

*German Corporate Conference*

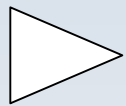
***Corporate Customers and Institutions –  
Crucial for Commerzbank's success***

Nicholas R. Teller

Member of the Board of Managing Directors

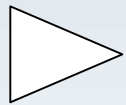
Frankfurt, March 29, 2004

# *Agenda*



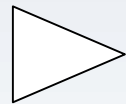
## ***What Are We Talking About?***

*Commerzbank's Corporate Banking Franchise*



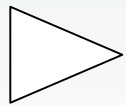
## ***What Drives Our Business?***

*Corporate Banking In Challenging Domestic Markets*



## ***Where Do We Come From?***

*Activities in the past*



## ***What Are We Working On?***

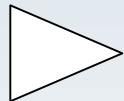
*The Way Ahead*

# Agenda



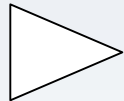
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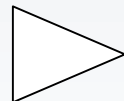
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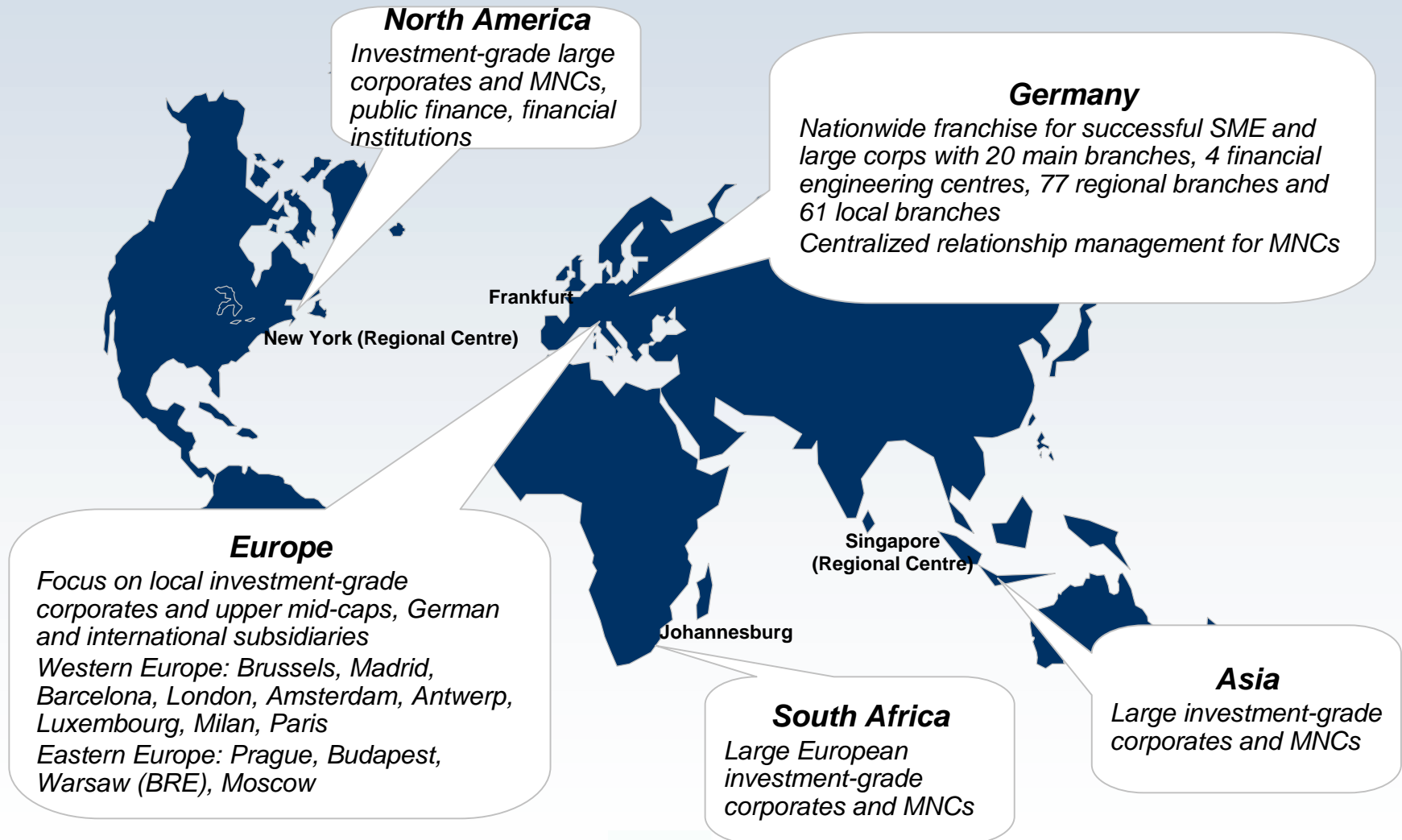
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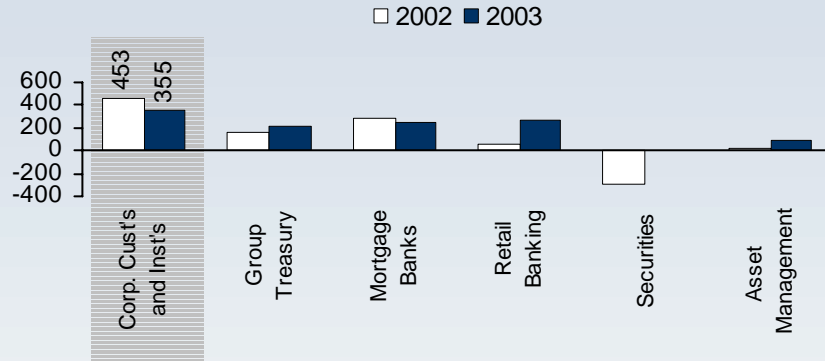
*The Way Ahead*

