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Remarks as prepared for delivery

Ladies and gentlemen,

Welcome to this year's analyst conference on Commerzbank's 2001 results, which we are once again presenting live on the internet as well. The fact that many research houses are among those who prefer this form of virtual participation indicates that Commerzbank is not the only company that has tightened its budget.

The difficult banking year of 2001 also hit Commerzbank hard. Especially because our planning and expectations were based on the record results of 2000. Our optimism soon proved to be misguided. But I want to stress here that Commerzbank is not just a fair-weather bank, unable to cope with a spell of bad weather.

Moreover, I also doubt that the German banking system as a whole is in serious crisis.

It is certainly true that the opportunities for earning money in basic banking activities have seriously deteriorated. And we have a profitability problem. There is no standard cure for the situation, but there are at least effective response mechanisms. And Commerzbank has taken action accordingly. The measures we implemented under the CB 21 program as well as the cost-cutting offensive were outlined to you last year.

The first positive effects of the cost-cutting offensive were already realized in the final quarter of last year. In the current year, we will reduce our overall operating expenses to their 2000 level. These efforts go hand in hand with an offensive to boost earnings.

The strategic goals formulated in CB 21 remain valid; however, we had to adjust the numbers to the changed environment and have re-calculated our goals. Not only have we made various organizational changes, we have also pared down our branch network to a current 796 offices. By the end of this year, we will have reduced our network to 727 branches.

We have also sold comdirect's operations in France and are closing comdirect in Italy. In IT, we have been successful at renegotiating maintenance contracts and licence agreements. Supplementary to our regular credit reviews, we have implemented a thorough check-up of our entire loan portfolio in order to identify acute as well as latent risks. In 2002, the pricing offensive which has been implemented should produce results from Corporate and Retail Banking in the two-digit million euro range.

In Corporate Banking, our emphasis is on clear, risk-oriented pricing.

All in all, we expect sinking costs and rising earnings to have a positive effect on our results this year. However, this will be smaller than originally planned in the CB 21 project. Unfortunately, this is likely to be the case over the next year as well.

The reason for this more subdued prognosis is that we do not foresee a major easing of the current situation through an improvement in economic performance or more bullish financial markets. Both would be very welcome, but we need to position ourselves so that we can operate successfully in a weaker environment as well. That is why we are pushing forward our efforts to reshape the Commerzbank Group as a lean, flexible and modern provider of financial services in the heart of Europe.

Underlining our confidence that we can return to our old earnings power, we have decided to propose payment to our shareholders of a halved dividend of €0.40 per share. We believe that this dividend rate is justified because most of our private shareholders remained loyal to us even when our share price fell sharply. Moreover, the Commerzbank share has traditionally offered an attractive return, and this has certainly been a frequent investment argument.

A sum of €217m is required for the dividend payment. This can be paid out of the net profit as shown in the individual financial statements of the Parent Bank. In the consolidated financial statements, the difference of €115m between this amount and net profit can be withdrawn from retained earnings.

Financial statements for 2001

Now let me turn to the figures for the past year, which we announced in provisional form in early February. The definitive, audited figures show only marginal differences. It should be noted that we applied IAS 39 for the first time in the 2001 financial statements. This led to numerous changes, which are explained in detail on pages 73-76 of our annual report.

In the course of the past year, the consolidated balance sheet total expanded by 9% to €501bn. Ten companies were included in the consolidation for the first time, including Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxembourg. At the same time, seventeen enterprises were removed from the list of consolidated companies; this includes Bankhaus Bauer in Stuttgart, which we sold last year.

Interbank lending and claims on customers declined by 15% and 2%, respectively. This reflects neither stagnation nor a retreat from lending. Rather, we have transferred a total €19bn of claims on customers and other banks to our investments and securities portfolio, which in accordance with IAS 39 have to be defined as claims not originated by the Bank.

We have, in fact, stepped up our lending to *Mittelstand* companies (SMEs) by a total of 50% over the past three years, which represents annual increases of between 12% and 18%. This trend underscores our goal to become Germany's Number One bank for SMEs.

On the liabilities side, we raised subordinated capital by €10.5bn – exclusively through an increase of securitized liabilities. Profit-sharing certificates outstanding declined slightly, on the other hand.

Two new components have been added to equity capital reporting. First, price potential from the investments and securities portfolio has been added to the revaluation reserve. This raised equity capital at year-end by €189m. Secondly, the measurement of cash flow hedges has been reported at minus €397m.

