

# Financial Statements and Management Report 2011

Commerzbank AG



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# Management report of Commerzbank Aktiengesellschaft

## Structure and organisation

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Commerzbank Aktiengesellschaft is Germany's second largest bank, one of its leading banks for private and corporate customers and a major financial institution within Europe. Our customers have around 1,200 branches at their disposal, one of the densest networks of any private-sector bank in Germany. Commerzbank serves a total of around 15 million private customers and 1 million business and corporate customers worldwide. Commerzbank aims to continue strengthening its position as market leader in the private and corporate customer segments in Germany.

The focus of our activities is on the four core segments Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, which are at the heart of Commerzbank. Other segments that are not part of the core bank are Asset Based Finance and Portfolio Restructuring Unit. Each of the segments is managed by a member of the Board of Managing Directors.

All staff and management functions are contained in Group Management: Group Audit, Group Communications, Group Compliance, Group Development & Strategy, Group Finance, Group Finance Architecture, Group Human Resources, Group Investor Relations, Group Legal, Group Treasury and central risk functions. The support functions are provided by Group Services. These include Group Banking Operations, Group Markets Operations, Group Information Technology, Group Organisation, Group Security and Group Support. The "Commerzbank Excellence" programme has been set up under the joint leadership of Group Management and Group Services. The responsibilities of the Board of Managing Directors are also clearly defined for all these functional units. The staff, management and support functions are combined in the Others and Consolidation division for external reporting purposes.

On the domestic market, Commerzbank Aktiengesellschaft manages a nationwide branch network serving all customer groups from its headquarters in Frankfurt am Main. Its major German subsidiaries are Eurohypo AG, comdirect bank AG, Commerz Real AG and Deutsche Schiffsbank AG, which will be merged into Commerzbank in 2012. Outside of Germany, the Bank has 8 significant subsidiaries, 25 operational foreign branches and 33 representative offices in 51 countries and is represented in all major financial centres such as London, New York, Tokyo, Hong Kong and Singapore. However, the focus of the Bank's international activities is in Europe.

## Corporate Responsibility

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### **One bank. One partner. One future.**

Commerzbank is presenting its corporate responsibility activities in the areas of Private Customers, Mittelstandsbank, Employees, Ecology and Society for the fifth time in its 2011 Corporate Responsibility Report (sustainability report) under the title of “One bank, one partner, one future.” The report was reviewed by the Global Reporting Initiative, the internationally recognised standard on sustainability reporting, and once again it met the top “A” standard. The new sustainability report can also be seen as a progress report (COP – “Communication on Progress”) for the United Nations Global Compact, which Commerzbank signed up to in 2006. The report can be downloaded from the Internet under <http://nachhaltigkeit2011.commerzbank.de> in German and English. Further information on corporate responsibility can be found on Commerzbank’s sustainability portal, which is constantly updated: [www.nachhaltigkeit.commerzbank.de](http://www.nachhaltigkeit.commerzbank.de).

Commerzbank is keen to continue integrating sustainability even further into its structures, processes and relevant areas of action, as we believe that a consistently sustained business strategy is a key success factor for the Bank’s development. Renewable energies are the best example of this: sustainability has become a key element of our core business.

### **Reputation risk management**

As a leading bank for private and corporate customers in Germany, Commerzbank has a special financial and social responsibility within the scope of its influence. Accepting this responsibility principally means that we can identify potential ecological, social and ethical implications early in our core business and respond to them. As part of Group-wide reputation risk management, we conduct an individual qualitative review to evaluate the sustainability aspects of transactions and customer relationships. This includes reviewing the principles set down in the UN Global Compact. Internal guidelines and positions are also applied, particularly on human rights, armaments, areas of conflict, fossil fuels, energy generation, indigenous populations, agriculture and forestry, coal mining and toxic substances. After intensive research, the analysis and ultimately a sophisticated evaluation are produced that may result in the transaction being refused or termination of the customer relationship. At the moment, over 150 transactions or customer relationships on average are reviewed every month. Around 10% of operations receive a negative rating for social, ecological or ethical reasons.

### **Compliance**

One of the core tasks of the Compliance function is to ensure that legal and supervisory requirements are met so as to prevent money laundering and the financing of terrorism. Commerzbank applies the “know your customer” principle to ensure the greatest possible transparency in business relationships and financial transactions; this involves not only verifying and documenting the client’s identity, but also, where necessary, obtaining clarification on the origin of the assets employed within the business relationship or transaction. Commerzbank is constantly upgrading its anti-money laundering measures to keep pace with changes in national and international regulations. Consistently following the “know your customer” principle and other measures should also help prevent the Bank from being misused for transactions to fund terrorism. In the fight against money laundering and terrorism finance, the Bank exercises special care in business with politically exposed people, as these transac-

tions are subject to a greater risk of being used for illegal purposes. This group includes private individuals who hold or have held important public office as well as their direct family members and other related persons. Under the “know your customer” principle, the Bank makes global checks to determine whether a customer should be classified as politically exposed.

#### **Private Customers and Mittelstandsbank**

Commerzbank greatly expanded its product range of sustainable products and services for private and corporate customers. “Solarlight” is a simple type of funding for corporate customers that allows them to become more independent of electricity price rises by operating their own solar plant. One of the Bank’s subsidiaries – Commerz Real – offered interested customers several attractive closed-end solar funds, and these were quickly fully subscribed. Commerzbank started its own information campaign on sustainability and sustainable financial investment for Wealth Management customers.

To help measure customer satisfaction, the Private Customers segment carries out a monthly telephone survey to assess customers’ willingness to recommend the Bank. In addition, since June 2011, customers have also been surveyed about the reasons behind their positive or negative recommendation so that the Bank can obtain useful information about the customer’s satisfaction or dissatisfaction. The results of the survey show that advisors and service are key success factors for customer satisfaction. Customer satisfaction as a quality benchmark was also included as a factor for the variable compensation for key employees in Private Customers in 2011. This will be the case for all sales staff in the Private Customers segment from 2012. A support tool known as “integration tracking” was created to determine how customers experienced and rated the merger of Commerzbank and Dresdner Bank. The Bank also uses the customer barometer for an annual baseline study to determine the loyalty of its customers and identify which aspects of its service are important to customers and how they rate the Bank as a result. It shows that customer loyalty to Commerzbank is good overall compared to the competition, but that it could be higher.

We carry out a telephone survey of our Mittelstandsbank customers at least once a year to determine their satisfaction with the Bank and the whole range of services. Measures from our special “Market leader” growth programme are also aimed at enhancing customer satisfaction. This programme systematises and bundles existing customer feedback channels so that customers reach the right contact partner even faster. The focus here is on complying with uniform quality standards in customer satisfaction management, introducing active information management and increasing service quality from the customers’ perspective. A range of additional measures is also being implemented to improve the quality of advice to help achieve more positive effects. The high levels of customer satisfaction, even during the integration phase of Dresdner Bank, confirm we are on the right path.

## Environment

As a financial services provider, Commerzbank looks to optimise the use of resources by focusing in-house on environmental protection, particularly where it can have a direct impact on the environment, such as buildings and energy management as well as business trips. Commerzbank has already reached one of its main targets, which was to reduce CO<sub>2</sub> emissions as part of its climate strategy. Compared to 2007, these had already been halved by the end of 2010, and the target of reducing “greenhouse gas emissions by 30% by 2011 compared to the 2007 basis year” was even exceeded. The central Group Environmental Committee continued to meet in 2011: representatives of all responsible areas of the banks met again to discuss important environmental topics and initiate corresponding measures. Green electricity, raising employee awareness of environmental issues and climate protection are just some of the topics that were discussed. Approximately 90% of the power needs of Commerzbank AG in Germany are now covered by green electricity. Commerzbank has also been promoting renewable energies for around 25 years. With its Centre of Competence Renewable Energies (CoC RE) and a portfolio of around €5bn, it is one of the world’s largest funder’s of projects in this growth market. This means that Commerzbank is well prepared for the change in energy policy.

## Society

Commerzbank exercises a high level of corporate responsibility through a wide range of foundation, charity and sponsorship activities and through other commitments and initiatives. The Foundation Centre is a particularly good example of this. It has endowment capital of approximately €100m and its work focuses on education, art and culture as well as social issues. The newly established Corporate Citizenship department deals with Bank projects which have a particular social relevance. Last year Commerzbank was the national promoter of the FIFA Women’s World Cup 2011™ in Germany and official sponsor of the volunteer programme, in which well over 1,000 staff and customers took part. In 2011 the successful “Green Band” sponsorship project also celebrated its 25<sup>th</sup> anniversary. Through this project Commerzbank supports and recognises outstanding contributions to talent promotion in sports clubs, without regard for the type of sport.

## Our employees

As a leading bank for private and corporate customers, we need highly qualified and committed employees. The main objective of our Human Resources work is therefore to constantly improve the appeal of Commerzbank as an employer, both internally and externally. The HR division is the business partner for the segments and creates an important strategic basis for Commerzbank’s success..

The number of employees at Commerzbank Aktiengesellschaft decreased by 673 (roughly 2%) year-on-year to 42,877 as at December 31, 2011.

### **Staff integration completed, organisational development continues**

The integration of Commerzbank's and Dresdner Bank's staff was completed in the year under review. As of July 1, 2011, some 2,500 more staff were assigned to their final target functions. Further progress was made with the integration-driven job cuts.

We also pressed ahead with organisational development after integration had been completed. An important tool for this was the Commerzbank Monitor. The corporate culture in the direct work environment, the excellent cooperation within teams, plus the performance and customer orientation of staff, were identified as strengths throughout the Bank. The management work of direct line managers was also given a high rating, as were the Bank's health offerings. At the same time, however, the Commerzbank Monitor also revealed shortcomings, with staff sceptical about the Bank's overall situation. A need for improvement was identified in staff professional development and in implementing the Bank's target image. Furthermore, more than 1,600 managers received in-depth reports for their unit in mid-December 2011, which they are using to implement concrete measures in divisions and departments.

### **Hiring young talent, developing staff**

The skills and qualification of our staff are crucially important for the success of our business. To keep on continually expanding those skills, we are taking a comprehensive development approach from junior staff to top management level. We encourage our young talent from the very beginning and offer attractive development opportunities in technical, management and project careers.

Since 2010, we have been making more use of social media platforms to communicate with potential young talent. We not only reach out to potential young talent via social media but also in person. In 2011, we organised application training events in schools and used case studies to place pupils into entrepreneur roles. We also participated in cross-sector young talent development programmes, such as the Start Foundation, "business@school" and "Handelsblatt macht Schule".

We normally train beyond our requirements to give a large number of students the opportunity of professional training. This way we invest in the Bank's future and also underpin our social commitment. In 2011, we took on more than two-thirds of all trainees who wanted to transfer, giving them interesting career prospects in the Bank.

### **Promoting health, living and working actively**

We have used numerous measures to promote and help staff stay healthy at work. In doing so, we improve well-being, motivation and the performance of our employees. Our health management constantly expands and optimises the offers to reflect the changing requirements of the professional daily routine. We introduced the "Health in Commerzbank" interactive training programme last year to improve staff awareness of health issues. This Intranet programme covering topics such as health in the workplace, stress management, how to avoid addiction, eating and exercise has to be completed by all Commerzbank Aktiengesellschaft staff in Germany.



In a joint initiative by the overall works council and health management, we established the “HORIZONT” network in August 2011 for those affected by burnout. The network, in which those affected work together, offers an exchange and information platform. As with our other company networks, the content and organisational work is independently structured and is run in close cooperation between the works council and health management.

Medical screening is an efficient way of promoting health issues and improving quality of life. Consequently, senior staff at Commerzbank Aktiengesellschaft in Germany have been offered health check-ups since 2011.

We also support all staff who wish to take part in sport after work through a wide variety of programmes.

### **Strengthening diversity, supporting staff**

We promote the diversity of our staff, as this has a positive impact on our corporate success and strengthens our corporate values. Applied diversity improves motivation, innovative strength and the working environment. And it ensures that very different personalities are accepted in a company so that they can develop their full potential.

Our “Women in management positions” project, started in 2010, is intended to increase the proportion of women in management so that Commerzbank has the most effective management team – taking account of all talents. Women represent 50% of the workforce in Commerzbank Aktiengesellschaft (Germany), but in terms of management positions, they only account for between 9.3% of management level one and 28.8% of management level four. We plan to increase the proportion of women in all management positions throughout the Group from the current 24.2% to 30% by 2015. This target is supported by a range of bank-wide measures, such as a mentoring programme in which around 600 men and women are currently taking part.

The Board of Managing Directors, all managers of level one and more than 1,300 managers of levels two to four have so far attended our diversity workshops, which have been obligatory for all managers since 2011. Since the beginning of 2011, all staff who, for various reasons, are temporarily not at work are kept informed of diversity topics and current job offers through our diversity portal on the Internet, which we started in 2010 for staff on maternity or paternity leave. In addition to the diversity activities run by our HR department, we actively include our staff in the diversity process through networks.

### **Remuneration**

As a result of the increased significance arising from greater regulatory requirements, employee remuneration has been disclosed since 2010 in the form of a separate report. This is being published on the Commerzbank website [www.commerzbank.de](http://www.commerzbank.de) and in future will be updated once a year.

## Remuneration Report

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This report follows the recommendations of the German Corporate Governance Code and complies with the requirements of the German Commercial Code (HGB).

### Board of Managing Directors

#### Main features of the remuneration system

The new remuneration system, in place since January 1, 2010, includes a fixed basic annual salary plus a Short Term Incentive (STI) and a Long Term Incentive (LTI) as variable remuneration components.

On August 9, 2011 the Supervisory Board resolved to amend this system to meet the requirements of the Banking Remuneration Regulation (Instituts-Vergütungsverordnung). The amendment was subsequently implemented at a contractual level.

In addition, at the meetings on November 3, 2011, December 2, 2011 and February 22, 2012, the Supervisory Board decided to amend the pension arrangements for the members of the Board of Managing Directors and approved the corresponding sample contracts. In particular, the new provisions contain a contribution-based defined benefit scheme. Pension entitlement also now normally begins on the employee reaching the age of 65.

In continuation of the agreement originally reached with SoFFin for 2008 and 2009 limiting monetary remuneration for members of the Board of Managing Directors to €500,000 gross per member per year for their work for the Group (the SoFFin cap), the Supervisory Board initially decided for 2010, before later extending this to 2011, that the SoFFin cap would apply if the fixed interest payment on the profit participation rights attaching to SoFFin's silent participations were not paid in full. Following the entry into force of the German Restructuring Act (Restrukturierungsgesetz) on December 31, 2010, the Supervisory Board is also entitled by the provisions of the Act to limit remuneration to €500,000 per year, if it is not permissible to exceed this upper limit pursuant to the German Restructuring Act.

The SoFFin cap does not apply to pension entitlements or non-monetary elements, as long as these do not exceed the amount received prior to November 1, 2008 and do not result in total remuneration becoming disproportionate.

#### Fixed remuneration components

The fixed remuneration components include the basic annual salary and non-monetary elements.

The fixed basic annual salary, which is paid in equal monthly amounts, is €750,000. The appropriateness of the fixed basic annual salary is checked at regular two-year intervals. Since the fixed interest payment on the profit participation rights attaching to SoFFin's silent participations was not paid in 2011, the basic annual salary for the year 2011 was limited to €500,000.

The non-monetary elements mainly consist of the use of a company car with driver, security measures and insurance contributions, as well as tax and social security contributions thereon.

### Performance-related remuneration

The remuneration system includes performance-related variable remuneration components in the form of a Short Term Incentive (STI) and a Long Term Incentive (LTI).

Since the total monetary remuneration of members of the Board of Managing Directors for 2011 has been capped at €500,000 per year, the performance-related variable remuneration components for 2011 will not be paid.

#### Short Term Incentive (STI)

The STI runs for one year. Up until now, it has been calculated on the basis of the individual performance of the member of the Board of Managing Directors (STI performance component); from 2012, it will consist of two equally weighted components: one linked to the STI performance component and one based on the economic value added (EVA)<sup>1</sup>. Entitlement to receive a payment for the STI is suspended pending the approval of the annual financial statements for the year in question and confirmation of the achievement of the STI goals for the member of the Board of Managing Directors by the Supervisory Board. Thereafter, 50% of the STI payments fall due and are payable in cash, with the remaining 50% payable in Commerzbank shares (or a cash sum based on the value of the shares) at the end of a further 12-month waiting period. The total target value of the STI is €400,000, and from 2012 onwards the target value of the individual components will be €200,000 each. Goal achievement can in principle vary between 0% and 200%.

#### STI EVA component

For the STI EVA component, the Supervisory Board sets a target amount for the Group EVA after tax prior to the beginning of the financial year; this amount corresponds to a goal achievement of 100%. It is also decided which EVA value corresponds to which degree of achievement. As a rule, investors' capital is incorporated into the basis for calculating EVA. This component will be used from 2012 onwards.

#### STI performance component

The individual performance of each member of the Board of Managing Directors is assessed from an overall perspective using criteria determined by the Supervisory Board prior to the beginning of the financial year in question. For 2011, the target for this component is €400,000 per year. From 2012, the target will be €200,000 per year.

#### Long Term Incentive (LTI)

The LTI runs for four years. It consists of two equally weighted components: one linked to economic value added (EVA) (the LTI EVA component) and the other based on stock performance (the LTI equity component). Entitlement to receive a payment for the LTI is suspended pending the approval of the annual financial statements for the final year of the four-year term of the LTI in question and confirmation of the achievement of the LTI goals by the Supervisory Board. Thereafter, 50% of the LTI payments fall due and are payable in cash, with the remaining 50% payable in Commerzbank shares (or a cash sum based on the value of the shares) at the end of a further 12-month waiting period. The overall LTI target is €600,000, and the targets for the individual components are €300,000 each. Goal achievement can range between 0% and 200%; each of the two components can therefore range between 0 and €600,000. The provisional LTI payout sum will be increased or reduced by

<sup>1</sup> EVA is the consolidated surplus after tax less the Bank's capital costs (product of investors' capital excluding minority interests and capital cost rate after tax).

the same percentage as the goals for the STI performance component are over- or under-achieved in the first year of the LTI term (goal achievement = 100%). This adjustment cannot exceed +/-20% of the original target for the LTI components. A prerequisite for the LTI is that the individual member of the Board of Managing Directors makes a long-term personal investment in Commerzbank shares of €350,000. Up until the personal investment target has been reached, 50% of net payments from the LTI must be invested in Commerzbank shares.

#### **LTI equity component**

The provisional payout sum of the LTI equity component is calculated based firstly on the relative total shareholder return (TSR) performance of Commerzbank (compared with the TSR performance of other banks in the Dow Jones EURO STOXX Banks Index) and secondly on the absolute price performance of Commerzbank shares. Prior to the commencement of the LTI term, the Supervisory Board specifies the number of Commerzbank shares that the member of the Board of Managing Directors will receive upon 100% goal achievement following the end of the four-year LTI term. The Board also defines which TSR-related ranking of Commerzbank (compared with the other relevant banks) corresponds to which goal achievements. The relative TSR performance thus determines the number of virtually assigned shares; the absolute price performance of Commerzbank shares during the LTI term determines their value, which can be paid out in cash in place of a transfer of shares.

#### **LTI EVA component**

The target figures of the EVA-based LTI component are set by the Supervisory Board in advance for the entire LTI term and may differ for the individual years over the term. The Supervisory Board also determines which EVA amounts correspond to which goal achievements. The goal achievement is set each year during the four-year LTI term; as a rule, the goal achievement for the individual years can lie between -100% and +200% from 2012 onwards. After the end of the four-year LTI term, the Supervisory Board determines average goal achievement, which can range between 0% and 200%, and the resulting provisional payout sum.

The achievement of goals is measured on a straight-line basis in the STI and LTI. In the event of exceptional developments that may have a considerable impact on the achievability of STI or LTI target figures, the Supervisory Board can neutralise any positive or negative impact by adjusting the targets.

#### **Long-term performance plans**

Members of the Board of Managing Directors and other executives and selected staff of the Group used to be able to participate in long-term performance plans (LTPs). These virtual stock option plans were last offered in 2008 and pay out in the event that the Commerzbank share price outperforms the Dow Jones EURO STOXX Banks Index over three, four or five years and/or the Commerzbank share price gains at least 25% in absolute terms. If these thresholds are not reached after five years, the option lapses. If payments are made, members of the Board of Managing Directors must each invest 50% of the gross amount paid out in Commerzbank shares. Participation in the LTPs thus involves a personal investment in Commerzbank shares. Members of the Board of Managing Directors were able to participate with up to 2,500 shares, and the Chairman of the Board of Managing Directors with up to 5,000 shares.

The members of the Board of Managing Directors renounced all the shares acquired under the 2008 LTP in February 2009. Since the 2006 LTP expired in the first quarter of 2011 without any payments being made, members of the Board of Managing Directors are currently only participating in the 2007 LTP, which is still ongoing. The potential remuneration stemming from participation in the LTP may differ considerably from the fair values stated in the notes or could even be zero as the final payout amounts are not fixed until the end of the term of the LTP. Potential remuneration from the 2007 LTP is not offset against the SoFFin cap, as the LTP is paid out for performance in the year in which it was issued.

No LTP payments were made in the year under review.

#### **Remuneration of the Chairman of the Board of Managing Directors**

The fixed basic annual salary and the target figures for the variable remuneration components for the Chairman of the Board of Managing Directors are set at 1.75 times the amounts specified for members of the Board. At the request of the Chairman of the Board of Managing Directors, this rule was not applied until the end of his current term of office on October 31, 2011. In addition, the SoFFin cap also applied to the Chairman of the Board of Managing Directors.

#### **Remuneration for serving on the boards of affiliated companies**

The remuneration accruing to an individual member of the Board of Managing Directors from serving on the boards of affiliated companies counts towards the total remuneration paid to that member of the Board of Managing Directors. Any offsetting takes place on the designated payment date following the Annual General Meeting that approves the financial statements for the financial year in which the member of the Board of Managing Directors received the Group payments.

Remuneration for serving on the boards of affiliated companies paid in any given financial year will count in full against the SoFFin cap of the previous year. For this reason, this remuneration is allocated to the previous year in the table under "Summary". If the remuneration for serving on the boards of consolidated companies results in a member of the Board of Managing Directors receiving total monetary remuneration in excess of €500,000, it is transferred to Commerzbank.

#### **Pensions**

The rules on pensions for members of the Board of Directors were changed by the remuneration system introduced on January 1, 2010 so that they continue to pertain to the basic salary in the 2009 financial year.

Under these rules, the Bank provides members and former members of the Board of Managing Directors or their surviving dependants with a pension. A pension is paid if, upon leaving the Bank, members of the Board of Managing Directors,

- have celebrated their 62<sup>nd</sup> birthday or
- are permanently unable to work or
- end their employment contract with the Bank after celebrating their 58th birthday, having been a member of the Board of Managing Directors for at least 10 years OR
- have been a member of the Board of Managing Directors for at least 15 years.

The pension consists of 30% of €480,000 or €760,000 for the Chairman of the Board of Managing Directors (the basic salary before the introduction of the new remuneration system in 2010) after the first term of office, 40% after the second and 60% after the third term

of office. The pensions are reduced in line with the statutory provisions on company pensions if members of the Board of Managing Directors leave the Board before their 62<sup>nd</sup> birthday.

Instead of their pension, members of the Board of Managing Directors will continue to receive their pro-rata basic salary for six months as a form of transitional pay if they leave the Board after celebrating their 62<sup>nd</sup> birthday or because they are permanently unable to work. If members of the Board of Managing Directors receive a pension before their 62<sup>nd</sup> birthday without being unable to work, the pension will be reduced to reflect the fact that the payments are starting earlier. Up to this age, half of any income received from other activities will be set off against the pension entitlements.

Pension payments to members of the Board of Managing Directors are raised by 1% per annum. Under certain circumstances an increase in excess of this level will be considered, but there is no automatic right to any such increase.

The widow's pension for a spouse amounts to 66 2/3% of the pension entitlement of the member of the Board of Managing Directors. If no widow's pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting to 25% each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the widow's pension.

At its meetings on August 9, and November 3, 2011, the Supervisory Board decided to adopt a new pension scheme for members of the Board of Managing Directors. The new provisions now contain a contribution-based defined benefit scheme.

On February 22, 2012, the Supervisory Board approved the sample pension agreement to implement these new rules for serving members of the Board of Managing Directors.

In the new pension agreement, the previous pension commitment has been converted into a contribution-based defined benefit commitment based on the Commerzbank modular plan for pension benefits (CBA).

Under the new modular system, each member of the Board of Managing Directors is assigned an initial module for the time served on the Bank's Board of Managing Directors prior to the conversion date of January 1, 2011. This module is posted to a pension account. In the time between the conversion date and the end of the appointment as a member of the Bank's Board of Managing Directors, the initial module is automatically adjusted.

For the period between the conversion date and the end of the appointment as a member of the Bank's Board of Managing Directors, a pension module is credited to the pension account each year. The pension module for a calendar year is calculated by converting the relevant annual contribution into an entitlement to a retirement, disability and surviving dependants' pension using a conversion table.

Specifically, the member of the Board of Managing Directors is entitled to receive pension benefits in the form of a life-long pension when one of the following pensions is due:

- a retirement pension if employment ends on or after the Board member reaches the age of 65, or
- an early retirement pension if employment ends on or after the Board member reaches the age of 62, or after the Board member has served at least 10 years on the Board of Managing Directors and has reached the age of 58, or has served at least 15 years on the Board of Managing Directors, or
- a disability pension if the Board member is permanently unable to work.

The monthly amount of the retirement pension is calculated as a twelfth of the amount in the pension account when the pension benefits start.

When calculating the early retirement pension, the pension will be reduced to reflect the fact that the payments are starting earlier.

If the disability pension is taken before the age of 55, the monthly amount is supplemented by an additional amount.

Instead of an ongoing pension, members of the Board of Managing Directors can elect to receive a lump-sum payment or nine annual instalments if they retire after reaching the age of 62. In this case, the amount paid out is calculated using a capitalisation rate based on the age of the Board member.

Instead of their pension, members of the Board of Managing Directors will continue to receive their pro-rata basic salary for six months as a form of transitional pay if they leave the Board after celebrating their 62<sup>nd</sup> birthday or they are permanently unable to work. If a member of the Board receives an early retirement pension before reaching the age of 62, half of any income received from other activities will be set off against the pension entitlements.

As under the previous scheme, the widow's pension amounts to 66 2/3% of the pension entitlement of the member of the Board of Managing Directors. If no widow's pension is paid, minors or children still in full-time education are entitled to an orphan's pension amounting to 25% each of the pension entitlement of the member of the Board of Managing Directors, subject to a maximum overall limit of the widow's pension.

The pension agreement for newly appointed members of the Board of Managing Directors, which differs from that of current Board members because of the change in system, was approved by the Supervisory Board on December 2, 2011.

Under these rules, a retirement pension in the form of a capital payment is paid out if the member of the Board of Managing Directors leaves the Bank:

- on or after their 65<sup>th</sup> birthday (retirement capital),
- on or after their 62<sup>nd</sup> birthday (early retirement capital) or
- before their 62<sup>nd</sup> birthday because they are permanently unable to work.

For each calendar year during the current employment relationship until pension benefits start to be paid out, each member of the Board of Managing Directors is credited an annual module equating to 40% of the fixed basic annual salary (annual contribution), multiplied by an age-dependent conversion factor. Until the member of the Board of Managing Directors leaves the Bank, the annual modules are managed in a pension account. Upon reaching their 61<sup>st</sup> birthday, an additional 2.5% of the amount in the pension account at December 31 of the previous year is credited to the member of the Board of Managing Directors on an annual basis until the pension benefits start to be paid out.

A portion of the annual contribution – determined by the age of the member of the Board of Managing Directors – is placed in investment funds and maintained in a virtual custody account for the Board member.

The retirement capital or the early retirement capital will correspond to the amount in the virtual custody account or the amount in the pension account when the pension benefits start to be paid out, whichever is higher.

For the first two months after the pension benefits become due, the member of the Board of Managing Directors will receive transitional pay of one twelfth of their fixed basic annual salary per month.

If a member of the Board of Managing Directors dies before the pension benefits become due, their dependants are entitled to receive the dependants' capital, which corresponds to the amount in the virtual custody account on the value date or the sum of the amount in the pension account and any additional amount, whichever is higher. An additional amount is payable if, at the time when pension benefits became due through inability to work or at the time of death, the Board member had served at least five consecutive years on the Bank's Board of Managing Directors and had not yet reached their 55<sup>th</sup> birthday. This guarantees the same pension that the Board member would have received if they had reached their 55<sup>th</sup> birthday.

The following table lists the pension entitlements of the members of the Board of Managing Directors in office as at December 31, 2011, based on the previous pension system:

€1.000	Pension entitlements Projected annual pension at pensionable age of 62 As at 31.12.2011	Cash value of pension entitlements As at 31.12.2011 <sup>1</sup>
Martin Blessing	456	2,785
Frank Annuscheit	288	1,022
Markus Beumer	288	860
Jochen Klösger	288	619
Michael Reuther	288	1,680
Dr. Stefan Schmittmann	288	1,423
Ulrich Sieber	288	571
Dr. Eric Strutz	288	1,626
Martin Zielke	288	364
<b>Total</b>		<b>10,950</b>

<sup>1</sup> The amounts are calculated considering the current term of appointment of the individual board members, assuming the board members will not be incapable for work nor collect pensions before reaching the age of 62 and will remain on the board until the pension is due.

The pension entitlements of members of the Board of Managing Directors are not subject to the SoFFin cap.

The assets backing these pension obligations have been transferred under a contractual trust arrangement to Commerzbank Pension-Trust e.V. These pension assets covered the majority of Commerzbank Aktiengesellschaft's pension obligations to the members of its Board of Managing directors as at December 31, 2011, so that in numerical terms only an insignificant portion of the provisions formed for pension obligations relates to current members of the Board.

As at December 31, 2011, pension obligations for current members of the Commerzbank Aktiengesellschaft Board of Managing Directors on the reporting date amounted to €11m (see table detailing individual entitlements).

#### Change of control

The remuneration system for the Board of Managing Directors introduced in 2010 contains no change of control clauses. Only one member of the Board of Managing Directors still has an employment contract that contains a change of control clause, and this will expire at the end of his current term of office.

Where the change of control clause still applies, the member of the Board of Managing Directors is entitled to terminate his contract of employment. If the member of the Board of Managing Directors utilises this right to terminate his contract, he is entitled to compensa-



tion for the remainder of his term of office equal to 75% of his average total annual pay plus a severance payment equal to his average total annual remuneration for two to four years. The compensation and severance payment taken together may not exceed either the average total annual remuneration for five years or the average total annual remuneration for the period up to the Board member's 65<sup>th</sup> birthday. Following his term of office, the Board member has pension entitlements. The termination of the contract of employment is only effective if the Supervisory Board agrees that there is cause. Furthermore, there is no entitlement to severance pay if the member of the Board of Managing Directors receives payment in connection with a change of control from the majority shareholder, the controlling company or – in the event of a merger or acquisition – the new legal entity.

#### **Other arrangements**

If appointment to the Board of Managing Directors ends prematurely, the employment contract usually expires six months after the Board member's appointment ends (linking clause). In this case, the Board member continues to receive the fixed basic annual salary, STIs and LTIs – subject to Art. 615 (2) of the German Civil Code – until the end of the original term of office.

If the contract of employment is not extended upon expiry of the current term of office, without there being good cause in accordance with Art. 626 of the German Civil Code, or if the contract of employment ends as a result of a linking clause as described above, the Board member will also continue to receive his or her fixed basic salary for a period of six months after the end of the original term of office (transitional pay). This continuation of salary ceases as soon as the Board member starts to receive pension payments.

If the contract of employment is terminated for reasons other than the linking clause described above, the fixed basic annual salary will continue to be paid – on a pro-rata basis where applicable – until the end of the contract of employment. The STIs and LTIs awarded for financial years prior to the termination of the contract of employment remain unaffected. The STI and LTI payments for the final year in office, to be determined at the end of the term, are reduced on a pro-rata basis.

If the Bank terminates the term in office prematurely or does not extend the appointment at the end of the term in office due to circumstances that fulfil the requirements of Art. 626 of the German Civil Code, there is no longer any entitlement to STIs and LTIs awarded for the financial year in which the term of office was terminated.

Any amounts paid for the time after the effective termination of the term of office may not exceed two years' annual remuneration (cap). Payments relating to STIs and LTIs awarded for the financial year in which the term of office was terminated also count towards the cap on a pro-rata basis.