# Corporate Customers and Institutions, by region: Global presence with clear European focus



# Putting the division into (group) perspective

## Operating Profit 2003 vs. 2002

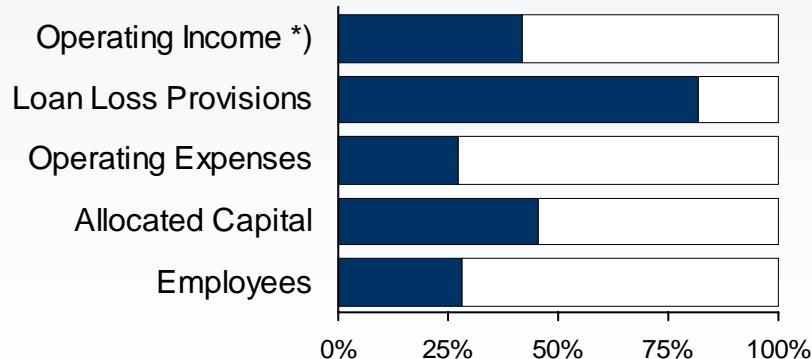


## Pre-tax Return on Equity



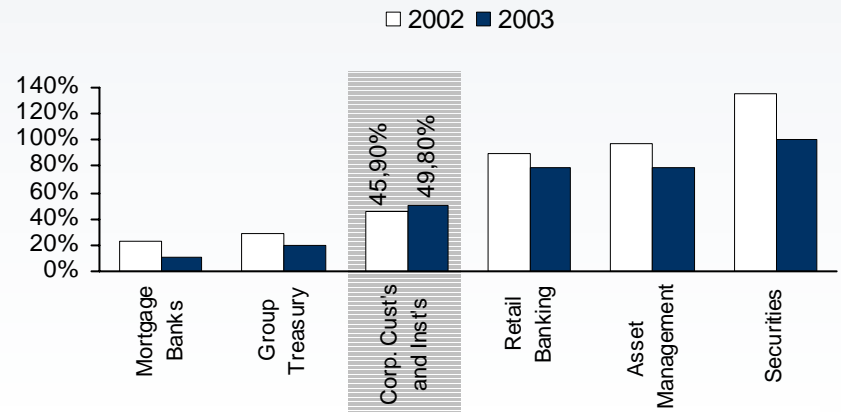
€m

## Contribution to CB Group (2003)

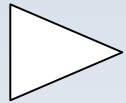


\*) Net interest income + net commission income + trading result

## Cost/Income Ratio



# Agenda



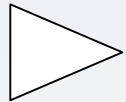
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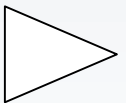
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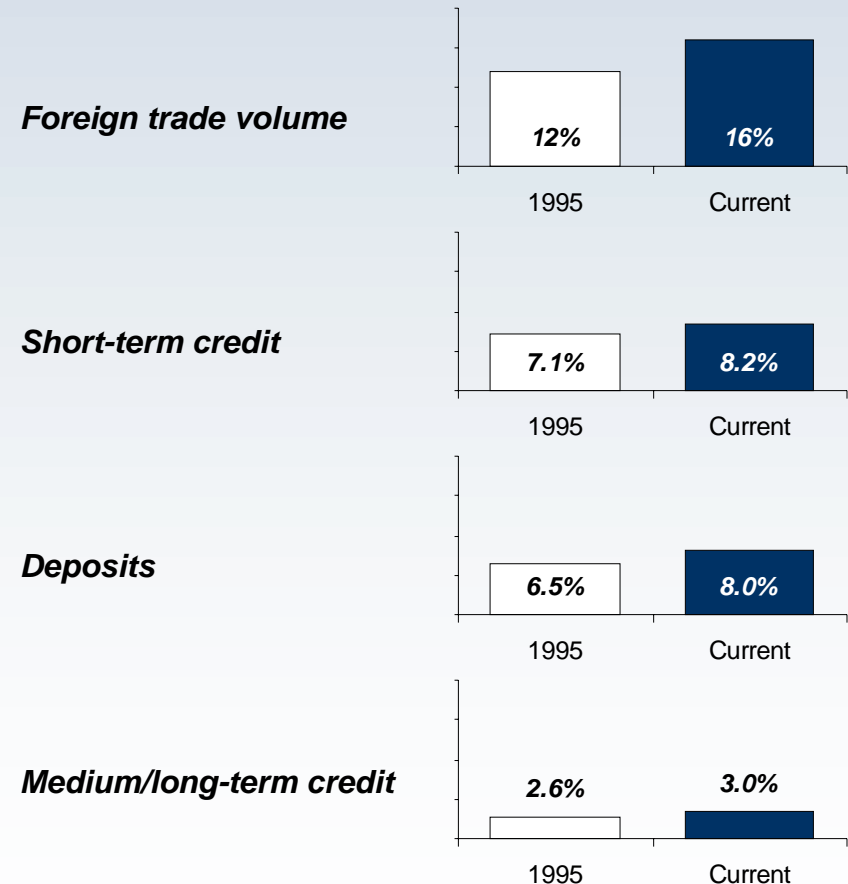
*The Way Ahead*

# Domestic Corporate Banking: Highly attractive market presence and growing market share

## Client relationships



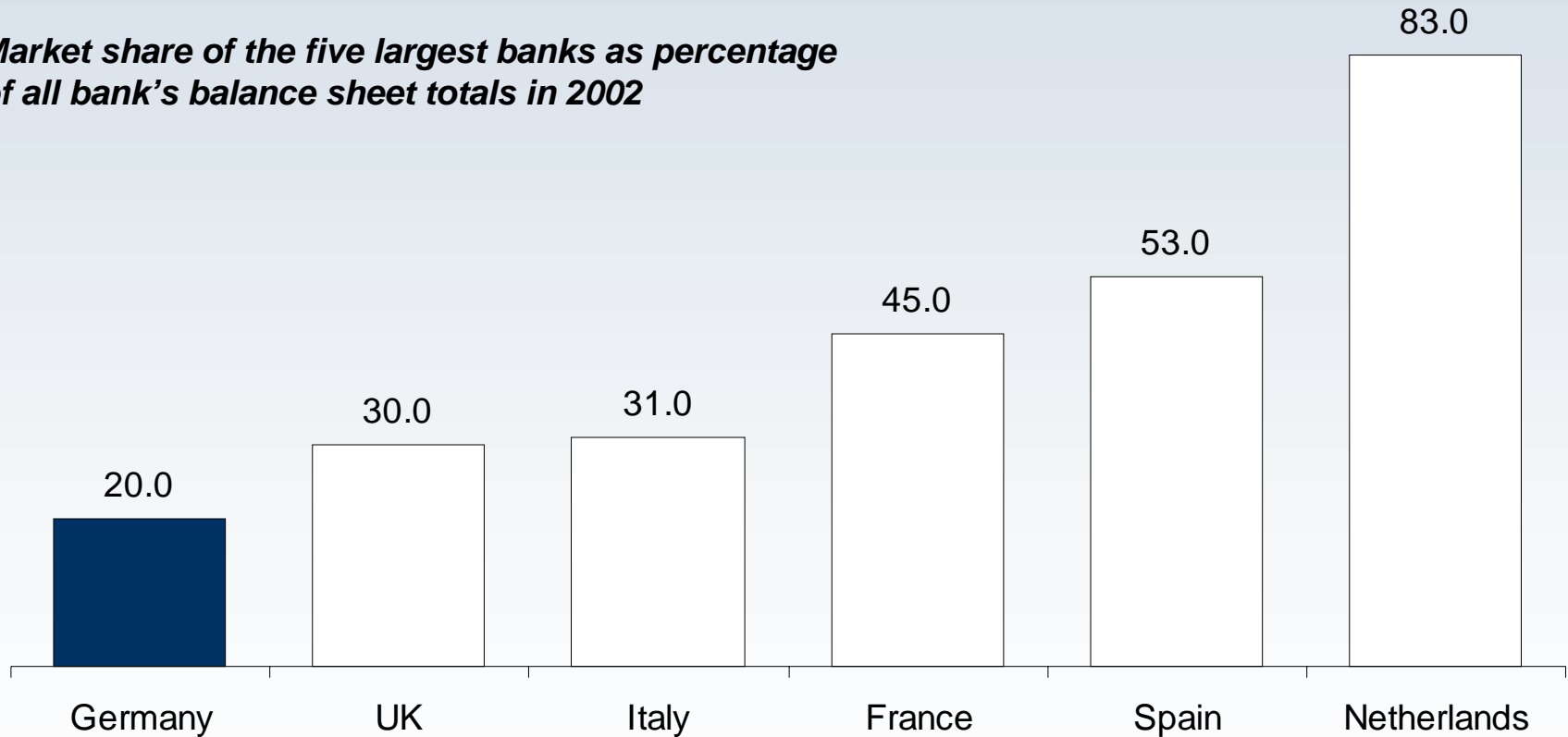
## Market share of core products\*)



