

IR release

2 August 2016

Commerzbank: Strong Market Position in a Challenging Environment

- **Group Operating profit of €615 m for first half 2016 (first half of 2015: €1,089 m), and of €342 m for second quarter 2016 (Q2 2015: €419 m)**
- **Loan loss provisions very low in first half at €335 m (first half of 2015: €438 m); NPL ratio for non-performing loans of 1.4% very good**
- **Operating expenses stable at €1,702 m in second quarter (Q2 2015: €1,737 m)**
- **Net profit of €372 m for the first half (first half of 2015: €645 m), and of €209 m for second quarter (Q2 2015: €307 m)**
- **CET 1 capital ratio at 11.5% as of end of June 2016 (end of March 2016: 12.0%), leverage ratio of 4.4% – dividend accrual of 10 cents per share in first half 2016**
- **Engels: “Commerzbank has maintained its solid market position and posted an operating profit of 342 million euros in Q2. We sustain a healthy risk profile with a very good NPL ratio of 1.4 per cent.”**

Commerzbank maintained its good market position in a challenging environment, posting an **Operating profit** of €615 million for the first half of 2016 (first half of 2015: €1,089 million). The figure for the second quarter was €342 million (Q2 2015: €419 million). **Revenues before loan loss provisions** stood at €4,545 million (first half of 2015: €5,221 million). This fall in revenues was due in particular to the negative interest rate environment and customer caution in the wake of adverse developments on the macroeconomic and geopolitical front. The Bank implemented targeted measures to counter the decline. Revenues generated in the second quarter amounted to €2,231 million (Q2 2015: €2,436 million), of which €123 million is attributable to a positive one-off effect from the Visa transaction. The level of **loan loss provisions** was very low in the first half, at €335 million, of which €187 million was booked in the second quarter (first half of 2015: €438 million; Q2 2015: €280 million). The continued low level is due to the high quality of the loan book and the stability of the German economy. At 1.4%, Commerzbank has a very good non-performing loan ratio among its European peers. Operating expenses excluding the European Bank Levy have remained stable for several quarters. The Bank was able to compensate for strategic investments in digitisation, regulatory enhancements, and compliance by means of ongoing efficiency measures. Operating expenses amounted to €1,702 million in the second quarter (Q2 2015: €1,737 million), with personnel expenses down due to FTE reduction, sourcing, and lower accruals for variable compensation. **Net profit** came in at €372 million for the first six months of 2016, of which €209 million was generated in the second quarter (first half of 2015: €645 million; Q2 2015: €307 million).

“Commerzbank has maintained its good market position in an adverse environment and posted an operating profit of 342 million euros in Q2. In the Private Customers segment we further grew and extended our loan volumes. Furthermore, we are able to confirm our leading market position in Mittelstandsbank. We sustain a healthy risk profile with a very good NPL ratio of 1.4 per cent. Our CET1 capital ratio of 11.5 per cent is appropriate and already includes a dividend accrual of 10 cents per share for the first half of 2016. Moreover, we report a comfortable Leverage Ratio of 4.4 per cent”, said Stephan Engels, Chief Financial Officer of Commerzbank.

CET 1 ratio at an appropriate level at 11.5% (Q2 2015: 10.5%)

The **Common Equity Tier 1 ratio (CET 1)** with full application of Basel 3 was at 11.5% at the end of June 2016 (end of March 2016: 12.0%; end of June 2015: 10.5%). As in the first half of 2015, this includes a dividend accrual of 10 cents per share for the first half of 2016. The change in the ratio is due firstly to a moderate increase of **risk-weighted assets (RWA)** with full application of Basel 3 to €198 billion as of end of June 2016 (end of March 2016: €195 billion); in particular for operational risks due to the consideration of new external events factored in by external databases. Secondly, deductions on pension liabilities as well as revaluation reserve increased. The **total assets** in the Group amounted to €533 billion as of the end of June 2016 (end of March 2016: €536 billion). The **leverage ratio** came in at 4.4% at the end of the second quarter of 2016, reflecting the changes in capital and on the balance sheet.

