

Investors' Day

Development of Retail Banking

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Member of the Board of Managing Directors

Frankfurt, September 4, 2002

Agenda

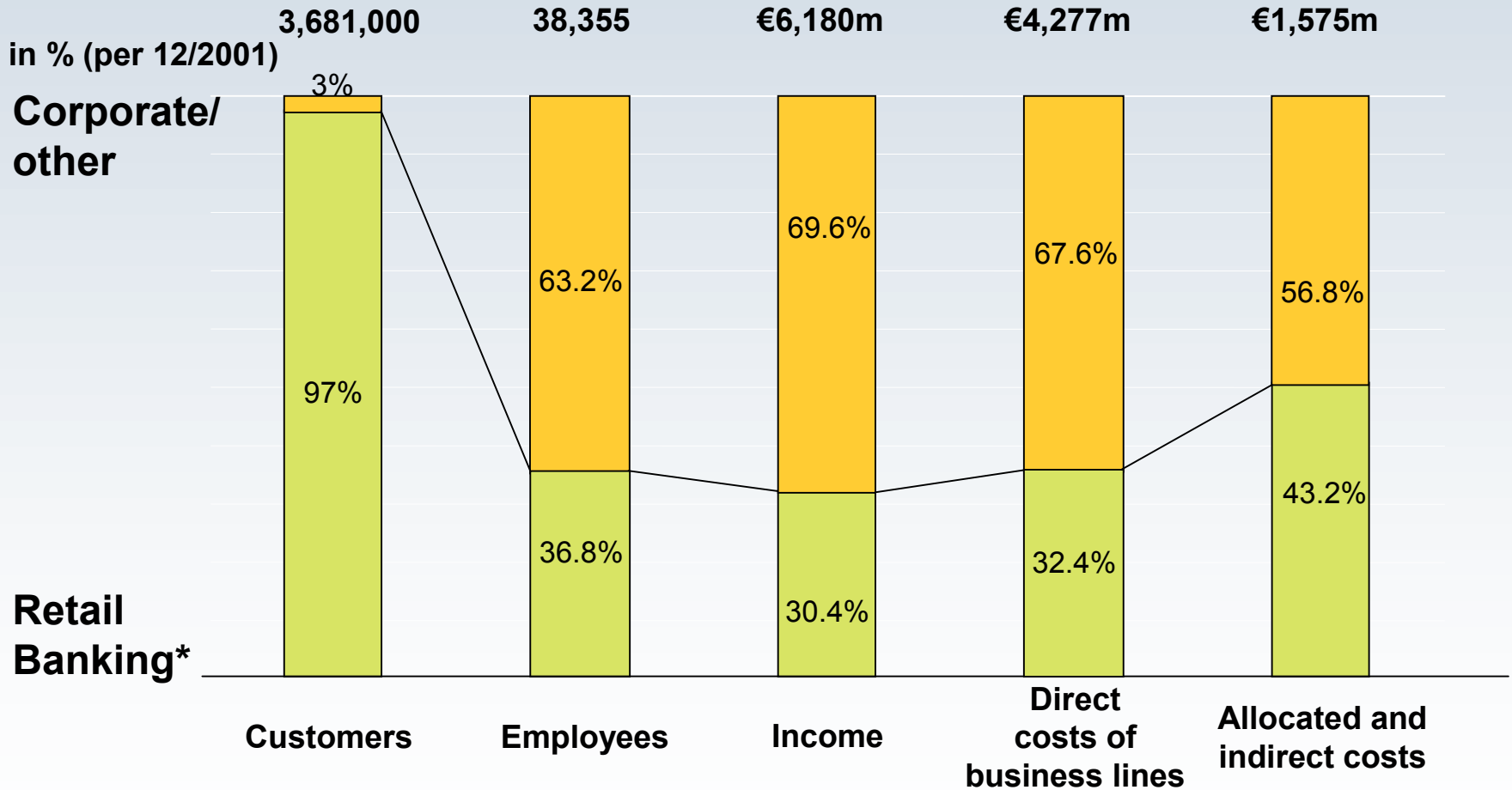
Starting point – the market

Starting point – results

Measures adopted so far

Future measures

Retail business is an important component of Commerzbank Group



Commerzbank has above-average position in interesting market segments

2001	Segment spread € in PFA	Cus- tomers in millions	Per customer				Total profit- pool Pre-tax./COC) in € bn	Commerz- bank market share in %
			Assets in €1,000	Income in €	Profit in €	CIR in %		
Mass retail	< 50,000	68.6	19	368	3	99	0.3	3
Lower affluent	50,000 -100,000	3.6	64	821	251	69	1.2	6
Affluent	0.1m- 0.5m	9.4	120	1,149	498	57	6.5	6
Upper affluent	0.5m - 1.25m	0.4	684	4,897	2,426	50	1.2	4
HNWI	>1.25m	0.1	2,079	11,596	6,081	48	1.4	3
Total/ average		82.1	38.2	481	90	81	10.6	

