

Merger of the property and public sector financing activities of

COMMERZBANK 

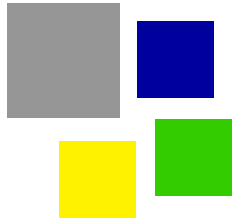
Deutsche Bank 

 Dresdner Bank
Die Beraterbank

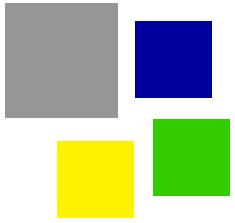
to form the new **Eurohypo AG**

Conference call for international analysts

6 November 2001



1	Introduction
2	Strategic positioning
3	Transaction objects, organisational structure, corporate governance, integration
4	Synergies
5	Financial Data
6	The new Eurohypo – expertise, size, and clear focus on profitability



1

Introduction

“The merger at a glance”

1

- Commerzbank, Deutsche Bank, and Dresdner Bank are bundling their property-financing businesses, and are terminating their own activities in this area
- The new institution is being created through a merger into Deutsche Hyp, and will be named Eurohypo
- Including free float, the relative valuation of the mortgage banks is Deutsche Hyp 30%, Eurohypo 35%, and Rheinhyp 35%
- The core capital ratio according to BIS (Bank for International Settlements) is 6%. In order to achieve this ratio, Commerzbank, and Dresdner Bank will contribute additional equity
- The target return on equity will clearly exceed the current cost of capital of around 9%
- Cost synergies will amount to around EUR120m p.a. beginning 2004

Goals of the new Eurohypo

1

- Leading provider of commercial-property financing in Germany and Europe with mixed-bank status
- Expansion of presence in North America
- Increase in commission income through real estate investment banking and syndicated loan business
- Leading market position in servicing and refinancing of standardised home loans in Germany
- Public sector financing characterised by conservative risk policy and focus on higher margin foreign business
- Benchmark issuer in the *Pfandbrief* market and leading issuer of MBS

Transaction background

1

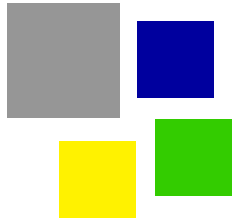
Market environment

- Increasing competitive pressure in German property financing raises the need to consolidate
- Weak margin in German public sector business
- Real estate investment banking and foreign markets offer growth and margin potential

Mortgage bank environment

- Selective growth in foreign markets
- More intensive use of instruments for easing strain on balance sheet
- Restructuring of the real estate activities of the three groups: mortgage banks as centre of competence of commercial-property financing

- Formation of partnerships between institutions of different banking groups to
 - significantly improve market position
 - realise synergy potential
- Concentration of property financing expertise in one optimised unit



2

Strategic positioning

Business model

2

Professional real estate customers/Commercial-property financing

- Quality edge through bundling of expertise
- Broader range of financing through use of mixed-bank status
- Stronger European focus and expansion in North America

Standardised home loans

- Market leader in servicing and refinancing
- Sales handled by agents and through agency agreements with parent companies and third parties

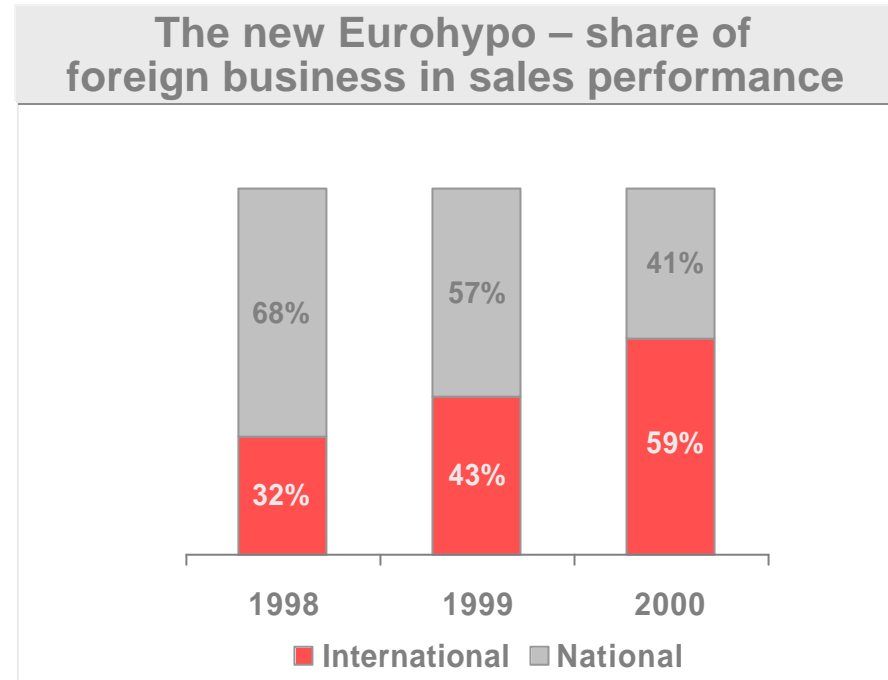
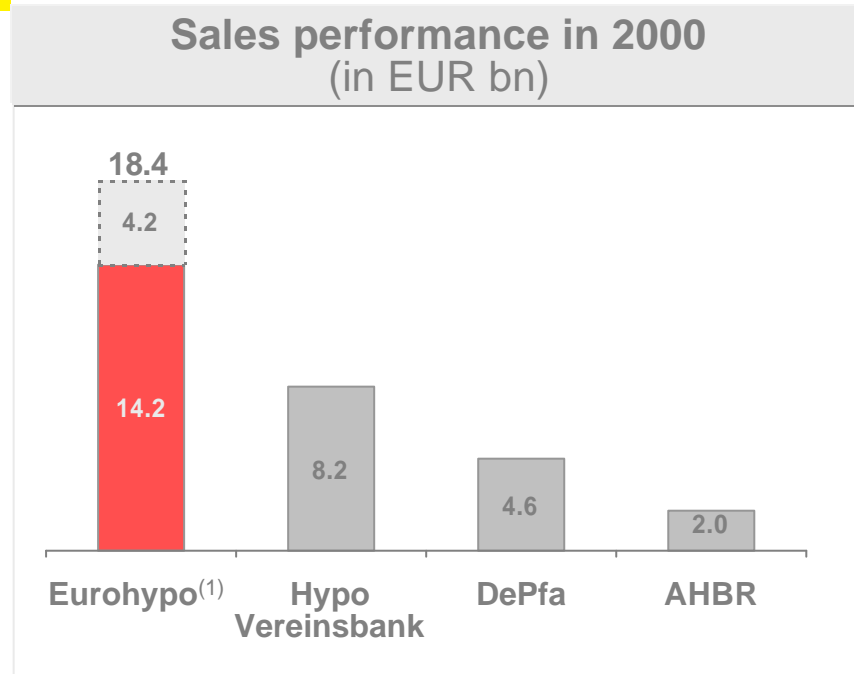
Public sector financing

