

Press release

For business desks
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Commerzbank: Operating profit improved after nine months of 2015 to EUR 1.5 bn – CET 1 ratio increased to 10.8%

- Operating profit in Group in third quarter at EUR 429 m (Q3 2014: 343 m Euro)
- Net profit after nine months increased significantly to EUR 853 m (first nine months of 2014: EUR 525 m); in third quarter of 2015 at EUR 207 m (Q3 2014: EUR 225 m)
- Revenues before loan loss provisions in Core Bank increased by approximately 7% to EUR 7.3 bn in first nine months (first nine months of 2014: EUR 6.8 bn)
- NCA with portfolio run-down of EUR 4.0 bn in CRE and of EUR 1.1 bn in Ship Finance in third quarter – Ship Finance portfolio lower than EUR 10 bn for the first time
- Capital ratio CET 1 increased to 10.8% as of end of September 2015 (end of June 2015: 10.5%) – dividend accrual of 20 cents per share
- Blessing: “The successful turnaround at Commerzbank is right on track: In the first nine months, we have increased the revenues and the profit, as well as significantly strengthened the capital ratio. From today’s stance, the Board of Managing Directors plans to propose a dividend of 20 cents per share for the 2015 financial year.”

In the first nine months of 2015, Commerzbank significantly improved the net profit compared to the previous year and further increased the CET 1 ratio. The **operating profit** in the Group in this period was improved to EUR 1,499 million (first nine months of 2014: EUR 924 million). In the third quarter of 2015, the operating profit increased to EUR 429 million (Q3 2014: EUR 343 million). The **revenues before loan loss provisions** in the Group were raised to EUR 7.5 billion (first nine months of 2014: EUR 6.9 billion). The third quarter of 2015 contributed a total of EUR 2.3 billion to this sum (Q3 2014: EUR 2.4 billion). The **loan loss provisions** decreased in the first nine months of 2015 to EUR 584 million (first nine months of 2014: EUR 836 million). In the third quarter of 2015, they were EUR 146 million (Q3 2014: EUR 341 million). The ongoing low level is based on the high quality of the credit book and on the ongoing robust state of the German economy. Moreover, the continued portfolio run-down in the NCA segment has proved beneficial in this respect. In the first nine months of 2015, the **operating expenses** including the Bank Levy were EUR 5,426 million. Of this amount, EUR 1,734 million were accounted for by the third quarter of 2015 (Q3 2014: EUR 1,722 million).

The **pre-tax profit** increased in the first nine months of 2015 to EUR 1,405 million (first nine months of 2014: EUR 924 million). In the third quarter, the pre-tax profit improved to EUR 401 million (Q3 2014: EUR 343 million). This includes **restructuring expenses** of EUR 28 million for the optimisation of back office units in Germany and New York in the framework of the Centre of Competence approach.

All in all, the **net profit** increased to EUR 853 million in the first nine months of 2015 versus the same period of the previous year, amounting to EUR 207 million in the third quarter of 2015 (first nine months of 2014: EUR 525 million; Q3 2014: EUR 225 million).

Capital ratio again improved – further dividend accrual

The **Common Equity Tier 1 ratio (CET 1)** with full application of Basel 3 rose to 10.8% as of the end of September 2015 (end of June 2015: 10.5%). This includes a dividend accrual for the first nine months of 2015 to the amount of approximately EUR 250 million or 20 cents per share. From the current stance, this is the amount that the Board of Managing Directors will propose to the Supervisory Board for the full 2015 business year. Despite this dividend accrual and excluding the capital increase performed in April 2015, the Bank has already attained the CET 1 ratio target of more than 10% set for the end of 2016.

The **leverage ratio** improved as of the end of the third quarter of 2015 to 4.1%, following on from 4.0% as of the end of June 2015. The **risk-weighted assets (RWA)** with full application of Basel 3 remained stable in the same period at EUR 213.5 billion as of the end of September 2015 (end of June 2015: EUR 214.4 billion). The **total assets** in the Group amounted to EUR 564 billion as of the end of September 2015 (end of June 2015: EUR 561 billion).

“In the first nine months, we have further increased the revenues and the profit, while also significantly strengthening the capital ratio. We were again able to improve the risk profile of the Bank thanks to further run-down of the NCA portfolios. This shows that our client-centric business model is paying off, and the successful turnaround at Commerzbank is right on track. This is also reflected in the return on equity for the first nine months at the Core Bank, which was considerably above the previous year's figure,” said Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank. Blessing added: “From today's stance, the Board of Managing Directors plans to propose a dividend of 20 cents per share for the 2015 financial year.”