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Starting point – results

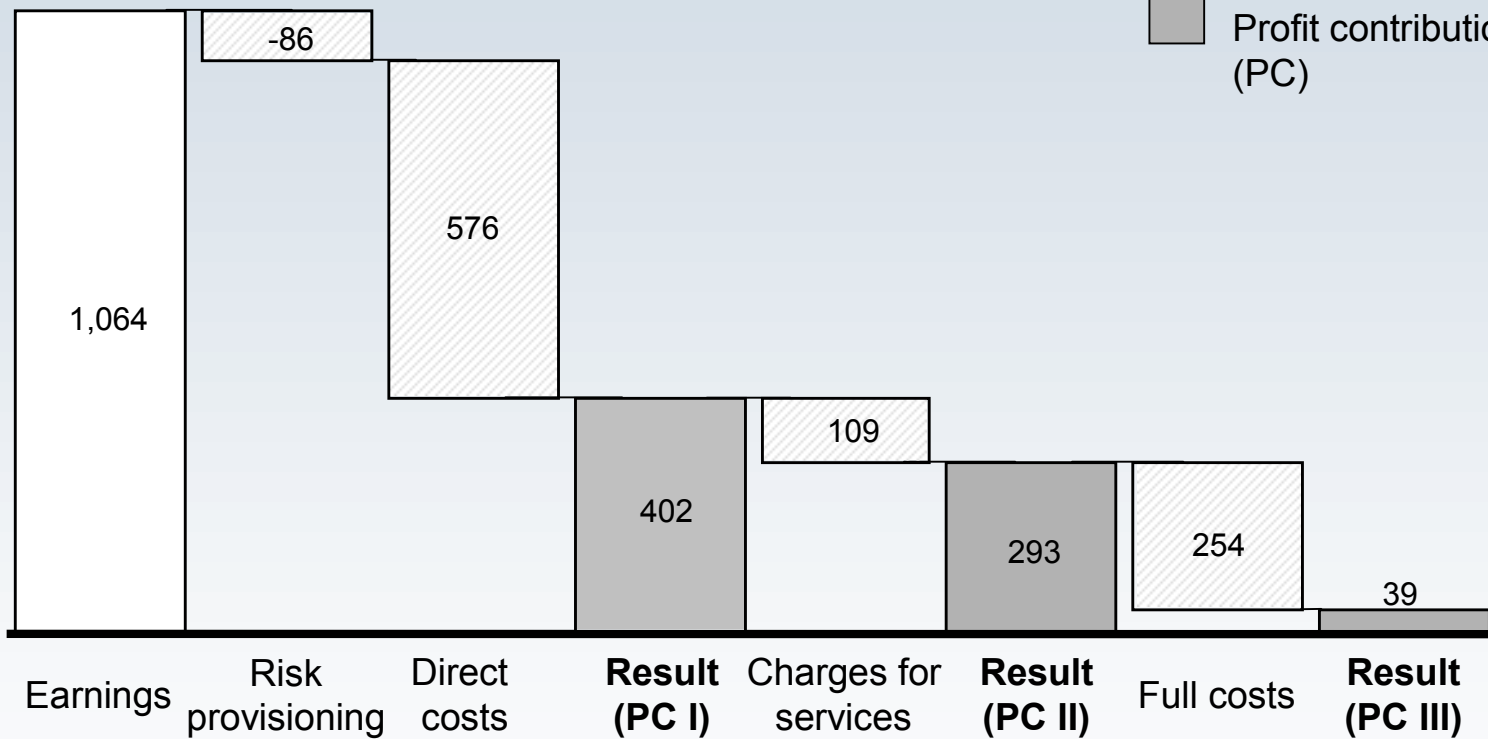
Measures adopted so far

Future measures

Positive profit contribution III from Retail Banking in 1st half 2002

in € million

- Earnings
- Costs
- Profit contribution (PC)

