Deutsche Schiffsbank

Annual Report

as at 31 December 2011

COMMERZBANK
Gruppe

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REPORT OF THE BOARD OF MANAGING DIRECTORS

Business Report 2011

SHIP FINANCE

As a result of the sovereign debt crisis and the precarious economic situation in the United States of America and in several European countries, the recovery in the world economy lost a lot of its momentum in 2011, compared to the previous year.

Due to the European debt crisis, the subdued economic recovery in the United States of America and economic uncertainties in China, the slowdown in ocean transport demand accelerated during the second half of the year.

The **container trade** was particularly affected by sluggish demand. Freight rates, charter rates and second-hand values dropped substantially in the second half. Compared to the previous year, average spot rates on the Asia-USA leg were around 27 % lower, and on the Asia-Europe route they were down by 50 %. Bunker costs rose by nearly 40 % from US-$ 460/ton to US-$ 650/ton in the year under review. In addition, fleet growth remained high and overcapacity intensified.

Although container lines were under immense pressure, charter rates were relatively stable during the first few months, and only towards the middle of the year rates fell across the board, and dropped below break-even levels. Charter rates for smaller vessels up to 2,000 TEU were continuously below break-even levels.

Market values for container vessels were relatively firm during the first six months. However, at the beginning of the third quarter they followed charter rates with some time-lag and decreased noticeably, ending the year 25 % below previous year's level. As at the year-end, the order book stood at 28 % of the fleet.

Ongoing market pressure and liner companies' fight for market share led to consolidation efforts towards the end of the year in the form of alliances among liner companies and associations among charter companies, but it remains to be seen whether they will be sustainable.

Following the trade slump caused by adverse weather conditions towards the end of 2010, charter rates for **bulk carriers** remained low throughout the first half of 2011. Charter rates for capesize bulk carriers did not even cover operating expenses. During the second half of the year, capesize rates tripled and were above break-even levels towards the end of the year, due to a seasonal hike in the iron ore trade, also helped by low ore prices. However, as anticipated, rates have been falling again noticeably since the beginning of 2012. Charter rates for Panamax bulkers were somewhat below break-even levels throughout the year. The Handymax segment was profitable until November with rates dropping just below break-even levels for the first time in December.

After a slight recovery in 2010, market values for large bulk carriers were on average 25 % lower than the year before, as a result of the low charter rates. Market values for smaller bulkers were down by around 12 %. As at the year-end, the order volume for bulk carriers stood at 33 % of the fleet. The scrapping potential – vessels which are older than 20 years – is 17 %.

Tanker markets, which are influenced by a number of factors that are difficult to forecast, fluctuated throughout the year. Fewer floating storage facilities for oil coupled with higher fleet growth and weak oil demand led to a substantial oversupply of large tankers. One-year time charter rates for crude oil tankers dropped continuously, remaining below break-even throughout the year and ending the year 40 % lower than the previous year. Market values for crude oil tankers were relatively firm during the first six months, but during the second half of the year, values for VLCCs fell significantly. At the year-end, they had lost 30 % compared to the end of 2010.

Overall, rates for product tankers remained low below break-even, although they showed some positive signs. Second-hand values for product tankers stayed firm.

Due to the uncertainties surrounding the financial markets and the seaborne trade, Deutsche Schiffsbank – like other ship finance banks – was very selective in its new **loan business** in the year under review. The bank’s activities were basically limited to drawdowns under existing loan commitments and the necessary restructuring of existing exposure.

Loans outstanding were down by € 0.3 billion to € 11.5 billion in 2011. Repayments were considerably higher than our loan advances, surpassing drawdowns by € 658 million. Repayments include contractual and extraordinary loan reductions, but the portion of extraordinary loan reductions was considerably lower than the year before. Loan advances were 35 % below the previous year, totaling € 1.1 billion, consisting primarily of drawdowns of existing commitments for newbuildings and restructuring of existing exposures. Loan commitments were down by € 0.7 billion to € 1.1 billion. Our loan portfolio (including commitments) amounted to € 12.5 billion as at 31 December 2011 (previous year: € 13.5 billion).

Loans granted to our German customers were somewhat lower than the previous year, amounting to € 429 (578) million. Our international clientele were granted loans of € 657 (1,094) million.

Due to challenging market conditions, some of our customers were not able to service their loans as originally agreed. As a consequence, unpaid and postponed installments increased, but overall owners continued to pay on schedule. Contractual repayments decreased to € 1,276 (1,582) million and extraordinary loan reductions fell considerably to € 467 (888) million. Total repayments amounted to € 1,744 (2,470) million.

Loan commitments were 40 % lower than at the beginning of 2011.

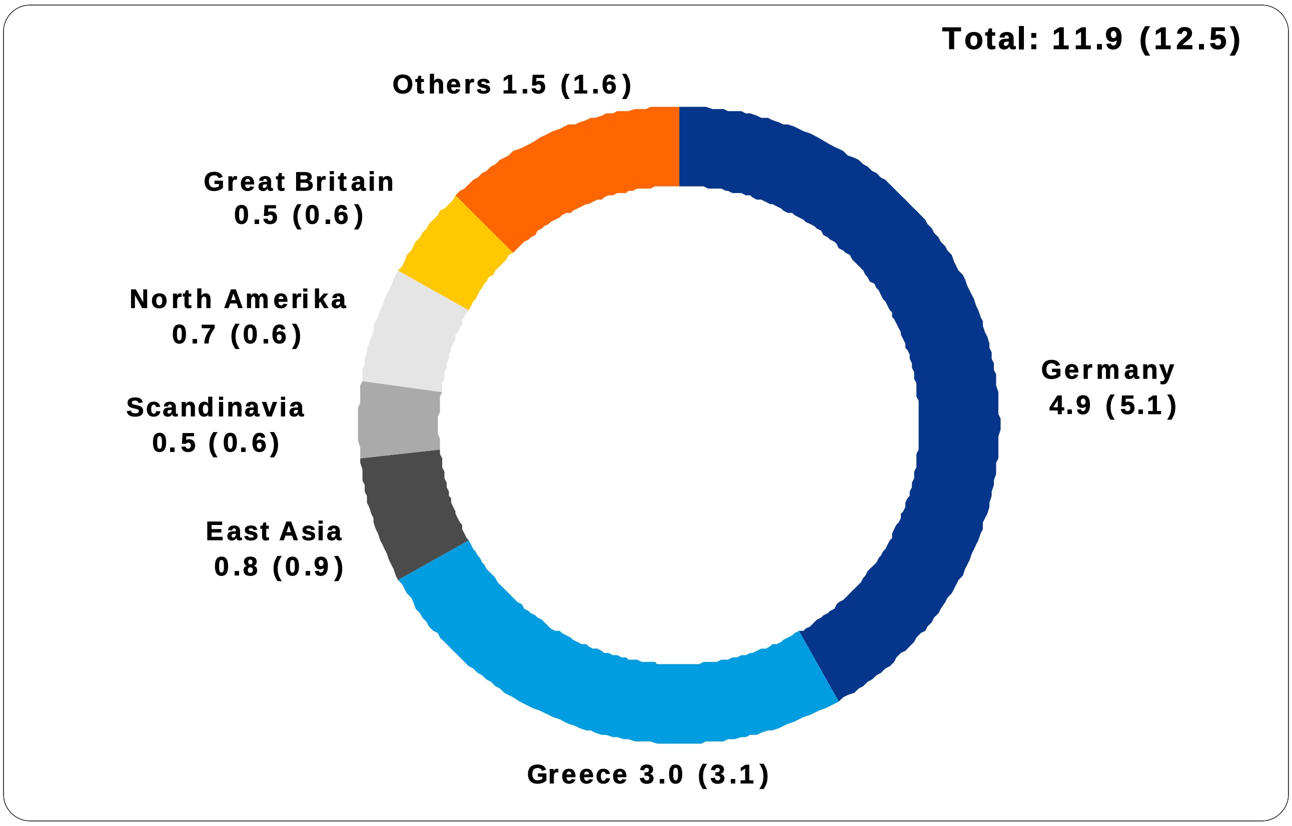
In view of the present situation in the financial sector and in numerous shipping markets, and based on current forecasts, it can be assumed that the bank’s new lending business will again be very selective in 2012.

90 % of our total loan portfolio is in foreign currencies and 90 % thereof is in US dollars, 8 % in Japanese yen and 2 % in Swiss francs. Measured in US dollars, our portfolio reached 13.3 billion.

Compared to 2010, the portfolio breakdown by country displays only moderate changes. German owners and German KGs with their diversified fleet make up close to 40 % of the total portfolio. Greece was again by far our most important international market with a share of 25 % of all loans and 40 % of our foreign loans. The risk allocation to the various countries is based on the economic domicile of shipping companies and not the flag or borrowers' legal domicile. As ship foreclosures can take place in any international jurisdiction, the economic domicile poses generally no country risk in the sense of transfer or conversion risks.

