COMMERZBANK

Press release

For business desks
15 February 2013

Commerzbank: Operating profit considerably increased in 2012 over previous year to EUR 1,216 m – extraordinary charges on the net profit

- **Core Bank attains solid operating profit of EUR 2.6 bn**
- **Net profit of EUR 6 m in 2012**
- **Adjusted for extraordinary charges the net profit is EUR 990 m – charges essentially from sale of Bank Forum (EUR 268 m) and depreciation on deferred tax accruals (EUR 673 m)**
- **In Q4 extraordinary charges led to a net result of EUR minus 716 m**
- **Successful cost management continued: Operating expenses lowered by nearly EUR 1 bn in 2012 to some EUR 7 bn**
- **Silent participation of SoFFin will be serviced for 2012**
- **NCA portfolio reduced by 17 % to EUR 151 bn in 2012**
- **RWA reduced by 12.0 %; Core Tier 1 ratio of 9.9 % in previous year increased to 12.0 % as of 31 December 2012**
- **Commerzbank also intends to repay LTRO II at the end of February 2013**
- **Blessing: "In 2012 we made good progress in operational terms and have fulfilled the prerequisites for the realignment of Commerzbank"**

In the 2012 business year Commerzbank substantially increased its operating profit and further reduced risks. The **operating profit** improved to EUR 1,216 million (2011: EUR 507 million). The **revenues before loan loss provisions** were virtually unchanged at EUR 9.9 billion; in contrast, due to a sustained increase in efficiency, it was possible to lower **operating expenses** to EUR 7.0 billion (2011: EUR 8.0 billion). The **loan loss provisions** rose as expected, above all due to continuing high provisions in the field of ship finance, to just less than EUR 1.7 billion (2011: EUR 1.4 billion). The **net profit** of EUR 6 million (2011: 638 million) includes extraordinary charges, above all from the sale of Bank Forum (EUR 268 million) and depreciation on deferred tax accruals (EUR 673 million). The adjusted net profit was EUR 990 million therefore. The charges from the sale of Bank Forum and the depreciation on deferred tax accruals are essentially a consequence of the strategic realignment of the bank in line with the changing environment announced in November 2012; this is also associated with an adjustment of the medium-term planning of all Group units.

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In the Core Bank, which encompasses the strategically significant customer-centric business of Commerzbank, a solid operating profit of EUR 2.6 billion was attained in a challenging market environment (2011: EUR 4.7 billion). Adjusted for special effects – essentially positive effects, among others from the repurchase of hybrid equity capital instruments amounting to some EUR 1.1 billion and from the lower market valuation of Commerzbank's own liabilities ("Own Credit Spread" – OCS) in the amount of EUR 288 million - the operating profit in the previous year was EUR 3,140 million. If the OCS effect in particular is also taken into account for 2012 (EUR minus 315 million), the Core Bank attained a satisfactory operating profit of EUR 2,845 million in the past year. A major contribution to this was made by the significant cost reductions of EUR 871 million. The net interest income declined above all due to the lower interest rate levels.

"In 2012 Commerzbank Group made good progress in operational terms. We have succeeded in strengthening the capital base and reducing our costs by a significant amount. In addition, the reduction of the non-strategic portfolios is progressing as planned. In total we were thus able to considerably increase the operating profit," said Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank AG. "Given the difficult environment, the Core Bank has also attained a solid operating profit."

The Private Customers segment saw charges in 2012 from the ongoing difficult market environment, yet at the same time it was possible to further lower the costs. Mittelstandsbank again slightly increased the very good operating profit seen in the previous year to a record profit. The Central & Eastern Europe segment posted a solid operating profit. Corporates & Markets improved its performance, yet the higher market valuation of Commerzbank's own liabilities ("Own Credit Spread" – OCS) had a negative impact.

In the typically weaker fourth quarter of 2012 extraordinary charges of EUR 185 million from the sale of Bank Forum and depreciation on deferred tax accruals of 560 million led to a loss in the Group in the amount of EUR minus 716 million (2011: EUR 316 million). The loan loss provisions rose as expected, above all due to the ongoing high provisions in ship finance, to EUR 614 million (previous year: EUR 381 million).

Scheduled implementation of the strategic agenda

The implementation of the strategic measures "Focused growth", "Adjust cost base" and "Optimise capital allocation" announced on 8 November 2012 is progressing as planned. Thus, among other things, extensive internal structures for the control of cost programmes have been put in place and the implementation of the corresponding measures has been launched in all units. The talks with the appropriate councils at Commerzbank AG on the reduction of the personnel expenses commenced at the beginning of February. The Bank currently assumes that within the Group there will be job cuts on a scale of 4,000 to 6,000 full-time equivalents through to 2016. In this respect restructuring expenses in the range of about EUR 500 million

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are expected in the first quarter of 2013. The council negotiations for the NCA segment already were concluded in January.