Development of the segments

In the **Private Customers** segment, a good Operating profit of €371 million was recorded in the first half of 2016. This represented a year-on-year increase of 13% (first half of 2015: €327 million). The figure for the second quarter was €180 million (Q2 2015: €169 million). Revenues before loan loss provisions remained steady at €1,869 million (first half of 2015: €1,875 million). This includes a positive one-off effect of €58 million from the sale of Visa Europe shares in the second quarter. The segment was able to offset the negative interest rate environment with targeted measures such as increasing the volume of its lending business. Its loan volume was up by a significant 8% year-on-year in the first six months of 2016. New mortgage financing business remained at a high level, with margins increasing in the second quarter of 2016. Securities business was down owing to geopolitical uncertainties and customers' resulting caution. Overall, the Private Customers segment saw continued growth. A net 62,000 new customers chose Commerzbank in the second quarter. Since 2013 the Bank has now gained a net 940,000 new customers. Loan loss provisions decreased in the first half to a very low €11 million (first half of 2015: €38 million). The segment was able to reduce its operating expenses in the first half to €1,487 million (first half of 2015: €1,510 million).

Mittelstandsbank saw its Operating profit fall from €679 million to €412 million year-on-year in the first half of 2016. In the second quarter of 2016, it generated €203 million, compared with €314 million in the second quarter of 2015. The impact of the negative interest rate environment, in particular, was evident here, and Mittelstandsbank took specific steps to offset this, for example by the reduction in deposits or price measures. This is reflected in the positive trend seen in the loan-to-deposit ratio from 80% in the first quarter of 2016 to 92% in the second quarter of 2016. Revenues before loan loss provisions – excluding adjustments for counterparty risk in derivatives business – totalled €1,401 million in the first half of 2016 (first half of 2015: €1,521 million). Core business held stable: the Mittelstand Germany division reported stable loan volumes along with higher margins. The Large Corporates & International division benefited in the first half from a 7% year-on-year increase in lending volume. The Financial Institutions division generated lower revenues, as expected. This is mainly due to more stringent risk and compliance requirements which were initiated by the Bank itself. In addition, net interest income for the first half declined by 7% year-on-year on account of the negative interest rate environment. Loan loss provisions stood at €146 million for the first half (first half of 2015: €79 million). Operating expenses were increased slightly, coming in at €835 million for the first half (first half of 2015: €805 million).

The **Central & Eastern Europe** segment achieved a good Operating profit of €186 million in the first half of 2016, of which €109 million was contributed in the second quarter (first half of 2015: €157 million; Q2 2015: €69 million). Revenues before loan loss provisions for the first six months were 7% higher than for the same period of the previous year (first half of 2016: €492 million; first half of 2015: €459 million). The good revenue performance was supported by a positive one-off effect from the sale of Visa Europe shares, totalling €65 million, in the second quarter. The figure for the first half of 2015 includes a positive one-off effect of €46 million from the sale of the insurance business to Axa Group. Even excluding these two one-off effects, revenues increased year-on-year. This gain resulted principally from net interest income which, excluding exchange rate effects, was up 17% on the first half of 2015. The segment continued to record organic growth. Similarly sales of consumer loans showed a sharp increase of 24% in the first six months compared to the first six months of 2015, reaching a record level in the second quarter. M-Bank continued its positive trend in attracting new customers: in the second quarter net new customers numbered around 109,000, taking M Bank's customer base to 5.2 million at the end of June. Loan loss provisions for the first half, at €42 million, were similar to the same period of the previous year (first half of 2015: €47 million). Operating expenses were higher in the first half of 2016, at €264 million (first half of 2015: €255 million). The rise is due to the €33 million charge for the Polish banking tax, introduced in February 2016.

