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Commerzbank AG

Analysts' conference
Frankfurt am Main
March 29, 2001

Ladies and Gentlemen,

Welcome to our analysts' conference. We are here today to answer your questions with the same cast as last November. At that time, we were in the midst of a business year characterized by dramatic ups and downs.

On the positive side, our profit outperformed the previous year's record result. This enabled us to pay a bonus to our shareholders. On the negative side, the unpredictable performance of the financial markets meant that not everything turned out as we had expected.

Nevertheless, our figures show that, given its present constitution, Commerzbank is indeed strong enough to play a respectable role in Europe's financial concert.

In order to further strengthen our position, we have prescribed for ourselves a fitness programme. Through our project "CB 21 – Commerzbank in the 21st century", we shall improve our pre-tax profit by about one billion euros within the next three years – by means of a clear target-group orientation, a focus on our core competencies and cost synergies. This will enable us to achieve our goal of a sustained after-tax return on equity of at least 15%.

You will find details on CB 21 on pages 41 to 44 of our Annual Report.

Income statement

In early February, we published the preliminary figures for last year's income statement. Our final figures do not differ substantially. There are a few notable changes, however, upon which I would like to comment.

Net interest and dividend income rose by 9.6% to 3,516 million euros; the provisional result was 116 million euros lower. This was due in part to the following factors: The application of IAS depreciation rules by CommerzLeasing und Immobilien AG led to earnings that were substantially higher. In addition, the valuations of some companies shown at equity also changed with the audited figures. This lifted the overall result on our equity investments by 29 million euros.

At the same time, the interest which we paid on our subordinated capital was 20 million euros lower.

In view of the developments in Turkey, we increased our provisioning again. We are convinced that Turkey is solvent, but this increase follows the strict provisioning criteria which we apply throughout the Commerzbank Group. As I see it, this move puts us in a pioneering role. Provisioning for the past financial year now amounts to 685 million euros – practically the same as in the previous year.

Even so, net interest income after provisioning expanded by a strong 12.4% to 2.83 billion euros.

At 2.72 billion euros, our net commission income reached almost the same level, increasing by 24.2%.

The rise was primarily due to brisk securities business in the first half of the year. In 2000, we handled more than 20 million orders, roughly twice as many as in the year before.

Net commission income in asset management grew by 90 million euros, mainly because of the first-time inclusion of our investment fund company ADIG and its Luxembourg subsidiary. By contrast, our subsidiaries in the UK and the U.S., Jupiter and Montgomery Asset Management, posted declines in their net commission income, due not least to one–off earnings items in the 1999 financial year. We have adopted personnel and organizational measures designed to boost the profitability of the two companies.

Dealing activities brought in 949 million euros – just over 60% more than in 1999. The lion's share of the earnings – namely 578 million euros – came from trading in equities and other price risks.

Foreign-exchange dealings contributed 161 million euros and trading in interest-rate risks 210 million euros.

It's remarkable that in the difficult final quarter we managed to achieve better performance than in the third quarter. This underlines the independence of securities earnings from overall market performance. I'm optimistic that we can demonstrate this even more strongly in the current year.

The decrease in the result on financial investments to 80 million euros reflects write-downs on securities. We consciously refrained from boosting this item during the final quarter by selling items with hidden reserves. Quite the opposite: for the October to December period, we posted a negative result of 84 million euros.

Our operating expenses climbed by just over 22% last year, to 5.48 billion euros. The increase in personnel costs was somewhat greater. This reflects our offensive in investment banking and information technology, which is not only capital-intensive but also labour-intensive.

At the same time, non-recurring effects caused a sharp increase in the costs incurred in asset management.

By the end of last year, we already had over 39,000 employees, exactly 4,174 more than a year earlier. 2,504 of these were added by the inclusion of BRE Bank.

The other operating result of 1.13 billion euros reflects the income from the capital increase and IPO of comdirect bank. All told, this amounted to 1.22 billion euros.

Given a cost/income ratio of 65.2%, a
pre-tax profit of 2.23 billion euros remains as the balance of all income and expenses, 63% more than in 1999. However, due to our high earnings in Germany last year, taxes more than doubled to 823 million euros.

All told, we realized a net profit of 1,342 million euros, as announced in February. This represents a return on equity of 12.4%.

We have allocated a record amount of 800 million euros from our net profit to retained earnings, which considerably extends our financial scope. We intend to pay our shareholders not only an unchanged dividend of 80 cents per share, but also a bonus of 20 cents. In this way, they will benefit from last year's good result. This will also give shareholders in Germany a tax credit of 43 cents per share. With a gross payment of 1.43 euros per share, we're offering our domestic shareholders a return of almost 5%.

