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Remarks as prepared for delivery

Ladies and gentlemen,

I welcome you, also on behalf of my colleagues, to today's press conference to present Commerzbank's financial statements for the 2004 financial year. As we already made our provisional income statement public yesterday in response to the tighter disclosure requirements of the legislation to improve investor protection, I will concentrate here on offering various explanations and also on segment reporting.

In retrospect, the 2004 banking year does not look particularly spectacular, and certainly not when compared with the preceding more turbulent years. No progress was made again with the favourite topic of the markets and the media: consolidation in the German banking industry. Nor did the frequently expected takeovers of German banks by foreign rivals take place.

I think one of the encouraging developments was the progress made with the initiative to promote Germany as a financial centre. Contrary to widespread scepticism, this has proved to be not simply a debating club but rather a real motor driving modernization efforts for our financial centre.

For Commerzbank, the most important event in 2004 was the takeover and smooth integration of SchmidtBank into our branch network, which was accomplished quickly, providing us with a sizeable inflow of 360,000 retail customers and about 2,000 smaller businesses. We consider it a remarkable success that we managed to retain this customer base, apart from a few exceptions. And the fact that we looked at ING BHF-Bank in summer, with a view to a possible takeover, makes it evident that Commerzbank is on the offensive again.

The second highlight in 2004 was the re-launch of our investment banking under the name of Corporates & Markets. As announced in November, we have closed down our subsidiary in Tokyo and pared down considerably in New York. In the two main locations Frankfurt and London, we have installed an efficient structure, geared to customers' needs, comprising the four groups Markets, Sales, Corporate Finance and Corporate Relationship Management for looking after altogether 150 multinationals and larger corporates with a need for capital-market products.

At the same time, we have scaled back proprietary trading. All our adjustment measures are proceeding fully according to plan. The prime task now is to combine the business done with these large companies and investment banking as quickly as possible in order to form an efficient and profitable unit. As I have explained on other occasions, this also includes a selective and careful expansion of personnel in areas which promise consistently good profitability.

In its current business, Commerzbank made good progress in the past year. We have kept our promise and significantly raised our operating profit. In fact, we have improved it substantially, by 87%, from €559m to €1,043m. The operative return on equity more than doubled to 10.2%.

Our cost/income ratio improved from 73.3% to 70.4%. In the final quarter as well, the good operative trend of the previous quarters was maintained. And what is really important:

Commerzbank achieved a turnaround in its earnings in 2004. After several years of declining revenues, they rose again for the first time – by 8.6% to €5,504m.

In view of the problems in investment banking, the dependence on the economy and capital-market conditions, and also the special structural features in Germany, on which Commerzbank is especially focused as a German institution, it was hardly possible to achieve more in such a short time. This is the plain reality which I am not complaining about, but which is important to remember in appraising our figures.

The fact is that, in its home market, Commerzbank is now the number two in terms of profitability among the institutions with nationwide activities and a broad product range. It is second only to Deutsche Bank, with which comparison is only possible to a limited extent. And we are proud to have an absolutely sound and strong balance sheet without hidden risks, a further increase – despite several disposals – in our cushion of reserves in the form of a revaluation reserve of €1.6bn, and a solid core capital ratio of 7.5%.

There is a whole series of good news, therefore, including the fact that, after adjusting capacities in our investment banking, we have been able to tidy up that area more rapidly than expected.

Financial statements for 2004

The basis for our operational progress last year was the plus of 7.7% in our net interest income and 5.3% in net commission income. Given weak credit demand and flat equity markets, we can be very satisfied with these results, even though during the second half of 2004 in particular – and here above all in business with larger corporates – the pressure on margins increased again given the flood of liquidity in the markets. It is incredible that, ever more frequently, large international syndicate banks are arranging loans whose conditions do not even meet the minimum requirements for risk and processing.

We show loan-loss provisions at €836m., which is a good fifth lower than the previous year and also below the most recently indicated level of €850m. As always, we have calculated carefully, taking account of all discernible risks. Above all outside Germany, we remained free from major problem cases. In the meantime, we have surplus cover of 119% (=€1.2bn) in the form of provisions and conservatively assessed collateral for our doubtful loans amounting to €6.3bn.

Compared with the disappointing result for our trading profit in the previous quarter, we managed a marked improvement to a triple-digit million figure in the final quarter. For the year as a whole, though, this item was still a good quarter lower than in 2003.

At €361m, the net result on our investments and securities portfolio was higher than a year previously in 2004. Over half of this amount related to the bond disposals. Among investments, the sale of our shareholding in the Spanish bank SCH in the spring was by far the largest single item, on which we realized a profit of just over €120m. In the fourth quarter, we disposed of a small part of our Banca Intesa shares, achieving a book gain through the transaction.

