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Frankfurt am Main

**Press conference**
Frankfurt am Main
February 18, 2004

Remarks as prepared for delivery

Ladies and gentlemen,

Welcome to today’s press conference, at which we are presenting our financial results for 2003. The figures are already final and audited, but do not yet bear the auditors’ certificate.

Before I come to the details of last year, let me briefly turn to a topic which has occupied you and us at the Bank so very much in recent weeks: the cancellation of Commerzbank's former company pension scheme. Let’s look back a little. Through our inadequate information policy, we caused great uncertainty among our employees at the start of the year. Then you took up the subject. As you know, I apologized to our staff for the breakdown in communication. But I also made it clear that we had to take action in this matter and that we acted correctly.

Two weeks ago, in response to the demand of our central staff council, negotiations were launched to find a new system of old-age provision. The talks were conducted in a good atmosphere. It was possible, therefore, to reach an agreement by last Friday. In future as well, our employees will receive a company pension exclusively financed by the Bank in addition to the unchanged second pillar of company old-age provision, namely the BVV scheme of the banking industry. The framework for a new system has been worked out which will meet both our demand for better calculable pension claims through the transition to a uniform, contribution-based system and the justified claim of our employees for a continuation of the company old-age pension scheme. We want to conclude the relevant internal agreement by June 30.

I should like to take this opportunity to thank our staff councils and in particular the negotiating delegation for contributing in a constructive and fair manner to the rapid conclusion of the deal. Having reached this agreement, we can return to day-to-day business.

We have another very eventful year behind us:

– In operative terms, despite the still difficult external conditions, it brought us the expected return to profit, which we had promised a year ago. The improvement by more than €350m in our operating profit since 2002 is really considerable.

– With our double strike in November, in which we completely revalued investments our and securities portfolio and raised €760m of fresh capital, we have regained the strategic initiative.

  And we intend to use this scope, as is shown by our ongoing and promising negotiations with SchmidtBank in Hof to take over its branch business. This example makes it clear that 2003 was the year of consolidation for us, while 2004 will be the year of fresh initiative with controlled expansion.

**The year 2003 at a glance**

In the material provided, you will find a wealth of additional information and details on our financial statements for 2003.

Last year, our net interest income declined by altogether 11.4% to €2.8bn. It should be noted here that the deconsolidation of the former Rheinhyp alone removed about €220m. At the same time, the further strong reduction of our risk-weighted assets by 12% to €141bn, the low level of interest rates and exchange-rate effects can all be felt here. While we managed to achieve another improvement in our average lending margin, this was not enough to compensate for the sharp fall in volume.

Provision for possible loan losses required practically €240m less than a year earlier. At the start of the year, we had assumed a figure of €1.2bn. In the final analysis, we used €1,084m for provisioning purposes, even though there was a renewed increase in the number of insolvencies. We attribute the lower need for provisioning to our efficient risk management and also to the systematic reduction of bulk risks.

We also achieved a turnaround in our commission revenues, which were somewhat higher after receding for two years. In our trading profit, we managed a very strong increase of almost 36% to €737m. This also reflects the more cheerful condition of the stock markets from mid-year onwards.

Our investments and securities portfolio produced a result of €291m. The most important disposals of shareholdings related to Buderus and T-Online, on which we realized a profit of altogether roughly €150m.

We managed to cut operating expenses substantially again, namely by 12.5%. We have made considerable progress in this area. Within two and a half years, we have reduced costs from a budgeted €6.3bn to €4.5bn. More simply could not and cannot be achieved.

Personnel expenses alone were reduced by virtually 9% to €2.4bn. At year-end, we had practically 4,200 employees fewer than a year earlier. And we are confident that we can realize the remaining staff reductions planned for this year, as we have up to now, without dismissing people.

The balance on all expenses and income is an operating profit of €559m. After the amortization of goodwill and the expenses arising from special factors and restructuring, a negative pre-tax profit of €1.98bn emerges. This figure is the consequence of the extensive revaluation in November of our investments and securities portfolio, and as such it is no surprise. We are more convinced than ever today that we set out on the right course with this clean-up operation. Our courage has been rewarded.