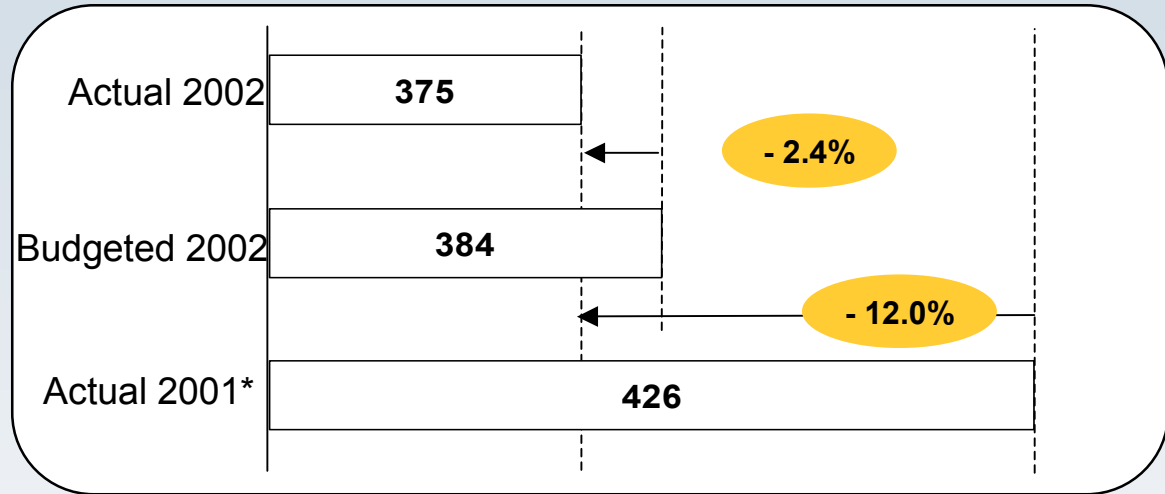


1st half 2001	1.043	- 62	680	301	113	188	238	- 50
Change	+ 2%	+ 39%	- 15%	+ 34%	- 3%	+ 56%	+ 7%	-

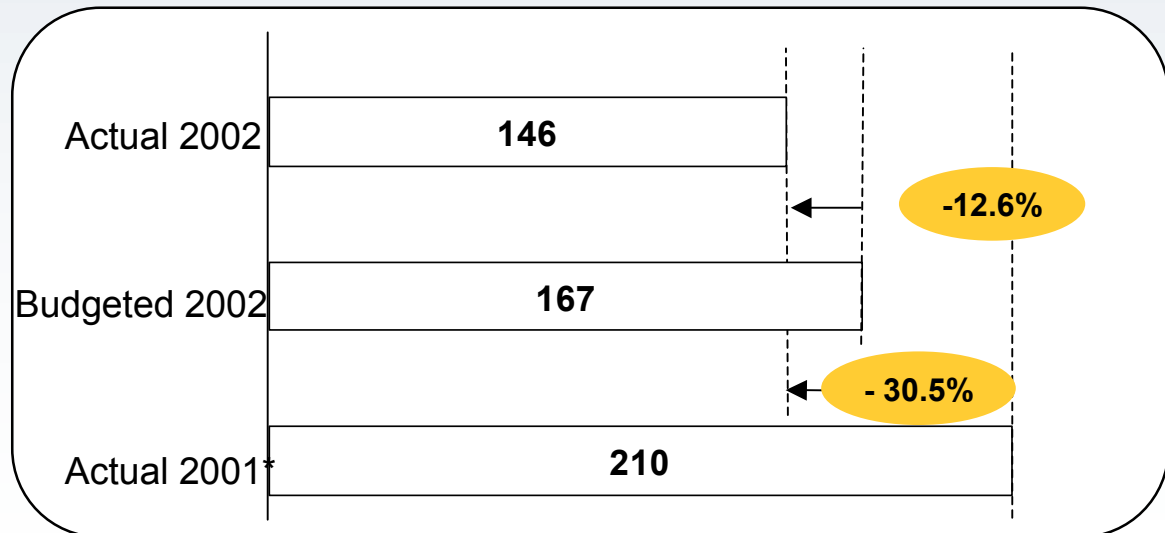
Personnel expenses below budget, lower-than-budgeted other operating expenses cannot be projected into future

