Press release

For business desks
7 May 2015

Commerzbank: Operating profit more than doubled to EUR 685 m in the first quarter of 2015

- **Revenues before loan loss provisions in the Group increased year-on-year by 23% to approximately EUR 2.8 bn**
- **Operating expenses of EUR 1.9 bn include European bank levy of EUR 167 m**
- **Loan loss provisions reduced to EUR 158 m (Q1 2014: EUR 238 m)**
- **Net profit increased considerably to EUR 366 m (Q1 2014: EUR 200 m)**
- **Capital ratio CET 1 with full application of Basel 3 increased to 9.5% as at end of March 2015 (end of 2014: 9.3%) – including dividend accrual of EUR 57 m for first quarter of 2015**
- **Capital ratio CET 1 at to 10.2% after capital increase (pro forma end of March 2015)**
- **Blessing: "We have made a good start into 2015 and have considerably increased the revenues in all operating segments. For the financial year 2015 we plan to pay a dividend."**

In the first quarter of 2015 Commerzbank has considerably increased both the revenues and the profits, while further strengthening its capital ratio. The **operating profit** has more than doubled to EUR 685 million (Q1 2014: EUR 324 million). This also includes the European bank levy of EUR 167 million as well as a valuation adjustment on the exposure to Austria's HETA in the amount of EUR 0.2 billion. The operating performance in the Core Bank segments has made a significant contribution to the very good result. Negative charges could be compensated in the Core Bank by positive one-off effects and in NCA by positive valuation effects.

In the first quarter of 2015 the **revenues before loan loss provisions** in the Group increased by 23% to approximately EUR 2.8 billion (Q1 2014: EUR 2.3 billion). The **loan loss provisions** declined year-on-year to EUR 158 million (Q1 2014: EUR 238 million). This development is testimony to the high quality of the loan portfolio, the portfolio rundown in NCA, and the robust state of the German economy. The **operating expenses** in the first quarter were higher than in previous quarters due to the first-ever consideration of the European bank levy. They rose to just over EUR 1.9 billion (Q1 2014: approximately EUR 1.7 billion). The **net profit** increased considerably to EUR 366 million (Q1 2014: EUR 200 million). This includes **restructuring expenses** of EUR 66 million for the Corporates & Markets and Non-Core Assets (NCA) segments.

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“We have made a successful start into 2015. We are performing well in all the operating segments and thanks to greater activity on the part of our customers have considerably improved the revenues. We have more than doubled the result in the first quarter – and this despite the charges from the European bank levy and a valuation adjustment on the HETA exposure. We are planning for a dividend for the financial year 2015 and are accruing quarterly. However, we have to wait, whether it will be enough at the end of the year,” said Martin Blessing, Chief Executive Officer of Commerzbank.

Capital ratio improved considerably – leverage ratio further increased

With the further increase in the **Common Equity Tier 1 ratio** (CET 1), the Bank has again strengthened its capital position. The ratio with full application of Basel 3 rose to 9.5% at the end of the first quarter 2015, compared to 9.3% as at the end of December 2014. This considers a dividend accrual totalling EUR 57 million. The **leverage ratio** with full application of Basel 3 improved to 3.7% as at the end of the first quarter of 2015, following on from 3.6% as at the end of December 2014. Due to the capital measure performed at the end of April 2015, the CET 1 ratio improved to 10.2% (pro forma as at end of March 2015) and the leverage ratio rose to 3.9% (pro forma as at end of March 2015). The **risk-weighted assets (RWA)** with full application of Basel 3 as at the end of March 2015 were, at EUR 221.5 billion, higher than the figure as at the end of December 2014 (EUR 214.1 billion). The reasons for this were, above all, foreign exchange effects as a result of the weak euro. The **total assets** in the Group amounted to EUR 605 billion as at the end of March 2015 (end of December 2014: EUR 558 billion).