For the planned investments totalling more than EUR 2 billion so as to increase earnings, projects have been started in all segments of the Core Bank. The reduction of risks has been consistently continued in the fourth quarter. In particular it was possible to lower the NCA portfolio in this period by EUR 9 billion to EUR 151 billion. “In 2012 we fulfilled the prerequisites for the realignment of the Bank. Initial measures are taking effect, but one thing is clear: There is a long way to go,” said Martin Blessing.

Successful cost management continued

The **operating expenses** were reduced in the 2012 business year over the previous year by nearly EUR 1 billion to some EUR 7.0 billion (2011: EUR 8.0 billion). Thus it was possible to clearly undercut the original cost target. Alongside realised cost synergies from the take-over of Dresdner Bank, ongoing efficiency improvements made themselves noticeable here.

EBA capital requirements overachieved, Core Tier 1 ratio increased significantly

In 2012 Commerzbank exceeded the original capital target of EUR 5.3 billion set by the European Banking Authority (EBA). The bank has consistently continued with its strategy for the reduction of risks and non-strategic portfolios in 2012. The **total assets** declined over 2011 by 3.9 %, to EUR 636 billion (2011: EUR 662 billion). The **risk-weighted assets** were further reduced by 12.0 %, to EUR 208 billion (2011: EUR 237 billion). This contributed to a strengthening of the core capital ratios. **The Core Tier 1 ratio** as of the end of December 2012 was 12.0 %, compared to 9.9 % in the previous year. With full phase-in of Basel III the Common Equity Tier 1 ratio as of the end of December would be 7.6 %. “We have further reduced our risks in 2012. We have again lowered the costs significantly – thus we are actually once more ahead of our original ambitious planning,” said Stephan Engels, Chief Financial Officer of Commerzbank.

Comfortable funding position, LTRO II will be repaid

Commerzbank continues to enjoy a very comfortable funding position as a result of the ongoing reduction of portfolios and the excellent deposits base. However, in its coverage of the needs in the Commerzbank branch network and for the further diversification of the funding base, the Bank continues to retain the flexibility to utilise the capital market for funding as the opportunity arises.

As a result of the stabilising measures of the European Central Bank, as well as the planned reduction of the portfolios in NCA, in January Commerzbank repaid in full the funds of EUR 10 billion taken up by Hypothekenbank Frankfurt (formerly Eurohypo AG) from the first three-year tender of the European Central

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Bank (LTRO 1), and thus two years before their maturity. The Bank intends to repay the funds availed of from the so-called LTRO II as of the first-possible due date at the end of February 2013.

Silent participation of SoFFin will be serviced

The preliminary individual financial statements of Commerzbank AG pursuant to the provisions of the German Commercial Code (HGB) show a net profit of EUR 102 million for 2012. This includes distributions on the following capital instruments: silent participations of SoFFin and Allianz, profit participation certificates of Commerzbank AG and Class B Preferred Securities of Commerzbank Capital Funding LLCs I, II and III. As already announced, no dividend is being paid for 2012.

Variable remuneration for 2012 significantly reduced

As a consequence of the unsatisfactory net profit, variable remuneration as a whole for 2012 will be 17.2 % lower than in the previous year, after the volume in 2011 had already been 12.1 % lower than in 2010. In the investment bank the volume of the variable remuneration has decreased by approximately 20 % over the previous year. In total the personnel expenses for the past year were EUR 3.96 billion (2011: EUR 4.18 billion). Some 8.0 % thereof is accounted for by variable salary elements (2011: 9.2 %).

The reduction in variable remuneration elements encompasses all the eligible employees of the bank and also the Board of Managing Directors, yet to differing degrees. The bank is thus following a clear principle: The greater the responsibility, the lower the variable remuneration by comparison. While employees in the non-pay scale model are receiving a total of some 60 % of the target bonus volume, in the management model this figure is approximately 50 %. In the case of the remuneration for the Board of Managing Directors, the share of the target bonus is around 40 %, of which merely ca. 10 % will be paid out in 2013.

Chairman of the Board of Managing Directors Martin Blessing had already informed Supervisory Board Chairman Klaus-Peter Müller in writing in December 2012 that he is foregoing all his claims from variable remuneration for 2012. “This is a very honourable decision, which according to Martin Blessing is grounded on his particular responsibility for the Bank,” said Klaus-Peter Müller.

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Development of the segments

In 2012 the **Private Customers** segment registered a downturn in interest and commission income as a consequence of the lower interest rate levels and a decline in customer activity, above all in the securities business. The operating profit therefore decreased over the previous year to EUR 245 million (2011: EUR 476 million). The loan loss provisions of EUR 95 million remain at a low level (2011: EUR 61 million). It was possible to lower the operating expenses through active cost management in a year-on-year comparison by 15 %. In the fourth quarter the segment attained an operating profit of EUR 30 million (2011: EUR 140 million).

