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Chairman of the Board of Managing Directors
Commerzbank AG

Press conference
February 14, 2008

Embargo: 10:30 a. m.

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Good morning, ladies and gentlemen,

On behalf of all of my colleagues on the Board gathered here today, I would like to welcome you to our 2008 annual press conference. You may have already noticed two new faces. One of them is Frank Annuscheit, who was earlier our Chief Information Officer and more recently our Group Chief Operating Officer, and who has now joined the Board with responsibility for Information Technology and Transaction Banking. Our other new colleague is Markus Beumer, who has taken over responsibility for our Mittelstandsbank from Martin Blessing.

For all international banks, 2007 was a year of extremes, with two very different halves. An excellent first half, with record results all round, was followed by six months in which the crisis which began in the American sub-prime mortgage segment widened to engulf other market sectors, with tough consequences for the accounting of banks small and large. And even for banks like Commerzbank, which only held a small portfolio of mortgage-backed securities, the meltdown in the US has left its mark.

Nevertheless, we ought not overlook the fact that 2007 was a **good** year for Commerzbank, or to be more precise - it was a top year. We worked hard, and despite the drag on our operating profit from the subprime crisis, we managed to achieve close to the previous year's figure, and we even posted a new record level in our consolidated surplus.

Of course, it is not easy to talk about records, given the ongoing crisis and our results in the second half of the year. But at the same time, we would not want to play down our operational performance either. We were successful once more, not only in reaching our financial and business goals, but in exceeding them. Without the additional costs, I would have called the year outstanding.

As currently structured, Commerzbank clearly has a balanced business mix which works to our advantage even under difficult conditions and allows above-average returns on equity to be achieved in our core areas. The figures for the Private and Business Clients segment, Mittelstandsbank and Commercial Real Estate are a resounding testimony to this fact. And as a result of deliberately focusing on client-related business, we are no longer so much affected by the wild ups and downs on the financial markets. This has had a stabilizing effect on Corporates & Markets.

We kept our word with regard to a **return on equity after taxes** of 15.4%, which is substantially higher than our target of at least 12%. A number like this cannot just be taken for granted in today's environment. Some of our competitors abroad who have the luxury of working under structurally more comfortable conditions and who have traditionally reported significantly higher earnings than us have suddenly found themselves lagging behind.

In view of this operational performance and a consolidated surplus that rose nearly 20% to EUR 1.92 billion, we consider it a simple matter of credibility to redeem our promise and offer our shareholders a dividend which increased from EUR 0.75 to EUR 1. Those, in any case, are the terms in which we will make our proposal to the Supervisory Board at its balance sheet meeting at the end of March. At the same time, this proposal also symbolizes our confidence for the future, since we do not plan to go below this level again anytime soon. For Commerzbank shares, which were unfortunately flattened to some extent by the sub-prime steamroller, the EUR 1 dividend translates into a return of 5% at present. This is extremely competitive relative to capital market interest rates, and ought to provide considerable support for the share itself.

Fourth Quarter 2007

That brings me to our 2007 figures, starting with our performance in the **last quarter.** Please note that all the figures we are presenting today have been audited but not yet issued with an auditor's opinion.

We report a fourth-quarter operating profit of EUR 169 million. This was the weakest quarterly result during the past year. Without the subprime writedowns of EUR 248 million or the charges arising from a portfolio adjustment of EUR 150 million in Essen Hyp, the figure would have been a satisfactory EUR 567 million. So, seen in terms of the interest and commission surplus, our ongoing business is continuing to experience very solid growth. In absolute terms, the commission surplus was actually higher than in the previous quarter and also higher than in the previous year.

The write-downs on our portfolio of securities related to the US subprime market are divided between EUR 188 million in our collateralized debt obligations (or CDOs) and EUR 60 million in residential mortgage-backed securities (or RMBS) booked with Eurohypo. Along with impairments from the second and third quarters, we wrote down EUR 583 million on our total original commitment of EUR 1.2 billion. Our subprime CDOs have now been restated at 90%, while the figure for the RMBS is 25%. Added to this are the EUR 191 million that reduced our revaluation reserve. Write-downs affecting profit and loss were included in the **net result on financial assets,** which we report at minus EUR 123 million in Q4.

Our **administrative expenses** went up in Q4. The increase to EUR 1.4 billion was related solely to overhead costs, particularly higher marketing outlays as part of our growth programmes. In other words, they should not be seen as the result of lax cost management but rather as investments in the future. At the same time, however, we intend to continue to keep a close eye on costs.