No members of the Board of Managing Directors received payments or promises of payment from third parties in the past financial year in respect of their work as a member of the Board of Managing Directors; the same applies to payments or promises of payment from companies with which the Commerzbank Group has a significant business relationship.

### Summary

Total remuneration of the individual members of the Board of Managing Directors for 2011 is shown below, along with the comparative figures from 2010.

€1.000		Basic salary	Variable remuneration <sup>2</sup>	Remuneration for serving as a director <sup>3</sup>	Repaid in accordance with the SoFFin cap <sup>3</sup>	Share-based remuneration plans	Total monetary remuneration	Other <sup>4</sup>	Total
Martin Blessing	2011	500	–	–	–	–	500	69	569
	2010	500	–	–	–	–	500	115	615
Frank Annuscheit	2011	500	–	–	–	–	500	50	550
	2010	500	–	23	–23	–	500	102	602
Markus Beumer	2011	500	–	–	–	–	500	59	559
	2010	500	–	10	–10	–	500	46	546
Dr. Achim Kassow	2011 <sup>1</sup>	292	–	–	–	–	292	44	336
	2010	500	–	113	–113	–	500	72	572
Jochen Klösges	2011	500	–	–	–	–	500	39	539
	2010	500	–	–	–	–	500	65	565
Michael Reuther	2011	500	–	–	–	–	500	69	569
	2010	500	–	–	–	–	500	73	573
Dr. Stefan Schmittmann	2011	500	–	–	–	–	500	46	546
	2010	500	–	–	–	–	500	52	552
Ulrich Sieber	2011	500	–	–	–	–	500	68	568
	2010	500	–	22	–22	–	500	62	562
Dr. Eric Strutz	2011	500	–	–	–	–	500	33	533
	2010	500	–	36	–36	–	500	91	591
Martin Zielke	2011	500	–	–	–	–	500	74	574
	2010 <sup>1</sup>	78	–	14	–14	–	78	4	82
<b>Total</b>	<b>2011</b>	<b>4,792</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,792</b>	<b>551</b>	<b>5,343</b>
	<b>2010</b>	<b>4,578</b>	<b>–</b>	<b>218</b>	<b>–218</b>	<b>–</b>	<b>4,578</b>	<b>682</b>	<b>5,260</b>

<sup>1</sup> Pro rata temporis from the date of appointment to the date of departure from the Board.

<sup>2</sup> Payable in the following year subject to approval of the annual financial statements; no variable remuneration was paid for 2011 or 2010.

<sup>3</sup> Remuneration for serving on the boards of Group companies paid in the financial years 2011 and 2010 will be offset in full against the SoFFin cap of the previous year and has therefore been allocated to the previous year in the table.

<sup>4</sup> The heading "Other" includes non-monetary benefits granted in the year under review, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.

### Loans to members of the Board of Managing Directors

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand to a due date of 2042 and at interest rates ranging between 3.2% and 8.3%, for amounts overdrawn in certain cases up to 10.9%. Loans are secured on a normal market basis, if necessary through land charges and rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Board of Managing Directors was €1,773,000 compared with €2,647,000 in the previous year. With the exception of rental guarantees Commerzbank Aktiengesellschaft did not have any contingent liabilities relating to members of the Board of Managing Directors in the year under review.

## Supervisory Board

### Principles of the remuneration system and remuneration for financial year 2011

The remuneration of the Supervisory Board is regulated in Art. 15 of the Articles of Association; the current version was approved by the AGM on May 16, 2007. This grants members of the Supervisory Board basic remuneration for each financial year, in addition to compensation for out-of-pocket expenses, comprising:

- fixed remuneration of €40,000 per year and
- a variable bonus of €3,000 per year for each €0.05 of dividend in excess of a dividend of €0.10 per share distributed to shareholders for the financial year just ended.

The Chairman receives triple and the Deputy Chairman double the aforementioned basic remuneration. For membership of a committee of the Supervisory Board, which meets at least twice in any calendar year, the committee chairman receives additional remuneration in the amount of the basic remuneration and each committee member in the amount of half the basic remuneration; this additional remuneration is paid for a maximum of three committee appointments. In addition, each member of the Supervisory Board receives an attendance fee of €1,500 for every meeting of the Supervisory Board or one of its committees. The fixed remuneration and attendance fees are payable at the end of each financial year and the variable remuneration after the Annual General Meeting that passes a resolution approving the actions of the Supervisory Board for the financial year concerned. The value-added tax payable on the remuneration is reimbursed by the Bank.

As Commerzbank will not pay a dividend in 2011, variable remuneration is not payable for the financial year 2011. The members of the Supervisory Board therefore received total net remuneration of €1,619,000 for the financial year 2011 (previous year: €1,563,000). Of this figure, the basic remuneration and remuneration for serving on committees amounted to €1,199,000 (previous year: €1,240,000) and attendance fees to €420,000 (previous year: €323,000). The value added tax (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by Commerzbank Aktiengesellschaft.

The remuneration is divided between the individual members of the Supervisory Board as follows:

2011 €1,000	Fixed remuneration	Variable remuneration	Attendance fee	Total
Klaus-Peter Müller	200	0	44	244
Uwe Tschäge	100	0	33	133
Hans-Hermann Altenschmidt	80	0	42	122
Dott. Sergio Balbinot <sup>1</sup>	0	0	0	0
Dr.-Ing. Burckhard Bergmann	40	0	13	53
Dr. Nikolaus von Bomhard	40	0	12	52
Karin van Brummelen	60	0	29	89
Astrid Evers	40	0	17	57
Uwe Foullong	40	0	15	55
Daniel Hampel	40	0	15	55
Dr.-Ing. Otto Happel	40	0	12	52
Beate Hoffmann (since 6.5.2011)	26	0	9	35
Sonja Kasischke (until 6.5.2011)	14	0	4	18
Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel	60	0	18	78
Alexandra Krieger	40	0	15	55
Dr. h. c. Edgar Meister	80	0	39	119
Prof. h. c. (CHN) Dr. rer. oec. Ulrich Middelman	60	0	24	84
Dr. Helmut Perlet	100	0	30	130
Barbara Priester	40	0	15	55
Mark Roach (since 10.1.2011)	39	0	16	55
Dr. Marcus Schenck	60	0	18	78
<b>Total 2011</b>	<b>1,199</b>	<b>0</b>	<b>420</b>	<b>1,619</b>
<b>Total 2010</b>	<b>1,240</b>	<b>0</b>	<b>323</b>	<b>1,563</b>

<sup>1</sup> Dott. Balbinot renounced his remuneration in the 2011 financial year.

Members of the Supervisory Board once again provided no advisory, intermediary or other personal services in 2011. Accordingly, no additional remuneration was paid.

#### Loans to members of the Supervisory Board

Members of the Supervisory Board have been granted loans with terms ranging from on demand up to a due date of 2037 and at interest rates ranging between 2.6% and 6.3%, and on amounts overdrawn in certain cases up to 10.9%. Collateral security is provided on normal market terms, if necessary through land charges or rights of lien.

As at the reporting date, the aggregate amount of loans granted to members of the Supervisory Board was €322,000; last year, the figure was €417,000. Commerzbank Aktiengesellschaft did not have any contingent liabilities relating to members of the Supervisory Board in the year under review.

## Other details

### D&O liability insurance

There is a Directors and Officers (D&O) liability insurance policy for members of the Board of Managing Directors and the Supervisory Board. The excess for members of the Supervisory Board and the Board of Managing Directors is set at 10% of the claim up to a maximum of 150% of the fixed annual remuneration for all insurance claims made within a single year.

### Purchase and sale of the Company's shares

Under Art. 15 a of the German Securities Trading Act, transactions by executives of listed companies and their families must be disclosed and published. Accordingly, purchases and disposals of shares and financial instruments relating to Commerzbank to the value of €5,000 per annum and upwards must be reported immediately and for the duration of one month. The Bank applies this reporting requirement to the Board of Managing Directors and the Supervisory Board in line with BaFin's recommendations in the Guide for Issuers.

In 2011, members of Commerzbank's Board of Managing Directors (BMD) and Supervisory Board (SB) reported directors' dealings in Commerzbank shares or derivatives thereon:<sup>2</sup>

Date	Disclosing party	Relation	Participant	Purchase/ sale	Amount	Price (€)	Transaction volume (€)
11.4.2011	Ulrich Sieber		Member of BMD	Sale of purchase right	25,000	0.001	25.00
13.4.2011	Markus Beumer		Member of BMD	Purchase (subscription)	4,540	4.250	19,295.00
13.4.2011	Martin Blessing		Member of BMD	Purchase (subscription)	51,500	4.250	218,875.00
13.4.2011	Dr. Achim Kassow		Member of BMD	Purchase (subscription)	12,477	4.250	53,027.25
13.4.2011	Martin Zielke		Member of BMD	Purchase (subscription)	18,807	4.250	79,929.75
13.4.2011	Klaus-Peter Müller		Member of SB	Purchase (subscription)	72,000	4.250	306,000.00
13.4.2011	Michael Reuther		Member of BMD	Purchase (subscription)	5,000	4.250	21,250.00
13.4.2011	Jochen Klösches		Member of BMD	Purchase (subscription)	14,900	4.250	63,325.00
13.4.2011	Frank Annuscheit		Member of BMD	Purchase (subscription)	6,920	4.250	29,410.00
13.4.2011	Daniel Hampel		Member of SB	Purchase (subscription)	2,245	4.250	9,541.25
13.4.2011	Hans-Hermann Altenschmidt		Member of SB	Purchase (subscription)	750	4.250	3,187.50
24.5.2011	Martin Blessing		Member of BMD	Sale	0	0.720	0.29
24.5.2011	Markus Beumer		Member of BMD	Purchase	732	0.720	527.04
24.5.2011	Martin Zielke		Member of BMD	Sale	24,414	0.720	17,578.08
24.5.2011	Ulrich Sieber		Member of BMD	Sale	8,500	0.720	6,120.00
26.5.2011	Daniel Hampel		Member of SB	Sale	2,059	0.985	2,028.12
26.5.2011	Dr. Eric Strutz		Member of BMD	Purchase	0	0.980	0.39
27.5.2011	Beate Hoffmann		Member of SB	Sale	0	0.860	0.17
27.5.2011	Klaus Hoffmann (for Beate Hoffmann)	x	Member of SB	Sale	1	0.860	0.77
27.5.2011	Klaus-Peter Müller		Member of SB	Purchase	1	0.860	0.86
27.5.2011	Sulmana GmbH (for Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel)	x	Member of SB	Sale	3	0.900	2.70
27.5.2011	Hans-Hermann Altenschmidt		Member of SB	Sale	1	0.860	0.43

<sup>2</sup> The directors' dealings have been published on Commerzbank's website under "Directors' Dealings".

Date	Disclosing party	Relation	Participant	Purchase/ sale	Amount	Price (€)	Transaction volume (€)
30.5.2011	Dr. Achim Kassow		Member of BMD	Purchase	0	0.800	0.24
30.5.2011	Michael Reuther		Member of BMD	Purchase	1,000	0.800	800.00
30.5.2011	Frank Annuscheit		Member of BMD	Purchase	0	0.800	0.16
30.5.2011	Harriet Annuscheit (for Frank Annuscheit)	x	Member of BMD	Purchase	1	0.800	0.40
30.5.2011	Jochen Klösge		Member of BMD	Sale	1	0.800	0.80
31.5.2011	Astrid Evers		Member of SB	Sale	141	0.859	121.12
31.5.2011	Dr.-Ing. Burckhard Bergmann (e.on-Ruhrgas AG)		Member of SB	Sale	0	0.850	0.34
31.5.2011	Uwe Tschäge		Member of SB	Purchase	1	0.850	0.77
31.5.2011	Silke Tschäge (for Uwe Tschäge)	x	Member of SB	Purchase	1	0.850	0.68
31.5.2011	Karin van Brummelen		Member of SB	Sale	1,171	0.850	995.35
1.6.2011	Barbara Priester		Member of SB	Sale	511	0.830	424.13
1.6.2011	Jessica Strutz (for Dr. Eric Strutz)	x	Member of BMD	Sale	331	0.830	274.73
1.6.2011	Ulrich Sieber		Member of BMD	Sale	65	0.830	53.95
6.6.2011	Martin Blessing		Member of BMD	Purchase (subscription)	93,636	2.180	204,126.48
6.6.2011	Markus Beumer		Member of BMD	Purchase (subscription)	8,920	2.180	19,445.60
6.6.2011	Martin Zielke		Member of BMD	Purchase (subscription)	12,000	2.180	26,160.00
6.6.2011	Ulrich Sieber		Member of BMD	Purchase (subscription)	15,000	2.180	32,700.00
6.6.2011	Daniel Hampel		Member of SB	Purchase (subscription)	2,210	2.180	4,817.80
6.6.2011	Beate Hoffmann		Member of SB	Purchase (subscription)	778	2.180	1,696.04
6.6.2011	Klaus Hoffmann (for Beate Hoffmann)	x	Member of SB	Purchase (subscription)	581	2.180	1,266.58
6.6.2011	Klaus-Peter Müller		Member of SB	Purchase (subscription)	130,910	2.180	285,383.80
6.6.2011	Dr. Eric Strutz		Member of BMD	Purchase (subscription)	26,294	2.180	57,320.92
6.6.2011	Sulmana GmbH (for Prof. Dr.-Ing. Dr.-Ing. E. h. Hans-Peter Keitel)	x	Member of SB	Purchase (subscription)	12,170	2.180	26,530.60
6.6.2011	Hans-Hermann Altenschmidt		Member of SB	Purchase (subscription)	4,545	2.180	9,908.10
6.6.2011	Dr. Achim Kassow		Member of BMD	Purchase (subscription)	27,273	2.180	59,455.14
6.6.2011	Michael Reuther		Member of BMD	Purchase (subscription)	10,000	2.180	21,800.00
6.6.2011	Frank Annuscheit		Member of BMD	Purchase (subscription)	12,582	2.180	27,428.76
6.6.2011	Harriet Annuscheit (for Frank Annuscheit)	x	Member of BMD	Purchase (subscription)	155	2.180	337.90
6.6.2011	Jochen Klösge		Member of BMD	Purchase (subscription)	27,090	2.180	59,056.20
6.6.2011	Dr.-Ing. Burckhard Bergmann (e.on-Ruhrgas AG)		Member of SB	Purchase (subscription)	1,636	2.180	3,566.48
6.6.2011	Uwe Tschäge		Member of SB	Purchase (subscription)	1,329	2.180	2,897.22
6.6.2011	Silke Tschäge (for Uwe Tschäge)	x	Member of SB	Purchase (subscription)	538	2.180	1,172.84
19.8.2011	Daniel Hampel		Member of SB	Purchase	1,300	1.895	2,463.50
19.8.2011	Klaus Hoffmann (for Beate Hoffmann)	x	Member of SB	Purchase	1,000	1.860	1,860.00

Overall, the Board of Managing Directors and Supervisory Board together held no more than 1% of the issued shares and option rights of Commerzbank Aktiengesellschaft on December 31, 2011.

## Details pursuant to Art. 289 of the German Commercial Code (HGB)

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### Information required pursuant to Art. 289 (4) of the German Commercial Code and Explanatory Report

#### Share capital structure

Commerzbank has issued only ordinary shares, the rights and duties attached to which arise from statutory provisions, in particular Arts. 12, 53 a et seq., 118 et seq. and 186 of the German Stock Corporation Act. The share capital of the company totalled €5,113,429,053.00 at the end of the financial year. It is divided into 5,113,429,053 no-par-value shares. The shares are issued in bearer form.

#### Appointment and replacement of the members of the Board of Managing Directors and amendments to the Articles of Association

The members of the Board of Managing Directors are appointed and replaced by the Supervisory Board pursuant to Art. 84 of the German Stock Corporation Act and Art. 6 (2) of the Articles of Association. Pursuant to Art. 6 (1) of the Articles of Association, the Board of Managing Directors comprises a minimum of two people; in all other respects the Supervisory Board defines the number of members on the Board of Managing Directors in accordance with Art. 6 (2) of the Articles of Association. If there is a vacancy on the Board of Managing Directors for a required member and the Supervisory Board has not appointed a replacement, in urgent cases one will be appointed by a court pursuant to Art. 85 of the German Stock Corporation Act. Any amendment to the Articles of Association requires a resolution of the Annual General Meeting under Art. 179 (1) sentence 1 of the German Stock Corporation Act. Unless the law mandates a majority, a simple majority of the share capital represented is adequate to pass resolutions (Art. 19 (3) sentence 2 of the Articles of Association). The authority to amend the Articles of Association, provided such amendments affect merely the wording of an article with no change in substance, has been transferred to the Supervisory Board under Art. 10 (3) of the Articles of Association in compliance with Art. 179 (1) sentence 2 of the German Stock Corporation Act.

#### Powers of the Board of Managing Directors

The Board of Managing Directors, with the approval of the Supervisory Board, is authorised to increase the share capital by a total of €2,000,000,000.00 by issuing new shares under Art. 4 (3) (Authorised Capital 2011) of the Articles of Association applicable on December 31, 2011.

Moreover, the Annual General Meeting on May 6, 2011 has given the Board of Managing Directors the authority to issue convertible bonds or bonds with warrants and/or profit-sharing certificates (both with and without conversion or option rights) with the possibility of excluding shareholders' pre-emptive rights. Conditional capital of up to €665 000 000,00 is available for this purpose according to Art. 4 (4) of the Articles of Association (Conditional Capital 2011/II). Furthermore, as resolved by the Annual General Meeting of May 6, 2011, the capital was conditionally increased by up to €888,333,333.00 under Art. 4 (5) of the Articles of Association (Conditional Capital 2011/III). The Conditional Capital 2011/III exists to enable the issuance of shares in the event of the exercise of conversion rights by the Financial Market Stabilisation Fund.

For details of the authorised capital increase and conditional capital increase, particularly regarding maturities and terms and conditions of exercise, please refer to the explanations in Notes 28 and 29.

The authority of the Board of Managing Directors to increase share capital from authorised and conditional capital and to issue convertible bonds or bonds with warrants or profit-sharing certificates allows the Bank to respond appropriately and promptly to changed capital needs.

On May 19, 2011, the Annual General Meeting authorised Commerzbank Aktiengesellschaft to purchase and sell its own shares for the purpose of securities trading, pursuant to Art. 71 (1) No. 7 of the German Companies Act (AktG) until May 18, 2015. The aggregate amount of shares to be acquired for this purpose shall not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. The price at which own shares are purchased may not be more than 10% lower or higher than the average share price (closing auction prices or similar successor prices for Commerzbank shares in Xetra trading or a similar successor system to the Xetra system on the Frankfurt Stock Exchange) on the three trading days preceding the purchase.

#### **Material agreements in the event of a change of control following a takeover bid**

In the event of a change of control at Commerzbank, an extraordinary right of termination in favour of certain contract parties has been negotiated by Commerzbank under ISDA master agreements. In general, the right of termination is also conditional upon a material deterioration in Commerzbank's credit standing. In the event of this type of termination, the individual agreements signed under these master agreements would have to be settled at market, which can be determined on any stock exchange trading day. The possibility cannot however be excluded that, if an individual customer with an especially large volume of business terminates a contract, Commerzbank's net assets, financial position and operating results could nevertheless be heavily impacted due to the Bank's potential payment obligations.

#### **Change of control clauses**

The remuneration system for the Board of Managing Directors introduced in 2010 contains no change of control clauses. Only one member of the Board of Managing Directors still has an employment contract that contains a change of control clause, and this will expire at the end of the current term of office of the Board member concerned.

Where the change of control clause still applies, the member of the Board of Managing Directors is entitled to terminate his contract of employment. If the member of the Board of Managing Directors utilises this right to terminate his contract, he is entitled to compensation for the remainder of his term of office equal to 75% of his average total annual pay plus a severance payment equal to his average total annual remuneration for two to four years. The compensation and severance payment taken together may not exceed either the average total annual remuneration for five years or the average total annual remuneration for the period up to the Board member's 65<sup>th</sup> birthday. Following his term of office, the Board member has pension entitlements. The termination of the contract of employment is only effective if the Supervisory Board agrees that there is cause. Furthermore, there is no entitlement to severance pay if the member of the Board of Managing Directors receives payment in connection with a change of control from the majority shareholder, the controlling company or – in the event of a merger or acquisition – the new legal entity.

In a few exceptional cases, individual managers in Germany and abroad have also received an assurance that their remuneration will continue for a certain transitional period of



up to five years effective from the start of their activities for the Bank in the event that they leave the Bank in connection with a change of control at Commerzbank.

#### **Equity holdings that exceed 10% of the voting rights**

The Financial Market Stabilisation Fund holds a stake of 25% plus one share in the voting capital of Commerzbank Aktiengesellschaft.

There are no further facts that need to be declared under Art. 289 (4) of the German Commercial Code.

### **Information pursuant to Art. 289 (5) of the German Commercial Code**

The aim of the internal control and risk management system in respect of financial reporting is to ensure that the annual and consolidated financial statements provide a true and fair view of the net assets, financial position and results of operations in accordance with the applicable accounting standards under the German Commercial Code and IFRS. The internal control system and the risk management system at Commerzbank are integrated as regards their methodology and implementation, both with a view to financial reporting. In the following, we shall therefore use the term ICS (internal control system). Details of the risk management system can be found in the risk report on pages 47 to 78.

The objective of proper financial reporting is endangered by the risks to which it is exposed. Risks are deemed to be the possibility that the objective stated above might not be attained and material information in the financial reporting might be inaccurate. The Bank regards information as material when its absence or misstatement could influence economic decisions taken by those to whom it is addressed, regardless of whether this arises from a single matter or a combination of several.

Risks to financial reporting may arise from errors in business processes. Fraudulent behaviour can also result in the inaccurate reporting of information. The Bank therefore has to ensure it minimises the risks of incorrect statement, measurement or presentation of financial reporting information.

The Commerzbank ICS seeks to provide sufficient certainty that it complies with the relevant legal requirements, that business is conducted in a proper and cost-effective manner and that financial reporting is complete and accurate. It is important to note that despite all measures the Bank may take, the ICS methods and procedures used may offer sufficient certainty but never absolute certainty.

No material changes have been made to the financial reporting ICS since the balance sheet date.

#### **Legal basis and guidelines**

Art. 289 (5) of the German Commercial Code requires companies to describe the material features of their ICS in the management report. Commerzbank follows the principles for bank-specific organisation of the internal control system set out in the Minimum Requirements for Risk Management (MaRisk).

The Bank's internal control system is structured in line with the internationally recognised framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The COSO framework is used at Commerzbank to achieve the following objectives:

- That business processes be effective and efficient;
- That applicable laws and regulations be observed;
- That financial reporting be reliable.

As regards the risk assessment of the reporting process required by COSO in respect of the reliability of financial reporting (for example, ensuring that all transactions are fully and correctly recognised in the financial statements), the Bank follows the recommendations of the International Standards of Auditing and Quality Control, No. 315, 2009 Edition (hereinafter referred to as ISA number 315).

### **Organisation**

A detailed governance framework forms a sound basis for good corporate governance that provides strategic direction for the Group as a whole while taking account of risk elements.

The governance framework sets uniform and binding minimum standards for all units with regard to their organisational structure in respect of maintaining documentation and keeping it updated. The primary feature is the principle of clear allocation of responsibility, starting with the schedule of business responsibilities for the Board of Managing Directors and ending with the individual approval authorities of each employee. The scope and structure of the governance framework follows both the legal and regulatory requirements and also the "Commerzbank corporate constitution" approved by the full Board of Managing Directors. The governance framework translates the main guiding principles of the corporate constitution into practical rules and contains the following elements:

- Plan for allocating the business responsibilities for the Board of Managing Directors<sup>1</sup>
- Rules of procedure
- Organisation charts
- Business remits of the units
- Job descriptions
- Schedule of approval authorities

Where tasks in the Bank by their nature cannot be combined, they are organized into different areas applying the principle of separation of functions. Strict checks are also carried out using the dual-control principle to minimise risks in financial reporting.

Responsibility for implementing, executing and applying the Bank's ICS lies primarily with the Board of Managing Directors; as regards the reporting process, this lies with the CFO. The Board of Managing Directors is responsible for structuring the ICS throughout the Bank and demonstrating that it is appropriate, while the CFO is responsible for structuring the controls through appropriate and effective controlling measures, embedding these in processes and ensuring that the ICS is effective for financial reporting. The CFO is responsible for ensuring that the annual and consolidated financial statements are properly prepared.

The Supervisory Board oversees financial reporting, mainly through the Audit Committee set up for this purpose. The responsibilities of the Audit Committee also include ensuring that the auditor is independent, appointing the auditor, setting the focus of the audit and agreeing the fee. During the year Group Audit reports to the Supervisory Board and its appointed committees about the work it has carried out and its material findings.

Group Management Finance (GM-F), which reports directly to the CFO, is responsible for ensuring that the financial statements are drawn up in compliance with the relevant laws and internal and external guidelines. GM-F produces the separate financial statements of Commerzbank Aktiengesellschaft and consolidates the separate financial statements of Group companies to produce the Group financial statements.

Within GM-F, Accounting Policies & Guidelines is the department responsible for drawing up and communicating Group-wide accounting guidelines. It supports consistent and correct accounting treatment across the Group by drawing up and co-ordinating accounting guidelines. Published guidelines are monitored on an ongoing basis to see if they need updating, which is carried out as required. Regular staff training sessions are also held on relevant issues. This is complemented by more detailed working instructions on the Bank's intranet.

GM-F is supported in producing financial statements by other corporate divisions. Of particular importance here is Group Information Technology, which is responsible for providing and upgrading the accounting IT systems used.

#### **Controls to minimise risk**

Controls at the Bank are integrated directly into operating processes, either technically or manually (i.e., by means of organization). Technical controls are used in the IT systems employed and consist, for example, of check sums and verification digits. Technical controls are often complemented by manual controls such as screen approvals carried out by the responsible employees. Data quality on initial entry into systems is ensured by organisational measures such as the dual-control principle, delegation of powers of approval and the separation of functions, and by technical measures such as issuing IT approval authorities. Additional controls during further processing guarantee that the data entered and used is complete and accurate.

#### **Monitoring by Group Audit**

Group Audit provides auditing services for the Board of Managing Directors independently, objectively and in a risk-oriented manner so as to optimise Commerzbank's business processes in terms of their compliance, security and cost-effectiveness. It supports the Board of Managing Directors by evaluating the effectiveness and appropriateness of the internal control system and risk management, provides support on key projects in an internal auditing capacity and issues recommendations. In doing so, it contributes to the security of business processes and assets. Group Audit's activities complement the work of the subsidiaries' auditing activities within the framework of Group risk management.

Group Audit is directly accountable to the Board of Managing Directors and reports to that body. It performs its functions autonomously and independently. With regard to reporting and the assessment of audit results, it is not subject to any directives. Based on MaRisk, Group Audit's auditing activities, underpinned by the principle of risk-oriented auditing, extend to all of the Group's activities and processes, regardless of whether these take place within the Group or are outsourced. The task of auditing the effectiveness and appropriateness of the ICS covers the risk management and controlling systems, reporting, information systems and financial reporting. In performing its duties, Group Audit has an unrestricted right to information.

Group Audit promptly prepares a written report on each audit; the responsible members of the Board of Managing Directors are among the recipients of the report. On the basis of these audit reports, Group Audit oversees and documents the steps taken to remedy the deficiencies identified within the specified time. If such deficiencies are ignored, an escalation process comes into effect. In addition, Group Audit prepares an annual report on the audits that it has carried out during the course of the financial year, the material deficiencies identified and the measures taken, and presents this report to the Board of Managing Directors.

### **The financial reporting process**

The financial reporting procedures at Commerzbank are supported by various IT systems integrated into each process. As part of the input process for financial reporting, all information relevant for drawing up the financial statements of Commerzbank Group under IFRS and Commerzbank Aktiengesellschaft under the German Commercial Code is submitted to head office by the reporting units (Commerzbank Aktiengesellschaft Germany, subsidiaries and foreign branches). Data is transmitted via a separate online system directly into SAP EC-CS consolidation software, which has been adapted to meet the Bank's requirements. Subsidiaries generally submit IFRS data, German and foreign branches also submit data under the German Commercial Code. Data is automatically checked for consistency before transmission to head office. Once the plausibility checks have been successfully completed, individual reports can be finalised. Further plausibility checks are carried out using this data in head office. After these controls have been successfully completed, all the necessary steps are taken to produce the consolidated Commerzbank Group financial statements under IFRS and Commerzbank Aktiengesellschaft single-company financial statements under the German Commercial Code. Drawing up the Group financial statements involves various individual steps (e.g. consolidating equity, liabilities, income and expenses), currency translation and the elimination of intra-Group profits.

Segment reporting is done on a separate IT system. This involves reconciliation with the data from accounting.

### **Measures to further enhance the ICS as regards financial reporting**

The ICS has been adapted to meet the needs of the Commerzbank Group as regards financial reporting, and it is further enhanced on an ongoing basis. To this end, the internal Control Environment Initiative (CEI) has been permanently implemented at GM-F. The aim of CEI is to manage all risk-related processes by applying a uniform method to report and assess risk. In addition, it seeks to strengthen the ICS in the area of financial reporting by a regular assessment of the effectiveness and efficiency of controls and by regularly checking how controls are implemented.

The CEI is based on a refined version of the GMF "process map", which is a top-down representation of all key processes with descriptions of procedures. For this, risks affecting the reliability of financial reporting are identified using the COSO framework. The Bank also follows the recommendations of ISA 315. This involves checking whether a risk can be assigned to one of the following three categories and their various aspects:

- Statements on types of business transaction: their occurrence, completeness, accuracy, allocation to the correct period and the correct account.
- Statements on account balances at the reporting date: availability, rights and obligations, completeness, measurement and allocation.

- Statements on presentation in the financial statements and on the information contained in the financial statements: occurrence, rights and duties, completeness, reporting and comprehensibility, accuracy and measurement.

Suitable controls are implemented to minimise the risks identified. For the effectiveness of the ICS it is the design, i.e. the way the controls are structured into appropriate steps and embedded into each process, and the way they are performed at the operating level, that is the decisive factor in minimising risk. Shortcomings identified by Group Audit as part of its activities are remedied by an action plan. Group Audit monitors that action plans are implemented as scheduled and reports on this to the Board of Managing Directors.

This uniform procedure ensures that risks are identified, minimised and any faulty developments on the operational side avoided.

### **Art. 289 a of the German Commercial Code**

Information pursuant to Art. 289 a of the German Commercial Code, “Declaration on corporate governance”, is publicly accessible on the website of Commerzbank Aktiengesellschaft at [www.commerzbank.de](http://www.commerzbank.de).

## **Business and overall conditions**

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### **Economic conditions**

The global economy grew quite strongly by just under 4% in 2011, but the worldwide upswing lost considerable momentum as the year progressed. This also applied to the booming economies of Asia and Latin America, where monetary policy was tightened appreciably to combat inflationary fears; this was reflected in some much lower growth rates. The opposite trend was seen in the United States and Japan, with both economies gradually picking up in the second half after a weak first six months.

The economy in the eurozone weakened the most, even falling into recession at year-end. The main reason for this was the unresolved sovereign debt crisis. Backed by more and more support from the ECB, politicians succeeded in preventing any eurozone countries from defaulting, a situation which would have caused the economy to collapse. Nonetheless, many governments had to follow a strict consolidation course in order to win back investor confidence. This slowed down the economy, as did rapidly mounting uncertainty in the second half of the year about the future of currency union and the subsequent economic consequences. It also made businesses less willing to invest. Together with weakening demand from outside the eurozone, this meant that the eurozone economy posted increasingly weaker growth rates as the year progressed, and actually contracted in the fourth quarter.

The German economy delivered another very robust performance in 2011, growing by 3%. This was much stronger than the rest of the eurozone, which is expected to post growth of 1%. The Germany economy was again buoyed primarily by foreign demand and corporate investment, but private consumption made a tangible positive contribution for the first time in a number of years. Nevertheless, the German economy was not immune to the weaker global economy or the negative effects arising from the uncertainty over the sovereign debt crisis. Order intakes for industry fell noticeably from the summer onwards, and the German economy actually contracted slightly in the fourth quarter.

