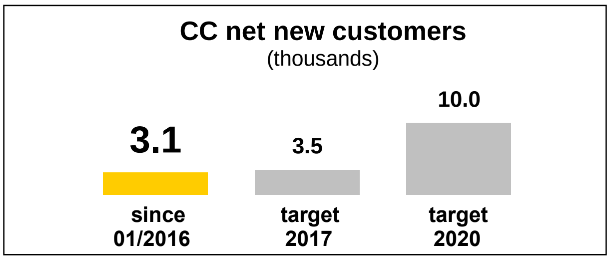
Commerzbank: Strategy Implementation well on Track – 500,000 Net New Customers Won

- **Full restructuring charges of €807m booked**
- **Net result for H1 2017 at minus €406m (H1 2016: €384m) – slightly positive result for 2017 expected**
- **Despite restructuring charges Common Equity Tier 1 ratio at 13.0% (Q1 2017: 12.5%); leverage ratio remains comfortable at 4.6 %**
- **Revenues in H1 excluding exceptional items up €93m at €4.34bn in 2017 transformation-year (H1 2016: €4.25bn)**
- **Operating profit of €515m for first half 2017 (H1 2016: €633m); €183m for Q2 (Q2 2016: €351m)**
- **Accelerated run-down of the ACR shipping portfolio by €0.9bn to €3.9bn in first half – target of around €3bn by end of 2017**









"We have booked the provisions for the personnel reductions early and in full and have made further progress in the implementation of our strategy."

Martin Zielke, CEO

"Our Common Equity Tier 1 ratio has gone up to 13.0% in spite of restructuring charges and we expect a slightly positive net result for the financial year."

Stephan Engels, CFO

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Commerzbank is well on track with the implementation of its "Commerzbank 4.0" strategy and has further improved its Common Equity Tier 1 ratio. The Bank has already booked the whole of the announced restructuring charges in the second quarter and agreed a framework social plan and framework reconciliation of interests with the employee representative committees. At mid-year, the Bank has already gained a net 500,000 new customers in its Private and Small Business Customers segment in Germany. In the Asset & Capital Recovery (ACR) segment, the shipping portfolio was reduced by a significant €**0.9** billion in the first half and now stands at €**3.9** billion. The target is to reduce it to around €3 billion by the end of the year.

The **operating profit** in the first half of this transitional year was down year-on-year, also due to slower markets in the second quarter, at €515 million (H1 2016: €633 million). The operating profit for the second quarter came in at €183 million (Q2 2016: €351 million). **Revenues before loan loss provisions** remained stable in the first half, at €4,460 million (H1 2016: €4,563 million). Revenues excluding non-recurring items rose year-on-year by €93 million to €4,344 million (H1 2016: €4,251 million). Revenues for the second quarter amounted to €2,068 million (Q2 2016: €2,240 million).

Loan loss provisions stood at €362 million for the first half (H1 2016: €335 million). The figure for the second quarter was €167 million (Q2 2016: €187 million). The Bank's non-performing loan (NPL) ratio of just 1.5%, which remains low compared to its European peers, reflects its healthy risk profile. **Operating expenses**, which amounted to €3,583 million in the first half, were down on the first half of 2016 (€3,595 million). Operating expenses for the second quarter stood at €1,718 million (Q2 2016: €1,702 million).

The Bank generated a **pre-tax result** of minus €292 million in the first half of 2017 (H1 2016: €593 million). This includes restructuring charges of €807 million. It had originally expected to book restructuring charges of around €1,100 million, split between 2017 and 2018. The lower figure is due to the personnel reductions already implemented, staff turnover, and expected efficiencies in staff transfers and replacements.

Including tax expenses of €69 million and after deduction of minority interests of €45 million, Commerzbank posted a **net result** of minus €406 million (H1 2016: €384 million). The net result for the second quarter was minus €637 million (Q2 2016: €215 million).

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"We have booked the provisions for the personnel reductions early and in full and have made further progress in the implementation of our strategy. We are ahead of target for client growth, partly because we have invested. However, it will take a while for this client growth to be reflected in revenue growth. In our two transformational years 2017 and 2018, we are thereby laying the foundations for a sustainably higher profitability", said Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank.