\*) Source: "Monthly Report" Deutsche Bundesbank 12/03 and 03/04

## *The German landscape: A highly fragmented banking system...*

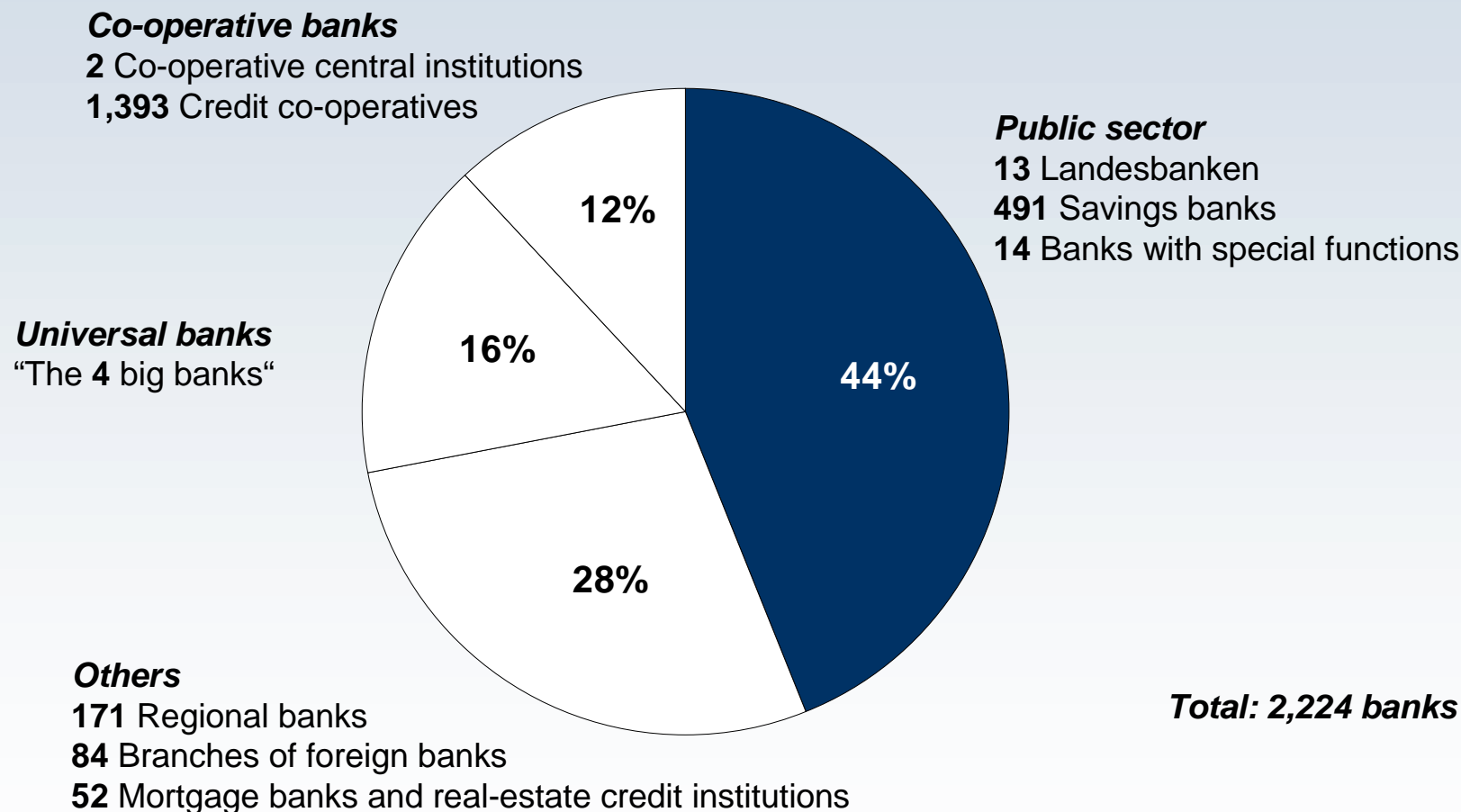
**Market share of the five largest banks as percentage of all bank's balance sheet totals in 2002**