By raising the overall distribution by 32% to 542 million euros, we have also taken the impact of the German tax reform into account. As far as possible, we have used up our free funds which were taxed at a rate of 40% in the supplementary tax statement.

We don't have equity funds that have been taxed at a rate of 45%. Unlike other companies, therefore, we were unable to apply the "distribute-recapture" principle.

Segment reporting 2000

As promised, we've considerably extended our segment reporting in the Annual Report for the year 2000. Based on the twin-pillar organization consisting of two operative divisions that has been in place since the start of the year, we have divided our entire income statement – including the mortgage banks – between a total of six business areas and one miscellaneous item.

You'll find all the details and a breakdown by geographical region on pages 92 to 96 of the Annual Report.

By far the strongest profit contribution last year came from **Retail Banking**, which achieved a result based on internal accounting of 759 million euros. This includes the greater part of the comdirect proceeds. With just under 1.6 billion euros of equity tied-up, this translates into a return on equity of 48.2% and a cost/income ratio of 53.6%.

Without comdirect, the return on equity is a good 16%, which is still higher than our target for the Bank as a whole. This proves that, even in Germany, retail customer business can be profitable if every opportunity is optimally used.

We expect profitability to improve further towards 20% over the next few years.

The measures we have launched as well as structural improvements in connection with CB 21 play an important role here. We are reducing the number of branches in Germany from 924 at the end of 2000 to 781; we're also modernizing and streamlining our range of products. At the same time, we're continuing to make the Bank more accessible by telephone, computer and mobile phone. We're also extending our data-based platform, already successfully launched for retail customers, to the private banking segment.

This part of the overall project will generate charges of 16 million euros this year.

By next year, however, the extra income will exceed the extra expenses, which indicates that a positive profit contribution of 22 million euros can be expected. This figure will steadily rise.

For the expansion of our retail business, close cooperation with Generali is of outstanding importance. Once the start-up costs this year and next have been deducted, the greater number of transactions will substantially improve profitability in retail banking.

We have great expectations with regard to the further development of our data-based marketing platform. Now that it has been successfully introduced for retail customers, we're using the acquired
know-how to build a similar platform for individual clients.

By making systematic use of the information collected on customers, we will be in an even better position in the future to identify customers' needs and to offer them an optimal product mix.

This system will be implemented in the course of the year and should have a notable impact on earnings in 2002.

All told, we expect the individual CB 21 measures to produce extra income of almost 470 million euros in retail business alone by 2005.

With a mere 424 million euros of equity tied up, **Asset Management** achieved an above-average return on equity of 34.9%.

This is despite one-off expenses which we had to bear last year – above all at our London subsidiary, Jupiter International. As these will not recur in the current year, we see substantial growth and earnings potential in Asset Management.

Our target is to double assets under management by 2005 from last year's level of 135 billion euros. Given the larger investment volume and further streamlining, it should be possible to steadily raise pre-tax earnings to over 300 million euros in 2005.

In **Corporate Banking and Institutions**, we have grouped our actual corporate customer business with the Corporate Finance, International Bank Relations, Relationship Management and Real Estate departments. This grouping achieved the best operative result of all departments last year, at 519 million euros.

However, since the largest amount of equity is tied up here – namely, just over 6 billion euros – its return on equity of 8.6% does not yet live up to our expectations.

For this reason, CB 21 entails a series of structural improvements for this business sector.

First and foremost – and this is one of the year's major challenges – our investment-banking activities are to be closely meshed with traditional branch business, so that we can also offer small and medium-sized enterprises a broader scope of capital-market and treasury products.

Roughly half of our 20 main branches are being equipped with teams of investment-banking specialists. We believe that their services will be in high demand by SMEs and by larger corporations. We have already launched pilot projects in Hamburg and Essen.

We calculate that the impact on earnings from the integration of Corporate and Investment Banking will rise continually through 2005 to more than 300 million euros.

In the future, we will focus more strongly in corporate-customer business on credit substitutes and products requiring no equity tie-up, such as asset-backed securities, money- and capital-market products and syndicated deals. Our analyses suggest that the better use of equity will yield extra earnings of 33 million euros in the current year as well. This figure should rise to 150 million euros in the next four years.

Three years after starting to build up equities, we have completed the development phase in the **Securities** department.

Now the focus is on strengthening our bond business. The outlook here is promising, as is underlined by the fact that in the first three months of this year we were invited to take part in all the German corporate bond issues. The lead-management positions for BMW, DaimlerChrysler and ThyssenKrupp are only the tip of the iceberg.

Developments last year were dominated by the stock market. Despite the weak performance of many newcomers, we're proud of our second place in Europe in terms of lead-manager positions.

It should be noted that we were active not only in Germany, but also in all the other major growth markets.