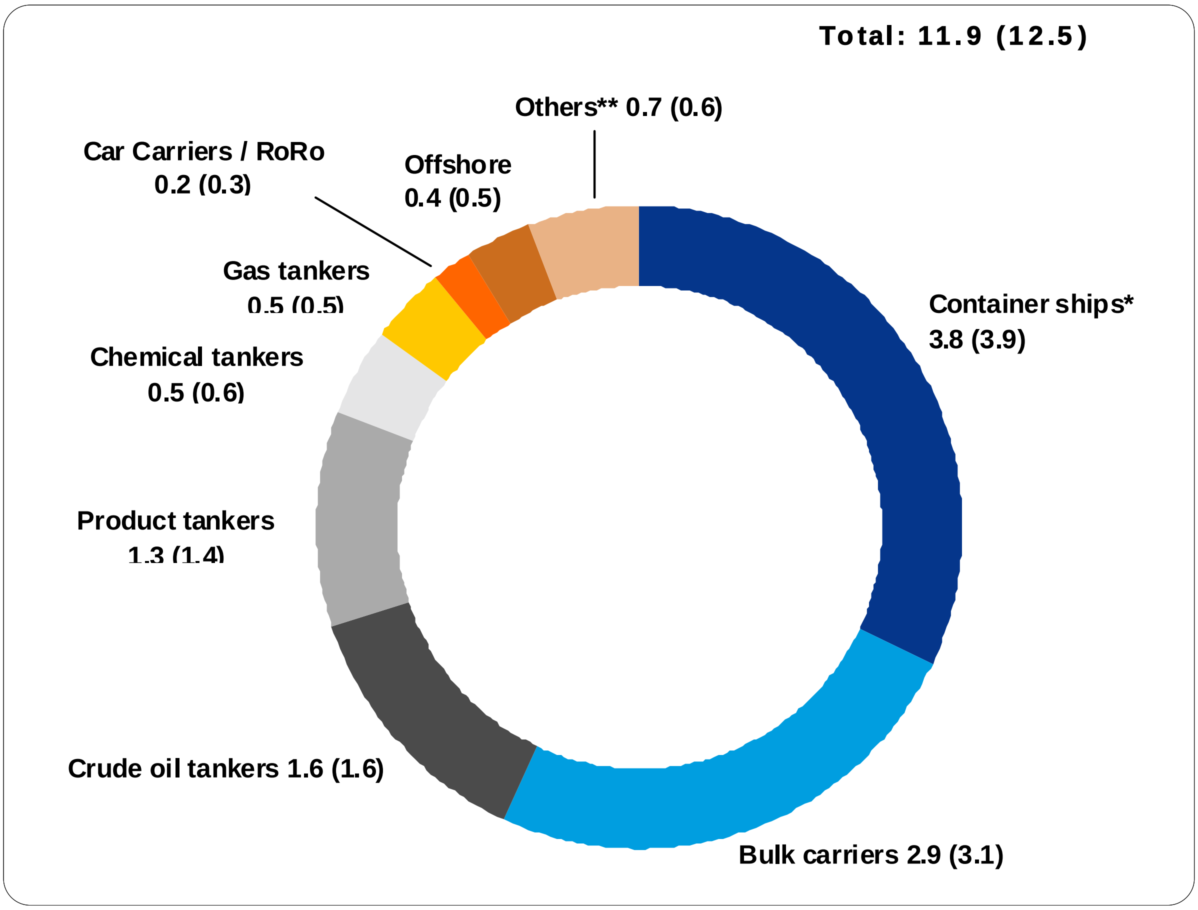
We are one of the leading lenders to the Greek and German shipping community. Other core markets where we see future growth potential are Asia, although the Asian share of our portfolio did not change very much, Norway, and well known shipping clients in North America, Great Britain and Italy. In Asia we are focused on the traditional maritime centres of Hong Kong and Singapore.

Ship loan portfolio by country as at 31.12.2011 (31.12.2010) EaD in billion €



Broken down by ship types, our portfolio is still split evenly between the three standard vessel types and specialised tonnage.

Ship loan portfolio by ship types as at 31.12.2011 (31.12.2010) EaD in billion €



* incl. Conbulker and Multi-Purpose vessels

** Cruise vessels, Ferries, Reefer ships

MUNICIPAL LOANS

As no new loans were granted in our traditional municipal loan business, while € 203 million was repaid, the volume of loans against promissory notes was down to € 0.9 billion as at 31 December 2011.

We managed to replace these repaid municipal amounts in order replenish the cover pool, by purchasing bonds issued or guaranteed by public bodies, predominantly EU states.

This cover pool stood at € 1,473 million as at 31 December 2011, composed of 82 % German and 18 % foreign municipality bonds. Our public Pfandbriefe in circulation are thus well covered.

EARNINGS

Our interest surplus in 2011 was much lower than the year before, totaling €161 (175) million, entirely due to the reduction in the average loan volume. Net commissions decreased substantially to € 11.5 (16.0) million, as fewer new loans were granted.

Administrative expenses stood more or less unchanged at € 27.8 (27.7) million. The cost-income-ratio rose to around 17 (15) %, which still compares favourably to other banks.

After covering administrative costs and including other sundry operating income and expenses, our operating result before risk provisions amounted to € 153 (165) million. Due to the ongoing pressure on freight rates and vessel values in major market segments, a considerable part of our shipping loans are at risk. As a consequence, additional funds were allocated to risk provisions.

Markets for bonds issued by public bodies deteriorated in 2011, due to higher spreads. Our bond portfolio, which contains only paper issued by banks and public bodies – including from PIIGS states – has been booked as current assets, and is therefore subject to write-downs to the lower of cost or market value. After the necessary write-downs no further risks are apparent in our bond portfolio. In relation to our total portfolio, write-downs in 2011 were substantial, primarily relating to Greek bonds.

Around € 74 (474.5) million of our bond portfolio is related to PIIGS states. The worsening sovereign debt crisis in the Euro zone necessitated some substantial write-downs of this position in 2011. We did not record any losses due to non-payment by bond issuers in the year under review. Due to market conditions, the three Greek state bonds in our portfolio were written down to 20.1 % of their nominal value of € 72.5 million. Further write-downs on debt instruments were not necessary.

Risk provisions amount to € 151.5 (159.4) million and the operating surplus from our standard business activities amounted to € 0.5 (5.6) million. The profit and loss account showed a zero result.

EQUITY CAPITAL

As of 1 January 2008, the Solvency Regulations (SolvV) apply to the bank and counterparty risks are calculated in accordance with the international rating based approach (IRBA) pursuant to Article 59 (1) second sentence no 1 lit. b SolvV. The bank evaluates the probability of failure pursuant to Article 88 SolvV, the potential loss ratio in case of failure pursuant to Article 92 SolvV, as well as the IRBA conversion factor pursuant to Article 101 (1) SolvV. For the calculation of the operational risks, the bank uses the basic indicator approach pursuant to Article 270 and 271 SolvV.

Total equity amounted to € 1,350 (1,407) million. As of 31 December 2011, the capital ratios pursuant to SolvV were 12.5 % (total capital) and 9.2 % (core capital) respectively. The equity gives us a solid base to cope with credit risks, and puts us in a position to play an important role in ship finance as shipping markets recover.

FUNDING

Funding conditions were quite challenging as market participants' nervousness increased in line with the expanding euro crisis. The funding situation for US dollars was particularly difficult. Most European banks only managed to obtain US dollar funds with difficulty and at higher spreads.

The reduction of assets on our balance sheet which the bank achieved during the year under review helped a great deal to deescalate the situation. In addition to the restrained lending policy and the active portfolio management of its ship finance business, the bank has systematically reduced non-shipping assets. These measures greatly reduced liquidity needs.

The Commerzbank Group granted us credit lines in the amount of € 5.8 billion in the year under review, of which € 4 billion were borrowed long-term and € 325 million short-term as at the year-end.

The US dollar funds borrowed during the previous year were extended. Overall, we renewed the equivalent of € 1.62 billion in US dollars with the Group and secured long-term attractive spreads for our US dollar funding. In addition to the extension of Group funding we have restructured external funds amounting to € 57.5 million, which will remain part of our overall financing.

In the year under review, the bank raised € 231.2 million through the sale of unsecured bonds, € 262 million via ship mortgage Pfandbriefe and € 15 million by way of public Pfandbriefe. Due to the reduction of country risks during the second half of the year, we bought back public Pfandbriefe in the amount of € 165 million, which were used to regulate our public cover pool.

We continued with our strategy to switch to long-term hedging of our foreign currency exposure, concluding 24 new long-term currency swaps in the amount of € 2.78 billion in 2011. These products serve primarily to safeguard our cover transactions.

We also still managed to obtain short-term money market funds, primarily in US dollars but also in Euro, from shipping companies, or through our interbank activity, which still represents a major and attractive means of funding. Repo operations were concluded during the first half of the year purely because they were cost efficient. Due to the reduction of assets in our balance sheet we were no longer dependent on repo operations for funding purposes in the second half of the year. We did not borrow any funds from the European Central Bank in 2011.

Unsecured notes in circulation decreased to around € 5.3 (5.9) billion. Loans against promissory notes still made up the major share, totaling € 4.8 (5.2) billion. The volume of public Pfandbriefe was somewhat down to € 1.2 (1.4) billion and issued ship mortgage Pfandbriefe decreased to € 3.9 (4.5) billion as at the balance sheet date. Thanks to all these measures, the cost of foreign exchange swaps and the liquidity situation of the bank were comfortable at the year-end, which shows us that we are on the right track.

EVENTS AFTER THE BALANCE SHEET DATE

On 8 February 2012, the Board of Managing Directors of Deutsche Schiffsbank decided to enter into an integration contract with Commerzbank AG, stipulating that Deutsche Schiffsbank will transfer its assets as a whole with all rights and obligations to Commerzbank by way of dissolution without liquidation according to Article 2 (1) of the German Transformation Act (merger by absorption).

RISK MANAGEMENT

Our risk management system allows us, as a ship finance bank, to efficiently control all potential risks inherent in our business and at the same time to fulfill all legal requirements. Based on various mechanisms for analysis and early diagnosis, all relevant risks are identified, evaluated, controlled, supervised and reported to the appropriate decision makers.

Our organisational structure complies with the minimum requirements for risk management (MaRisk) set by the financial services supervisory authorities. Essential functions are handled by the Risk Strategy & Portfolio Reporting Department "Marktfolge/Risk Management" and Intensive Care (a department unrelated to the marketing teams) providing amongst other things quarterly credit risk reports, an opinion on all relevant loan decisions and support for restructuring measures of non-performing loans.

Lending and Treasury departments are obliged to report directly to the Risk Strategy & Portfolio Reporting Department, which is in turn responsible for ongoing monitoring. Business related risk categories (counterparty risks, market price risks and liquidity risks) as well as operational risks are identified, evaluated, monitored, controlled and reported. The object of our internal risk and equity management is to safeguard the banks risk-bearing capacity, and to maintain at all times an adequate ratio between the risks and the available funds to cover these risks.