Source: ECB, November 2003



## ... and a high market share of state guaranteed public-sector banks...

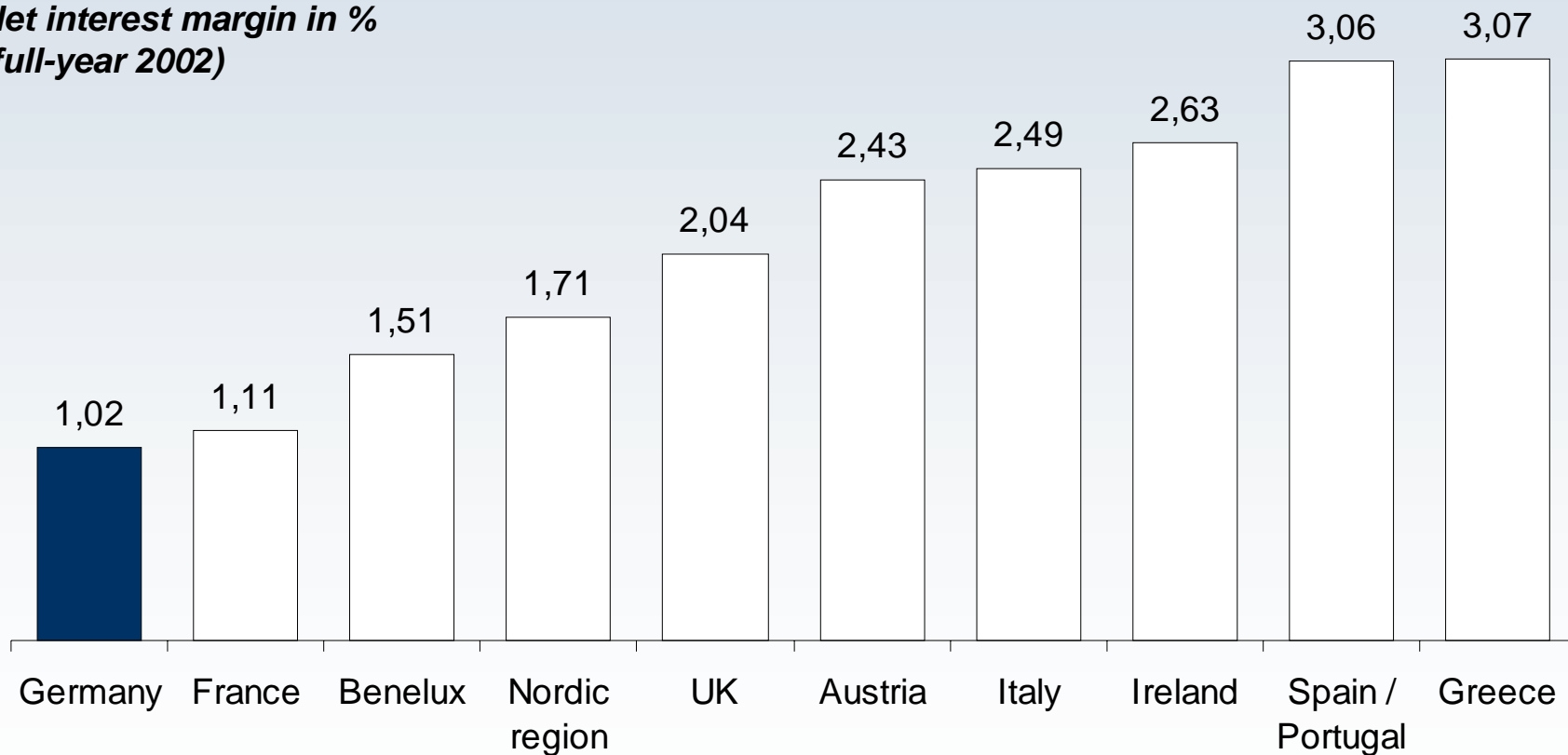


Market share by balance sheet total; basis: 100% = €6,470bn (March 2004)

Source: Deutsche Bundesbank

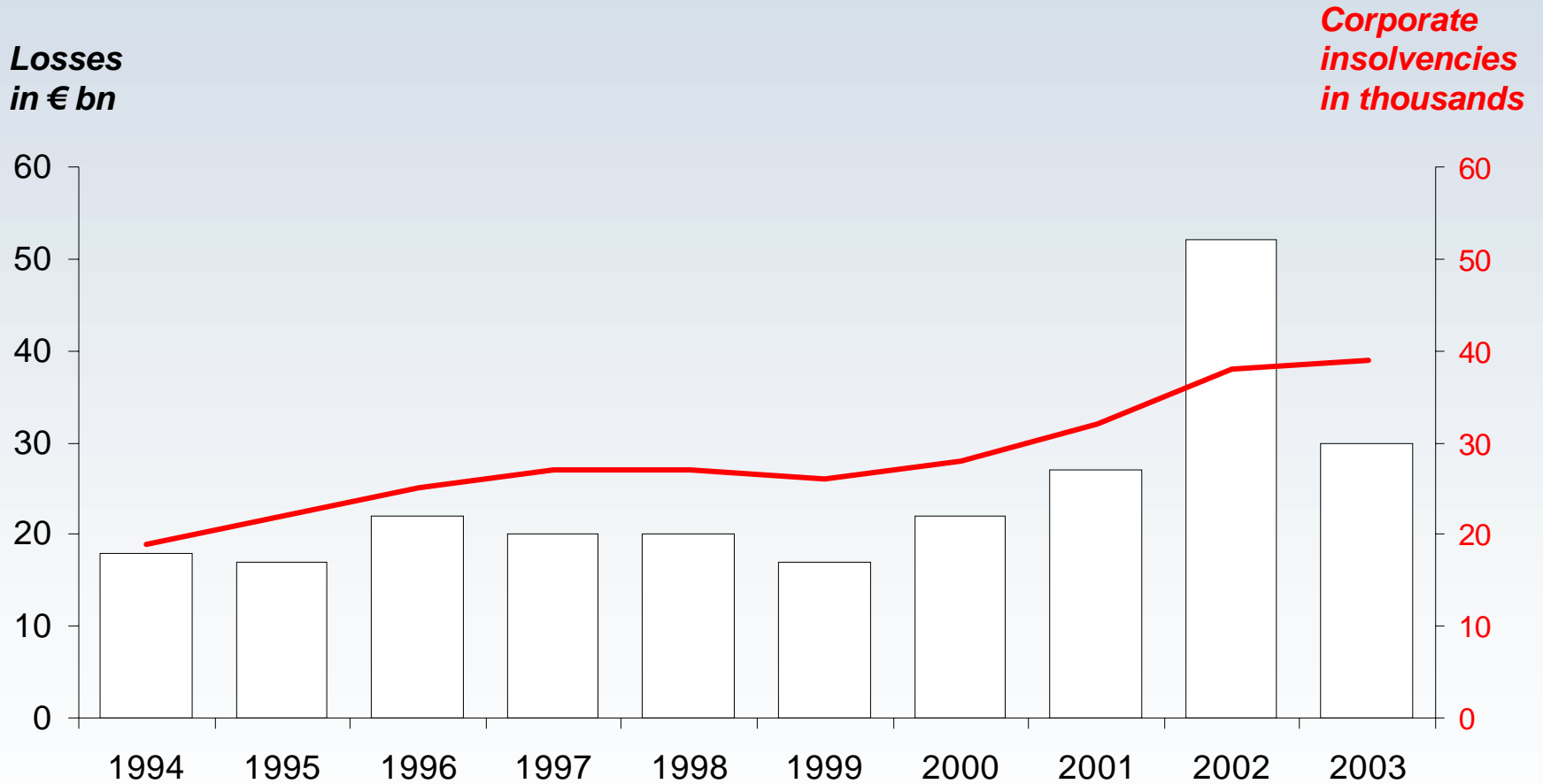
## *... creating the market with the lowest loan margins in Europe*