- Expansion of higher-margin foreign business
- Conservative risk policy
- Realisation of adequate financing volumes

- Concentration on higher-margin business and expansion of commission income business
- Best possible risk diversification and realisation of economies of scale

Market leader in commercial-property financing

2



(1) Combined figure for Eurohypo, Rheinhyp, Deutsche Hyp, Deutsche Bank (real-estate centres); syndicated business shown separately
Sources: Annual reports, VdH, Deutsche Bank, Deutsche Hyp, Rheinhyp, Capital Data Loanware

- The new Eurohypo is the leading German bank for commercial-property financing
- Growth potential in the higher-margin foreign business – the new Eurohypo already has an excellent track record

Commercial-property financing – Operations in Germany

2

Currently: 25 branches in 10 locations



In the future: 10 branches in 10 locations



- Combination of improved distribution and optimised cost basis
- Branches to be merged by end of 2002

Commercial property financing – Foreign operations

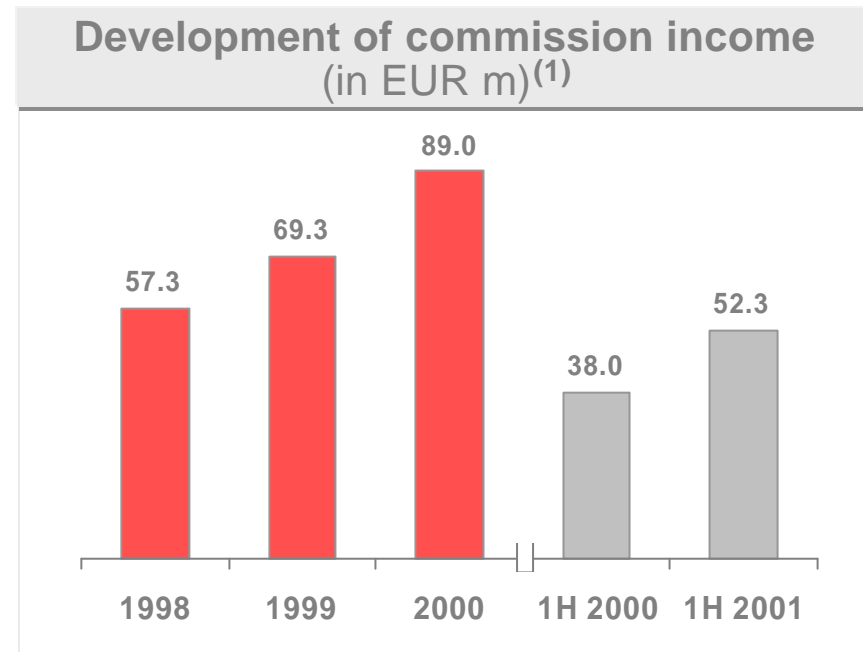
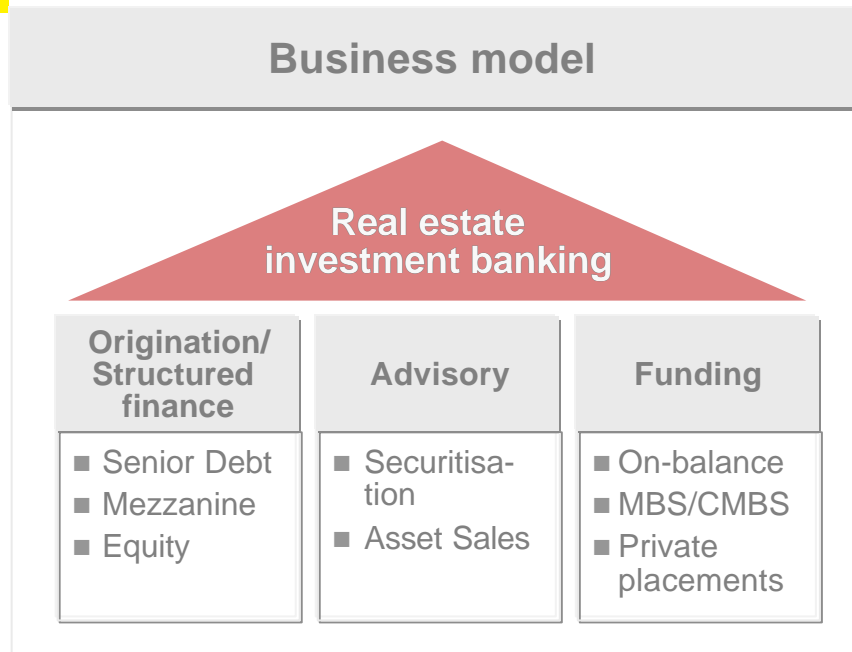
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- Presence in the most important business centres in Europe and the USA
- Significant improvement in sales reach outside Germany
- All locations are maintained, while the number of branches will be reduced from 33 to 17

Growing commission income through established real estate investment banking

2



(1) Sum of Deutsche Hyp, Eurohypo, and Rheinhyp

Source: Annual and interim reports, Commerzbank, Deutsche Bank, Dresdner Bank

- Focus on structured finance and securitisation
- Strong starting position through established activities in London and the USA
- Dynamic growth of commission income maintained

Syndicated loans

2

Syndicated real estate loans in Europe – rankings in 2000 (US\$ m)

1	Eurohypo ⁽¹⁾	3,979
2	Royal Bank of Scotland	1,962
3	Barclays	1,842
4	Société Générale	1,272
5	Crédit Lyonnais	1,014

(1) Combined syndicated volume of Deutsche Hyp, Eurohypo, and Rheinhyp

Source: Capital Data Loanware, Rheinhyp, Deutsche Hyp

Major transactions

Canary Wharf	Whitehall	MP MILLENNIUM PARTNERS
EUR 1,600m Eurohypo	EUR 431.6m Eurohypo	US\$ 400m Dresdner Bank Real Estate
Arranger	Arranger	Arranger
March 2001 (UK)	January 2001 (F)	February 2001 (USA)

The new Eurohypo is market leader in Europe for syndicated real estate loans and also holds a strong position in North America