On the bottom line, our **consolidated surplus** was EUR 201 million in the fourth quarter. Due to a low tax rate and a positive minority interest due to the loss at Essen Hyp, it was actually higher than the reported operational profit.

2007 on the Whole

It was also the case for the 2007 financial year **on the whole** that interest and commission surplus carried the income statement through. The significantly lower provisions for credit risk also provided relief.

In terms of an absolute pro-forma comparison, the **interest surplus** of EUR 4.02 billion, meaning with the inclusion of Eurohypo for all of 2006, showed a slight decline. Without the PFT segment, which contributed a large positive interest surplus in 2006, interest income would have come out 7% higher. The primary contributors were Private and Business Clients as well as Mittelstandsbank.

Thanks to the resilience of the German corporate sector and many years of cautious risk policy, we were able to further reduce **valuation allowances** in our lending business. We were also spared the effects of large corporate defaults in 2007. The decline to just EUR 479 million net indicates the cyclical bottom has been reached. For the current year, we anticipate an increase to about EUR 700 million.

Last year, our **commission surplus** also turned in an outstanding performance, with a gain of 6%. Without the income from our former subsidiary Jupiter the increase would have been more than 9%.

We reported **trading income** of EUR 879 million for 2007. That puts it one-fifth lower than the previous year's excellent level. Given the turbulence on the markets, which made credit trading particularly difficult, along with a negative measurement effect due to IAS 39, we are still very pleased with this number.

Subprime write-downs of a total of 583 million reduced the **net result on financial assets**. However, we were able to generate additional income through proactive portfolio management.

We still have not posted one-time income of about EUR 170 million from the sale of our French subsidiary CCR to UBS. That income will be posted in the first quarter, after the closing has been completed for this transaction. Incidentally, both in this case as well as earlier holdings, we demonstrated a good sense of timing and were able to sell at a favourable price.

Our **administrative expenses** remained more or less stable last year. The increase in operating expenses is primarily attributable to growth in marketing costs. At the same time, the additional write-downs pushed up our cost-income-rate to 64%. Without the subprime issue, it would have remained practically unchanged at 60%, the same excellent level as in 2006.

In the final settlement between an outstanding first half and a second half weighed down by the subprime issue, EUR 2.51 billion was left as our **operating profit**. Though this was 8% less than in 2006, without the effects of the subprime issue and Essen Hyp it would have been EUR 3.25 billion and thus 19% higher than in 2006. Operating return on equity was 18.7%.

On the bottom line, we reported EUR 1.92 billion as our **consolidated surplus**. Of that, we will use EUR 657 million for the increased dividend payment, which translates into a payout ratio of 34%. The remaining EUR 1.26 billion is to be transferred to retained earnings.

In 2007, **earnings per share** rose to EUR 2.92. Return on equity after taxes improved to 15.4%, as previously mentioned, over 14.2% a year earlier.

Our **total assets** at the end of the year were EUR 616.5 billion - only slightly higher than at the end of 2006. As of the reporting date, our core **capital ratio** had improved to a good 6.9%. Had we applied the Basel II rules, it would have been noticeably more than 7%. Our situation is even more comfortable when it comes to our liquidity position. In the second half of the year, we were even a provider of cash to the market. And we clearly exceeded our internal target for **Principle II** with 1.18 at the close of reporting.

The Segments in 2007

The **Private and Business Clients** segment, including Asset Management, had a successful year. Operating profit rose by almost one third to EUR 401 million. The success of our various growth offensives was clearly reflected in improved profits, as the 16.2% return on equity shows.

Our **Mittelstandsbank** achieved a sensational EUR 1.25 billion operating profit. The return on that figure rose from a very respectable 27% in the previous year to an extraordinary 39%. Both the branch business as well as our BRE Bank performed splendidly. The foundation of that success was high growth in the interest and commission business as well as release of loan valuation allowances in Germany.

As in Q3, a revaluation of the CDO portfolio caused a loss in **Corporates & Markets** in the fourth quarter as well. This used up nearly all the gains achieved in the first half of the year and the segment was only able to report a small positive operating profit. Fortunately, however, the segment was able to maintain trading income at a good level. This confirmed that our decision at the end of 2004 to move out of proprietary trading and focus on client-related business instead was the right one.