Mittelstandsbank posted an operating profit of EUR 1,649 million, once again slightly higher than the very good result seen in the previous year (2011: EUR 1,588 million). The loan loss provisions profited from reversals, as well as from the strong state of the German economy, and were thus at the very low level of EUR 30 million (2011: EUR 190 million). The operating expenses were reduced by 12 %, to EUR 1.3 billion. In the fourth quarter of 2012 the operating profit of the segment was EUR 376 million (2011: EUR 290 million). In particular the clear decrease in loan loss provisions over the previous year, to EUR 42 million (2011: EUR 149 million), contributed to this increase.

Central & Eastern Europe attained a solid operating profit of EUR 240 million in 2012 (2011: EUR 427 million). In comparison to the previous year the profit declined above all due to the elimination of a positive one-off effect from the sale of the participation in Promsvyazbank (PSB), which was booked in the fourth quarter of 2011 at EUR 154 million. It was possible to compensate in part for the lower net interest income through ongoing cost management. BRE Bank increased the number of its customers by about 200,000 to more than 4 million for the first time ever. In the fourth quarter the segment attained an operating profit of EUR 42 million (2011: EUR 194 million), which, taking into consideration the positive one-off effect from the sale of PSB in the fourth quarter 2011, was stable at around the same level seen in the previous year.

In 2012 **Corporates & Markets** posted a positive operating profit of EUR 197 million (2011: EUR 583 million). The cause for the decline over the previous year was a negative effect as a consequence of the higher market valuation of Commerzbank’s own liabilities (“Own Credit Spread” – OCS) to the amount of EUR minus 315 million, which had been positive in the previous year at EUR 288 million. In the typically weak fourth quarter the operating profit in the segment was EUR minus 69 million (2011: EUR 27 million). Adjusted for the negative OCS effect of EUR minus 118 million in the fourth quarter (2011: EUR 75 million) the result would have been positive.

In 2012 the **Non-Core Assets** segment (NCA) posted a clearly improved operating profit of EUR minus 1.5 billion (2011: EUR minus 4.0 billion). In the previous year there had been charges in particular

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from considerable impairments on Greek sovereign bonds. The loan loss provisions rose above all due to higher additions in the area of ship finance to EUR 1,374 million (2011: EUR 903 million). The portfolio reduction was successfully continued in 2012. The portfolio was reduced in 2012 by EUR 30 billion, to EUR 151 billion. The reduction of the NCA portfolio by 17 % took place above all in the in the Commercial Real Estate and Public Finance areas. In the fourth quarter the operating profit of the segment amounted to EUR minus 447 million (2011: EUR minus 1,391 million).

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Excerpt from the consolidated profit and loss statement

In EUR m	**2012***	**2011**	**Q4 2012***	**Q3 2012**	**Q4 2011**
Net interest income	5,539	6,724	1,398	1,379	1,618
Provisions for loan losses	-1,660	-1,390	-614	-430	-381
Net commission income	3,191	3,495	751	840	703
Net trading income	1,121	1,986	-37	146	538
Net investment income	81	-3,611	250	30	-1,402
Current income on companies accounted for at equity	46	42	12	16	13
Other income	-77	1.253	-22	-33	846
Operating expenses	7,025	7,992	1,773	1,732	1,772
Operating profit	**1,216**	**507**	**-35**	**216**	**163**
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	43	-	-	-	-
Net gain or loss from sale of disposal groups	-268	-	-185	3	-
Taxes	796	-240	472	115	-186
Consolidated profit attributable to Commerzbank shareholders	**6**	**638**	**-716**	**78**	**316**
Cost/income ratio in operating business (%)	71.0	80.8	75.4	72.8	76.5

* Unaudited figures

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Under www.tvservicebox.de and www.getaudio.de you will find broadcast-ready video and audio material with statements by Martin Blessing and Stephan Engels from approximately 7.00 onwards.

The videos can be viewed directly using mobile end devices.
Statements Martin Blessing: http://cbvideo.commerzbank.de/2013/Bilanz/Blessing_en/index.php
Statements Stephan Engels: http://cbvideo.commerzbank.de/2013/Bilanz/Engels_en/index.php

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About Commerzbank

Commerzbank is a leading bank in Germany and Poland. It is also present worldwide in all markets for its customers as a partner to the business world. With the business areas Private Customers, Mittel-standsbank, Corporates & Markets and Central & Eastern Europe, it offers its private and corporate clients as well as institutional investors the banking and capital market services they need. With some 1,200 branches Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts nearly 15 million private customers, as well as 1 million business and corporate clients. In 2012, it generated revenues of just under EUR 10 billion with approximately 56,000 employees on average.

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Disclaimer

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern 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 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, in particular as a result of 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 public finance portfolio in Private Customers, 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 periodically 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.

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