Counterparty risks are defined as potential losses due to deteriorating creditworthiness or the failure of business partners. Risks resulting from lending, contractual risks related to our funding activities, and settlement risks belong to this category.

Credit risks are controlled by a set of different risk and volume limits. Limits are primarily set for borrowers, vessel types, a few sensitive countries, construction finance, and for risks related to the sale of venture capital for limited partnerships

Standard shipping loans based on mortgages are rated in accordance with our rating system using the Commerzbank rating categories. Commerzbank's master scale allocates a non-overlapping range of probabilities of default that are stable over time for each rating class. The probabilities of default allocated to the ratings remain stable across all portfolios and over time in order to ensure comparability. The rating system meets the requirements with regard to the capital adequacy framework (SolvV) AIRBA (advanced internal rating based approach).

For all other shipping loans, primarily corporate loans and construction finance, as well as for our bank portfolio AIRBA procedures are in place. The rating procedure for banks has been approved by the "Bundesanstalt für Finanzdienstleistungsaufsicht" (BaFin) in 2010, while the other rating procedures are still being discussed. Equity pre - finance risks are determined by means of a simple risk classification procedure, in accordance with the SolvV standard rating based approach.

One lending criterion for ship mortgage loans is the determination of vessel values based on the rules of the new Pfandbrief Act. Vessels which are registered abroad can only be mortgaged if the security is equivalent to that provided under German law. As nearly all our security vessels are of material value, of which a significant majority are employed in international trade, specific country risks are only relevant in relation to some construction finance, that is only to a limited extent. A balanced portfolio as to vessel types is an essential criterion in our lending policy. Prior to drawdown, and thereafter at least annually during the term of the loan, the earnings and financial situation of borrowers and commercial owners are evaluated in detail based on financial statements, profit and loss, cash flow and other documents. By partly syndicating loans, risks can be spread both with regard to customers and vessel types.

Regular reviews of our loans are carried out by the relevant departments. If disruptions in performance are beginning to emerge, appropriate steps and, if need be, preventive measures are taken. Other elements in the control of credit risks are the continuous monitoring of the major international freight markets and the consequences rates might have on the ability of our customers to service their loans. This includes the supervision of the structure of our loan portfolio in relation to the respective charterers. In addition, we continuously monitor the development of second-hand values, as well as newbuilding prices, and shipping markets are analysed with respect to the age structure of the fleet and newbuildings on order.

In order to limit counterparty risks in connection with money and foreign exchange transactions, as well as off-balance sheet deals with, nearly all with OECD banks, individual limits are set and continuously monitored for each contractual partner. Our foreign exchange dealings are part of the CLS (Continuous Linked Settlement) system which considerably reduces our settlement risks in this important market segment.

Market price risks are defined as potential losses due to price changes in the financial markets. For a ship mortgage bank they are principally currency or interest risks.

Currency risks arise because a large majority of our shipping loans are denominated in foreign currencies (in particular US dollars) while the long – term financing of these borrowings occurs predominantly in euros by means of ship mortgage bonds, public Pfandbriefe and loans against promissory notes.

By entering into forward exchange transactions and currency swaps with numerous prime banks, we manage the currency risk of all foreign currency loans. Currency limits are monitored on a daily basis.

Interest rate risks result particularly from mismatches between loans and deposits because the various products demanded by our business partners have different terms. We permanently monitor and control the interest rate risks in the various currencies through an EDP supported information system where all interest rate periods of the entire lending business, from the liability side and from the derivative business are brought together for analysis.

Taking hedging instruments into account substantially the whole loan volume of the bank is financed with matching interest periods. A large part of the remaining receivables relates to investment of the bank's equity. The responsibility for monitoring interest rate risks lies with the Risk Strategy & Portfolio Reporting Department, which continuously updates the senior management on the development of market values and their trends, as well as the consequences for the earnings situation of the bank ensuing from interest rate changes. The responsibility for controlling interest rate risks lies with the Treasury.

The SAP software SEM (Strategic Enterprise Management) enables us at any time to assess all assets, liabilities and derivative exposures of the bank based on actual market conditions using mathematical methods. In addition, SEM is used to appraise market price risks (amongst other things on the basis of sensitivities and value- at - risk), which includes the calculation of variations of the present value in accordance with the guidelines of the BaFin letter of 10 November 2011, which is binding on all banks, and are based on a parallel translation along the yield curve of plus 200 basis points and minus 200 basis points respectively. Variations of the present value of more than 20 % of the equity need to be reported to the BaFin. The risk volume was continuously well below the surveillance threshold.

Since the end of 2009, we have also used a tailor-made IT-system to evaluate structured bonds and derivatives.

Liquidity risks, as well as other management and functional risks, are monitored and controlled with clear targets through internal information and control systems. This includes exchange rate developments, reserves in our cover fund and liquidity reserves. The external standard for liquidity requirements falling due within one year is set by the Liquidity Enactment (LiqV).The requirements of the LiqV were continuously fulfilled. As of the third quarter 2010, our liquidity risks are an integral part of Commerzbank group monitoring, in addition to our internal procedures controlling short - term and strategic liquidity.

Our liquidity situation improved continuously over the last two years, thanks to the implementation of our strategy to switch to long-term funding and long-term hedging of our currency risks.

We already noticeably reduced our sensitivity to rising US dollar – euro funding spreads in the foreign currency swap market last year. In the meantime, around 82 % of our funding spread risks are secured via cross currency swaps. The conclusion of master agreements for foreign exchange in the cover pool and the conclusion of cross currency swaps for the cover pool enable us to secure approximately 80 % of the cover pool for ship mortgage Pfandbriefe against currency fluctuations. The bank maintains its strategy of placing those funding spread risks from our US dollar based ship finance business, and our domestic funding base, outside the group.

Our short-term funding is at a very low level and is only used to regulate our short-term liquidity. The share of customer deposits has increased and has proven to be extremely stable. This trend is supported by our active efforts to attract further deposits from our international clientele.

We continue to use the credit lines provided by the Commerzbank group. Taking account of these credit lines, in all scenarios simulated, including bottlenecks on the liabilities side as well as substantial non-payments of loan instalments on the asset side, the bank has sufficient liquidity.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

The idea behind the internal control system and risk management system of Deutsche Schiffsbank, with regard to accounting procedures, is to warrant credibility of the annual and semi-annual reports in accordance with generally accepted accounting principles. This goal is achieved by embedding both systems in our organisational structure, geared to the needs of the bank.

Risks in connection with accounting procedures can arise from incorrect input into financial reporting. Therefore, the process of financial reporting is subjected to specific, tight controls.

Organisation

The CFO, a member of the Board of Managing Directors, is accountable for internal control and risk management in relation to accounting principles. The finance department, under the supervision of the CFO, is responsible for financial reporting in conformity with laws and internal and external guidelines. Internal audit is also answerable to the CFO. The reporting of these divisions to one individual allows effective and efficient control of accounting. At the Supervisory Board, the risk committee monitors accounting procedures.

Internal audit provides autonomous, impartial, and risk oriented services on behalf of the Board of Managing Directors, aiming to improve the business procedures of Deutsche Schiffsbank regarding compliance, security and efficiency. It supports the Board of Managing Directors by systematically evaluating the effectiveness and adequacy of risk management and internal control system as well as business procedures. In addition it works alongside important projects and gives recommendations if necessary. Internal audit thereby helps to safeguard business transactions and assets. Internal audit is part of Commerzbank group audit. It is an instrument of the Board of Managing Directors, directly subordinated and answerable to the Board.

It is independent, acting on its own initiative. It is autonomous, particularly in giving its judgement and reporting the results of its audit. To fulfil its obligations, internal audit has a complete and unrestricted right of information.

Internal audit takes a risk-oriented approach and its audit extends across all activities and operations of the bank, even if they have been outsourced.

Its focus is on the effectiveness and adequacy of risk management, that is to say the risk management and control system, the reporting system, and the information system as well as financial and accounting matters.

The timely elimination of detected deficiencies will be monitored separately by internal audit. If deadlines are not met, escalating procedures are implemented. In addition to individual reports, internal audit issues quarterly status reports, and an annual report on all audits made during the course of the year, detected deficiencies and respective measures taken, and submits these to the entire Board of Managing Directors.

Components of internal control and risk management systems in relation to accounting

Deutsche Schiffsbank has clearly defined and binding accounting standards, which are in line with those of the Commerzbank group. They are the basis for correct and consistent accounting procedures. Compliance with the standards is checked by the auditor. They are continuously monitored and, if need be, updated. In addition, regular staff training courses are provided, giving information about statutory changes and their implementation in the group, and about basic accounting standards.

Several organisational measures were taken to secure compliance with accounting standards in order to achieve reliable financial reporting. For instance, the IT systems contain numerous accuracy checks, which are an integral part of other systems used in accounting. In addition, any action by a person which affects accounting must always be checked by a second person (four eyes principle).

Other measures to assure correct accounting in Deutsche Schiffsbank are clear guidelines according to qualifications and responsibility. Decisions are only taken in accordance with granted powers. All financial functions which could cause a conflict of interest are separately organised and dealt with.

IT systems also play a major role in the preparation of the annual accounts, and consequently have to fulfil the requirements of internal control and risk management systems. Deutsche Schiffsbank utilizes a variety of software systems in the preparation of its accounts. In addition to standard software, the bank uses programs tailor- made to its needs which are regularly examined by internal auditors.

All systems used in accounting are controlled by a sophisticated system allowing varying degrees of access.

Valuation methods are also employed in the preparation of the annual accounts. They are more closely described in the appendix.

Deutsche Schiffsbank is solely responsible for the preparation of its annual accounts, for which the bank possesses the necessary expertise, particularly thanks to its qualified employees. Training courses help to improve and strengthen accounting qualifications.