We were able to cut our operating expenses slightly once again to €4,461m. This shows how well we have our costs under control, for originally we had expected a moderate rise in operating expenses. It should be borne in mind here – and this explains the small cost blip in the final quarter – that we booked the extraordinary charge of €49m at our Polish subsidiary BRE Bank, deriving from a revaluation of various assets, under operating expenses for the most part. As a result, the trend for costs is more favourable than it appears.

Altogether, the net profit for the year amounts to €828 pre tax and €475m after tax. This is fully in line with our projections – and this despite the previously unforeseeable restructuring expenses of €132m for the repositioning of investment banking. Commerzbank, therefore, is keeping its promise. This also holds true for our forecasts as regards the development in the core business lines and also for our commitment made last May to propose a dividend payment again – of €0.25 per share – after omitting it last year. We have to use €150m for this purpose, so that an amount of €243m of the net profit remains for strengthening retained earnings. The earnings per share calculated on the basis of the net profit is €0.66.

We are pleased that our progress was also recently honoured by Standard & Poor's in the form of an improvement in the rating outlook from negative to stable. Last year, Moody's and Fitch had already raised our financial strength rating to positive, and Fitch also the outlook to positive. So we are moving in the right direction, even though not yet at the speed which we would like.

Development in the segments

I now come to the development of the main business lines, which we still present in their old form for 2004. As from the first quarter of 2005, this will change due to the new organization introduced for Investment and Corporate Banking.

For Retail Banking, including Private Banking which we intend to expand considerably, we had promised an increase in profits of 25% last year. In fact, we achieved an increase of almost 50%, which is all the more remarkable since little support was forthcoming from the markets and – unlike for the Bank as a whole – we formed higher provisions on account of the shorter limitation periods introduced by the German legislation to modernize the law of obligations. Seen in this light, the return on equity of 21.1% is excellent.

The same applies to the return on equity of 31.9% in Asset Management. The surge from €90m to €167m in its operating profit represents the greatest progress which we have made. We had promised an increase of 40% – and we now have even 86%. Our concentration on selected European core markets, combined with the termination of peripheral activities in Asia and North America, had paid off.

The Corporate Customers and Institutions segment had expected an operating profit of at least €500m. It has turned out to be €607m, 71% more than in 2003. However, this increase is mainly due to the decline in provisioning. At least, net interest income before provisioning held up well.

Securities was in the red for the year as a whole (-€147m) following its setback in the third quarter, which ruled out a marked improvement in the Group's overall result. After this business line had incurred large losses in 2002 and just managed to produce a balanced result in 2003, we were forced to act and launched restructuring measures in the autumn.

The performance of Group Treasury clearly reflects the flat interest-rate curve and the great uncertainty about the future direction of rates. Despite these difficult overall conditions, which led to an operating profit that was a good fifth lower, the return on equity of 124% was once again outstanding.

The Mortgage Banking segment benefited from the expansion of wide-margin retail mortgage business at our Hypothekenbank in Essen and, in the final quarter, from the first-time inclusion of our share of the profits of Eurohypo. At 23%, the operative return on equity remains good, despite a slight weakening.

Outlook for 2005

Our outlook for the year is not euphoric. That is ruled out by external conditions. Rather, it is characterized by confidence and self-assurance. No revolutionary strategic decisions are on the agenda. Instead, we feel so well positioned in all our core competencies that we are able to develop our business organically on a solid basis.

The current maxim in both Retail Banking and Asset Management, therefore, is to stabilize revenues and the return on equity at their present high levels. In both areas, we have an impressive turnaround behind us. In Retail Banking, we have achieved an operating profit no less than €600m higher than in 2001; in Asset Management, the plus is just over €100m. This business line in particular will benefit this year from the end of goodwill amortization.

In order to raise our results in **Retail Banking** even more over the medium to longer term, we now have to steer an expansion course whose four main pillars are:

- Further improvement of efficiency; this means streamlining processes, speeding them up and handling transactions at more reasonable cost. Our concept for the “branch of the future” with its clear sales and advisory focus plays an important role in such considerations.

- Strengthening sales potential, among other things by means of an attractive product mix consisting of securities offers, bancassurance and old-age provision products as well as consumer finance and home loans.

- Greater reach. Here, we want to use different distribution channels parallel to one another, ranging from our branch of the future to a broad regional presence in private banking, stronger direct selling and high-quality financial advisory at comdirect and cooperation agreements with other providers of services.