**Net interest margin in %  
(full-year 2002)**



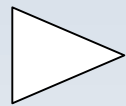
Net interest margin defined as net interest income to net interest earning assets; UK ex-UK/Asian institutions HSBC and Standard Chartered  
Source: Fox-Pitt, Kelton

# Adding risk to the picture: Strong increase of insolvency levels in 2002 and 2003 (Germany)

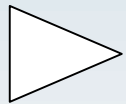


Source: DESTATIS (Statistisches Bundesamt Deutschland)

# *Agenda*



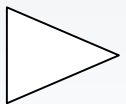
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***Where Do We Come From?***  
*Activities in the past*



***What Are We Working On?***  
*The Way Ahead*

*Managing in difficult markets:  
Protecting the core business and building on existing strengths*

**1.** *Cost-cutting initiatives*



**2.** *Pricing initiatives*



**3.** *Outstanding risk management expertise*

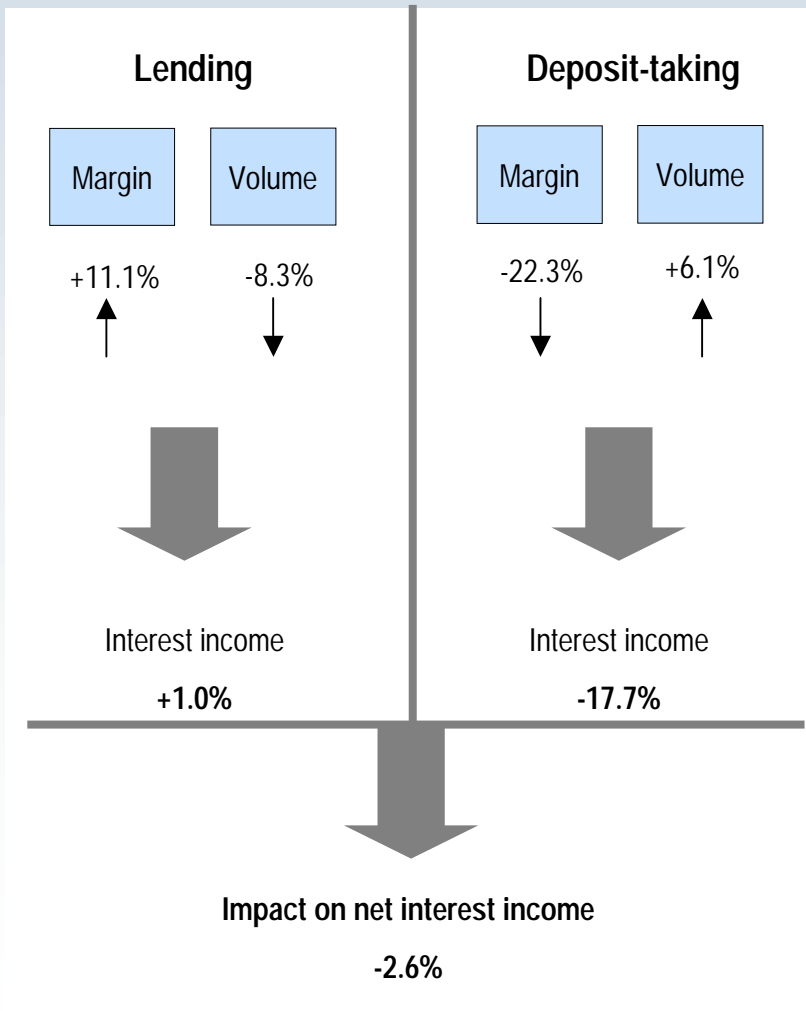


**4.** *Review of business strategy and implementation of changes*



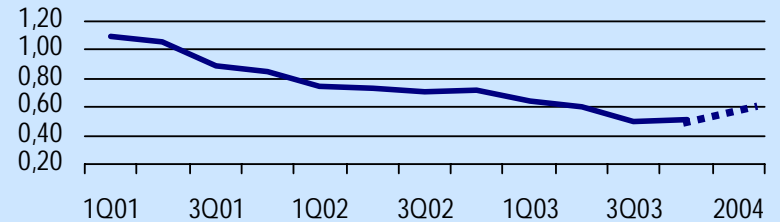
# Corporate Banking in Germany

## Margins and interest income in 2003 compared with 2002



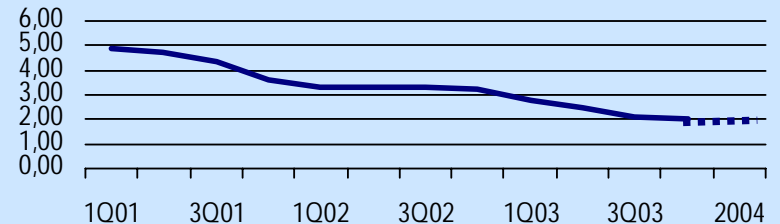
### Domestic corporate customers

margin as % of overall customers' deposits



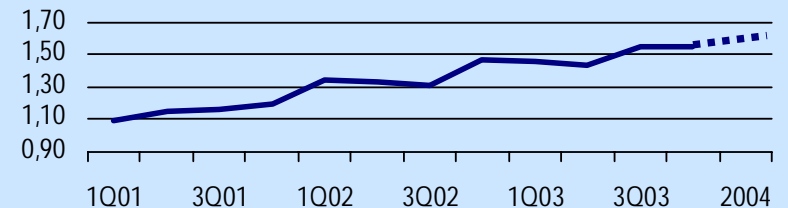
### EONIA

overnight rate in % p.a.



