

*Investors' Day*

***Investment Banking***

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*Member of the Board of Managing Directors*

*Frankfurt, September 4, 2002*

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# *Investment Banking strategy*

- **Phase I 1997-1999**

To establish a fully integrated, profitable Equities business, in a controlled environment

- **Phase II 2000-2002**

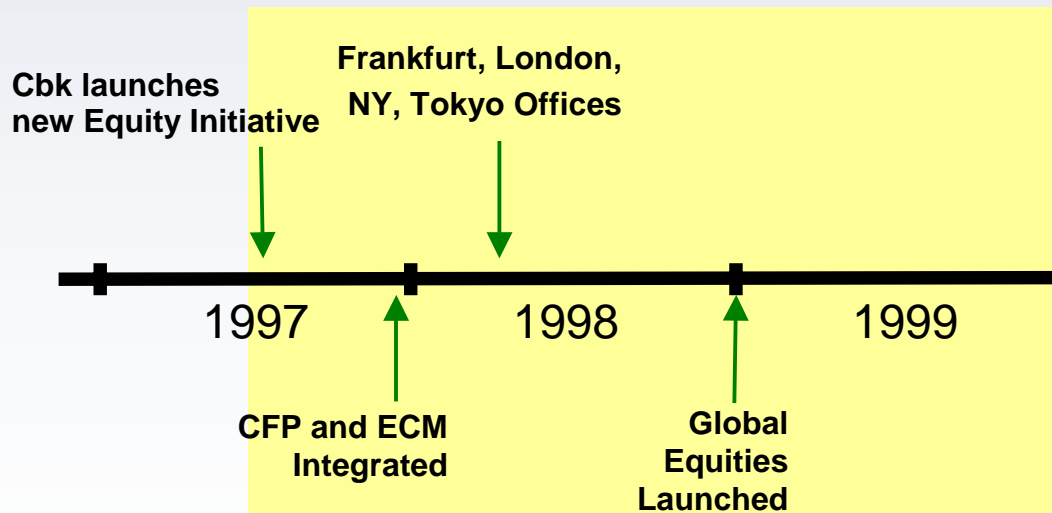
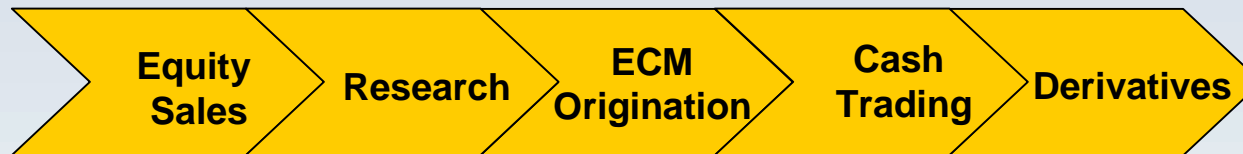
To establish a fully integrated Securities platform, and launch an advisory business

- **Phase III 2002-**

To establish a differentiated franchise integrating Commerzbank's Corporate, Retail and Investment Banking strengths

