COMMERZBANK

IR release

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Commerzbank: Operating profit of EUR 547 m in first six months of 2013

- **Revenues before loan loss provisions in Core Bank stable in second quarter at EUR 2.3 bn**
- **Operating profit of EUR 78 m in second quarter, net profit of EUR 43 m**
- **Loan growth in Core Bank confirms strategic positioning**
- **Portfolio reduction in Non-Core Assets segment progressing faster than planned**
- **Common Equity Tier 1 ratio (full application of Basel 3) as of the end of June 2013 at 8.4%, Leverage Ratio (pursuant to CRD 4, phase-in regulations of Basel 3) at 4.0%**
- **Implementation of the strategic agenda leads to expected charges on results in year of transition 2013**
- **Blessing: "The implementation of the strategic measures is progressing as scheduled and in part even somewhat faster. The revenues before loan loss provisions stabilised in the second quarter – a sign that we are on the right track."**

The Commerzbank Group generated an operating profit of EUR 547 million in the first six months of 2013 (first six months 2012: EUR 1.0 billion). Thereof, EUR 78 million relate to the second quarter of 2013. The first six months' decline over the previous year is due particularly to the weaker interest rate environment and higher loan loss provisions. The latter rose as a consequence of the accelerated portfolio reduction in the Non-Core Assets (NCA) segment and, as expected, to single cases in the Core Bank. In the first six months of 2013 the Core Bank attained an operating profit of approximately EUR 1.0 billion (first six months 2012: EUR 1.4 billion). Of this sum, EUR 465 million was accounted for by the second quarter of 2013. The Group's net profit declined in the first six months of 2013 to minus EUR 51 million (first six months 2012: EUR 625 million). The decline in revenues over the previous year is mainly a result of special items within the implementation of the strategic agenda, such as the restructuring expenses and the implementation of the sale of the Commercial Real Estate (CRE) portfolio in Great Britain. These two effects alone led to a one-off charge of approximately EUR 630 million.

"We are implementing the measures announced in our strategic agenda as planned – in some areas we actually are ahead of schedule. As expected, the implementation of the strategic agenda is weighing on results, however. 2013 is a year of transition and we accept that individual measures are associated with one-off restructuring expenses and higher loan loss provisions. Thus we are establishing the basis for a

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further improvement in the future profitability of the Bank," said Martin Blessing, Chairman of the Board of Managing Directors of Commerzbank. "The revenues before loan loss provisions in the Core Bank stabilised in the second quarter. This shows that we are on the right track with our strategic measures."

Loan loss provisions rise particularly due to the CRE portfolio in Great Britain

In the first six months of 2013 the Bank generated **revenues before loan loss provisions** of EUR 4.8 billion (first six months 2012: EUR 5.2 billion). The commission income, at EUR 1.7 billion, was slightly higher than in the previous year. However, interest income decreased by 14 % in a year-on-year comparison due to the weaker interest rate environment. In the second quarter of 2013 Commerzbank generated revenues before loan loss provisions of EUR 2.3 billion, which were particularly achieved in the Core Bank. Compared to the previous quarter (first quarter 2013: EUR 2.3 billion), Core Bank's revenues before loan loss provisions were stable. This was despite the weaker interest rate environment, particularly due to the positive development of the Corporates & Markets segment and the improvement of business in the Private Customers segment. The **loan loss provisions** in the Group in the first six months of 2013 were EUR 804 million, and thus substantially higher in a year-on-year comparison (first six months 2012: EUR 616 million). EUR 537 million of this was booked in the second quarter alone (first quarter 2013: EUR 267 million). This increase was particularly due to single cases in Mittelstandsbank and to the CRE portfolio in Great Britain. Although the loan loss provisions for Ship Finance remained at a high level of EUR 248 million in the first six months of 2013, they were lower than the level seen in the previous year, however (first six months 2012: EUR 284 million). The **operating expenses** were again reduced in the first six months of 2013 despite investments in the Core Bank due to a consistent implementation of the announced cost measures. As of the end of the first six months of 2013 the operating expenses were EUR 3.4 billion (first six months 2012: EUR 3.5 billion). In the second quarter of 2013 they were slightly lower than in the previous quarter.