### Domestic corporate customers

margin as % of overall lending (incl. loan commissions)



# Are we succeeding?

## Successful cost cutting measures Corporate Banking

Commerzbank first bank in Germany to implement comprehensive cost cutting measures

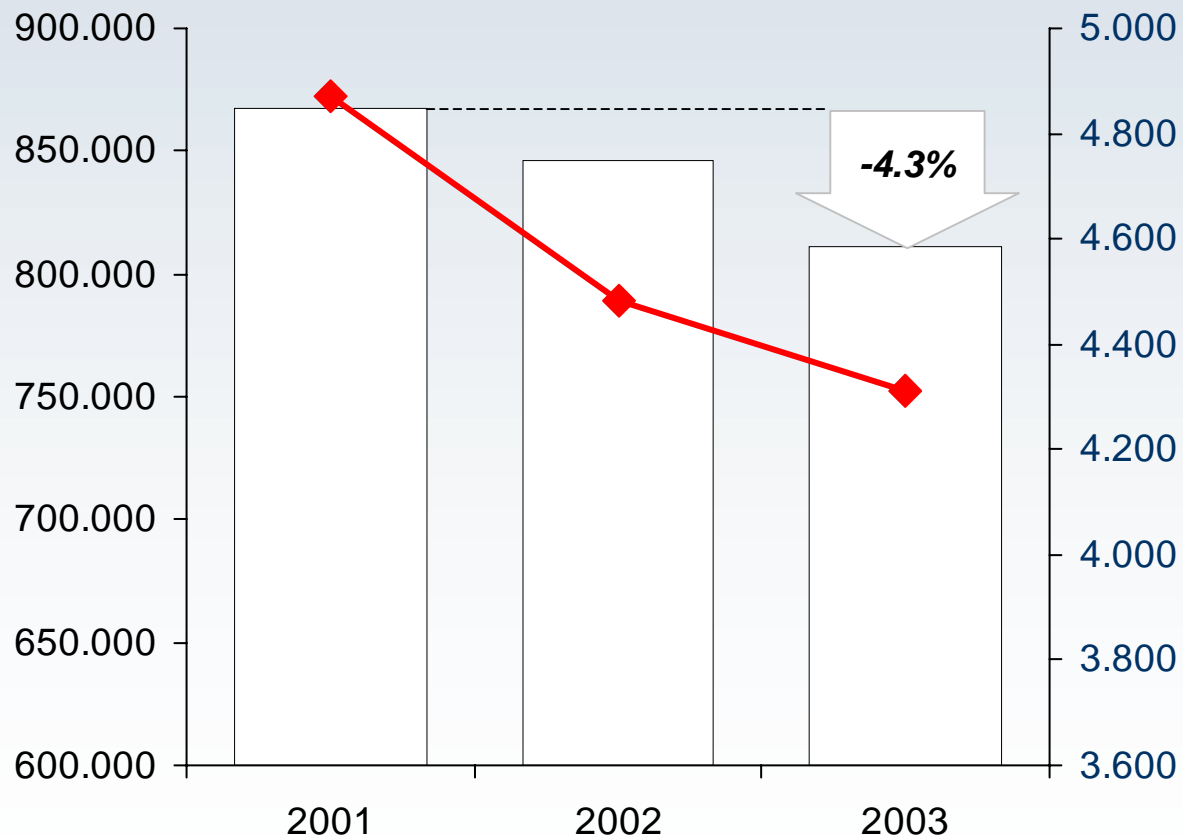
✓ 1st cost cutting offensive (“**Kostenoffensive**”)  
Streamlining of branch office processes, closing of domestic locations and cut-back in branch personnel (commenced in 2001)

✓ 2nd cost cutting offensive (“**Kostenoffensive Plus**”)  
Streamlining of foreign locations, head office and back office processes (commenced in 2002 and implemented in 2003)

Cost cutting effects fully effective in 2004

**Operating expenses in €m**

**Head-count reduction in FTE**



# Are we succeeding (cont'd)?

## Credit quality (domestic)

### ✓ Outstanding risk management expertise and credit portfolio check

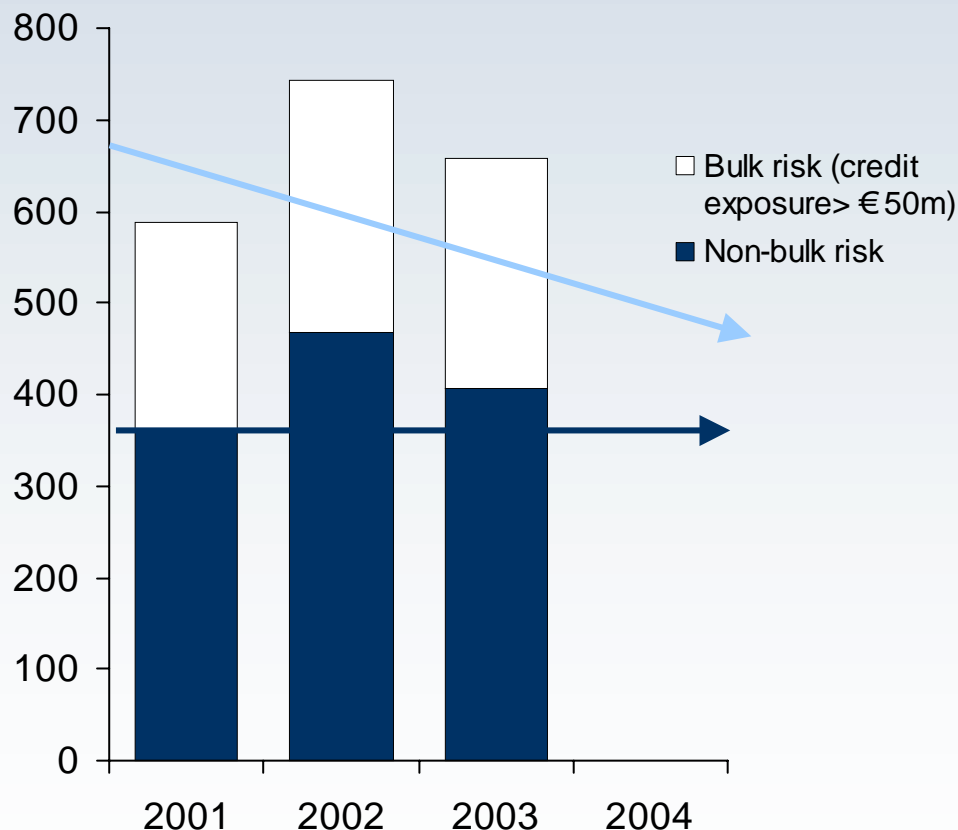
Quality of overall domestic corporate loan book has remained remarkably stable through economic downturn