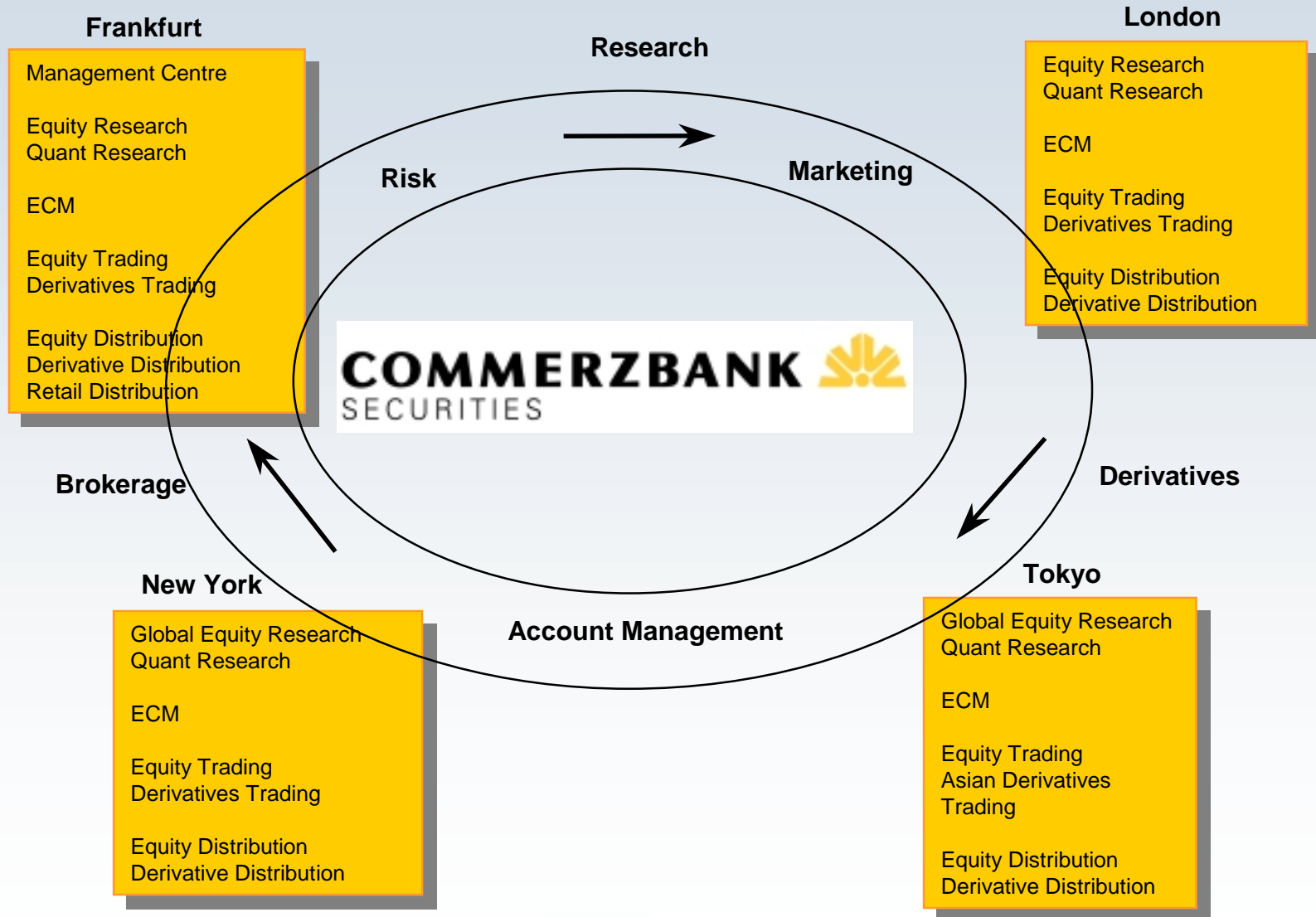
# Phase I 1997-1999

To establish a fully integrated, profitable Equities business, in a controlled environment



