INVESTORS’ DAY

IT AND TRANSACTION BANKING: PROFESSIONAL SERVICES – THE KEY TO SUCCESS

Frankfurt, 14.09.2005

Frank Annuscheit
Chief Information Officer
Agenda

1. Structure and Figures
2. Highlights 2005
3. Future challenges
Structure of Services division

Services
Martin Blessing / Dr. Eric Strutz

CIO
Frank Annuscheit

Organisation

Information Technology

Transaction Banking

Appl. Development
Infra-structure
Support

Payment
Securities
International
Back Office Centre
Key figures for IT and Transaction Banking

- Employees: 4,900
- Operating expenses: ~ €900m
- Supported desktops in Commerzbank Group: 32,000
- Host: ~ 23,000m instructions per second (MIPS)
- Average host transactions / day: 12m
- Server: ~ 4,500
- Processed securities transactions in 2004: > 19m
- Administered securities accounts: 2m
- Transactions in domestic payments in 2004: > 2bn
Services division delivers services to

**Group Management**
- Accounting and Taxes
- Compliance and Security
- Financial Control
- Group Treasury
- Corporate Communications and Economic Research
- Human Resources
- Internal Auditing
- Legal Services
- Risk Control
- Strategy and Control

**PCAM**
- Asset Management
- Credit Operations
- Private Customers
- Private Banking
- Retail Banking

**CIB**
- Corporate Banking
- Financial Institutions
- Global Credit Operations
- Real Estate
- Securities

**Group companies**
- comdirect bank AG
- Commerzbank Europe (Ireland)
- Commerzbank International S.A.
- Commerzbank (Schweiz) AG
- Commerzbank (South East Asia) Ltd.
- Commerzbank Rt.
- Commerzbank (Nederland) N.V.
- Commerz (East Asia) Ltd.
Significant cost reductions in Services in recent years

<table>
<thead>
<tr>
<th>Year</th>
<th>IT Costs (€ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>1,183</td>
</tr>
<tr>
<td>2003</td>
<td>1,029</td>
</tr>
<tr>
<td>2004</td>
<td>942</td>
</tr>
<tr>
<td>2005e</td>
<td>924</td>
</tr>
</tbody>
</table>
Agenda

1. Structure and Figures
2. Highlights 2005
3. Future challenges
Commerzbank uses several established and modern core applications in front- and back office

<table>
<thead>
<tr>
<th>Cowias Back office system securities</th>
<th>CorealK Accounting</th>
<th>Eva / Tom Private Banking front end</th>
</tr>
</thead>
<tbody>
<tr>
<td>• High scalability guarantees intra-day delivery</td>
<td>• Full near time capability (24 hours/7 days)</td>
<td>• Integrated sales distribution for our business with private clients</td>
</tr>
<tr>
<td>• Processing of more than 19m securities transactions and administration of 2m securities accounts in 2004</td>
<td>• Integrated Online-Dispositionssystem CoMaDi</td>
<td>• Save investment by integrating all products in one unique and modern front-end</td>
</tr>
<tr>
<td>• Max. peak of 1m orders/day</td>
<td>• Flexibility in managing products and conditions</td>
<td>• Re-use of several IT services for different distribution channels</td>
</tr>
<tr>
<td>• Straight through processing rate: Domestic &gt; 99% Foreign &gt; 96%</td>
<td>• Strong integration in Commerzbank payment systems</td>
<td>• About 3.8m - 4m user transactions/day</td>
</tr>
<tr>
<td>• High stability</td>
<td></td>
<td>• Full near time capability (24 hours/7 days)</td>
</tr>
</tbody>
</table>
High availability and reliability of the bank’s IT

**Host**
- Failure in hours per year
  - 2000: 3.6
  - 2001: 2.3
  - 2002: 0.3
  - 2003: 0.5
  - 2004: 0.5

**Network**
- Number of failures per year
  - 2000: 80
  - 2001: 72
  - 2002: 84
  - 2003: 78
  - 2004: 14

**Client / Server**
- Unattended reboots per server and per year
  - 2000: 0.4
  - 2001: 0.1
  - 2002: 0.1
  - 2003: 0.2
  - 2004: 0.2

Improvement:
- Host failure: -86%
- Network failures: -82%
- Client / Server reboots: -50%
Integration of more than 330,000 SchmidtBank customers completed successfully

• Technical migration of all data from SchmidtBank customers and products was successfully completed in March 2005

• In total about 8m data sets were migrated within two days

• Everything was migrated to Commerzbank systems, no remaining SchmidtBank systems

• The project was completed within time and budget

• The key positions are filled with internal staff

The Commerzbank IT is well prepared for possible new challenges
Commerzbank has defined a consistent near shoring strategy for IT and Transaction Banking