Core Bank: operating profit increased in first nine months compared to the previous year

The **Core Bank** increased the **operating profit** substantially in the first nine months of 2015 compared to the previous year to EUR 1,828 million (first nine months of 2014: EUR 1,535 million). In the third quarter, an operating profit of EUR 416 million was attained (Q3 2014: EUR 595 million). The positive development at the Core Bank in the first nine months is also reflected in the return on equity (RoE), as well as in the return

on tangible equity (RoTE). The operating RoE of 11.3% and an operating RoTE of 13.2% in the first nine months were at a good level and were higher than in the same period of the previous year – despite considerably higher capital resources. The **revenues** in the Core Bank rose in the first nine months of 2015, by 6.5% to EUR 7,275 million, over the same period in 2014 (EUR 6,830 million). The **loan loss provisions** in the Core Bank declined in the first nine months to EUR 271 million (first nine months of 2014: EUR 387 million). The **operating expenses** in the same period were EUR 5,176 million (first nine months of 2014: EUR 4,908 million). Of this sum, EUR 137 million was accounted for by the European Bank Levy. In addition, compared to the previous year, there were higher expenses for strategic investments in digitisation and for regulatory issues.

Positive developments on the whole in the first nine months for the Core Bank segments

In the **Private Customers** segment an improved operating result and higher revenues underline the successful turnaround. In the first nine months of 2015, the operating profit increased significantly to EUR 562 million (first nine months of 2014: EUR 346 million). In the third quarter alone, an operating profit of EUR 230 million (Q3 2014: EUR 120 million) was generated. This includes a positive one-off net effect of EUR 81 million from a special dividend paid by EURO Kartensysteme GmbH and higher net additional provisions for litigation and recourses. In the first nine months of 2015, the revenues before loan loss provisions improved by 8.3% to EUR 2,796 million despite the ongoing burdens posed by the low interest rate environment (first nine months of 2014: EUR 2,582 million). The loan loss provisions in the first nine months of 2015 were, at EUR 39 million, still at a low level (first nine months of 2014: EUR 68 million). The operating expenses in the same period amounted to EUR 2,195 million (first nine months of 2014: EUR 2,168 million). The reason for the positive development in the results was, above all, the ongoing growth of the segment. The mortgage loan business developed positively with new business volume of more than EUR 9 billion in the first nine months of 2015. The credit volume also saw significant year-on-year growth of 8% in the third quarter. Moreover, the Private Customers segment acquired 87,000 net new customers in the third quarter. Thus, since the end of 2012, total growth has amounted to 753,000 net new customers.

The operating profit at the **Mittelstandsbank** declined in the first nine months of 2015 compared to the previous year to EUR 851 million (first nine months of 2014: EUR 973 million). Of this sum, EUR 216 million was accounted for by the third quarter of 2015 (Q3 2014: EUR 365 million). With a virtually stable operational customer business, the downturn in the first nine months was especially due to a write-down on a shareholding in a technology provider. The revenues before loan loss provisions declined in the first nine months by 6.4% to EUR 2,064 million due to valuation effects (first nine months of 2014: EUR 2,206 million), while the loan loss provisions decreased to EUR 119 million (first nine months of 2014: EUR 236 million). At the same time, the interest income from loans and the commission income, particularly from currency hedging transactions, were increased. However, these were not able to fully compensate especially for the downturn in deposits revenues, which was driven, above all, by the low interest rate environment. The credit

volume in the first nine months of 2015 increased by 5% versus the same period of the previous year. The operating expenses rose to EUR 1,094 million over the first nine months of 2014 (first nine months of 2014: EUR 997 million), primarily as a result of the European Bank Levy and higher regulatory costs.

In the first nine months of 2015, the **Central & Eastern Europe** segment attained an operating profit of EUR 273 million, which is approximately the level seen in the previous year (first nine months of 2014: EUR 275 million). In this respect, the third quarter of 2015 contributed EUR 93 million (Q3 2014: EUR 93 million). At EUR 690 million, the revenues before loan loss provisions in the first nine months of 2015 were slightly lower compared to the previous year (first nine months of 2014: EUR 698 million). In the first nine months of 2015, the revenues included the positive special 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. The growth in credit and deposit volumes was not able to compensate in full for the negative effects of the lower interest rate levels on the interest income in Poland or the statutory reductions in fees in the card business. The uncertainty in Poland regarding possible legislative initiatives on the conversion of foreign currency loans and a bank levy will still be felt in the coming quarters. The loan loss provisions declined versus the same period of the previous year to EUR 75 million in the first nine months of 2015 (first nine months of 2014: EUR 96 million). The operating expenses increased in the same period as a consequence of higher regulatory costs and of further investments to secure the organic growth of mBank to EUR 342 million (first nine months of 2014: EUR 327 million).

