

Press release

For business desks
3 August 2015

Operating profit increased to more than EUR 1 bn in first half of 2015

- **Operating profit in Group increased to EUR 1,070 m (first half of 2014: EUR 581 m); in second quarter at EUR 385 m (Q2 2014: EUR 257 m)**
- **Revenues before loan loss provisions in Core Bank improved by approximately 14% to EUR 5.1 bn in first half (first half of 2014: EUR 4.5 bn) – revenues in all Core Bank segments higher than in first half of 2014 despite adverse interest rate environment**
- **Operating expenses in Group at EUR 1,753 m in second quarter of 2015 (Q2 2014: EUR 1,727 m)**
- **Net profit more than doubled to EUR 646 m (first half of 2014: EUR 300 m); net profit improved to EUR 280 m in second quarter of 2015 (Q2 2014: EUR 100 m)**
- **NCA with substantial portfolio run-down of EUR 1.0 bn in CRE and of EUR 1.8 bn in Ship Finance division – successful CRE transactions totalling EUR 2.9 bn will be visible in third quarter of 2015**
- **Loan loss provisions of EUR 280 m in Group in second quarter of 2015 (Q2 2014: EUR 257 m) and thus still at low level**
- **Capital ratio CET 1 increased to comfortable level of 10.5% as of end of June 2015 (end of March 2015: 9.5%)**
- **Blessing: “The substantially improved operating profit in the first six month of the year is clear testimony to the successful turnaround achieved by Commerzbank.”**

Commerzbank improved its operating profit in the first half of 2015 compared to the previous year by more than 80% to more than EUR 1 billion and increased the capital ratios to a comfortable level for the business model of Commerzbank. The **operating profit** in the Group in this period amounted to EUR 1,070 million (first half of 2014: EUR 581 million). In the second quarter of 2015, the operating profit improved substantially to EUR 385 million (Q2 2014: EUR 257 million). The **revenues before loan loss provisions** in the Group also increased considerably in the first half of 2015, to EUR 5.2 billion (first half of 2014: EUR 4.5 billion). In total, the second quarter of 2015 contributed EUR 2.4 billion to this result (Q2 2014: EUR 2.2 billion). The **loan loss provisions** in the second quarter of 2015 were EUR 280 million (Q2 2014: EUR 257 million). The ongoing low level is based on the high quality of the loan book and on the ongoing good state of the German economy. In the second quarter of 2015 the operating expenses amounted to EUR 1,753 million (Q2 2014: EUR 1,727 million). There were higher expenses for strategic investments in

digitalisation, as well as for regulatory issues and compliance. The development of costs was also impacted by foreign exchange effects as a consequence of the weaker euro. All in all, year-on-year, the **net profit** soared to EUR 280 million in the second quarter and to EUR 646 million in the first half of 2015 (Q2 2014: EUR 100 million; first half of 2014: EUR 300 million).

Capital ratio improves to comfortable level – further dividend accrual

The **Common Equity Tier 1 ratio** (CET 1) with full application of Basel 3 rose to 10.5% as of the end of June 2015 (end of March 2015: 9.5%). Thus, it reached a comfortable level for the business model of Commerzbank. The ratio of 10.5% takes into account a dividend accrual for the first half of 2015 of EUR 125 million or 10 cents per share. The **leverage ratio** likewise improved as of the end of the second quarter of 2015 to 4.0%, following on from 3.7% as of the end of March 2015. The **risk-weighted assets (RWA)** with full application of Basel 3 declined slightly over the end of March 2015 to EUR 214.4 billion as of the end of June 2015 (end of March 2015: EUR 221.5 billion). The total assets in the Group amounted to EUR 561 billion as of the end of June 2015 (end of March 2015: EUR 605 billion).

Core Bank: operating profit improved substantially year-on-year

In the **Core Bank**, the **operating profit** was substantially increased year-on-year both in the second quarter of 2015 and in the first half of 2015. In the second quarter, an operating profit of EUR 641 million was attained (Q2 2014: EUR 442 million), with the effect that the Core Bank improved its operating profit considerably in the first half of 2015 to EUR 1,412 million (first half of 2014: EUR 940 million). This positive development is also shown in the operating return on equity (RoE) at the Core Bank, as well as in the operating return on tangible equity less intangible assets (RoTE). In the Core Bank, these were at a good level in the second quarter of 2015 with an operating RoE of 11.7% and an operating RoTE of 13.6% – despite considerably higher capital resources. The **revenues** in the Core Bank rose in the first half of 2015 by approximately 14%, to EUR 5,122 million, over the first half of 2014 (EUR 4,500 million). All segments across the Core Bank improved compared to the first half of 2014. The **loan loss provisions** in the Core Bank increased as expected compared to the same quarter of the previous year. However, at EUR 138 million in the second quarter of 2015, they remained at a low level (Q2 2014: EUR 193 million). In the second quarter, the **operating expenses** were at EUR 1,677 million (Q2 2014: EUR 1,646 million), and in the first half of 2015 at EUR 3,511 million, up from EUR 3,263 million in the first half of 2014. The increase is due, among other things, to higher expenses for strategic investments in digitalisation and for regulatory issues.