In total, we recorded equity at €11.8bn, 6% lower than last year. Despite this reduction, our core capital ratio remained at a sound 6.2%; the own funds ratio was even better than last year's figure, at 10.3%

In our income statement, the weak stock market and the economic downturn depressed net commission income and provisioning. Net commission income was down by nearly 17%, above all because revenue from securities business, which accounts for a good 40% of all commission income, shrank by almost a third.

We can be satisfied with the rise in net interest income, especially since we were able to reduce our risk-weighted assets by almost 10% and, due to IAS 39, no less than €65m was transferred from net interest income to the trading profit.

We raised our provisioning for possible loan losses by more than a third to €927m. Given total on-balance lending of €240bn, however, this still represents a fairly low provisioning ratio of 0.39%. We considerably stepped up our provisioning for small to medium-sized businesses in Germany last year, in particular for firms with an annual turnover of less than €50m.

We also increased our provisioning outside Germany, mainly in the U.S. and South-East Asia. In our country risk calculations, we raised our provisions for Argentina. Please note, however, that our exposure here is very small. We also formed higher provisions for Indonesia.

Thanks, not least, to our effective system of credit checks, the Bank was not affected – or only marginally so – by the spectacular bankruptcies of major international firms in 2001.

As you can see in the annual report, value-adjusted claims producing neither interest nor income rose by nearly 10% to €6.9bn. This amount was not reduced by individual valuation allowances or collateral.

A few words at this point on Holzmann and Kirch. In the case of Holzmann, we have always been prepared to play a constructive role in resolving the problems. Unfortunately, neither Holzmann's management, nor the lead manager have succeeded in restructuring the company according to the plan that was launched just over two years ago.

After a surprising loss warning on December 14th 2001, all those involved renewed their efforts to find a solution for Holzmann. From our point of view, however, a feasible plan to save the construction firm was never presented. Not even a basic concept was developed. We believe that the insolvency proceedings which have now begun offer the best opportunities to save jobs and preserve parts of the group. We had already made provision in the past for our exposure to Holzmann. As things stand today, we have already provided for any potential loss that might result from insolvency.

Our exposure to the Kirch Group mainly relates to the core area of trading in film and sport rights as well as the ProSieben–Sat1 family of television channels. The latter is a profitable, listed company, for which no threat of default exists.

The stock of film assets provides us with adequate collateral as regards KirchMedia. In addition, we assume that further valuable assets are available to provide security. We have already covered the remaining risk represented by our exposure to the group as a whole in our provisioning for the first quarter.

My Board colleague, Mr Hartmann's, comments on behalf of the banks at Monday's press conference in Munich have been met with some scepticism: Why on earth does Commerzbank want to be so prominently involved with efforts to save the Kirch Group? Could it be that the Bank does, in fact, have a much higher risk in their books?

Ladies and Gentlemen, please relax. It is always possible to argue over the value of collateral taken.

As we have often stated, however, we do not believe that our engagement in KirchMedia will result in a loss. Nevertheless, as a precautionary measure, we have already made extra provisions.

We believe that KirchMedia is a viable business that deserves to survive. The company suffered from the fact that its cash flow was used to support other members of the Group. Furthermore, portions of the company's assets were misused as collateral for loans not involving KirchMedia.

We are prepared to support the new KirchMedia with our know-how, our contacts, and also with our own money.

With management that is competent and expert in its field, a rejuvenated KirchMedia, for whom we are seeking – and will certainly find – investors, should be able to quickly regain its place as a strong earnings performer and reliable partner on the European media stage.

We see a good opportunity here and are willing to take an active role, if required, as a provider of capital.

Back to our profit and loss account: Our trading profit shows a healthy increase of 26%. While there was a sharp decline in trading in equities and other price risks, trading in bonds, notes and interest-rate derivatives as well as foreign-exchange activities registered a strong improvement. The very positive result of €537m in the fourth quarter alone is due in part to IAS 39, which we applied for the first time.

Hedging relationships are measured and shown collectively under "Net result on hedge accounting", where we achieved income of €63m. The result on the investments and securities portfolio – previously the result on financial investments – was €219m. In the course of the past year, we disposed of smaller blocks of shares, primarily non-strategic investments outside Europe.