The capital increase, by means of which we sought to immediately offset some of the equity lost, was four times oversubscribed and was thus a complete success. The revaluation measure will remove a sizeable burden from our income statement in the current year thanks to less amortization of goodwill and lower funding costs for our participations.

In view of our high net loss for the year, our tax position of €249m requires some explanation. On the one hand, it is due to the strong earnings performance of some of our subsidiaries. On the other, the loss posted as a result of the clean-up exclusively affects the Parent Bank and is in any case irrelevant for tax purposes. After taxes and minority interests have been taken into account, we have a net loss for the year of €2.32bn. It will be balanced by a withdrawal from the capital reserve.

As we are also posting a “zero” result at the Parent Bank, we are unable to pay a dividend for the 2003 financial year. However, the bearers of our profit-sharing certificates will receive a full payment again. This expense is contained in our interest position.

A few more words on the Group balance sheet, which we have reduced sharply once again, by 9.6% to €381.6bn.

It is particularly remarkable that our equity expanded by a good 3% to €9.1bn. Subscribed capital increased by 12%, mainly through the capital increase in November. Due to the November measure, the revaluation reserve now shows a distinct plus of €1.24bn, compared with its previous minus. I should also like to point out that Commerzbank is the only major German bank to have been able up to now to refrain from issuing relatively expensive hybrid capital.

Through the capital increase and the reduction of risk-weighted assets, we were also able to hold the core capital ratio at the comfortable level of 7.3%; the own funds ratio even rose to 13%.

**The individual segments**

So much for the overall picture. How did our core business lines fare last year?

In Retail Banking, the positive trend of 2002 was maintained. The operating profit increased to a substantial €258m. Accordingly, the operative return on equity improved from 3.2% to 14.3%, and the cost/income ratio receded from 90% to 79%. Since 2001, this segment has raised its operating profit by €500m and has now achieved an earnings performance that gives us pleasure.

We also note a positive development in Asset Management. While the disposal of our subsidiaries Montgomery in San Francisco and CAMI in Italy is affecting the earnings side, the impact is greater on the cost side. Overall, the operating profit expanded from €13m to €90m, underlining that we made the right decision in concentrating on selected markets. The operative return on equity improved from 1.6% to 14.1%, and the cost/income ratio from 97% to 79%.

In the Corporate Customers and Institutions segment, we felt the heavy dependence on economic performance and interest rates. The operating profit was more than a fifth down on the previous year. The return on equity deteriorated to 6.9%, and the cost/income ratio to a still very good level of 50%.

The largest swing in the operating profit was achieved by Securities, primarily because the trading profit could be raised by more than half to €783m. As operating expenses were sharply lowered – above all through staff reductions – a small plus of €3m remains for the operating profit, compared with a large minus a year earlier. This business line got off to a very encouraging start in 2004.

**Strategic focal points in 2004**

In our opinion, the presented figures as a whole, as well as the progress made by the operative business lines, demonstrate very clearly that we did our homework diligently and successfully in 2003. We cut costs much more strongly and rapidly than planned, and already achieved our original 2004 target for operating expenses of €4.5bn. We held the core capital ratio steady at more than 7% and through our clean-up we reduced the risks in our balance sheet to a minimum. This has created the basis for earnings-oriented expansion and new initiatives to strengthen retail and corporate business. At the same time, we will increasingly dispose of non-strategic equity holdings in the financial and non-financial areas.

In Retail Banking, we are focusing as part of our “Grow-to-win” strategy to a greater extent on higher-margin business such as building finance, fund and securities products and also on such attractive groups of customers as business clients and the self-employed. Above all in view of our outstanding figures, I want to reiterate here our ambition to become Germany’s best retail bank nationwide. The substantial figure of a net 17,000 new customers, including over 1,500 in private banking acquired last year, indicates that we are able to achieve this high aim. And this is only the beginning.

Our main strategic focus this year is on Corporate Banking, which we will promote substantially in terms of earnings under the slogan “Move to the top”. We are encouraged by this segment’s result for the final quarter, which – after the weakness in the third quarter due to special factors – indicates the earnings potential of this business line. A key feature of our repositioning is an even clearer differentiation in the support provided for our target groups: on the one hand, our 20 main branches with more than 150 sales locations for looking after our small and medium-sized clientele; on the other, the centres specializing in larger corporates in the business centres of Hamburg, Düsseldorf, Frankfurt, Stuttgart and Munich.

