Investors’ Day
Commerzbank corporates & markets on the right track

Frankfurt, 14.09.2005

Nicholas Teller
Member of the Board of Managing Directors
Securities - Where are we coming from?

- Imbalanced prop trading to sales revenue relationship - bottom line oversensitive to trading performance
- Excessive cost base - support cost infrastructure out of balance with business scale and revenue generating capacity
- Geographic presence not matched to Group franchise, target markets and revenue potential

€440m of accumulated losses in 3 years
(€659m incl. restructuring charges)
## Securities - What did we aim at and what have we achieved so far

<table>
<thead>
<tr>
<th>Targets</th>
<th>Status</th>
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<tbody>
<tr>
<td>Significant reduction of cost base (-€294m by 2007)</td>
<td>Cost reduction ahead of plan Full effect expected in 2007</td>
</tr>
<tr>
<td>Reduction of front office staff by 1/3 (from 1,275 to ~ 800)</td>
<td>Target already achieved in April 2005</td>
</tr>
<tr>
<td>Major reduction of VaR (Target ~ €9m)</td>
<td>Significant reduction achieved Current VaR below target</td>
</tr>
<tr>
<td>Reduction of capital allocation by around 30% (from €1,191m to €844m)</td>
<td>Allocated capital already reduced by 25%</td>
</tr>
<tr>
<td>Max revenue attrition of 8%</td>
<td>Well within target</td>
</tr>
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</table>
Securities - Cost base is being managed down

Costs pre bonus per quarter in € m

- Total costs down by 20% against pre-restructuring average 2004
- Both direct and indirect costs below 2005 target
- Additional cost savings of more than €100m expected to show through in 2006 (further consolidation of IT and back office infrastructure and reduction of market data expenses)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1 2004</th>
<th>Q2 2004</th>
<th>Q3 2004</th>
<th>Q4 2004</th>
<th>Q1 2005</th>
<th>Q2 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs</td>
<td>185</td>
<td>181</td>
<td>183</td>
<td>168</td>
<td>145</td>
<td>-21%</td>
</tr>
</tbody>
</table>
Securities - Staff cuts completed

- **London**: Status quo 279 (30.09.2004), Target 576
- **Frankfurt**: Status quo 387 (30.09.2004), Target 425
- **Japan/ComSec**: Status quo 0 (30.09.2004)
- **USA/CCMC**: Status quo 24 (30.09.2004), Target 118
- **Rest of World**: Status quo 67 (30.09.2004)

Total: Status quo 30.09.2004, Target 1,275
Securities - Significant reduction of Value at Risk

Development of VaR since 4Q 2004

Main impact: Closure of all dedicated proprietary trading activities

VaR overnight, 97.5%
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Corporates & Markets: Equity reduction under way

Reduction since beginning of restructuring mainly through VaR-reduction

Further reduction planned through more efficient portfolio management by leveraging Securities credit markets expertise

<table>
<thead>
<tr>
<th>09/04</th>
<th>06/05</th>
<th>Target</th>
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<tbody>
<tr>
<td>1,181</td>
<td>922</td>
<td>907</td>
</tr>
<tr>
<td>889</td>
<td>1,829</td>
<td>1,600</td>
</tr>
</tbody>
</table>

- Securities
- Customer Relationship Management
- Corporates & Markets
Securities - Revenues on track and ahead of restructuring target

Q1 `05
Excellent start
113% of budget

Q2 `05
Spec Sits closed, GM and Ford downgrade affects credit trading

y-t-d `05
Earnings meeting 2004 level despite
35% less headcount
52% less VaR
25% less equity tied up

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
## Securities - Substantial productivity gains

<table>
<thead>
<tr>
<th>Year</th>
<th>Average VaR*</th>
<th>Average revenues per month</th>
<th>Average staff numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
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<tr>
<td>1-8/05</td>
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</table>

- Revenues / VaR doubled
- Revenues / FTE** increased by 53%

<table>
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<th>Year</th>
<th>Revenues / FTE**</th>
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<td>2004</td>
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<tr>
<td>1-8/05</td>
<td>+53%</td>
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*VaR overnight, 97.5%

**Full Time Employees
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CBCM Q3/Q4 earnings: What they will be made of

Balanced and stable client business

Structure of earnings by client group

- Retail: 36%
- Corporates: 31%
- Financial Institutions: 33%

Healthy client mix

Sales performance 2005 prior year comparison in %

Stable performance despite staff cuts
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**CBCM Q3/Q4 earnings: What they will be made of**

Less risk and less volatility

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**Sliding standard deviation (20 days)**

- Markets st. dev 20 days sliding
- Markets w/o Spec Sits st dev 20 days sliding

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**Days of losses within a month**

- "London Blasts Day" only loss day since Spec Sits closure

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Revenue volatility significantly down since closure of dedicated prop trading
### CBCM Q3/Q4 earnings: What they will be made of

