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Remarks as prepared for delivery

Ladies and gentlemen,

As we have already informed you, we did not originally intend to hold a press conference to announce the nine-month figures. In fact, the bare figures in themselves would not have warranted such an event, for they really are unspectacular and, as expected, not as impressive as those in the previous quarter. Here, the difficult environment with which we have to contend continues to make itself felt.

Despite the somewhat weaker summer months due to seasonal reasons, the Commerzbank Group nonetheless remained solidly in the black in the third quarter of 2003 as well, with an operating profit of €101m. This third positive quarter in succession confirms the turnaround which the Bank has achieved in its current business operations. After nine months, the operating profit of €467m was well above the €160m of the previous year. As October went well, we expect a marked pick-up in business during the final quarter, so – as things stand today – we will present a respectable operating profit, as promised, for 2003 as a whole.

Next year, we want to make further progress towards restoring satisfactory profitability. This involves a little more cost-cutting, getting provisioning down below the €1bn mark and, with the support of reviving economic performance, also improving our operative earnings performance. Our planning envisages that the after-tax return on equity will reach at least the level of the medium-term cost of capital in 2005.

Thorough clean-up of balance sheet

In order to actually achieve this, we need to pursue systematically the course of reconstruction and repositioning that we have embarked upon. It is equally essential to move forward freed from balance-sheet ballast. For this reason, we have decided to make a thorough financial revaluation, which no other bank – in Europe at least – has ever performed as rigorously. This means that we have taken a very critical look at all the valuations for our securities and participations. All the hidden burdens identified in this way, which up to now have partly been reflected in a negative revaluation reserve, were completely removed per September 30, 2003, by taking them through the income statement.

These decisions are so far-reaching that we want to present them to you personally, as we have just done in a conference call for analysts. I hope that you will appreciate, therefore, the need to send out invitations at very short notice.

We have marked down the book values of all those listed participations which were still above their market values – despite the recovery in share prices in recent months – to values which can be realistically achieved in the market. This relates both to industrial shareholdings and to stakes in such financial institutions as Banca Intesa, Generali and the Spanish SCH.

We have written down other participations to a fair value. These are primarily our 31.8% interest in Eurohypo AG and in our London asset-management subsidiary Jupiter International. In the former case, market conditions and the business model have changed so much since last year that we felt it necessary to adjust its valuation. Jupiter is a successful company, but its earnings even in the foreseeable future would not have been sufficient to cover the current funding costs and the very high amortization of goodwill within the Group. Our step, therefore, removes a major burden from the shoulders of our Asset Management as it returns to profitability.

The financial consequences of the revaluation measures amount to altogether €2.3bn. Eurohypo, the asset-management units and also several smaller companies add up to roughly €1bn. Taking into consideration these expenses arising from special factors, we show a consolidated loss of €2.2bn per September 30. For 2003 as a whole, a consolidated loss in the region of €2bn is likely. Unfortunately, this makes it impossible to pay a dividend for 2003; however, our issued profit-sharing certificates will receive a full distribution under interest expenses. Let me repeat: despite this book loss, we will be in the black in operative terms, thus confirming the strategic progress we have made, which is reflected in the income statement.

Through the removal of all the so-called hidden burdens per September 30, the revaluation reserve, which forms part of our equity, registers a plus of €650m. To get rid of any possible suspicions that might be lingering, this also shows that it was not the case that we had to stop up new holes; rather, we have laid bare the hidden burdens which have been recognized for some time and shown them in the income statement.

Through our measures, we have created a very high degree of transparency, which is certainly not the norm. And I am convinced that we have thus made a positive contribution towards regaining the trust of the capital market in our accounting.

Capital increase without subscription rights

In order to soften the impact of our offensive on regulatory capital, we have resolved – with the approval of our Supervisory Board – a capital increase without subscription rights for our shareholders. On the basis of the authorizations of our 1999 and 2002 annual general meetings, 53.3m or just under 10% of all Commerzbank's issued shares have been offered since this morning to institutional investors in an accelerated book-building process by Morgan Stanley and Commerzbank Securities as joint lead managers/joint book-runners. We expect this transaction to be completed rapidly. After this capital increase, the Bank's core capital ratio will stand at about 7%, which is in line with our long-term target.