The **Common Equity Tier 1 ratio** (CET 1) with full application of Basel 3 rose to 13.0%, versus 12.5% at the end of March 2017. The increase is largely attributable to the decrease in **risk-weighted assets** (RWA). This fall, on a Basel 3 fully-loaded basis, was due partly to active portfolio management in credit risk and favourable effects resulting from currency movements. RWA stood at €178.5 billion at the end of June 2017, compared with €186.2 billion at the end of March 2017 and €198.3 billion at the end of June 2016. The **leverage ratio** stood at 4.6%. **Total assets** came to €487 billion (end of March 2017: €490 billion).

"Our Common Equity Tier 1 ratio has gone up to 13.0% in spite of restructuring charges and we expect a slightly positive net result for the financial year. Despite increased investments in digitalisation we were able to reduce our costs year-on-year", commented Stephan Engels, Chief Financial Officer of Commerzbank.

The digital transformation of Commerzbank is on track. The Digital Campus, the hub of the Bank's digitalisation activities, is fully staffed and 8 Journeys are being processed. The second quarter saw the launch of Commerzbank's new mortgage app and the Comdirect digital asset management service. Besides this, the Bank established its new Big Data & Advanced Analytics division which will employ some 100 data specialists.

Development of the segments

The **Private and Small Business Customers** segment is ahead of target in terms of growth in customer numbers and assets under control in Germany. The number of net new customers since October 2016 stands at around 522,000. 385,000 of these joined the Bank in the first half of 2017, including around 100,000 from the acquisition of Onvista by Comdirect. Assets under control rose by €19 billion in the first half to €357 billion. The volume of new mortgage lending business amounted to nearly €8 billion in the first half (H1 2016: €6.1 billion).

The operating profit, at €336 million, was down on the same period of the previous year (H1 2016: €572 million). Factors that played a part here include a positive non-recurring effect of €123 million in the second quarter of 2016 from the sale of Visa Europe shares and higher investments in growth initiatives. These investments are usually amortised within approximately 18 months. The operating profit for the second quarter stood at €142 million (Q2 2016: €295 million). Revenues before loan loss provisions were down slightly year-on-year in the first half, at €2,279 million (H1 2016: €2,427 million). The fall was due in large

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part to investments in initiatives to promote customer growth, which were funded from current revenues. The revenue figure for the second quarter was €1,111 million (Q2 2016: €1,232 million).

Loan loss provisions increased in the first half to €75 million (H1 2016: €65 million), €42 million of which was booked in the second quarter (Q2 2016: €42 million). Operating expenses increased in the first half to €1,868 million (H1 2016: €1,790 million). In the second quarter, operating expenses amounted to €927 million (Q2 2016: €895 million). The first-half increase is attributable to the introduction of the European bank levy in Poland (€28 million) and investments in future growth.

mBank recorded revenues before loan loss provisions of €484 million in the first half of 2017 (H1 2016: €493 million). Of this, €243 million was generated in the second quarter (Q2 2016: €273 million). The volume of new consumer loan business increased by more than 20% in the first half. mBank also gained roughly 200,000 net new customers in the first half, 100,000 of them in the second quarter. This means it now has approximately 5.6 million retail and business customers in Poland, the Czech Republic, and Slovakia.

In the **Corporate Clients** segment, the strategic realignment is under way. The operating profit for the first half stood at €502 million (H1 2016: €600 million); in a weak market environment the operating profit for the second quarter stood at solid €235 million (Q1 2017: €267 million). Revenues before loan loss provisions were down year-on-year in the first half, at €2,043 million (H1 2016: €2,240 million). Of this, €943 million were generated in the second quarter (Q2 2016: €1,095 million).

The Mittelstand and International Corporates Group divisions registered solid contribution from Corporate Finance, but saw muted client activity in Fixed Income and Currencies as well as ongoing headwinds from low interest rates. The strategic realignment and new setup of the Financial Institutions business is well on track. The Equity Markets & Commodities Group division benefited from solid client activity and good demand for investment products in the first half.