In a challenging environment for equities business, the **Corporates & Markets** segment saw its Operating profit reduced to €201 million in the first half of 2016 (first half of 2015: €473 million). Of this, €119 million was for the second quarter, down from €176 million in the second quarter of 2015. Revenues before loan loss provisions – excluding valuation effects from own liabilities (OCS effect) and adjustments for counterparty risks in derivatives business – came to €837 million in the first half, which is 26% down on the same period of the

previous year (first half of 2015: €1,133 million). In Advisory & Primary Markets (APM) the performance of the Debt Capital Markets unit resulted in a stable year-on-year showing. The Fixed Income & Currencies (FIC) division profited from the continued demand for currency products, whereas demand for interest rate and credit trading was muted by comparison due to the low interest rate environment and the European Central Bank's monetary policy activities. Equity Markets & Commodities (EMC) was hit by the high levels of uncertainty on the capital markets, which took its toll on business in structured investment products for institutional clients. The securities lending and collateral management business is also being realigned and adapted in response to the change in market conditions. Loan loss provisions remained low in the first half. Net releases of loan loss provisions came to €7 million for the first half (first half of 2015: net release of €36 million). Operating expenses were reduced in the first half of 2016 to €718 million (first half of 2015: €784 million).

The **Asset & Capital Recovery** (ACR) segment reported a 43% year-on-year improvement in its Operating result in the first half to minus €256 million (first half of 2015: minus €451 million). Revenues before loan loss provisions totalled minus €48 million in the first half of 2016, above the level for the first six months of 2015 (first half of 2015: minus €95 million). In the first half of 2016, loan loss provisions in ACR were reduced to €145 million due to the continued portfolio run-down (first half of 2015: €249 million), whereas Ship Finance loan loss provisions were still at a high level. Operating expenses also decreased in the first half of 2016, to €63 million (first half of 2015: €107 million).

Outlook

Commerzbank will continue its strategy of further expanding its market share for its Private Customers business, and maintaining the leading position of the Mittelstandsbank. The Bank expects the negative rate environment and the adverse markets to further weigh on revenues. Furthermore, the Bank will aim to keep its very good risk profile, although loan loss provisions are likely to increase by a moderate amount due to lower releases and continuously challenging shipping markets. Commerzbank intends to keep its cost base stable with exception of additional external burdens. The Bank's ambition remains to keep the capital ratio under full application of Basel 3 above SREP-requirements.

Financial figures at a glance

in € m	H1 2016	Q2 2016	Q1 2016	H1 2015	Q2 2015
Net interest and trading income	2,618	1,274	1,344	3,482	1,496
Provisions for loan losses	-335	-187	-148	-438	-280
Net commission income	1,602	781	821	1,770	855
Net investment income	163	131	32	-67	61
Current income on companies accounted for at equity	63	14	49	31	17
Other income	99	31	68	5	7
Revenues before loan loss provisions	4,545	2,231	2,314	5,221	2,436
Operating expenses	3,595	1,702	1,893	3,694	1,737
Operating profit or loss	615	342	273	1,089	419
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	40	40	-	66	-
Pre-tax profit or loss	575	302	273	1,023	419
Taxes	141	55	86	325	88
Consolidated profit or loss attributable to Commerzbank shareholders	372	209	163	645	307
Earnings per share (€)	0.30	0.17	0.13	0.55	0.23
Cost/income ratio in operating business (%)	79.1	76.3	81.8	70.8	71.3
Operating RoTE (%)	4.6	5.2	4.1	8.6	6.4
Net RoTE (%)	2.9	3.3	2.5	5.2	4.8
Net RoE (%)	2.6	2.9	2.3	4.7	4.3
CET 1 ratio B3, fully phased-in (%)	11.5	11.5	12.0	10.5	10.5
Leverage Ratio, B3 fully phased-in (%)	4.4	4.4	4.5	4.0	4.0
Total assets (€ bn)	533	533	536	565	565

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 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.