Core capital ratio improved, Leverage Ratio already meets Basel 3 requirements

Commerzbank further improved its **Common Equity Tier 1 ratio** in the second quarter of 2013, also as a result of the capital increase successfully concluded in May. Pursuant to the phase-in regulations of Basel 3, as of the end of June 2013 the ratio was at 10.3% (end of March 2013: 10.1%). Under the full application of Basel 3 the ratio was at 8.4% (end of March 2013: 7.5%). With a view to the **Leverage Ratio**, which is increasingly gaining in importance not only in the public discussion but also among investors, Commerzbank is well positioned in the peer group comparison. Pursuant to the current calculation logic of the EU's capital requirements directive (CRD 4) and taking into account the phase-in-regulations of Basel 3 the Leverage Ratio as of the end of June 2013 was 4.0%. Additionally, as of the end of the second quarter of 2013 the Bank had already fulfilled the regulatory requirements under the full application of Basel 3, which do not come into effect until 2018. The corresponding Leverage Ratio was 3.2%. The **risk-weighted assets** were lowered slightly as of the end of June 2013 to EUR 206 billion (end of June 2012 and end of March 2013:

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EUR 210 billion). As of the end of June 2013 the **total assets** have been reduced over the previous year by 5 % to EUR 637 billion.

Core Bank: Private Customers segment better than planned, Corporates & Markets delivers strong result

In the first six months of 2013 the **Private Customers** segment attained a better-than-planned operating profit of EUR 123 million (first six months 2012: EUR 167 million). Revenues before loan loss provisions stabilised, and at EUR 1.7 billion were at the same level than in the previous year. Commission income improved slightly in a year-on-year comparison to EUR 817 million, the interest income declined marginally to EUR 875 million. In the first six months of 2013 the Bank made a net gain of approximately 100,000 new customers. In the second quarter of 2013 the segment improved its operating profit in a year-on-year comparison from EUR 30 million to EUR 54 million. The revenues for the second quarter in the securities business increased by EUR 25 million year-on-year, to EUR 254 million. The new loan business saw a substantial expansion of 36%, to EUR 2.8 billion. The new business volume in residential mortgages alone increased by 40% to EUR 2.3 billion. This pleasant development shows that the segment is benefitting earlier than planned from the investments in new offerings and services.

In the first six months of 2013 **Mittelstandsbank** posted an operating profit of EUR 542 million (first six months 2012: EUR 874 million), in the second quarter the figure was EUR 216 million. In a year-on-year comparison the revenues before loan loss provisions declined in the first six months of the year by 8%, to EUR 1.4 billion, as a consequence of the weaker interest rate environment and the challenging economic framework conditions. They stabilised in the second quarter of 2013, however, at EUR 695 million (first quarter 2013: EUR 728 million). Due to its strong competitive position, the Bank has increased the loan volume with the German Mittelstand by 5%. As a result of lower reversals and of the single cases the loan loss provisions increased over the previous year as expected. In the first six months of 2013 approximately EUR 225 million were booked in loan loss provisions, with the second quarter accounting for EUR 147 million.

In the first six months of 2013 the **Central & Eastern Europe** segment again attained a solid operating profit of EUR 127 million (first six months 2012: EUR 146 million). The year-on-year decline in revenues before loan loss provisions to EUR 379 million (first six months 2012: EUR 430 million) is due particularly to the weaker economic environment and the interest rate cuts in Poland. In the second quarter of 2013, loan loss provisions rose as expected compared to the first quarter. In the first quarter of 2013, the segment benefitted from reversals of loan loss provisions, however.

Corporates & Markets performed substantially better in the first six months of 2013 than in the same period of the previous year, improving its operating profit to EUR 524 million (first six months 2012: EUR 77 million).

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The results include a positive effect from the market valuation of our own liabilities ("Own Credit Spread") to the amount of EUR 45 million (first six months of 2012: minus EUR 142 million). The segment profited from the capital market environment, which was more stable compared to the previous year. Equity Markets & Commodities took advantage of its excellent market position within the investment and hedging solutions space profiting from higher customer demand. Corporate Finance saw a stable performance in Debt Capital Markets bonds and loans, and also benefitted from a rebound in equity capital. Revenues before loan loss provisions increased to EUR 1.2 billion (first six months 2012: EUR 788 million). The second quarter of 2013 saw a continuation of the positive trend observed in the first quarter. Although revenues before loan loss provisions declined by 2% compared to the seasonally strong first quarter year-on-year they rose by 46 % to EUR 569 million (second quarter 2012: EUR 390 million). The operating profit in the second quarter of 2013 was EUR 253 million.