The capital markets came under pressure last year from numerous crises: while the natural and nuclear disaster in Japan and the subsequent discussion on a potential US default had only a temporary impact, the renewed intensification of the sovereign debt crisis in the summer made investors less willing to take risks. As a result, share prices fell markedly, the yield on German Bunds reached a new record low, and the risk premiums of peripheral countries' sovereign debt rose sharply against equivalent Bunds. The euro also suffered from the increasing uncertainty about the future of currency union. It fell sharply against the US dollar, particularly in the autumn when it became increasingly clear that the US economy was not falling into recession (as many had feared), but was actually picking up instead. Investors only rediscovered a bit more risk appetite towards the end of the year when the ECB calmed fears of an impending escalation of the sovereign debt crisis by carrying out further substantial monetary easing – this included providing eurozone banks with almost €500bn in liquidity through its first ever three-year tender.

## Sector environment

In the first half of 2011, many banks were still able to use the favourable overall economic environment to improve their profitability, strengthen their capital base and thereby reduce their borrowings. At the same time, many improved the quality of their core capital. According to the Bundesbank's estimates, German banks noticeably strengthened their resilience by autumn 2011, thus preparing the ground for earnings growth and improved credit quality. Since then, however, mounting pressures have been posing an increasing challenge for German and international credit business. Despite banks' increased earnings power and improved resilience, the European sovereign debt crisis, the global economic slowdown and increasing doubts about financial services companies in general have led to a loss of confidence in banks.

Although the environment was favourable at the beginning of 2011, in general banks' earnings have declined and uncertainty has increased. Margins were slightly wider, but lending volumes grew only minimally and actually fell again at year-end. As competition for deposits intensified further, earnings potential on interest rate business remained limited. Supported by favourable economic trends that prevailed until the autumn, the Corporate Clients segment benefited from lower risk provisions in domestic lending. However, this was offset by increased expenses from business with foreign individuals and from public finance of European peripheral nations. Although commission business benefited initially from the buoyant domestic economy, the emerging uncertainties on the financial markets limited its earnings potential sharply as 2011 progressed. The increasing competition for customer deposits also resulted in limited income potential in Private Customer business.

Since summer 2011, the environment for banks has been dominated by the markets' sharp loss of confidence in public finances; this forced banks to revalue key assets in their capital position and seriously compromised the interbank market. The European Central Bank became the most important source of funding for many banks. At the same time, the banking sector was affected by sovereign risk, both directly through sovereign debt in banks' portfolios and indirectly through cross-border interbank relationships. In other words, "debt issued by industrialised countries" has ceased to be the low-risk asset class it once was. Sovereign debt is suddenly subject to much greater risk, as it is no longer unthinkable that a country could leave the European currency union. Banks, insurance companies and other investors and financial companies will have to make further adjustments to these new circumstances.

### **Important business policy events**

The 2011 financial year was an eventful one for Commerzbank. The capital increase carried out in the first half of the year was crucially important for the Bank. Furthermore, in both the first and fourth quarters, measures were implemented to optimise and strengthen the Bank's capital structure. These should also be seen in connection with the changeover to the new regulatory requirements under Basel III and the European Banking Authority's (EBA) requirements that were published in December. The bank-wide project to integrate Dresdner Bank was successfully concluded by the middle of the year, all important milestones having been duly passed. Moreover, the Bank expanded its advisory services and offering in both national and international corporate customer business, and improved its position in its core business. The Board of Managing Directors saw personnel changes in terms of responsibility for the Central & Eastern Europe segment and, with effect from April 1, 2012, in the CFO's function.

#### **Capital measures for the major repayment of SoFFin silent participations**

In the second quarter of 2011 Commerzbank repaid a major portion of the silent participations of the Financial Market Stabilisation Fund (SoFFin), totalling €16.2bn. The repayment of €14.3bn consisted of about €3.3bn from free regulatory capital and €11.0bn from a capital increase. Around €8.25bn of the capital increase was placed in the capital market, while SoFFin converted approx. €2.75bn of its silent participations into Commerzbank shares to maintain its stake of 25% plus 1 share in Commerzbank's share capital. In addition, SoFFin received a one-off payment of €1.03bn in connection with the repayment of the silent participations.

A two-stage package of measures was initiated for the capital increase:

in the first stage on April 6, 2011, around 1 billion conditional mandatory exchangeable notes (CoMEN) were offered to shareholders and placed with national and international investors as part of a bookbuilding procedure. Shareholders who held Commerzbank shares at the close of trading on April 6, 2011 were allocated purchase rights within the scope of the CoMEN offering, i.e. they were able to acquire one CoMEN for each share.

The purchase price was set at €4.25 per CoMEN in the bookbuilding procedure, yielding a total of €4.3bn. Based on the resolution of the General Meeting on May 6, 2011, some 1 billion CoMEN were exchanged for Commerzbank shares on May 12, 2011, with entitlement to a share in profits from January 1, 2011. The new shares were created as planned by the conversion of SoFFin's silent participations. In exchange, SoFFin received the gross proceeds of approx. €4.3bn from the placement of the CoMEN. As planned, the issue amount of the new no-par-value shares of €4.25 per share from the new conditional capital matched the purchase price of the CoMEN. The corresponding conditional capital of around €1.3bn for creating the new shares was entered in the Commercial Register on May 9, 2011. Out of this conditional capital, SoFFin also converted additional silent participations totalling about €1.4bn into some 334.7 million Commerzbank shares on May 12, 2011. In all, the number of Commerzbank shares outstanding after completion of the first stage of the capital measure was approx. 2.7 billion.

The second stage was a capital increase with subscription rights, where the shares exchanged for CoMEN in the first stage also carried subscription rights. Based on the General Meeting's resolution on May 6, 2011, the Board of Managing Directors of Commerzbank set the subscription price at €2.18, with the approval of the Supervisory Board. In the course of the capital increase with subscription rights, some 2.4 billion new shares were issued with entitlement to a share in profits from January 1, 2011. In all, proceeds totalled approx. €5.3bn. As agreed, SoFFin participated fully in the capital increase. The completion of the capital increase was entered in the Commercial Register on June 6, 2011.

#### **Optimising and strengthening the capital structure**

In addition to the two-stage capital increase, Commerzbank carried out measures to optimise and strengthen its capital structure in the first and fourth quarters of 2011.

In mid-January, Credit Suisse Securities (Europe) Limited (Credit Suisse) acquired from investors hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group, in its own name and for its own account, at prices below the nominal value, and paid them in as a contribution in kind in exchange for new Commerzbank shares issued from Commerzbank's authorised capital. A banking syndicate consisting of Credit Suisse, Citigroup, Goldman Sachs and UBS placed around 118.1 million shares with institutional investors on January 13, 2011, which equated to 10% less 1 share of Commerzbank's share capital at that time. The Financial Market Stabilization Fund (SoFFin) maintained its equity interest ratio in Commerzbank of 25% plus 1 share upon completion of the transaction. In addition, around €221m of SoFFin's silent participations from the conditional capital created at the 2009 Annual General Meeting was converted into approx. 39.4 million shares.

As part of the long-term optimisation of the Bank's subordinated capital structure with a view to the changeover to Basel III, Commerzbank successfully placed a benchmark subordinated bond with institutional investors at the beginning of March 2011. The issue, which is denominated in euro, is for €1.25bn, has a term of ten years and carries a coupon of 7.75% per annum. In a second step, Commerzbank sent investors an invitation to offer for exchange any or all of two outstanding subordinated notes. The notes, with a total nominal value of €2,000,000,000, could be exchanged into a new subordinated bond maturing in 2019 and carrying a coupon of 6.375% per annum. At least 61% of the debt securities were exchanged.



At the beginning of December, Commerzbank published an offer under which investors in hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group were able to sell these instruments to the Bank for cash. When the offer concluded on December 13, 2011, the Bank had received offers to buy instruments with a nominal value totalling €1.3bn. The Bank spent a total of approx. €643m buying the hybrid equity instruments. The transaction had a one-off positive effect on the Bank's consolidated earnings and increased Core Tier I capital accordingly.

#### **Tighter requirements from the European Banking Authority**

Although Commerzbank passed the European Banking Authority's (EBA) published bank stress test as expected in mid-July, the capital requirements were subsequently tightened later in the year.

The euro rescue package agreed at the EU summit on October 26, 2011 also contained a number of specific demands relating to the banks. Alongside the debt write-down on Greek sovereign debt, the capital requirements for systemically relevant banks were adjusted by the EBA. Consequently, the EBA requires compliance as of June 30, 2012 with a Core Tier I ratio of 9%, including the market valuation of sovereign debt from the European Economic Area. Under these rules, the additional capital requirement calculated by the EBA for Commerzbank stands at €5.3bn. Directly after publication of the EBA's requirements, action was taken in November 2011 to speed up the reduction in risk-weighted assets and to manage the capital structure. An extensive package of measures was agreed in the middle of January 2012 to reach the EBA target ratio. Details on these can be found in the "Report on events after the reporting period" on page 39 and in the "Outlook and opportunities report" on page 45.

#### **Commerzbank successfully concluded bank-wide project to integrate Dresdner Bank**

Commerzbank successfully concluded the bank-wide project to integrate Dresdner Bank in fewer than 1,000 days. All of the important milestones in the biggest integration project in German banking history were achieved as planned. In some areas, the Bank actually progressed farther than expected, despite the challenging global economic situation. Over Easter 2011, the Bank completed the last major step in the bank-wide integration project when it migrated the customer and product data. Since then, all customers have been able to access the same products and services in all branches. Commerzbank had already modified its organisational structure in 2009 and 2010. Following Dresdner Bank's integration, Commerzbank expects annual synergies of some €2.4bn after 2013. Commerzbank is still on plan concerning the staff reduction programme.

In the course of the downstream project work, by end-2011 the Dresdner Bank systems were archived and shut down at segment level and 123 pairs of branches were already merged. The scheduled merger of around 400 branches should be completed by the end of 2012.

#### **Sale of Dresdner Bank Brasil S. A. Banco Múltiplo completed**

As announced a year ago, Commerzbank completed the sale of its Brazilian subsidiary Dresdner Bank Brasil S.A. Banco Múltiplo to Canada's Scotiabank at the end of September. The transaction was approved by the supervisory authorities. Based in São Paulo, Dresdner Bank S.A. Banco Múltiplo focused on investment banking activities. As at the end of 2010, it had total assets of around €237m and 37 employees. The Commerzbank representative office in São Paulo, which primarily supports the Bank's corporate customers with trade finance services and payment products, will not be affected by the transaction. Similarly unaf-

affected is Commerzbank's Brazilian investment banking arm, with its activities in equity derivatives, commodities, currency and bond trading for private banks and institutional clients.

#### **Deutsche Schiffsbank now wholly owned**

As announced in March 2011, Commerzbank Aktiengesellschaft acquired the remaining minority interest of approx. 8% in Deutsche Schiffsbank AG, Hamburg/Bremen from UniCredit Bank AG at the beginning of November. This means that Commerzbank now wholly owns Deutsche Schiffsbank, which is one of the world's leading providers of ship finance. The transaction was approved by the supervisory authorities. The parties have agreed to maintain confidentiality about the details of the agreement. Deutsche Schiffsbank AG will be merged into Commerzbank Aktiengesellschaft in 2012.

#### **Changes in Commerzbank's Board of Managing Directors**

In its meeting on May 19, 2011 the Supervisory Board of Commerzbank agreed to Achim Kassow's request to release him from his position on the Board of Managing Directors with effect from July 12, 2011. Ulrich Sieber has taken over the Central & Eastern Europe segment from Achim Kassow, in addition to his current responsibilities.

At its meeting on August 9, 2011 Commerzbank's Supervisory Board agreed to Eric Strutz's request not to extend his mandate as Chief Financial Officer, which expires at the end of March 2012. Dr. Strutz will continue to carry out his existing responsibilities until the end of his contract. The Supervisory Board appointed Stephan Engels as his successor at its meeting on December 2, 2011. Mr. Engels takes up his new function as CFO on April 1, 2012.

## Earnings performance, assets and financial position

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### **Income statement**

Commerzbank Aktiengesellschaft made a net loss of €-3,619m in 2011 following a net loss of €-1,151m in the previous year. The loss in 2011 was offset against withdrawals from retained earnings and capital reserves, producing a net distributable profit for the 2011 financial year of €0.0. This ensures that hybrid capital instruments coupled to Commerzbank Aktiengesellschaft's net distributable profit under the German Commercial Code will not be written down. No dividend will be paid out for 2011.

The situation at our subsidiary Eurohypo AG was the main reason for the net loss in 2011. Firstly, Commerzbank Aktiengesellschaft had to assume the loss for the reporting year under the profit and loss transfer agreement. Secondly, as a result of the deepening European sovereign debt crisis and more stringent capital requirements, Eurohypo AG's book value had to be written down (through a holding company), and this was also reflected in the cost of assuming its loss.

The changes in the individual earnings components are set out below.

Net interest income, which is the balance of interest income less interest expense – including current income from equities, investments in associates and holdings in affiliated companies and as well as subsidiaries with profit and loss transfer agreements – was almost unchanged year-on-year at €5,136m. Although interest income and interest expenses rose by just under €0.6bn each, the rise in income from profit-pooling and full or partial profit and loss transfer agreements largely compensated for the fall in current income from holdings in affiliated companies.

Net commission income increased by 3.1% year-on-year to €2,815m. A fall in commission income, due primarily to our customers' reluctance to buy securities, was more than offset by a greater fall in commission expenses, which in turn was due to reduced expenses for guarantees and services from subsidiaries.

Net trading income amounted to €869m in 2011, compared with €1,953m in 2010. The fall was mainly attributable to the very difficult market environment in the second half of 2011.

The balance of other operating income and expenses for 2011 was €-711m, compared with €19m in 2010. This was largely the result of the €1,030m compensation payment to SoFFin as part of the early repayment of a large portion of the silent participations received. Consequently, other operating expenses rose sharply, while other operating income rose only marginally, due mainly to the reversal of provisions unrelated to lending. This involved in particular the reversal of provisions relating to restructuring measures and actions.

Operating expenses contracted significantly by 6% to €6,582m. Salary payments fell in line with the decrease in the average number of employees. Performance-related remuneration was also lower, cutting personnel expenses 7.0% to €3,442m. Other operating expenses decreased in the same period by 5.0% to €3,140m, due in particular to lower IT costs following the completed integration of the former Dresdner Bank.

Depreciation, amortization and impairments of intangible and fixed assets decreased by 10.8% to €-223m in the year under review. This fall was mainly attributable to the discontinuation of unscheduled write-downs on real estate compared to 2010.

Income from write-ups on loans and certain securities and from the reversal of loan loss provisions totalled €319m in 2011, compared with €-831m in 2010 for write-downs and valuation allowances on loans and certain securities and allocations to loan loss provisions. There were two reasons for this improvement: firstly, loan loss provisions fell by more than half, and secondly, net income from our securities liquidity portfolio was much higher due to income from restructured loans.

Write-downs and valuation allowances on investments in associates, holdings in affiliated companies and securities accounted for as fixed assets totalled €-187m. Value adjustments had to be applied to affiliated companies in particular. In the previous year, income from write-ups on investments in associates, holdings in affiliated companies and securities accounted for as fixed assets was €4m.

The cost of assuming subsidiaries' losses under profit and loss transfer agreements increased 93.9% year on year to €5,607m. A major factor for this large rise was the loss compensation at Commerzbank Inlandsbanken Holding GmbH, due primarily to the assumption of the 2011 loss at our subsidiary Eurohypo AG and a write-down on Eurohypo AG.

This produced a loss on ordinary business activities of €-4,171m, compared with €-1,143m in 2010. The extraordinary loss of €-45m can be attributed to an allocation to pension provisions resulting from last year's first-time application of the BilMoG provisions. After tax income of €597m stemming primarily from the retrospective recognition of deferred tax assets abroad, the overall result for 2011 was a loss of €-3,619m, compared with a loss of €-1,151m in 2010.

## Balance sheet

Total assets of Commerzbank Aktiengesellschaft fell back by 15.5% year on year to €527.9bn.

On the assets side, the cash reserve decreased by 30.4% to €4.5bn. Balances held with foreign central banks on the reporting date were down, whereas those with the German Bundesbank were stable. Claims on banks decreased by 25.8% year on year to €133.7bn. This was due in particular to a reduction in collateralised money market transactions in the form of reverse repos and cash collaterals and in lower claims from money market trading, which more than offset a rise in loan receivables. In contrast, claims on customers fell 9.8% compared to 2010 to €166.2bn, due essentially to lower reverse repos and a fall in property and mortgage loans. Overall, around three-quarters of the fall in claims on customers related to customers abroad. Bonds, notes and other fixed income securities shrank by €8.0bn to €31.9bn. This was due to reduced volumes in money market paper, which fell by €2.2bn, and in holdings of bonds and notes, which declined by €5.8bn. The trading portfolio posted a volume of €169.2bn. This 7.7% fall was attributable in particular to a reduction in bonds and notes, notably domestic ones, and to lower market values of derivative financial instruments. Investments in affiliated companies fell by 11.6% compared with December 31, 2010 to €11.5bn. This was mainly due to the capital repayment of Commerzbank Inlandsbanken Holding GmbH in relation to a write-down on Eurohypo AG shares, which was counterbalanced by several minor changes in various companies. Other assets amounted to €3.2bn, which represents a drop of €8.4bn. This was mainly due to recognising banking book derivatives for portfolio hedge relationships.

On the liabilities side there was a large decrease of around one third to €94.0bn in liabilities to banks, particularly those abroad. Almost half of this was attributable to a lower amount of collateralised money market transactions, such as repos and cash collaterals. Liabilities to customers decreased less sharply, by 6.4% to €194.6bn, with most of the decline attributable to demand deposits and deposits with an unlimited term. Securitised liabilities fell by 9.0% year-on-year to €44.2bn, due notably to a maturity-related reduction in bonds, notes and money market instruments issued. Trading portfolio liabilities recorded a volume of €140.5bn, compared to €160.3bn in 2010. This fall was mainly caused by a reduction in delivery obligations from short sales of securities and a decline in negative fair values attributable to derivative interest rate instruments.

As with the change in other assets on the assets side, the substantial 23.4% decrease in other liabilities to €19.9bn also stemmed from the recognition of hedge relationships for banking book derivatives. Subordinated liabilities totalled €12.2bn, which was €0.9bn higher than in 2010. Profit-sharing certificates fell by €0.3bn to €0.7bn. Equity as shown in the balance sheet fell €6.3bn to €16.9bn, with reductions attributable to the repayment of the SoFFin silent participations and additions to a rise in subscribed capital and the capital reserve – the main cause of both being the two-stage capital increase in the second quarter of 2011.

Off balance sheet liabilities were also lower compared to the prior year, with contingent liabilities falling slightly by €0.3bn to €36.0bn and irrevocable lending commitments decreasing by €6.2bn to €53.5bn.

## Capital and reserves

Commerzbank Aktiengesellschaft's reported equity as at December 31, 2011 fell substantially compared with year-end 2010, by €6.3bn to €16.9bn. This was primarily due to the repayment of a significant portion of SoFFin's silent participation.

Subscribed capital rose by €2.1bn to €5.1bn. This included an increase from the capital increase carried out at the beginning of 2011 involving the contribution in kind of hybrid instruments and conversion into shares by SoFFin totalling €0.4bn and from the two-stage capital measure in the second quarter of 2011 of €3.8bn; set against this was a decrease of €2.1bn from the reduction of the accounting par value per share of subscribed capital from €2.60 to €1.00

SoFFin's silent participation was reduced significantly, from €16.4bn to €1.9bn. Allianz's silent participation was unchanged at €750m. Both participations receive interest at a rate of 9%, provided Commerzbank Aktiengesellschaft reports a net distributable profit under the German Commercial Code. Commerzbank made no earnings-related payments in respect of the silent participations for 2011. The participation of HT1 Funding GmbH is also part of subscribed capital; this participation likewise remained unchanged at €842m.

The capital reserve increased substantially, by €6.7bn to €8.2bn, largely as a result of the capital increase from the contribution in kind of hybrid instruments and conversion into shares by SoFFin totalling €0.4bn and the two-stage €7.2bn capital measure. It increased by €2.1bn due to the reduction in the accounting par value per share of subscribed capital from €2.60 to €1.00 (contra effect in subscribed capital). By contrast, the capital reserve incurred a charge of €3.2bn to balance the net loss. Retained earnings of €0.5bn were released on the reporting date and used to balance the net loss in full.

Since 2007 the Bank has made use of the waiver rule of section 2 a KWG, which means it only reports risk-weighted assets and capital ratios for the financial institution group to the supervisory authority. Risk-weighted assets fell by €30.9bn at December 31, 2011 compared with 2010 to €236.6bn. This was mainly due to the reduction in non-strategic business and parameter updates. The reduction was also linked to the regulatory requirements set down by the European Banking Authority (EBA), under which Commerzbank must strengthen its Core Tier I capital by June 30, 2012. The fall was all the more remarkable for the fact that the Basel 2.5 requirements came into effect in the fourth quarter, pushing up risk-weighted assets by some €12bn, but this effect was more than offset.

Regulatory Tier I capital decreased by €5.5bn to €26.2bn, compared with 2010. This was largely the result of the partial repayment of the SoFFin silent participations out of free regulatory capital of around €3.3bn and the one-off payment of €1.03bn made to SoFFin. The Tier I capital ratio remained stable at 11.1%, compared with 11.9% at December 31, 2010. Core Tier I capital, which is a key variable in the context of Basel III, came to around €23.4bn, or a ratio of 9.9%. Our own funds ratio was 15.5% on the reporting date.

### **Summary of 2011 business position**

The 2011 financial year was another very difficult one for Commerzbank Aktiengesellschaft. In addition to the one-off payment to SoFFin for repayment of the silent participation, write-downs on the carrying value of Eurohypo AG made a major negative impact on the 2011 results. The reason for fresh write-downs was the deepening European sovereign debt crisis and more stringent capital requirements, which led to a heavy loss at Eurohypo AG. Commerzbank was obliged to make good Eurohypo AG's annual net loss, which in turn affected its separate financial statements under the German Commercial Code. Looking at our earnings performance in 2011, it is clear that the Bank is on the right track with the development of its core bank, and our business model has proved effective, even in a difficult market environment. We continued to reduce risks in 2011 and will keep on doing so in 2012.

## Report on events after the reporting period

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### Further optimisation of the capital structure

As part of the Bank's capital management, Commerzbank used the market conditions in mid-February to enter into an agreement with Goldman Sachs on February 23, 2012, under which Goldman Sachs may make contributions in kind to Commerzbank of selected hybrid capital instruments and subordinated loans in exchange for shares to be issued by Commerzbank from its authorised capital. Goldman Sachs will acquire these securities from institutional investors on the market based on an exchange offer at prices below par. The volume of the new shares is restricted to no more than 511 million (10% minus one share), and Commerzbank shareholders' subscription rights are excluded. This transaction is another measure to strengthen the capital base efficiently in light of future regulation.

### Measures to cover the EBA's requirements

In mid-January 2012, Commerzbank presented a comprehensive package of measures designed to meet from its own resources the European Banking Authority's (EBA) requirement that Commerzbank strengthen its Core Tier I capital by €5.3bn by June 30, 2012.

Commerzbank had already introduced comprehensive measures in November 2011 to meet the Core Tier I ratio specified by the EBA. As at December 31, 2011, the Bank had reduced its capital requirement according to the EBA to around €1.8bn. This amount stems from retained earnings for the fourth quarter of 2011, which contained a one-off IFRS contribution from the buyback of hybrid equity instruments, and the management of risk-weighted assets. In addition, regulatory capital deduction items were significantly cut in the fourth quarter of 2011 through efficient management of the capital structure.

The write-downs applied to Greek government bonds in the fourth quarter of 2011 could therefore be offset against the capital buffer specified by the EBA.

Together with a successful conclusion of the measure announced in February for optimising the capital structure, this capital requirement can be reduced by a further €1.0bn approximately to some €0.8bn, if the exchange offer is accepted in full. Consequently, Commerzbank would have herewith covered a significant part of the additional capital requirement calculated by the EBA.

There have been no other events of material significance.

## Outlook and opportunities report

### Future economic situation

The outlook for the global economy is heavily dependent on how the sovereign debt crisis in the eurozone develops. Any escalation caused by the default of a eurozone country could trigger a shock wave of uncertainty similar to the one seen after the collapse of US investment bank Lehman Brothers in autumn 2008. It would not only plunge the eurozone economy into recession but the entire world economy as well. But if politicians manage, backed by more and more support from the ECB, to prevent this type of escalation – which we assume below – then there is a good chance that the global economy will start to pick up this year.

The central banks of developing nations have been gradually shifting their focus over the past few months. As they are having to focus less on fighting inflationary risks and more on supporting the economy, they have started relaxing their monetary policies. After the usual lag, this should help these economies grow more quickly. In the USA, the after-effects of the burst real estate bubble and high unemployment will continue to prevent the strong upturn that the Federal Reserve's extremely expansive monetary policy would have actually engineered. But these problems could gradually become less significant, leaving the US economy's pace of growth to pick up by degrees.

#### Real gross domestic product

Year-on-year change

	2011	2012 <sup>1</sup>	2013 <sup>1</sup>
USA	1.7%	2.0%	2.5%
Eurozone	1.6%	-0.4%	0.8%
Germany	3.0%	0.5%	1.3%
Central and Eastern Europe	3.7%	2.2%	3.3%
Poland	4.0%	2.2%	3.8%

<sup>1</sup>The figures for 2012 and 2013 are Commerzbank forecasts.

The eurozone is also set to benefit from the slight improvement in the global economic environment, and should see some economic growth during 2012. This is also reflected by the recent modest uptick in business climate indicators. Nevertheless, monetary policy remains highly restrictive in many euro countries and will continue to hold back the economy. In some countries, such as Spain, the excesses of the past in terms of corporate and consumer debt and real estate lending have yet to fully correct; and uncertainty over the future of currency union continues to persist. If the sovereign debt crisis were to deepen, despite the ECB's massive intervention, the eurozone could be quickly tipped back into recession. But even if this does not happen, overall the eurozone economy is likely to contract slightly in 2012 and only start to pick up in 2013.



We assume that Germany will fare better than most other countries within the eurozone in the next two years, and this will be for the same reasons as before, i.e. its competitiveness has improved considerably in the past few years and there is less need to consolidate government finances. As a result, the German economy should start to pick up by spring at the latest, provided that renewed intensification of the sovereign debt crisis does not trigger another huge wave of uncertainty. Nonetheless, it will likely be a modest recovery. GDP is forecast to rise only slightly in 2012 as a whole, so the employment market is not expected to improve any further. In fact, unemployment is predicted to rise slightly. In our core scenario, the German economy will probably be back in tune with its potential growth rate in 2013.

Even if the sovereign debt crisis does not escalate, it is still expected to have a massive impact on capital markets in 2012. This is firstly because the existing major risks should make the ECB in particular, but also many other central banks, adopt a rather more expansive course. Most countries are unlikely to implement any interest rate hikes in the near future; in fact, inflation rates worldwide are expected to fall. And because the crisis is unresolved, it is anticipated that demand for secure investments, such as Bunds and US treasuries, will remain high. This means that yields on these investments will not rise very much in the coming year. The euro is likely to remain under pressure from the unresolved problems in the currency union and depreciate further against the US dollar, in the coming year at least. On the equity markets, the somewhat improved economic data should help provide momentum, but even here, the uncertainty generated by the crisis will limit upside potential.

#### Exchange rates

	31.12.2011	31.12.2012 <sup>1</sup>	31.12.2013 <sup>1</sup>
Euro/US-dollar	1.31	1.25	1.28
Euro/Sterling	0.86	0.83	0.80
Euro/Zloty	4.45	4.30	4.20

<sup>1</sup> The figures for 2012 and 2013 are Commerzbank forecasts.

#### Future situation in the banking sector

The outlook for the banking sector worsened in 2011, and we do not expect any improvement in 2012 either. In Europe, economic trends are expected to weaken in 2012, with economic performance lower than in 2011. The sovereign debt crisis will continue to cast a shadow, prompting all euro countries to consolidate their budgets and implement savings programmes. The crisis also shows how closely governments and banks are interlinked. The ECB will remain the most important source of funding for many banks. The banking environment will be dominated by fluctuations on the capital markets, a continuing low interest rate environment, higher capital requirements and possibly greater regulation. Tighter capital adequacy requirements for banks as a result of increased regulation will continue to hamper the sector for the foreseeable future.

Should the debt crisis in Europe deepen, the possibility of contagion for banks in the USA and emerging nations should be regarded as a matter of concern. Given the tighter regulatory requirements, European banks face the challenge of having to reduce their balance sheets. Given the sector-wide pressure, they will be forced to offer price reductions on asset sales and when raising liable capital. At the same time, high volumes of bank bonds fall due by 2013, clashing with governments' heavy finance requirements.

Over the medium term, banking in Europe will probably be much less profitable than it was prior to 2007 or in the surprisingly strong recovery after the sub-prime crisis. Major profit drivers of the past, such as high lending growth and falling credit default rates, are no longer available to boost profits. Given the weakening economic trends, loan loss provisions will tend to act as a dampener on growth in Corporate Customer business. In Private Customer business, commission income will remain under pressure due to the uncertain economic situation and comparatively volatile markets. We see a rather difficult year ahead for investment banking, given the subdued levels of activity in many areas, and we therefore expect market adjustments.

Even if a solution to the European sovereign debt crisis is found that satisfies market participants, two major trends will continue to dominate the banking environment. Firstly, the banking sector must adjust to the realisation that during the crisis, areas with the lowest risk weightings caused major problems, and re-think the considerable importance of sovereign finance business. Secondly, the banking industry must realise that the deleveraging process required of countries and budgets will be patchy rather than smooth, and this will reduce the overall trend growth. Given weak economic growth, the phase of extremely low yields on low-risk investments and low inflation rates will continue

This will intensify competition even further – for deposits, which are the main way of refinancing independently of the interbank market, and for the comparatively crisis-proof business of German SMEs, which more and more foreign banks are starting to pursue again. There will be no change in the basic market structure in Germany for the time being, which is characterised by a large number of cooperative banks and savings banks, so the competitive situation will not ease.

## **Expected developments at Commerzbank Aktiengesellschaft**

As the Bank is managed via its segments, the information in the following sections of the outlook and opportunities report is geared towards the performance of the Commerzbank Group as a whole.

We expect net interest income to fall slightly compared to 2011, in light of the following key factors: low interest rates, which have a fundamental impact on net interest income; the intensifying competition, particularly for deposits, which places more pressure on margins; the reduction in non-strategic holdings; and the expectation of generally higher funding costs. Although we expect positive effects in the core bank from both the expansion of business volumes and the buyback of hybrid equity capital instruments and subordinated loans over the medium term, it will be challenging to compensate for the aforementioned factors. Any improvement in net commission income in 2012 will also depend on whether market volatility continues to deter customers from investing. On the sales side, we will benefit from the fact that there will be no more integration-related charges for our advisory teams. We also expect higher commission income from foreign business and cash management activities. Overall, we expect net commission income to be higher in 2012 than in 2011. It is difficult to forecast trading profit, particularly in light of high volatility in the financial markets and

the resulting impact on financial instrument valuations. Nevertheless, we are still expecting net trading income in 2012 to be largely the same as in 2011. We anticipate that loan loss provisions in lending business will be no higher than €1.7bn in 2012. We will continue to manage operating expenses rigorously in 2012, and we will also press ahead with cost synergies. As a result, we expect operating expenses to be no higher than €7.6bn.

In light of these developments, the core bank should post another year of solid operating profit. As last year showed, profit in the ABF and PRU segments will depend on how the European sovereign debt crisis evolves, which is a highly political arena. Our operating profit target for the first half of 2012 is €1.2bn. If the markets stabilise, we expect the positive earnings contribution to be lower in the second half of the year, which is weaker due to seasonal factors. Based on our current estimates and provided the markets are stable, we anticipate a net profit in Commerzbank Aktiengesellschaft's parent company financial statements in 2012.

Any payment of distributable profit for 2012 would be subject to the block on distributions introduced in 2010 by the German Accounting Law Modernisation Act (BilMoG). This stipulates that profits from non-operating business, such as contributions to earnings or equity increases arising from the capitalisation of intangible assets, the mark-to-market of pension assets and the capitalisation of deferred taxes – provided these are not covered by retained earnings – are blocked from distribution. At year-end 2011, amounts subject to this block totalled €3.0bn.