in € million
end-June 2002

Personnel expenses



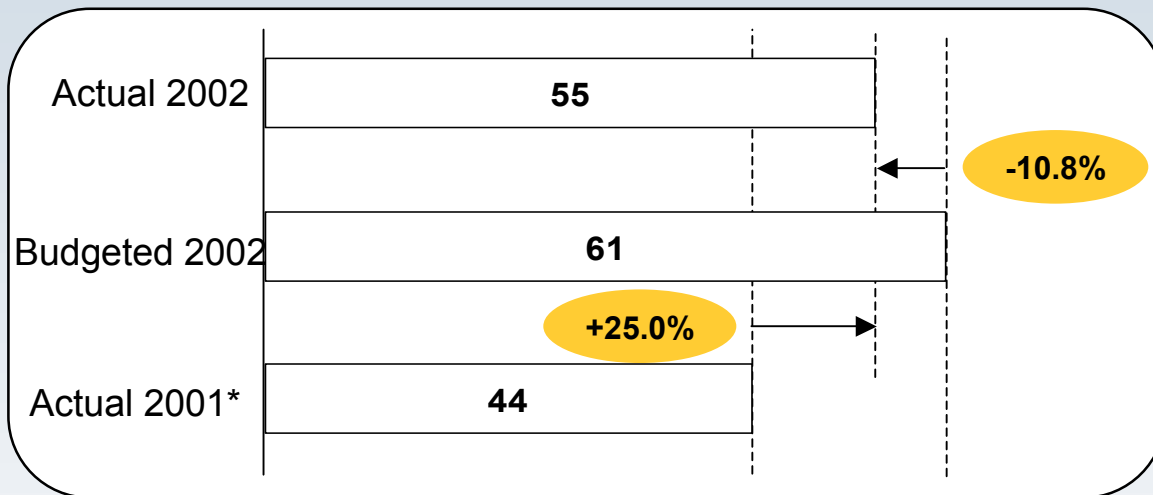
Other operating expenses



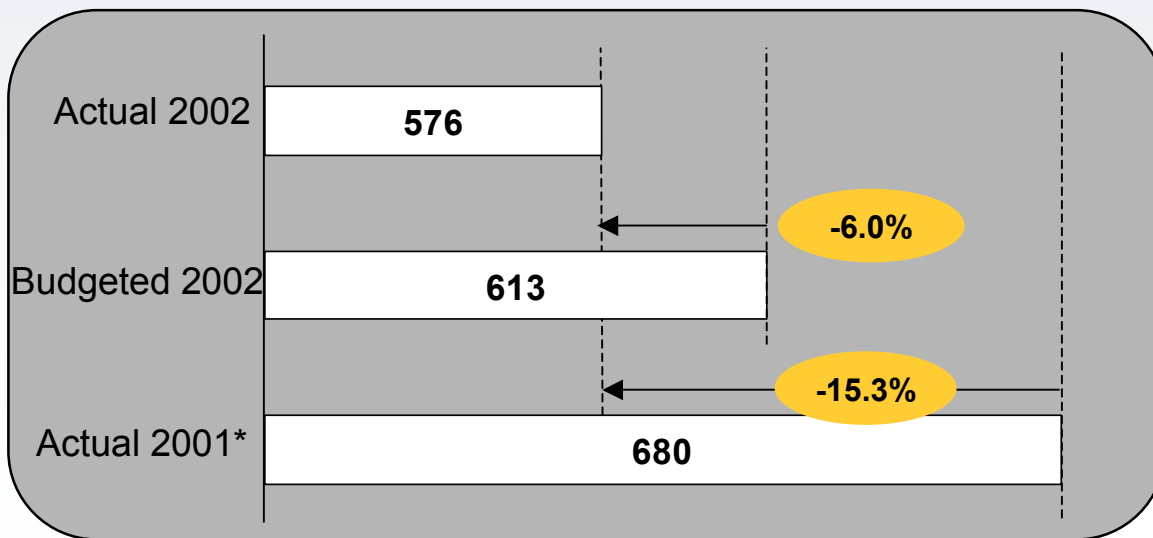
Direct administrative expenses 6% below budget; lower-than-budgeted depreciation cannot be projected into future

in € million
end-June 2002

Wear and tear depreciation



Total (Direct administrative expenses)



