Commerzbank delivers strong operating profit in Q2

- Operating profit: EUR 484 million (+11% compared to Q1), clean operating profit: EUR 908 million
- Almost 1 million new private customers in the first half of 2008, of which more than 260,000 in Germany
- Private and Business Customers reports a record quarter, Mittelstand delivers strong growth, Central- and Eastern Europe is successful
- Corporates & Markets posts a good result, Public Finance and Treasury performs above expectations
- Commercial Real Estate affected by one-off write-down of EUR 250 million, new business deliberately restrained
- Martin Blessing: “We are on track”

Commerzbank reported an operating profit of EUR 484 million for the second quarter of 2008 (in Q1 EUR 435 million). This represents an 11.3% increase from the operating profit of the first quarter 2008. Adjusted for one-off items, operating profit even reached EUR 908 million (Q2 2007: EUR 763 million). “Commerzbank is on track, profitable growth momentum is intact”, says Martin Blessing, Chairman of the Board of Managing Directors, summing up the positive second quarter.

Growth in the first six months was not restricted to profitability only: almost 1 million new private customers were added in the first half of 2008 alone (+12% relative to end of 2007). This includes more than 260,000 new clients in Germany and provides further evidence of success. At the same time the client deposits managed by Commerzbank increased significantly by 22% year-on-year. The target of the growth initiative started in 2006 to attain 6 million private customers in Germany by December 2009 will most likely be reached already in 2008.

The Private and Business Customers’ segment delivered a record quarter. Mittelstand grew dynamically. Activities in Central and Eastern Europe were also successful. Corporates & Markets posted a very solid trading profit. Public Finance and Treasury, too, and faster than expected showed a positive result. The Commercial Real Estate segment, however, had to absorb impairments of EUR 119 million on the US RMBS portfolio and a one-off loan loss charge amounting to EUR 250 million.
In the second quarter, the consolidated surplus after minorities of EUR 817 million was 6.4% higher than in the quarter a year ago and clearly surpassed the operating profit. Primary reason for this is a tax revenue of EUR 386 million. This one-off special effect results from the capitalisation of deferred tax assets on tax loss carry forwards of EUR 500 million, which had to be recognized according to the International Financial Reporting Standards (IFRS).

The return on equity after taxes was a high 24.4% (8.4% in Q1) due to the positive operating development and the tax revenue. Earnings per share amounted to EUR 1.24 compared to EUR 0.43 in the first quarter.

Net interest and commission income continues encouraging trend

The EUR 1.2 billion net interest income of the Commerzbank Group in the second quarter was very encouraging and well above the Q1 level of about EUR 1 billion.

EUR 414 million were allocated as provisions for credit risk, which comprise EUR 164 million in ongoing impairments and the additional one-off loan loss provisions of EUR 250 million at Commercial Real Estate. Loan loss provisions of EUR 700 million – not taking into account the one-off impairment – are still expected for the full year. The figure does also include risk provisions for Bank Forum that is consolidated for the first time in Q 2.

The EUR 717 million net commission income was slightly lower than in the first three months of the year. With the exception of Commercial Real Estate, all segments developed positively compared to the first quarter. The trading profit showed an especially positive result. It grew to EUR 375 million from EUR 173 million in Q1. This represents an increase of EUR 202 million (+117%). The Corporates & Markets segment is the main driver for this success. However, Public Finance and Treasury also achieved an encouragingly positive trading profit, not only in light of the volatile markets.

The indirect effects of the US real estate crisis, which included impairments to corporate CDOs (EUR 18 million) and securitized US mortgages, the RMBS portfolio (EUR 119 million), are reflected in the EUR 86 million net investment income loss. Net investment income in Q1 was minus EUR 26 million, taking into account gains from the sale of none core activities of the Commerzbank Group.

In the past 12 months the ABS portfolio has been reduced by 40% to EUR 13.2 billion. This constitutes a reduction of EUR 9 billion in one year only. As of June 30, about 44% of the ABS portfolio consists of US government guaranteed bonds. The quality of the commercial real estate portfolio is very high, too: 92% of the loan book is investment grade.

Disciplined cost management is taking effect and remains rigorous. Operating expenses rose by EUR 51 million (+4%) compared to the previous quarter and reached EUR 1.4 billion due to investments in growth initiatives in the core business areas, including Bank Forum and the one-off charge for the integration of Essen Hyp.
At mid-year, the Commerzbank Group had a consolidated balance sheet total of EUR 615 million, virtually unchanged from the end of 2007. With 7.4% the core capital ratio (Tier 1) also remained almost on the Q1 level. The equity ratio decreased slightly to 11.3%. Both ratios are at the top end of the target range of 6.5% to 7.5% and 10.5% to 11.5%, respectively. With 1.21 as of June 30 according to Principle II liquidity also remained strong.

