

Press release

For business desks
6 November 2014

Commerzbank: operating profit of EUR 343 m in the third quarter of 2014 – CET 1 ratio with full application of Basel 3 raised to 9.6%

- **Net profit increased significantly to EUR 225 m (third quarter 2013: EUR 75 m)**
- **Revenues before loan loss provisions up to EUR 2.4 bn despite portfolio-run down in NCA (third quarter of 2013: EUR 2.3 bn)**
- **Core Bank with good operating profit of EUR 593 m (third quarter of 2013: EUR 375 m)**
- **Loan volume in Core Bank increased in the third quarter by 9% year-on-year**
- **NCA-portfolio reduced to EUR 88 bn as at end of September 2014**
- **CET 1 ratio with full application Basel 3 raised to 9.6% (end of December 2013: 9.0%)**
- **Blessing: “In the third quarter we have continued the good development seen in the first six months. The growth in the Core Bank shows: Our product and service range is popular with our customers.”**

In the **third quarter of 2014**, Commerzbank has attained a good operating profit, again increased the loan volume and further improved the capital ratios. The operating profit in the **Group** more than trebled in the third quarter to EUR 343 million in a year-on-year comparison (third quarter of 2013: EUR 103 million). This was due above all to the improved revenues before loan loss provisions (plus 5% or plus EUR 125 million to EUR 2.4 billion) and the much lower loan loss provisions (minus 31% or minus EUR 151 million to EUR 341 million). In this period the operating expenses increased slightly to EUR 1.72 billion (third quarter of 2013: EUR 1.69 billion) as a result of the collectively-agreed salary increases and the additional expenses from increased regulatory requirements. The net profit was – at EUR 225 million – also considerably higher than in the previous year (third quarter of 2013: EUR 75 million).

In the **first nine months of 2014**, the operating profit in the **Group** was EUR 924 million and thus a good 44% higher in a year-on-year comparison (first nine months of 2013: EUR 641 million). In this respect the Bank profited above all from the lower loan loss provisions (EUR 836 million compared to EUR 1.3 billion in the first nine months of 2013). These compensated for two effects: first, the slightly lower revenues before loan loss provisions (minus 2.0% to EUR 6.9 billion) as a consequence of the portfolio run-down in the Non-Core Assets segment (NCA) and the ongoing low interest rate environment and, second, the increase of just less than 1% in operating expenses to EUR 5.15 billion. In the first nine months of 2014, Commerzbank

generated a net profit of EUR 525 million. The sharp rise in a year-on-year comparison (first nine months of 2013: EUR 17 million) is also due to the restructuring expenses of EUR 493 million which were booked last year.

“In the third quarter we have continued the good development seen in the first six months. This may be seen above all in the results of the Core Bank,” said Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank. “The growth in the Core Bank also illustrates: Our product and service range amended in line with changing customer requirements is very popular.”

CET 1 ratios increased further, slight decrease in risk-weighted assets

With the positive development of the **Common Equity Tier 1 ratio** (CET 1) the Bank has further extended its comfortable capital position. With the full application of Basel 3, Commerzbank posted a higher CET 1 ratio of 9.6% compared to the 9.0% seen as of end of December 2013 and the 9.4% seen as of end of June 2014: The ratio also increased in accordance with the transitional rules of Basel 3 by 0.2 percentage points to 11.8% as at the end of September 2014 (end of December 2013: 11.6%, end of June 2014: 11.7%). The **risk-weighted assets** as at the end of September 2014 were EUR 216 billion and thus slightly lower than the figure at the end of June (EUR 217 billion). From the third quarter of 2014 onwards, the **leverage ratio** will be disclosed following the revised, stricter rules of the European Union’s Capital Requirements Directive (CRD 4/CRR). Even according to these rules and with the full application of Basel 3 the leverage ratio increased to 3.4 %. In the previous quarters, the leverage ratio was disclosed pursuant to the then respectively relevant calculation logic of the CRD 4/CRR. The respective leverage ratio with the full application of Basel 3 had been at 3.2% as of the end of September 2013 and at 3.3% as of end of June 2014.