STAFF REPORT

2011 was again a very demanding year for our staff who handled all challenges with competence, experience, and great commitment. Market uncertainties, and the decision to merge Deutsche Schiffsbank into Commerzbank AG, which was communicated to the staff in spring 2011, resulted in additional workload. The growing importance of corporate requirements and risk management meant solving complex tasks in a difficult environment. In view of the forthcoming integration into Commerzbank AG no new permanent employment contracts were concluded as of the second half of the year. The bank has continued to provide in-house and external training courses.

At the year- end, 78 female and 82 male employees were on the payroll, 5 less than at the end of 2010. The average age stood almost unchanged at around 42.6 years. The average period of employment is 7.6 years and 14 employees have been working with us for more than two decades.

The Board of Managing Directors thanks all employees for their material contribution to our respectable result, in a year which was again very difficult for the finance sector. To those who retired in 2011, we express our appreciation for many years of service.

Many thanks also to the members of the Staff Council with whom a constructive dialogue was maintained on all relevant issues of company and staff policies.

INTEGRATION REPORT

At the end March 2011, Commerzbank AG announced its intention to integrate Deutsche Schiffsbank into Commerzbank AG. The merger is to take place in May 2012.

As part of the integration process all shipping loans and the shipping activities of Deutsche Schiffsbank, Commerzbank and the former Dresdner Bank will be centralised in Commerzbank. Deutsche Schiffsbank will retain its name and will be a subdivision of the Asset Based Finance business segment.

In spite of difficult market conditions, the integration of all shipping activity progressed well in the year under review.

Negotiations with the Staff Council for the reconciliation of employee/employer interests and, the finalisation and the communication of the results are a milestone in the integration process in 2011. After the successful concept and preparation phase for the implementation of the integration, we started the implementation phase during the third quarter.

In November, Commerzbank took over the shares from the previous minority shareholder UniCredit Bank AG, which held around 8 %. Deutsche Schiffsbank is now a 100 % subsidiary of Commerzbank.

As part of Commerzbank AG, Deutsche Schiffsbank will combine its high level of expertise in ship finance and the traditional strengths of Deutsche Schiffsbank, Commerzbank and Dresdner Bank. In future we will offer our clients all-in-one professional additional services and vast experience. We will use our strength to expand

Commerzbank AG´s role in shipping as one of the world's most recognized and established banks for our global shipping customers.

RELATIONSHIP WITH AFFILIATED COMPANIES

Due the integration of Deutsche Schiffsbank AG and its subsidiaries into Commerzbank group, the Board of Managing Directors is obliged to report on its relationship with affiliated companies pursuant to article 312 of the corporate law.

At the end of this report, the Board of Managing Directors declares:

"That, based on the facts known at the time that business transactions were concluded, or measures taken or omitted, Deutsche Schiffsbank has received quid pro quo for every business transaction and has not been put at a disadvantage because measures were taken or omitted."

OUTLOOK

Shipping markets

The global economic outlook for 2012 and 2013 is precarious and is influenced by a number of factors.

The economic growth in the United States of America is expected to be moderate. High unemployment and stagnating real wages weaken the purchasing power and thus the outlook for the USA economic.

Europe's fiscal challenges make forecasts difficult. Commerzbank expects that the European economy's gross domestic product will shrink by 0.4 % on an annual average. A small rise is not anticipated until the autumn 2012.

The International Monetary Fund forecast for growth in the Chinese economy for the next two years is set to be lower than in previous years and should be around 9 %.

Container vessels

In the container trade, weak charter markets are anticipated throughout the first half of 2012. Provided the European economy recovers and the moderate growth in the USA continues, we expect improved market conditions in the second half. Under these circumstances, we could see balanced market conditions in the container trade in 2013. However, the forecast is subject to considerable uncertainty.

Bulk carriers

Bulk demand is expected to maintain a strong growth pattern over the next two years based on demand from emerging economies for iron ore, steel and coal. However, in the first half of 2012, weak charter rates are anticipated due to high fleet growth and a seasonal decrease in cargo volumes. The bulk trade could benefit from increased demand due to renewed Chinese stimulus measures. Furthermore, more “slow steaming” should lead to firm, or possibly slightly rising charter rates as of mid-2012, in spite of high fleet growth.

Tankers

Due to high fleet growth and weak oil demand market expectations for tankers in 2012 and 2013 are low and highly uncertain at that. Charter rates for large oil tankers are set to stay at a low level, unless unforeseen demand factors stimulate rates. Whereas charter rates for product tankers should slowly increase as fleet growth slows down and cargo volumes rise.

Offshore

The high oil price should boost investments in offshore facilities. We expect that rates for modern deep sea units will remain at a high level in the short and medium term.

Cruise vessels

In spite of the uncertainties in the global financial markets major cruise operators' recorded bookings suggest sustained demand in 2012 and 2013. However, a drop in bookings cannot be excluded following the accident of the Costa Concordia.

Liquefied Natural Gas tankers (LNG)

The construction of additional LNG liquefaction plants and capacity increases in existing units necessitate further LNG transport capacity. Fleet growth should be moderate in the next one to two years, and we expect continuously high charter rates. We see very good growth potential in this segment in the long-term.

Deutsche Schiffsbank

The integration of Deutsche Schiffsbank into Commerzbank AG is scheduled to take place in May 2012 with entry in the Commercial Register, retroactively effective as of 12-31-2011/1-1-2012. After the merger, Commerzbank will continue the business of Deutsche Schiffsbank together with its own ship finance business in a core business division called “Deutsche Schiffsbank”.

The bank aims to play a leading role, in terms of quality, in its core business of long-term ship finance. The size of the portfolio will not be of importance in future, but the numerous banking products which will be sold to maritime clients. Our emphasis will be on prime borrowers, quality vessels and the profitability of the overall customer relationships. The Deutsche Schiffsbank division of Commerzbank AG will remain a reliable partner for its customers.

We expect challenging times for shipping and financial markets in 2012 and 2013. Consequently, we see only limited opportunities in the near future to expand our new loan business.

Following the merger into Commerzbank, Deutsche Schiffsbank plans to raise the profitability of the whole ship finance portfolio, reduce and transform it into an appropriate structure. The distinction between strategic and non-strategic customer relationships is in line with this target.

Even if we manage to substantially increase the margins in our existing business, it is probable that the reduced volume will outweigh higher margins and that our interest surplus will decrease.

Deteriorating shipping markets could have a negative impact and lead to higher risk provisions in 2012 and 2013.

Due to uncertainty in how the global economy will develop during the next two years, and our customers' ability to service their loans, the actual outcome may deviate from the forecast.

REPORT OF THE SUPERVISORY BOARD

During the 2011 financial year, the Supervisory Board carried out its duties in accordance with the law and the company's articles of association and continually monitored the Bank's Board of Managing Directors. The Supervisory Board held three meetings: two were held in the first half of the year, and one in the second half of the year. It also held a telephone conference in the second half of the year. As it is not a publicly-listed company, this meant that the Bank met the requirements of the Stock Corporation Act (*Aktiengesetz* - AktG).

The Board of Managing Directors provided the Supervisory Board with information about the situation and development of the Bank along with information about basic issues of business policy, management and the risk situation. The Board of Managing Directors provided written quarterly reports to the Supervisory Board and also provided occasional verbal reports on the business situation of the Bank and its risk position. Budgets, financial planning and important individual transactions were also discussed in detail; the Supervisory Board approved the budget for 2012 and medium-term corporate planning for 2012 and 2013. The current situation in the shipping business, forecasts for development of shipping markets and the effects on the Bank's situation in this respect were discussed with the Supervisory Board.

The Board of Managing Directors also reported to the Supervisory Board about the Bank's securities portfolio, municipal loans, and compliance with statutory requirements and internal company guidelines. There was an uninterrupted and comprehensive exchange of information and opinions between the Supervisory Board and the Board of Managing Directors.

As part of the implementation of the Remuneration Regulation for Institutions (*Instituts-Vergütungsverordnung* – InstitutsVergV) within the Commerzbank Group, the Supervisory Board adopted an amendment to the Management Rules as regards remuneration for the Board of Managing Directors.

The Supervisory Board Rules still require there to be two committees of the Supervisory Board, the Chairman's Committee and the Risk Committee.

The Chairman's Committee held one meeting. The Risk Committee, which also takes on the functions as the Audit Committee under the Supervisory Board Rules, held three meetings. It discussed all risk issues, particularly those arising pursuant to reports from the Board of Managing Directors about developments in shipping markets, the Bank's risk strategy and risk provisioning. The Committee also discussed issues arising from reports from the Board of Managing Directors as regards municipal loans and securities, refinancing and liquidity, and the equity capital situation. Where required, the Risk Committee and the Chairman's Committee approved transactions and measures for which their authorisation had been sought.

The Annual Financial Statements to 31 December 2011, the Management Report and the Bank's accounts were audited by PricewaterhouseCoopers AG Wirtschaftsprüfungs-gesellschaft, Hamburg pursuant to the audit assignment issued by the Supervisory Board. No objections were raised by the audit. According to the audit report, the Annual Financial Statements present a true and fair view of the net assets, financial position and results of operations of Deutsche Schiffsbank AG. The audit report was sent to all members of the Supervisory Board.

The auditor had already reported to meetings of the Risk Committee in November 2011 and February 2012 about progress and status of the audit of the Annual Financial Statements to 31 December 2011. The auditor then took part in the meeting of the Supervisory Board for the Annual Financial Statements held on 27 March 2012. He set out the main results of his audit and answered questions about the Annual Financial Statements and the audit report. The Supervisory Board also examined the Annual Financial Statements and the Management Report and took affirmative note of the auditor’s conclusions.

According to the results of the examination by the Supervisory Board, no objections were raised to the Annual Financial Statements. Therefore, the Supervisory Board approved the Annual Financial Statements at its meeting held on 27 March 2012 and these were thereby deemed as adopted.