Standardised home loans – Distribution channels

2

Sales through agents

- Continuation of Rheinhyp model
- No end-consumer business
- Current key figures⁽¹⁾
 - approx. 2,400 independent sales agents
 - approx. 140 full-time staff
 - 20 offices
 - EUR 794,1m of new business volume⁽²⁾

Agency agreements

- Existing co-operation models with the parent banks to continue
- Further agency agreements with third parties are planned

(1) as of 30.06.2001

(2) 1st half year 2001

Reduction of acquisition costs per customer combined with significant new business volume

Standardised home loans – Servicing

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Business model

- “Factory-style“ processing and administration of private home loans
- Open platform – third-party providers can convert their fixed costs into variable costs through outsourcing

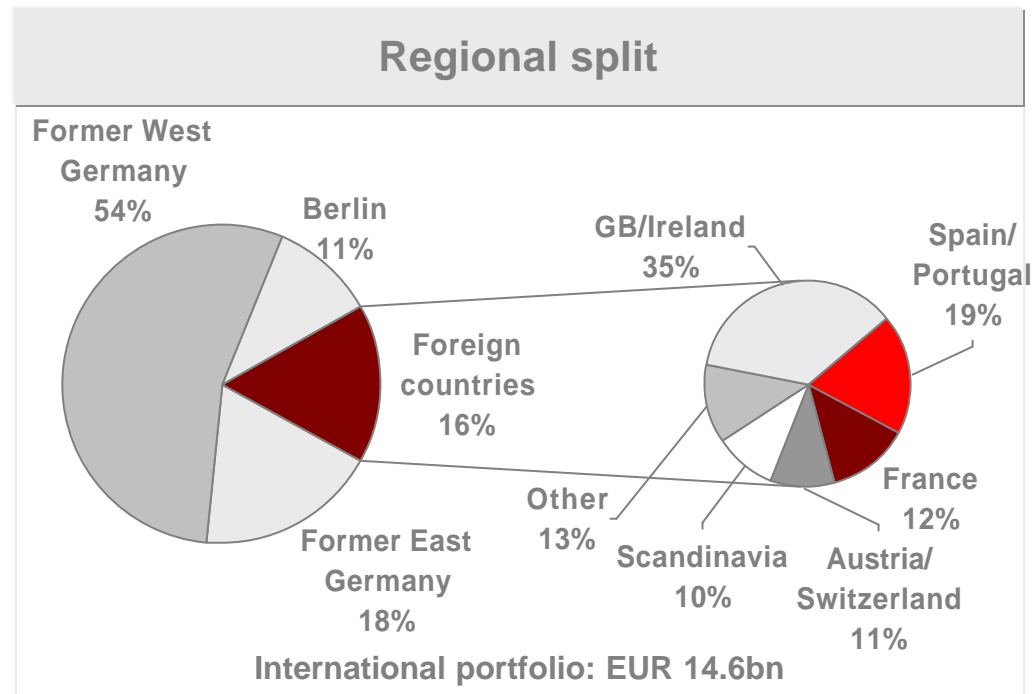
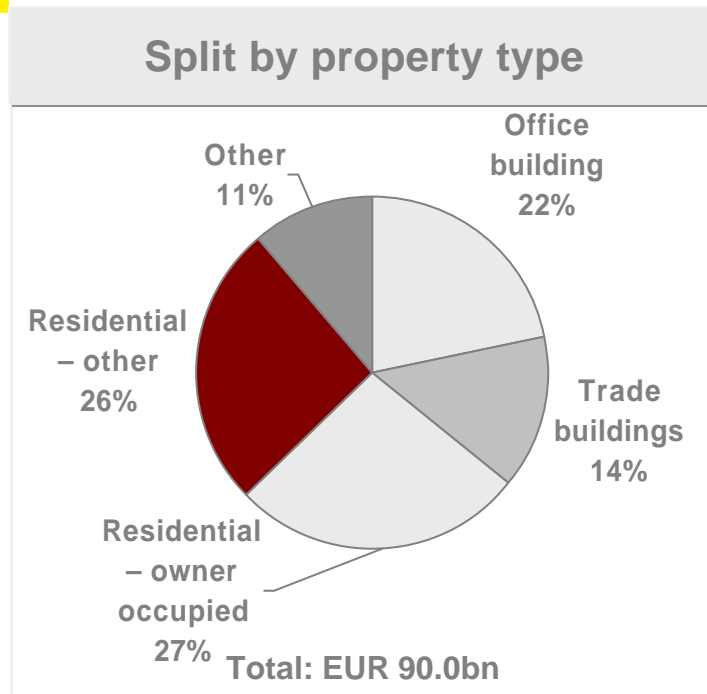
Structure

- Rheinhyp's subsidiary *prompter AG* responsible for servicing business from third-party providers
- Own portfolios will be processed in two, instead of previous five, in-house service centres
- Currently over 425,000 loans in the combined portfolio

- Number of locations reduced to what is economically necessary
- Cost leadership through economies of scale
- Creation of additional, less volatile sources of commission income

Broadly diversified property loan portfolio⁽¹⁾

2



(1) Deutsche Hyp, Eurohypo, and Rheinhyp combined, as of June 30, 2001

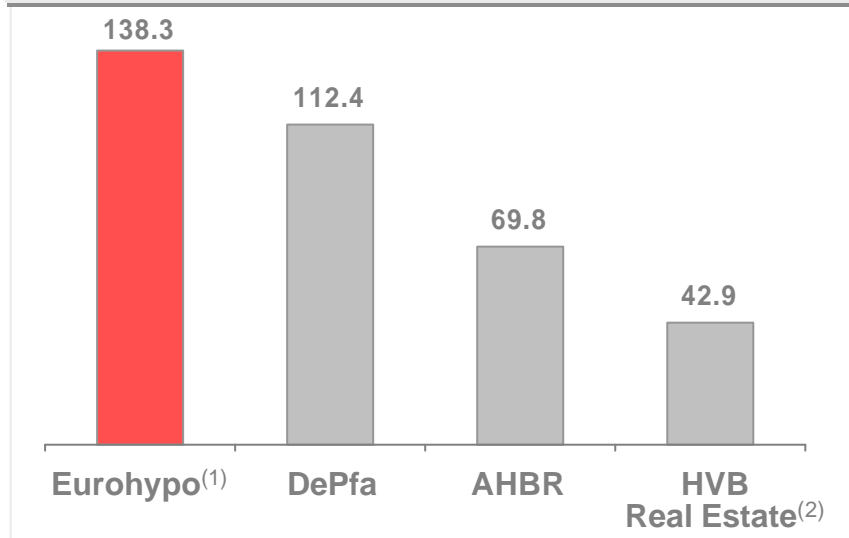
Source: Annual reports, Deutsche Hyp, Eurohypo, Rheinhyp

- Active portfolio management
- Broad diversification by property type and region
- Rising share of foreign business
- Further diversification possible through North American operations

Public sector financing

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Total financing volume per 31.12.2000
(in EUR Mrd.)