In fact, measured in terms of the number of syndicates participated in, we even claimed first place in Europe.

The Securities department achieved 96 million euros in its result based on internal accounting, including the profit contributions from business passed on. In view of the market downturn in the second half of the year and the high personnel and other costs that are typical of an expansion phase, we are satisfied with this outcome. It is clear, however, that the return on equity of 7.1% and the cost/income ratio of 90% have to be improved substantially over the next few years.

The same holds true for the **Treasury and Financial Products** department, which was hit by the rise in short-term interest rates and, above all, by the flat yield curve.

Once all the CB 21 measures have been implemented, including the streamlining of our non-European activities, Commerzbank will have much greater earnings power.

As from next year, we plan a pre-tax profit that is practically 570 million euros higher, thanks to the combination of cost reductions and additional earnings. We calculate extra income of practically 1.6 billion euros for 2005.

Group balance sheet as of end-2000

Let me now turn briefly to the balance sheet.

The balance-sheet total of the Commerzbank Group expanded by 24% in the course of last year to reach 460 billion euros. Over this period, our risk-weighted assets increased by 15.3%. The Parent Bank contributed 67 billion euros to the expansion of the balance sheet.

The first-time consolidation of BRE Bank SA, Warsaw, added 4.3 billion euros.

The higher volume is due to expansion in interbank business.

The figure should also be seen, however, in the context of our activities in securities-lending and repurchase agreements – so-called repos. Basically, we use these to steer the Bank's liquidity position.

Furthermore, lending to our customers also flourished. Claims after adjustment for provisioning rose by a good 21 billion euros to 225 billion euros. Business involving SMEs in particular expanded considerably last year.

We intend to focus increasingly on this area in the future as well. We look to this market segment – a traditional strength of Commerzbank – for sizeable expansion in volume and earnings in the years ahead.

Our assets held for dealing purposes and financial investments grew by almost 39 billion euros to 146 billion euros.

Among our financial investments, bonds and notes were increased by practically 13 billion euros.

At the same time, investments in
stock-listed companies increased by 1.8 billion euros. These additions were primarily strategic. We acquired, for instance, a 2.1% stake in T-Online International AG, which in return took up an interest in comdirect bank.

We also raised our existing shareholdings in Banco Santander Central Hispano, Banca Intesa and Mediobanca. Prominent among disposals was our 10% interest in Bank Handlowy, which we sold at a profit in the spring.

On the liabilities side, we increased our customers' deposits by an encouraging 17 billion euros to 108 billion euros. The emphasis here was on sight deposits and short-term time deposits.

In our funding, securitized liabilities continue to play the major role and were raised by a strong 23 billion euros to 180 billion euros.

In a year-on-year comparison, our equity – with the consolidated profit and the allocation to reserves from the 2000 net profit included – was 12.4% higher, at 12.5 billion euros. Apart from the issue of shares to our staff, equity growth is due above all to the capital increase taken over by Generali totalling almost one billion euros. The number of shares issued now stands at 541.8 million.

Development in January/February 2001

In all business segments, the new year began buoyantly, even though doubts about economic performance – augmented by numerous profit warnings – are weighing heavily on the financial markets. On the other hand, demand for credit has remained stable; by the end of February, we had raised our claims on customers by about 2 billion euros, or 1%.

The Group's balance-sheet total grew by 5% in the first two months of this year to 482.5 billion euros.

The largest rates of increase were registered for claims on banks (up 11.7%) and assets held for dealing purposes
(up 12.3%).

During the first two months we were able to maintain control over risk-weighted assets: these declined by more than 3 billion euros.

Before I comment on the income statement, let me say that it's always difficult to find the right yardstick for measuring current performance after a record year – such as we had in 2000.

A balanced evaluation of the income statement should also consider other factors, rather than merely annual comparisons.

This also holds true for our interim report for the first quarter, which we will publish in early May.

In a year-ago comparison, the first quarter of 2001 stands against a period when we achieved our best result ever of just under 600 million euros.

The results for January and February indicate that cautious optimism is appropriate.

We can be satisfied with the increase in net interest income of 17% before provisioning and 19% after provisioning. In view of market conditions, we can also accept a decline in net commission income of almost 10%. The trading profit fell only 2.7% short of its year-earlier level.

Operating expenses also continued their climb. The two-month figures suggest that the first quarter of this year will probably take us to the level of the third quarter of 2000. This marks a significant improvement over the final quarter of last year.

Our dynamic, growth-oriented development is to be maintained within the framework established by the CB 21 project.

Nevertheless, investment in infrastructure, in qualified staff at all levels and in every area of activity is essential to any growth-oriented approach. It is possible, however, that weaker than expected earnings performance may result in a spending adjustment as well.