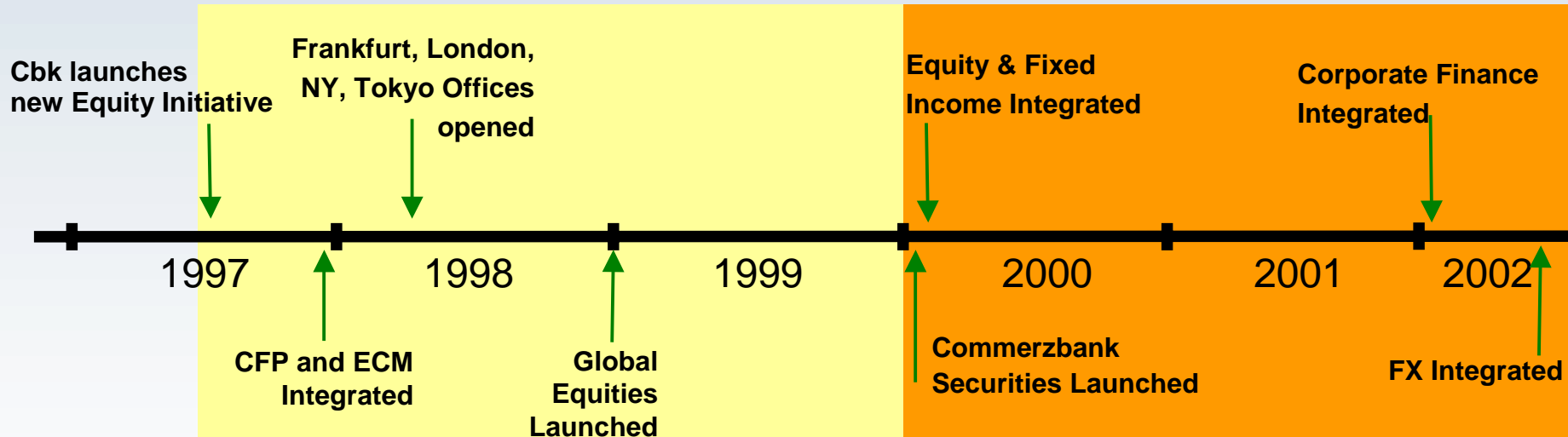
- CFP integrated
- ECM integrated
- Emerging markets integrated
- Regional activities integrated

# Phase I 1997-1999



# Phase II: 2000-2002

To establish a fully integrated Securities platform



- Integration of businesses to provide multi-asset Securities platform research, origination, trading, distribution
- Integrating FX, short-end rates, local markets

# League Table performance

## IPOs on European Exchanges 2000-2001, Bookrunner and joint lead, number of deals

- 1 Credit Suisse First Boston
- 2 Deutsche Bank
- 3 **Commerzbank Securities**
- 4 Goldman Sachs & Co
- 5 Morgan Stanley
- 6 Salomon Smith Barney
- 7 DZ Bank AG
- 8 HypoVereinsbank
- 9 ABN AMRO
- 10 UBS Warburg

Source: Capital Data

## All Euro-denominated German Corporate Bonds 2000-2001, Bookrunner, ranked by value

- 1 Deutsche Bank
- 2 JP Morgan
- 3 Merrill Lynch & Co
- 4 **Commerzbank Securities**
- 5 Morgan Stanley
- 6 Dresdner Kleinwort W'stein
- 7 BNP Paribas
- 8 Salomon Smith Barney
- 9 Goldman Sachs & Co
- 10 Societe Generale

Source: Capital Data

## Neuer Markt IPOs 2000-2001, Bookrunner and joint lead, ranked by value

- 1 **Commerzbank Securities**
- 2 Dresdner Kleinwort W'stein
- 3 DZ Bank AG
- 4 Goldman Sachs & Co
- 5 Deutsche Bank
- 6 Morgan Stanley
- 7 HypoVereinsbank
- 8 Westdeutsche Landesbank
- 9 Salomon Smith Barney
- 10 UBS Warburg

Source: Capital Data

## All Jumbo Pfandbriefe 2001, Bookrunner, ranked by value

- 1 **Commerzbank Securities**
- 2 DrKW
- 3 Deutsche Bank
- 4 HypoVereinsbank
- 5 CDC IXIS
- 6 Barclays Capital
- 7 Citigroup/SSSB
- 8 DZ Bank
- 9 Goldman Sachs
- 10 Credit Agricole