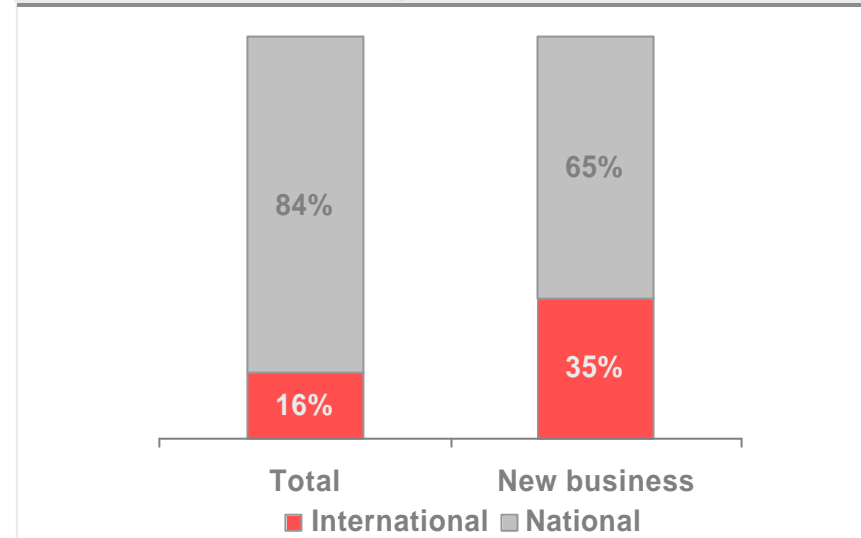


(1) Deutsche Hyp, Eurohypo, and Rheinhyp combined, incl. foreign subsidiaries (Europäische Hypothekenbank S.A., Rheinhyp Europe plc)

(2) Sum of Bayerische Handelsbank, NürnbergHyp, Südboden, and PBI (Pfandbrief Bank International, Luxembourg)

Source: VdH, DePfa 2000 annual report, PBI 2000 annual report

The new Eurohypo – Share of foreign business (2000)



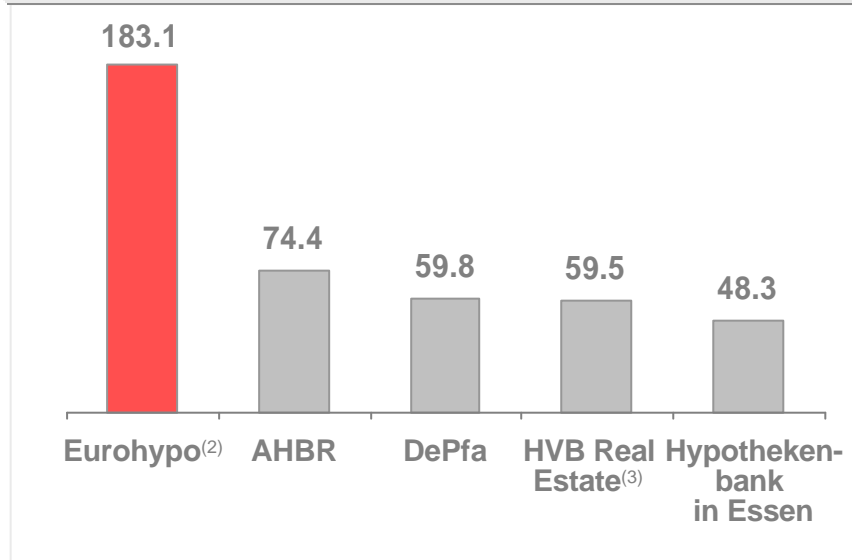
Source: Annual reports, Deutsche Hyp, Rheinhyp

- **Strong position in public sector financing**
- **Continuation of conservative risk policy**
- **Further growth in higher-margin foreign business**

Establishing as a benchmark issuer

2

Pfandbriefe – Volume outstanding
(in EUR bn)⁽¹⁾

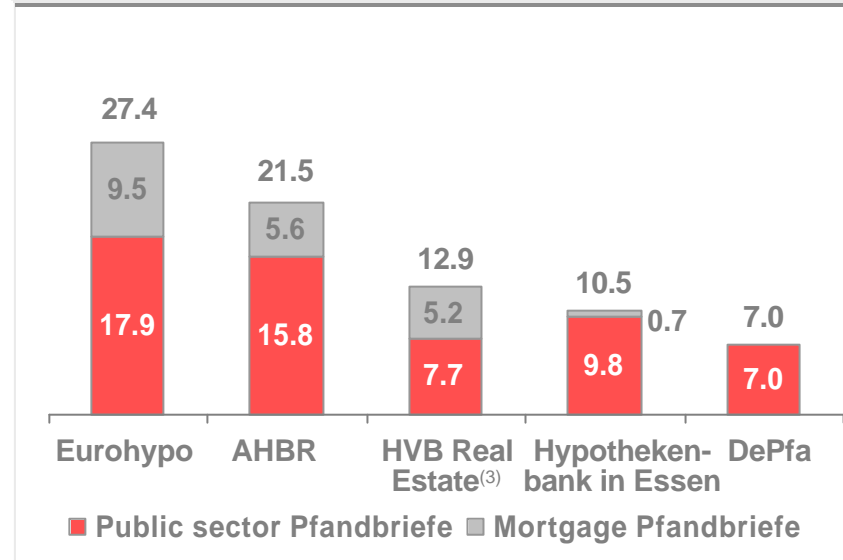


(1) as of 31.12.2001

(2) Deutsche Hyp, Eurohypo, and Rheinhyp combined

Source: Annual reports

Pfandbriefe – New issue volume
in 2000 (in EUR bn)