Broader scope for the future and greater flexibility

Those, then, are the consequences for the balance sheet. I should now like to outline the reasons for our decision in more detail. It is important to recognize that we acted on our own initiative. We were under no external pressure – neither from the supervisory authorities, nor from rating agencies, nor from the capital market. We are aware that we have entered new territory, but we hope that, at the end of the day, we will earn respect – and perhaps even recognition – for a courageous decision that springs from a healthy self-confidence.

There are sound financial and strategic arguments for what we have done:

- The non-recurring write-downs immediately reduce our amortization of goodwill. Where we previously worked with sandpaper, we have now used a saw.
- By evaluating our participations portfolio close to market prices, we are making disposals from it easier.
  We will regain our full freedom of action and will then be able to sell when we think the time is right. This gives us a degree of flexibility that had been lacking. For the years ahead, we can imagine a rapid reduction of participations, provided that it is possible to achieve the corresponding realized profits. The latest development in this connection is the disposal yesterday of our 2% stake in T-Online International to Deutsche Telekom. Here we made a sizeable profit in double-digit millions.
- In addition, each disposal lowers the funding costs for these participations. Together with the reduction of goodwill amortization, the decisions which we have taken will improve our results *praeter propter* by more than €200m per year.
- All in all, the measures which we have adopted, therefore, will serve to restore Commerzbank's ability to generate profits and to pay a dividend on a sustained basis.
- Our shareholders should also benefit from our improved profitability in the form of a higher share price and rising dividend payments. As from 2004, we want to offer shareholders an appropriate return on their investment.
- Greater financial manoeuvrability also means greater strategic scope. Commerzbank now presents itself as a focused and cleaned-up institution with a realistic chance of achieving profitable growth. But we will also be in a position to think in terms of larger acquisitions again.
- Ultimately, we are aiming for a higher rating from rating agencies.
- We will also benefit to the full from every economic recovery, without having to use income from current business operations or non-recurring income for necessary revaluation measures in other areas.

And last but not least, we are strengthening our competitive position. After our extensive revaluation operation, Commerzbank can play an active role in the coming consolidation process, both among the private-sector banks and between the three pillars of German banking. Above all, we can work together with potential national and international partners from a position of strength.

Let me sum up. Over the past few weeks, we have held intensive discussions on this double strike – consisting of the complete revaluation of our securities and investments portfolio, on the one hand, and the capital increase, on the other – and we are convinced that we have made the right decision.

Perhaps our situation can be compared to a triple jump in athletics. In view of the familiar strategic and financial restrictions, a single jump – a long jump as it were – would not have taken us far enough two years ago. So we tried it with three shorter jumps, which altogether – as in sport – produce a better result. With our first jump, we put our cost side in order. With the second, we restored our operative earnings power. And with our final jump, we have now brought our balance sheet into line with the market, thereby regaining our ability to seize the business offensive. As of today, Commerzbank is a new and better bank.

Third quarter 2003

I will now give you a short overview of the figures for the third quarter, which was characterized by high special expenses. Unfortunately, it was also marked by a continued decline in the demand for credit, weaker trading results and a development below plan at various European units. You will find further details in our published interim report.

Due to the smaller consolidated balance-sheet total, which now amounts to €391bn, our net interest income declined both in the third quarter and in the three quarters taken together. Average margins in lending are recovering somewhat, but they were unable to compensate for the reduction of risk-weighted assets. However, the drop of almost 14% in net interest income is reduced to minus 3.6%, if it is – quite legitimately – adjusted for the former Rheinhyp, which was deconsolidated in August 2002. We assume that, as the economic recovery gets under way, our lending will pick up again, especially to *Mittelstand* customers, to the benefit of net interest income. At all events, we have made the necessary funds available through our loan offensive. At the same time, we are doing all we can to achieve higher margins in our business. Together with the lighter interest burden, thanks to revaluation, this should soon lead to distinctly higher net interest income.