In the third quarter, the Core Bank has continued the good development seen in the first six months

The **Core Bank**, which encompasses the strategically significant customer-centric business, attained a significantly improved year-on-year operating profit of EUR 593 million in the third quarter (third quarter of 2013: EUR 375 million). The revenues before loan loss provisions increased by 4.4% to EUR 2.3 billion thanks to the strategic progress in the Core Bank segments (third quarter of 2013: EUR 2.2 billion). In this respect, the sum of net interest and net trading income (plus 8.8% to EUR 1.5 billion) and the net commission income (plus 1.3% to EUR 788 million) developed positively. The lower loan loss provisions, which decreased by EUR 90 million year-on-year (third quarter of 2013: EUR 249 million), aided the operational development. The operating expenses in the Core Bank increased only slightly year-on-year, by 2.5% to EUR 1.643 billion (third quarter of 2013: EUR 1.603 billion). The loan volume was further increased in this period by approximately 9%. In a quarter-on-quarter comparison the Private Customers and Mittelstandsbank segments each increased their loan volume by approximately 2%.

Core Bank segments continue on growth path

The **Private Customers** segment continues on its growth path. In the third quarter of 2014, it again generated a good operating result of EUR 121 million. Despite the typically weaker holiday period, the operating profit was at the level seen in the two previous quarters and considerably higher in a year-on-year comparison (third quarter of 2013: EUR 41 million). The revenues before loan loss provisions in the third quarter totalled EUR 865 million and thus increased over the previous year by 5% (third quarter of 2013: EUR 825 million). This growth is due above all to the strong development in the branch bank business. In the first nine months 2014, new business in residential mortgage loans considerably grew by 28% compared to the previous year. In the same period, volumes of portfolio management products and premium custody accounts improved by 53%. The proportion of the revenues from existing customers was further increased. In the first nine months of 2014 a net total of nearly 215,000 new customers were acquired, thereof approximately 77,000 in the third quarter. The operating profit also benefited from the decline in loan loss provisions. These were EUR 16 million and thus approximately 50% lower than in the previous year (third quarter of 2013: EUR 31 million). Year-on-year the operating expenses declined considerably, by EUR 25 million to EUR 728 million, as a consequence of the job cuts that have already been communicated.

Mittelstandsbank also boosted its operating profit in the third quarter. At EUR 363 million the result surpassed the figure for the previous year by 4% (third quarter of 2013: EUR 349 million). The strong operating profit is due above all to the very low loan loss provisions. In the third quarter these were EUR 36 million and thus merely one third of the figure of EUR 106 million seen in the previous year. The revenues before loan loss provisions, in contrast, declined to EUR 742 million. In the third quarter of 2013 they had, also as a consequence of positive one-off effects from the premature repayment of a corporate loan, been EUR 790 million. At Mittelstandsbank, likewise the growth in the loan volume continued in the third quarter, increasing by approximately 10% over the previous year. In this respect it was possible to post growth in all business areas.

In the **Central & Eastern Europe** segment mBank continued its growth story in the third quarter of 2014. In total, the operating profit in the segment was increased over the previous year by 43% to EUR 93 million (third quarter of 2013: EUR 65 million). In this respect, it profited from the favourable development in revenues as a consequence of the continual credit growth. In the third quarter of 2014, the revenues before loan loss provisions were EUR 240 million, and thus 13% higher than in the previous year (third quarter of 2013: EUR 212 million). In the third quarter of 2014, a net sum of EUR 37 million was assigned to the loan loss provisions – a figure comparable to previous quarters (third quarter of 2013: EUR 41 million, second quarter of 2014: EUR 38 million).