Source: IFR

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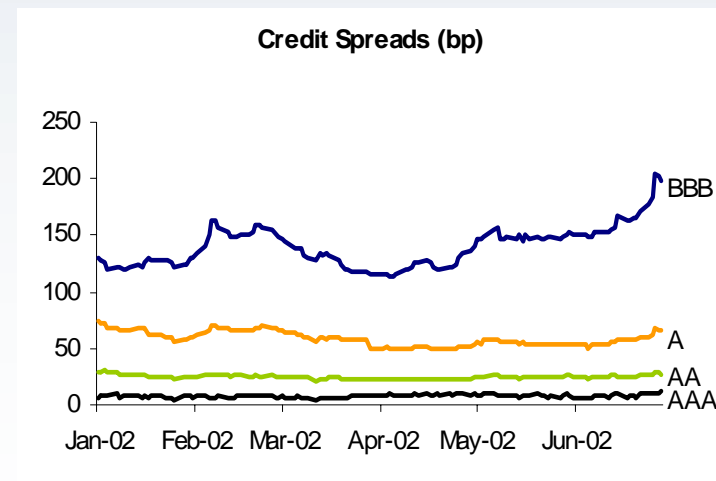
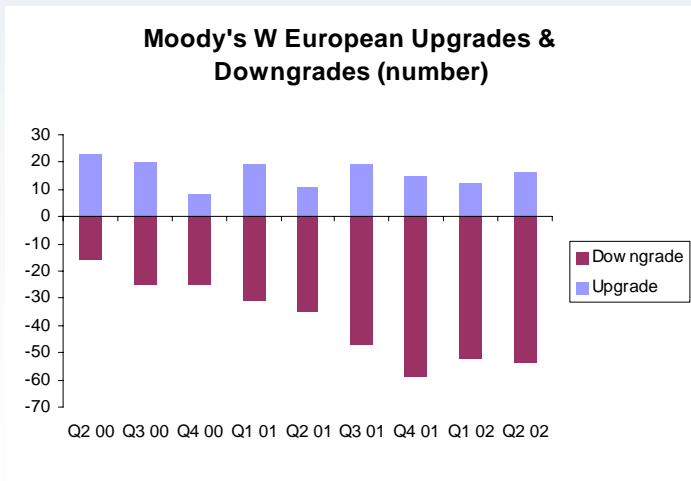
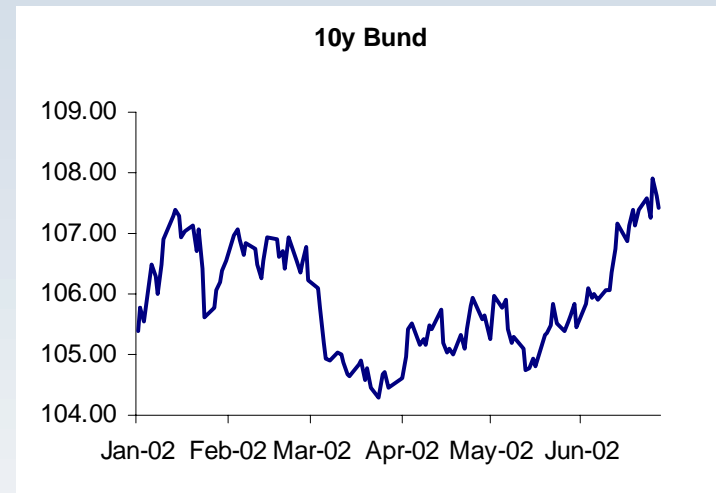
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# The market environment in H1



Source: Commerzbank Securities Research

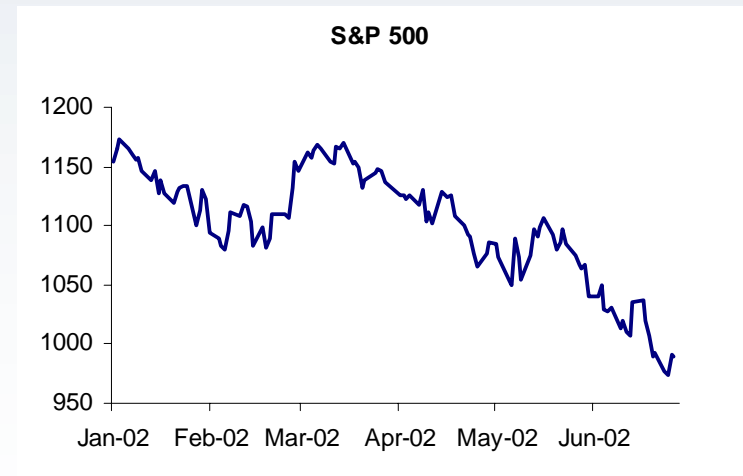
# Financials: 2002 H1

- Income 37% below 2001 H1
- Direct costs 25% below 2001 H1
- Allocated costs 95% above 2001 H1
- Allocated costs make up 39% of total costs for 2002 H1