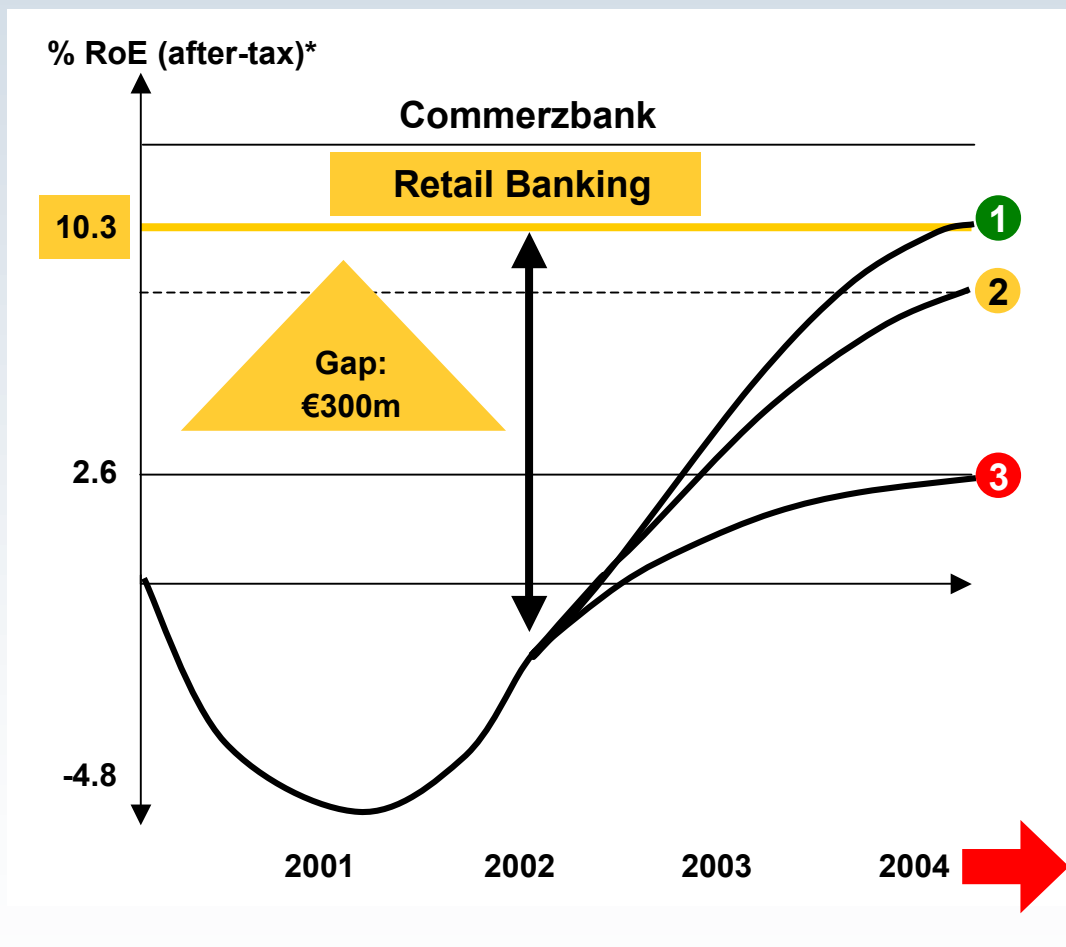
A positive result is emerging for 2002 in Retail Banking

in € million

	2001				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Earnings before provisioning	527	516	513	468	535	529	-	-
Risk provisioning	-31	-31	-11	-72	-33	-53	-	-
Administrative expenses	507	524	514	519	485	454	-	-
Pre-tax profit	-11	-39	-12	-123	17	22	-	-

Quarterly results improved in a year-on-year comparison

CB 21 and cost-cutting offensive (CO) are having an impact, but are not enough to reach target of 10.3% for RoE in Retail Banking



- 1 Planning with Play-to-Win, CB 21 and CO
- 2 Planning with CB 21 and CO
- 3 Planning without CB 21, CO and Play-to-Win programme

- ◆ Loss in 2001 of €80m
- ◆ After-tax RoE target of 10.3% missed by €300m in 2002
- ◆ Despite CB21 and cost-cutting offensive probably no black figures in 2002 and RoE target not achieved in 2004