**Healthy trading platforms**

<table>
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<th>Markets</th>
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<tr>
<td><strong>Equity Derivatives</strong></td>
<td>• 21% ahead of 2004 level, using approx 57% of risk limit</td>
</tr>
<tr>
<td></td>
<td>• Ranked No 1 Euwax in June and August</td>
</tr>
<tr>
<td><strong>Interest Rates</strong></td>
<td>• 31% ahead of 2004 level, 25% of risk limit</td>
</tr>
<tr>
<td><strong>Foreign Exchange</strong></td>
<td>• On 2004 level, 9% of risk limit</td>
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<td></td>
<td>• Business expected to profit from relocation to Frankfurt and more aggressive strategy for options business</td>
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<tr>
<td><strong>Securities Finance</strong></td>
<td>• 91% of 2004 level despite closure of Tokyo operations, 44% risk limit</td>
</tr>
<tr>
<td><strong>Cash Equities</strong></td>
<td>• 63% of 2004 level despite dramatic cut back</td>
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<td></td>
<td>• On budget with 30% risk - meeting targets of new business model</td>
</tr>
<tr>
<td><strong>Credit Markets</strong></td>
<td>• 64% behind last years' level due to set back in corporate and structured bond markets, 30% of risk limit</td>
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</table>

- **Focus on taking trading positions to facilitate client business**

- **Credit Markets**: New Head started in July
- **Equity Derivatives**: Two of three largest businesses ahead of target
- **Foreign Exchange**: FX: New strategy for Options business, Head joining in October
Relationship Management: What it comprises

Target markets

**Multi-National Coverage:**
- Commerzbank's top 100 corporate & institutional global clients

**UK Coverage:**
- FTSE350 companies in our chosen sectors
- UK operations of foreign companies and international banks
- Non-bank Financial Institutions (NBFI)

**Concept of Coverage:**
- 14 sector heads/senior relationship managers, based in Frankfurt and London

**Exposure (utilised credit lines)**

- Total utilised credit lines: €8.7bn (2004: €8.6bn)
- 88% of utilised loans have an internal rating of ≤ 3.0
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Relationship Management: Cross selling ratio continues to improve

Revenues: regional split

Revenues: composition

- Germany: 60% Commission income, 40% Interest income (2004), 56% Commission income, 44% Interest income (06/2005)
- UK: 84% Commission income, 16% Interest income (2004), 75% Commission income, 25% Interest income (06/2005)

Germany

UK

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Commission income

Interest income

2004

06/2005

2004

06/2005

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Commission income

Interest income

2004

06/2005

2004

06/2005

- Germany: 60% Commission income, 40% Interest income (2004), 56% Commission income, 44% Interest income (06/2005)
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Commission income

Interest income

2004

06/2005

2004

06/2005
Relationship Management: Stronger emphasis on value management showing results

- Economic capital reduced by € 73m (-27%) since July 2004
- Economic profit achieved in H1 2005
- Client group starts to add genuine value to the Bank in H1 2005
Physical moves of Relationship Management to Securities locations have just been completed.

While the past 9 months since announcement of the restructuring focused on the Securities business, we will now start to focus on implementing the integration of Relationship Management and the Securities business.

The envisaged measures include:

- Further increase of already high non-interest income of Relationship Management clients.
- Establishment of a central booking procedure, allowing for an improved management of the credit portfolio and thereby lower regulatory and economic capital and higher value generation.

Securities and CRM join forces to realise synergies on revenue side and reduce regulatory capital.
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CBCM Q3/Q4: Where are we going

- Cut costs and reorganize (Q1)
  - Headcount target met
  - New Head of Markets
  - FX streamlined
  - New Head of FX
  - Risk target met
  - Closure of last remaining prop desk
  - Internal yearly cost target met

- Build revenue and reduce reg. capital (Q2)
  - New Head of Credit
  - Closure of Tokyo completed

- Developement of revenues in 2004
  - Q1
  - Q2
  - Q3
  - Q4

- New Head of FX Options
- Continue to implement new business strategy
- Exploit synergies between Securities and CRM to boost revenue and manage portfolio more efficiently
## CBCM - Challenges

| Achieve balanced sales/trading business model that is strong enough to beat market challenges |
| Achieve sustainable profitability |
| Grow in areas of expertise and where we have a franchise keeping cost base under control |
| Maximise revenue from key Group Corporate relationships now aligned with the Investment Bank |
### Summary

<table>
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<tr>
<th>H1 2005</th>
<th>H2 2005</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td>🔴 Excellent Q1/ Weathered the storm in Q2</td>
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<td>✔ Completed front office cuts</td>
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<td>✔ Reduced VaR dramatically, closed last dedicated proprietary trading desk</td>
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<tr>
<td>✔ Hired key staff in key areas</td>
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<tr>
<td>➡ Grow revenue through full Implementation of business plans</td>
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<tr>
<td>➡ Implement full integration of Securities and CRM</td>
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<tr>
<td>➡ Achieve 2/3 of total cost reduction target</td>
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<td>➡ Reduce capital allocation €1.5-1.6 bn (down from current €1.8bn)</td>
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<tr>
<td>➡ Achieve additional cost savings of more than €100m as per restructuring schedule</td>
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<td>➡ Complete back office restructuring</td>
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<tr>
<td>➡ Realise first full year benefit of front office reductions</td>
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<tr>
<td>➡ Realise residual cost savings</td>
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<tr>
<td>➡ Achieve full year RoE of 20% for Corporates &amp; Markets</td>
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