The Board of Managing Directors also provided the Supervisory Board with a report on relations with affiliated companies and the auditor’s report in this regard. After conclusion of the audit, the auditor did not raise any objections to the report of the Board of Managing Directors and issued the following unqualified certification:

“On the basis of our diligent examination and judgment we hereby confirm that:

1. the statements in such report on relation with affiliated enterprises are accurate;

2. the consideration given by the company for the transactions specified in the report was not unreasonably high;

3. there are no circumstances that would justify a different opinion in respect of the acts specified in the report than the opinion of the management board."”

The Supervisory Board has examined the report of the Board of Managing Directors and approves this report along with the report by the auditors. After conclusion of its examination, the Supervisory Board did not raise any objections to the declaration of the Board of Managing Directors included in the report on relations with affiliated companies.

At its meeting held on 27 March 2012, the Supervisory Board also approved the conclusion of a merger agreement between Deutsche Schiffsbank AG and Commerzbank AG, by which Deutsche Schiffsbank AG will transfer all its assets and attendant rights and obligations to Commerzbank AG pursuant to section 2 (1) of the Transformation Act (*Umwandlungsgesetz* – UmwG) (merger by absorption).

On 9 November 2011 Lutz Diederichs, Member of the Management Board of UniCredit Bank AG, Munich, resigned his position on the Supervisory Board that he had held since 1 July 2008, and simultaneously resigned as Deputy Chairman of the Administrative Council. The Supervisory Board thanked him for his commitment and contribution to the company. An extraordinary general meeting held on 28 November 2011 elected Dr. Gerhard Kebbel, Divisional Board Member and Chief Operating Officer of the business segment Asset Based Finance of Commerzbank AG, Frankfurt am Main, as a member of the Supervisory Board with immediate effect.

Mr. Werner Weimann, member of the Board of Managing Directors, retired from the Bank with effect from 30 June 2011. Mr. Weimann had been a member of the Board of

Managing Directors since 1 December 2008 and had been Chairman of the Board of Managing Directors since 1 October 2009. The Supervisory Board expressed their thanks and appreciation for this successful work with the Bank. Dr. Stefan Otto was appointed as an additional member of the Board of Managing Directors with effect from 1 April 2011 and was appointed Chairman with effect from 1 July 2011.

We also give thanks and appreciation for the contribution of Mr. Harald Winter who during this financial year left the Administrative Board of which he had been a member since 1994. Niels Stolberg also left the Administrative Board.

The Supervisory Board would like to thank all employees, the Staff Council, the management staff and the Board of Managing Directors for their commitment and performance, which has been crucial for the Bank's balanced result in the 2011 financial year, a year that has been extraordinarily difficult both for the financial sector and for the shipping industry.

With registration of the above-mentioned merger agreement in the Commercial Register, Deutsche Schiffsbank AG, whose predecessor institution was founded in 1918, will be merged with Commerzbank AG and will cease to exist as an independent public limited company (*Aktiengesellschaft*). The Supervisory Board would like to especially thank all employees, the Staff Council, management and the Board of Managing Directors of Deutsche Schiffsbank for the successful implementation and conclusion of this merger and their consistent dedication.

Frankfurt am Main, 27 March 2012

THE SUPERVISORY BOARD

Jochen Klösges

Chairman

ANNUAL STATEMENT OF ACCOUNTS 2011

Annual Balance Sheet as at 31 December 2011

	Assets					Liabilities and Shareholders' equity			
			31.12.2011	31.12.2010				31.12.2011	31.12.2010
		€	€	thousand €			€	€	Tsd €
1.	Cash reserve				1.	Liabilities to banks			
	a) cash on hand	949.17		0		a) registered ship mortgage bonds issued	119,657,650.81		144,795
	b) balances with central banks	8,235,570.64		110,668		b) registered public Pfandbriefe issued	1,815,971.93		31,817
	(including with Deutsche Bundesbank)	*(8,235,570.64)*		*(110,668)*		c) other liabilities	4,239,233,618.86		4,914,819
			8,236,519.81	110,668		*(including: on demand)*	*(375,641,563.39)*		*(131,430)*
								4,360,707,241.60	5,091,431
2.	Amounts due from banks				2.	Liabilities to customers			
	a) municipal loans	260,802,010.72		366,590		a) registered ship mortgage bonds issued	1,967,577,562.55		2,074,908
	b) other amounts due	656,765,730.19		479,000		b) registered public Pfandbriefe issued	966,761,190.21		1,100,604
	(including: on demand)	*(278,210,550.51)*		*(258,808)*		c) other liabilities	2,591,051,128.52		2,895,966
			917,567,740.91	845,590		*(including: on demand)*	*(26,674,310.54)*		*(27,092)*
								5,525,389,881.28	6,071,478
3.	Amounts due from customers				3.	Certificated liabilities			
	a) ship mortgage loans	10,934,702,556.70		11,229,081		bonds issued			
	b) municipal loans	666,263,607.81		767,759		a) ship mortgage bonds	1,811,163,814.20		2,307,341
	c) other amounts due	426,254,932.29		115,026		b) public Pfandbriefe	278,742,173.08		307,068
			12,027,221,096.80	12,111,866		c) other bonds	65,774,707.16		257,748
								2,155,680,694.44	2,872,157
					4.	Other liabilities		456,560,840.65	208,762
4.	Bonds and other fixed-interest securities								
	a) bonds and notes				5.	Accrued and deferred items			
	aa) public sector issuers	123,367,706.46		324,415		from issuing and lending business		19,120,888.92	22,395
	(including: eligible as collateral for Deutsche Bundesbank advances)	*(113,330,439.00)*		*(306,034)*					
	ab) other issuers	587,712,297.38		1,455,288	6.	Provisions			
	(including: eligible as collateral for Deutsche Bundesbank advances)	*(569,447,736.69)*		*(1,397,239)*		a) provisions for pensions and similar obligations	26,207,142.00		25,900
		711,080,003.84		1,779,703		b) tax provisions	0.00		0
	b) own bonds	0.00		677,770		c) other provisions	23,082,027.02		23,865
	(par value)	*(0.00)*		*(676,608)*				49,289,169.02	49,765
			711,080,003.84	2,457,473					
					7.	Subordinated liabilities		223,313,000.00	261,513
5.	Investments in affiliated companies		27,738.39	3	8.	Participation rights		129,500,000.00	169,500
						(including: maturing in less than two years)		*(24,500,000.00)*	*(64,500)*
6.	Intangible assets		2,369,755.69	3,206	9.	Fund for general bank risks		45,000,000.00	45,000
					10.	Equity capital			
7.	Tangible fixed assets		3,118,606.13	3,083		a) subscribed capital			
						aa) share capital	146,996,720.00		146,997
						ab) undisclosed partnerships	88,000,000.00		126,647
8.	Other assets		191,598,537.14	191,681			234,996,720.00		273,644
						b) capital reserve	488,349,487.64		488,349
						c) revenue reserves			
						ca) legal reserve	1,312,997.55		1,313
9.	Accured and deferred items					cb) other revenue reserves	187,063,492.16		187,063
	a) from issuing and lending business	14,672,085.50		18,559			188,376,489.71		188,376
	b) other items	392,329.05		241		d) distributable profit	0.00		0
			15,064,414.55	18,800				911,722,697.35	950,369
	Total assets		13,876,284,413.26	15,742,370		Total liabilities and shareholders' equity		13,876,284,413.26	15,742,370
					1.	Contingent liabilities			
						liabilities under guarantees and indemnities		49,585,316.81	101,507
					2.	Other commitments			
						irrevocable loan commitments		1,071,467,000.00	1,775,271

Profit and Loss Account

1 January to 31 December	€	2011 €	2010 thousand €
1. Interest income from			
a) lending and money market operations	327,049,666.65		279,399
b) fixed-interest securities and government debt	32,428,631.14		38,785
	359,478,297.79		318,184
2. Interest expenses	198,437,581.84		143,264
		161,040,715.95	174,920
3. Commissions received	11,695,899.00		16,636
4. Commissions paid	204,070.46		636
		11,491,828.54	16,000
5. Other operating income		17,849,282.85	11,634
6. General administrative expenses			
a) staff expenses			
aa) wages and salaries	12,505,699.07		12,119
ab) social security contributions, expenses for pensions and other employee benefits	2,017,256.27		2,868
(including: pension expenses)	*(371,859.31)*		*(1,302)*
	14,522,955.34		14,987
b) other administrative expenses	13,234,425.22		12,684
		27,757,380.56	27,671
7. Amortisation and depreciation of intangible and tangible fixed assets		1,560,629.94	1,566
8. Other operating expenses		8,468,774.07	8,309
9. Write-downs of and adjustments to amounts due and specific securities as well as allocations to provisions for possible loan losses		151,531,999.36	159,388
10. Expenses from assumption of losses		579,602.67	0
11. Result from ordinary activities		483,440.74	5,620
12. Extraordinary expenses		450,745.00	6,040
13. Net loss	0.00		-457
14. Other taxes not included under item 8	32,695.74		37
		32,695.74	-420
15. Distributable profit		0.00	0

Statement of Shareholders' Equity

€ thousand	Subscribed capital		Capital reserve	Earnings reserve	Distributable profit	Total equity
	Share capital	Undisclosed partnerships				
as at 31.12.2009	**146,997**	**126,647**	**488,349**	**188,376**	**0**	**950,369**
Annual result					0	0
as at 31.12.2010	**146,997**	**126,647**	**488,349**	**188,376**	**0**	**950,369**
Liabilities		-38,647				-38,647
Annual result					0	0
as at 31.12.2011	**146,997**	**88,000**	**488,349**	**188,376**	**0**	**911,722**