- Last but not least, acquisitions in Germany, wherever the right opportunities arise, and expansion in Eastern Europe through our subsidiary BRE Bank even beyond Poland.

In **Asset Management**, we are going to make better use of the synergies between our European units. After our great success last year with the distribution of the products of our foreign subsidiaries in Germany, we now want to go in the other direction and include the products of Cominvest to a greater extent in the European sales focus.

We will also take a closer look at our broad range of products. Thanks to the open architecture principle which we systematically apply, our ADIG products have become subjected more strongly than in the past to an internal beauty contest. This has prompted us to tap alternative distribution channels to a greater extent. We believe that we are well equipped for this task through our pioneering role in providing objective advice for investment products. As from April, board responsibility for both Retail Banking and Asset Management will lie with Dr. Kassow. We intend to use this change in order to gear the creation of fund products more closely to the needs of our customers.

In the ***Mittelstand* bank**, we also have to introduce further standardization of the internal procedures while encouraging a more individual approach to clients. We believe that we are basically on the right track to becoming the best nationwide *Mittelstand* bank in Germany. We have underlined this claim by creating a special board post for the *Mittelstand*.

To enable us to expand further, a new customers programme has been running since last year, which already brought us 4,767 new smaller businesses as customers in 2004. This puts us well ahead of our target, which envisaged an average of 3,000 new customers each year from 2004 to 2006. We are confident that we can stay ahead of our target in the current year as well, even though the entire banking sector now seems to have discovered this group of customers.

We do not intend to attain our goal by means of a “disastrous price war”, which the president of BAFin, Jochen Sanio, quite rightly criticized recently. Wherever competition prevents us from charging interest rates reflecting the risk involved and we get no compensation from other business through cross selling, we will refrain from financing individual deals. But to make it quite clear: in the future as well, providing German *Mittelstand* firms with an adequate supply of credit will remain one of our most important functions. We even intend to step up the pace here, on principle also lending to less-than-prime borrowers, insofar as margins that cover the risks can be achieved. For this reason, we have been using a new rating system since the start of this year. Apart from providing a better quantification of the risks involved, it also makes it possible to price loans precisely to reflect the risk and meets the requirements of Basel II. This system is a significant element in a value-oriented steering of corporate business, allowing us to be even more strongly at the disposal of smaller businesses in future. At the same time, in response to weak credit demand, we are trying to offer more advisory services geared to offering solutions to problems. These include, for instance, the use of leasing in conjunction with our successful subsidiary CommerzLeasing and also the use of such equity surrogates as mezzanine capital.

The many initiatives and new products of the *Mittelstand* bank should also help raise our results further this year. A contribution in this connection should be made by provisioning, which – as things stand today – should decline to under €800m for the Bank as a whole. The high provisioning ratio that I have mentioned and our generally acknowledged efficient risk management are creating the conditions for us to reduce our loan-loss provisions for the third year in a row.

In the newly formed Corporates & Markets area, we have got under way more quickly than expected. By far the great majority of our customers have remained loyal to us. We now reckon with a positive profit contribution even in year one of the re-launch, representing significant progress over last year in the old Securities area. The cost savings that are now becoming effective are a major factor in this connection.

So much, then, for our planning in the core business lines. Their operating profits are augmented by extraordinary income from the disposal of our stake in MAN held via a holding company, Regina, and recently the placement of our remaining shares in the Brazilian Unibanco, in which we had held an interest since 1968. If the right opportunities arise, we will rapidly realize other profits in our portfolio.

Last but not least, we can look to some subsidiaries for better results, such as Eurohypo or the Polish BRE Bank. The extraordinary charges at the latter have weighed heavily upon its 2004 results; however, this clean-up has prepared the ground for improved profitability in the future. In strategic terms, BRE Bank remains our most important gateway to the growth markets of Eastern Europe.

Provided that no unforeseen events occur, we should be in a position to attain our target return of at least 8% after tax and thus create shareholder value again. We are confirmed in this forecast by a very promising start in January. For 2006, we are then aiming for an after-tax return on equity of more than 10%. As we do not intend to ruin ourselves through saving, this improvement must come about through higher revenues, which are now our number one priority.

We are going about achieving these targets, fully motivated and with commitment. On all levels, we have a good mixture of experienced and young staff and are working hard to improve our competitive position. This also includes the selective recruitment of staff. I hope that it is only a matter of time, therefore, before the stock market shows even greater recognition of our progress on the earnings front, our solid capital base, our reduced dependence on the capital market through our concentration on customer business, and Commerzbank’s generally greater stability.