

Press release

For business desks
3 May 2016

Commerzbank: Net profit of €163 m in first quarter of 2016

- **Operating profit of €273 m for Group in first quarter (Q1 2015: €670 m) burdened by difficult market environment**
- **Good risk profile: low loan loss provisions of €148m – NPL ratio for non-performing loans very low at 1.5% – further run-down of non-strategic portfolios of €1.0 bn**
- **Operating expenses stable at €1,893 m (Q1 2015: €1,957 m)**
- **Capital ratio CET 1 unchanged at 12.0% as of end of March 2016 (end of December 2015: 12.0%), dividend accrual of 5 cents per share already reflected**
- **Engels: “In view of difficult market conditions and the increasingly challenging interest rate environment, the Bank achieved a reasonable operating profit in the first quarter. The Bank’s risk profile is good and with its CET 1 capital ratio at 12.0 per cent, it continues to hold a solid midrange position among European peers.”**

In a difficult market environment, Commerzbank generated an **operating profit of €273 million** in the first quarter of 2016 (Q1 2015: €670 million) and a **net profit of €163 million** (Q1 2015: € 338 million). **Revenues before loan loss provisions** declined to €2,314 million (Q1 2015: €2,785 million), reflecting a further deterioration in the interest rate environment and a slowing client activity within difficult markets. The **loan loss provisions** decreased again in the first quarter of 2016 to €148 million (Q1 2015: €158 million). The low level is a result of the high quality of the loan book, the stable condition of the German economy, and the continued run-down of non-strategic portfolios. The **operating expenses** in the first quarter were at €1,893 million (Q1 2015: €1,957 million). This already includes the entire European Bank Levy of €143 million expected for 2016 as well as the Polish banking tax of €13 million for two months. Strategic investments in digitization as well as regulatory and compliance enhancements were compensated in full by consistent efficiency measures. The capital ratio CET 1 remained unchanged at 12.0% and, as in the same quarter of the previous year, reflects a dividend accrual of 5 cents per share.

The **pre-tax profit** after three months amounted to €273 million (Q1 2015: €604 million). On the whole, the first quarter of 2016 saw a **net profit of** €163 million (Q1 2015: €338 million).

“In view of difficult market conditions and the increasingly challenging interest rate environment, the Bank achieved a reasonable operating profit in the first quarter,” said Stephan Engels, Chief Financial Officer of Commerzbank. Engels added: “The Bank’s risk profile is good and with its CET 1 capital ratio at 12.0 per cent, it continues to hold a solid midrange position among European peers.”

Capital ratio stable – risk-weighted assets slightly reduced

The **Common Equity Tier 1 ratio (CET 1)** with full application of Basel 3 as of the end of March 2016 was unchanged at 12.0% (end of December 2015: 12.0%). This ratio takes into account a dividend accrual of 5 cents per share. The **leverage ratio** as of the end of the first quarter of 2016 remained unchanged at a comfortable 4.5%. **Risk-weighted assets (RWA)** with full application of Basel 3 decreased in the same period to €194.5 billion as of the end of March 2016 (end of December 2015: €197.4 billion). Positive impacts included the stronger exchange rate for the euro, in particular vis-à-vis the US dollar and the British pound, and beneficial effects from a new securitisation. The **total assets** in the Group amounted to €536 billion as of the end of March 2016 (end of December 2015: €533 billion).

Development in the segments

In the **Private Customers** segment the operating profit increased significantly in the first quarter of 2016 to €191 million (Q1 2015: €157 million). This includes a positive one-off effect of €44 million from a special dividend from EURO Kartensysteme GmbH. Despite the ongoing burden deriving from the low interest rate environment and customer reluctance in volatile stock markets, revenues before loan loss provisions rose slightly to €944 million in Q1 2016 (Q1 2015: €935 million). A growth in revenues in the strong lending business contributed to this. Compared to the same quarter of the previous year, the segment’s loan volume increased by 8% in the first quarter of 2016. Volumes of new business in mortgage loans totalled around €3.15 billion in the first quarter, and grew by 8% year-on-year, while the new business in consumer loans saw a volume increase of 44%. The loan loss provisions decreased in the first quarter of 2016 to €9 million and thus remained at a very low level (Q1 2015: €14 million). Operating expenses declined to €744 million in the same period (Q1 2015: €764 million). The segment’s customer growth continued with 59,000 net new customers acquired in the first quarter 2016. Thus, the total net growth since the end of 2012 amounted to 878,000 customers.

Year on year, the operating profit at **Mittelstandsbank** declined in the first quarter of 2016 to €209 million (Q1 2015: €364 million). This was mainly due to the negative interest rate environment that further intensified. The pressure on the deposit margins increased further with loan volumes unchanged due to a

subdued loan demand in Germany. All in all, the core business with German SMEs and large corporates remained stable. The revenues before loan loss provisions decreased in the first quarter to €706 million (Q1 2015: €807 million), while loan loss provisions increased to €53 million (Q1 2015: €24 million). The interest income declined significantly, above all due to negative interest rates. Net commission income decreased, among other things, as a consequence of the lower income from FX hedging transactions. In the same quarter of the previous year the strong client demand in this area had led to exceptionally higher revenues. In order to counter the impact of negative interest rates for both the clients and the Bank, Mittelstandsbank has intensified its dialogue with its clients on alternative investment opportunities for excess liquidity. Operating expenses increased in the first quarter of 2016 to €444 million (Q1 2015: €419 million), primarily due to higher investments in Compliance and IT.