Corporates & Markets achieved a strong result within a usually seasonally weak third quarter. At EUR 158 million the segment's operating profit was considerably higher than in the same quarter of the

previous year (third quarter of 2013: EUR 85 million). Revenues before loan loss provisions improved year-on-year by 5.7% amounting to EUR 486 million (third quarter of 2013: EUR 460 million). Seasonality was offset in particular by increased volatility in interest rates and currency markets which fostered client demand. Revenues in Corporate Finance benefited from the segment's solid positioning in equities, bonds, syndicated loans, and structured solutions. Equity Markets and Commodities (EMC) sales and trading were also able to increase revenue levels year-on-year. Corporates & Markets also benefited from a benign development in loan loss provisions. In the third quarter of 2014, there were no loan loss provisions whilst in the third quarter of 2013 these amounted to EUR 43 million. Despite increased regulatory requirements operating expenses decreased slightly to EUR 328 million (third quarter of 2013: EUR 332 million) due to the investment bank's ongoing cost discipline.

NCA: value-preserving run-down strategy consistently continued

In the third quarter the NCA segment reported an operating loss of EUR minus 250 million. This is a slight improvement in a year-on-year comparison (operating loss in the third quarter of 2013: EUR minus 272 million) and primarily due to the improved revenues before loan loss provisions (EUR 80 million compared to EUR 54 million in the third quarter of 2013). As expected, the loan loss provisions in the third quarter of 2014 were – at EUR 251 million – at around the same level seen in the same quarter of the previous year (third quarter of 2013: EUR 243 million).

The Exposure at Default (EaD) was reduced while preserving value once again in the third quarter, namely by EUR 4.4 billion or 4% to EUR 88 billion as at the end of September 2014. This is 29% less than in the previous year. The reduction in the third quarter was mainly driven by Commercial Real Estate (CRE) and Public Finance. As at the end of September, the CRE portfolio was reduced by 8% to EUR 23 billion (second quarter of 2014: EUR 24 billion) and the Public Finance portfolio by 5% to EUR 53 billion (second quarter of 2014: EUR 55 billion). In Ship Finance, the Bank agreed on the sale of nine container ships in August 2014. The EaD as at the end of September 2014 was approximately EUR 13 billion.

Outlook

“Commerzbank will continue along its growth path in the Core Bank. In this respect, the particular focus will continue to be on the loan volumes in the Private Customers and Mittelstandsbank segments. We will continue with our successful value-preserving run-down strategy in the NCA segment and reduce the portfolios in the CRE and Ship Finance segments by 2016 to approximately EUR 20 billion,” said Stephan Engels, Chief Financial Officer of Commerzbank. In addition, the Bank specifies its costs target for 2014: The operating expenses for the full year 2014 will not exceed the amount of EUR 6.9 billion. The additional investments for the implementation of our strategic agenda, and in particular for increasing regulatory costs, will be financed through ongoing cost measures. With regard to the loan loss provisions, the Bank has

confirmed its amended expectation from the previous quarter that these will be noticeably lower than the total figure for 2013 (2013: EUR 1.747 billion). Commerzbank is maintaining its target of increasing the Common Equity Tier 1 ratio with full application of Basel 3 to more than 10% by 2016.

Excerpt from the consolidated profit and loss statement

In EUR m	Q3 2014	Q3 2013	9M 2014	9M 2013	Q2 2014
Net interest and trading income	1,595	1,409	4,559	4,698	1,426
Provisions for loan losses	-341	-492	-836	-1.296	-257
Net commission income	799	784	2.396	2.433	782
Net investment income	15	136	18	10	41
Current income on companies accounted for at equity	19	31	42	50	10
Other income	-22	-79	-108	-145	-18
Revenues before loan loss provisions	2,406	2,281	6,907	7,046	2,241
Operating expenses	1,722	1,686	5,147	5,109	1,727
Operating profit or loss	343	103	924	641	257
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	-	-	-	493	-
Net gain or loss from sale of disposal groups	-	-	-	-	-
Pre-tax profit or loss	343	103	924	148	257
Taxes	93	4	320	59	132
Consolidated profit or loss attributable to Commerzbank shareholders	225	75	525	17	100
Cost/income ratio in operating business (%)	71.6	73.9	74.5	72.5	77.1

Press contact

Alexander Cordes +49 69 136-42764
Nils Happich +49 69 136-44986
Karsten Swoboda +49 69 136-22339

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 1,200 branches 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 2013, it generated gross revenues of more than EUR 9 billion with an average of approximately 54,000 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 Poland, elsewhere in Europe 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, 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.