| (EUR M)                             | 2001 H1   | 2002 H1            | change      |
|-------------------------------------|-----------|--------------------|-------------|
| Income (excl co-man.)               | 534       | <b>339</b>         | <b>-37%</b> |
| Direct Costs                        | 371       | <b>280</b>         | <b>-25%</b> |
| Alloc Costs                         | 91        | <b>177</b>         | <b>+95%</b> |
| Post-Tax Profit<br>(inc co-managed) | <u>65</u> | <u><b>(54)</b></u> |             |
| Capital                             | 1,277     | <b>1,068</b>       | <b>-16%</b> |

# Divisional analysis - Equities

- Market has not recovered
- Business has been refocused
  - Pan European Equities model adapted to meet market challenges
  - Research aligned around global core sectors
  - Japanese business re-sized; positioned to benefit from any recovery
- Cost growth curtailed & costs reduced
- Pan European commissions and net performance improved



# Research & Extel Survey

- Differentiated Research Product
  - Integrated Credit and Equity Research
  - Quantitative expertise and Risk Management analytics

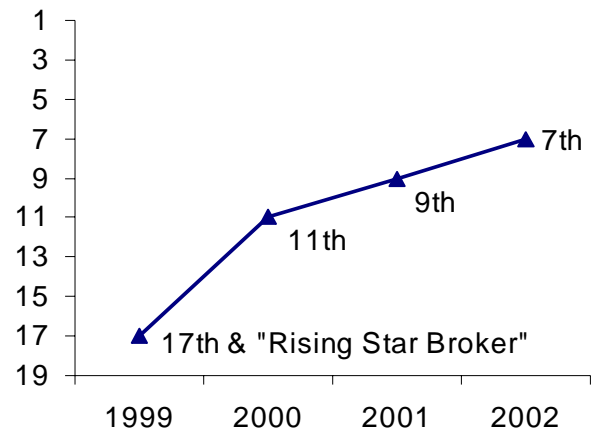
Extel Survey 2002:

Overall Pan-European Brokerage Firm

|    |                                    |
|----|------------------------------------|
| 1  | UBS Warburg                        |
| 2  | Schroder Salomon Smith Barney      |
| 3  | Deutsche Bank                      |
| 4  | CSFB                               |
| 5  | Merrill Lynch International        |
| 6  | Morgan Stanley                     |
| 7  | <b>Commerzbank Securities</b>      |
| 8  | Goldman Sachs International        |
| 9  | Dresdner Kleinwort Wasserstein     |
| 10 | ABN AMRO                           |
| 11 | JP Morgan                          |
| 12 | Lehman Brothers                    |
| 13 | HSBC Securities                    |
| 14 | Cazenove                           |
| 15 | Credit Agricole Indosuez Chevreaux |
| 16 | ING                                |
| 17 | SG Securities                      |
| 18 | Exane                              |
| 19 | WestLB Panmure                     |
| 20 | Enskilda Securities                |

\*based upon aggregation of votes in all categories

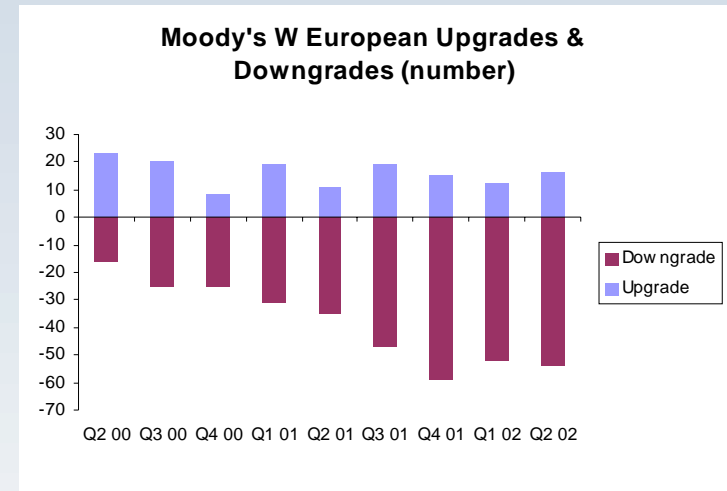
Extel 1999-2002



Recognition for our Research, Sales and Trading across Equities, Fixed Income and Derivatives