Our provisioning is right on target. Unless there are unforeseen developments in the fourth quarter, we will have, as frequently stated, a provisioning figure of €1.1bn for the year as a whole – which is a good €200m less than in 2002. With a provisioning ratio of not even 0.7%, we will achieve a level that is ambitious by international standards as well. Our risk management is functioning well, therefore.

At over €500m, net commission income remained stable in the third quarter as well. In a year-on-year comparison, a small decline of 5% was registered after nine months. Here too, there are signs that we will achieve higher income again in the near future, as retail investors return to the stock market and asset-management activities pick up.

Our trading profit was dented by the summer and failed to match the particularly good figures of the first two quarters. Apart from weaker stock-exchange turnover, the main reason was the sharp rise in yields on interest markets. All the same, after nine months our trading profit was more than a third higher than last year.

We are quite satisfied and ahead of plan with the persistent downward trend for operating expenses. At end-September, these came to €3.4bn – more than half a billion euros, or practically 14%, lower than a year previously. This impressively demonstrates the success of our two cost-cutting offensives. At Group level, we now have 3,849 fewer people than a year ago. The reduction of the present workforce of 33,327 to around 32,000 will continue next year.

But that is probably as far as we can go in this area if we do not want to forfeit our close relationship with customers.

On the bottom line, as I said at the start, we have an operating profit of €467m after three quarters. This was almost three times as much as in the admittedly disappointing year 2002. After special expenses of €2.3bn, taxes and profits attributable to minority interests have been deducted, a consolidated loss of €2.23bn emerges. I hope that I have managed to make it clear to you that this is not a fresh loss, but rather a series of valuation measures which we have made consciously. That is why we go forward with unbowed confidence into what is for us a better future.

The highlight of our segment reporting is the steady and strong improvement in the operating profit of Retail Banking. Despite the summer holiday period, it produced another very good result of €71m in the third quarter. This means that we have made good progress on the way to becoming Germany's best nationwide retail bank. I must also stress the excellent development of our subsidiary comdirect bank, which last week impressed the market with a very encouraging quarterly result and good perspectives for the year as a whole.

Asset Management is also making recognizable progress. Its operating profit of €42m in the third quarter was much higher than that in the entire first half of the year. Now that we have finally terminated our operations in Italy and the U.S., we are far more focused and efficiently positioned and can benefit greatly from the upswing in the business environment and the stock markets. As I have mentioned, lower goodwill amortization will also give an extra boost to Jupiter's results.

In the Corporate Customers and Institutions segment, the reduction of risk-weighted assets is having a particularly strong impact. What is more, the third-quarter result was depressed by weak trading figures at the fully consolidated BRE Bank. After nine months, the operating profit of this business line had reached €258m, well below the €469m achieved in the previous year.

We have resolved a whole series of far-reaching measures to reorganize this segment in order to ensure a rapid return to higher profitability in our business with larger corporates and multinationals. In future, therefore, we will systematically deploy two sets of personnel for looking after *Mittelstand* customers and larger corporates. To provide services for our larger corporates, we are setting up five centres in Hamburg, Düsseldorf, Frankfurt, Stuttgart and Munich, which will take over responsibility for defined customers and will develop a special approach for catering to their needs. The focus here is on pricing loans to reflect the risk and creating a balance between our willingness to lend and a share of cross-selling potential. By contrast, analyses show that we have an excellent competitive position. Here, we are already achieving our high internal targets for returns.

In the Securities segment, the operating profit slipped into the red in the third quarter after a good first half of the year. However, we look upon this as a temporary and above all seasonally-induced development. At all events, our trading profit had improved considerably by October.

To sum up: all segments were in the black in operative terms in the first nine months, even if we want and need to do better across the board. With the measures which I have presented to you today, we have created an important basis for achieving higher profits again in the future.