All in all, we remain cautiously optimistic. I would like to repeat here the sentence with which we concluded the outlook section of our Annual Report:

"Given the unsatisfactory development of the final quarter of 2000, the good operative start to the current year makes us confident that we can achieve our budgeted earnings targets."

Rebon/CoBRa

In the agenda for this year's Annual General Meeting, which is enclosed in our Annual Report, you will find under the points 11 to 14 resolutions proposed by 40 shareholders from the "Rebon/CoBRa milieu". It is now practically a year since this group introduced itself to us through their general manager Hansgeorg Hofmann, and represented by its two initiators Vedder and Schneidewind.

At first, they presented themselves as long-term investors, who were so convinced of the quality, professionalism and potential of Commerzbank that they acquired rights to 10% - and later up to 17% - of our shares, or controlled the relevant voting rights. They have not provided us with any further details since then.

From the outset, though, they declared in their public statements that they were seeking a strategic partner for the Bank.

In the ensuing period, we have had many talks – mainly at Board level – with the representatives of this group of shareholders. However, we have not been convinced that they are pursuing a clear – let alone a strategic – line. Remarks made to us by the three people in question underline the fact that, from the start, their aim was to make money as quickly as possible. This is, in principle, not to be criticized.

On August 25 of last year, a share price of 52 euros was mentioned in a personal conversation. Since then, we have heard 40 euros named as the price.

From the beginning, the representatives of Rebon/CoBRa have created insecurity among our customers, employees and other shareholders with their maze of allusions and claims, praise and criticism, warnings and recommendations, indiscretions and announcements.

We regret this, not least with regard to our shareholders. As a result of the secrecy, the lack of transparency and uncertainty, the Commerzbank share continues to be weak, and to an extent that is warranted by neither our business performance nor the overall market environment.

Since Rebon/CoBRa has appeared on the scene, the trend for our share has pointed downwards. Not until January of this year did we seen some return to stability.

This timing coincides with a Rebon/CoBRa press release announcing a reduction of the group's existing shareholding. Whether this is really the case, we do not know. But *one* thing is clear: the stock market interprets the existence of this group as a burden – and that is how we at Commerzbank see it as well.

The ambivalent behaviour of Rebon/CoBRa also became evident in connection with our exploratory talks with Dresdner Bank. At first, we were publicly criticized for initiating the talks.

When the talks were broken off, we were exposed to fresh criticism, but this time because of the allegedly missed opportunity. Initially, though, we were also praised here: Mr. Hoffmann was quick to phone and congratulate me.

During the summer, we repeatedly heard from the group that the right course for us was to be found in Europe.

However, when we, together with our partner Generali, announced a new dimension and scope for cooperation and further strengthened our links with the Generali Group by means of a capital increase, Rebon/CoBRa took the matter to court – where it still is.

Last but not least, a group of 40 shareholders from the "Rebon/CoBRa milieu" – represented by the lawyer Dr. Thomas Heidel from the Bonn law firm of Meilicke, Hoffmann und Partner – requested an extraordinary general meeting of shareholders.

We have learned the names of these
40 shareholders in the meantime. Arguing that there was no urgent need for such a meeting and drawing attention to the high costs and also to our willingness to include all the relevant points in the agenda for our ordinary AGM, we were able to avoid the considerable extra expense that would have been caused by this meeting.

For this reason, you will find the group's proposed resolutions on the draft agenda for the AGM – all of which we consider to be unjustified. We intend to request shareholders to reject these proposals.

As regards shareholder presence at our AGM, I would greatly appreciate it if you all would recommend that the shares held by your institutions or your clients be represented at our AGM. Furthermore, we hope, of course, that you will vote in favour of Commerzbank's proposals.

Our most important argument is that we are not the only ones who believe that we have behaved correctly: Our legal view on last September's capital increase has been confirmed by all the judgements in the six court proceedings brought against us.

The Frankfurt regional court has agreed with our legal view and has established the legality of our capital increase. This point has also been confirmed in an opinion by Professor Uwe Hüffer of the Ruhr University in Bochum.

It should be noted that the shareholders close to Rebon/CoBRa want to use our AGM as a forum for the charges which have repeatedly been rejected by the courts.

As a precautionary measure, we have provided for a possible length of two days for our AGM and have invited our shareholders to Jahrhunderthalle Frankfurt at 10 o' clock on May 25, with the proviso that "Should it not be possible to deal with all the points on the agenda on this day, the AGM will be continued on Saturday, May 26, 2001, at the same location from 10 o' clock onwards".

Once the AGM is over, we hope that we will once again be able to direct our full attention to Commerzbank's business agenda and concentrate on strengthening the Bank's position against ever keener global competition.