# Divisional analysis - Capital Markets

- Capital Markets restructured for the new environment
- New structure
  - Equity Product
  - Debt Product
  - Financial Sponsors
  - Sector and Country Teams
  - Capital Structuring
- Re-designed to capture anticipated opportunities in corporate restructuring



# Selected Transactions in H1 2002



## Equity Markets

Joint Lead Manager of EUR111m IPO of Astaldi - A successful issue completed in difficult market conditions



## M&A

Advised RWE on the EUR4.1bn acquisition of Transgas in the Czech Republic



## Debt Markets

Joint Bookrunner of EUR250m 10 yr bond issue for Republic of Iceland



Joint Bookrunner for Iran's debut EUR625m Eurobond issue



Arranger and Lead Manager of an EUR1bn synthetic RMBS issue for Rheinhyp



Joint Lead Manager of a EUR500m 10 yr Landesschatzanweisung for Free State of Bavaria



Joint Bookrunner of a GBP200m 10 yr issue for GKN plc



## Syndicated Loans

Completed first round syndication of the EUR830m Vaillant syndicated loan facility

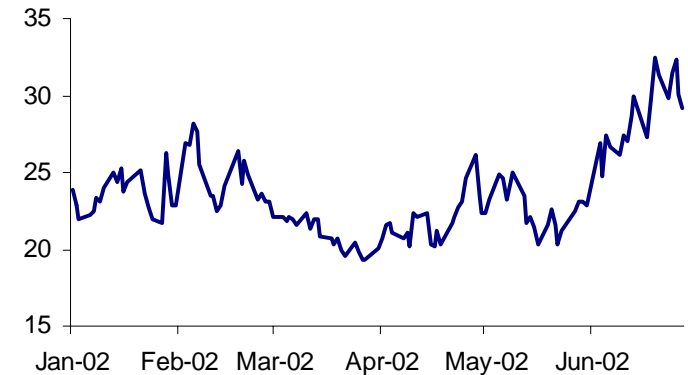


Sole Arranger EUR300m revolving credit facility for Epcos

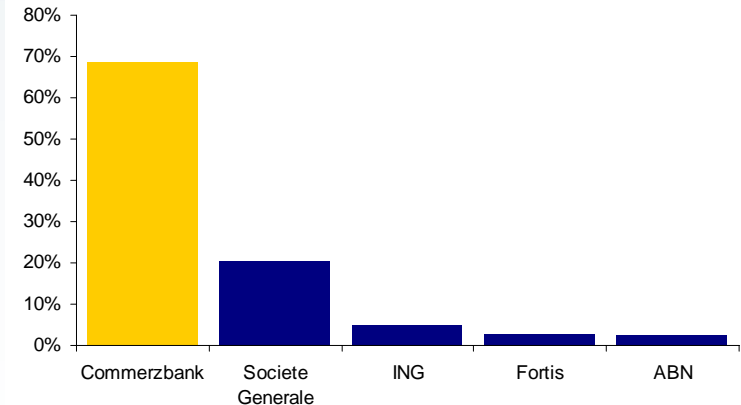
# Divisional analysis - Equity Derivatives

- Equity Derivatives market very difficult, with flow product volumes down 85% from 2000 levels
  - our market share is very strong, but overall levels very weak
- Failing investor confidence in equity markets
- Risk platform fully integrated