We anticipate the following developments in Commerzbank's individual segments:

The market environment for the Private Customers segment should remain challenging in 2012, with net interest income dampened by low market interest rates and net commission income by investor uncertainty. The loss of customer confidence will present financial services providers with enormous challenges, and additional regulatory requirements will intensify competition. We see an opportunity in these changed operating conditions to expand our market position as a quality provider, which is why we already began remodeling our Private Customer business strategy in 2011. Our new sales management will be a major springboard for quality and growth. Our sales teams, having been given greater entrepreneurial freedom, are closer to customers, which is the basis for a continuous improvement in sales performance and for also sustained growth. Our "Customer focus" programme will enable us to gear a wide range of services even more closely to customers' needs, with the aim of expanding our market position. We are therefore planning for higher income, particularly from deposit and lending business, in the coming years. After completing the integration in full, we expect to realise the major portion of the planned synergies by 2013. The merger of closely located branches is outstanding and will be completed by the end of 2012. We will continue to reduce our cost base through strict cost discipline and a critical analysis of our processes within the scope of the "Commerzbank Excellence" project. All in all, we are therefore expecting a further improvement in operating profit in the Private Customers segment in 2012.

In the Mittelstandsbank segment, loan loss provisions are currently very low, but these are likely to rise in the coming years in light of the anticipated deterioration in the economic situation. The stricter regulatory requirements will compromise banks' capacity to lend, resulting in a regulatory-driven decline in capital-intensive business. We are well prepared for this with our business model and strong customer base. In 2012, we will maintain our stated commitment to German SMEs and continue the forward-looking dialogue we have begun with customers, which is based on partnership. We are looking to increase our income in 2012 and have already started various initiatives within the scope of implementing our special "Market Leader" growth programme. We will also reduce the cost base. Responsibility for Commerzbank Eurasija, our branches in the Czech Republic and Slovakia and Commerzbank Zrt. was transferred to Mittelstandsbank from Central-&Eastern-European Holding to Mittelstandsbank with effect from January 1, 2012. This will enhance how our units in Eastern Europe tap the growing business potential of German companies in cross-border business and Mittelstandsbank's successful international business model.

In the Central & Eastern Europe segment, we expect economic growth in Central and Eastern Europe to be subdued in 2012 due to the European sovereign debt crisis. Thereafter the region's economy should start to pick up, providing opportunities for the Central & Eastern Europe segment. Given this market environment, Commerzbank plans to expand its position as a leading German bank in the region. The focus of the Central & Eastern Europe segment lies on universal banking business and direct banking activities in the region's key core markets. We are also intend to continue optimising our portfolio of non-strategic holdings. In Poland, BRE Bank will continue to gear its business activities towards customer needs and see dynamic growth. It will concentrate on improving income potential and profitability. Private customer business will be focussed on wealthy customers and on young customers who are likely to achieve an above-average income. In corporate customer business, BRE Bank will be aiming to consolidate or expand its position in all customer segments. A further boost to income will come from greater cross-selling in transaction-based business. In the Ukraine, we will continue with our activities to expand into a focused universal bank, increase efficiency and achieve a value-oriented reduction in the non-performing loans portfolio. A further aim here is to improve operating profit and, in the medium term, to return to profit.

The next two years will bring fresh challenges for the Corporates & Markets segment. Its focus over the next few years will therefore be on stabilising earnings, optimising capital requirements and maintaining rigorous cost management. The segment will also retain a conservative risk approach in its trading and banking books and apply appropriate loan loss provisions. In the process, it is important that we also gear our products and services closely to customer needs. This will help us remain a competitive and attractive business partner for our customers, while at the same time being well prepared for the new regulatory arrangements.

The Asset Based Finance segment was very badly affected by the European sovereign debt crisis in 2011. This had a particularly severe impact on earnings, and was also reflected in the segment's business performance. We will press ahead with the strategic restructuring of the segment's divisions in an extremely challenging market environment. Key aims will be a further reduction in assets, which goes hand in hand with lower funding requirements, and a further downsizing of risk positions. We will also place particular emphasis on rigorous management of capital employed and pressing ahead with cost reductions.

In 2011, the strategic management aim of the Portfolio Restructuring Unit segment continued to be the downsizing of the portfolio based on optimising value; as this activity progressed during the year, capital optimisation became an ever more important factor. The future performance of the markets will still be greatly dependent on macroeconomic factors. Additionally, market liquidity will be determined by international monetary policy, the development of the European debt crisis and the regulatory and legal framework. We expect the markets to remain highly volatile in this difficult environment. The segment will continue to actively manage the remaining exposures in 2012, as well as reduce the balance sheet. Net interest income in 2012 will therefore fall, but the operating cost base will also be lower.

Based on our current business plan and unless the economic fundamentals deteriorate further, notably the sovereign debt crisis, Commerzbank expects to be able to cover its capital requirements as at June 30, 2012, these having already been reduced to €1.8bn as at December 31, 2011. To achieve this, we have defined measures – including a buffer for imponderables – of around €2.9bn. These do not include the measures announced in mid-February for optimising the capital structure.

The Bank intends to use the current package of measures to further significantly reduce its risk-weighted assets by June 30, 2012, for example, by continuing to reduce peripheral activities. This will help reduce our Core Tier I capital requirements. Our current plans also include a sharp decrease in regulatory capital deductions for securitisation positions in the first half of 2012 through efficient capital management, which should boost Core Tier I capital even further. The Bank is also planning to use Commerzbank Aktiengesellschaft shares to pay the individual variable compensation entitlements for the 2011 financial year of a large proportion of its non-pay-scale employees. In addition, profits from the first and second quarters of 2012 are to be used to strengthen equity capital.

After completing all measures and based on our current business plans, Commerzbank is set to achieve a Core Tier I ratio of over 11% as at June 30, 2012.

In addition to the measures already agreed and planned for the period up to the end of June 2012, Commerzbank still has other options – if the situation deteriorates – which are not yet included in its plans, for additionally strengthening its Core Tier I capital, if necessary, and for reducing risk assets.

## **Managing opportunities at Commerzbank**

The weak economic environment expected in 2012 also presents Commerzbank with a range of challenges. The overarching issue is to ensure capital adequacy levels that satisfy the European Banking Authority's requirements. The Bank will also concentrate even more on core activities. We will therefore provide Mittelstand customers in Germany with even better support, in order to expand our market position in this segment, but we will also have to withdraw from public finance. If the markets' loss of confidence in the public finances cannot be stemmed or starts to spread, the functioning of the interbank market and banks' funding options will be affected, both with the central bank and private investors, i.e. through the effects of contagion on banks and through loss of confidence in the banking system.

But even in an unfavourable economic environment, the Bank has many opportunities to improve its market position. We have presented the specific opportunities that have been identified in the "Segment performance of Commerzbank Aktiengesellschaft" section.

## Risk report

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Risk reporting takes place according to the internal risk management of Commerzbank at the Group and segment level. The basis for this is formed by the financial figures according to IFRS as well as the key risk figures according to the regulatory requirements. The financial data and key risk figures of the Private Customers, Mittelstandsbank and Corporates & Markets segments relate mainly to Commerzbank Aktiengesellschaft. The key figures of the segment Central & Eastern Europe relate mainly to BRE Bank SA in Warsaw, while the key figures of the segment Asset Based Finance relate mostly to Eurohypo AG and Deutsche Schiffsbank AG.

### Key developments in 2011

In 2011, the risk situation was dominated by the sovereign debt crisis, which intensified in the second half of the year. In addition, the European Banking Authority (EBA) once again significantly increased the capital requirements for the major European banks during the course of the year. To comply with these higher requirements, Commerzbank took initial action in July 2011 and, in November 2011, set up a comprehensive programme to strengthen the Bank's capital situation, based on the EBA requirements. As part of a comprehensive package of measures, risk assets were reduced by around €20bn in the last quarter of 2011.

- **Loan loss provisions** in 2011 amounted to €1.4bn. Compared to the prior year, a reduction of over one third was achieved primarily due to the trend reversal in Asset Based Finance.
- We continued our clear risk reduction strategy in the **Public Finance** portfolio with a further cut in exposure (EaD) by €20bn to €89bn. Our original target of bringing risk exposure down to below €100bn by the end of 2012 was already achieved at the end of the first half of 2011. We are still targeting an overall reduction to below €70bn for the end of 2014.
- In **Commercial Real Estate** we continued the reduction of existing business, primarily at Eurohypo AG, while minimising the impact on earnings and lowered total exposure by a further €13bn to €57bn.
- The strategy of systematic risk reduction in existing **Ship Finance** portfolios succeeded in achieving further stabilisation during the period under review. Compared with December 31, 2010, exposure was lowered from €21bn to €18bn.
- In the **PRU** segment, the risk exposures of the structured credit portfolio were reduced significantly by €3.4bn to €13.7bn during the year. The remaining positions in the PRU (correlation trading portfolio) were fully wound down in the second quarter of 2011.
- In the **Central & Eastern Europe** segment, the positive economic environment in Poland helped to improve the good risk quality further, with risk density in this segment being reduced from 84 to 73 basis points.
- In anticipation of regulatory changes exposure and RWA of **Corporates & Markets** were reduced mainly during the second half of the year. The exposure decreased by €17bn to €61bn compared to the previous year.
- Although the exposures in the Bank's overall portfolio were substantially reduced, the volumes in the **Mittelstandsbank** segment generally remained stable. Despite implementing measures to strengthen our capital base, lending volumes to small companies in Germany, for example, increased overall in 2011.

- In the **Private Customer** segment, risk density was reduced from 37 to 34 basis points due particularly to the implementation of systematic management measures in lower rating classes and the expansion of early risk identification.
- From a **market risk** perspective, 2011 was dominated by the European sovereign debt crisis, which generated high volatility in the markets. The value at risk in the Bank's trading books was significantly lowered by around one-third to €59m, due to the ongoing reduction in non-strategic positions amongst other things.
- Whereas charges for **operational risk** and ongoing litigation had grown steadily in previous years, these declined for the first time in 2011 by €24m to €250m.

## Risk-oriented overall bank management

### Risk management organisation

Commerzbank defines risk as the danger of possible losses or profits foregone due to internal or external factors. In risk management we normally distinguish between quantifiable risks – those to which a value can normally be attached in financial statements or in regulatory capital requirements – and non-quantifiable types of risk such as reputational and compliance risk.

The Bank's Chief Risk Officer (CRO) is responsible for implementing the Group's risk policy guidelines for quantifiable risks laid down by the Board of Managing Directors. The CRO regularly reports to the Board of Managing Directors and the Risk Committee of the Supervisory Board on the overall risk situation within the Group.

Risk management activities are split between Credit Risk Management, Market Risk Management, Intensive Care and Risk Controlling, and Capital Management, all of which span across the group and report directly to the CRO. The heads of these four risk management divisions together with the CRO make up the Risk Management Board within Group Management. The Board of Managing Directors has delegated the operational management of risk to committees. Under the relevant rules of procedure these are the Group Credit Committee, the Group Market Risk Committee and the Group OpRisk Committee, in addition to the Group Strategic Risk Committee which decides on risk issues of an overarching nature. The CRO chairs all these committees and has the right of veto.

Commerzbank's Asset Liability Committee has responsibility for the Group-wide management of portfolio composition, capital allocation and development of RWAs, and is the major instigator of the internal capital adequacy assessment process (ICAAP).



### **Risk strategy and risk management**

The risk strategy, together with the business strategy, defines the strategic guidelines for the development of Commerzbank's investment portfolio. Risk-taking capability and liquidity are ensured by setting concrete limits for the risk resources available to the Group in the form of capital and liquidity reserves.

Banks' core functions as transformer of liquidity and risk might result in inevitable threats that can in an extreme case endanger the business continuity of the institution. For Commerzbank, these implied existential threats are e.g. the default of Germany, Poland, one of the other major EU countries (France, Italy, Spain or the UK) or of the USA, respectively a collapse in the basic repo functionality of the ECB. Pursuing our business targets, those risks are taken deliberately and lie out of scope of the management defined within our Group risk strategy.

The overall risk strategy covers all material risks to which Commerzbank is exposed. It is detailed further in the form of sub-risk strategies for the risk types which are material. These are then specified and made operational through policies, regulations and instructions/guidelines. The annual risk inventory process ensures that all quantifiable and unquantifiable risks material to the Group are identified. The assessment of the materiality of a risk is based on whether its occurrence could have a major direct or indirect impact on the Bank's risk-taking capability.

As part of the planning process, the Board of Managing Directors uses stress scenarios to decide on the extent to which the capital available to the Bank for risk coverage should be utilised. The Board sets the risk appetite at Group level by consciously defining a capital framework as part of the capital available for risk coverage. In a second step, as a result of the planning process this capital framework is broken down into limits for each risk category and allocated to the relevant units. Compliance with limits and guidelines is monitored during the year and action taken where required.

The avoidance of risk concentrations is a core strategy of risk management. Risk concentrations can arise both from the synchronous movement of risk positions within a risk type ("intra-risk concentrations"), and through the synchronous movement of risk positions across differing risk types (through common risk drivers or interactions between different risk drivers of various risk types – "inter-risk concentrations").

The establishment of adequate risk management and controlling processes, which enable the identification, assessment, management, monitoring and communication of substantial risks and related risk concentrations, serves to ensure that all Commerzbank-specific risk concentrations are adequately accounted for. A major objective is to ensure early transparency regarding risk concentrations, and thus to reduce the potential risk of losses. Commerzbank uses a combination of portfolio and scenario analyses to identify Commerzbank-specific inter-risk concentrations. Stress tests are used to deepen the analysis of risk concentrations and, where necessary, to identify new drivers of risk concentrations.

Management is regularly informed about the results of the analyses.

### Risk-taking capability and stress testing

The risk-taking capability analysis is a key part of overall bank management and Commerzbank's Internal Capital Adequacy Assessment Process (ICAAP). The purpose is to ensure that sufficient capital is held for the risk profile of the Commerzbank Group at all times.

Commerzbank monitors risk-taking capability using a gone concern approach which seeks primarily to protect unsubordinated lenders. This objective should be achieved even in the event of extraordinarily high losses from an unlikely extreme event.

When determining the economic capital required, allowance is made for potential unexpected fluctuations in value. Where such fluctuations exceed forecasts, they must be covered by available economic capital in order to absorb unexpected losses (capital available for risk coverage). The quantification of capital available for risk coverage is based on a differentiated view on the accounting values of assets and liabilities and involves economic valuations of certain balance sheet items.

The capital requirement for the risks taken is quantified using the internal economic capital model. When setting the economic capital required, allowance is made for all the types of risk at Commerzbank Group that are classified as material in the annual risk inventory. The economic risk approach therefore also includes risk types that are not included in the regulatory requirements for banks' capital adequacy and reflects the effect of portfolio-specific interrelationships. The confidence level of 99.91% in the economic capital model is in line with the underlying gone concern assumptions and ensures the economic risk-taking capability concept is internally consistent.

Risk-taking capability at Commerzbank Group level is monitored and managed monthly at Group level. Risk-taking capability is assessed based on the utilisation of the capital available for risk coverage, and is deemed to be assured as long as utilisation is below 100%. In 2011, the utilisation level was consistently well below 100% and was 81.5% as at December 31, 2011.

<b>Risk-taking capability Commerzbank Group   €bn</b>	<b>31.12.2011<sup>2</sup></b>	<b>31.12.2010<sup>3</sup></b>
<b>Capital available for risk coverage</b>	<b>27</b>	<b>36</b>
<b>Economically required capital</b>	<b>22</b>	<b>20</b>
thereof for credit risk	13	14
thereof for market risk	8	6
thereof for OpRisk	2	3
thereof for business risk	2	2
thereof diversification between risk types	-4	-4
<b>Utilisation level<sup>1</sup></b>	<b>81.5%</b>	<b>56.8%</b>

<sup>1</sup> Utilisation level = economically required capital/capital available for risk coverage.

<sup>2</sup> Based on current methodology from the first quarter of 2011; only partially comparable to values for 2010.

<sup>3</sup> 2010 figures based on methodology as at 31 December 2010.

The higher utilisation level during the year under review was mainly due to the increase of the economically required capital for market risk, which was driven by heavy capital markets turmoil in the second half of 2011, as well as the decrease of capital available for risk coverage. The main drivers of the change in capital available for risk coverage were the capital measure carried out in 2011 in order to repay most of the SoFFin's silent participation as well as actions taken to strengthen our capital structure and the development of the Public Finance portfolio as a consequence of the crisis.

Macroeconomic stress tests are also used to check risk-taking capability in the face of assumed adverse changes in the economic environment. The underlying scenarios, which are updated regularly every quarter, show exceptional, but plausible, negative developments in the economy and are applied across all risk types. In the scenario calculations, the input parameters for the calculation of economic capital required are simulated to reflect the forecast macroeconomic situation. In addition to the amount of capital required, the income statement is also stressed using the macroeconomic scenarios and then, based on this, changes in the capital available for risk coverage are simulated. The risk-taking capability in stress scenarios is also assessed based on utilisation of the capital available for risk coverage. The utilisation level in the stress case was consistently below 100% in 2011.

We also developed our risk-taking capability and stress test concept during 2011. The risk-taking capability concept was extended in accordance with regulatory requirements defined in Germany and applied correspondingly throughout 2011. In addition to the regular stress tests, “reverse stress tests” were first implemented at Group level in 2011. Contrary to regular stress testing, the result of the simulation is determined in advance: a sustained threat to the business model. The aim of this analysis process in the reverse stress test is to improve the transparency of Bank-specific risk potentials and interactions of risk via the identification and assessment of extreme scenarios and events.

In June 2011, Commerzbank took part in a regulatory EU-wide stress test, which was carried out by the EBA in conjunction with national supervisory bodies. The aim of this stress test was to examine the resistance of the European banking sector to a stressed market environment. As expected, Commerzbank passed the stress test. In both scenarios, the Bank has a Core Tier I ratio which is significantly above the 5% required by the EBA. The Core Tier I ratio calculated according to EBA standards was 8.9% in the baseline stress scenario, and 6.4% in the adverse stress scenario.

The European Council has ordered that by June 30, 2012, 71 European banks with international operations must have a Core Tier I ratio of 9%, which is well above the regulatory requirement, including the simulation of partially defaulted European government bonds. In order to determine the capital requirement needed for this, the EBA carried out an EU capital exercise in November 2011. Based on figures of September 30, 2011, the capital requirement for Commerzbank was calculated to be around €5.3bn.

In order to comply with the capital requirements specified by the EBA, Commerzbank has created a comprehensive capital plan and has already initiated and implemented first measures in the fourth quarter. This enabled us to achieve a reduction in risk-weighted assets of around €20bn in the fourth quarter of 2011, compared with the RWA starting point of €256bn established by the EBA. This reduction was the result of systematic RWA management, for example, by lowering volumes outside core markets in accordance with conditions imposed by the EU, and by efficiently controlling market and counterparty risks. In addition, the regular annual parameter update and improved data quality for lending collateral had a positive effect on the level of RWA. In the first half of 2012, it is also intended to further reduce risk assets by some €15bn, partly through risk transfers via synthetic securitisations and through volume reductions in line with our business and risk strategy.

For additional details regarding the package of measures to meet the capital requirements of the EBA, see page 45 in the Management Report.

## Default risk

Default risk refers to the risk of losses due to defaults by counterparties as well as to changes in this risk. In addition to credit default risk and risk from third-party debtors, Commerzbank also includes under default risk issuer and counterparty risk as well as country and transfer risk.

### Default risk management

Commerzbank manages default risk using a comprehensive risk management system comprising an organisational structure, methods and models, a risk strategy with quantitative and qualitative management tools and regulations and processes. The risk management system ensures that the entire portfolio and the sub-portfolios, right down to individual exposure level, are managed consistently and thoroughly on a top-down basis.

The ratios, measures and input required for the operational process of risk management are based on overarching Group objectives and are enhanced at downstream levels by sub-portfolio and product specifics. Risk-based credit approval regulations focus management attention in the highest decision-making bodies on issues such as risk concentrations or deviations from the risk strategy.

The management of risk concentrations within default risk includes both exposure-related credit risk concentrations (bulk risks) as well as country and sector concentrations.

In operational credit risk management, we continued to develop management mechanisms to improve the portfolio structure. In addition to further de-risking measures to reduce concentration risks, management focus was on the effects of the euro and sovereign debt crisis and the reduction of risks in the non-investment grade area. We developed our credit processes for domestic corporate customer business and were very successful in standardising our granular business with an improved “time to market”.

Country risk management is based on the definition of risk limits as well as country-specific strategies for achieving a desired target portfolio.

Back-office activities in domestic corporate customer business are organised by industry sector and focus on managing exposures to weaker ratings. This allows us to directly identify noticeable developments at total and sub-portfolio level, to track them down to the individual loan level and to initiate appropriate measures. This also results in major progress in terms of speed, the efficiency of preventive measures and the quality of risk development forecasting.

The euro and sovereign debt crisis and the substantially reduced time of validity of regulatory requirements increase the need for flexible credit portfolio management. Ensuring the responsiveness of the portfolio has been and remains one of the key strategic action fields in credit risk management.

## Overview of management instruments and levels



### Commerzbank Group by segment

To manage and limit default risks, we use the risk parameters exposure at default (EaD), expected loss (EL), risk density (EL/EaD) and credit Value at Risk (CVaR = economically required capital for credit risk with a confidence level of 99.91%) as well as all-in for bulk risk. These credit risk parameters are distributed in the rating levels 1.0 – 5.8 as follows over the segments:

Credit risk figures by segment as at 31.12.2011	Exposure at default €bn	Expected loss €m	Risk density bp	CVaR €m
<b>Private Customers</b>	<b>65</b>	<b>218</b>	<b>34</b>	<b>789</b>
Residential mortgage loans	36	93	26	
Investment properties	6	14	24	
Individual loans	12	58	51	
Consumer and instalment loans/ credit cards	9	48	52	
Domestic subsidiaries	1	4	28	
Foreign subsidiaries and other	1	1	7	
<b>Mittelstandsbank</b>	<b>115</b>	<b>357</b>	<b>31</b>	<b>3,361</b>
Financial Institutions	20	87	43	
Corporates Domestic	81	230	28	
Corporates International	14	40	28	
<b>Central &amp; Eastern Europe</b>	<b>26</b>	<b>192</b>	<b>73</b>	<b>664</b>
BRE Group	23	152	68	
CB Eurasija	2	16	97	
Bank Forum	<1	15	606	
Other	2	9	49	
<b>Corporates &amp; Markets</b>	<b>61</b>	<b>133</b>	<b>22</b>	<b>1,600</b>
Germany	24	38	16	
Western Europe	19	55	29	
Central and Eastern Europe	2	4	19	
North America	11	26	25	
Other	6	10	17	
<b>Others and Consolidation</b>	<b>31</b>	<b>51</b>	<b>16</b>	<b>655</b>
<b>Asset Based Finance<sup>1</sup></b>	<b>181</b>	<b>646</b>	<b>36</b>	<b>4,943</b>
Commercial Real Estate	57	290	51	
Eurohypo Retail	14	17	12	
Shipping	21	165	77	
<i>thereof Ship Finance</i>	18	164	90	
Public Finance <sup>1</sup>	89	175	20	
<b>PRU</b>	<b>12</b>	<b>83</b>	<b>70</b>	<b>1,039</b>
<b>Group<sup>1,2</sup></b>	<b>492</b>	<b>1,680</b>	<b>34</b>	<b>13,052</b>

<sup>1</sup> EaD including non-impaired portion of Greek bonds in LaR and AfS.

<sup>2</sup> Excluding inflation-induced valuations of securities holdings mostly classified as LaR with a volume of €0.4bn.

In 2009, Commerzbank set up a comprehensive de-risking program for the entire Group. On the basis of a clear allocation of sub-portfolios to the core bank, reduction and optimisation areas, targets were formulated for the individual areas and implemented as part of Roadmap 2012.

The “reduction” area comprises the Public Finance portfolio in addition to the internal portfolio restructuring unit, PRU. Exposure in the Public Finance sector has been reduced by €40bn, or 31%, to €89bn since the end of 2009, and a portfolio reduction in the amount of €20bn was possible in 2010 and 2011 respectively. We are still targeting an overall reduction in exposure in this area, where we aim to reduce risk exposure to below €70bn by the end of 2014.

Since the end of 2009, exposure in the PRU has declined by more than 60% to €12bn. It is a remarkable achievement that all positions apart from the Structured Credit portfolio were entirely wound down in the second half of 2011. During the fourth quarter of 2011 the existing strategy of PRU was aligned with the new criterion capital optimisation.

The Real Estate and Shipping portfolios were combined under the label “optimisation”. In Real Estate the focus was on the Bank’s core markets. Steps were taken to reduce sub-portfolios outside these core markets. Compared with the end of 2009, the exposure in this area has fallen by €25bn to €71bn.

In Ship Finance, activities were directed mainly at lowering risk in the existing portfolio. The exposure, which was mainly denominated in US dollar, was reduced in this area by €4bn to €18bn despite a significantly stronger US dollar against the euro.

The exposure reduction in the core bank is mainly due to the sale of subsidiaries in the Private Customers segment as well as risk reduction in the Corporates & Markets segment. In contrast the exposure of Mittelstandsbank was increased by €5bn since the end of 2009.

EaD   €bn	31.12.2011	31.12.2010	31.12.2009
<b>Core bank</b>	<b>299</b>	<b>324</b>	<b>336</b>
<b>Optimisation</b>	<b>93</b>	<b>111</b>	<b>124</b>
Real Estate	71	87	96
Shipping	21	25	28
<i>thereof Ship Finance</i>	<i>18</i>	<i>21</i>	<i>22</i>
<b>Downsize</b>	<b>101</b>	<b>127</b>	<b>161</b>
Public Finance	89	109	129
PRU	12	18	32
<b>Group</b>	<b>492</b>	<b>562</b>	<b>621</b>

**Private Customers** The Private Customers segment covers the activities of the Private Customers division, which includes branch business in Germany for private and business customers as well as the Wealth Management, and the Direct Banking division.

We meet the financing needs of our customers with a broad and modern product range. The focus of the portfolio is on classical owner-occupied home financing and the financing of real estate capital investments (residential mortgage loans and investment properties with an EaD of €42bn). Another major activity is to ensure the supply of credit services for our business customers (individual loans €12bn). In addition, we meet our customers’ day-to-day lending requirements with consumer loans (consumer and instalment loans/credit cards €9bn).

Credit lines and value-creating limit utilisations remained largely stable throughout the year. Risk management, which was optimised in 2011 in particular with the implementation of systematic management measures in lower rating classes, and the expansion of early risk identification, led to a slight reduction in risk density from 37 to 34 basis points.

**Mittelstandsbank** This segment comprises all the Group's activities with mid-size corporate customers (where they are not assigned to Central & Eastern Europe or Corporates & Markets), the public sector and institutional customers. The segment is also responsible for the Group's relationships with domestic and foreign banks, financial institutions and central banks.

2011 was dominated by the euro and sovereign debt crisis and its initial effects on the real economy. Added to this there were events such as the natural disaster in Japan. The initial effects of the crisis on Germany's core industries became noticeable during 2011. At the moment, only a slight slowdown has been detected in the major sectors such as mechanical engineering and the automotive industry (the level of incoming orders is still good), although the order backlog will gradually shrink.

In general, the current economic situation is reflected in the Corporates Domestic sub-portfolio in the form of a sideways movement within the portfolio. The positive rating migration for individual customers which was ongoing until mid-year has now come to a standstill. Risk density in this area was 28 basis points at December 31, 2011, which is low for the mid-sized company financing area.

EaD in Corporates International changed to €14bn and EL to €40m. Risk density remained at 28 basis points as at December 31, 2011. Overall EaD in the Mittelstandsbank increased by €4bn to €115bn at year-end 2011.

For details of developments in the Financial Institutions portfolio see page 59 f.

**Central & Eastern Europe** This segment includes the activities of the Group's operating units and investments in Central and Eastern Europe and has a total exposure of €26bn.

The economic situation of the Central and Eastern European economies is characterised by continued uncertainty as a result of the sovereign debt crisis. However, thanks to rigorous risk management, risk density in this segment declined from 84 to 73 basis points in 2011.

In 2011 Poland continued to achieve noticeable economic growth, although this slowed down in the second half. The BRE Group forms the largest part of the portfolio within the CEE segment with an exposure of around €23bn. Intensive efforts to further optimise operational management of risk and the positive economic environment of 2011 contributed to further improving the segment's good risk quality.

The risk management measures adopted by Bank Forum led to a significant improvement in the risk profile in 2011. In 2011, our focus in this challenging market remained on limiting risk and restructuring the Bank.

Commerzbank Eurasija, our branches in the Czech Republic and Slovakia as well as Commerzbank Zrt. were transferred to the responsibility of the Mittelstandsbank segment as at January 1, 2012. The portfolio quality in these units improved further due to a rigorous focus on strict risk management, therefore risk density could be reduced by 9 to 71 basis points in 2011.



**Corporates & Markets** This segment covers client-driven capital market activities and commercial business with multinationals and selected large corporate customers of Commerzbank Group. The regional focus of the segment is on Germany and Western Europe, which continue to account for more than two-thirds of exposure. North America accounted for around €11bn as at December 31, 2011.

The Leveraged Acquisition Finance (LAF) portfolio was reduced from €3.4bn to €3.2bn in 2011. Repayments of existing loans, in particular as a result of reselling the business or refinancing with high yield bond issues, were partially offset by new lending on a selective basis.

The good economic performance in the first half of 2011 in our core operating markets brought a further improvement in portfolio quality. The economic slowdown as a result of the deterioration in the sovereign debt crisis during the second half of 2011 has not yet adversely impacted the portfolio. Europe remains the geographic focus of the LAF portfolio (94%) with a strong concentration in Germany (45%). On the whole, the portfolio companies are not particularly dependent on developments in weaker countries in the eurozone. The portfolio is widely diversified by sector and region. We will continue to place emphasis on maintaining this diversified portfolio structure and the granularity of the loan book.

**Asset Based Finance** Asset Based Finance (ABF) comprises the sub-portfolios Commercial Real Estate (CRE) including Asset Management, Eurohypo Retail, Ship Finance and Public Finance, which are described in detail below.

**Commercial Real Estate** The strategic reduction of existing business, mainly at Eurohypo AG, is ongoing. Total exposure (EaD) decreased by €13bn to €57bn during the year. The portfolio composition by type of use remains unchanged; the main components of exposure are the sub-portfolios office (€21bn), commerce (€18bn) and residential real estate (€6bn). The CRE exposure also contains the asset management (Commerz Real) portfolios, which are composed of warehouse assets for funds as well as the typical leasing receivables of the movable property sector.

The decrease in exposure in 2011 is in particular the result of loan repayments, exchange rate fluctuations and market-related transfers to the default portfolio.

The impact of the deepening European sovereign debt crisis, together with the looming recession in the eurozone and the tensions in the financial markets, has produced a highly constricted atmosphere which is generating considerable uncertainty and dampening momentum in the European CRE markets. The positive trend visible to date in the German market will weaken, and the downturn will continue in the southern European markets, which have been particularly affected by the sovereign debt crisis. While we assume a stabilisation in the UK, we already see first signs of recovery in the US from a risk point of view. In 2011 there was considerable release potential regarding loan loss provisioning.

Loans secured by mortgages continue to have reasonable loan to value ratios.

**Loan to value – UK<sup>1</sup>**  
stratified representation**EaD UK total €6bn**

> 100%	■ 2% (3%)
80% – 100%	■ 3% (4%)
60% – 80%	■ 10% (10%)
40% – 60%	■ 22% (23%)
20% – 40%	■ 31% (29%)
<20%	■ 32% (31%)

**Loan to value – Spain<sup>1</sup>**  
stratified representation**EaD Spain total €4bn**

> 100%	■ 1% (1%)
80% – 100%	■ 1% (4%)
60% – 80%	■ 14% (14%)
40% – 60%	■ 24% (24%)
20% – 40%	■ 29% (28%)
<20%	■ 31% (29%)

**Loan to value – USA<sup>1</sup>**  
stratified representation**EaD USA total €3bn**

> 100%	■ 2% (3%)
80% – 100%	■ 4% (7%)
60% – 80%	■ 13% (17%)
40% – 60%	■ 24% (24%)
20% – 40%	■ 28% (25%)
<20%	■ 29% (24%)

**Loan to value – CRE total <sup>1</sup>**  
stratified representation**EaD CRE total €57bn**

> 100 %	■ 2% (2%)
80 % – 100 %	■ 3% (3%)
60 % – 80 %	■ 13% (13%)
40 % – 60 %	■ 24% (24%)
20 % – 40 %	■ 28% (28%)
<20 %	■ 30% (30%)

<sup>1</sup> Loan to value ratios based on market values; exclusive margin lines and corporate loans; additional collateral not taken into account.

All figures relate to business secured by mortgages.