(3) Bayerische Handelsbank, NürnbergHyp, Südboden

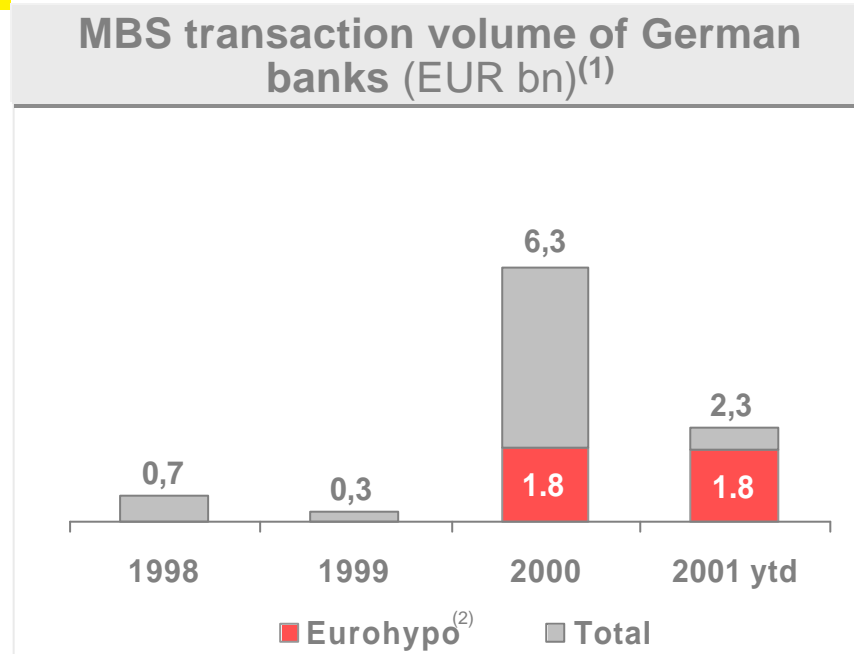
Source: Annual reports, HVB, Deutsche Hyp

Economies of scale

- Realisation of funding advantages through status as a benchmark issuer
- Development of agency status

Reduction of capital burden through (synthetic) securitisation

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(1) as of 30.09.2001

(2) Eurohypo and Rheinhyp combined, without credit default swaps

Source: Deutsche Bank, Global Markets Research

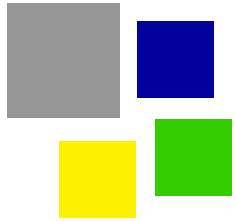
Selected transactions

Issuer	Name	Volume ⁽³⁾	Date
Rheinhyp	Europa I	EUR 1.336m	Mar. 2000
Eurohypo	2000-1	EUR 500m	Jun. 2000
Rheinhyp	Europa II	EUR 1.520m	Apr. 2001
Eurohypo	2001-1	GBP 1.083m	Aug. 2001

(3) Volume including credit default swaps

Source : Eurohypo, Rheinhyp

- Eurohypo and Rheinhyp have had a strong impact on the German MBS market
- In the future innovative structures will be used to reduce capital burden



3

**Transaction objects, organisational structure,
corporate governance, integration**

Transaction objects



Merger of mortgage-bank subsidiaries



Change of name to



Planned transfer of current parent company activities

Commercial property business of branches in Germany and real estate banking in USA

Real estate investment banking of Dresdner Bank in USA

Deutsche Bank's share of property centres and REIB structured finance team in Europe

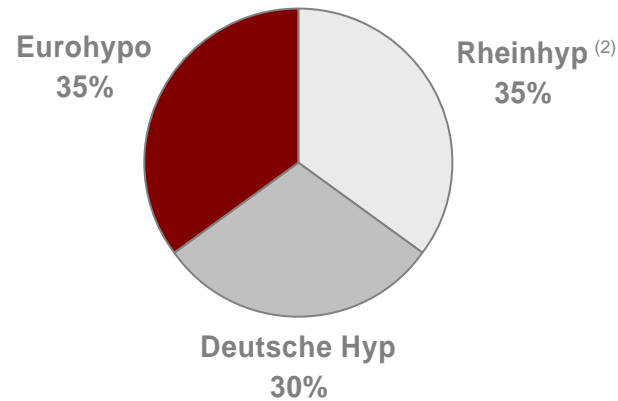
(1) Sum of subscribed capital, reserves, and funds for general banking risks
 (2) After reduction of workforce by 440 employees to be reflected in the P&L of fiscal year 2001
 Source: Interim Reports 2001

- Merger into Deutsche Hyp to preserve mixed-bank status

Shareholder structure

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Relative valuation of mortgage banks (including free float)⁽¹⁾