Germany, Central and Eastern Europe are major growth drivers

The Private and Business Customers and the Mittelstand segment also proved their extraordinary resilience in the second quarter. With an operating profit of EUR 157 million and EUR 245 million, respectively, they were again the main revenue generators for the Group. At the same time both segments broadened their customer base significantly.

In the Central and Eastern Europe segment, BRE Bank contributed substantially to the positive development; operating profits totalled EUR 92 million. In the medium term, the segment is expected to consistently contribute more than 15% of the operating result for the Commerzbank Group. The Ukrainian Bank Forum is being included in the figures for the first time.

In Corporates & Markets, the positive trend that already emerged in the first quarter continued and resulted in a successful second quarter. The trading profit of EUR 299 million was much better than expected in the face of the volatile financial markets. The strong customer-oriented approach allowed for an increase in operating profits to EUR 132 million. In the first quarter by contrast, the segment showed an operating loss of EUR 50 million.

The environment for the Commercial Real Estate segment remained difficult in the second quarter and new business continued on a moderate level. Net interest income was at the same level as the first quarter with EUR 215 million. A similar scenario exists for net commission income (EUR 95 million) as well as personnel costs and other expenses (together EUR 135 million). Trading profit was flat. However, the operating result showed a EUR 222 million loss due to follow-on effects from the US subprime crisis.

The Public Finance and Treasury segment has benefited from the consistent risk reduction, the advancing integration and the standardization of hedge positions in the second quarter. An operating profit of EUR 26 million was earned in the quarter; compared to an operating loss of EUR 144 million in Q1.

Outlook

The global economic slowdown has reached Germany, even if there are no signs of a recession. On the other hand, countries in Central and Eastern Europe are still exhibiting notable growth momentum. “The Commerzbank Group had a successful first half of 2008. Our outlook from May remains unchanged: Due to the continuing market volatility, we reiterate that –
without accounting for the tax gain – it could be very difficult to reach the
good result of the previous year in 2008”, said Dr. Eric Strutz, Chief Financial
Officer of Commerzbank. “Notwithstanding this, we are well-positioned, we
are growing and we are sustainably profitable.” Strutz also added that the
goal remains a return on equity after tax of more than 15%.

Commerzbank Group: Consolidated income statement (in EUR million)

<table>
<thead>
<tr>
<th></th>
<th>Q2 2008</th>
<th>Q1 2008</th>
<th>Change</th>
<th>Q2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>1,176</td>
<td>1,022</td>
<td>15.1%</td>
<td>1,003</td>
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<tr>
<td>Loan loss provisions</td>
<td>-414</td>
<td>-175</td>
<td>136.6%</td>
<td>-151</td>
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<tr>
<td>Net commission income</td>
<td>717</td>
<td>732</td>
<td>-2.0%</td>
<td>758</td>
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<tr>
<td>Trading profit</td>
<td>375</td>
<td>173</td>
<td>116.8%</td>
<td>381</td>
</tr>
<tr>
<td>Net investment income</td>
<td>-86</td>
<td>-26</td>
<td>230.8%</td>
<td>262</td>
</tr>
<tr>
<td>Other result</td>
<td>89</td>
<td>31</td>
<td>187.1%</td>
<td>146</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1,373</td>
<td>1,322</td>
<td>3.9%</td>
<td>1,324</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>484</strong></td>
<td><strong>435</strong></td>
<td><strong>11.3%</strong></td>
<td><strong>1,075</strong></td>
</tr>
<tr>
<td>Restructuring expenses</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taxes on income</td>
<td>-386</td>
<td>80</td>
<td>-</td>
<td>283</td>
</tr>
</tbody>
</table>
| **Consolidated surplus attributable**
  to Commerzbank shareholders | **817** | **280** | **191.8%** | **768** |
| Earnings per share (in EUR) | 1.24       | 0.43     | 188.4%  | 1.17    |
| Return on equity on the consolidated surplus 1) | 24.4% | 8.4% | - | 24.7% |
| Cost/income ratio in operating business | 60.5% | 68.4% | - | 51.9% |

1) extrapolated for the full year

Presentation charts can be found at:
https://www.commerzbank.de/de/hauptnavigation/aktionaire/vortrag/presenstationen.html