Cash Flow Statement

€ thousand	2011	2010
Net income for the year before extraordinary items	**451**	**6,041**
The net income for the year includes non-cash items and adjustments to reconcile net profit to net cash from operating activities		
Write-downs and revaluations on fixed assets and financial assets	141,994	158,754
Changes in provisions	-3,740	13,180
Profit or loss from the sale of fixed assets and financial assets	12,498	-3,981
Other adjustments (net)	-161,041	-175,376
Sub-total	**-9,838**	**-1,382**
Change in assets and liabilities from operating activities after correction for non-cash items		
Amounts due		
- from banks	-74,819	-197,726
- from customers	21,874	-331,136
Securities	1,641,455	1,068,337
Other assets from operating activities	-2,609	6,129
Liabilities		
- to banks	-728,984	-708,920
- to customers	-536,192	282,755
Securitised liabilities	-713,000	-268,517
Other liabilities from operating activities	274,396	87,886
Interest and dividends received	377,543	301,600
Interest paid	-212,706	-126,760
Extraordinary receipts	0	0
Extraordinary payments	0	0
Income tax payments	-21,925	-23,407
Cash flow from operating activities	**15,195**	**88,859**
Proceeds from the sale of		
- financial assets	-25	0
- fixed assets	5	5,286
Payments from the acquisition of		
- financial assets	0	0
- fixed assets	-760	-1,326
Cash flow from investment activities	**-780**	**3,960**
Proceeds from capital increases	0	0
Dividend payments	0	0
Changes in subordinated capital and other hybrid capital	-116,847	-5,000
Cash flow from financing activities	**-116,847**	**-5,000**
Cash and cash equivalents (cash reserve) as of the end of the previous period	**110,668**	**22,849**
Cash flow from operating activities	15,195	88,859
Cash flow from investment activities	-780	3,960
Cash flow from financing activities	-116,847	-5,000
Cash and cash equivalents as of the end of the period	**8,236**	**110,668**

Appendix to the Annual Statement of Accounts

GENERAL

Accounting regulations

The Annual Financial Statements to 31 December 2011 have been drawn up in accordance with the provisions of the Commercial Code (HGB) in conjunction with the Bank Accounting Regulation (RechKredV) and taking account of the provisions of the Stock Corporation Act (AktG) and the Pfandbrief Act (PfandBG).

Accounting and valuation policies

The cash reserve is valued at nominal amount.

Amounts due from banks and customers have been valued at nominal amount. The difference between nominal amount and the amount paid out is – as far as interest is of relevance – shown under accrued and deferred items. All identifiable risks in the credit business are covered with specific loan loss provisions and provisions. In addition, there are general allowances for losses and general bank risk reserves pursuant to section 340f HGB.

Specific loan loss provisions are recognised for loans that are identified as being at risk for an amount covering the expected loss. This amount is determined by taking the total claim less the net present value of all payments still anticipated. These anticipated payments include interest payments, loan repayments and funds from the sale of collateral.

General allowances for losses are recognised for loans for which there are no specific loan loss provisions but that are subject to latent risks by comparing the average net loan risk provisions of the past ten years to the risk carrying loan volume. This procedure is in line with the procedure described in report 1/1990 of the bank expert committee of the Institute of Public Auditors in Germany (IDW).

Ship mortgage loans also include those construction loans where the mortgage registration will usually take place at a later date.

Securities and our own bonds have been allocated to the liquidity reserve and are recognised at the lower of cost, exchange, market or fair value in accordance with the regulations for current assets subject to the strict lower of cost or market value principle.

Intangible assets, land, buildings, plant and equipment are valued at acquisition cost less straight-line depreciation or amortisation.

Liabilities are recognised at their repayment amount. The difference between the nominal value and the issue price is allocated to accrued and deferred items.

Provisions for pension obligations are determined on the basis of actuarial opinions. The quantification is based on the projected unit credit method. Expenses in connection with interest accrued for non-current provisions are recognised as other operating expenses.

All identifiable risks and doubtful liabilities have been taken into account by establishing corresponding provisions. Transactions that are irrelevant for balance sheet purposes are taken into account in the risk calculations.

Derivative financial instruments are used exclusively as hedging instruments against existing foreign-currency and interest-rate risks and are directly related to our lending and liability business. We do not trade for our own account.

Derivative financial instruments are individually valued at balance sheet date. Valuation gains and losses arising from assets in a hedging relationship are offset against valuation gains and losses from other transactions as permitted and recognised in accordance with the net hedge presentation method. Net losses from these calculations are recognised as provisions. Interest rate risks relating to derivative financial instruments that are monitored through the bank’s asset and liability management are not valued individually.

Accrued interest on derivatives is recognised under the line item ‘other assets’, or ‘other liabilities’. Up-front payments from derivatives are recognised under accrued and deferred items.

As of 2010, tax accruals are recognised for temporary differences between the value of an asset, liability or of accrued and deferred items as shown in the balance sheet and its assigned value in tax terms, which will in all probability be reversed in future business years. Tax accruals are calculated in accordance with tax rates and tax regulations that are valid for the company as of the balance sheet date (corporate income tax [KSt] 15%, solidarity surcharge [*Solidaritätszuschlag*] 5.5%, and trade income tax [GewSt] 15.85%) and are expected to be valid at the time when the temporary differences will be reversed. We have not exercised the option pursuant to section 274 (1) second sentence of the Commercial Code (HGB) to capitalise any net future tax relief. Future tax relief mainly relates to provisions for loan losses and provisions for anticipated losses related to incomplete transactions.

Contingent liabilities are reported at nominal value less recognised provisions.

Currency translation

Foreign currencies are translated in accordance with the provisions of section 256a in conjunction with section 340h of the German Commercial Code. Assets and liabilities denominated in foreign currencies are translated at the reference rate set by the European Central Bank as of the balance sheet date, and forward exchange transactions at the forward rate. Income and expenses are recognised in the profit and loss account at the exchange rates of the corresponding day. When measuring forward exchange transactions use is made of the option to split rates, and the agreed swap rates are deferred pro rata temporis. All claims and liabilities are generally given separate coverage for each currency. In addition to the losses, gains from currency conversions are therefore also recorded in the profit and loss account as other operating income.

Notes to the Balance Sheet

Loans and liabilities according to residual terms

€ thousand	31.12.2011	31.12.2010
Assets		
Amounts due from banks	917,568	845,590
with a residual term of		
up to three months	685,371	484,124
between three months and one year	35,343	93,236
from one to five years	162,759	233,603
more than five years	34,095	34,627
Amounts due from customers	12,027,221	12,111,866
with an undefined term	0	0
with a residual term of		
up to three months	852,138	819,373
between three months and one year	1,372,332	1,194,611
between one and five years	4,950,818	4,988,198
more than five years	4,851,933	5,109,684
Bonds	711,080	2,457,473
thereof due in the following year	113,223	612,658
Liabilities		
Liabilities to banks	4,360,707	5,091,431
with a residual term of		
up to three months	485,482	1,521,599
between three months and one year	479,571	547,535
between one and five years	3,325,648	2,909,558
more than five years	70,006	112,739
Liabilities to customers	5,525,390	6,071,479
with a residual term of		
up to three months	992,216	840,516
between three months and one year	257,594	213,744
between one and five years	1,305,121	912,141
more than five years	2,970,459	4,105,078
Certificated liabilities	2,155,681	2,872,157
thereof due in the following year	635,681	829,778

Assets which serve as security for the issuance of ship mortgage Pfandbriefe and Public Pfandbriefe

€ thousand	31.12.2011	31.12.2010
Amounts due from banks	375,565	390,347
Amounts due from customers	6,429,390	6,162,368
Bonds and other fixed interest Securities	505,438	728,041
	7,310,393	7,280,756

Amounts due from and liabilities towards affiliated companies and companies in which an investment is held

€ thousand	31.12.2011	31.12.2010
Affiliated companies		
Amounts due from banks	797	112,098
Amounts due from customers	325,717	162
Bonds and other fixed interest securities	4,208	50,162
Liabilities to banks	3,781,028	4,327,438
Liabilities to customers	587	7
Certificated liabilities *)	1,153,924	1,102,251
Investment companies		
Amounts due from banks	0	146
Liabilities to banks	0	117

*) If known

Transactions with affiliated companies are generally made on standard terms and conditions. There were no significant transactions not made on standard terms and conditions that would necessitate reporting in accordance with section 285 (21) HGB.

Bonds and other fixed interest securities

All bonds and other fixed interest securities amounting to €711.1 million (previous year: €2,457.5 million) are marketable. Securities listed on stock exchanges amount to €687.0 million (previous year: €2,410.5 million).

As of the balance sheet date, no bonds (previous year: no bonds) were pledged against borrowings for the uptake of open-market transactions of the German Bundesbank. No securities (previous year: €363.5 million) were retired as part of securities repurchase agreements.

Hedges

In micro-hedging, interest-based changes in market values of individual asset and liability transactions and of derivatives are almost fully offset during the entire hedge term by changes in the values of the underlying hedging derivatives. The terms and conditions of the hedging instruments (for instance volumes, maturities, interest payment dates, coupons) are in each case practically identical to the terms and conditions of the underlying transactions. The effectiveness of the hedging relationship is verified prospectively using the critical terms match method or the market date shift method.

Assets, debts and pending transactions included in hedges:

€ million	Carrying value/ nominal value[1]	Hedged risk[2]
Ship loans	348.9	113.8
Municipal loans	490.6	98.9
Bonds	406.0	68.4
Issues	5,788.0	-718.9
Derivatives	2,192.4	145.6

1) Derivatives are listed at nominal value; other line items are listed at carrying value

2) Cumulative changes in the market values of underlying transactions by virtue of the hedged risks

Non-current assets

€ thousand	Shares in affiliated companies	Intangible assets	Tangible fixed assets	Total
Acquisition costs				
As of previous year	3	8,543	7,443	15,989
Additions	25	275	485	785
Disposals	0	0	115	115
Transfers	0	0	0	0
As of 31.12.2011	28	8,818	7,813	16,659
Depreciation or amortisation				
As of previous year	0	5,337	4,360	9,697
Disposals	0	0	115	115
Depreciation or amortisation in financial year	0	1,111	449	1,560
As of 31.12.2011	0	6,448	4,694	11,142
Residual carrying value				
As of previous year	3	3,206	3,083	6,292
As of 31.12.2011	28	2,370	3,119	5,517

The land and buildings shown under fixed assets that the company itself uses amount to € 0.8 million (previous year € 0.9 million). Office and other equipment is reported at € 1.9 million (previous year € 1.8 million).