Commerzbank first bank in Germany to implement an extraordinary credit portfolio check early in 2002

### ✓ Early warning system

Thanks to strong early warning capabilities, Commerzbank has been hit less by major insolvencies relative to other German banks

€m Loan loss provisions (domestic)





# Are we succeeding (cont'd)?

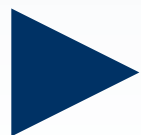
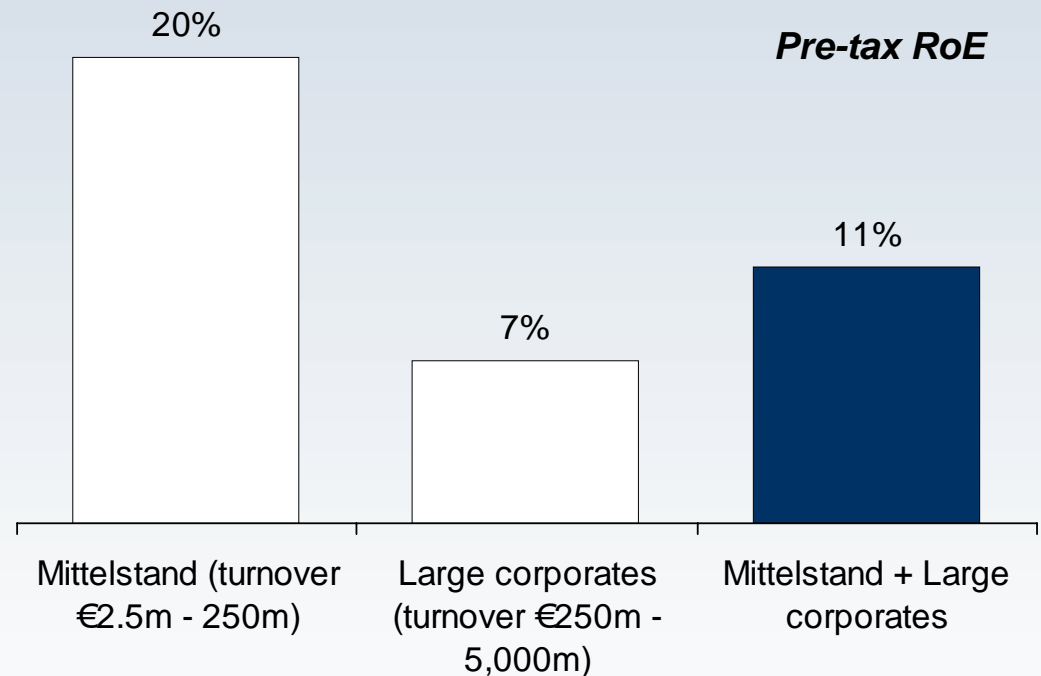
## Mid-term performance – the “un-managed” base case

What would be the mid-term sustainable performance of the core client groups “Mittelstand” and large corporates if Commerzbank decided to stick to the current business model in Corporate Banking?

### Assumptions

- ✓ RoE based on economic capital
- ✓ Full cost allocation
- ✓ Revenues after revenue split with product divisions (mainly IB, AM)
- ✓ Only slow economic recovery

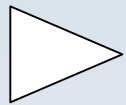
Performance of other client groups (public sector, institutionals) not included here



**Is that sufficient to compete in an integrated European market?**

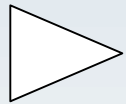
**Not yet! Comprehensive structural measures will follow, clear priority: Improvement of unsatisfactory large corporates performance**

# Agenda



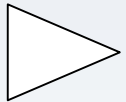
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## **What Are We Working On?**

*The Way Ahead*

# *MOVE TO THE TOP - focussed customer-orientation*

**Commerzbank's Corporate Banking**  
**"The successful German corporate bank**  
**with a European focus"**

**Large corporates / Multinationals**  
**"Partner of Choice"**

**Mittelstand**  
**Leading Corporate Bank**

96 MNCs

~ 700 large corporates\*)

~ 51,000 companies

**Create value**

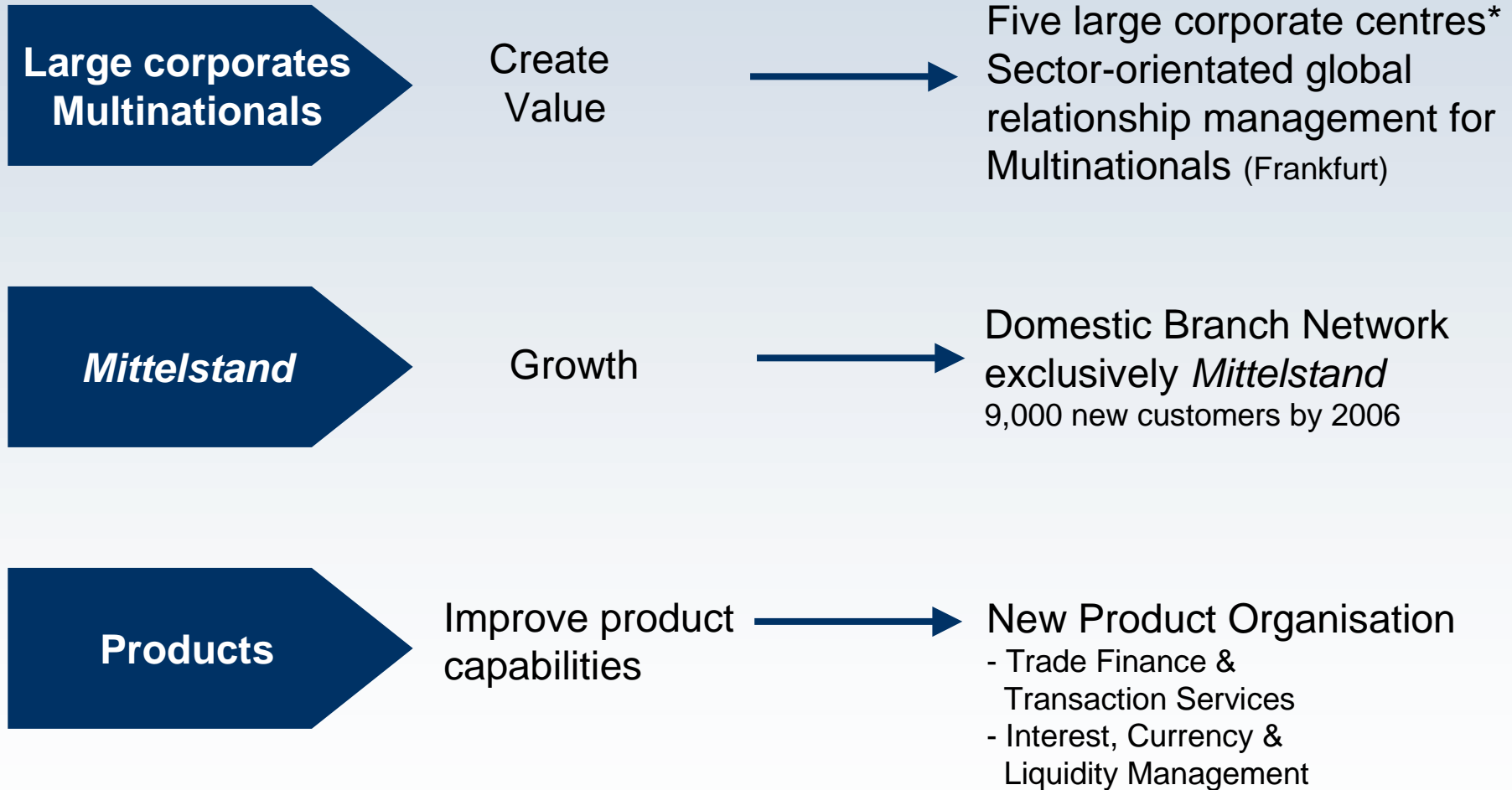
**Protect existing value creators,**  
**develop potential value creators**