CBOE S&P100 Volatility Index

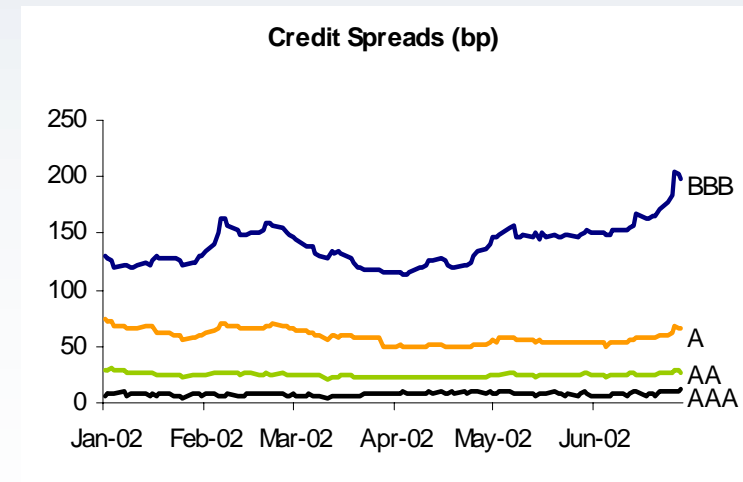
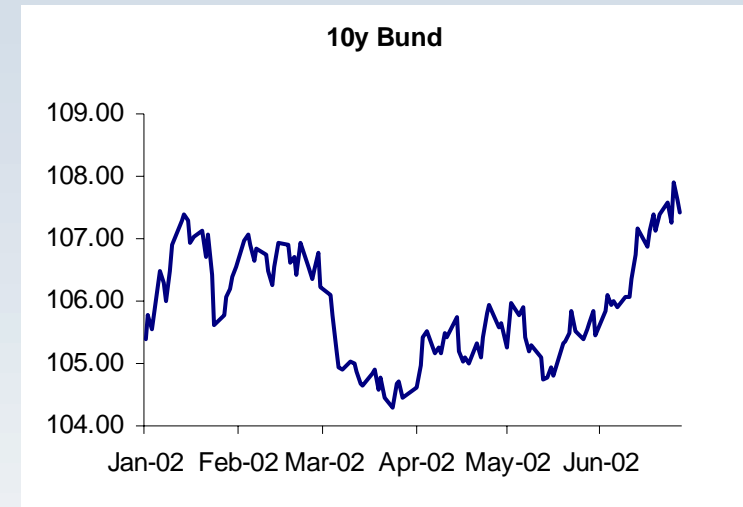


Amsterdam warrant market share, July 2002



# Divisional analysis - Fixed Income

- Interest rate markets volatile, responding to equity market
- Difficult credit markets
  - accounting revelations producing many problem corporates
- Strong overall performance in H1





## ***New businesses integrated from June 2002***

- Short-term interest rates integrated with existing rates business
- Local Market activities integrated into Credit business
- Commerz Futures Chicago integrated into global Derivatives business
- Foreign Exchange integrated into ComSec
- Credit and Equity Research integrated
- Fully integrated, multi-product sales force established
- Fully integrated risk platform

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# Investment Banking Strategy