“In the first half of 2015, we increased the operating profit in the Group substantially year-on-year to more than EUR 1 billion. This is further testimony to the successful turnaround achieved by the Bank. We are on the right course with the strategic positioning. This is also shown in the return on equity for the first half of

2015, which, despite higher capital resources, increased considerably over the previous year,” said Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank.

Revenues increased in all Core Bank segments in first half of 2015

An improved operating profit and higher revenue levels speak for the successful turnaround of the **Private Customers** segment. In the first half of 2015, the operating profit amounted to EUR 332 million. This is 46% more than in the previous year (first half of 2014: EUR 227 million). An operating profit of EUR 171 million (Q2 2014: EUR 116 million) was attained in the second quarter alone. In the first half of 2015 the revenues before loan loss provisions rose by nearly 6% to EUR 1,829 million (first half of 2014: EUR 1,719 million) despite the ongoing burdens posed by the low interest rate environment. In particular the mortgage financing business continued to grow and for the first time ever the volume of new business exceeded the EUR 3.5 billion level in a quarter. In the second quarter of 2015, the credit business in the branch bank posted significant growth of approximately 8% over the same period of the previous year. Furthermore, the positive development in results is supported by further growth of the segment: 68,000 net new customers chose Commerzbank in the second quarter, meaning that net new customer growth has totalled 666,000 since the end of 2012. The loan loss provisions – at EUR 34 million – remained at a low level in the first half of 2015 (first half of 2014: EUR 52 million). The operating expenses amounted to EUR 1,463 million in the first half of 2015 (first half of 2014: EUR 1,440 million).

Mittelstandsbank increased its operating profit year-on-year in the first half of 2015 by approximately 5% to EUR 636 million (first half of 2014: EUR 608 million). Hereof, EUR 294 million were booked in the second quarter of 2015, which corresponds to an increase of 9% for the quarter (Q2 2014: EUR 269 million). The increase in the first half was mainly due to lower loan loss provisions compared to the previous year. The revenues before loan loss provisions at EUR 1,465 million remained stable compared to the same period of the previous year (first half of 2014: EUR 1,461 million), while loan loss provisions of EUR 92 million (first half of 2014: EUR 200 million) decreased considerably. It was possible to compensate for the market environment-driven downturn in deposits revenues through an increase in the interest income from loans and in the commission income, above all from foreign exchange hedging transactions. At the same time, the loan volume in the first half of 2015 increased by 7% year-on-year. The operating expenses rose over the first half of 2014 and amounted to EUR 737 million (first half of 2014: EUR 653 million), which was due, among other things, to the European Bank Levy booked in the first half of 2015.

In the first half of 2015, the **Central & Eastern Europe** segment attained an operating profit of EUR 180 million, which approximates the level seen in the previous year (first half of 2014: EUR 182 million). In this respect, the second quarter of 2015 contributed EUR 64 million (Q2 2014: EUR 84 million); this sum reflects the ongoing low level of interest rates. The revenues before loan loss provisions in the first half of 2015 were slightly higher year-on-year (first half of 2015: EUR 462 million; first half of 2014:

EUR 457 million). In the first half of 2015 the revenues included the one-off effect of approximately EUR 46 million from the sale of the insurance business of mBank. In contrast, there was a downturn in the interest and commission income. Clear growth in loan and deposit volumes was not able to compensate in full for the effects of the lower interest rate levels on the interest income in Poland. To date some 150,000 new customers have been won from the partnership with Orange. Year-on-year the loan loss provisions decreased in the first half of 2015 to EUR 47 million (first half of 2014: EUR 59 million). The operating expenses increased to EUR 235 million in the first half of 2015 (first half of 2014: EUR 216 million), which was primarily due to increased regulatory expenses as well as further investment to secure the innovation leadership of mBank.