<table>
<thead>
<tr>
<th>Sourcing tool box</th>
<th>Differentiated sourcing approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Internal optimization</td>
<td>Internal optimization before sourcing!</td>
</tr>
<tr>
<td>• Selective out tasking</td>
<td>Sourcing examples:</td>
</tr>
<tr>
<td>• Near shoring</td>
<td>• <strong>Production:</strong></td>
</tr>
<tr>
<td>• Partnering</td>
<td>Near shoring: piloting a data centre for European branches</td>
</tr>
<tr>
<td>• Off shoring</td>
<td>• <strong>Application Development:</strong></td>
</tr>
<tr>
<td>• Out sourcing</td>
<td>Development of a ledger system for foreign branches</td>
</tr>
<tr>
<td>• Integration of packaged software</td>
<td>• <strong>Payments:</strong></td>
</tr>
<tr>
<td></td>
<td>Correction of image processed payments in Prague</td>
</tr>
</tbody>
</table>
The established IT-governance and support structure is a recognized asset for the bank

- Overall management of processes and budget
- Performance review for big projects
- Set-up of infrastructure

### Governance-Committees/CIO

- **Architecture board**
- **IT-Security board**
- **IT Committee**
- **Project status meeting**

- Security policies
- IT strategy and standard architectures
- Approval / management of major projects

### Requirements
- **Lines of business**
- **Architecture**

### Assessment
- **Project management**
- **Architecture**
- **Security**

### Prioritization, budgeting, evaluation
- **Project control**

### “Make or buy” with integration
- **Program- / project management**
- **Architecture/Security**

### Installation, operation, maintenance
- **Operations**
- **Development**
- **Architecture/Security**

- Approval of IT strategy
- IT alignment to business requirements
- Approval of policies, standards and guidelines

The established IT-governance and support structure is a recognized asset for the bank.
Effective IT portfolio management is aligned to business and IT strategy and prioritizes projects

**IT Portfolio Management**
- Specification of portfolio evaluation criteria
  - costs
  - benefits (high, sustainability)
  - cash equivalent
  - strategy fit (business and IT)
  - architecture fit
  - risk
- Use of criteria for current and proposed projects regarding the prioritization of the IT portfolio
- Derive action points to align to the target portfolio

**Prioritization benefits/costs**

**Project prioritization criteria:**
- Which projects will deliver the highest benefits?
- Which projects should be deferred or given up?

Source: BCG-Analyse
Increasing IT security threats have been successfully met

**Threats**
- Phishing of Online banking data
- Virus and worm attacks (about 53,000 viruses and worms are known)
- Communication failure by DoS-attacks (denial of service)

**IT attacks per day on Commerzbank Frankfurt**
- Approx. 200 attacks on online banking applications (e.g. port scan, DoS)
- Daily check of ~150,000 external mails
- Deletion of ~20,000 spam-mails
- Defence of ~15,000 virus attacks

**Complex IT delivers large numbers of points of attacks and scenarios**
- Different operating systems (e.g. Windows, Unix, IBM Host)
- Critical applications (e.g. internet)
- Network connections to branches and subsidiaries, external information providers and internet

**Frequency and speed of attacks**
is increasing rapidly

**Time for reaction decreases**
- Today, the gap between new vulnerabilities and attacks could be shorter than an hour
Commerzbank payment services – high quality – high efficiency – low cost per transaction

Main cost driver in paper-based payments: Staff for manual correction of scanned payment documents!
Near-shoring to Commerzbank-location Prague: reductions in personnel costs of 60%

Successful centralization of cross border payments/clean payments:
We process 16.8 % of Germany’s cross border payments of corporate customers (in and out) with a staff of only 100!

Savings from increased automation ratio:
Our STP-Rates: 80% for domestic and 76% for cross border payments
One domestic securities transaction costs 1 Euro only

- Transaction banking serves **8.7% of all retail securities accounts** in Germany and processes **9.2% of all transactions**. That means we are ranked **third in the market**.

- The **leading position** of Commerzbank transaction banking is recognized by independent observers. We are rated „**best practice**“ in the „BEST-study“ issued by Droeg & Comp.