◆ Play-to-Win target of €280m (after-tax RoE of 10.3%) achievable in 2004

*without comdirect

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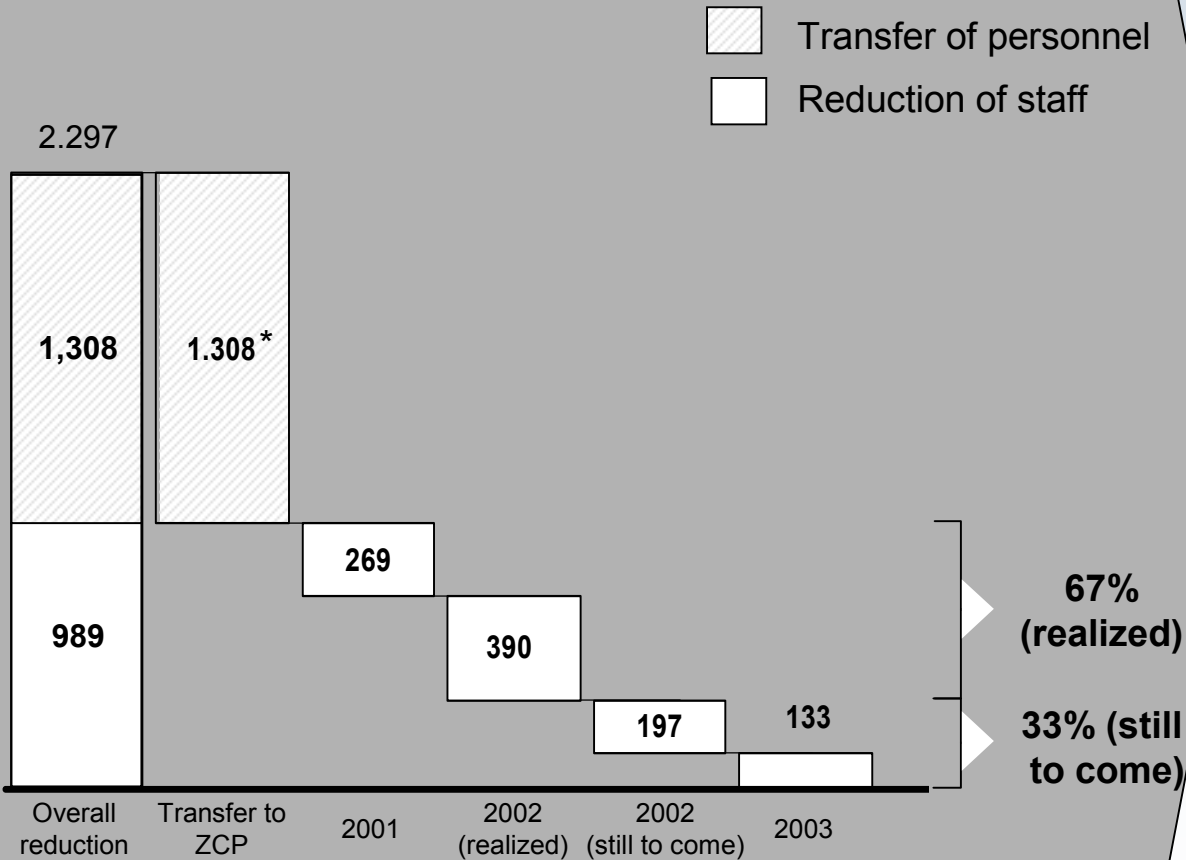
Starting point – results

Measures adopted so far

Future measures

67% of planned staff reductions under cost-cutting offensive realized, fully in line with plan