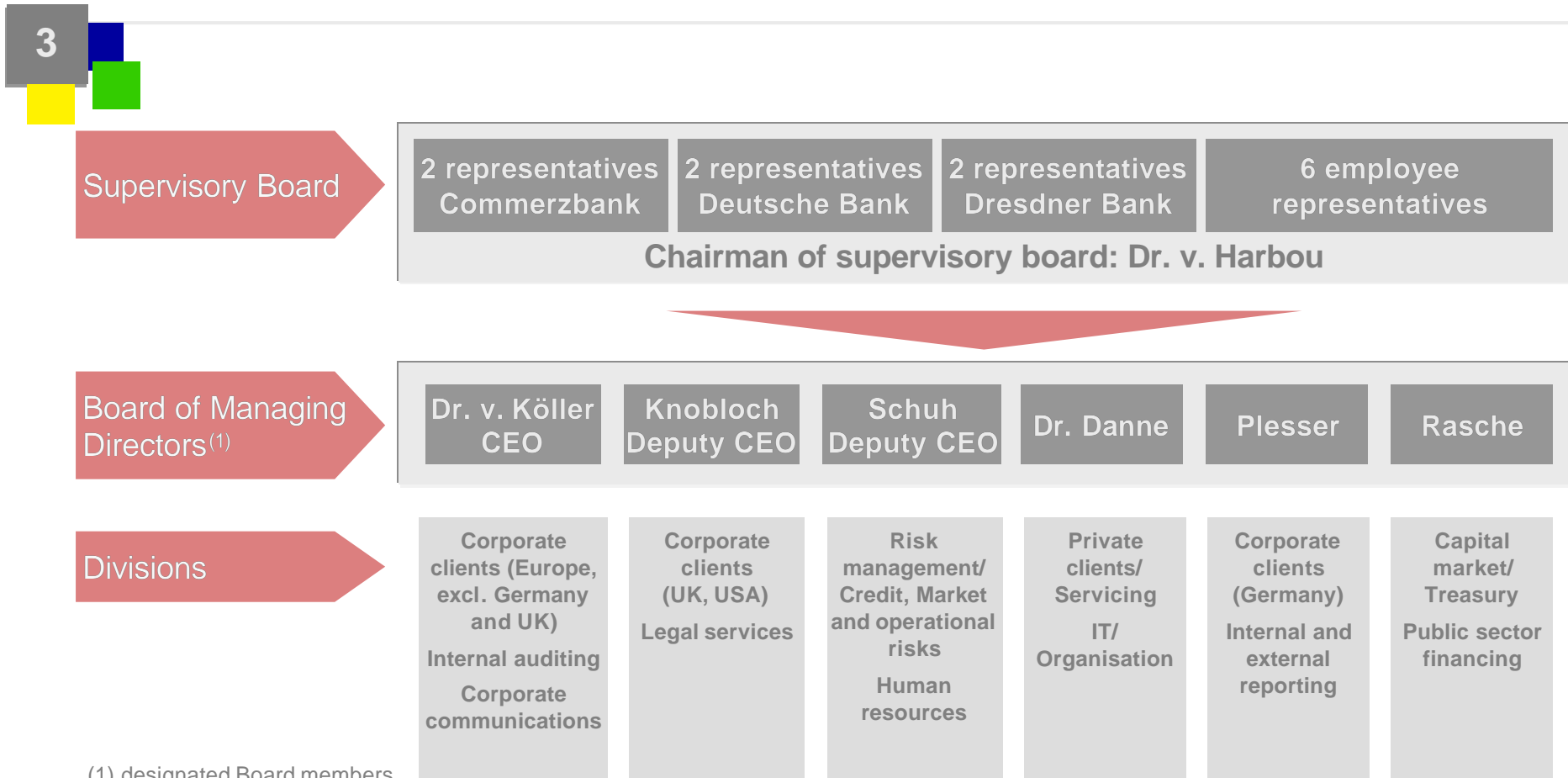


(1) As of today

(2) Including property financing units in Berlin and Hamburg and Commerzbank's new property financing business in Germany

- **Prior to the merger, Commerzbank and Dresdner Bank will contribute additional equity of EUR500m and EUR280m, respectively**
- **In the next few years, an increase of the company's free float is planned. This will enable the new Eurohypo to raise equity via the capital market**
- **To cover potential risks in the existing portfolio, parent banks are providing guarantees limited in terms of duration and scope**