### Cost per standard securities transaction

<table>
<thead>
<tr>
<th>(big institutes)</th>
<th>highest price</th>
<th>average price</th>
<th>1.0 Commerzbank transaction banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>in €</td>
<td>8.8</td>
<td>3.75</td>
<td></td>
</tr>
</tbody>
</table>

12.0

### Average processing costs

- **Average processing costs per 1 percent market share in 2004**
- **in € m**

<table>
<thead>
<tr>
<th>market average²</th>
<th>Commerzbank transaction banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.3</td>
<td>12.0</td>
</tr>
</tbody>
</table>

---

1) Source: BEST-Study 2003 by Droeg & Comp. GmbH
2) Source: Xchanging, reports October 2004, p. 11 and March 2005, p. 6
Banknotes operations – managing the process chain for Germany’s No 1 in banknotes trading

- Commerzbank corporate & markets is a leader in professional banknotes trading: No 1 in Germany, No 3 in Europe

- After sustainable and profitable growth in the last 10 years we are the only remaining German professional banknotes trader

- Managing the process chain and logistics for a €60bn business

- Over 600 tons of banknotes turnover a year are handled by our central banknote operations team in Frankfurt

(1) Estimated yearly turnover for 2005
OTC derivatives operations – providing a stable & scalable environment for plain vanilla products

Providing a controlled and scalable operations platform for this core product segment of Commerzbank corporate & markets division

Refocus operations’ mission towards risk reduction & client services

Introducing process automation via workflow management technology (Scriturra) in a traditionally labour intensive area

A first mover in hooking up to electric OTC derivatives confirmation matching services (swaps wire, DTCC, swaps clear)

Extensive use of electronic matching services for plain vanilla OTC derivatives products (e.g. IR swaps, CDS)

---

OTC Derivatives automation concept

<table>
<thead>
<tr>
<th>DTOC</th>
<th>Swaps-wire</th>
<th>Swaps-clear</th>
<th>Manual</th>
</tr>
</thead>
</table>

Markets

Commerzbank

WFMS

Key benefits

1. Automatic documentation generation via WfMS
2. Real time document tracking and reporting
3. Transparent process control (e.g. MIS)
Consolidation of system landscape in Investment Banking

- Drivers: cost, complexity, stability
- Key areas of consolidation: Reduction of overlapping application areas:
  - One key position keeping system: for fixed income, for Repo/SBL, system for brokerage
  - Reduction of broker / market connectivity overlap
  - Reduction of settlement engines
  - Strategic middleware layer
  - One strategic CRM system
- Above goals have been synchronized and supplemented with the Investment Banking restructuring project
- Substantial IT cost savings for 2005 and 2006 planned
- Current savings ahead of 2005 plan, bigger portion of 2006 savings already secured
Agenda

1. Structure and Figures
2. Highlights 2005
3. Future challenges
Major projects ahead

- Rightsizing investment banking
  - Consolidation of application landscape
  - IT alignment to the new business model
- Basel II / MAH – advanced approach as target
- Migration Windows NT to XP/Windows 2003
  - Migration of about 27,000 clients (hardware and software)
- Simplification of ledger systems
- „Branch of the Future“ – a new concept for branches
Future Challenges

• IT Security will remain a major topic
  - Implementation of secure iTAN for online banking
• Reduction of complexity through IT portfolio management
• Standardization of platforms with focus on the most important ones
• Centralization of the European data centers
• Higher productivity by increasing the stp-rate
• Selective sourcing
• Expansion of near shoring

Further mid term cost reduction of ~ 20%
For more information, please contact: Commerzbank Investor Relations

Jürgen Ackermann
Head of Investor Relations
P: +49 69 136 22338
M: juergen.ackermann@commerzbank.com

Sandra Büschken
P: +49 69 136 23617
M: sandra.bueschken@commerzbank.com

Ute Heiserer-Jäckel
P: +49 69 136 41874
M: ute.heiserer-jaeckel@commerzbank.com

Simone Nuxoll
P: +49 69 136 45660
M: simone.nuxoll@commerzbank.com

www.commerzbank.com/ir
Disclaimer

This presentation has been prepared and issued by Commerzbank AG. This publication is intended for professional and institutional customers.

Any information in this presentation is based on data obtained from sources considered to be reliable, but no representations or guarantees are made by Commerzbank Group with regard to the accuracy of the data. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. This presentation is for information purposes, it is not intended to be and should not be construed as an offer or solicitation to acquire, or dispose of any of the securities or issues mentioned in this presentation.

Commerzbank AG and/or its subsidiaries and/or affiliates (herein described as Commerzbank Group) may use the information in this presentation prior to its publication to its customers. Commerzbank Group or its employees may also own or build positions or trade in any such securities, issues, and derivatives thereon and may also sell them whenever considered appropriate. Commerzbank Group may also provide banking or other advisory services to interested parties.

Commerzbank Group accepts no responsibility or liability whatsoever for any expense, loss or damages arising out of, or in any way connected with, the use of all or any part of this presentation.

Copies of this document are available upon request or can be downloaded from www.commerzbank.com/aktionae/