In **Commercial Real Estate** too, the revaluation of our RMBS portfolio pulled down the income from investments in the third and fourth quarters. Without these charges, segment income would have shown an improvement. Strong results were posted under commission surplus and interest surplus, which benefited from higher-margin business and new business in real estate financing at Eurohypo, which reached a record volume of nearly EUR 37 billion. In the second half of the year, we observed a welcome demand for credit, mainly in **Germany**. Since there are absolutely no indications of a real estate bubble in Germany, the business is a decidedly solid one.

But our problem child last year was **Public Finance and Treasury**. Income took another turn for the worse in the last quarter. The main reason for this was the Hypothekenbank in Essen, which cost the segment EUR 215 million in the final quarter and EUR 241 million for the year as a whole. Thus, the segment reported a loss of EUR 90 million for the year as a whole. This illustrates the pent-up need for strategic action at Essen Hyp as well as the glaring necessity for realignment in the public finance business.

Outlook

Looking ahead over the near term, the first weeks of this year have already shown that 2008 will not be straightforward, but instead will be a rather volatile time for banks and stock exchanges. My concern is less the subprime crisis and much more the dampened economic outlook, which limits the potential for earnings and tends to increase the potential for risk.

But I do not share this broad-brushstroke pessimism about the economy which seems to be in vogue at the moment. It is true that the US already "feels" as though it is in a recession. Otherwise, the massive interest rate cuts by the Fed would be hard to explain. But now that the interest-rate rocket has been launched, the US economy should recover by the second half of this year and return to a solid path of growth in the next year.

In Europe too, the crisis on the financial markets along with rising energy costs, higher interest rates and an expensive euro have also put the brakes on growth. However, a serious slowdown, much less a recession, appears unlikely. With GDP growth in the eurozone of just 1.75% for this year and next year, we will remain at a level which is still satisfactory. And let us not forget - the ECB has still not brought out its big guns on interest rates, which leaves it considerable latitude on monetary policy. By the second quarter, I anticipate an initial easing on that policy, since the ECB itself has made its concerns about the economy public.

Nevertheless, there is no reason to be downbeat on the economy. Following the painful restructuring process undertaken at the start of this decade, German companies today are in a better position than ever and are practically doing well thanks to adaptability and the ability to compete at the international level. They are benefiting especially from a boom in demand from Central and Eastern Europe as well as Asia.

In addition to the general **economic** impact on our business, we must also monitor changes in our **industry** carefully. After years of stagnation, the sector has become visibly active. Under pressure from the subprime crisis, the public banking sector now finds itself in the midst of a wave of consolidation which will have far-reaching consequences we could not hope to predict today. One thing, however, is certain: the cards have been reshuffled. In all major European countries there are at least two leading banks. Therefore it is important to see this consolidation as an opportunity to strengthen the German financial center and with it the German economy. Those banks with an efficient business model and a clear focus on our domestic market will be of particular significance in this connection. Commerzbank feels strategically and commercially prepared to make an active contribution to the strengthening of the German banking market. And we have shown that we can do retail and we can integrate. That is why we have always maintained that we will consider **Postbank** if it is put up for sale. In the course of the past years Postbank Management has been able to succesfully establish Postbank as a valuable trademark in the German retail banking sector.

Meanwhile, we plan to continue our **course of growth**. We still see promising opportunities particularly in central and eastern Europe. However, patience is the first prerequisite for doing business there. To get the necessary regulatory approvals takes months, and requires enormous bureaucratic effort at the same time. We are finding this out first hand at the moment in the Ukraine with **Bank Forum**, whose majority acquisition we announced in last September. However, we are now confident of being able to wrap things up soon and finally close the deal.

Other regions with high potential for growth include the Middle East, where we are now represented with our own branch in Dubai, as well as a series of emerging markets in Asia, South America and in Africa, the "continent of opportunity". For that reason, we have opened up representative offices in Addis Abeba and Lagos as well as Baku and Panama City. We plan to open additional branches this year in China, in Tianjing.

However, the focus of our expansion remains **Germany**, particularly for the **Private and Business Clients** segment. We intend to trounce the competition with the high quality of our advisory services, client-oriented solutions and appealing products such as the free current account, the perennial issue of Saturday opening hours or our recently introduced construction financing with guaranteed seller protection. Our success until now shows we are on the right track. Since autumn 2006 we had a net gain of 400,000 clients through the branch business and through comdirect bank. With 5.5 million private clients in Germany, we are one of the top players in this market. Our plans call for additional growth to over 6 million clients, by the end of 2009.