Values in parentheses: December 2010

**Eurohypo Retail** Eurohypo AG is now only responsible for the existing loan book (legacy portfolio). There are no strategic plans for new business activity in this area. We continue to focus directly on portfolio reduction while minimising the impact on earnings. Exposure was again cut by just under €3bn in 2011 and amounted to €14bn as at December 31, 2011; the bulk of this related to owner-occupied houses (€8bn) and apartments (€3bn). Given the lower loan to value ratios due to the residual terms of maturity, we continue to view the risk in this portfolio as relatively low.

**Ship Finance** The exposure of Ship Finance (including Deutsche Schiffsbank), which is largely denominated in US dollars, decreased from €21bn on December 31, 2010 to €18bn. Deutsche Schiffsbank has been a 100 percent subsidiary of Commerzbank since November 2011, and will be merged into Commerzbank AG in 2012.

The exposure is divided into three standard types of ship, whose shares are largely unchanged, i.e. containers (€6bn), tankers (€4bn) and bulkers (€4bn). The remaining portfolio consists of various special tonnages which are well diversified across the various ship segments.

The sovereign debt crisis, the uncertain economic situation in the USA and in various European countries, as well as efforts to prevent inflation in China, had a negative impact on shipping markets in 2011.

The strategy of systematic risk reduction in existing portfolios resulted in a greater degree of stabilisation during the period under review, particularly by restructurings executed in agreement with our clients.

**Public Finance** Commerzbank's Asset Based Finance segment holds a large part of the Bank's government lending exposures. The Public Finance portfolio comprises receivables and securities held in our subsidiaries Eurohypo AG and EEPK.

Borrowers in the Public Finance business (€55bn EaD) are sovereigns, federal states, regions, cities and local authorities as well as supranational institutions. The main exposure is in Germany and Western Europe.

The remaining Public Finance portfolio in the ABF segment is accounted for by banks (€34bn EaD), where the focus is also on Germany and Western Europe (approximately 93%). Most of the bank portfolio comprises securities/loans which to a large extent are covered by grandfathering, guarantee/maintenance obligations or other public guarantees, or were issued in the form of covered bonds.

The Public Finance portfolio, which was decreased by €20bn to €109bn in 2010, largely by using maturities and also through active portfolio reduction, was further reduced in 2011 and amounted to €89bn at December 31, 2011. Overall we are targeting a reduction in public finance exposures to below €70bn for the end of 2014.

Commerzbank's sovereign exposure to Greece, Ireland, Italy, Spain and Portugal was reduced from €16.8bn to €12.3bn over the course of the year (see table on page 61).

The future development of Public Finance is difficult to predict at the moment, since it is strongly dependent on how the sovereign debt crisis develops and the related political decisions.

**Segment Portfolio Restructuring Unit (PRU)** The PRU only manages assets that have been classified as non-strategic by Commerzbank and are therefore being wound down. Bundling allows these positions to be managed uniformly and efficiently. They consist mainly of structured credit positions (essentially asset-backed securities – ABSs) with a nominal value of €23.5bn as at December 31, 2011 (see page 62 f.). This predominantly (around 80% of the risk value<sup>1</sup> of €13.7bn) relates to investment grade securities.

The remaining positions in the PRU (correlation trading portfolio) were fully wound down in the second quarter of 2011.

#### **Cross-segment portfolio analysis**

It is important to note that the following positions are already contained in full in the Group and segment presentations.

**Financial Institutions portfolio** In 2011, the focus of the Financial Institutions sub-portfolio continued to be both on proactive risk reduction across the whole portfolio, especially the existing bonds in Public Finance, and on facilitating new business with clients of an adequate rating level, through trade finance activities performed on behalf of our customers at Mittelstandsbank. Consideration of country risks played a major part in this.

In the second quarter of 2011 there was a change in the definition of our Financial Institutions portfolio. Exposures to selected institutions, such as the Federal Reserve Bank, the European Central Bank and selected European issuing banks, which on account of their specific function lie outside our risk management focus, were classified as “exceptional debtors”, and were therefore excluded from the specific analysis of the Financial Institutions portfolio. This exclusion resulted in a reduction of EaD in the amount of €13bn as at the balance sheet date June 30, 2011. These exposures are still included in full in the presentation of our Group portfolio in the section “Commerzbank Group by segment”.

<sup>1</sup> Risk value is the balance sheet value of cash instruments. For long CDS positions it comprises the nominal value of the reference instrument less the net present value of the credit derivative.

We will maintain our risk strategy for the Financial Institution sub-portfolio in 2012. While generally pursuing our reduction strategy across the whole portfolio we would still like to continue supporting trade finance activities of our corporate customers at Mittelstandsbank and to expand the activities with clients showing an appropriate rating level. The development of risk in the portfolio will also be influenced by the progress of the European and sovereign debt crisis.

FI portfolio by region	31.12.2011			31.12.2010		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	17	10	6	29	4	2
Western Europe	28	81	29	36	25	7
Central and Eastern Europe	8	52	62	7	31	42
North America	3	1	6	8	1	1
Other	16	41	26	15	34	23
<b>Total</b>	<b>72</b>	<b>185</b>	<b>26</b>	<b>95</b>	<b>96</b>	<b>10</b>

**Non-Bank Financial Institutions portfolio** The NBFi portfolio continues to operate within the risk strategy framework, where the focus during the whole period under review was on attractive new business with clients of good credit standing and on continued portfolio optimisation. The EaD of the sub-portfolio (including ABS and LAF transactions relating to NBFIs as well as NBFi assets in the PRU) fell slightly from €38bn to €32bn. Despite predominantly positive results in our clients' operating businesses, we regard the uncertainty arising from the intensifying debt crisis in Europe as a significant adverse factor for the sector.

NBFi portfolio by region	31.12.2011			31.12.2010		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	10	22	22	8	18	23
Western Europe	13	22	18	18	39	21
Central and Eastern Europe	1	6	43	1	2	28
North America	5	42	92	5	24	52
Other	3	3	11	7	10	15
<b>Total</b>	<b>32</b>	<b>95</b>	<b>30</b>	<b>38</b>	<b>93</b>	<b>24</b>

**Country classification** The regional breakdown of the exposure corresponds to the Bank's strategic direction and reflects the main areas of its global business activities. Around half of the Bank's exposure relates to Germany, another third to other countries in Europe and 8% to North America. The rest is broadly diversified and is split between a large number of countries where we serve German exporters in particular or where Commerzbank has a local presence.

Portfolio by region as at 31.12.2011	Exposure at default €bn	Expected loss €m	Risk density bp
Germany	250	649	26
Western Europe	115	443	38
Central and Eastern Europe	42	269	65
North America	40	111	28
Other	46	208	46
<b>Total</b>	<b>492</b>	<b>1,680</b>	<b>34</b>

The table below shows the exposure to Greece, Ireland, Italy, Portugal and Spain based on the member state where the head office or the asset is located.

EaD <sup>1</sup> as at 31.12.2011 €bn	Sovereign	Banks	CRE	Corporates/ Other	Total 2011	Total 2010
Greece <sup>2</sup>	0.8	0.1	0.2	0.1	1.1	3.8
Ireland	0.0	0.9	0.1	0.9	2.0	3.0
Italy	7.9	1.1	2.4	2.7	14.0	16.4
Portugal	0.8	0.5	1.7	0.3	3.4	3.7
Spain	2.8	4.6	4.1	3.2	14.6	17.6

<sup>1</sup> Excluding exposure from Ship Finance.

<sup>2</sup> Including non-impaired parts of Greek bonds in LaR and AfS.

In 2011 a write-down of €2.2bn on the bonds issued and guaranteed by Greece was recognised in the income statement.

**Rating classification** The Group's overall portfolio is split proportionately into the following internal rating classifications based on PD ratings:

Rating breakdown as at 31.12.2011   %	1.0–1.8	2.0–2.8	3.0–3.8	4.0–4.8	5.0–5.8
Private Customers	27	46	19	5	3
Mittelstandsbank	13	59	22	4	2
Central & Eastern Europe	21	41	31	5	3
Corporates & Markets	44	39	13	2	1
Asset Based Finance	30	41	20	6	3
<b>Group<sup>1</sup></b>	<b>30</b>	<b>44</b>	<b>19</b>	<b>4</b>	<b>2</b>

<sup>1</sup> Including PRU as well as Others and Consolidation.

**Sector classification corporates** The table below shows the breakdown of the Bank's corporates exposure by sector, irrespective of business segment:

Sub-portfolio corporates by sector	31.12.2011			31.12.2010		
	Exposure at default €bn	Expected loss €m	Risk density bp	Exposure at default €bn	Expected loss €m	Risk density bp
Basic materials/ Energy/Metals	25	96	38	25	106	42
Consumption	21	82	40	21	110	53
Chemicals/Plastics	11	33	29	11	60	56
Automotive	11	26	25	11	55	48
Transport/Tourism	10	38	38	11	58	53
Technology/ Electrical industry	10	23	23	11	44	41
Services/Media	9	50	53	10	58	56
Mechanical engineering	8	25	32	9	66	75
Construction	4	17	41	5	49	103
Other	17	58	34	21	84	41
<b>Total</b>	<b>126</b>	<b>447</b>	<b>36</b>	<b>134</b>	<b>690</b>	<b>51</b>

### Structured credit portfolio

**Structured credit exposure PRU** In 2011, the nominal volume of structured credit positions was reduced by €5.5bn to €23.5bn, and the risk value<sup>1</sup> by €3.4bn to €13.7bn. During the fourth quarter of 2011 the existing strategy of PRU was aligned with the new criterion capital optimisation. Markdown ratios<sup>2</sup> remain nearly unchanged year-on-year.

The table below shows the composition and development of the structured credit exposure in PRU.

Structured credit portfolio PRU	31.12.2011			31.12.2010		
	Nominal values €bn	Risk values €bn	Markdown ratio %	Nominal values €bn	Risk values €bn	Markdown ratio %
RMBS	3.2	1.9	40	5.1	3.0	41
CMBS	0.6	0.3	43	0.7	0.5	35
CDO	9.8	5.9	40	11.1	6.7	40
Other ABS	2.1	1.7	19	3.3	2.8	14
PFI/Infrastructure financing	4.3	3.8	13	4.3	3.8	11
CIRC	0.0	0.0	-	0.7	0.0	-
Other structured credit positions	3.6	0.1	-	3.6	0.2	-
<b>Total</b>	<b>23.5</b>	<b>13.7</b>	<b>42</b>	<b>29.0</b>	<b>17.1</b>	<b>41</b>

The bulk of the portfolio consists of **Collateralised Debt Obligations (CDO)**. These largely securitise US subprime RMBSs (CDOs of ABSs) in addition to corporate loans in the USA

<sup>1</sup> Risk value is the balance sheet value of cash instruments. For long CDS positions it comprises the nominal value of the reference instrument less the net present value of the credit derivative.

<sup>2</sup> Markdown ratio = 1 - (risk value/nominal value)

and Europe (CLOs). The exposure in **Private Finance Initiatives (PFI)/Infrastructure financing** consists of the private financing and the operation of public sector facilities and services, such as hospitals and water utilities. The credit risk of the portfolio is more than 80% hedged, mainly with monoline insurers. **Residential Mortgage-backed Securities (RMBSs)** are instruments that securitise private, largely European, real estate loans. The **Credit Investment-related Conduits (CIRCs)** portfolio was completely wound down in 2011.

We expect write-ups over the residual life of these assets, with possible future write-downs on assets such as US RMBSs and US CDOs of ABSs, which have already been written down substantially, likely to be offset by a positive performance from other assets. The long period that has now passed since the structures were launched enables a more and more reliable basis for the assessment of the future performance of the portfolio. The overall economic development in countries of importance to us also progressed as we expected when we assessed the risks.

**Structured credit exposure non-PRU** Below are details of structured credit positions from our strategic customer business which will continue to be allocated to the core bank in future and therefore were not transferred to the PRU.

Structured credit portfolio non-PRU €bn	31.12.2011		31.12.2010	
	Nominal values	Risk values	Nominal values	Risk values
Conduit exposure	3.3	3.3	4.3	4.3
Other asset-backed exposures	6.1	5.8	6.5	6.3
<b>Total</b>	<b>9.4</b>	<b>9.1</b>	<b>10.8</b>	<b>10.6</b>

In the first quarter of 2011, the two conduits sponsored by Commerzbank, Kaiserplatz and Silver Tower, were consolidated and all transactions from Kaiserplatz were transferred to Silver Tower. The majority of the reported positions consist of liquidity facilities/back-up lines granted to Silver Tower, which Commerzbank's corporate customers can use for interim funding of their own customer receivables. The conduits in turn are financed through the issue of asset-backed commercial paper (ABCP). Other asset-backed exposures were mainly government guaranteed ABS paper issued by Eurohypo AG in the Public Finance segment and by Commerzbank Europe (Ireland).

**Originator positions** Commerzbank and Eurohypo AG have in recent years securitised loan receivables due from the Bank's customers with a current volume of €8.9bn, primarily for capital management purposes. As at the reporting date on December 31, 2011, risk positions of €5.1bn were retained, with by far the largest portion of these positions (€4.7bn) consisting of senior tranches which are nearly all rated AAA or AA.

Commerzbank volume <sup>1</sup>						
Securitisation pool €bn	Maturity	Senior	Mezzanine	First loss piece	Total volume <sup>1</sup> 31.12.2011	Total volume <sup>1</sup> 31.12.2010
Corporates	2013–2027	4.1	0.2	<0.1	4.5	8.0
MezzCap	2036	<0.1	<0.1	<0.1	0.2	0.2
RMBS	2048	<0.1	<0.1	<0.1	0.2	0.2
CMBS	2012–2084	0.6	<0.1	<0.1	4.0	5.0
<b>Total</b>		<b>4.7</b>	<b>0.3</b>	<b>0.1</b>	<b>8.9</b>	<b>13.4</b>

<sup>1</sup> Tranches/retentions (nominal): banking and trading book.

## Intensive care

### Loan loss provisions

Loan loss provisions in 2011 amounted to €1.4bn. The charge was therefore significantly reduced by €1.1bn compared with the previous year. This amount includes a one-off reversal of around €0.2bn which resulted from the revision and update of the parameters used to determine the portfolio loan loss provision for loans not in default. Loan loss provisions for 2011, even when adjusted for this one-off item, were more than one-third below the value of the previous year thanks to the trend reversal achieved in Asset Based Finance. The table illustrates the development at segment level:

Loan loss provisions €m	2011					2010				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Private Customers	57	-53	34	35	41	246	46	64	70	66
Mittelstandsbank	188	154	51	-25	8	279	93	-69	94	161
Central & Eastern Europe	89	21	32	6	30	361	48	127	92	94
Corporates & Markets	146	56	59	31	0	-27	-14	6	0	-19
Asset Based Finance	907	179	254	233	241	1,584	412	493	354	325
Portfolio Restructuring Unit	5	26	-17	-3	-1	62	10	2	28	22
Others and Consolidation	-2	-2	0	1	-1	-6	0	-2	1	-5
<b>Total</b>	<b>1,390</b>	<b>381</b>	<b>413</b>	<b>278</b>	<b>318</b>	<b>2,499</b>	<b>595</b>	<b>621</b>	<b>639</b>	<b>644</b>

Provisions in Private Customers business were down by nearly €200m compared to the previous year. This decline is partly due to the parameter update in the fourth quarter of 2011, but operating provisions also exhibited a positive development and undershot the previous year's figure by over €100m.

As expected, provisions in the Mittelstandsbank segment increased significantly in the fourth quarter compared to previous quarters, due to new defaults. However, their level in 2011 remained approximately €90m below that in 2010, due to a good first half-year which saw releases of provisions.



In 2011, provisions in Central & Eastern Europe were around €270m lower than the previous year. In particular, Bank Forum significantly reduced provisions by more than €130m compared to the previous year. The other units also reported a good risk performance in operational terms in 2011. BRE benefited additionally from one-off income from a portfolio sale in the second quarter, and from updates to parameters for retail business in the fourth quarter, which meant that the risk provisions were almost €100m lower than the previous year's value.

In Corporates & Markets loan loss provisions totalled €146m in 2011, while releases of provisions were recognised in the previous year. Loan loss provisions for the segment were driven by a few individual cases.

Asset Based Finance saw the strongest decline in provisions compared with 2010 with a total of almost €700m. The bulk of this decline was in CRE Banking, in which operating provisions fell by over €600m. Loan loss provisions for the foreign portfolio in particular were down substantially compared with the previous year. In the fourth quarter, Asset Based Finance also recognised a one-off exceptional release due to the parameter update.

In 2011, provisions of €5m were necessary in the Portfolio Restructuring Unit, which was over €50m less than in 2010. Similar to Corporates & Markets, developments in this segment were also largely affected by a few individual cases.

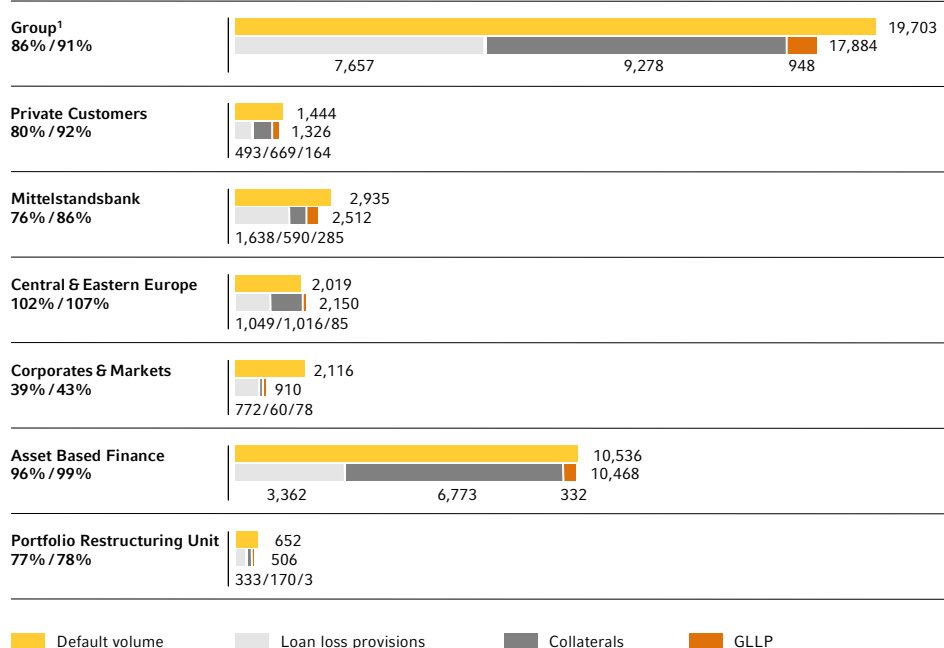
In 2011, loan loss provisions for the Group, after adjusting for the one-off positive exceptional effect due to the revision and update of parameters, were generally well below the level of the previous year. This was largely due to the good performance of the first three quarters, although the slowing economy had its first, albeit slight, impact on provisions in the fourth quarter. This trend will continue in 2012, and, in the second half of 2012 in particular, we expect an increase in loan loss provisions for portfolios which are particularly sensitive to changes in the economy. However, at the moment an amount of €1.7bn in total seems to be realistic. The risks related to the macroeconomic framework are nevertheless still high. Depending on the macroeconomic development and in particular the impact of the ongoing sovereign debt crisis on the real economy, significantly higher provisioning may be necessary.

#### **Default portfolio**

The default portfolio was down significantly on the previous year by €2bn, and was €19.7bn at year-end. The portfolio includes receivables in the LaR category, but not impaired securities. The portfolio structure is shown in detail below:

**Default portfolio and coverage ratios by segment**

€m – excluding/including GLLP

<sup>1</sup> Including Others and Consolidation.

The default portfolio decreased in all segments during 2011. The volume in the Mittelstandsbank was approximately a quarter lower and, with over €900m, accounted for the largest part of the decline. In the Private Customers segment the reduction was also significant at over 20% or more than €400m. Central & Eastern Europe and Corporates & Markets each saw a drop in volume of over 10%. We currently expect a further decline in the default volume in 2012 given the expectation of only a moderate deterioration in economic conditions.

The default portfolio is backed by collateral of around €9.3bn. In the Private Customers segment, the collateral consists predominantly of mortgages on owner- and third party-occupied properties. In the Mittelstandsbank, collateral is spread over various types of security. Mortgages on commercial properties and default guarantees account for the largest amounts. Large parts of the portfolio are secured by guarantees and assignments of collateral. The portfolio in the Central & Eastern Europe segment is mainly secured by mortgages, in both the retail and commercial sectors. In addition, a major part of the collateral in the corporate customer business consists of letters of credit, guarantees and pledges. The collateral in the Corporates & Markets portfolio principally comprises assignments of collateral as well as pledges of account balances and securities portfolios. In Asset Based Finance, collateral mainly relates to commercial mortgages (including ship mortgages) and also to mortgages of owner- and third party-occupied properties. The collateral for the PRU portfolio consists almost exclusively of assignments.

In order to avoid an increase in the default portfolio, overdrafts are closely monitored at Commerzbank. In addition to the 90 days-past-due trigger event, an IT-based management

of the overdraft starts on the first day the account is overdrawn. The following table shows overdrafts outside the default portfolio based on the exposure at default (€m) as at end of December 2011:

Segment	> 0 ≤ 30 days	> 30 ≤ 60 days	> 60 ≤ 90 days	> 90 days	Total
Private Customers	648	88	68	0	803
Mittelstandsbank	1,256	57	40	13	1,367
Central & Eastern Europe <sup>1</sup>	5	1	0	0	583
Corporates & Markets	81	3	0	0	85
Asset Based Finance	363	98	15	31	508
<b>Group<sup>1,2</sup></b>	<b>2,366</b>	<b>251</b>	<b>124</b>	<b>46</b>	<b>3,364</b>

<sup>1</sup> BRE and Bank Forum are included only in total figures.

<sup>2</sup> Including Others and Consolidation and PRU.

In 2011, total foreclosed assets decreased year-on-year by €98m to €170m (additions €49m, disposals €115m, asset revaluation loss €30m, currency conversion €-2m). Of the year-end portfolio of properties the major part with around €155m related to our mortgage subsidiary Eurohypo AG. The properties are serviced and managed in companies in which Eurohypo AG owns a majority stake through subsidiaries. This is normally EH Estate Management GmbH. The aim is to increase the value and performance of the commercially-focused real estate portfolio through EH Estate's property expertise so that the properties can be placed on the market again in the short to medium term.

## Market risk

Market risk is the risk of financial losses due to changes in market prices (interest rates, commodities, credit spreads, exchange rates and equity prices) or in parameters that affect prices such as volatilities and correlations. The losses may impact profit or loss directly, e.g. in the case of trading book positions, or may be reflected in the revaluation reserve or in hidden liabilities/reserves in the case of banking book positions. We also monitor market liquidity risk, which covers cases where it is not possible for the Bank to liquidate or hedge risky positions in a timely manner and to the desired extent on acceptable terms as a result of insufficient liquidity in the market.

## Strategy and organisation

Based on our experience from the financial market crises, comprehensive guidelines relating to the management and monitoring of market price risks were implemented with the market risk strategy. The market risk strategy is derived from the overall risk strategy and the business strategies of the individual segments and sets the market risk management objectives with regard to Commerzbank's key business activities. The core tasks of market risk management are the identification of all key market risks and drivers of market risk for the Group, the independent measurement and evaluation of these risks, and the risk/return-oriented management for the Commerzbank Group based on these results and evaluations.

The Board of Managing Directors of Commerzbank is responsible for ensuring the effective management of market price risk throughout the Commerzbank Group. Specific levels of authority and responsibility in relation to market risk management were assigned to the respective market risk committees. Within the Bank various market risk committees are established, in which segment representatives discuss current risk positioning issues and management measures with the Risk Function and with Finance. The Segment Market Risk Committee meets weekly and focuses on Corporates & Markets, Public Finance, PRU and Treasury. The Group Market Risk Committee, which meets monthly, in addition deals with the market risk position in Commerzbank Group and the remaining business divisions.

The risk management process (risk identification, risk measurement, management, limitation and reporting) is the responsibility of Market Risk Management in functional terms. The centralised market risk management function is supplemented by decentralised market risk management units at segment level, in both regional units and subsidiaries. As the central and local risk management is closely interlocked with the business units, the risk management process already starts in the trading units. The trading units are in particular responsible for the active management of the market risk position (e.g. pricing, increasing or decreasing exposure and hedging).

#### **Market risk management**

Commerzbank uses a wide range of quantitative and qualitative tools to manage and monitor market price risks. The main guidelines are set in the market risk strategy approved by the Board of Managing Directors. Quantitative targets for sensitivities, value at risk, stress tests and scenario analyses as well as for economic capital limit the market risk. Guidelines for portfolio structure, new products, maturity limits or minimum ratings are designed to ensure the quality of market risk positions. All the different factors are weighted individually for each segment in the market risk grid (high, medium and low relevance) as part of the market risk strategy. Hereby the varying relevance of the parameters for the management of the segments with regard to the business strategy is allowed for.

The quantitative and qualitative factors limiting market price risk are determined by the market risk committees. The utilisation of these limits, together with the relevant net income figures, is reported daily to the Board of Managing Directors and the responsible heads of the business segments. Based on qualitative analyses and quantitative ratios the market risk function identifies potential future risks, anticipates, in collaboration with Finance, potential financial losses, and draws up proposals for further action, which are discussed with the market units. Voting on the proposed measures or risk positions takes place in the aforementioned market risk committees and is subsequently submitted to the Board of Managing Directors for approval.

The management of intra-risk concentration is already a component of market risk management due to the existing limit system for market risks amongst other things. Risk concentrations are contained directly with specific limits or are indirectly avoided (for example, using stress test limits). In addition, the combination of various conventional risk measures (for example, VaR, sensitivities) ensures the appropriate risk management of concentrations. In addition Risk drivers are analysed on a regular basis in order to identify concentrations. The risk management of existing concentrations is thus reviewed and, where necessary, supplemented by targeted measures (for example, limits, processes). Situation-driven analyses of existing concentrations are another tool used in the timely and adequate management of concentrations.

The year 2011 was mainly affected by the European debt crisis. The increasing indebtedness of European states and the struggle to find effective measures to resolve the crisis, contributed significantly to the strong market volatility experienced during the year. Another factor was the discrepancy in economic development across Europe. The strong growth in Germany contrasted with the difficult economic development in the European peripheral nations. Furthermore, fears of recession and political developments such as those in Hungary fuelled uncertainties in the markets. The revolutions in North Africa and the natural disaster in Japan also contributed to strong market volatility.

In the bonds markets this high level of uncertainty led to a flight to quality investments and thus to significantly lower interest rates for these asset classes, in particular for German Bunds and US treasuries. By contrast, the yields on bonds from many southern European countries continued to increase significantly.

In 2011, increased volatilities were also evident in the equity markets and were accompanied by significant price declines in almost all the relevant stock markets.

In the foreign exchange markets, problems relating to the European debt crisis led to a loss of confidence in the euro, which caused it to depreciate against the major currencies.

In 2011, commodity markets were characterised by record highs in gold and precious metals and also by severe market fluctuations.

#### **Market risk in the trading book**

Commerzbank has been using a uniform market price risk model for its internal management since the end of October 2010. This model is based on historical simulation (HistSim model) and applies to all entities of the Group. This ensures that risk measurement is consistent across the whole Group and meets the future requirements of Basel III. In particular, this includes the calculation of “stressed VaR”, which evaluates the risk arising from the current positioning in the trading book with market movements in a crisis period. In addition, the “incremental risk charge” and “equity event VaR” ratios quantify the risk of a deterioration in creditworthiness and event risks in trading book positions.

A comprehensive revision of the structure of the scenarios used for risk measurement through stress testing took place in 2011 with the aim of improving the mapping of crisis periods.

Value at risk in the trading book declined significantly at the end of 2011 compared with the previous year. This is largely due to an additional reduction in non-strategic risk positions and methodological improvements in the risk measurement of special interest rate derivatives. Furthermore due to regulatory matters securities (mainly asset-backed securities) have been transferred to the regulatory banking book as a short-term sale is not aimed for under current market conditions.

The market risk profile in the trading book is diversified across all asset classes. The value at risk decreased by €36.8m to €59.1m at year end 2011. The dominant asset classes are interest risk and credit spread risk.

The value at risk in the credit spread asset class reduced by €26.3m to €17.6m year-on-year. The main reasons for this were the transfer of risk positions to the banking book, and measures to reduce risk positions, in particular in the Portfolio Restructuring Unit.

The value at risk for interest rate risk fell by €5.7m to €31.2m year-on-year. The main reason for this was the optimised risk measurement for special interest rate derivatives. The significant decrease in interest rate risk due to improvements in the model was weakened by the increased risk from government bonds, which is included in interest rate risk. This particularly reflects interest spread risks relating to southern European government bonds which have been especially affected by the crisis.

VaR contribution by risk type in the trading book <sup>1</sup>   €m	31.12.2011	31.12.2010
Credit spreads	17.6	43.9
Interest rates	31.2	36.9
Equities	3.5	6.1
FX	4.0	4.7
Commodities	2.8	4.2
<b>Total</b>	<b>59.1</b>	<b>95.9</b>

<sup>1</sup> 99% confidence level, holding period 1 day, equally-weighted market data, 254 days history.

In December 2011, BaFin also approved the use of the internal market risk model for regulatory purposes. In the first three quarters of 2011 the regulatory capital requirement was still calculated using the regulator-certified market risk models of Commerzbank (old) and Dresdner Bank. The regulatory capital calculation for the fourth quarter of 2011 was thus based on the internal market risk model recently certified by BaFin. The approval of the internal model by BaFin also includes the certification of improved methodology for special interest rate derivatives.

The reliability of the market risk model is constantly monitored by backtesting. Apart from meeting supervisory requirements, the aim is to assess forecasting quality. Analysing the results of backtesting provides important guidance for checking parameters and further improving the model. All negative outliers at Group level are classified under a traffic light system laid down by the supervisory authorities and are reported immediately to the authorities with details of the size and cause of the failure. As per end of 2011 Commerzbank's model lies within the green area of the traffic light system.

#### Market risk in the banking book

The key driver of market risk in the banking book is the credit spread risk in the Public Finance portfolio including the positions held by the subsidiaries Eurohypo AG and Erste Europäische Pfandbrief und Kommunalkreditbank (EPEK). The Treasury portfolios with their credit spread risk, interest rate risk, and underlying risk also have a particular impact on the market risk in the banking book. Reclassifications of credit spread risk bearing positions from the PRU trading book have also had an effect on the risk position in the banking book. To a lesser extent the equity price risk in the equity investment portfolio is also a risk driver.

The adjoining diagram documents the development of credit spread sensitivities for all securities and derivative positions (excluding loans) in Commerzbank Group. The reduction in the Public Finance portfolio as part of the de-risking strategy, lower market values due to increased credit spreads and a change in Treasury positioning led to a decline with an overall position of €66m at year-end. Over 80% of the credit spread relates to securities positions classified as loans and receivables (LaR). Changes in credit spreads have no impact on the revaluation reserve or the income statement for these portfolios.

### Market liquidity risk

Market liquidity risk is the risk of the Bank not being able to liquidate or hedge risky positions in a timely manner, to the desired extent and on acceptable terms as a result of insufficient liquidity in the market.

Market liquidity risk is measured by creating a liquidation profile for each portfolio in order to classify the portfolio in terms of its convertibility into cash using a market liquidity factor. The market risk based on a one-year-view is weighted with the market liquidity factor to calculate the market liquidity risk.

At the end of 2011 Commerzbank earmarked €0.7bn in economic capital to cover market liquidity risk in the trading and banking book. Securities, which are more liable to market liquidity risk, include in particular asset-backed securities and specific positions in the equity investment portfolio.

### Liquidity risk

Liquidity risk is defined in the narrower sense as the risk that Commerzbank will be unable to meet its payment obligations on a day-to-day basis. In a broader sense, liquidity risk is the risk that future payments cannot be funded as and when they fall due, in full, in the correct currency and at standard market conditions.

### Management and monitoring

Group Treasury at Commerzbank is responsible for managing liquidity risks. Liquidity risks occurring over the course of the year are monitored by the independent risk function using an internal bank liquidity risk model. Key decisions on liquidity risk management and monitoring are made by the Group Asset Liability Committee (ALCO). At the operating level, additional sub-committees are responsible for dealing with liquidity risk issues at a local level and with methodological issues regarding the quantification and limitation of liquidity risks that are of lesser significance for the Group.

