

- Commerzbank, Deutsche Bank and Dresdner Bank will merge their property financing business; Eurohypo and Rheinyp onto Deutsche Hyp.
- The new entity will be named Eurohypo AG.
- The relative valuations of the three mortgage banks is 30% for Deutsche Hyp, and 35% each for Eurohypo and Rheinyp. This includes the respective free floats.
- Once business activities are in full swing in the year 2004, we expect a higher earnings per share than at present. Consequently, shareholders of the three mortgage banks will benefit very soon from this merger.
- The core capital ratio of the new Eurohypo AG in accordance with BIS (Bank for International Settlements) will initially be 6%. To this, Commerzbank will contribute an extra €500m of equity and Dresdner Bank €280m.
- The return on equity of the new institution will exceed the cost of capital of 9%.
- As a result of the merger, we will achieve cost synergies amounting to €120m per year from 2004 onwards.

Let us now look at the objectives of this new bank.

- With a so-called mixed bank status we intend to become a leading provider of commercial-property financing packages, in Germany and Europe.
- We will make great efforts to expand our presence in the North American market.
- We intend to raise commission income by intensifying our activities in real-estate investment banking and syndication business.

- We seek a leading market position in the servicing and refinancing of standardised residential mortgages in Germany.
- With the new bank, we are optimising our activities in public-sector lending and are also seeking a top position here. This business line will be characterised by a conservative risk policy and a focus on higher-margin foreign business.
- A further important objective is to become established as a benchmark issuer in the *Pfandbrief* market. By combining our positions, which have in any case been strong up to now, we have prepared the ground for achieving this objective. In addition, like our three predecessor institutions, we will play an important role on the market for mortgage-backed securities.

We are positioning ourselves as a leading property financier at home and abroad. A future complete range of financial products for our commercial-property investors will comprise the entire range of services expected today of a modern, internationally-oriented property-financing bank. The position of the new Eurohypo AG as a "centre of competence" is further strengthened because the three parent banks are incorporating their commercial-property portfolios into this new unit.

Considered together, with syndicated business included, we registered new business totalling €18.4bn last year in commercial-property financing. At end-2000, a good 59% of this figure was already being generated abroad. In my opinion, both figures underline our position rather impressively.

With the merger, we are increasing our presence for corporate customers in Germany. In future, we will be represented in the 10 most important locations. At the same time as we achieve this improved reach, we will improve our cost structure; since all three predecessor institutions were already represented in many of these cities, we can merge our current 25 branch offices. This merger will have taken place by end-2002.

We will place great emphasis on commercial-property financing abroad, which was already a mainstay of growth for all three institutions. The new bank will be positioned in the leading business centres in Europe and the USA. In other words, our sales network will stretch in future from Warsaw to Los Angeles.

Abroad as well we will develop our presence, while reducing costs. We will maintain all the existing locations, simultaneously reducing the number of our branches from 34 to 17. These 17 branches are the basis for our planned expansion in Europe and the USA.

Real-estate investment banking will occupy a special position in the new bank. From the outset, we have a strong starting position here based on established activities in London and the USA.

We see real-estate investment banking as financial engineering for commercial-property investments and their financing. These services are expected by internationally active professional clients. The new bank will concentrate particularly on structured property-financing transactions and securitisation.

With these services, we will maintain the dynamic growth of our commission income.

Syndications of real-estate credits are a further important area of activity of the new bank. Already today, we play a major role in the European market and we will secure that a leading position in Europe also in the future.

I now turn to another line of business of the future Eurohypo AG: standardised building loans for private customers. This business offers us a welcome opportunity to diversify risk.

In this segment, the differences between the three predecessor institutions were relatively large.

The new bank will not offer standardised building loan products for private customers directly, but rather through a network of independent agents. With this Rheinhyp model, we can generate considerable new business, while minimising the acquisition costs per new customer. At the same time, the current cooperation agreements with the parent banks remain intact. In the future, the new Eurohypo AG will seek further agreements here.

