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Essen Hyp to be merged with Eurohypo**Commerzbank aims for top two position in European Public Finance**

The merger of the Hypothekenbank in Essen AG (Essen Hyp) with Eurohypo AG is set to strengthen Commerzbank's Public Finance business. Through the combination of the two, we are consolidating our position as one of Europe's biggest banks for real estate and public sector finance. Eurohypo's Public Finance business model has proven a success for some time, and is further strengthened by this combination of forces and a united presence on the market. The merger is to take effect – on a financial reporting basis – retrospectively from January 1, 2008. The Commerzbank Group took over Essen Hyp as a whole at the beginning of 2008 by purchasing the 49 per cent share formerly held by the Dr. Schuppli Group.

“Commerzbank's public finance business has already made the Group one of the leading service providers in Europe. With this new structure, we want to carry on growing profitably, and to put down even deeper international roots. We are on the offensive and aim for a position amongst the leading two European Public Finance providers”, said Michael Reuther, the Commerzbank Board Member responsible. “Our strategy and objectives are clearly set out: structured product solutions and greater customer focus. Together, they add up to higher profit margins,” he continued. Eurohypo Board Chairman Bernd Knobloch joined him in stressing the benefits the merger would bring: “This is beneficial for both our customers and the Group,” he said. “We have an excellent name and constitute the biggest issuer on the covered bond market. We are growing and adding to our market power.”

Since 2005, Eurohypo has been steadily developing its public finance business model, based on active portfolio management and by

extending its range of investments to include structured products. Today, in the same manner as in real estate finance, the strategy focuses on global business, with 54% of all new commitments in Public Finance coming from countries other than Germany. Eurohypo has also started to build up European origination. In addition, it is focusing on the integration and development of public-private partnerships of Essen Hyp and Eurohypo in collaboration with Commerzbank. Eurohypo has recently managed to close a number of landmark public-private partnership deals – including the financing of a project to build and renovate 32 schools in Hamburg.

Eurohypo will also continue with Essen Hyp's real estate business, while the retail residential credit business is to become a Group responsibility. In the course of the merger the Essen Hyp offices in Essen are to be closed. Essen Hyp's staff, whose total number is 203, are to be offered positions within the Commerzbank Group in the Rhine/Main region and in North Rhine-Westphalia.

The realignment of Essen Hyp's business and risk strategies was already initiated at the end of 2007. Despite the costs to be incurred as a consequence of the realignment of the business model, Commerzbank expects a balanced result for the Public Finance Division in the current business year 2008. "For the year 2010 we expect an operating profit in the segment Public Finance & Treasury of EUR 250 – 300 million", said Reuther.

Essen Hyp concentrates on public finance and had a balance sheet total of some EUR 93 billion (HGB) as per September 30, 2007. As at September 30, 2007, Eurohypo's balance sheet total stood at around EUR 218 billion (IFRS). Eurohypo Board member Henning Rasche remains in charge of Public Finance business after the merger.

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