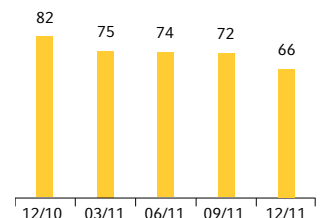
### Quantification and stress testing

The internal bank liquidity risk model is the basis for liquidity management and reporting to the Board of Managing Directors. In relation to a reference date the risk measurement approach calculates the available net liquidity (ANL) for the next twelve months based on various scenarios. Commerzbank's available net liquidity is calculated for various stress scenarios using the following three components: deterministic, i.e. contractually agreed cash flows (forward cash exposure, FCE), statistically expected economic cash flows for the relevant scenario (dynamic trade strategy, DTS), and the realisable assets in the relevant scenario (balance sheet liquidity, BSL).

The stress scenario used by management which underlies the modelling allows for the impact of both a bank-specific stress event and a broader market crisis when calculating

### Credit spread sensitivities

Downshift 1 bp | €m



liquidity and setting limits. This stress scenario is derived from the risk tolerance which was determined in accordance with the overall risk strategy. This also includes the definition of scenarios that are no longer covered by risk tolerance.

Risk concentrations can lead to increased outflows of liquidity, particularly in a stress situation, and thus to increased liquidity risk. Risk concentrations occur in the liquidity risk management environment in various forms, for example, in terms of maturities, large individual creditors or currencies. Liquidity risk management is performed centrally through the existing liquidity risk limit structure and takes into account liquidity risk tolerance. With the support of ongoing monitoring and reporting, risk concentrations on the funding front are recognised in a timely manner and can largely be avoided.

Additional components of liquidity risk management are a “survival period” calculation in terms of MaRisk and the analysis of additional inverse stress scenarios.

The stress scenarios relevant for management in the ANL model are run daily and reported to management. The underlying assumptions and the set limits are checked regularly and adjusted to reflect changed market conditions as necessary. In addition to the ongoing adjustments to the model, the Bank was prompted by validation results in 2011 to take action in response to the ongoing sovereign debt crisis in the eurozone. Requirements were tightened with regard to assets realisable in stress scenarios, deposits from some institutional investor groups were classified as less stable, and the internal early warning thresholds were tightened. In accordance with current guidelines, these adjustments were documented in a formal process and approved, depending on their potential impact, by the relevant committees.

The limit concept in place ensures that an emerging liquidity bottleneck can be identified at the earliest possible stage and that steps can be taken to cope with it early enough. The internal limit framework beneath the Group limit was fundamentally revised in order to transfer management mechanisms efficiently to the Group units and to simplify the management of the Group limit. Moreover, individual currency limits were defined more narrowly as a result of the continued market crisis. All key Group units are included in the Commerzbank liquidity risk model.

The stress scenarios described form the basis of detailed contingency plans, in the context of which the Group ALCO can approve various measures to secure liquidity. This contingency planning is based on an integrated process which consists of the liquidity risk contingency plan and the supplementary Treasury action plan. This concept enables a clear allocation of responsibility for the processes to be followed in emergency situations as well as the adequate definition of any action that may need to be taken.

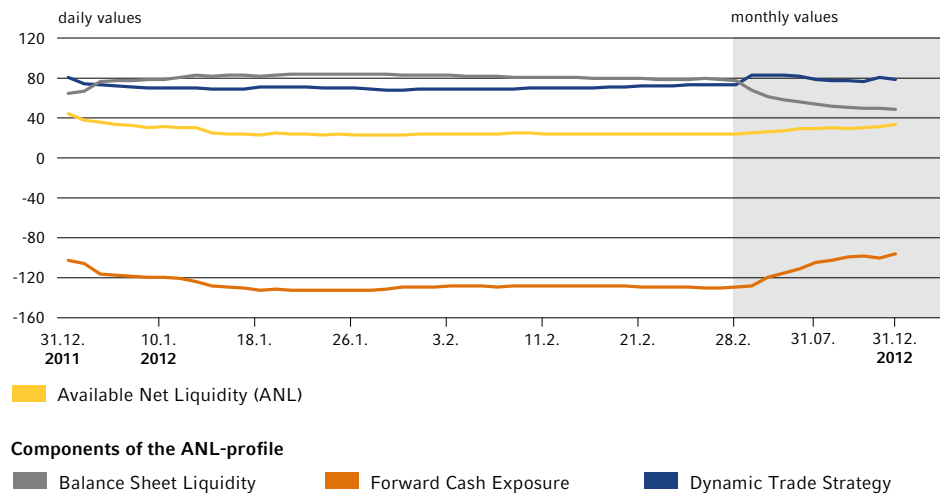
The graph of ANL and its subcomponents FCE, DTS and BSL on the next page shows that, under the stress scenario relevant for the management of risks calculated as at December 31, 2011, a sufficient liquidity surplus existed throughout the period analysed.

In the year 2011, the calculated liquidity surpluses were always above the limits set by the Board of Managing Directors, despite a market environment marked by the European debt crisis. The same applies to the fulfilment of the external regulatory requirements of the German Liquidity Regulation. Commerzbank’s funding situation remained unchanged in 2011. In this respect we continued to benefit from our core business activities in retail and corporate banking and a widely diversified funding base in terms of products, regions and investors in the money and capital markets. In order to cope with short-term liquidity bottlenecks, the Bank has a liquidity buffer of assets eligible for discounting at the central bank. As at December 31, 2011, the volume of freely available assets eligible for discounting at the central bank after haircut that were included in ANL modelling as part of the balance sheet liquidity was €65.8bn.



**Available net liquidity in the combined stress scenario of the internal liquidity model**

€bn



The internal ANL model with a time horizon of up to one year is supplemented by the stable funding concept with a horizon of more than one year. The stable funding concept forms the basis for the internal offsetting of liquidity costs and is used to determine the volume of issues planned on the capital markets. In doing so, the structural liquidity requirement for the Bank's core lending business is compared to the liabilities available long-term to the Bank including core customer deposit bases.

**Further development of liquidity risk management and Basel III**

With a view to the further development of liquidity risk monitoring and the current reporting system, we have made it a priority to support various regulatory initiatives to harmonise international liquidity risk standards. Commerzbank takes into account the effect of the liquidity risk ratios defined in the Basel III requirements and actively participates in a constructive dialogue with the supervisory authorities. In addition, the bank is increasing the analysis options available for liquidity risk reporting by continuously developing the infrastructure used for this purpose.

The Bank initiated a strategic project in the third quarter of 2011 to coordinate and further develop central issues arising from Basel III, the cross-charging of liquidity costs and the management of liquidity risk using the internal liquidity risk model.

## Operational risk

Operational risk (OpRisk) at Commerzbank is based on the German Solvency Regulation and is defined as the risk of loss resulting from the inadequacy or failure of internal processes and systems, people or from external events. This definition includes legal risks; it does not cover reputational risks or strategic risks.

### OpRisk management

The management and limitation of operational risks differs systematically from limiting credit and market risk, since the relevant management units are not made up of individual clients or positions but internal processes. For this type of risk we focus on anticipatory management by the segments and cross-sectional units based on an overarching risk strategy for operational risks and their specific aspects.

Areas for action and quantitative guidelines for the risk strategy are defined at Group level and segment level. Management issues are regularly examined in meetings of the Group and segment OpRisk committees.

The identification of intra-risk concentrations is carried out via the evaluation of the Group's OpRisk profile. This primarily involves analysis of incurred loss events (realised losses and provisions), the parameters derived from the capital model (EL, RWA and economically required capital) and forward-looking scenarios in particular by type of event category and incurring unit, the results of which are reported to the OpRisk committees of the Group.

Management of the Commerzbank Group's legal risks on a worldwide basis is handled by Group Legal. One of the core functions of Group Legal is to recognise potential losses from legal risks at an early stage, to propose solutions for minimising, limiting or avoiding such risks and to establish the necessary provisions.

### OpRisk developments

We continued to pursue our objective of improving the Group OpRisk profile in the year under review. The main priority here was to optimise our methods and processes, in particular the ongoing development of the early warning system.

This was also reflected in the decrease in the charge for operational risks. The total charge to Commerzbank in 2011 for OpRisk events (losses plus changes in provisions for operational risks recognised in equity and ongoing litigation) was €250m (previous year: €274m).

OpRisk events by segment   €m	2011	2010
Private Customers	85	132
Mittelstandsbank	15	-8
Central & Eastern Europe	10	7
Corporates & Markets	13	14
Asset Based Finance	14	34
Portfolio Restructuring Unit	0	11
Others and Consolidation	113	84
<b>Group</b>	<b>250</b>	<b>274</b>

The risk weighted assets (RWA) for operational risks using the advanced measurement approach (AMA) amounted to €26.3bn as at the end of 2011 (December 31, 2010: €21.8bn). Of this, roughly 59% related to Private Customers and Corporates & Markets.

Until the newly developed and integrated model has been certified by the regulatory authorities, the capital requirement for both regulatory and internal reporting purposes will still be calculated separately for Commerzbank (old) and former Dresdner Bank and reported as a total. We take the differences between the two separate models into account by applying an appropriate surcharge.

## Other risks

### Business risk

Business risk is deemed to be a potential loss that results from discrepancies between actual income (negative deviation) and expense (positive deviation) and the budgeted figures. Business risk modelling is based on empirical deviations between planned and actual income/expense. This risk is mainly influenced by business strategy and internal budget planning as well as by changes in the operating conditions affecting business volumes, technical processes and the competitive situation of the Bank and the institutions it competes with for customers. Business risk is managed by means of clear segment-specific targets for returns as well as cost/income ratios in conjunction with ongoing flexible cost management in the event of non-performance.

### Unquantifiable risks

To meet the requirements of pillar II of the Basel framework, MaRisk insists on an integrated approach to risk that also includes unquantifiable risk categories. In Commerzbank these are subjected to a qualitative management and control process.

**Human resources risk** Human resources risk falls within the definition of operational risk in Section 269 (1) SolvV. The internal management interpretation of this definition at Commerzbank includes the following elements in human resources risk:

- Adjustment risk: We offer selected internal and external training and continuing education programmes to ensure that the level of employee qualifications keeps pace with the current state of developments and that our employees can fulfil their duties and responsibilities.
- Motivation risk: Employee surveys enable us to respond as quickly as possible to potential changes in our employees' level of corporate loyalty and to initiate adequate measures.

- **Departure risk:** We take great care to ensure that the absence or departure of employees does not result in long-term disruptions to our operations. Quantitative and qualitative measures of staff turnover are monitored regularly.
- **Supply risk:** Our quantitative and qualitative staffing is based on internal operating requirements, business activities, strategy and the Commerzbank risk situation.

Employees are a key resource for Commerzbank. Our success is based on the specialist knowledge, skills, abilities and motivation of our employees. Human resources risk is systematically managed by Group Human Resources with the aim of identifying risks as early as possible and assessing and managing them by applying selected personnel tools, for instance. The Board of Managing Directors is regularly informed about human resources risks.

**Business strategy risk** Business strategy risk is the medium to long-term risk of negative influences on the achievement of Commerzbank's strategic goals, for example, as a result of changes in market conditions, or inadequate implementation of Group strategy.

Group strategy is developed further within the framework of a structured strategy process which forms the basis of the Bank's annual planning process. This involves setting corporate strategic directions and guidelines as well as determining quantitative targets as an aspiration level for the Group and segments. As part of the regulatory requirements under MaRisk a sustainable business strategy is set, based on the results of the strategy process, which describes the major business activities and the steps to reach the envisaged goals. A risk strategy consistent with this is also set.

In addition, we also constantly monitor external factors such as market and competitive conditions, capital market requirements and changed regulatory aspects, with relevant changes resulting in adjustments to Group strategy as well as business strategy. The strategy process consists of the planning, implementation, assessment and adjustment of these strategies. The essential content of the business and risk strategy is subsequently communicated throughout the company. To ensure proper implementation of Group strategy to achieve the business targets, strategic controls are carried out through regular monitoring of quantitative and qualitative targets in the Group and segments.

Responsibility for strategic corporate management lies with the Board of Managing Directors, which is supported by Group Development & Strategy for strategic issues. Corporate strategy is discussed in detail with the supervisory board in a strategy conference. Specific business policy decisions (acquisition and sale of equity holdings representing >1% of equity capital) also require the authorisation of the Risk Committee of the Supervisory Board. All major investments are subject to careful review by the Investment and Resources Allocation Committee.

**Reputational risk** Reputational risk is the risk that stakeholder groups may lose confidence in Commerzbank or that its reputation may be damaged as a result of negative events in its business activities. Stakeholder groups include the public and the media, employees and customers, rating agencies, shareholders and business partners. Therefore reputational risk goes hand in hand with communication risk.

The operational divisions, branches and subsidiaries bear direct responsibility, within the scope of their business operations, for reputational risk arising from their particular activity. Reputational risk may also stem from other types of risk and even amplify such risks. A special department in Group Communications is responsible for the management of reputational risk in an overall Bank context. Its tasks include the timely monitoring, recognition and response to internal and external reputational risks (early warning function). This is ensured, for example, via intensive media monitoring and close networking with the Press Department and Investor Relations.

For this reason, relevant measures and activities relating to business policy are subjected to careful scrutiny. In particular, Commerzbank avoids business policy measures and transactions which entail significant tax or legal risks, and also ethical, ecological and social risks. All relevant credit decisions are voted on individually with regard to any reputational risk incurred. These votes may result in transactions being declined.

**Compliance risk** The confidence of our customers, shareholders and business partners in Commerzbank's proper and legitimate actions underpins our business activities. This confidence is based in particular on compliance with applicable regulations and conformity with customary market standards and codes of conduct (compliance). To reinforce confidence in the Group's integrity, all risks arising in this regard are effectively managed. The ever-growing complexity of national and international laws, regulations and market standards is taken into account through constant improvements to our management of compliance risk and through adjustments to reflect current developments and challenges.

## Outlook

- The Bank's risk management activities in the first half of 2012 will concentrate on further strengthening its capital base. This includes plans to reduce the Group's risk assets by around €15bn. We plan to achieve this with an accelerated reduction in peripheral activities, for example, as well as continued rigorous RWA management. In this way we expect further reduction of the Core Tier I capital requirement by another €1.3bn approximately.
- In 2011, loan loss provisions for the Group were generally well below the level of the previous year. This was largely due to the good performance in the first three quarters, although the slowing economy had its first, comparatively slight, impact on loan loss provisions in the fourth quarter. This trend will continue in 2012, and, in the second half of 2012 in particular, we therefore expect an increase in provisioning in portfolios which are particularly sensitive to changes in the economy. However, at the moment an amount of €1.7bn seems to be realistic. Nevertheless, the risks related to the macroeconomic framework are still high. Depending on the macroeconomic development and in particular the impact of the ongoing sovereign debt crisis on the real economy, significantly higher provisioning may be necessary.

- Following a significant reduction in the **Public Finance** portfolio in past years, we will continue our clear reduction strategy in this area in 2012. We are targeting an overall reduction to below €70bn for the end of 2014.
- In 2012, the focus in **Commercial Real Estate** is still on the strategic reduction of existing portfolios. In order to achieve this objective and against the backdrop of increasing capital requirements, a temporary suspension of new Eurohypo AG business was approved and implemented in November 2011.
- In **Ship Finance**, the current fiscal policy challenges in Europe indicate continuing uncertainty as to market developments, particularly in container shipping. We expect the charter market in this area to remain weak in the first half of 2012. We may see slightly better market conditions in the second half of the year depending on the economic situation.
- In **Central & Eastern Europe** we expect a general economic downturn and subdued growth in 2012. Despite the gloomier economic outlook, we anticipate continued profitable loan growth for our subsidiary, BRE Bank, primarily in corporate customer business and consumer lending. Bank Forum will continue to focus on managing down the portfolio of non-performing loans while maximising value.
- The regulatory environment for the **Corporates & Markets** segment will also involve new challenges during the next two years. Therefore, we adhere to our conservative risk approach in the trading and banking books.
- The current financial situation of the companies in the **Mittelstandsbank** has improved significantly in many respects compared to the financial crisis of 2008/2009. Even so, the situation of companies will become more difficult and growth will stagnate in 2012 as the sovereign debt crisis unfolds. Furthermore, there is the trend towards rising commodity prices, which will have a negative effect on companies in consumer and in the food industry, for instance. We expect increases in risk density and EL in the portfolio, however massive portfolio deterioration is not very likely due to the quality and stability of the corporate portfolio.
- The main emphasis of our activities in **Private Customers** in 2012 is on ongoing risk-side support in the generation of new sales potential, particularly in real estate financing and loans to business customers.

#### Disclaimer

Commerzbank uses state-of-the-art risk measurement methods and models that are based on banking sector practice. The results obtained with the risk models are suitable for the purposes of the management of the Bank. The measurement approaches are regularly reviewed by Risk Control and Internal Audit, external auditors and the German supervisory authorities. Despite the careful development of the models and regular controls, models cannot capture all the influencing factors that may arise in reality, nor the complex behaviour and interactions of these factors. These limits to risk modelling apply particularly in extreme situations. Supplementary stress tests and scenario analyses can only show examples of the risks to which a portfolio may be exposed in extreme market situations; stress testing all imaginable scenarios however is unfeasible. The analyses cannot give a definitive indication of the maximum loss in the case of an extreme event.

## Income statement of Commerzbank Aktiengesellschaft for the period from January 1 to December 31, 2011

€m		2011	2010
Interest income from			
a) Lending and money market transactions	10,688		10,151
b) Fixed-income securities and debt register claims	1,100		1,058
		11,788	11,209
Interest expense	-7,077		-6,481
		<b>4,711</b>	<b>4,728</b>
Current income from			
a) Equities and other non-fixed-income securities	4		2
b) Equity holdings	22		20
c) Holdings in affiliated companies	108		283
		<b>134</b>	<b>305</b>
Income from profit-pooling and from partial or full profit-transfer agreements		<b>291</b>	<b>93</b>
Commission income	3,359		3,483
Commission expense	-544		-752
		<b>2,815</b>	<b>2,731</b>
Net trading income		<b>869</b>	<b>1,953</b>
of which: allocation pursuant to Art. 340e (4) HGB	-97		-217
Other operating income		<b>716</b>	<b>694</b>
General operating expenses			
a) Personnel expense			
aa) Wages and salaries	-2,842		-3,023
ab) Compulsory social-security contributions, expenses for pensions and other employee benefits	-600		-676
of which: for pensions	-194		-257
		-3,442	-3,699
b) Other operating expenses	-3,140		-3,305
		<b>-6,582</b>	<b>-7,004</b>
Depreciation, amortisation and write-downs of intangible and fixed assets		<b>-223</b>	<b>-250</b>
Other operating expenses		<b>-1,427</b>	<b>-675</b>
Write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business		<b>-</b>	<b>-831</b>
Income from write-ups on loans and certain securities and from the release of provisions in lending business		<b>319</b>	<b>-</b>
Write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities accounted for as non-current assets		<b>-187</b>	<b>-</b>
Income from write-ups on equity holdings, holdings in affiliated companies and securities accounted for as fixed assets		<b>-</b>	<b>4</b>
Expenses from the transfer of losses		<b>-5,607</b>	<b>-2,891</b>
<b>Profit/loss on ordinary activities</b>		<b>-4,171</b>	<b>-1,143</b>
Extraordinary income		<b>-</b>	<b>504</b>
Extraordinary expenses		<b>-45</b>	<b>-724</b>
<b>Extraordinary profit/loss</b>		<b>-45</b>	<b>-220</b>
Taxes on income	557		259
of which: changes in deferred taxes	485		297
Other taxes	40		-47
		<b>597</b>	<b>212</b>
<b>Net loss</b>		<b>-3,619</b>	<b>-1,151</b>
Withdrawals from capital reserve		<b>3,159</b>	<b>-</b>
Withdrawals from retained earnings			
b) from other retained earnings	460		1,151
		<b>460</b>	<b>1,151</b>
Allocations to capital reserve		<b>-2,142</b>	<b>-</b>
Income from capital reduction		<b>2,142</b>	<b>-</b>
<b>Distributable profit</b>		<b>-</b>	<b>-</b>

## Balance sheet of Commerzbank Aktiengesellschaft as of December 31, 2011

Assets   €m		31.12.2011	31.12.2010
<b>Cash reserve</b>			
a) Cash on hand		1,484	1,304
b) Balances with central banks		3,055	5,216
of which: with Deutsche Bundesbank	628		789
		<b>4,539</b>	<b>6,520</b>
<b>Debt issued by public sector borrowers, and bills of exchange rediscountable at central banks</b>			
a) Treasury bills and discountable treasury notes, as well as similar debt issues by public sector borrowers		370	243
		<b>370</b>	<b>243</b>
<b>Claims on banks</b>			
a) Payable on demand		25,811	35,921
b) Other claims		107,849	144,324
		<b>133,660</b>	<b>180,245</b>
<b>Claims on customers</b>		<b>166,159</b>	<b>184,167</b>
of which: secured by mortgages on real estate	25,857		29,204
public sector loans	4,868		6,078
<b>Bonds and other fixed-income securities</b>			
a) Money market instruments			
aa) Issued by public sector borrowers	251		2,640
of which: rediscountable at Deutsche Bundesbank	251		2,640
ab) Issued by other borrowers	259	510	94
of which: rediscountable at Deutsche Bundesbank	-		-
			2,734
b) Bonds and notes			
ba) Issued by public sector borrowers	6,602		9,496
of which: rediscountable at Deutsche Bundesbank	6,194		9,058
bb) Issued by other borrowers	24,816	31,418	27,731
of which: rediscountable at Deutsche Bundesbank	19,496		22,190
			37,227
c) Own bonds		7	7
Nominal amount €5m			
		<b>31,935</b>	<b>39,968</b>
<b>Equities and other non-fixed-income securities</b>		<b>1,295</b>	<b>72</b>
Trading assets		<b>169,185</b>	<b>183,286</b>
<b>Equity holdings</b>		<b>616</b>	<b>512</b>
of which: investments in banks	308		279
investments in financial services companies	4		2
<b>Holdings in affiliated companies</b>		<b>11,530</b>	<b>13,047</b>
of which: investments in banks	565		458
investments in financial services companies	495		521
<b>Fiduciary assets</b>		<b>685</b>	<b>933</b>
of which: loans at third-party risk	626		875
<b>Intangible assets</b>			
a) Proprietary intellectual property rights and similar rights and assets		149	54
b) Purchased concessions, industrial property rights and similar rights and assets as well as licences relating to such rights and assets		82	116
		<b>231</b>	<b>170</b>
<b>Fixed assets</b>		<b>1,032</b>	<b>995</b>
<b>Other assets</b>		<b>3,220</b>	<b>11,611</b>
<b>Accrued and deferred items</b>			
a) Difference pursuant to Art. 250 (3) of the German Commercial Code - HGB		344	282
b) Other accrued and deferred items		344	462
		<b>688</b>	<b>744</b>
<b>Deferred tax assets</b>		<b>2,547</b>	<b>2,061</b>
<b>Excess of plan assets over liabilities</b>		<b>219</b>	<b>-</b>
<b>Total assets</b>		<b>527,911</b>	<b>624,574</b>



Liabilities and Shareholders' Equity   €m	31.12.2011	31.12.2010
<b>Liabilities to banks</b>		
a) Payable on demand	37,100	55,835
b) With agreed term or period of notice	56,882	83,785
	<b>93,982</b>	<b>139,620</b>
<b>Liabilities to customers</b>		
a) Savings deposits		
aa) With agreed period of notice of three months	4,478	3,896
ab) With agreed period of notice of more than three months	173	260
	4,651	4,156
b) Other liabilities		
ba) Payable on demand	114,142	124,931
bb) With agreed term or period of notice	75,818	78,769
	189,960	203,700
	<b>194,611</b>	<b>207,856</b>
<b>Securitised liabilities</b>		
a) Bonds and notes issued	39,648	42,282
b) Other securitised liabilities	4,563	6,293
	<b>44,211</b>	<b>48,575</b>
of which:		
ba) Money market instruments	4,552	6,285
bb) Own acceptances and promissory notes outstanding	11	8
Trading liabilities		<b>140,497</b>
<b>Fiduciary liabilities</b>		<b>685</b>
of which: loans at third-party risk	626	875
<b>Other liabilities</b>		<b>19,905</b>
<b>Accrued and deferred items</b>		
a) Difference pursuant to Art. 340e, (2) of the German Commercial Code - HGB	47	127
b) Other accrued and deferred items	386	580
		<b>433</b>
<b>Deferred tax liabilities</b>		-
<b>Provisions</b>		
a) Provisions for pensions and similar commitments	156	198
b) Provisions for taxes	362	736
c) Other provisions	3,013	4,079
		<b>3,531</b>
<b>Subordinated liabilities</b>		<b>12,161</b>
<b>Profit-sharing certificates outstanding</b>		<b>707</b>
of which: maturing in less than two years	-	320
<b>Fund for general banking risks</b>		<b>314</b>
<b>Equity</b>		
a) Subscribed capital		
aa) Share capital	5,114	3,072
Treasury shares	-1	-24
(conditional capital €1.553m)	5,113	3,048
ab) Silent participations	3,529	18,020
	8,642	21,068
b) Capital reserve	8,232	1,576
c) Retained earnings		
ca) Statutory reserve	-	-
cb) Other retained earnings	-	517
	-	517
d) Distributable profit	-	-
		<b>16,874</b>
<b>Liabilities and Shareholders' Equity</b>		<b>527,911</b>
<b>1. Contingent liabilities</b>		
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	3
b) Liabilities from guarantees and indemnity agreements	35,968	36,234
		<b>35,969</b>
<b>2. Other commitments</b>		
a) Repurchase commitments from sale with option to repurchase transactions	-	1
b) Irrevocable lending commitments	53,479	59,640
		<b>53,479</b>
		<b>59,641</b>

# Notes

## General information

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### (1) Basis of preparation

The financial statements of Commerzbank Aktiengesellschaft as of December 31, 2011 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV) and in accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG).

The financial statements consist of the income statement, the balance sheet and the notes. In addition, a management report has been prepared in accordance with Art. 289 HGB.

Unless otherwise indicated, all amounts are shown in millions of euro.

### (2) Accounting and measurement policies

The cash reserve is stated at nominal value. Debt issued by public-sector borrowers is shown net present value. Claims on banks and customers are reported at their nominal value, less any valuation allowances that have been recognised. Differences between the acquisition cost and the nominal amount with interest-like characteristics are reported in accrued and deferred items and recognised successively over their entire lifetime in net interest income.

Risks in the lending business are reflected by creating both specific loan loss provisions and general loan loss provisions for all on-balance-sheet claims and off-balance-sheet transactions using internal parameters and models. A distinction is made between significant and non-significant exposures. Provision is also made for country risks in these calculations. The level of the provision for each individual default risk is based on the difference between the carrying amount of the claim and the net present value of the expected future cash inflows on the claim, calculated using the discounted cash flow method and allowing for any collateral held. The regular reversal of loan loss provisions as a result of an increase in net present value is shown under interest income in the income statement.

Securities in the liquidity reserve are shown according to the rules for current assets at the lower of acquisition cost or fair value with the strict lower-of-cost-or-market principle applied, unless they are reported as a hedge relationship. Securities held

as fixed assets are treated in accordance with the modified lower of cost or market value principle.

Equity holdings and holdings in affiliated companies are carried at amortised cost, in accordance with the rules for fixed assets. If the impairment of a holding is expected to be permanent, the carrying amount of the asset is written down. If the reasons for an impairment cease to exist, the asset is written up to a maximum of the amortised cost.

Write-downs and valuation allowances are shown net of write-ups. If this relates to items in the trading portfolio, the amount is shown in net income in the trading portfolio. In the case of securities in the liquidity reserve, they are reported under write-downs and valuation allowances on loans and certain securities and allocations to provisions in lending business. In the case of securities held as investments they are reported under write-downs and valuation allowances on equity holdings, holdings in affiliated companies and securities shown as fixed assets.

The trading portfolio is measured at fair value minus a risk charge in accordance with Art. 340e (3) HGB. The risk charge is calculated on the basis of the regulatory value at risk for market price risk. Own issues which have been bought back in the trading portfolio are shown net where there is no longer a debt outstanding.

Repurchase agreements are stated in accordance with the current principles of Art. 340b HGB). In the case of securities lending transactions, securities lent continue to be recognised on the balance sheet of Commerzbank Aktiengesellschaft as long as the title is retained.

Fixed assets are stated at acquisition or production cost, and, if applicable, less depreciation. The underlying useful lives are based on the general depreciation table published by the financial authorities. If an asset is permanently impaired, it is written down to the impaired value.

Capitalised in-house developed intangible assets are recognised at the value of development costs incurred. Low value assets are recognised in accordance with the relevant local tax legislation simplification rules.

Liabilities are stated at their settlement amount. Differences between the amount to be repaid and the amount paid are recognised as accrued and deferred items and recognised through income on a pro-rata basis. Non-current discounted liabilities (zero bonds) are recognised at net present value.

Provisions for pensions are calculated on the basis of an expert opinion at the end of the year. The projected unit credit method is used for the calculation. The calculation parameters can be found in the note on provisions.

Plan assets to cover pension and part-time working obligations for older employees are measured at fair value and are netted against the provisions created for this purpose in accordance with Art. 246 (2) sentence 2 HGB. The same applies to the associated expenses and income. If an asset surplus arises from offsetting plan assets against the provisions created for this purpose for pensions and part-time working obligations for older employees, this is shown in the item excess of plan assets over liabilities. The contribution required under Art. 67 (1) EGHGB will be provided no later than December 31, 2024.

Provisions for taxes and other provisions are recognised at the settlement amount estimated as necessary using reasonable commercial judgement; provisions with a residual term of more than one year are discounted to their present value.

Derivative financial instruments are used both to hedge balance sheet items and for trading purposes, and are measured individually as of the reporting date. Hedge relationships including derivative hedging transactions are recognised in accordance with the principles of Art. 254 HGB. The gross hedge presentation method is used for the hedge accounting of micro hedges in the liquidity reserve. The underlying and hedging transactions in micro hedges on the liabilities side are recognised in accordance with the fixed valuation method. Portfolio hedges are recognised using the net hedge presentation method. If there is an excess liability when checking interest rate-based financial instruments in the banking book (using the net present value method), Commerzbank Aktiengesellschaft will create a provision. Variation margins payable and due are offset against other assets and other liabilities. Internal transactions are accounted for using the arm's length principle.

Deferred taxes are recognised for all temporary differences between the accounting values of all assets, debts and accrued

and deferred items and their tax values. Deferred taxes are measured using the individual company tax rates (and tax regulations) in force on the reporting date or which have been essentially approved by law, and are expected to be in force at the time the deferred tax asset will be realised or the deferred tax liability will be settled. The breakdown of overall tax rate of Commerzbank Aktiengesellschaft for Germany was as follows:

Corporation tax rate	Solidarity surcharge	Trade tax rate	Overall tax rate
15%	5.5% of corporation tax	15.3%	31.2%

The measurement of deferred taxes for foreign branches takes place based on the tax rates applicable in the relevant countries, which range from 0% to 46%.

Because Commerzbank Aktiengesellschaft includes selected subsidiaries for income tax purposes, deferred tax assets and liabilities arising from temporary differences at these companies are recognised at the level of Commerzbank Aktiengesellschaft. For foreign branches of subsidiaries, they are recognised at the level of the individual subsidiaries.

Deferred tax assets are recognised where it is likely that a taxable profit will be available to be offset against the temporary difference. Tax loss carryforwards and interest carryforwards are taken into account when calculating deferred tax assets where they are expected to be realised within the next five years. Deferred tax assets and liabilities are stated net.

The underlying differences are mainly due to different valuation methods for provisions, other liabilities, claims on banks and fixed assets, and result in a deferred tax asset. Deferred tax assets have also been recognised on tax loss-carryforwards where there are sufficient grounds to expect they can be realised within the next five financial years following the reporting date. The net result in the financial year was a deferred tax asset, which we have opted to report.

**(3) Currency translation**

Foreign currencies are translated into euro in accordance with the provisions of Art. 256a and 340h HGB. We translate items in the balance sheet and the income statement denominated in foreign currencies and pending spot market transactions at the mid rate on the balance sheet date and forward foreign exchange transactions at the forward rate. Due to the special cover in the same currency, profits and losses from the currency translation are taken to income. The financial statements of our

branches abroad which are denominated in foreign currencies are translated into the reporting currency at the middle spot rate on the balance sheet date. Banknote and coin holdings are translated using the exchange rate effective on the balance sheet date.

**(4) Changes in accounting policies**

Compared to the previous year we have not made any changes in accounting policies.