Organisational structure

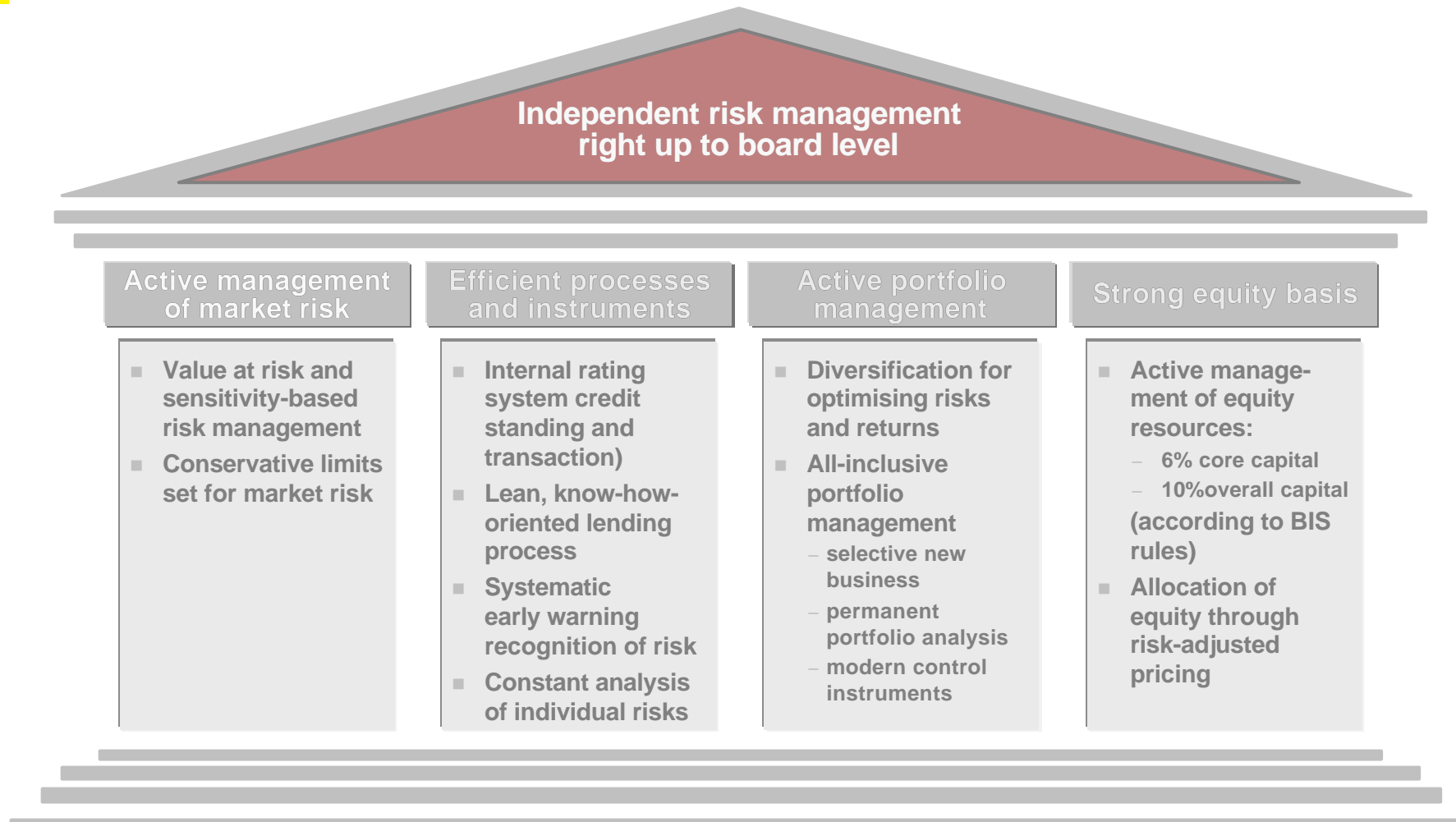


(1) designated Board members

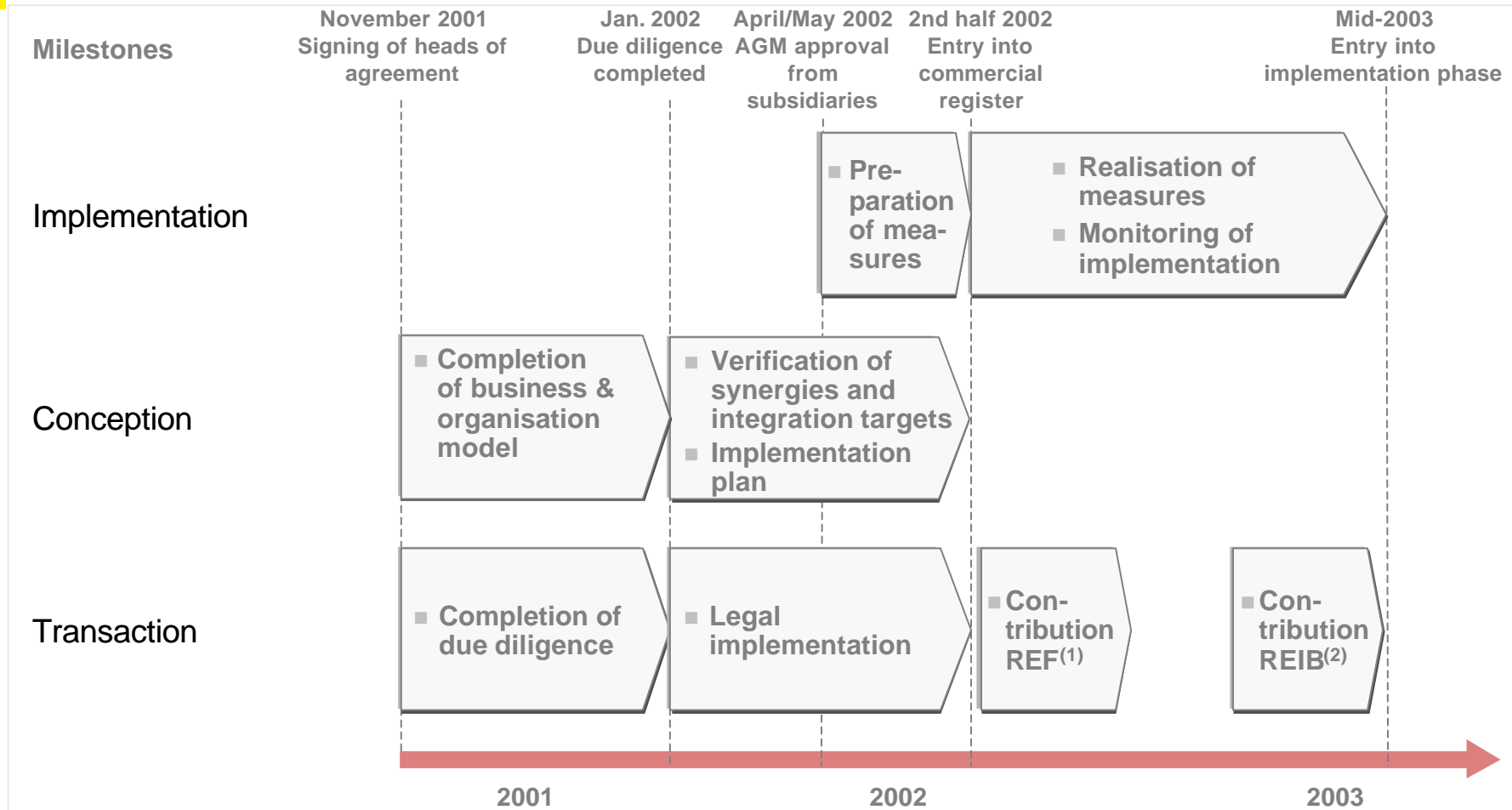
- Realisation of business model while structuring business lines and assigning departments
- Systematic separation of sales responsibility and risk management