In the **Corporates & Markets** segment the operating profit in the first nine months of 2015, excluding valuation effects from own liabilities (OCS) and counterparty risk in the derivatives business, declined to EUR 430 million (first nine months of 2014: EUR 543 million). After a very good first half in 2015 the third quarter suffered under challenging market conditions, high levels of volatility, and lower client demand amid concerns over global growth. In the third quarter of 2015 the operating profit, adjusted for the valuation of own liabilities (OCS) and counterparty risks in the derivatives business, amounted to EUR 32 million, following on from EUR 148 million in the same period of the previous year. The revenues before loan loss provisions increased in the first nine months of 2015 to EUR 1,614 million (first nine months of 2014: EUR 1,529 million); in the same period the loan loss provisions saw net reversals of EUR 25 million, following net reversals of EUR 14 million in the same period of the previous year. The operating expenses increased in the first nine months of 2015 to EUR 1,076 million (first nine months of 2014: EUR 987 million), in particular due to the European Bank Levy which was booked in the first quarter of 2015.

NCA: further portfolio run-down – Ship Finance portfolio lower than EUR 10 billion for first time

In the first nine months of 2015, the operating profit in the **Non-Core Assets** (NCA) segment amounted to minus EUR 329 million (first nine months of 2014: minus EUR 611 million). In particular, the operating profit

in the third quarter of 2015 of EUR 13 million (Q3 2014: minus EUR 252 million) contributed to the clear reduction in the loss. The revenues before loan loss provisions in the first nine months of 2015 amounted to EUR 234 million (first nine months of 2014: EUR 77 million), which was due above all to valuation effects. In the same period, the loan loss provisions declined as a consequence of the ongoing portfolio reduction to EUR 313 million (first nine months of 2014: EUR 449 million). The operating expenses amounted to EUR 250 million in the first nine months (first nine months of 2014: EUR 239 million). The increase results from the first-ever booking of the European Bank Levy to the amount of EUR 28 million.

The value-preserving portfolio run-down was also successfully continued by the Bank in the third quarter: The Exposure at Default (EaD) was reduced over the second quarter of 2015 in the areas of Commercial Real Estate (CRE) and Ship Finance by EUR 5.1 billion. Therefore, the EaD in the two areas at the end of September 2015 amounted to a mere EUR 22 billion (second quarter of 2015: EUR 27 billion; Q3 2014: EUR 36 billion) and was thus only EUR 2 billion higher than the target for the end of 2016. In the CRE area the run-down over the previous quarter was EUR 4.0 billion, with EUR 2.9 billion thereof accounted for by the sale of two portfolios of commercial real estate loans, which had already been communicated in July. The EaD in the CRE area was thus EUR 12.5 billion at the end of September 2015 (second quarter of 2015: EUR 16.5 billion). In the Ship Finance area the portfolio was reduced by EUR 1.1 billion to EUR 9.7 billion (second quarter of 2015: EUR 10.8 billion).

Outlook

“We intend to continue the sustainable growth path of the Core Bank through the rest of the year, and thus continue to aspire to an increase in revenues and market shares. Despite the dividend accrual that we have made, we have further increased our CET 1 equity ratio to 10.8%. We assume that this ratio will at the very least remain stable in the fourth quarter,” said Stephan Engels, Chief Financial Officer of Commerzbank. With a view to the loan loss provisions, the Bank expects these to remain below EUR 0.9 billion for the 2015 financial year – with lower loan loss provisions in both NCA and in the Core Bank. The operating expenses – without taking into account the European Bank Levy – are expected to be slightly higher than EUR 7 billion for the year as a whole.

Excerpt from the consolidated profit and loss statement

In EUR m	9M 2015	Q3 2015	Q2 2015	9M 2014	Q3 2014
Net interest and trading income	5,027	1,501	1,509	4,559	1,595
Provisions for loan losses	-584	-146	-280	-836	-341
Net commission income	2,549	810	839	2,396	799
Net investment income	-106	-39	61	18	15
Current income on companies accounted for at equity	46	15	17	42	19
Other income	-7	22	-8	-108	-22
Revenues before loan loss provisions	7,509	2,309	2,418	6,907	2,406
Operating expenses	5,426	1,734	1,753	5,147	1,722
Operating profit or loss	1,499	429	385	924	343
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	94	28	-	-	-
Net gain or loss from sale of disposal groups	-	-	-	-	-
Pre-tax profit or loss	1,405	401	385	924	343
Taxes	466	165	83	320	93
Consolidated profit or loss attributable to Commerzbank shareholders	853	207	280	525	225
Cost/income ratio in operating business (%)	72.3	75.1	72.5	74.5	71.6
Earnings per share	0.71	0.17	0.23	0.46	0.20
Operating RoE (%)	6.9	5.8	5.2	4.5	5.0

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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.