In the first quarter of 2016, **Central & Eastern Europe** generated a good operating profit of €77 million (Q1 2015: €88 million) despite the introduction of a banking tax in Poland in February 2016. The result for the same quarter of the previous year included a positive effect from the sale of the insurance business of M Bank. Revenues before loan loss provisions declined in the first quarter of 2016 to €220 million (Q1 2015: €253 million). Adjusted for the aforementioned effect of approximately €46 million, revenues increased. In particular, interest income rose because of the operational growth of M Bank and an improved interest margin. Loan loss provisions fell by almost 50% in the first quarter of 2016 to €13 million (Q1 2015: €23 million), with operating expenses decreasing in the same period to €130 million (Q1 2015: €142 million). M Bank continued its prudent cost management. However, the new Polish banking tax of €13 million was booked for the first time in the first quarter of 2016. The dynamic customer growth of M Bank also continued: year-on-year the number of customers increased by around 374,000. Therefore, the bank has now passed the level of 5 million customers.

The operating profit in **Corporates & Markets** – adjusted for effects from the valuation of own liabilities (OCS) and counterparty risks in the derivatives business – declined to €70 million in the first quarter of 2016. Alongside weak development of the capital markets, it was considerably lower than the extraordinarily good first quarter of 2015 (€250 million). The high degree of uncertainty with regard to capital markets also led to lower demand for investment solutions in the first quarter of 2016, and therefore to a decrease in the revenues before loan loss provisions to €475 million (Q1 2015: €681 million). The generally low level of primary issuance in syndicated loans and in equity markets were partially compensated by higher revenues from bond issuance. Loan loss provisions increased in the first quarter to €5 million, after the same quarter of the previous year had seen a net release of €47 million. The operating expenses declined in the first quarter of 2016 to €388 million (Q1 2015: €431 million).

Ongoing run-down of €1.0 billion in non-strategic portfolios

The operating profit in the first quarter of 2016 in the new **Asset & Capital Recovery (ACR)** segment amounted to minus €122 million (Q1 2015: minus €187 million). Decreasing losses resulted in particular from lower operating expenses and significantly lower loan loss provisions. The revenues before loan loss provisions in the first quarter of 2016 totalled minus €21 million (Q1 2015: minus €19 million). In the same period, loan loss provisions decreased to €70 million (Q1 2015: €109 million) as a consequence of the continued run-down of the portfolio. The operating expenses in the first three months of this year amounted to €31 million (Q1 2015: €59 million). The Bank has also successfully continued the value-preserving portfolio run-down in the first quarter: the exposure at default (EaD) in the segment fell by €1.0 billion compared to the fourth quarter of 2015, to just over €17 billion as of the end of March. In the Commercial Real Estate (CRE) area the run-down led to a reduction over the previous quarter of €0.2 billion, to €2.9 billion as of the end of March 2016. In the Ship Finance area the portfolio decreased by €0.6 billion to €5.5 billion despite difficult market conditions.

Outlook

Commerzbank will continue its strategy of increasing market share. In addition, it is further intensifying its efforts to mitigate the effects stemming from the negative interest rate environment. Without taking into account additional external burdens, the aim is to keep the cost base stable. The loan loss provisions are likely to see a moderate increase due to lower net releases. In view of the subdued nature of the first quarter, it will be more challenging to reach the net profit posted in 2015.

Financial figures at a glance

in € m	Q1 2016	Q1 2015	Q4 2015	2015	2014
Net interest and trading income	1,344	1,986	1,275	6,226	5,953
Provisions for loan losses	-148	-158	-112	-696	-1,144
Net commission income	821	915	829	3,424	3,260
Net investment income	32	-128	99	-7	82
Current income on companies accounted for at equity	49	14	36	82	44
Other income	68	-2	-7	37	-577
Revenues before loan loss provisions	2,314	2,785	2,232	9,762	8,762
Operating expenses	1,893	1,957	1,744	7,157	6,929
Operating profit or loss	273	670	376	1,909	689
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	-	66	20	114	61
Pre-tax profit or loss	273	604	356	1,795	628
Taxes	86	237	138	618	256
Consolidated profit or loss attributable to Commerzbank shareholders	163	338	187	1,062	266
Earnings per share (€)	0.13	0.30	0.15	0.88	0.23
Cost/income ratio in operating business (%)	81.8	70.3	78.1	73.3	79.1
Operating RoTE (%)	4.1	10.9	5.6	7.3	2.8
Net RoTE (%)	2.5	5.7	2.9	4.2	1.1
Net RoE (%)	2.3	5.1	2.6	3.8	1.0
CET 1 ratio B3, fully phased-in (%)	12.0	9.5	12.0	12.0	9.3
Leverage Ratio, B3 fully phased-in (%)	4.5	3.7	4.5	4.5	3.6
Total assets (€ bn)	536	609	533	533	558

Press contact

Alexander Cordes +49 69 136-42764
Karsten Swoboda +49 69 136-22339
Kathrin Wetzell +49 69 136-44011

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 M Bank it owns two of the world's most innovative online banks. With approximately 1,050 branches and more than 90 advisory centres for business customers Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts more than 16 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 2015, it generated gross revenues of €9.8 billion with 51,300 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 ACR 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.