**Growth**

**Expand business with existing**  
**clients, build up new relationships**

\*) defined by total of wallet and business profile

# MOVE TO THE TOP - new structures as basis for success



\*) Hamburg, Dusseldorf, Frankfurt, Stuttgart, Munich

# *Products: Joint approach of Corporate and Investment Banking creates a competitive edge*

## **Investment Banking**

- ✓ *Loan syndication*
- ✓ *ABS*
- ✓ *Leveraged finance*
- ✓ *Derivatives*
- ✓ *Debt Capital Markets*

## **Commercial Banking**

- ✓ *Structured finance*
- ✓ *Structured export & trade finance*
- ✓ *Balance sheet management*
- ✓ *Rating advisory services (rating:coach)*

## **Asset Management**

- ✓ *Corporate institutional fund management*
- ✓ *Corporate pension schemes*
- ✓ *Multi-manager funds*

# Strategic priorities in Corporate Banking

**Corporate  
banking strategy  
Germany**

*Corporate project “Move to the Top”*

**Corporate  
banking strategy  
Europe**

*Western Europe*

➤ *Building on existing strengths;  
Improve earnings quality*

*Central and Eastern Europe* ➤ *Extend presence, selective growth in SMEs*

**Risk Management**

*Extend competitive advantage in risk management*

*Priority on bulk risk management and secondary-market capabilities*

**Resources**

*Costs: Continue measures to improve efficiency and streamline processes*  
*Capital: Promote tradability of risk assets and the creation of the necessary regulatory & legal framework in Germany (True Sale Initiative)*

**Mid-term  
financial targets**

***Return on Equity > 17% (pre-tax)***

***Cost/income ratio < 43%***

# 2004 will create the basis for further improvements

- **Domestic**

- turnaround in 2004
- target 2006: 17% RoE (pre tax)

- **Europe**

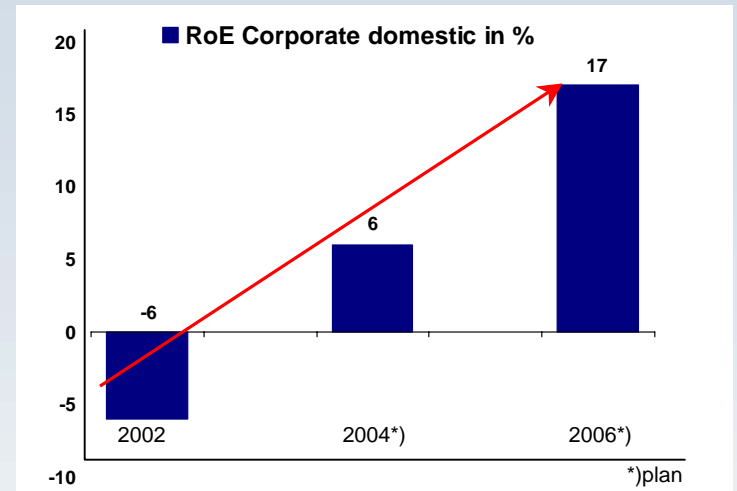
- after heavy bulk-risk provisions in 2002 (UK) and 2003 (France), substantially lower level expected in 2004 and the years ahead.

- BRE Bank turnaround achieved in 2003, profitability to expand further in 2004

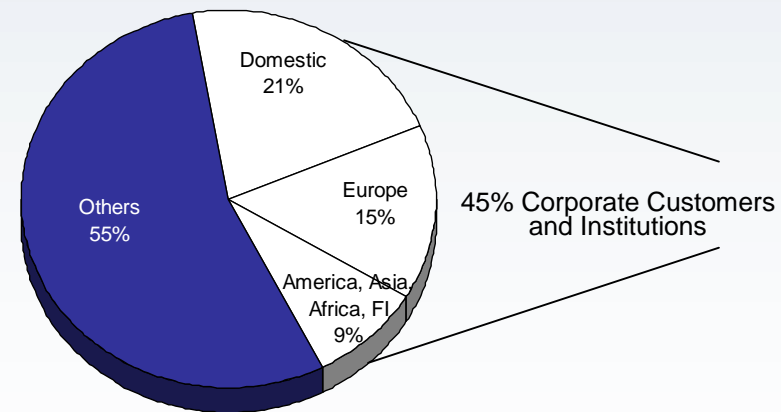
=> European operations to generate a double-digit RoE figure in 2004

- **America, Asia, Africa and Financial Institutions**

- even in 2003 RoE substantially above 10%
- stable results can be expected in the years ahead



Equity allocation within Commerzbank Group



**Corporate Banking and Institutional Business is the crucial success factor for Commerzbank**

**For more information, please contact:**

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