High-quality risk management

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Integration timetable

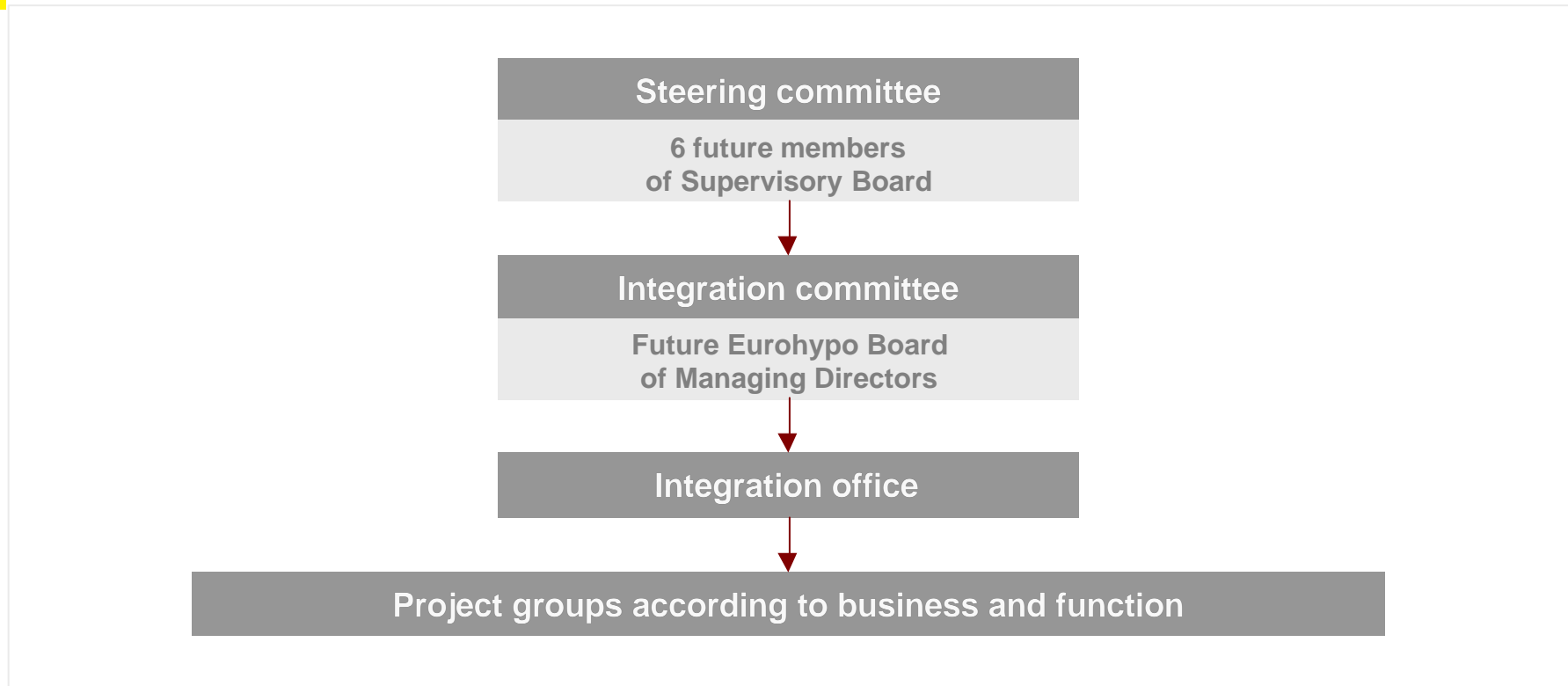


(1) Deutsche Bank's real estate centres

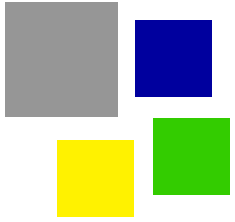
(2) Deutsche Bank's Structured Finance team in London, Commerzbank's Real Estate Investment Banking in New York, Dresdner Bank's Real Estate Banking in the US

Integration structure

3



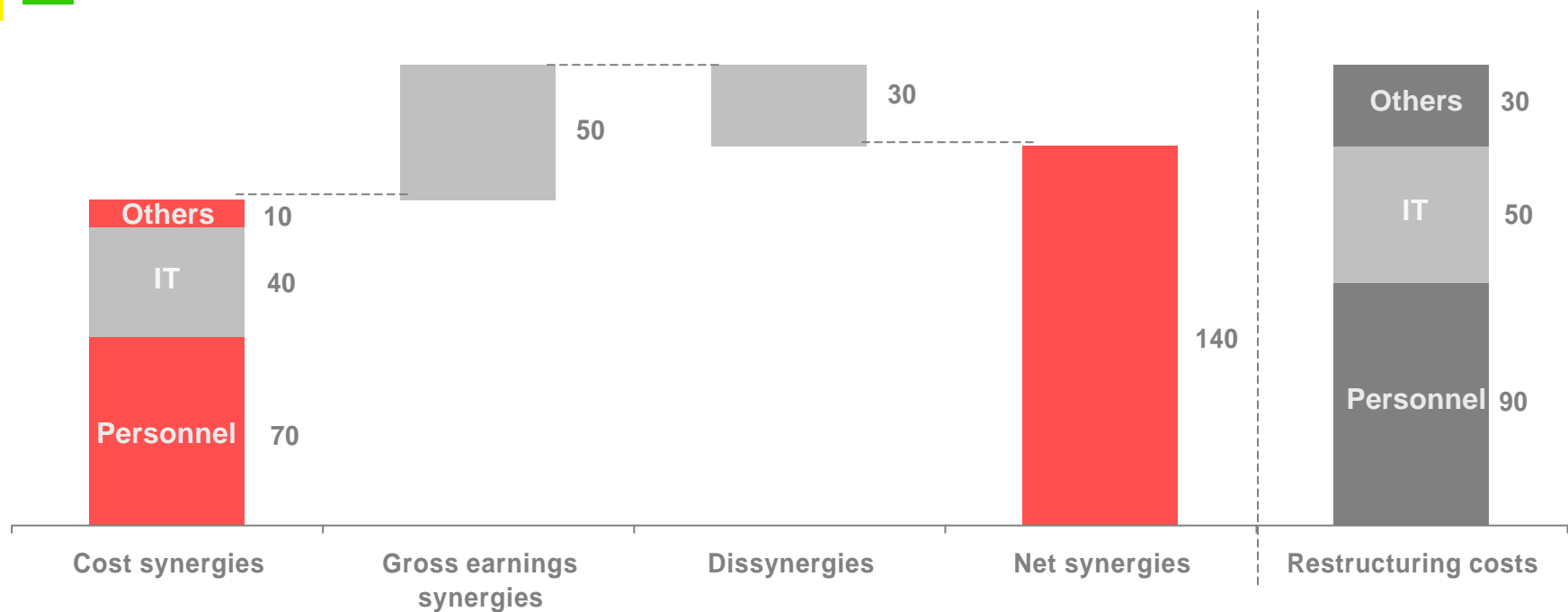
Efficient and swift implementation of merger by 2003
based on a tight integration structure



4

Synergies

Optimised cost base through realisation of synergy potential



p.a. starting in 2004

 non-recurring in 2002 and 2003

- Net synergies of around €140m p.a. starting in 2004
- Annual cost synergies of around €120m correspond to 28% of the combined cost base⁽¹⁾
- After two years, non-recurring restructuring costs of EUR170m will be covered by synergies

(1) Cost basis after Deutsche Hyp's reduction of work force by 440 employees to be reflected in the P&L of fiscal year 2001

Cost synergies

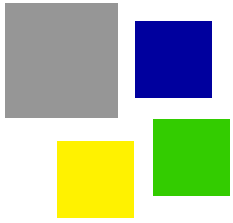
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Personnel

- Reduction of workforce by approx. 800 employees forms a significant part of expected synergy potential
- Staff reduction will be done under economic and socially-acceptable considerations and in close co-operation with the staff council
- Through its focus on expertise and international expansion, the new Eurohypo will be an attractive employer for qualified personnel

IT systems

- All three merger partners use an SAP-based system
- Agreement already reached on a common system. As a result:
 - accelerated migration (completion mid-2003) at low cost, and
 - realisation of high synergy effects through reduction of redundancies



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Financial Data

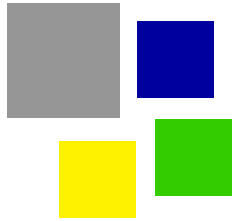
Financial figures as of June 30, 2001

5

		Deutsche Hyp	Eurohypo	Rheinhyp
Equity ⁽¹⁾	(EURm)	1,354.0	1,446.3	999.9
Total assets	(EURm)	93.7	71.4	78.3
Net interest income	(EURm)	190.6	185.6	172.2
Net commission income	(EURm)	2.2	13.4	-10.9
Operating expenses	(EURm)	102.6 ⁽²⁾	60.4	59.6
Operating result after risk provisioning	(EURm)	36.2	123.2	75.7

(1) Sum total of subscribed capital, reserves, and funds for general banking risks

(2) Including EUR 34.5m of restructuring costs



6

The new Eurohypo – expertise, size, and clear focus on profitability

The new Eurohypo – expertise, size, and clear focus on profitability



The new Eurohypo –
the European property
financing institution