Shares in affiliated companies

€ thousand	Percentage of capital	Equity	Previous year's result
DSB Vermögensverwaltungsgesellschaft mbH, Frankfurt am Main	100%	25	0
NEB-Shipping Co., Monrovia, Liberia	100%	43	1

Shares in affiliated companies are not marketable on a stock exchange.

Other assets

Other assets consist mainly of accrued interest on derivative transactions in the amount of € 124.5 million (previous year: € 148.9 million). It also includes tax receivables of € 63.2 million (previous year: € 41.2 million).

Accrued and deferred items

On the assets side, accrued and deferred items include premiums from credit transactions in the amount of € 2.3 million (previous year: € 3.2 million) and discounts from liability transactions of € 5.8 million (previous year: € 6.7 million). Discounts amounting to € 5.3 million (previous year: € 5.7 million) incurred on amounts due are recognised under accruals and deferrals on the liabilities side.

Other liabilities

Other liabilities consist primarily of balancing items from the currency translation of swap transactions of € 430.3 million (previous year: € 158.4 million), interest for subordinated liabilities of € 6.1 million (previous year: € 6.3 million) and accrued interest from derivative transactions of € 19.7 million (previous year: € 43.3 million).

Provisions

Pension provisions are calculated in accordance with actuarial principles at a discount rate of 5.14%, using the projected unit credit method based on Heubeck actuarial tables 2005 G (the probability of disability is factored in at 75%). Our calculation is based on annual general wage and salary increases of 2.50%, which include expected career trends; annual pension increases are estimated at 1.80% and the assessment ceiling is expected to grow by 2% per year.

Changes in the valuation of pensions caused by the Accounting Law Reform Act (BilMoG) necessitate a € 5.9 million increase in provisions, which will have been accumulated at the latest by 31 December 2024.

Other provisions consist primarily of provisions for anticipated losses in connection with hedging transactions or market valuation of derivatives of € 12.7 million (previous year: € 11.9 million) and provisions for loans (€ 4.5 million; previous year: € 5.6 million).

The assessment of the risk that contingent liabilities reported on the balance sheet and other commitments will be used is performed in accordance with the principles for the determination of provisions. This assessment revealed that no further provisions are necessary.

Subordinated liabilities

Subordinated liabilities in the amount of € 223,313 thousand will become due in the period from 2012 to 2023. Interest rates lie between 4.08% and 7.09% and 6 month Euribor + 0.80%. No loans exceed 10% of the total amount.

For the 2011 financial year, expenses for subordinated liabilities – without taking into account hedging transactions – amount to € 13,861 thousand (previous year: € 14,862 thousand).

In the event of insolvency or liquidation of the Bank, amounts due to creditors of the above loans rank behind the amounts due to creditors who are not subordinated. These creditors are precluded from giving notice prior to maturity of their loans.

Pursuant to section 10(5a) of the Banking Act (KWG), the subordinated liabilities are allocated to the equity capital in the amount of € 195.6 million.

Participation rights

Year of issue	Nominal amount € thousand	Currency	Dividend % p.a.	Maturity	Repayment of capital
2001	24,500	€	6.80 – 7.16	31.12.2011	02.07.2012
2005	80,000	€	4.70	31.12.2020	30.06.2021 or 02.07.2021
2007	25,000	€	5.37 – 5.38	31.12.2017	02.07.2018

The holders of the participation rights receive an annual dividend ahead of the profit share of the shareholders. They share in the loss and rank behind all other creditors of the Bank, provided that their claims are not likewise subordinated.

No dividend payments will be made for the 2011 financial year in accordance with the terms of the underlying contracts.

Pursuant to section 10(5) KWG, participation rights capital of € 105.0 million is allocated to the liable equity capital.

At the annual meeting held on 18 May 2006, the Board of Managing Directors was authorised until 17 May 2011 to issue participation rights in the total amount of € 150 million in one or more tranches. During the 2007 financial year, we exercised this right with respect to a sum of only € 25 million.

Share capital

The share capital of € 147.0 million comprises 282,686 registered shares.

As of 31 December 2011, the shareholders were Commerzbank Inlandsbanken Holding GmbH, Frankfurt am Main, with 260,334 registered shares (around 92%) and Commerzbank AG, Frankfurt am Main, with 22,352 registered shares (around 8%). Commerzbank Inlandsbanken Holding GmbH is a fully-owned subsidiary of Commerzbank AG, Frankfurt am Main. We have been notified of the direct and indirect majority shareholding in accordance with section 20 (4) of the Stock Corporation Act (AktG).

Silent partnerships

Year of issue	Nominal amount € thousand	Currency	Dividend % p.a.	Maturity	Repayment of capital
2001	12,500	€	7.65 - 7.92	31.12.2011	30.06.2012 or 02.07.2012
2005	38,000	€	5.31 - 5.50	no limit	-
2005	5,000	€	5.30	31.12.2015	30.06.2016
2005	5,000	€	5.18	31.12.2017	30.06.2018
2006	16,500	€	6.06 - 6.075	31.12.2017	02.07.2018
2007	11,000	€	5.90	31.12.2019	30.06.2020

If and when the Bank has made sufficient profit, the silent partners receive an annual dividend ahead of the profit share of the shareholders.

The silent partners share in current losses in accordance with the articles of association. In case of insolvency or liquidation of the Bank, the rights of silent partners as to profit sharing and repayment of their deposits rank behind those of all creditors (including holders of participation rights and subordinated creditors).

No payments will be made for the 2011 financial year in accordance with the underlying contracts.

In accordance with section 10(4) of the German Banking Act, the contributions of silent partners in the amount of € 75.5 million are allocated in full to the equity capital.

Equity capital

Regulatory equity capital is as follows:

€ thousand	31.12.2011	31.12.2010
Core capital		
Share capital	146,997	146,997
Silent partnerships	75,500	75,500
Capital reserve	488,349	488,349
Earnings reserve	188,376	188,376
Fund for general bank risks	45,000	45,000
Deductions (section 10(2a) sentence 2 no. 2 KWG)	-3,481	-4,352
	940,741	939,870
Supplementary capital	409,575	467,426
	1,350,316	1,407,296

Amounts in foreign currencies

The assets include foreign currency amounts totalling around € 10,145.3 million (previous year: € 10,565.1 million), and liabilities include debts totalling around € 3,946.7 million (previous year: € 3,928.4 million). In addition, there are unsettled spot transactions of € 6.3 million (previous year: € 0.0 million) and payment liabilities from financial swaps and forward exchange dealing of € 6,279.9 million (previous year: € 6,683.5 million).

Financial derivatives

€ million (as of 31.12.)	Nominal amount								Fair value	
	Residual period									
	< = 1 year		> 1–5 years		> 5 years		Total			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Interest related transactions	1,683.6	2,571.9	6,356.7	6,294.6	7,596.8	9,280.2	15,637.1	18,146.7	520.3	203.5
OTC products										
Interest swaps (same currency)	1,683.6	2,571.9	6,092.1	6,016.2	7,481.0	9,154.3	15,256.7	17,742.4	520.3	203.7
Swap options	0.0	0.0		0.0	17.0	22.0	17.0	22.0	0.0	-0.2
Other interest contracts	0.0	0.0	264.6	278.4	98.8	103.9	363.4	382.3	0.0	0.0
Currency related transactions	2,491.6	6,187.2	3,280.0	1,668.1	239,1	387.5	6,010.7	8,242.8	-197.5	-204.0
OTC products										
Currency options	0.0	20.2		0.0	0.0	0.0	0.0	20.2	0.0	0.0
Foreign forward exchange	1,153.8	5,321.9	41.0	23.8	8.2	6.1	1,203.0	5,351.8	-46.1	-85.7
Cross-currency swaps	1,337.8	845.1	3,239.0	1,644.3	230.9	381.4	4,807.7	2,870.8	-151.4	-118.3
Total	4,175.2	8,759.1	9,636.7	7,962.7	7,835.9	9,667.7	21,647.8	26,389.5	322.8	-0.5

The fair value is identical to the market value or the value determined on the basis of generally accepted valuation methods (i.e. present value method) as of 31 December 2011. The evaluation of each currency is based on current interest yield curves.

An exchange rate difference resulting from foreign exchange contracts with a carrying value of € 430.3 million (previous year € 158.4 million) is reported under other liabilities.

NOTES TO THE PROFIT AND LOSS ACCOUNT

Interest expenses

As in the previous year, interest expenses do not include any dividends to silent partners.

Other operating income

Other operating income mainly comprises earnings from the valuation of derivatives of € 7.5 million (previous year € 0.0 million), income from the repurchase of bearer bonds (€ 8.9 million, previous year € 0.0 million), income from the release of provisions (€ 0.9 million; previous year € 0.4 million) and rental income (€ 0.2 million, previous year € 0.4 million).

Other operating expenses

Other operating expenses includes expenses from the valuation of derivatives (€ 3.4 million, previous year € 6.3 million), losses from foreign currency valuation of € 3.0 million (previous year income of € 8.6 million) and accrued interest for pension provisions (€ 1.6 million as in previous year).

Expenses from assumption of losses

This item includes assumptions of losses arising on the basis of a profit and loss transfer agreement with DSB Vermögensverwaltungsgesellschaft mbH.

Extraordinary expenses

Extraordinary expenses comprise costs of € 0.5 million (as in previous year) to be divided over 15 years that have arisen from the modifications to the valuations of pensions under the Accounting Law Reform Act (BilMoG).

Net profit

As in the previous year, the net profit is € 0.0 million.