Corporates & Markets had a good performance in the first half of 2015. The operating profit, excluding valuation effects from own liabilities (OCS) and counterparty risk in the derivatives business was at EUR 398 million (first half of 2014: EUR 396 million) of which EUR 144 million corresponded to the second quarter of 2015 (Q2 2014: EUR 194 million). Revenues before loan loss provisions remained solid, with the first half of 2015 at EUR 1,198 million (first half of 2014: EUR 1,045 million), of which EUR 531 million were attributable to the second quarter of 2015 (Q2 2014: EUR 504 million). Equity Markets & Commodities (EMC) contributed a strong result, with its best quarter in five years driven by high demand for investment and liability management solutions. Within Corporate Finance, Equity Capital Markets (ECM) had a good quarter. The performance of Fixed Income & Currencies (FIC) division was in line with the market, which was burdened by reduced market liquidity and the low interest rate environment. Loan loss provisions in the second quarter were at EUR 11 million, following net releases in the first quarter of 2015. Overall, the segment had net loan loss provisions releases of EUR 36 million for the first half of 2015 (first half of 2014: net releases of EUR 14 million). Operating expenses amounted to EUR 748 million in the first half of 2015 (first half of 2014: EUR 659 million), also due to the European Bank Levy booked in the first quarter of 2015.

NCA with further portfolio run-down in the CRE and Ship Finance segments

The operating profit in the **Non-Core Assets (NCA)** segment was minus EUR 342 million in the first half of 2015 (first half of 2014: minus EUR 359 million); in the second quarter of 2015, it totalled minus EUR 256 million (Q2 2014: minus EUR 185 million). Revenues before loan loss provisions amounted to EUR 78 million in the first half of 2015 and minus EUR 38 million in the second quarter of 2015 (first half of 2014: EUR 1 million; Q2 2014: minus EUR 40 million). The loan loss provisions increased in the second quarter of 2015 to EUR 142 million (Q2 2014: EUR 64 million). The operating expenses added up to EUR 181 million in the first half, of which EUR 76 million were incurred in the second quarter of 2015 (first half of 2014: EUR 162 million; Q2 2014: EUR 81 million).

The Bank maintained its speed with the portfolio run-down in the second quarter: the Exposure at Default (EaD) was reduced by EUR 3 billion over the first quarter of 2015 in the Commercial Real Estate (CRE) and

Ship Finance divisions. As of the end of June 2015, the EaD was EUR 27 billion (first quarter of 2015: EUR 30 billion; Q2 2014: EUR 37 billion). EUR 1.0 billion was reduced in the CRE division, with the effect that as of the end of June 2015 there was an exposure of EUR 16.5 billion (first quarter of 2015: EUR 17.5 billion). In the Ship Finance division, the portfolio was run down by EUR 1.8 billion; this figure includes a foreign exchange effect of EUR 0.4 billion. In the second quarter of 2015 the portfolio totalled EUR 10.8 billion (first quarter of 2015: EUR 12.6 billion). The sale of two portfolios of commercial real estate loans with a total volume of EUR 2.9 billion, which was communicated at the beginning of July 2015, will become visible in the third quarter of 2015. Likewise, in July 2015, the sale of the ship restructuring platform Hanseatic Ship Asset Management (HSAM) for a price of approximately EUR 233 million was agreed. The charges from both transactions totalling EUR 98 million were already booked in the income statement in the second quarter of 2015.

Outlook

“In the second half of the year we intend to continue the Core Bank’s sustainable growth path. In the 2015 financial year we are, therefore, still aiming to grow the revenues and market shares. With a view to our business model, our CET 1 capital ratio is comfortable. The framework conditions for the banking sector are difficult and will remain so in the foreseeable future. For this reason we continue to consistently pursue our objective of becoming leaner, more efficient and more customer-centric,” said Stephan Engels, Chief Financial Officer of Commerzbank.

With a view to the loan loss provisions, the Bank expects these to remain below EUR 1 billion for the 2015 financial year – with lower loan loss provisions in both NCA and in the Core Bank. Despite the consistent implementation of the efficiency programmes, the cost pressure remains high. Commerzbank still plans to pay a dividend for the 2015 financial year.

Excerpt from the consolidated profit and loss statement

In EUR m	H1 2015	Q2 2015	Q1 2015	H1 2014	Q2 2014
Net interest and trading income	3,526	1,509	2,017	2,964	1,426
Provisions for loan losses	-438	-280	-158	-495	-257
Net commission income	1,739	839	900	1,597	782
Net investment income	-67	61	-128	3	41
Current income on companies accounted for at equity	31	17	14	23	10
Other income	-29	-8	-21	-86	-18
Revenues before loan loss provisions	5,200	2,418	2,782	4,501	2,241
Operating expenses	3,692	1,753	1,939	3,425	1,727
Operating profit or loss	1,070	385	685	581	257
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	66	-	66	-	-
Net gain or loss from sale of disposal groups	-	-	-	-	-
Pre-tax profit or loss	1,004	385	619	581	257
Taxes	301	83	218	227	132
Consolidated profit or loss attributable to Commerzbank shareholders	646	280	366	300	100
Cost/income ratio in operating business (%)	71.0	72.5	69.7	76.1	77.1
Earnings per share	0.55	0.23	0.32	0.26	0.08
Operating RoE (%)	7.5	5.2	10.0	4.3	3.8

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/q2de/>.

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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.

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.