Operating profit in Core Bank increased by approximately 55% compared to previous year

In the **Core Bank** the **operating profit** was significantly improved by a total of approximately 55% to EUR 771 million (Q1 2014: EUR 498 million). This positive development is also reflected in the return on equity (RoE) of 15.4% in the Core Bank. The **revenues before loan loss provisions** in the Core Bank increased to EUR 2.7 billion, following on from EUR 2.2 billion in the first quarter of 2014. Essentially, the reason for this was the greater customer activity in the operating segments. In this respect, both the interest and trading income (up 21% to EUR 1.7 billion) as well as the commission income (up 10% to EUR 895 million), improved considerably. The **loan volume** was again increased in this period. In a year-on-year comparison the loan volumes in the Private Customers and Mittelstandsbank segments rose. Corporates & Markets profited above all from the good developments on the stock and foreign exchange markets. Moreover, one-off effects in the Central & Eastern Europe segment and the good Treasury result had positive effects. The lower **loan loss provisions** of EUR 61 million further aided the operational development (Q1 2014: EUR 104 million). The **operating expenses** rose in the Core Bank year-on-year by 7% to EUR 1.8 billion (Q1 2014: EUR 1.6 billion), something which was due above all to the European bank levy paid for 2015, and to higher regulatory requirements.

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Revenues and profits improved in all Core Bank segments

In the **Private Customers** segment, a very good operating profit of EUR 161 million was generated in the first quarter of 2015. This was 45% higher than in the first quarter of 2014 (EUR 111 million). Despite the downturn in the interest rate levels, the revenues before loan loss provisions improved to EUR 914 million, following on from EUR 873 million in the first quarter of 2014. The growth is, among other things, due to the higher volumes in Wealth Management products and Premium Depots. These saw considerable year-on-year growth of 16%. Thus, on the whole, the revenues increased to their highest level since mid-2011. The positive development in revenues in the Private Customers segment was bolstered by a sustainably high level of customer satisfaction and the ongoing high level of demand on the part of customers. Thus, the segment continued its growth path with 66,000 net new customers in the first quarter of 2015. The result also profited from the lower loan loss provisions, which, at EUR 13 million, were approximately 64% lower than in the previous year. The operating expenses amounted to EUR 740 million and include the annual contribution of the segment to the European bank levy to the amount of EUR 15 million.

Mittelstandsbank was able to increase its operating profit slightly year-on-year to EUR 345 million (Q1 2014: EUR 340 million). This includes the European bank levy of EUR 44 million for 2015, which was booked for the first time ever. The development of the result profited from lower loan loss provisions of EUR 35 million (Q1 2014: EUR 57 million). The revenues before loan loss provisions increased year-on-year by EUR 44 million to EUR 763 million. This positive development reflects the loan growth and the heightened customer demand, in particular for letter of credit and foreign exchange hedging transactions. In addition, the loan volume was increased by 10% over the first quarter of 2014. On the whole, it was therefore possible to compensate for the downturn in deposit income. The operating expenses rose to EUR 383 million.

The **Central & Eastern Europe** (CEE) segment improved the operating profit in the first quarter of 2015 to EUR 116 million (Q1 2014: EUR 98 million). The revenues before loan loss provisions were, at EUR 254 million, 13% higher year-on-year. In this respect, the conclusion of the sale of the insurance business of mBank to AXA Group ensured one-off proceeds of approximately EUR 46 million. The segment again attracted more net new customers. In addition, it was possible to compensate for the impact of the current interest rate environment to a considerable degree through growth in the loan and deposit volumes. The loan loss provisions increased slightly to EUR 23 million (Q1 2014: EUR 21 million). The operating expenses were, at EUR 115 million, up slightly year-on-year. Essentially responsible for this were the European bank levy and higher costs for the Polish deposit protection fund. In total mBank also continued its dynamic growth with new customers and volumes in the first quarter of 2015.

Corporates & Markets posted a very good start into 2015. In the first quarter of 2015 the segment attained an operating profit of EUR 300 million, a year-on-year improvement of 40% (Q1 2014: EUR 214 million). Even after adjustment for valuation effects from own liabilities (OCS) and from counterparty risks in the

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derivatives business (CVA/DVA), which totalled EUR 47 million, the segment posted a year-on-year increase of more than 25%. Year-on-year the revenues before loan loss provisions were increased significantly to EUR 666 million (Q1 2014: EUR 541 million). The key drivers behind higher profits year-on-year were the areas Fixed Income & Currencies (FIC) and Equity Markets & Commodities (EMC). FIC generated a very good result, increasing the revenues over the previous year by 45% to EUR 196 million, thanks to higher volatility in foreign exchange markets and higher bond trading activities. The EMC area also saw a good start into the year and was up 14% year-on-year thanks to healthy demand for structured investment solutions across all asset classes, as well as for hedging solutions to commodity exposures. Net reversals in loan loss provisions for Corporates & Markets amounted to EUR 47 million. Operating expenses increased to EUR 413 million due to first-time charges of EUR 65 million for the European bank levy. In addition, Corporates & Markets saw restructuring expenses of EUR 50 million of IT operations by Centres of Competence.