Disclosures pursuant to the Pfandbriefgesetz (PfandBG)

Cover calculation

€ million	31.12.2011			31.12.2010		
	Nominal value	Present value	Risk adjusted present value	Nominal value	Present value	Risk adjusted present value
Ship Pfandbriefe						
Liabilities requiring cover	4,103.0	4,467.5	4,622.6	4,559.9	4,828.8	5,009.8
thereof bonds in circulation	(3,852.5)	(4,187.1)	(4,345.0)	(4,471.0)	(4,693.2)	(4,876.1)
thereof derivatives*	(250.5)	(280.4)	(277.6)	(88.9)	(135.6)	(133.7)
Cover assets	5,895.6	6,263.2	6,281.8	5,727.6	6,082.9	6,108.2
thereof loans serving as cover	(5,776.8)	(6,126.9)	(6,143.9)	(5,409.8)	(5,710.7)	(5,728.6)
thereof other cover assets(section 26 Pfandbrief Act)	(30.0)	(35.3)	(36.4)	(215.0)	(228.0)	(231.5)
thereof derivatives*	(0.0)	(11.3)	(11.6)	(0.0)	(36.7)	(39.8)
Present value after interest stress test			1,659.2			1,098.4
Shortfall from currency stress test			-218.2			-45.4
Cover surplus/deficit	1,792.6	1,795.7	1,441.0	1,167.7	1,254.1	1,053.0
Public Pfandbriefe						
Bonds in circulation	1,225.2	1,464.7	1,619.4	1,414.3	1,563.4	1,750.3
Cover assets	1,473.4	1,636.4	1,735.3	1,614.8	1,752.1	1,877.3
thereof bonds serving as cover	(908.2)	(1,033.8)	(1,107.3)	(1,110.9)	(1,203.6)	(1,287.6)
thereof other cover assets (section 20 (2) Pfandbrief Act)	(95.5)	(97.0)	(97.3)	(0.0)	(0.0)	(0.0)
thereof derivatives	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Cover surplus	248.2	171.7	115.9	200.5	188.7	127.0

* Exclusively to hedge currency risks

Term structure

€ million	31.12.2011	31.12.2010
Ship Pfandbriefe		
Bonds in circulation		
with a residual term to maturity of		
up to 1 year	594.1	629.7
1–2 years	615.6	591.8
2–3 years	780.4	686.1
3–4 years	194.7	770.9
4–5 years	326.4	170.3
5–10 years	1,009.6	1,179.5
more than 10 years	331.7	442.7
	3,852.5	4,471.0
Cover assets		
with a remaining interest period of		
up to 1 year	5,747.6	5,459.2
1–2 years	36.7	142.4
2–3 years	49.7	84.5
3–4 years	44.5	7.3
4–5 years	12.1	7.8
5–10 years	5.0	26.4
more than 10 years	0.0	0.0
	5,895.6	5,727.6
Public Pfandbriefe		
Bonds in circulation		
with a residual term to maturity of		
up to 1 year	127.5	39.0
1–2 years	-3.6	127.5
2–3 years	28.3	-3.6
3–4 years	131.1	28.3
4–5 years	38.9	131.1
5–10 years	199.3	241.7
more than 10 years	703.7	850.3
	1,225.2	1,414.3
Cover assets		
with a remaining interest period of		
up to 1 year	495.0	462.9
1–2 years	177.9	93.0
2–3 years	165.2	157.9
3–4 years	47.1	122.2
4–5 years	33.2	72.1
5–10 years	252.9	330.6
more than 10 years	302.1	376.1
	1,473.4	1,614.8

Receivables as cover for ship mortgage bonds

Size categories

€ million	31.12.2011	31.12.2010
up to € 500,000	6.7	11.0
more than € 500,000 up to € 5 million	1,060.4	1,069.9
more than € 5 million	4,828.5	4,646.7
	5,895.6	5,727.6

Country of registry of mortgaged vessels and ships under construction

€ million	31.12.2011	31.12.2010
Ocean-going vessels		
Antigua and Barbuda	16.3	17.4
Bahamas	256.8	248.2
Chile	0.7	1.5
Germany	2,324.7	2,326.3
Gibraltar	2.7	19.0
Greece	606.1	474.9
United Kingdom	96.9	90.3
Hong Kong	268.9	202.2
Isle of Man	80.7	75.2
Italy	189.8	163.4
Cayman Islands	3.9	4.4
Liberia	326.1	315.6
Malta	431.8	273.0
Marshall Islands	505.4	519.0
Netherlands	70.0	65.1
Norway	59.5	70.3
Panama	193.0	210.0
Portugal	0.0	2.6
Singapore	48.9	52.9
Turkey	10.6	14.8
Vanuatu	0.0	3.0
Cyprus	284.0	260.7
	5,776.8	**5,409.8**
Inland waterway vessels		
Germany	0.0	0.0
Total	**5,776.8**	**5,409.8**

Compulsory auction sales

Number	31.12.2011			31.12.2010		
	Inland waterways vessels	Ocean-going vessels	Total	Inland waterways vessels	Ocean-going vessels	Total
Completed	-	2	2	-	-	-
Pending completion	-	2	2	-	2	2

Taking possession of vessels or ships under construction

As in the previous year, the bank refrained from taking possession of any vessels during the 2011 financial in order to avoid losses.

Interest arrears

Interest arrears owed by borrowers (maturities up to 30 September of the financial year) amounted to € 1.9 million (previous year € 0.2 million). As in the previous year, the arrears are related to ocean-going vessels.

Receivables as cover for Public Pfandbriefe

Domicile of debtors or guarantors

€ million	31.12.2011	31.12.2010
Countries		
Belgium	0.0	25.0
Italy	35.5	85.0
Lithuania	0.0	10.0
Poland	0.0	40.0
Hungary	0.0	20.0
	35.5	180.0
Regional and local authorities		
Germany	652.6	722.6
Spain	20.0	20.0
	672.6	742.6
Other debtors		
domiciled in		
Germany	559.0	574.7
France	5.0	0.0
Greece	0.0	27.5
United Kingdom	23.5	0.0
Japan	10.0	10.0
Luxembourg	4.1	0.0
Austria	152.0	70.0
Slovenia	10.0	10.0
United States of America	1.7	0.0
	765.3	692.2
	1,473.4	1,614.8

Payments in arrears

As in the previous year, there were no payments in arrears (overdue by at least 90 days).

OTHER NOTES

Consolidated financial statements

On 31 December 2011, Commerzbank Aktiengesellschaft, Frankfurt am Main, directly held more than 50% of the company.

Deutsche Schiffsbank AG is included in the consolidated financial statements of Commerzbank AG that are prepared in accordance with approved and published International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Accounting, valuation and consolidation methods in the IAS/IFRS financial statements that deviate from German law are explained in the Notes to the consolidated financial statements. The consolidated financial statements of Commerzbank AG are published in the electronic Federal Gazette (*eBundesanzeiger*).

Staff

The average annual number of employees is 168 (previous year 159). Of these, 79 (previous year 78) were female and 89 (previous year 81) were male.

Board remuneration

Total remuneration of the Board of Managing Directors for the 2011 financial year amounted to € 1,498 thousand (previous year € 1,216 thousand), and that of the Supervisory Board was € 100 thousand (previous year € 119 thousand). Payments to former members of the Board of Managing Directors and their surviving dependants totalled € 1,022 thousand (previous year € 920 thousand). As of year-end the pension obligations for these individuals amounted to € 10.3 million (previous year € 10.9 million), of which € 2.0 million will be accumulated by no later than 2024 in conformity with the German Accounting Law Reform Act (BilMoG).

BOARDS

Supervisory Board

Jochen Klösges	Chairman Member of the Board of Managing Directors Commerzbank AG, Frankfurt am Main
Klaus Müller-Gebel	Deputy Chairman Lawyer, Frankfurt am Main
Dr. Thomas Bley	Member of the Board of Managing Directors EUROHYPO AG, Eschborn
Lutz Diederichs (until 9 November 2011)	Member of the Board of Managing Directors UniCredit Bank AG, Munich
Dr. Gerhard Kebbel (from 28 November 2011)	Divisional Board Member and Chief Operating Officer of the business segment Asset Based Finance Commerzbank AG, Frankfurt am Main
Irmgard von der Fecht	Bank employee Deutsche Schiffsbank AG, Hamburg
Ute Köster	Bank employee Deutsche Schiffsbank AG, Bremen

Board of Managing Directors

Dr. Stefan Otto (from 1 April 2011)	Chairman (from 1 July 2011)
Werner Weimann (until 30 June 2011)	Chairman
Dr. Rainer Jakubowski	
Tobias Müller	

Bremen and Hamburg, 9 March 2012

Deutsche Schiffsbank
Aktiengesellschaft

Dr. Otto Dr. Jakubowski Müller

RESPONSIBILITY STATEMENT OF THE BOARD OF MANAGING DIRECTORS

We confirm that to the best of our knowledge

- the annual financial statements have been prepared in accordance with applicable accounting principles and give a true and fair view of the net assets, financial position and results of operations of Deutsche Schiffsbank AG,

- the management report gives a true and fair view of the bank's business development and performance and the position of Deutsche Schiffsbank AG together with a description of the opportunities and risks associated with future development.

Bremen and Hamburg, 9 March 2012

Dr. Otto	Dr. Jakubowski	Müller

REPETITION OF THE AUDITOR´S REPORT

“Auditor's report *

We have audited the annual financial statements, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Deutsche Schiffsbank Aktiengesellschaft, Bremen and Hamburg, for the business year from January 1 to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company’s Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting- related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and themanagement report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company’s Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Hamburg, 12 March 2012

PricewaterhouseCoopers Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Gero Martens	ppa. Uwe Gollum Wirtschaftsprüfer
Wirtschaftsprüfer (German Public Auditor)	(German Public Auditor)

** Voluntary translation. It should be noted that only the German auditor's report which is based on the audit of the German version of the company's annual financial statements, is authoritative.*