Operating expenses rose in 2001 by 6.9%, having climbed by 17.8% in the first half of the year. If the second half of last year as compared with the second half of 2000, costs were actually down by 2%. In other words, our cost-cutting measures are taking hold.

Unfortunately, we not only had to shoulder regular, on-going expenses but also several non-recurring items, which led to a balance of other income and expenses of minus €220m.

For example, we contributed an extra €51m to the German Business Foundation Initiative. We also had to set aside €28m for an EU fine, related to alleged price-rigging in connection with cash exchanges between currencies within the euro-zone. However, we have lodged an objection and see good chances for success. Last but not least, the costs of the introduction of euro notes and coins and the related conversion of accounts also had an impact here.

Further non-recurring burdens amounting to €282m appear under restructuring expenses. Roughly €150m of this relates to staff reductions and €46m to branch closures within the Parent Bank.

After these expenses have been deducted, a pre-tax profit of €43m remains. Due to tax advantages deriving from tax reductions which can be used in the future, we registered tax income of €114m, raising the after-tax profit to €157m.

Once the balance of profits and losses attributable to minority interests, totalling €55m, has been deducted, the net profit for the year stands at €102m.

Segment reporting

While the overall development was unsatisfactory, there were marked differences in how the various areas of the Bank performed. You will find all the details of our segment reporting on pages 94 to 102 of our annual report. In retail banking, we recorded a negative result. One prime factor here was the decline of more than €300m in commissions from securities business. Our online broker, comdirect, accounted alone for a roughly €98m weakening of net commission income. In the other operating result figure, the cost of introducing euro banknotes and coins, appears among other items.

Asset management, too, registered a fall of almost €130m in commissions. The other operating result was adversely affected by higher amortization of goodwill at subsidiaries.

As in retail banking, we did not manage to achieve a positive return on equity here. The cost/income ratio of 142% makes it quite evident that there was an urgent need for action. I will return to our fresh orientation in asset management in a moment.

In contrast, the development of the corporate customers and institutions segment continued to be encouraging. We were able to more than offset the higher outlays for provisioning by strong increases in earnings, above all net interest income. Domestically and particularly in the USA, we were able to improve interest margins. This enabled us to raise our return on earnings to 10.8% and to keep our cost-income ratio stable at 49.4%.

The securities segment was hard hit by the weakening of the markets. Nevertheless, we were able to achieve a small, positive result. Return on earnings was a good 5.3%.

The lower commission as well as trading results were partially compensated for by a decrease in operating expenses from the previous year.

For treasury and foreign exchange, 2001 was the best year to date. In both net interest income and trading in interest-rate risks, as well as foreign exchange and precious metals, we were able to record far higher results than in the previous year. The return on equity reached 58.2%.

In mortgage banking, we had to accept higher charges for valuation allowances. This was offset by a rise in net interest income and positive results deriving from the measurement of financial instruments in accordance with IAS 39.

The return on equity amounted to just over 18.4%, while the cost/income ratio was an outstanding 20.6%.

Ladies and gentlemen, the return on equity of 0.9% for the Group as a whole and the cost/income ratio of 82.4% are simply not acceptable. However, we are convinced that the many structural changes and strategic focusing we have enforced will enable us to considerably improve the situation. Developments over the first few months of the current year reinforce our confidence here.

Developments from January 2002 to the present

This holds true above all for net interest income. Despite the transfer of interest income to the trading profit, we registered a slight year-on-year improvement here.

We expect this trend to continue, as we are actively approaching customers, with the goal of either increasing margins or collateral – or, in most cases, both.

On the other hand, higher provisioning imposes a burden on us. After €927m last year, we assume that we will need to set aside a billion euros for this purpose in 2002, since experience has shown that the number of company failures tends to increase for a while after a period of weak economic activity, as "Creditreform" confirmed quite recently.

We are not satisfied with the development of net commission income, for our customers remain very reluctant to engage in securities transactions. However, both payment transfers and – encouragingly – asset management are registering slight gains.

Regarding our trading profit, fixed-income products are higher than last year, while results from equities and foreign-exchange are somewhat weaker – but above budget.

Whereas there is still considerable scope for an improvement in earnings, recognizable progress has been made in cost-cutting. In both personnel and other expenses, we fell short of the year-earlier figures in the first quarter. If this trend is maintained, as we assume it will be, and the markets pick up during the year, our plans for 2002 will prove to have been realistic. Without possible sales of any holdings and excluding any income from the de-consolidation of Rheinhyp, we expect to achieve a pre-tax profit of €700m-800m, a good €150m of which we have probably already earned in the first quarter. On May 8th we will report further details on developments in the first quarter.