Portfolio reduction in the NCA segment progressing faster than planned – reduction target adjusted

In **NCA** Commerzbank is moving ahead with the reduction of portfolios faster than originally planned. The Exposure at Default (EaD, including non-performing loans) in NCA was reduced by 10% or by EUR 15 billion to EUR 136 billion in the first six months of 2013. This does not include the sale of the CRE portfolio in Great Britain agreed upon in July. A reduction of EUR 7 billion was achieved in the second quarter of 2013. The reduction covers all three business areas: in CRE the EaD was reduced by 13% to EUR 48 billion in the first six months of 2013, in the Ship Finance portfolio by 10% to 17 billion, and in Public Finance the Bank posted a decrease of 8% to EUR 71 billion.

Including the sale of the CRE portfolio in Great Britain, the NCA portfolio has been reduced by as much as EUR 20 billion or 13% since the beginning of the year. The Bank has adjusted the original segment reduction target for 2016 in the wake of the accelerated portfolio reduction. The Bank now expects that the EaD (including non-performing loans) as of the end of 2016 will be substantially below EUR 90 billion (original target: EUR 93 billion). The share of non-performing loans will be reduced by the sale of the portfolio in Great Britain.

In the first six months of 2013 the NCA segment posted an operating loss of EUR 473 million (first six months 2012: loss of EUR 608 million, second quarter 2013: loss of EUR 387 million). Revenues before loan loss provisions increased substantially in the first six months of the year to EUR 227 million (first six months 2012: EUR 57 million). The main reason for this was the strong improvement in the result from financial investments and in the trading result. In addition, it was possible to increase the net interest income slightly despite the reduction in volume. The loan loss provisions increased in the first six months of 2013 to EUR 522 million (first six months 2012: EUR 479 million). This rise was due particularly to the CRE portfolio in Great Britain.

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Outlook

“As a consequence of the portfolio reduction and the ongoing weak interest rate environment, the revenues before loan loss provisions are likely to remain under pressure for the Group. However, we can see first positive effects from our counteractive measures. For this reason we expect revenues before loan loss provisions in the Private Customers and Mittelstandsbank segments to remain stable. We are on track with regards to the capital position. Under the full application of Basel 3, we still plan to achieve a Common Equity Tier 1 ratio of 9% by the end of 2014,” said Stephan Engels, Chief Financial Officer of Commerzbank.

The Bank will continue with the consistent implementation of the strategic agenda in the second half of 2013. A strict cost discipline will finance investments to increase earnings power. The successful conclusion of the works council negotiations also allows Commerzbank to rapidly implement additional measures to reduce costs. For 2013 as a whole the costs are not to exceed EUR 7 billion. Commerzbank continues to stand by its expectations for the loan loss provisions. As a result of the accelerated portfolio reduction in the NCA segment and the increased loan loss provisions in the Core Bank, for 2013 the Bank still assumes that these will be higher than in the previous year.

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Excerpt from the consolidated profit and loss statement

In EUR m	H1 2013	Q2 2013	Q1 2013	H1 2012	Q2 2012
Net interest income	2,985	1,629	1,356	3,478	1,784
Provisions for loan losses	-804	-537	-267	-616	-404
Net commission income	1,655	808	847	1,633	769
Net trading income	308	-9	317	248	84
Net investment income	-126	-120	-6	-199	-23
Current income on companies accounted for at equity	19	11	8	18	7
Other income	-67	-5	-62	-22	-43
Income before loan loss provisions	**4,774**	**2,314**	**2,460**	**5,156**	**2,578**
Operating expenses	3,423	1,699	1,724	3,522	1,732
Operating profit or loss	**547**	**78**	**469**	**1,018**	**442**
Impairments of Goodwill	-	-	-	-	-
Restructuring expenses	493	-	493	43	9
Net gain or loss from sale of disposal groups	-	-	-	-86	-86
Pre-tax profit or loss	**54**	**78**	**-24**	**889**	**347**
Taxes	57	12	45	211	52
Consolidated profit or loss attributable to Commerzbank shareholders	**-51**	**43**	**-94**	**625**	**270**
Cost/income ratio in operating business (%)	71.7	73.4	70.1	68.3	67.2

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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, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, it offers its private and corporate customers as well as institutional investors the banking and capital market services they need. With approximately 1,200 branches

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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 customers. 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, 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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