To be a leading provider of high quality risk intermediation for our clients

Sovereigns  
Supranationals  
Corporates

Major Investing Institutions  
Hedge Funds  
Retail

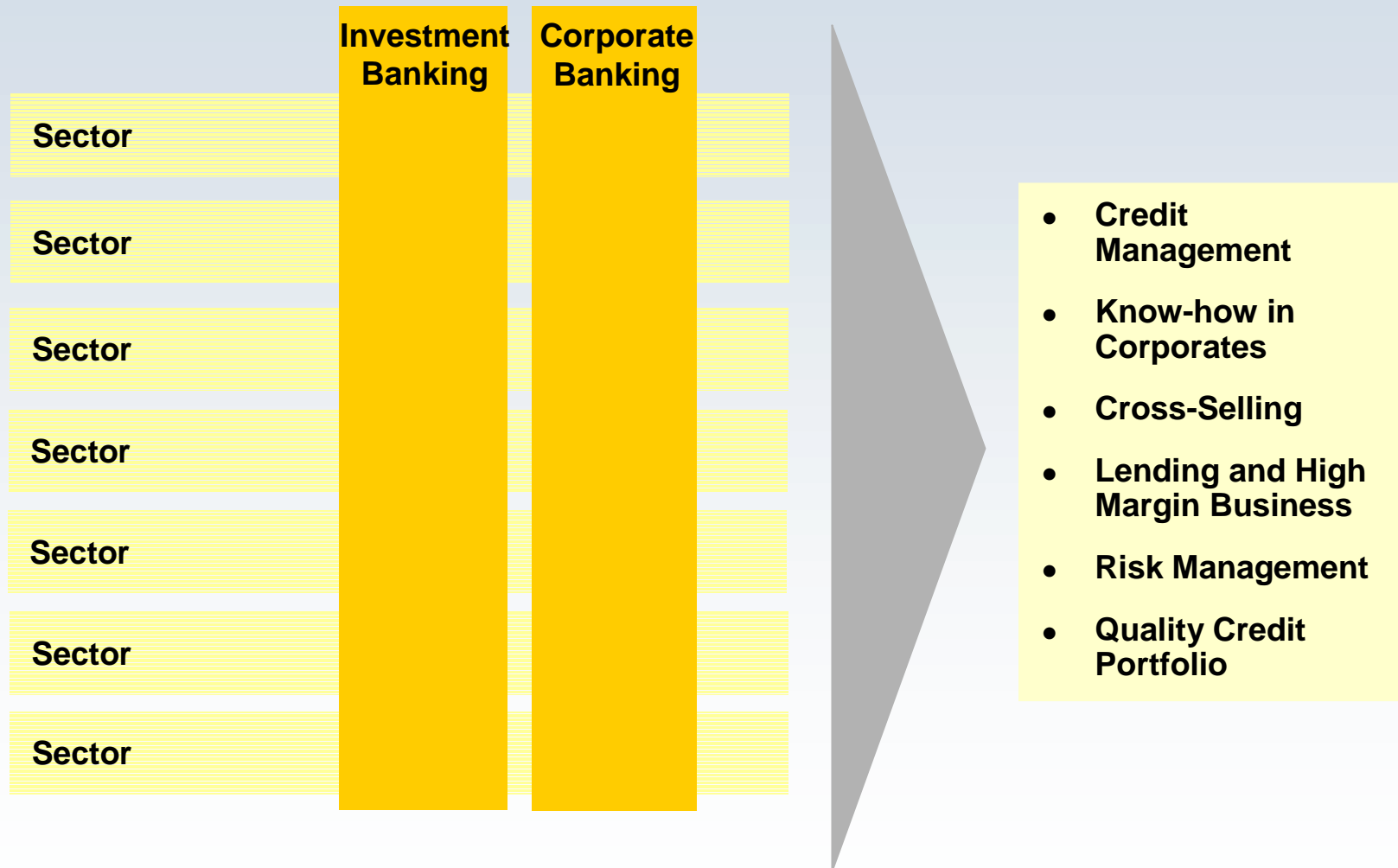
- leveraging corporate relationships
- innovation in product, research and use of technology
- attracting, developing and retaining the best staff in the industry

## Corporate Risk and Capital Structure

# ***Corporate and Investment Banking***

- ◆ Corporate clients need both Corporate Banking and Investment Banking services
- ◆ Our strategy is to enhance value through a deep understanding of corporate risk and capital structure
- ◆ Increasing use of securitisation, derivatives
- ◆ Blurring of lines between lending and credit trading
- ◆ Managing relationships with both corporates and investors
- ◆ Focusing capital and credit resources to support this strategy

# Corporate and Investment Banking



# Challenges

- Developments in the financial environment
  - German financial environment
  - Broader market backdrop
    - equity recovery?
    - bond markets?
    - asset-backed markets?
    - corporate restructuring?
- Internal Issues
  - Human resources
  - Alignment between divisions
  - Cost-efficiency

## ***Conclusion***

- Corporate and Investment Banking coming together
- We have a unique business platform
  - A leading provider of risk intermediation
  - Corporate structuring and restructuring
  - Integration across asset classes
- Strong Retail distribution
- Stable management team
- Able to compete and win