NCA with improved operating profit

The **Non-Core Assets** (NCA) segment improved the operating profit in the first quarter of 2015. There was an operating result of minus EUR 86 million, following on from minus EUR 174 million in the first quarter of 2014. The revenues before loan loss provisions increased year-on-year to EUR 116 million (Q1 2014: EUR 41 million). The segment result profited from positive valuation effects; these contrasted with valuation adjustments on the exposure to Austria's HETA to the amount of EUR 0.2 billion. The loan loss provisions declined year-on-year, above all as a consequence of the portfolio rundown in the area Commercial Real Estate (CRE), by 28% to EUR 97 million (Q1 2014: EUR 134 million). The operating expenses increased year-on-year to EUR 105 million (Q1 2014: EUR 81 million). Of this sum the European bank levy accounted for EUR 27 million in the first quarter of 2015. Furthermore, restructuring expenses of EUR 16 million were booked in the segment.

The portfolio rundown was also continued in the first quarter of 2015, yet was partly compensated by foreign exchange effects. The Exposure at Default (EaD) of the Commercial Real Estate (CRE) and Ship Finance divisions as at the end of March 2015 was EUR 30 billion. Thus it was reduced by approximately EUR 2 billion over the fourth quarter of 2014 (Q4 2014: EUR 32 billion). The rundown over the first quarter of 2014 amounted to approximately EUR 16 billion (Q1 2014: EUR 46 billion). Commercial Real Estate accounted for approximately EUR 17.5 billion EaD as at the end of March 2015, which corresponds to a downturn of EUR 2.5 billion over the end of December 2014. In the Ship Finance division the portfolio was EUR 12.6 billion. Here the portfolio rundown of EUR 0.8 billion was offset by a negative foreign exchange effect of EUR 1.3 billion.

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Outlook

"Despite the challenging environment as a result of the low interest rates, in the 2015 financial year we aim to grow the revenues and market share in the Core Bank. In the current year we expect loan loss provisions for the Group at the level of 2014 with lower loan loss provisions in NCA due to the asset run down. As expenses are under pressure due to regulatory requirements and the European bank levy, comprehensive execution of ongoing efficiency programs are necessary to keep our cost base stable over the year at approximately EUR 7 billion. We aim to organically increase our capital ratio CET 1 to significantly more than 10 percent by the end of 2015," said Stephan Engels, Chief Financial Officer of Commerzbank.

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Excerpt from the consolidated profit and loss statement

In EUR m	**Q1 2015**	**Q1 2014**	**Q4 2014**	**2014**	**2013**
Net interest and trading income	2,017	1,538	1,441	6,000	6,079
Provisions for loan losses	–158	–238	–308	–1,144	–1,747
Net commission income	900	815	809	3,205	3,206
Net investment income	–128	–38	64	82	17
Current income on companies accounted for at equity	14	13	2	44	60
Other income	–21	–68	–469	–577	–87
Revenues before loan loss provisions	2,782	2,260	1,847	8,754	9,275
Operating expenses	1,939	1,698	1,779	6,926	6,797
Operating profit or loss	685	324	–240	684	731
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	66	-	61	61	493
Net gain or loss from sale of disposal groups	-	-	-	-	-
Pre-tax profit or loss	619	324	–301	623	238
Taxes	218	95	–67	253	66
Consolidated profit or loss attributable to Commerzbank shareholders	366	200	–261	264	81
Cost/income ratio in operating business (%)	69.7	75.1	96.3	79.1	73.3

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

You can download the video directly via mobile end-devices: http://mediathek.commerzbank.de/q1de/

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About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. The core markets of Commerzbank are Germany and Poland. With the business areas Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, its private customers and corporate clients, as well as institutional investors, profit from a comprehensive portfolio of banking and capital market services. Commerzbank finances more than 30 per cent of Germany's foreign trade and is the unchallenged leader in financing for SMEs. With its subsidiaries comdirect and Poland's mBank it owns two of the world's most innovative online banks. With approximately 1,100 branches and approximately 90 advisory centres for business customers Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts approximately 15 million private customers, as well as 1 million business and corporate clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2014, it generated gross revenues of almost EUR 9 billion with an average of approximately 52,000 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, particularly to reduce its NCA portfolio, 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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