## Notes to the income statement

### (5) Breakdown of revenues by geographic markets

€m	2011	2010
Europe including Germany	16,303	17,035
America	348	419
Asia	215	189
Africa	–	1
<b>Total</b>	<b>16,866</b>	<b>17,644</b>

The total amount includes the items interest income, current income from equities and other non-fixed-income securities, equity holdings, holdings in affiliated companies, commission income, net trading income and other operating income.

### (6) Auditors' fee

We have exercised the option permitted by Art. 285 (17) HGB to report the auditors' fee in the consolidated financial statements.

### (7) Other operating income

Other operating income of €716m (previous year: €694m) primarily contains income from the release of provisions of €355m (previous year: €313m).

### (8) Other operating expenses

Other operating expenses of €1,427m (previous year: €675m) primarily contain compensation due for the early repayment of the silent participations of the Financial Market Stabilisation Fund (SoFFin) totalling €1,030m and allocations to provisions for litigation and recourse risks of €225m (previous year: €172m).

### (9) Extraordinary profit/loss

The Extraordinary profit of €45m was the result of the required allocation to pension provisions due to the amended pensions calculation arising from the German Accounting Law Modernisation Act (BilMoG).

### (10) Administrative and agency services

The following key administrative and agency services were provided for third parties:

- Custody account administration
- Agency services for insurance and home loan savings plans
- Asset management
- Management of fiduciary assets
- Investment business
- Securities commission business
- Processing of payment transactions

## Notes to the balance sheet

### (11) Maturity profile of claims and liabilities

€m	31.12.2011	31.12.2010
<b>Other claims on banks</b>	<b>107,849</b>	<b>144,324</b>
with a residual term of		
less than three months	54,942	87,064
more than three months, but less than one year	21,963	19,186
more than one year, but less than five years	23,646	33,234
more than five years	7,298	4,840
<b>Claims on customers</b>	<b>166,159</b>	<b>184,167</b>
with an indefinite term	17,059	14,908
with a residual term of		
less than three months	32,979	41,780
more than three months, but less than one year	18,658	22,652
more than one year, but less than five years	45,010	49,730
more than five years	52,453	55,097

€m	31.12.2011	31.12.2010
<b>Liabilities to banks</b>		
<b>with an agreed term or period of notice</b>	<b>56,882</b>	<b>83,785</b>
with a residual term of		
less than three months	22,125	53,110
more than three months, but less than one year	5,308	4,694
more than one year, but less than five years	15,157	13,214
more than five years	14,292	12,767
<b>Savings deposits</b>		
<b>with an agreed period of notice of more than three months</b>	<b>173</b>	<b>260</b>
with a residual term of		
less than three months	31	42
more than three months, but less than one year	49	68
more than one year, but less than five years	79	126
more than five years	14	24
<b>Other liabilities to customers</b>		
<b>with an agreed term or period of notice</b>	<b>75,818</b>	<b>78,769</b>
with a residual term of		
less than three months	50,402	52,506
more than three months, but less than one year	13,505	11,368
more than one year, but less than five years	4,580	7,974
more than five years	7,331	6,921
<b>Other securitised liabilities</b>	<b>4,563</b>	<b>6,293</b>
with a residual term of		
less than three months	3,735	5,226
more than three months, but less than one year	828	1,067
more than one year, but less than five years	–	–
more than five years	–	–

Of the bonds and notes issued amounting to €39,648m (previous year: €42,282m), €10,080m will fall due in 2012.

**(12) Securities**

At December 31, 2011 the breakdown of marketable securities was as follows:

€m	Listed on a stock exchange		Not listed	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Bonds and other fixed-income securities	18,486	21,892	13,449	17,646
Equities and other non-fixed-income securities	673	1	–	–
Equity holdings	4	14	–	–
Holdings in affiliated companies	–	–	–	–

Of the bonds, notes and other fixed-income securities amounting to €31,935m (previous year: €39,968m), €3,372m will fall due in 2012.

**(13) Trading Securities**

At December 31, 2011 the breakdown of trading securities was as follows:

€m	31.12.2011	31.12.2010
<b>Trading assets</b>	<b>169,185</b>	<b>183,286</b>
Derivative financial instruments	126,864	131,455
Claims	3,128	1,688
Bonds and other fixed-income securities	26,450	36,698
Equities and other non-fixed-income securities	12,941	13,705
Risk deduction value at risk	–198	–260

€m	31.12.2011	31.12.2010
<b>Trading liabilities</b>	<b>140,497</b>	<b>160,262</b>
Derivative financial instruments	128,622	133,665
Liabilities	11,875	26,597

Financial instruments held for trading purposes are measured at fair value. The fair value corresponds to the market price in accordance with Art. 255 (4) HGB. For listed products market prices are used; for unlisted products comparable prices and indicative prices from pricing service providers or other banks are used. Non-derivative financial instruments for which market prices are not available are measured applying normal market procedures based on market parameters for each specific instrument. The net present value method is most often applied. If the fair value cannot thus be measured, the acquisition cost is used instead in accordance with Art. 255 (4) HGB. For the measurement of derivative instruments held for trading purposes, we refer to the note on forward transactions.

In accordance with Art. 340e (3) HGB, when measuring the trading portfolio, a market risk discount is applied based on a risk-adjusted mark-to-market approach. The market risk dis-

count is calculated on the basis of the supervisory value at risk approach and is calculated in such a way that the anticipated maximum loss from the trading books will not be exceeded with a 99% degree of probability over a holding period of 10 days. An historical observation period of one year is used. The value at risk is calculated centrally for the entire portfolio and deducted from trading assets on the balance sheet. Net income from interest and dividends in the trading portfolio is reported under Net trading income. Commerzbank Aktiengesellschaft offsets positive and negative fair values including compensation payments thereon with central counterparties.

The internal criteria for including financial instruments in the trading portfolio have not changed during the financial year.

In financial year 2011, Commerzbank Aktiengesellschaft transferred €97m (previous year: €217m) from net trading income to the Fund for general banking risks.

#### (14) Hedge relationships

To balance contrary changes in value, micro and portfolio hedge relationships are created to hedge the resultant risks.

Micro hedge relationships created for securities in the liquidity reserve mainly hedge against the general risk of a change in interest rates. Interest-rate-induced changes in the value of the securities are almost entirely compensated by the change in the value of the associated hedges. Micro hedge relationships created for own issues not held for trading are fully hedged against interest rate, currency and other price risks. In both cases, the terms of each of the hedging instruments almost fully match the terms (e.g. volume, maturity, payment dates) of the hedged portfolios.

The prospective and retrospective effectiveness of the hedge relationships for securities in the liquidity reserve is demonstrated using regression analysis. The average term to maturity of these micro hedge relationships is four years (previous year: six years). The effectiveness of hedge relationships for own issues in the non-trading portfolio is measured using a simplified test based on a portfolio-based sensitivity analysis.

The average term to maturity of these hedge relationships is five years (previous year: six years).

Portfolio hedge relationships are created to hedge against interest rate risks in securities in the liquidity reserve. Thus the overall interest rate of a portfolio with separate but identical transactions in a group is hedged together. The effectiveness is demonstrated by analysing interest rate sensitivity. The remaining average term of the portfolio hedge relationships created is three years (previous year: three years).

The carrying amount of all hedged assets amounts to €12,416m on the reporting date (previous year: €13,019m), and the carrying amount of hedged liabilities amounts to €63,960m (previous year: €61,495m). The nominal volume of all hedge relationships in the assets amounts to €12,174m on the reporting date (previous year: €12,592m), and the nominal volume of all hedge relationships on the liabilities side amounts to €65,453m (previous year: €62,920m).

#### (15) Relations with affiliated companies and equity holdings

The table below shows claims on, liabilities to and trading positions with affiliated companies and equity holdings:

€m	Affiliated companies		Equity holdings	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Claims on banks	67,698	92,258	347	622
Claims on customers	7,628	12,709	298	4,194
Bonds and other fixed-income securities	14,058	15,181	–	–
Trading assets	2,717	3,852	–	59
Liabilities to banks	17,265	20,654	35	42
Liabilities to customers	7,203	18,311	492	4,025
Securitised liabilities	1,280	1,923	8	–
Subordinated liabilities	3,183	3,282	–	–

Transactions with related companies are carried out on normal market terms and conditions. Relationships with related parties are set out in detail in the note on remuneration and loans to board members, and in the remuneration report.



**(16) Fiduciary transactions**

€m	31.12.2011	31.12.2010
Claims on customers	626	875
Bonds and other fixed-income securities	–	–
Other fiduciary assets	–	–
Commerzbank Foundation	59	58
of which: cash at bank - current accounts	–	1
securities	58	56
other assets	1	1
<b>Fiduciary assets</b>	<b>685</b>	<b>933</b>
of which: loans at third-party risk	626	875
Liabilities to banks	13	15
Liabilities to customers	613	860
Commerzbank Foundation	59	58
of which: capital and reserves	57	56
liabilities	2	1
foundation net profit/loss	–	1
<b>Fiduciary liabilities</b>	<b>685</b>	<b>933</b>
of which: loans at third-party risk	626	875

**(17) Changes in book value of fixed assets**

€m	Intangible assets	Fixed assets	Securities held as fixed assets	Equity holdings <sup>1</sup>	Holdings in affiliated companies <sup>1</sup>
<b>Cost of acquisition/production as of 1.1.2011</b>	<b>1,256</b>	<b>3,582</b>	<b>1,125</b>		
Additions in 2011	132	166	42		
Disposals in 2011	110	674	230		
Transfers	–	2	–		
Exchange rate changes	2	4	22		
<b>Cost of acquisition/production as of 31.12.2011</b>	<b>1,280</b>	<b>3,080</b>	<b>959</b>		
Cumulative write-downs	1,049	2,048	466		
of which: Write-downs in 2011	71	152	4		
Write-ups in 2011	–	60	–		
<b>Residual book values as of 31.12.2011</b>	<b>231</b>	<b>1,032</b>	<b>493</b>	<b>616</b>	<b>11,530</b>
<b>Residual book values as of 31.12.2010</b>	<b>170</b>	<b>995</b>	<b>677</b>	<b>512</b>	<b>13,047</b>

<sup>1</sup> Use was made of the option to present an aggregate figure, pursuant to Art. 34 (3) of the Regulation on the Accounting of Credit Institutions and Financial Services Institutions (RechKredV).

Of the land and buildings with an overall book value of €567m (previous year: €443m), properties amounting to €187m (previous year: €198m) are used by the Group. Office furniture and equipment amounted to €465m (previous year: €552m) and is included in fixed assets.

Commerzbank Aktiengesellschaft does not undertake research in connection with in-house developed intangible assets. As at December 31, 2011, development costs for capitalised in-house developed intangible assets were recognised as €149m (previous year: €54m).

**(18) Other assets**

Other assets amount to €3,220m (previous year: €11,611m) and primarily contains precious metals in the non-trading portfolio amounted to €804m (previous year: €595m), and accrued and deferred interest from non-trading derivatives amounted to

€334m (previous year: €686m) plus margin due on exchange traded futures transactions amounted to €269m (previous year: €2,636m).

**(19) Subordinated assets**

€m	31.12.2011	31.12.2010
Claims on banks	133,660	180,245
of which: subordinated	1,268	1,268
Claims on customers	166,159	184,167
of which: subordinated	573	389
Bonds and other fixed-income securities	31,935	39,968
a) Bonds and notes issued by other borrowers	24,816	27,731
of which: subordinated	221	–
b) Own bonds	7	7
of which: subordinated	7	6
Equities and other non-fixed-income securities	1,295	72
of which: subordinated	654	–
Trading assets <sup>1</sup>	169,185	186,286
of which: subordinated	149	222
<b>Total</b>	<b>2,872</b>	<b>1,885</b>

<sup>1</sup> Trading securities measured at fair value.

**(20) Repurchase agreements**

The carrying amount recorded in the balance sheet for assets transferred under sale and repurchase agreements amounted to €14,677m (previous year: €37,956m).

**(21) The Bank's foreign currency position**

On the balance sheet date foreign currency assets amounted to €141,867m (previous year: €236,527m). On the balance sheet date foreign currency liabilities amounted to €124,188m (previous year: €234,524m).

**(22) Collateral pledged for own liabilities**

Assets of matching amounts were pledged as collateral for the following liabilities:

€m	31.12.2011	31.12.2010
Liabilities to banks	49,429	62,535
Liabilities to customers	27,047	15,111
Other commitments	10,292	11,785
<b>Total</b>	<b>86,768</b>	<b>89,431</b>

Collateral is provided to borrow funds under securities repurchase agreements, for funds borrowed for specific purposes and in connection with open market transactions in the Eurosystem. The figure for open market transactions included securities

deriving from the securitisation of retail mortgage loans by Commerzbank Aktiengesellschaft's customer lending business totalling €10,462m (previous year: €12,290m). Securitisations are carried out via special-purpose entities.

**(23) Other liabilities**

Other liabilities amounting to €19,905m (previous year: €25,977m) contains liabilities attributable to film funds amounting to €1,952m (previous year: €2,197m) and liabilities under securitisation transactions.

**(24) Provisions****a) Provisions for pensions and similar commitments**

Pension provisions are calculated on the basis of actuarial principles using a discount rate set by the Deutsche Bundesbank of 5.14% (previous year: 5.15%) applying the projected unit credit method; the provision recognised is on the basis of the Heubeck 2005 G mortality tables. This assumes an expected general salary and wage increase of 2.50% p.a. (previous year: 2.50% p.a.) including assumed career trends; pension increases are based on an interest rate of 1.80% p.a. (previous year: 1.80% p.a.). An increase of 2.00% p.a. is assumed for increases in the income threshold (previous year: 2.00% p.a.). The shortfall due to unrecognised pension obligations within the meaning of Art. 28 (2) EGHGB amounts to €27m (previous year: €24m).

In accordance with the option under Art. 67 (1) sentence 1 EGHGB, Commerzbank Aktiengesellschaft is increasing the provisions for the difference which has arisen due to the change in pension valuations following the German Accounting Law Modernisation Act (BilMoG) of January 1, 2010 on a pro rata basis, so a deficit of €399m (previous year: €444m) remains at year-end. The transfer will be recorded in extraordinary loss.

In accordance with Art. 246 (2) sentence 2 HGB, the plan assets held to cover pension and part-time working obligations for older employees are netted against the provisions created for this purpose. As at December 31, 2011, the following values were recorded for these items before offsetting:

€m	31.12.2011	31.12.2010
Fair value of the plan assets	4,439	4,076
Amount to be paid	4,696	4,671

Prior to offsetting, the imputed interest expense for provisions for pensions and part-time working for older employees, which are safeguarded by plan assets, amounted to €232m (previous year: €181m). Income from plan assets before offsetting amounted to €304m (previous year: €305m). The historic acquisition cost of the plan assets amounted to €4,135m (previous year: €3,894m).

Plan assets are mainly invested in institutional funds focusing on fixed-income securities and equities. They also contain private equity investments, capitalisation products, retail investment funds and credit balances on bank accounts. Recognised quoted or market prices have been obtained for the institutional and retail funds. Private equity investments are measured according to values provided by the relevant fund. The asset value of the capitalisation product is calculated by the insurance

company according to recognised actuarial principles and comprises contributions paid, guaranteed interest accrued to date and surpluses allocated less costs. Credit balances on bank accounts are recognised at nominal value. For an explanation of measuring derivatives, please see the note on Forward transactions.

**b) Other provisions**

Other provisions mainly include provisions for restructuring, litigation and recourse risks, and issues relating to personnel. Restructuring expenses total €500m (previous year: €741m). The expense from imputed interest on other provisions amounts to €69m for the financial year (previous year: €114m) and is reported under interest expense in accordance with Art. 277 (5) HGB.

**(25) Subordinated liabilities**

Subordinated liabilities amounted to €12,161m (previous year: €11,226m) and may only be repaid after the claims of all non-subordinated creditors have been satisfied in the event of insolvency or winding-up. There is no obligation to make repayment or right to claim interest otherwise.

The obligations arising from the bonds and notes are subordinated obligations of the issuer which rank pari passu with all the issuer's other subordinated liabilities. The bearer

may not put bonds and notes. The terms and conditions for subordinated liabilities apply. Conversion into equity or another form of debt is not stipulated in the contractual agreements.

In the financial year, interest paid on Subordinated liabilities amounted to €675m (previous year: €576m). The following borrowings exceed 10% of the total amount of this item as at December 31, 2011:

Code number	Currency	€m	Interest rate in %	Due date
WKN CB83CE	EUR	1,254	6.38	22.3.2019
WKN CB83CF	EUR	1,250	7.75	16.3.2021

**(26) Profit-sharing certificates**

Of the profit-sharing certificates recorded in the balance sheet, €707m (previous year: €707m) qualified as liable equity capital as defined in Art. 10 (5) German Banking Act (KWG).

Repayments of profit-sharing certificates are subordinate to the claims of other creditors, but take priority over distributions to shareholders.

If the distributable profit is not sufficient for a distribution to be made on the profit-sharing certificates, the distribution is reduced in accordance with the relevant conditions of the profit-sharing certificates.

Under the conditions of the profit-sharing certificates, the servicing of interest and repayment claims arising from the profit sharing rights is linked to the Bank's distributable profit (not dividend payments). In accordance with the conditions

imposed by the European Union and under the agreements with the Financial Market Stabilisation Fund (SoFFin), the release of reserves or special reserves under Art. 340g HGB to service profit-related equity instruments if a net loss is reported for the year. This means that there will be no coupon payments on Commerzbank Aktiengesellschaft profit-sharing certificates for 2011 unless there is a legal obligation to do so even without releasing reserves or dissolving the Fund for General Banking Risks. A reduction in the book value of the profit-sharing certificates was prevented by the release of reserves permitted under the SoFFin agreements. The following table shows the outstanding profit-sharing certificates at the end of the financial year:

	€m	Interest rate in %	Maturing on 31.12
Profit-sharing certificate WKN DR2U70	632	5.39	2015
Registered profit-sharing certificate WKN 422785	50	7.53	2014
Registered profit-sharing certificate WKN 422720	25	7.56	2014
	<b>707</b>		

**(27) Equity**

€		31.12.2011	31.12.2010
<b>Equity</b>		<b>16,873,951,399.99</b>	<b>23,160,614,169.94</b>
a)	Subscribed capital	8,642,077,788.27	21,067,742,163.62
	Share capital	5,113,429,053.00	3,071,517,607.60
	Silent participations	3,529,511,745.27	18,020,444,427.02
	Less treasury shares held	- 863,010.00	- 24,219,871.00
b)	Capital reserve	8,231,873,611.72	1,576,279,026.27
c)	Retained earnings	-	516,592,980.05
	Statutory reserve	-	-
	Reserves under articles of association	-	-
	Other retained earnings	-	516,592,980.05
d)	Distributable profit	-	-

**a) Subscribed capital**

As at December 31, 2011, the share capital of Commerzbank Aktiengesellschaft amounted to €5.1bn and is divided into 5,113,429,053 no-par-value bearer shares (notional value per share of €1.00). The number of shares has increased by 3,932,076,127 compared to last year.

In January 2011, Commerzbank Aktiengesellschaft increased its share capital by €0.3bn through the issue of 118,135,291 new no-par-value bearer shares from authorised capital with a notional par value of €2.60 with shareholders' pre-emptive rights excluded. The new shares were subscribed in their entirety and paid for by non-cash contributions of hybrid equity instruments (trust preferred securities) issued by companies of the Commerzbank Group.

In order to maintain its stake of 25% plus 1 share, the Financial Market Stabilisation Fund (SoFFin) converted silent participations with a nominal value of €0.2bn into 39,378,430 shares from the conditional capital 2009. The basis for these capital measures were the resolutions of January 12, 2011 and January 21, 2011 by the Board of Managing Directors and the Supervisory Board, and of the Presiding Committee of the Supervisory Board awarded powers on August 4, 2010 using the authorisation in Art. 4 (3) of the Articles of Association, version August 25, 2010. The capital increase was completed on January 25, 2011 and the issue of subscribed shares was entered in the commercial register on March 15, 2011.

In accordance with resolutions of the AGM on May 6, 2011, the notional proportion of shares in subscribed capital was reduced from €2.60 to €1.00. The reduction of share capital from €3.5bn to €1.3bn was entered in the commercial register

on May 9, 2011. The reduction amount of €2.1bn was taken to the capital reserve.

Between April 6, 2011 and April 13, 2011 1,004,149,984 interest-free, equally subordinated conditional mandatory exchangeable notes (CoMEN) were successfully placed at a price of €4.25, representing a total issue volume of €4.3bn, and were automatically exchanged for Commerzbank shares on May 12, 2011. In order to maintain its stake of 25% plus 1 share SoFFin converted silent participations amounting to €1.4bn into 334,716,661 no-par-value shares. This transaction increased the share capital of Commerzbank Aktiengesellschaft on the basis of the resolutions of the AGM of May 6, 2011 in accordance with Art. 4 (7) of the Articles of Association, version May 8, 2011 by €1.3bn through the issue of 1,338,866,645 new no-par-value bearer shares from the approved conditional capital 2011/I. The issue of the shares was entered in the commercial register on May 13, 2011.

On June 6, 2011, 1,826,771,821 no-par-value shares were issued at a price of €2.18 per share. The shares arising from the conversion on May 12, 2011 had pre-emptive rights for this share issue. The total issue volume of this capital increase amounted to €4.0bn. To maintain its stake of 25% plus 1 share once again, SoFFin converted a further €1.3bn of its silent participations into 608,923,940 no-par-value shares. In the course of the second part of this capital increase, a total of 2,435,695,761 new no-par-value bearer shares were issued. Share capital increased by €2.4bn as a result. The completion of the capital increase was entered in the commercial register on June 7, 2011.

The silent participations are based on the agreement dated December 19, 2008 and the supplementary agreement dated June 3, 2009 on the establishment of a silent partnership concluded between Financial Market Stabilisation Fund (SoFFin), represented by the Financial Market Stabilisation Authority (FMSA), and Commerzbank Aktiengesellschaft. Interest of 9% p.a. will be paid on the participations, which count in full as Tier I capital. The interest rate on the silent participations rises in years when a dividend is paid. The additional interest to be paid in such cases is based on the total cash dividend paid out. For every €5,906,764 of cash dividend paid, the interest rate will rise by 0.01%. Silent participations are recognised separately under equity. A distribution is only payable if there is a distributable profit. This condition was not met in 2011 and no expenses were therefore incurred.

SoFFin participates in any net loss in proportion to the ratio of the book value of the silent participation to the overall book value of all of the Company's liable capital participating in the net loss (Art. 10 (2a), (4) and (5) KWG). After a reduction the silent participation will be written up again in the following financial years to its full original nominal value, provided that this does not thereby cause or increase a net loss.

In accordance with resolutions of the AGM on May 6, 2011, silent participations were reduced by €11bn from capital measures announced in an ad hoc announcement on April 6, 2011 and approved by the Commerzbank Aktiengesellschaft AGM on May 6, 2011, and from €3.3bn of free regulatory capital. The remaining SoFFin silent participations amounted to €1,937,037,920.48. In connection with the capital measures, a one-off payment of €1.03bn before taxes was agreed with SoFFin as compensation for the early repayment of the silent participations. Expenses of €219m were associated with the capital increase.

Furthermore, Commerzbank Aktiengesellschaft and Allianz SE concluded an agreement on June 3, 2009 on the establishment of a silent partnership, on the basis of which Allianz SE, through a subsidiary, provided Commerzbank Aktiengesellschaft with a silent participation of €750,000,000.00. The silent participation comes with a profit participation consisting of fixed interest of 9% p.a. on the nominal contribution amount plus additional dividend-linked remuneration of 0.01% p.a. for each full €5,906,764 of cash dividends paid. A distribution is only payable if there is a distributable profit.

Moreover a silent partnership contribution of €842,473,825.02 was made by HT1 Funding GmbH.

## b) Capital reserve

€	
<b>As of 31.12.2010</b>	<b>1,576,279,026.27</b>
Profit from trading in treasury shares	21,159,015.86
Additions	9,793,237,764.39
of which: allocation to capital reserve from capital reduction	2,142,186,635.20
Withdrawals	-3,158,802,194.80
<b>As of 31.12.2011</b>	<b>8,231,873,611.72</b>

In the Capital reserve, premiums from the issue of Commerzbank Aktiengesellschaft shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank Aktiengesellschaft

shares and the difference between acquisition costs and resale proceeds of treasury shares are also recognised here.

As part of the capital measures, €9.79bn was transferred to the capital reserve, of which €2.14bn was associated with the capital reduction.

## c) Retained earnings

€	Total	Statutory reserve	Other retained earnings
<b>As of 31.12.2010</b>	<b>516,592,980.05</b>	–	<b>516,592,980.05</b>
Changes in treasury shares	39,822,718.92	–	39,822,718.92
Loss from trading in treasury shares	–95,988,888.57	–	–95,988,888.57
Addition to Other retained earnings	–	–	–
Withdrawal from other retained earnings	–460,426,810.40	–	–460,426,810.40
<b>As of 31.12.2011</b>	<b>0.00</b>	–	<b>0.00</b>

The withdrawal from the reserves partially offset the net loss for the year.

## (28) Authorised capital

Year of resolution	Original authorised capital €m	Remaining authorised capital €	Date of expiry	Pursuant to the articles of association
2010	1,535	–	18.5.2015	Art. 4 (3) <sup>1</sup>
2011	2,000	2,000,000,000.00	5.5.2016	Art. 4 (3) <sup>2</sup>
<b>As of 31.12.2011</b>		<b>2,000,000,000.00</b>		

<sup>1</sup> Previous issue

<sup>2</sup> Current issue

The conditions for capital increases from authorised capital for the individual capital items are as follows as of December 31, 2011 (cf. Commerzbank Aktiengesellschaft Articles of Association version July 8, 2011):

**Art. 4 (3)** The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to increase the Company's share capital until May 5, 2016 through the issuance of new no-par-value shares for cash or contributions in kind, in either one or several tranches, but not exceeding a maximum amount of €2,000,000,000.00 (Authorised Capital 2011). In principle, shareholders shall be offered pre-emptive rights; the statutory pre-emptive right may also be granted in such manner that the new shares are underwritten by a bank or a syndicate of banks under an obligation to offer them for subscription to shareholders of Commerzbank Aktiengesellschaft. However, the Board of Managing Directors is authorised to exclude pre-emptive rights, with the approval of the Supervisory Board, in the following cases:

- To exclude fractional amounts from pre-emptive rights;
- To the extent necessary, to grant the holders of conversion or option rights, either already issued or still to be issued by Commerzbank Aktiengesellschaft or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in § 18 para. 1 Stock Corporation Act), pre-emptive rights in the amount to

which they would be entitled after exercising their conversion or option rights or fulfilling their corresponding conversion or option obligation;

- To issue shares up to the amount of €20,000,000.00 to employees of Commerzbank Aktiengesellschaft or of companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in § 18 para. 1 Stock Corporation Act);
- To increase the share capital for non-cash contributions;
- In the event of capital increases for cash, if the issue price of the new shares is not significantly lower than the market price for identical shares of the Company at the time the issue price is determined. The shares issued with the exclusion of pre-emptive rights pursuant to § 203 para. 1 and § 186 para. 3 sentence 4 Stock Corporation Act on the basis of this authorisation may not exceed a total of 10% of the share capital of the Company, either at the time the authorisation becomes effective, or at the time the authorisation is exercised, whichever amount is lower. The upper limit of 10% of the share capital is reduced by the proportional amount of share capital corresponding to those of the Company's own shares that are sold during the period of validity of Authorised Capital 2011, while excluding shareholders' pre-emptive rights in accordance with § 71 para. 1 no. 8 sentence 5, and § 186 para. 3 sentence 4 Stock

Corporation Act. The upper limit is further reduced by the proportional amount of share capital corresponding to those shares that must be issued to service options and convertible bonds with option or conversion rights or with option or conversion obligations, provided such bonds are issued during the period of validity of Authorised Capital 2011, while excluding pre-emptive rights subject to appropriate application of § 186 para. 3 sentence 4 Stock Corporation Act.

The Board of Managing Directors is authorised to specify the details of the capital increase and its execution.

Art. 4 (3) in last year's version of the Articles of Association was cancelled by resolution of the AGM on May 6, 2011 in order to create a uniform new authorisation.

€	Remaining authorised capital 31.12.2010	Added in financial year	Used in financial year	Expired in financial year	Remaining authorised capital 31.12.2011
<b>Total</b>	<b>1,535,000,000.00</b>	<b>2,000,000,000.00</b>	<b>307,151,756.60</b>	<b>1,227,848,243.40</b>	<b>2,000,000,000.00</b>

## (29) Conditional capital

€	Conditional capital 31.12.2010	Added in financial year	Used in financial year	Expired in financial year	Conditional capital <sup>1</sup> 31.12.2011	of which:	
						used conditional capital	available lines
<b>Total</b>	<b>1,447,666,667.20</b>	<b>2,892,199,980.00</b>	<b>1,441,250,563.00</b>	<b>1,345,282,749.20</b>	<b>1,553,333,335.00</b>	-	<b>1,553,333,335.00</b>

<sup>1</sup> €888,333,333.00 of the conditional capital is set aside to enable the issuance of shares in the event of the exercise of conversion rights granted to the Financial Market Stabilisation Fund (SoFFin), established under the German Financial Market Stabilisation Act and represented by the Financial Market Stabilisation Authority, as a silent partner in the Company. The conditional capital increase will only be carried out to the extent that SoFFin exercises these conversion rights.

The conditions for capital increases from conditional capital for the individual capital items are as follows as of December 31, 2011 (cf. Commerzbank Aktiengesellschaft Articles of Association version July 8, 2011):

**Art. 4 (4)** As resolved at the Annual General Meeting of May 6, 2011, the Company's share capital shall be conditionally increased by up to €665,000,000.00 divided into up to 665,000,000 no-par-value bearer shares (Conditional Capital 2011/II). The conditional capital increase will only be carried out to the extent that holders/creditors of convertible bonds or warrants attached to bonds or profit-sharing certificates with warrants issued or guaranteed until May 5, 2016 by Commerzbank Aktiengesellschaft (or by companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (Group companies as defined in § 18 para. 1 Stock Corporation Act)) on the basis of the authorisation resolved at the Annual General Meeting dated May 6, 2011 (Authorisation 2011) exercise their conversion/option rights or

fulfil their related conversion or option obligations, and other forms of settlement were not chosen.

**Art. 4 (5)** As resolved by the Annual General Meeting in May 2011, the Company's share capital shall be conditionally increased by up to €888,333,333.00 divided into 888,333,333 no-par-value bearer shares (Conditional Capital 2011/III). The conditional capital increase is to enable the issuance of shares in the event of the exercise of conversion rights granted to the Financial Market Stabilisation Fund, established under the Financial Market Stabilisation Fund Act and represented by the Financial Market Stabilisation Authority, as silent partner in the Company. The conditional capital increase will only be carried out to the extent that the Financial Market Stabilisation Fund exercises the conversion right.

Art. 4 (4), (5) and (6) in the version of the Articles of Association cited last year was cancelled by resolution of the AGM on May 6, 2011 and replaced by a standard new authorisation.



**(30) Non-distributable amounts**

The following table shows the non-distributable amounts as at December 31, 2011 after deducting the associated deferred tax liabilities. From the deferred tax asset before offsetting, deferred tax liabilities amounted to €109m (previous year: €87m) and were deducted.

€m	31.12.2011	31.12.2010
Capitalised in-house developed intangible assets	102	37
Difference arising from the capitalisation of plan assets at fair value	203	112
Capitalisation of deferred tax assets	2,695	2,148
<b>Non-distributable amount</b>	<b>3,000</b>	<b>2,297</b>

**(31) Significant shareholder voting rights**

Prior to preparing the financial statements, the Bank had received the following notifications in accordance with Art. 21 German Securities Trading Act (WpHG):

Company required to report	Registered office	held directly %	held indirectly %	Total %	Report date
Allianz SE	Munich	4.18	0.67	4.85	18.5.2011
BlackRock, Inc.	New York	–	3.07	3.07	19.4.2011
BlackRock Financial Management Inc.	New York	–	3.00	3.00	19.4.2011
BlackRock Holdco 2, Inc.	Wilmington	–	3.00	3.00	19.4.2011
Federal Republic of Germany Financial Market Stabilisation Fund	Berlin	25.00	–	25.00	16.5.2011

**(32) Treasury shares**

	Number of shares <sup>1</sup> units	Accounting par value <sup>1</sup> €1,000	Percentage of share capital
Treasury shares as of 31.12.2011	863,010	863	0.02
Largest number acquired during the financial year	33,123,677	33,124	0.65
Shares pledged by customers as collateral as at 31.12.2011	28,358,827	28,359	0.55
Shares acquired during the financial year	1,194,554,038	1,194,554	–
Shares disposed of during the financial year	1,203,006,363	1,203,006	–

<sup>1</sup> Notional par value per share €1.00.