Fresh orientation in asset management

I would now like to outline our fresh orientation in asset management. Not only was this sector especially hard hit by the weakness of the stock markets; it was also weighed down by the global strategy we had followed, which called for the full-powered use of capacities – at correspondingly high costs.

For this reason, we are completely repositioning ourselves in this area. Under the motto "shrink to grow", we intend to use freed-up resources to systematically strengthen our European market position. In order to achieve this goal, we have launched a total of five complementary initiatives. These involve:

- First: A higher concentration of our international activities.
- Second: Our German companies are being joined into one large capital investment company.
- Third: The management structure of our Asset Management Group is being made more compact and simplified as well.
- Fourth: Our range of funds is being streamlined.
- Fifth: New product lines are being introduced in order to broaden our earnings base.

What, exactly, does all this mean?

In regional terms, we will clearly concentrate on our German home market and selected European core countries – France and Spain, in particular.

We also intend to close down or sell our Italian asset management subsidiary.

The UK is no longer considered to be a core market for our asset management activities. As a result, we have decided to dispose of our subsidiary, Jupiter. Although it may not be clear at first glance why we would sell a profitable and strong performer, there are some important reasons for this move:

As Jupiter’s core competencies lie in production and distribution for the British market, a transfer of their capabilities into other European regions is only marginally possible. This additional benefit is crucial for us, however. Although Jupiter is profitable, the returns do not meet the criteria we have set.

Our focus on Europe also leads us to search for another solution for our US subsidiaries, Montgomery Asset Management and Martingale. Here again, it is likely that we will sell our respective holdings.

Finally, we also intend to withdraw from the Asian market. In this area, we are considering a joint venture with another European company.

Please note that with our decision to concentrate on core markets we are not putting ourselves under any time pressure. And we will certainly not accept a price that is not favourable for Commerzbank.

In Germany, our asset-management activities will be united in a capital investment company based in Frankfurt (KAG). Three units will be merged into this company:

- ADIG, our retail-fund subsidiary,
- Commerzinvest, our subsidiary for non-publicly-offered funds,
- and Commerz Asset Managers, our portfolio-management and research unit.

In the new company, which will bear the name *cominvest*, we will bring the brands ADIG and Commerzinvest under one roof.

We intend to keep both brand names, which are well-established in their markets.

The third point of our strategy involves management structure. In order to ensure unified and efficient management of the Bank’s entire asset management activities, an executive committee will be formed that steers both the domestic capital investment company as well as our foreign operations.

These structural changes will be accompanied by a streamlining of our product range. For example, we plan to reduce the various classes of fund units. In other words, funds with identical structures will be merged. We will also merge, or in certain cases also close, funds with minimal volume.

All told, the measures we have taken should lead to stronger growth and a steady improvement over last year's totally unacceptable results.

The market situation is also favourable. We see especially lucrative opportunities in the area of private and company-based plans providing for old age. Since last year, we have been selling fund-based certified products for private old-age provision.

By forming Pensor Pensionsfonds AG together with Höfer Vorsorge-Management, we are also in an excellent starting position to sell pension plans for *Mittelstand* firms, one of our primary target groups.

We also see an opportunity in the trend towards "open architecture". Apart from boosting distribution of our own products by outside partners, we are increasingly distributing the funds of other producers by through our own channels.

In this way, we are responding to the growing wish of private investors for a more individual approach to investment in funds.

In future, a multiple-manager company will be responsible for the selection of funds. Based on a qualitative and quantitative process of fund analysis, this plan enables us to continue development of our highly successful funds of funds in the retail area as well as to include external funds in the portfolios of our institutional clients.

The eurozone is becoming ever more closely knit; private and company asset accumulation is highly dynamic. It is here that our future in asset management lies. With our new orientation, we are convinced that Asset Management will contribute increasingly to Commerzbank's overall profitability.

I would now like to close with information on personnel changes in our Board of Managing Directors. At our Annual General Meeting on May 31st, our long-standing Board members, Klaus Müller-Gebel and Jürgen Lemmer, will retire. This reduces Commerzbank's future management team to eight members.

Ladies and gentlemen, that concludes my speech. I welcome any questions or comments that you may have.