Strong growth is also our watchword in **Poland**. Our BRE Bank there, along with its direct bank subsidiary mBank grew their client base in 2007 by 400,000 clients, a gain of one-quarter – a fantastic result. Originally a bank purely for the mid-sized business sector, the bank now has some 2 million private clients and intends to increase this number substantially. On rolling out the proven mBank business model in the Czech Republic and Slovakia, a gain of about 260,000 new clients is expected.

We will be bundling our activities in **Asset Management** under the umbrella of **cominvest** following the sale of units in the UK, France and Japan. In doing so, we will pay special attention to putting our Alpha growth program into practice.

Since the start of Alpha in May 2006, assets under management at cominvest have increased by about EUR 10 billion to EUR 63 billion. More than half of this amount is new money. One particularly welcome bit of news: In 2007, we achieved a positive inflow of cash in retail funds for the first time in years. For the end of this year, our target is to have well over EUR 70 billion in assets under management. That would put us well on our way to having EUR 100 billion by 2011.

Meanwhile, our **Mittelstandsbank** continues to hold great promise in terms of growth. Since the start of our "Move to the Top" growth initiative in 2004, we have gained 15,000 clients. If we include our small business clients, then altogether we advise a group of 560,000 corporate clients.

We aim to consolidate and expand this substantial market penetration, by demonstrating reliability and long-term partnership, major capacity for innovation, industry expertise and adherence to processes. But those are not just buzzwords from the Marketing Department's toolbox. To the contrary: independent surveys show we enjoy a level of customer satisfaction far above the industry average, at 80%. In most surveys carried out by magazines or associations, we are usually at the top of the list. This was confirmed again very recently in the bank rating carried out by the ASU, the German Association of Independent Entrepreneurs, and other top rankings will follow.

Partnership and reliability are two qualities demonstrated most clearly when it comes to the **willingness to extend credit.** We increased our loans to the mid-sized business sector by a hefty 12%. Most of this expansion took place in the second half of the year.

One of the **product innovations** we are working on at present is a mid- to long-term loan with a variable interest rate. However, it is not variable in terms of the market interest rate but in terms of the credit standing of the client, which is assessed at regular intervals. The formula is simple: better credit standing equals lower interest charges.

Furthermore, starting in April, we will take a leading role in Germany and offer credit with guaranteed **protection for the seller** in the mid-sized business sector, too. Last but not least, we have invested EUR 50 million as original capitalization into a new **private equity fund** which we put together with the expert assistance of Pinova Capital. This fund puts equity into mid-sized companies and has a target volume of EUR 150 million.

In view of the positive outlook for the German mid-sized corporate sector, we all have good reason to stay optimistic about our business. In 2008, we are expecting another high operating profit of more than EUR 1 billion.

The **Corporates & Markets** division had an excellent start into 2008 and plans to continue its client-oriented strategy this year. Particularly for institutional clients, we still see a great deal of potential. In our private client business, we aim to consolidate our number one position in structured products such as certificates. We expect that the segment will contribute considerably to the results of the bank in the present year.

Cautious optimism about the future is an attitude shared by **Commercial Real Estate**. We view the crisis on the financial markets, with its attendant "flight to quality", as more opportunity than threat. We are confident that Eurohypo, a major European real estate and public finance bank, will emerge stronger from the current adjustment process. The division is expected to achieve again good profitability in this year.

In the **Public Finance and Treasury** division, we have set ourselves high targets, and intend to be among the top two providers in Europe in the future. Despite additional costs arising from the integration of Essen Hyp into Eurohypo, we expect a balanced income picture for this year. For 2010, we believe chances are good that we will be able to achieve our original goal of an operating profit of EUR 250 to 300 million.

In summary: Commerzbank

- increased its consolidated surplus in 2007 by 20% to a new record level.
- demonstrated the consistency of its strategic direction on the basis of these figures.
- disclosed the extent of its commitment in subprime issues early on and made value allowances for these in line with market performance.
- maintains a comfortable capital base and an excellent liquidity position.
- on the basis of good results achieved in 2007, proposes a significantly higher dividend of EUR 1 per share.

After getting off to a good start we are confident for 2008. If we are spared significant negative surprises, we will again be able to reach our good 2007 results. If markets allow, we can even exceed these results.

I am confident that the young, motivated Board team here next to me, under the future direction of Martin Blessing, will not only live up to the full expectations of our clients, shareholders and employees in this Olympic year, but will be able to lead the Bank on to even greater achievements through new ideas in the years to come. It remains both our goal and our challenge to make Commerzbank the absolute number one on the German banking market.