We are maintaining our current *Mittelstand* offensive. It serves both to strengthen the relationship with existing customers and also to acquire new ones. At present, 39% of *Mittelstand* firms, as we define them, have an account with us. By end-2006, we intend to raise this figure to 45%, or by 9,000 firms. Since March 2003, with demand persistently subdued, we have granted €3.3bn in new credit lines to *Mittelstand* companies; however, only part of this amount has been utilized so far.

We have enough scope in our balance sheet, or we can create it through credit securitization, to make available much larger amounts as well, if required. At all events, there is no sign of a credit squeeze at Commerzbank.

But in any case the main problem of the German *Mittelstand* is a shortage of capital. We want to tackle it with our innovative product initiative “Mezzanine for the *Mittelstand*”, for which we are making available a sizeable amount of €300m – which is unique in Germany. The subordinated capital, offered in the form of a dormant equity holding, has previously been reserved for major companies and will considerably improve the financial scope of German smaller businesses in the future – with positive consequences for companies’ creditworthiness.

Parallel to these measures, we subjected our dealings with larger corporates and multi-nationals to scrutiny in a “Value offensive for major companies”. Many of these relationships do not generate satisfactory earnings for us. We will do all that is in our power to create through a dialogue the basis for a relationship that is attractive for both sides. However, we are also prepared to terminate such business relations if insufficient interest exists in maintaining them in a sensible form. At the same time, we will continue to reduce bulk lending risks. We have set ourselves the target of achieving a return of more than 10% with each customer within twelve months.

While Securities managed to improve its results substantially in the past year, the trading profit proved to be highly volatile. It should be noted here that, on account of the considerable risks in this business, Commerzbank showed quite conscious restraint in its proprietary trading. It makes no sense, therefore, to compare our trading profit with that of typical trading institutions – nor does it for other reasons, either, such as the fact that we show treasury separately.

We have to concentrate on reducing the dependence of our Investment Banking on volatile market influences and making it more steady. We believe that this can primarily be achieved through close meshing with the Bank's corporate activities, which we have trying to realize for some time.

Apparently, some time is needed to convince small and medium-sized firms, which have been able for decades to use traditional bank loans comfortably and at reasonable cost, that, in view of banks' enhanced risk awareness and in order to improve balance-sheet structures and ratings, forms of financing with a capital-market orientation have to be used. The same holds true for the consultation services provided by Investment Banking. But we will continue, undeterred, to try to convince them, and this will also benefit our Securities department. For us, it is out of the question to abandon this area as we are repeatedly being recommended to do. The same applies to Asset Management, which after shrinking and reaching break-even point has really great potential in our opinion.

You can see that we have set ourselves high goals for 2004 as well and we began the year with confidence and assurance. We are encouraged by the fact that, after three years of stagnation, the economic data are more favourable for the first time, with expected real GDP growth of 2% and a gradual recovery in the securities markets, including the first IPOs and stronger M&A activities.

In this environment, we will achieve another marked improvement in our operating profit.

We expect, therefore,

- significantly higher net interest income,

- but rising commission revenues, and

- given an economic upturn, we believe provisioning can be reduced further to less than a billion euros.

- On the other hand, despite further relief from the cost-cutting offensive, we calculate a slight increase in operating expenses. Anyone looking for a sustained improvement in profitability also has to be prepared to make funds available for the necessary investments and projects.

All told, we have set ourselves the target of earning our current cost of capital of around 8% after-tax even by 2005. As regards our cost/income ratio, we are coming closer to our target of 65%.

This planning shows that Commerzbank has successfully performed its radical restructuring, is well-positioned in its core areas and will be perceived as an attractive bank again by the public, analysts and rating agencies. The staff and management have a difficult time behind them. But I can state today that, together, we have turned the ship round and are now getting under way again.

Finally, a word on the subject of consolidation. Despite all the rumours and the know-alls, it is quite natural, in view of this quite optimistic perspective for us, that we are continuing to plan on a stand-alone basis. However, as we have said for years – and entirely in the interest of our shareholders, customers and staff – we remain open to any reasonable solution involving others, whether at the national or the international level. At the moment, we are not conducting negotiations.