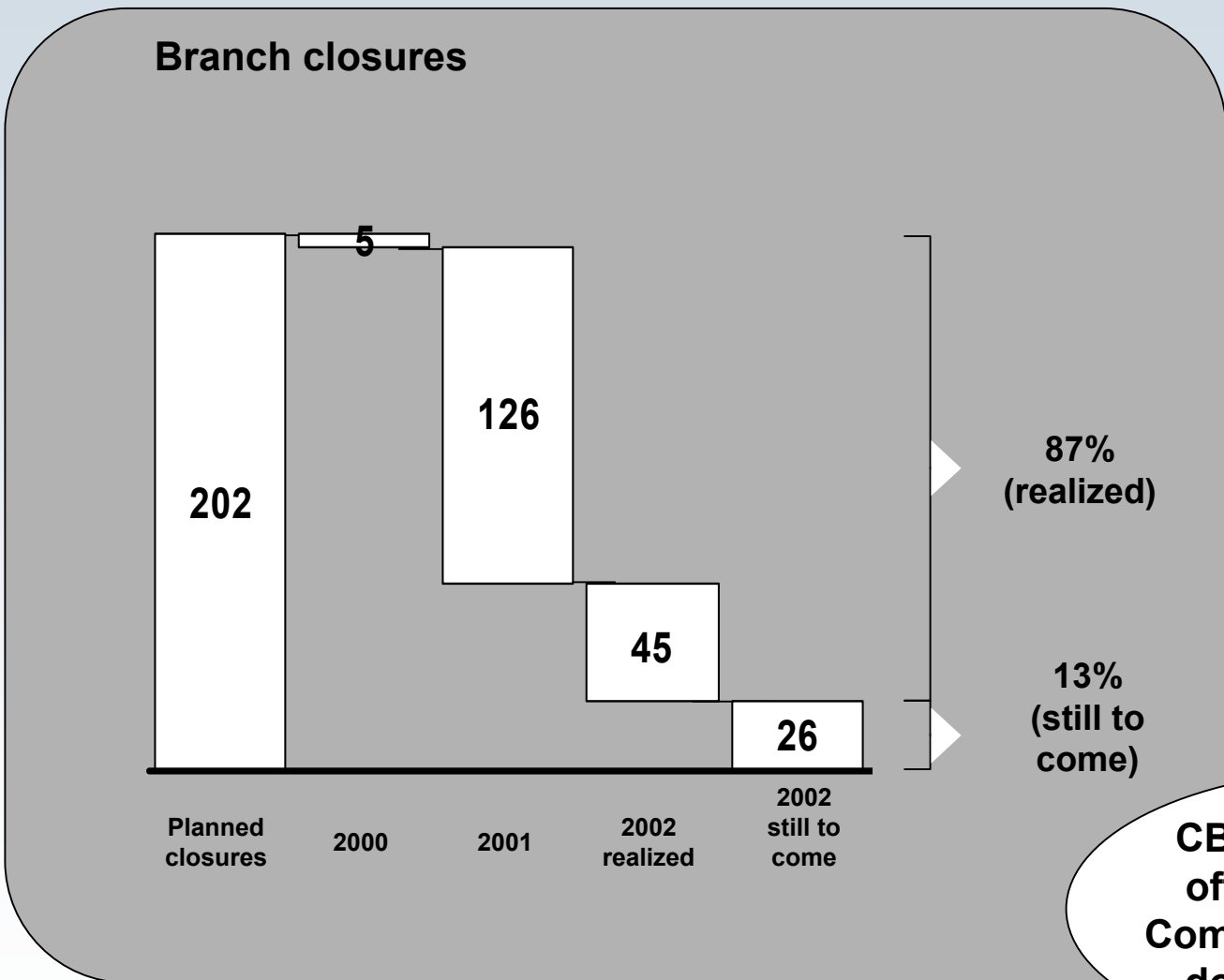
Staff reductions at branches



- ◆ Transfer of 1,308 employees to a separate department, Credit Operations Private Customers, in order to farm out credit processing
- ◆ Shedding of another 900 staff as part of the Play-to-Win programme

*Transfer to ZCP

87% of planned branch closures already realized



CB21 and cost-cutting offensive will leave Commerzbank with 727 domestic branches

Adopted restructuring measures are having an impact and are securing comdirect's future

Key figures

	<u>Q 4 2001</u>	<u>Q 1 2002</u>	<u>Q 2 2002</u>
Number of customers	649,000	647,000	630,000
No. of orders in 1,000	1,700	1,400	1,200
Total assets under custody in € million	9,000	9,300	7,800
Profit/loss for the period in € million	-114*	-2	2

Year-on-year, administrative expenses declined from €48m to €39m in Q1 and €33m in Q2

Additional measures

- ◆ **Analysis of potential synergies within Commerzbank Group**
- ◆ **Further head-count reduction of 300 (-32%) by 2004**
- ◆ **Reduction of operating expenses and depreciation of 21% and 38% respectively by 2004**
- ◆ **Price increases and other revenue measures to raise top line by €20m in 2004**
- ◆ **Overall plan to achieve profit target of €50m by 2004**