The segment’s loan loss provisions decreased in the first half of 2017 to €76 million (H1 2016: €128 million), of which €33 million was booked in the second quarter. Despite strategic investments and higher regulatory and compliance expenditure, the segment was able to lower its costs: operating expenses were reduced year-on-year to €1,465 million (H1 2016: €1,512 million).

In the **Asset & Capital Recovery** (ACR) segment, the ship finance and commercial real estate finance portfolios were reduced by about €1.5 billion in the first half. The shipping portfolio, having been run down by €0.9 billion in the first half, now stands at around €3.9 billion. The segment’s operating result improved in the first half of 2017 to minus €115 million (H1 2016: minus €251 million). Its operating result for the second quarter was minus €82 million (Q2 2016: minus €132 million). Revenues before loan loss provisions increased to €154 million (H1 2016: minus €42 million). The revenue figure for the second quarter was €39

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million (Q2 2016: minus €24 million). Loan loss provisions increased in the first half to €211 million (H1 2016: €145 million). In the second quarter, loan loss provisions stood at €92 million (Q2 2016: €75 million). These were booked for ship finance only. Operating expenses were reduced in the first half of 2017 to €58 million (H1 2016: €64 million). The second quarter accounted for €29 million of this (Q2 2016: €33 million).

Outlook

In the financial year 2017, the Bank will further strengthen its market position and will focus on the execution of the "Commerzbank 4.0" strategy. The Bank aims for a CET 1 ratio of around 12.5% including the IFRS 9 impact effective 1 January 2018. The cost base is expected to be below €7.1 billion. Loan loss provisions are expected to amount to around €800 million, with the ACR segment accounting for around €450 million of this. The result of the second half of the year will benefit from positive exceptional revenue items of more than €390 million stemming from sales and revaluations. The Bank is expecting a slightly positive net result for the financial year 2017.

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Financial figures at a glance

in €m	H1 2017	H1 2016	Q2 2017	Q2 2016	Q1 2017	H1 '17 vs. H1 '16 in %
Net interest and trading income	2,707	2,615	1,243	1,272	1,464	3.5
Provisions for loan losses	–362	–335	–167	–187	–195	8.1
Net commission income	1,666	1,606	779	783	887	3.7
Net investment income	69	163	34	131	31	–60.1
Current income on companies accounted for at equity	15	63	8	14	7	–76.2
Other income	7	116	4	40	3	–94
Revenues before loan loss provisions	4,460	4,563	2,068	2,240	2,392	–2.3
Revenues excl. exceptional items	4,344	4,251	2,060	2,083	2,284	2,2
Operating expenses	3,583	3,595	1,718	1,702	1,865	–0.3
Operating profit or loss	515	633	183	351	332	–18.6
Impairments of Goodwill	–	–	–	–	–	–
Restructuring expenses	807	40	807	40	–	–
Pre-tax profit or loss	–292	593	–624	311	332	–
Taxes	69	147	–12	58	81	–53.1
Consolidated profit or loss attributable to Commerzbank shareholders	–406	384	–637	215	231	–
Earnings per share (€)	–0.32	0.31	–0.50	0.18	0.18	
Cost/income ratio in operating business (%)	80.3	78.8	83.1	76.0	78.0	
Operating RoTE (%)	3.8	4.8	2.7	5.4	4.9	
Net RoTE (%)	–3.1	3.0	–9.8	3.4	3.6	
Net RoE (%)	–2.8	2.7	–8.9	3.0	3.2	
CET 1 ratio, B3 fully phased-in (%)	13.0	11.5	13.0	11.5	12.5	
Leverage Ratio, B3 fully phased-in (%)	4.6	4.4	4.6	4.4	4.6	
Total assets (€bn)	487	533	487	533	490	

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From approximately 7 am onwards you can find broadcast-ready video material with statements by Stephan Engels at http://mediathek.commerzbank.de/.

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About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small Business Customers, as well as Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to the clients' needs. Commerzbank finances 30% of Germany's foreign trade and is leading in financing for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 60,000 corporate clients, multinationals, financial service providers, and institutional clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2016, it generated gross revenues of €9.4 billion with approximately 49,900 employees.

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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.

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