Closely bound up with private-customer business is servicing for standardised building loans. This service involves the "factory-style" processing and administration of private mortgage loans – from the approval stage to complete repayment. Rheinhyp's subsidiary, prompter AG, Mainz, will be responsible within the new unit for servicing third-party loans.

We will deal with our own large portfolios of private-property financing on the basis of identical processes at two internal service centres. Considerable dimensions are involved here; overall, we currently have around 425,000 loans in our portfolio. We can continue to significantly lower our production costs through the resulting economies of scale.

The future Eurohypo will cover a wide spectrum in property financing. This is bound up with active portfolio management, committed above all to one principle: the broad diversification of our loan portfolio. We put great emphasis on a balanced spread in both the types of mortgaged property and the regional breakdown of our business.

Our main field of activity remains western Germany, which accounts for more than half of the current combined loan portfolio of €90bn. Thanks to the constant growth in international business in recent years, its share of the portfolio has risen considerably; in the meantime, it accounts for a good 16%, at €14.6bn. In addition, the planned expansion of North American business will give the new bank further opportunities for diversification here.

Just like the three banks previously did separately, the new institution will assume an important position in lending to the public sector in the future as well. A combined loan portfolio of €133.5bn underlines the joint strength of the three predecessor institutions in this segment.

Maintaining our conservative approach to risk, we will concentrate even more than previously on high-margin foreign business. We have an excellent basis from which to start. In the overall loan portfolio, foreign business already claims a high (combined) share of 16%; it accounts for even more than a third of our overall new business.

This leads me to another important aspect, for which the size and strength of new business at the new institution are of particular importance: funding.

Thanks to substantial volumes of new business, each of the three mortgage banks that are now merging was already an important issuer of large-volume *Pfandbriefe* in its own right. Last year, we were the market leaders, with *Pfandbrief* issues totalling €27.4bn.

The same holds true for the volume of outstanding *Pfandbriefe*: all told, the future Eurohypo AG tops the league here as well, with €193bn of *Pfandbriefe* outstanding. The advantages of the new bank on the borrowing side are quite clear, therefore.

What happens now after the basic agreement?

Eurohypo and Rheinhyp will be merged with Deutsche Hypothekenbank AG, in order to preserve the mixed bank status.

In addition, parts of the property-financing activities of the parent banks will be integrated into the new unit. This includes the new commercial-property business of Commerzbank's branches in Germany and its real-estate financing business in the USA, Dresdner Bank's real-estate investment banking – also in the USA – and Deutsche Bank's share in the property centres operated up to now together with Eurohypo, as well as its structured finance team in London.

What does the rest of the timetable look like?

We will conclude due diligence procedures by January 2002. The implementation of the merger will have been planned in detail by the time of the shareholders' meetings of the three predecessor institutions in April/May 2002.

As things stand today, we expect the new institution to be entered into the commercial register in the course of the second half of 2002. We plan to conclude the implementation phase by mid-2003.

It only remains to look at what always plays a central role in a merger: the synergy effects. We are assuming net synergies amounting to €140m per year from 2004 onwards. The annual cost synergies of around €120m represent 28% of the combined cost base. The lion's share of the cost savings relates to the IT area (€40m), as well as personnel and other costs (together €80m). The non-recurring restructuring expenses of €170m expected within the framework of the merger will have been covered through synergies within two years.

Savings in the personnel area are surely among the most difficult tasks within the framework of a merger. But a reduction of personnel, which will be on the scale of around 800 people, is inevitable in a merger of three units with quite similar structures. However, we will consider the interests of our employees when undertaking the necessary staff reductions, and we will maintain close contact with the staff council with regard to pending measures.

This brings me to the end of my remarks.

We have an ambitious goal before us: the realisation of the merger of three strong institutions. Together, we will develop into one of Europe's leading property banks with a powerful arm in North America. We will occupy a key position in the market.

Thank you for your kind attention.