*of which € 98m in restructuring costs

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Future measures

Future competitiveness has to be ensured

**Future
competitiveness
in retail business**

Our mission:

**We aim to be the
best choice for
affluent customers
and high net-worth
individuals**

Our goals:

**Profitability
and growth**

**Market
orientation**

Competitiveness

**Performance
orientation**

Play-to-Win programme launches measures to ensure future competitiveness in private-customer segment

Future competitiveness

Market orientation

Competitiveness

Performance orientation

Customer management

Cost management

Distribution management

Bank agency

Quick wins processes

Business-client strategy

Pricing strategy

Building finance

Customer support model

The key measures of the Play-to-Win programme

Future competitiveness

Customer management	Activation of customers, attracting interested parties and ensuring continuing loyalty of less committed customers
Bank agency	Development of a new type of branch to ensure broad national presence over longer term and creation of growth options
Business-client strategy	Sectorally-oriented target-group strategy for optimal exploitation of highly attractive business-customer segment
Pricing strategy	Identification and exploitation of existing pricing scope as part of overall pricing strategy
Building finance	Overhaul and optimization of building-finance business that is passed on
Cost management	Optimization of direct and indirect costs
Quick wins processes	Elimination of inefficient processes in distribution
Distribution management	Development of a comprehensive and state-of-the-art model for managing all the units of private-customer business
Customer support model	



Even after cost-cutting offensive, over-capacity of 800-900 full-time personnel

Competitive distribution structure

- Identification of over-capacities on basis of internal and external comparisons:
 - Thorough study of all advisory functions except for credit specialists
 - Over-capacity mainly in large branches
- New organization of sales support

"Bank agency" as new platform for broad coverage

- Concept for preserving nationwide coverage; if successful, possible expansion model
- Pilot project for branch with no cashiers, only counselling; self-service techniques used
- To be adopted only if pilot phase proves to be a success

Rough concept

Over-capacity full-time staff

660-760

approx. 140

Total

800-900

Competitiveness can also be achieved by disinvestment and lay-offs

Alternatives	Key features	Market orienta.	Competitiveness	Perform. orienta.
Investment in excess of potential growth	<ul style="list-style-type: none"> • Investment in customer and earnings growth not sensible without training and coaching • Unreasonably great risk for Commerzbank 	-	-	0
Disinvestment through lay-offs	<ul style="list-style-type: none"> • Reduction of over-capacity through lay-offs by end-2003 	-	+	0
Reinvestment in sales force	<ul style="list-style-type: none"> • Reduction of over-capacity by adjusting the time worked • Reinvestment in sales force 			

Veto of staff representatives

Strategic positioning

The 10 answers at a glance

Customer groups

- 1. Customer focus?** Our “cash cow” is the affluent segment (IK)
- 2. Abandon “mass retail”?** No, needed to use capacity of sales network, for economies of scale in production, and also new generation of customers
- 3. Significance of private banking** Attractive segment with good growth prospects, but not large enough for customer focus
- 4. Significance of corporate customers** Attractive segment, insofar as the need to invest exists, straight lending/payments only for selected segments
- 5. Description of target segments** “Modern performance elite” as core target group; alongside growth strategies for private banking (“established” people) and direct banking (“experimentalists”)

Strategic positioning

The 10 answers at a glance

Regional markets

- 6. Nationwide coverage
To a limited extent. Locations not reaching critical size to be abandoned or reduced to basic products, counselling on a remote basis
- 7. Foreign strategy
Opportunistic in locations where we already have sufficient potential (e.g. Luxembourg)

Range of services

- 8. Focus of services
Innovation/development of counselling services (especially for investment), efficiency in distribution and handling of services (reduction/standardization)
- 9. Services offered on a target segment basis
Traditional products primarily for Mass Retail, gold and platinum range for Affluent and HNWI

Distribution channels

- 10. Channel strategy
Integrated multi-channel access; centres of competence formed within Group; comdirect used for online services; advisory packages for comdirect customers as well at branches

Summing up

- ▶ **Private customer business has always been a core business of Commerzbank**
- ▶ **Play-to-Win programme has been launched and is starting to have impact**
- ▶ **At the same time, a clear positioning geared to the future is being worked out**