On May 6, 2011, the Annual General Meeting authorised Commerzbank Aktiengesellschaft to purchase and sell its treasury shares for the purpose of securities trading, pursuant to Art. 71 (1) No. 7 Stock Corporation Act. The aggregate amount of shares to be acquired for this purpose may not exceed 5% of the share capital of Commerzbank Aktiengesellschaft at the end of any given day. Together with the Company's treasury shares purchased for other reasons and held by Commerzbank Aktiengesellschaft or attributable to it pursuant to Articles 71d ff.

Stock Corporation Act, the shares purchased on the basis of this authorisation may at no time exceed 10% of the share capital of Commerzbank Aktiengesellschaft. The lowest price at which treasury shares may be purchased may not be more than 10% lower than the average share price (closing auction prices or similar successor prices for Commerzbank shares in XETRA trading or a similar successor system to the XETRA system on the Frankfurt Stock Exchange) on the three trading days

preceding the purchase; treasury shares may not be purchased at prices more than 10% higher than this level.

The average purchase price in the past financial year was €2.89 (previous year: €6.29), and the average selling price was €2.82 (previous year: €6.27). The accounting value of repurchased treasury shares held is deducted from subscribed capital. The difference between the notional value and the cost of acquisition is offset against other retained earnings. The

capital reserve contains the excess of the acquisition cost over resale proceeds of treasury shares.

The Bank has given an undertaking to the Financial Market Stabilisation Fund (SoFFin), represented by the Financial Market Stabilisation Authority (FMSA), that neither it nor any of its affiliated companies will buy back shares or other components of its liable equity capital (except as specified under Art. 71 (1) no. 2 and no. 4 (purchase on behalf of another party), no. 7 or no. 8 Stock Corporation Act.

## Other notes

### (33) Off-balance-sheet transactions

#### a) Contingent liabilities

€m	31.12.2011	31.12.2010
a) Contingent liabilities from rediscounted bills of exchange credited to borrowers	1	3
b) Liabilities from guarantees and indemnity agreements	35,968	36,234
Credit guarantees	3,137	3,642
Other guarantees	25,678	25,784
Letters of credit	7,153	6,808
<b>Total</b>	<b>35,969</b>	<b>36,237</b>

Contingent liabilities from guarantees and indemnity agreements are mainly related to retail banking with customers generating commission income. Commerzbank Aktiengesellschaft runs the risk that a claim will be made under its contractual obligations due to a deteriorating credit quality of

the borrower. Credit risks are taken into account in the balance sheet by creating provisions. The risk of a claim under contingent liabilities is estimated on the basis of credit risk parameters implemented in accordance with the German Solvency Regulation.

#### b) Other commitments

€m	31.12.2011	31.12.2010
a) Repurchase commitments from sales with option to repurchase transactions	–	1
b) Irrevocable lending commitments	53,479	59,640
Loans to customers	46,092	48,386
Loans to banks	5,954	8,264
Guarantees/acceptance credits/letters of credit	1,433	2,990
<b>Total</b>	<b>53,479</b>	<b>59,641</b>

Irrevocable lending commitments are part of Commerzbank Aktiengesellschaft's lending business and are not reported in the balance sheet. Risks may arise due to the deterioration of a customer's credit quality, for which a corresponding provision is created on the balance sheet.

Commerzbank Aktiengesellschaft arranges via special purpose entities securitisations of the Bank's own receivables as well as of customers' receivables portfolios. The transactions serve to procure liquidity or to tap new sources of funding for customers or for Commerzbank Aktiengesellschaft. In the case of direct

securitisations of the Bank's own receivables, receivable portfolios are derecognised from Commerzbank Aktiengesellschaft's balance sheet.

The liquidity facilities and back-up credit lines provided to the securitisation vehicles are also shown under irrevocable lending commitments. Liquidity or back-up lines may be used if the risks relating to the underlying financial instruments increase or the securitised paper can no longer be sold on the market as planned.

### c) Other financial commitments

In the context of operating lease agreements where Commerzbank is the lessee, economic ownership is retained by the lessor and is therefore not shown in the balance sheet of Commerzbank Aktiengesellschaft. Commerzbank Aktiengesellschaft's liabilities under operating leases are mainly related to buildings, office furniture and equipment. As at December 31, 2011, existing commitments from rental, tenancy and leasing agreements amounted to €3,705m for the following years (previous year: €2,691m); of which €1,406m to affiliated companies (previous year: €851m).

Payment commitments for shares, shareholdings in limited companies and other shareholdings amounted to €56m on the reporting date (previous year: €68m). Due to our participation in

Liquiditäts-Konsortialbank GmbH, Frankfurt am Main, the Bank has an additional funding obligation of €96m (previous year: €96m) in accordance with Art. 26 of the German Limited Liability Companies Act (GmbHG).

In accordance with Art. 5 (10) of the statutes of the German Deposit Protection Fund, we have undertaken to indemnify the Association of German Banks for any losses incurred through support provided for banks in which Commerzbank Aktiengesellschaft holds a majority interest.

Under the German Restructuring Fund Ordinance (RstruktFV), Commerzbank Aktiengesellschaft undertakes to collect a bank levy.

### d) Securities lending transactions

Commerzbank Aktiengesellschaft carries out securities lending transactions with the aim of ensuring that its securities trading operations are able to meet delivery obligations and generate income from lending securities held in our trading portfolios. Securities borrowed are not recognised in the balance sheet; securities lent continue to be recognised on the balance sheet as long as the title is retained. The risk arising from these transactions is the hedging risk. It can be defined as the difference between the fair value of the underlying securities

and the value of the collateral that we have provided to others or which has been provided to us. A key benefit for Commerzbank Aktiengesellschaft is the additional income generated by lending our securities holdings. At the reporting date, the fair value of securities lent amounted to €18,103m (previous year: €11,459m) and the fair value of securities borrowed amounted to €19,648m (previous year: €22,387m). As part of these securities transactions, collateral for securities lent amounted to €18,501m, and to €19,679m for securities borrowed.

### e) Letter of comfort

In respect of the subsidiaries listed below and included in the consolidated financial statements, Commerzbank Aktiengesellschaft is obligated to ensure that, except in the case of political risks, these are able to meet their contractual liabilities.

Name	Registered office
AFÖG GmbH & Co. KG	Frankfurt/Main
comdirect bank Aktiengesellschaft	Quickborn
Commerz (East Asia) Ltd.	Hong Kong
Commerzbank (Eurasija) SAO	Moscow
Commerzbank Europe (Ireland)	Dublin
Commerzbank Europe Finance (Ireland) plc.	Dublin
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main
Commerzbank International S.A.	Luxembourg
CommerzTrust GmbH	Frankfurt/Main
Commerz Markets LLC	New York
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
Eurohypo Aktiengesellschaft	Eschborn

## (34) Forward transactions

31.12.2011	Nominal amount						Fair value	
€m	Residual terms						Positive	Negative
	due on demand	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total		
<b>Foreign-currency-based forward transactions</b>								
OTC products								
Foreign exchange spot and forward contracts	–	307,342	101,876	26,649	708	436,575	7,610	8,214
Interest rate and currency swaps	–	19,008	49,422	125,386	94,776	288,592	7,056	8,948
Currency call options	–	19,226	17,674	7,879	3,814	48,593	2,055	–
Currency put options	–	21,762	20,163	8,260	3,370	53,555	–	2,073
Other foreign exchange contracts	4	547	1,839	854	990	4,234	424	174
Exchange-traded products								
Currency futures	–	544	63	1	–	608	–	–
Currency options	–	3	–	2	–	5	–	–
<b>Total</b>	<b>4</b>	<b>368,432</b>	<b>191,037</b>	<b>169,031</b>	<b>103,658</b>	<b>832,162</b>	<b>17,145</b>	<b>19,409</b>
<b>of which: trading securities</b>	<b>4</b>	<b>366,011</b>	<b>190,752</b>	<b>168,505</b>	<b>103,478</b>	<b>828,750</b>	<b>17,127</b>	<b>19,246</b>
<b>Interest-based forward transactions</b>								
OTC products								
Forward rate agreements	–	66,140	1,006,621	1,185	–	1,073,946	305	307
Interest rate swaps (same currency)	–	561,559	951,112	2,691,535	2,218,700	6,422,906	285,199	283,478
Call options on interest rate futures	–	2,587	25,837	62,732	81,237	172,393	10,598	–
Put options on interest rate futures	–	2,793	18,397	58,237	96,844	176,271	–	11,454
Structured interest rate products	7	469	4,148	7,474	7,120	19,218	2,909	1,868
Exchange-traded products								
Interest rate futures	–	1,314	25,602	2,438	3,888	33,242	–	–
Interest rate options	–	92	8,114	14	14	8,234	–	–
<b>Total</b>	<b>7</b>	<b>634,954</b>	<b>2,039,831</b>	<b>2,823,615</b>	<b>2,407,803</b>	<b>7,906,210</b>	<b>299,011</b>	<b>297,107</b>
<b>of which: trading securities</b>	<b>7</b>	<b>626,024</b>	<b>2,027,562</b>	<b>2,811,478</b>	<b>2,401,976</b>	<b>7,867,047</b>	<b>296,422</b>	<b>295,548</b>
<b>Other forward transactions</b>								
OTC products								
Structured equity/index products	689	12,773	14,357	15,270	1,414	44,503	1,113	1,535
Equity call options	–	4,031	6,449	6,029	98	16,607	1,242	–
Equity put options	–	4,052	7,881	9,914	1,348	23,195	–	2,112
Precious metal contracts	4	788	1,001	413	–	2,206	92	121
Other transactions	2	337	930	1,369	52	2,690	271	282
Exchange-traded products								
Equity futures	–	6,740	638	3	–	7,381	–	–
Equity options	–	14,754	20,539	14,740	232	50,265	–	–
Other futures	–	1,500	1,730	1,060	–	4,290	–	–
Other options	–	4,247	7,451	3,376	–	15,074	–	–
<b>Total</b>	<b>695</b>	<b>49,222</b>	<b>60,976</b>	<b>52,174</b>	<b>3,144</b>	<b>166,211</b>	<b>2,718</b>	<b>4,050</b>
<b>of which: trading securities</b>	<b>695</b>	<b>46,183</b>	<b>59,733</b>	<b>50,648</b>	<b>3,144</b>	<b>160,403</b>	<b>2,715</b>	<b>4,050</b>
<b>Total pending forward transactions</b>								
OTC products								
	706	1,023,414	2,227,707	3,023,186	2,510,471	8,785,484	318,874	320,566
Exchange-traded products								
	–	29,194	64,137	21,634	4,134	119,099	–	–
<b>Total</b>	<b>706</b>	<b>1,052,608</b>	<b>2,291,844</b>	<b>3,044,820</b>	<b>2,514,605</b>	<b>8,904,583</b>	<b>318,874</b>	<b>320,566</b>

The fair value of derivative financial instruments is primarily set by the performance of the underlying instruments. The underlying instruments for derivatives are in particular shares, bonds, foreign currencies, precious metals and commodities, indices and interest rates. Future expected fluctuations in value of the underlying transaction and the term of the derivative itself also have an impact on the fair value.

Where available, the fair value of derivatives shown is based on prices on active markets, especially stock market prices.

Where no market prices are available on an active market, fair value is determined by various methods including valuation models. The valuation models selected and the parameters used depend on the individual product and are in line with market standards.

The fair value for forward transactions and swaps is determined using discounted cash flow methodology taking the yield curve for the relevant currency.

Standardised and digital options are generally priced using the Black-Scholes model. Binomial approaches and Monte Carlo simulations are used for more complex options. Monte Carlo simulations are also used for other structured derivatives.

Option premiums received and paid for derivative financial instruments in the non-trading portfolio are reported under other assets and other liabilities. A provision for impending losses for derivative financial instruments in the non-trading portfolio amounting to €107m was created (previous year: €342m). Variation margins posted and received for exchange-traded derivatives amounted to €4,847m (previous year: €6,028m) and €-4,327m (previous year: €-6,403m) respectively. They include €78m/€-221m for interest rate transactions; €3,972m/€-3,569m for equity transactions, €83m/€-1m for foreign currency transactions and €714m/€-536m for transactions with other price risks.

### (35) Employees

On average over the year, Commerzbank Aktiengesellschaft had 40,822 (previous year: 41,614) employees, broken down as follows:

		Total		Male		Female	
		FTE	Empl.	FTE	Empl.	FTE	Empl.
In Germany							
	2011	33,952	37,040	18,130	18,446	15,822	18,594
	2010	34,932	37,951	18,824	19,038	16,108	18,913
Outside of Germany							
	2011	3,678	3,782	2,292	2,356	1,386	1,426
	2010	3,597	3,663	2,410	2,454	1,187	1,209
<b>Total</b>							
	<b>2011</b>	<b>37,630</b>	<b>40,822</b>	<b>20,422</b>	<b>20,802</b>	<b>17,208</b>	<b>20,020</b>
	<b>2010</b>	<b>38,529</b>	<b>41,614</b>	<b>21,234</b>	<b>21,492</b>	<b>17,295</b>	<b>20,122</b>

The figures for full-time equivalent (FTE) staff include part-time personnel with their time actually worked. The average time worked by part-time staff is 60% (previous year: 60%). The part-time staff is included in the number of employees. Trainees are not included.

Trainees		Total	Male	Female
	2011	2,147	1,078	1,069
	2010	2,205	1,025	1,180

**(36) Remuneration and loans to board members**

A detailed description of the principles of the remuneration system for the members of the Board of Managing Directors and members of the Supervisory Board is provided in the remuneration report included in the management report.

Excluding the interest rate-adjusted change in the net present value of pension entitlements included in the calculation of pension liabilities, the total remuneration of the members of the Board of Managing Directors and Supervisory Board was as follows:

€1,000	2011	2010
Board of Managing Directors	5,343	5,260 <sup>1</sup>
Supervisory Board	1,619	1,563 <sup>2</sup>
<b>Gesamt</b>	<b>6,962</b>	<b>6,823</b>

<sup>1</sup> Including employer's contribution to BVV retirement fund.

<sup>2</sup> Excluding reimbursement of VAT.

Remuneration of the Board of Managing Directors includes standard non-monetary benefits (chiefly use of company cars and insurance plus the tax due on these, and employer contributions to the BVV occupational retirement fund).

**Board of Managing Directors.** The table below shows the breakdown of the remuneration paid to the Board of Managing Directors:

		Basic salary	Variable remuneration <sup>2</sup>	Remuneration for serving on boards <sup>3</sup>	Reduction as per SoFFin cap <sup>3</sup>	Share-based remuneration plans	Total monetary remuneration	Other <sup>4</sup>	Total
€1,000									
Martin Blessing	2011	500	–	–	–	–	500	69	569
	2010	500	–	–	–	–	500	115	615
Frank Annuscheit	2011	500	–	–	–	–	500	50	550
	2010	500	–	23	–23	–	500	102	602
Markus Beumer	2011	500	–	–	–	–	500	59	559
	2010	500	–	10	–10	–	500	46	546
Dr. Achim Kassow	2011 <sup>1</sup>	292	–	–	–	–	292	44	336
	2010	500	–	113	–113	–	500	72	572
Jochen Klösches	2011	500	–	–	–	–	500	39	539
	2010	500	–	–	–	–	500	65	565
Michael Reuther	2011	500	–	–	–	–	500	69	569
	2010	500	–	–	–	–	500	73	573
Dr. Stefan Schmittmann	2011	500	–	–	–	–	500	46	546
	2010	500	–	–	–	–	500	52	552
Ulrich Sieber	2011	500	–	–	–	–	500	68	568
	2010	500	–	22	–22	–	500	62	562
Dr. Eric Strutz	2011	500	–	–	–	–	500	33	533
	2010	500	–	36	–36	–	500	91	591
Martin Zielke	2011	500	–	–	–	–	500	74	574
	2010 <sup>1</sup>	78	–	14	–14	–	78	4	82
<b>Total</b>	<b>2011</b>	<b>4,792</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,792</b>	<b>551</b>	<b>5,343</b>
	<b>2010</b>	<b>4,578</b>	<b>–</b>	<b>218</b>	<b>–218</b>	<b>–</b>	<b>4,578</b>	<b>682</b>	<b>5,260</b>

<sup>1</sup> Pro rata temporis from the date of appointment or up to the date of departure from the Board.

<sup>2</sup> Payable in the following year subject to approval of the annual financial statements; no variable remuneration was paid for 2010 or 2011.

<sup>3</sup> Remuneration for serving on the boards of Group companies paid in the financial years 2011 and 2010 is offset in full against the SoFFin cap of the previous year and has therefore been allocated to the previous year in the table.

<sup>4</sup> The "Other" column includes non-monetary benefits granted in the year under review, tax due on non-monetary benefits and employer contributions to the BVV occupational retirement fund.

The assets backing the Bank's retirement benefit plan for present and former members of the Board of Managing Directors or their surviving dependants have been transferred to Commerzbank Pensions-Trust e.V. as part of a contractual trust arrangement.

As at December 31, 2011, pension obligations for active members of the Board of Managing Directors amounted to €10.9m (previous year: €9.7m).

In the table below we have shown the projected annual pension entitlement on the assumption of retirement at age 62

alongside the net present value of pension entitlements at December 31, 2011. We have also shown the resulting interest-rate adjusted charge included in the calculation of pension provisions. The amounts are calculated considering the current term of appointment of the individual board members, assuming the board members will not be incapable for work nor collect pensions before reaching the age of 62 and will remain on the board until the pension is due.

2011   €1,000	Pension entitlement		Interest rate-adjusted change in amount to be paid
	Projected annual pension at retirement age of 62	Net present value	
Martin Blessing	456	2,785	184
Frank Annuscheit	288	1,022	220
Markus Beumer	288	860	186
Jochen Klösches	288	619	195
Michael Reuther	288	1,680	263
Dr. Stefan Schmittmann	288	1,423	406
Ulrich Sieber	288	571	203
Dr. Eric Strutz	288	1,626	106
Martin Zielke	288	364	306
<b>Total</b>		<b>10,950</b>	<b>2,069</b>

Payments to former members of the Board of Managing Directors of Commerzbank Aktiengesellschaft and their surviving dependents came to €8,275 thousand in the financial year (previous year: €6,519 thousand). The pension liabilities for these persons amounted to €72.1m (previous year: €69.3m).

Payments to former members of the Board of Managing Directors of Dresdner Bank and their surviving dependants amounted to €11,567m (previous year €11,154m). Pension liabilities for the same group amounted to €132.2m (previous year: €133.9m). Commerzbank Aktiengesellschaft has created provisions for these pension obligations.

The active members of the Board of Managing Directors have participated in the long-term performance plans (LTPs) which are described in detail in the remuneration report and represent a share-based form of compensation. In order to participate in the various plans, the members of the Board of Managing Directors have invested in up to 2,500 Commerzbank Aktien-

gesellschaft shares per plan at their individual discretion, the chairman in up to 5,000 shares per plan, at current market prices.

The following table provides information on the long-term performance plans of active members of the Board of Managing Directors, acquired in their capacity as active board members, effective as at December 31, 2011. The members of the Board of Managing Directors renounced all the shares acquired under the 2008 LTP plan in February 2009 and will therefore not receive any payments from this plan. The fair value of the 2007 plan was zero in each case as at December 31, 2011. The provisions were already reversed in full in the previous year.

Members of the Board of Managing Directors not listed in the following table held no LTPs as at December 31, 2011 which they had acquired as an active board member. Due to the exercise criteria for LTP plans we do not expect these to pay out at any time up to the expiry of the last plan from 2007 in 2013.



€1,000	LTP	Number of participating shares (units)	Fair value at grant date	Fair value at 31.12.2011	Pro rata provisions as at 31.12.2011
Martin Blessing	2008	-	-	-	-
	2007	2,500	79	-	-
Michael Reuther	2008	-	-	-	-
	2007	2,500	79	-	-
Dr. Eric Strutz	2008	-	-	-	-
	2007	2,500	79	-	-
<b>Totals</b>	<b>2008</b>	-	-	-	-
	<b>2007</b>	<b>7,500</b>	<b>237</b>	-	-
<b>Total 2011</b>		<b>7,500</b>	<b>237</b>	-	-
<b>Total 2010</b>		<b>18,700</b>	<b>619</b>	-	-

As the board members were not entitled to any variable remuneration for the financial year 2011 due to the ongoing SoFFin caps, they did not receive any deferred share-based payments under the Short Term or Long Term Incentives (for further details see the Remuneration Report).

**Supervisory Board.** Remuneration for the members of the Supervisory Board is regulated in Art. 15 of the Articles of Association of Commerzbank Aktiengesellschaft. Members of the Supervisory Board received total net remuneration for financial year 2011 of €1,619 thousand (previous year: €1,563 thousand). Of this figure, the basic remuneration and remuneration for serving on committees amounted to €1,199 thousand (previous year: €1,240 thousand) and attendance fees to €420 thousand (previous year: €323 thousand). Attendance fees are paid for

participating in the meetings of the Supervisory Board and its six committees (Presiding, Audit, Risk, Nomination, Conciliation and Social Welfare Committees) which met in the year under review. The value added tax (currently 19%) payable on the remuneration of the members of the Supervisory Board resident in Germany was reimbursed by the Bank. Contrary to the previous year's practice this reimbursement was not treated as a component of remuneration. No value added tax is payable for members of the Supervisory Board resident outside Germany.

**Board of Managing Directors and Supervisory Board** The Board of Managing Directors and Supervisory Board held no more than 1% (previous year: under 1%) of the issued shares and option rights of Commerzbank Aktiengesellschaft on December 31, 2011.

On the balance sheet date, the aggregate amount of advances and loans granted was as follows:

€1,000	31.12.2011	31.12.2010
Board of Managing Directors	1,773	2,647
Supervisory Board	322	417
<b>Total</b>	<b>2,095</b>	<b>3,064</b>

Members of the Board of Managing Directors have been granted cash advances and loans with terms ranging from on demand to a due date of 2042 and at interest rates ranging between 3.2% and 8.3%, for amounts overdrawn in certain cases up to 10.9%. Collateral security is provided on normal market terms, if necessary through land charges and rights of lien. Members of

the Supervisory Board have been granted loans with terms ranging from on demand up to a due date in 2037 and at interest rates ranging between 2.6% and 6.3%, and on amounts overdrawn in certain cases up to 10.9%. Collateral security is provided on normal market terms, if necessary through land charges and rights of lien.

### (37) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161 Stock Corporation Act. This forms part of the corporate governance

declaration in the management report, and is also available on the internet at [www.commerzbank.de](http://www.commerzbank.de).

**(38) Holdings in affiliated and other companies**

We provide the following information pursuant to Art. 285 nos. 11 and 11a HGB. Footnotes and comments on the tables below appear at the end of this note.

**a) Affiliated companies**

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000
ADMERA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	EUR	25	2
AFÖG GmbH & Co. KG	Frankfurt/Main	100.0	EUR	78,866	-72,359
AGV Allgemeine Grundstücksverwaltungs- und -verwertungsgesellschaft mit beschränkter Haftung	Eschborn	100.0	EUR	40	-
AJUNTA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	EUR	-4,908	-1,582
ALDUNA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	EUR	-10,397	-3,378
ALTEREGO Beteiligungsgesellschaft mbH	Düsseldorf	100.0	EUR	959	-6,721
ASCARA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	EUR	-689	-488
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf	100.0	EUR	3,788	-
Atlas-Vermögensverwaltungs-Gesellschaft mit beschränkter Haftung	Frankfurt/Main	100.0	EUR	235,563	-
BERGA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Grünwald	100.0	EUR	-1,286	55
Brafero-Sociedade Imobiliária, S.A.	Lisbon, Portugal	100.0	EUR	24,189	2,410
BRE Bank Hipoteczny S.A.	Warsaw, Poland	100.0	PLN	389,186	20,878
BRE Bank SA	Warsaw, Poland	69.7	PLN	7,610,906	1,066,012
BRE Faktoring S.A.	Warsaw, Poland	100.0	PLN	61,503	15,077
BRE Finance France S.A.	Levallois Perret, France	100.0	EUR	618	-94
BRE Holding Sp. z o.o.	Warsaw, Poland	100.0	PLN	465,904	14,374
BRE Leasing Sp. z o.o.	Warsaw, Poland	100.0	PLN	151,354	37,828
BRE Ubezpieczenia Sp. z o.o.	Warsaw, Poland	100.0	PLN	45,001	31,956
BRE Ubezpieczenia Towarzystwo Ubezpieczen i Reasekuracji S.A.	Warsaw, Poland	100.0	PLN	67,783	8,396
BRE.locum S.A.	Lodz, Poland	80.0	PLN	119,488	10,303
Bridge Re Limited	Hamilton, Bermuda	100.0	USD	411	30
CB Building Kirchberg GmbH	Düsseldorf	100.0	EUR	3,104	888
CBG Commerz Beteiligungsgesellschaft Holding mbH	Frankfurt/Main	100.0	EUR	6,137	-
CBG Commerz Beteiligungskapital GmbH & Co. KG	Frankfurt/Main	100.0	EUR	44,208	10,381
CFB-Fonds Transfair GmbH	Düsseldorf	100.0	EUR	26	-
CG New Venture 2 Verwaltungsgesellschaft mbH	Wiesbaden	100.0	EUR	20,315	5
CG New Venture 4 GmbH & Co. KG	Wiesbaden	99.9	EUR	20,315	-4,353
CG NL Holding B.V.	Amsterdam, Netherlands	100.0	EUR	3	-29
CG Real Estate Master FCP-SIF S.A.R.L.	Luxembourg, Luxembourg	55.4	EUR	203,243	8,468
CGM Lux 1 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	639	143
CGM Lux 2 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	344	7,298
CGM Lux 3 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	1,074	11,504
Coba Holdings I, LLC	Wilmington, Delaware, USA	100.0	USD	376,590	-33,189
Coba Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	EUR	26	-
comdirect bank Aktiengesellschaft	Quickborn	80.5	EUR	475,671	116,340

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000	
Commerz (East Asia) Limited	Hong Kong, Hong Kong	100.0	EUR	2,161	98	
Commerz Asset Management Asia Pacific Pte Ltd	Singapore, Singapore	100.0	SGD	29,482	382	
Commerz Business Consulting GmbH	Frankfurt/Main	100.0	EUR	76	-	”
Commerz Direktservice GmbH	Duisburg	100.0	EUR	1,178	-	”
Commerz Grundbesitz Beteiligungsgesellschaft mbH & Co. KG	Frankfurt/Main	90.0	EUR	13,325	1,211	
Commerz Markets LLC	Wilmington, Delaware, USA	100.0	USD	417,417	12,120	
Commerz Real Verwaltung und Treuhand GmbH	Düsseldorf	100.0	EUR	26	-	”
Commerz Real AG	Eschborn	100.0	EUR	408,394	-	”
Commerz Real Asset Verwaltungsgesellschaft mbH	Grünwald	100.0	EUR	25	-	”
Commerz Real Baucontract GmbH	Düsseldorf	100.0	EUR	4,238	-	”
Commerz Real Baumanagement GmbH	Düsseldorf	100.0	EUR	52	-	”
Commerz Real Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	EUR	151	-	”
Commerz Real Immobilien GmbH	Düsseldorf	100.0	EUR	12,936	-	”
Commerz Real Investmentgesellschaft mbH	Wiesbaden	100.0	EUR	21,968	-	”
Commerz Real IT-Leasing GmbH	Düsseldorf	100.0	EUR	1,954	-	”
Commerz Real Mietkauf GmbH	Düsseldorf	100.0	EUR	26	-	”
Commerz Real Mobilienleasing GmbH	Düsseldorf	100.0	EUR	-3,395	-	”
Commerz Real Spezialfondsgesellschaft mbH	Wiesbaden	100.0	EUR	5,948	-	”
Commerz Securities Hong Kong Limited	Hong Kong, Hong Kong	100.0	JPY	2,167,176	-82,956	2)
Commerz Services Holding GmbH	Frankfurt/Main	100.0	EUR	12,564	-	”
Commerz Systems GmbH	Frankfurt/Main	100.0	EUR	6,214	1,568	
Commerz Transaction Services Mitte GmbH	Erfurt	100.0	EUR	2,849	-	”
Commerz Transaction Services Nord GmbH	Magdeburg	100.0	EUR	1,557	-	”
Commerz Transaction Services West GmbH	Hamm	100.0	EUR	1,346	-	”
Commerzbank (Eurasija) SAO	Moscow, Russia	100.0	RUB	11,045,218	141,941	
Commerzbank (South East Asia) Ltd.	Singapore, Singapore	100.0	EUR	16,898	-565	
Commerzbank Asset Management Asia Ltd.	Singapore, Singapore	100.0	SGD	1,263	-1,576	
Commerzbank Auslandsbanken Holding AG	Frankfurt/Main	100.0	EUR	1,792,196	-	”
Commerzbank Auslandsbanken Holding Nova GmbH	Frankfurt/Main	100.0	EUR	675,040	-	”
Commerzbank Capital Funding LLC I	Wilmington, Delaware, USA	100.0	EUR	2	0	
Commerzbank Capital Funding LLC II	Wilmington, Delaware, USA	100.0	GBP	2	0	
Commerzbank Capital Funding LLC III	Wilmington, Delaware, USA	100.0	EUR	2	0	
Commerzbank Capital Funding Trust I	Newark, Delaware, USA	100.0	EUR	1	0	
Commerzbank Capital Funding Trust II	Newark, Delaware, USA	100.0	GBP	1	0	
Commerzbank Capital Funding Trust III	Newark, Delaware, USA	100.0	EUR	1	0	
Commerzbank Capital Investment Company Limited	London, United Kingdom	100.0	GBP	0	0	
Commerzbank Europe (Ireland)	Dublin, Ireland	100.0	EUR	358,011	-10,426	
Commerzbank Europe Finance (Ireland) plc	Dublin, Ireland	100.0	EUR	55	2	
Commerzbank Finance 2 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	967	-29	
Commerzbank Finance 3 S.à.r.l.	Luxembourg, Luxembourg	100.0	EUR	470	3,487	
Commerzbank Finance BV	Amsterdam, Netherlands	100.0	EUR	1,493	-562	
Commerzbank Holdings (UK) Limited	London, United Kingdom	100.0	GBP	484,339	23,658	
Commerzbank Holdings France	Paris, France	100.0	EUR	87,638	0	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0	EUR	462,597	-	”
Commerzbank Inlandsbanken Holding GmbH	Frankfurt/Main	100.0	EUR	4,459,000	-	”

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000
Commerzbank International S.A.	Luxembourg, Luxembourg	100.0	EUR	482,586	59,047
Commerzbank Investments (UK) Limited	London, United Kingdom	100.0	GBP	726,809	-16,659
Commerzbank Leasing (Guernsey) Limited	St. Peter Port, Guernsey	100.0	EUR	8	0
Commerzbank Leasing 1 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	410	164
Commerzbank Leasing 2 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	32,467	-30,331
Commerzbank Leasing 4 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	-91	-15
Commerzbank Leasing 5 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	97	-12
Commerzbank Leasing 6 S.à.r.l.	Luxembourg, Luxembourg	100.0	GBP	91	-24
Commerzbank Leasing December – 1 Limited	London, United Kingdom	100.0	GBP	-1,020	-2,507
Commerzbank Leasing December – 10	London, United Kingdom	100.0	GBP	32	0
Commerzbank Leasing December – 11	London, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing December – 12 Limited	London, United Kingdom	100.0	USD	-137	-391
Commerzbank Leasing December – 13 Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing December – 15	London, United Kingdom	100.0	GBP	-271	0
Commerzbank Leasing December – 17 Limited	London, United Kingdom	100.0	GBP	4,291	4,084
Commerzbank Leasing December – 19 Limited	London, United Kingdom	100.0	GBP	12,741	-42,186
Commerzbank Leasing December – 20 Limited	London, United Kingdom	100.0	GBP	300	300
Commerzbank Leasing December – 21 Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing December – 22 Limited	London, United Kingdom	100.0	GBP	0	-22
Commerzbank Leasing December – 23 Limited	London, United Kingdom	100.0	GBP	60	35
Commerzbank Leasing December – 24 Limited	London, United Kingdom	100.0	GBP	0	-737
Commerzbank Leasing December – 26 Limited	London, United Kingdom	100.0	GBP	240	-1,105
Commerzbank Leasing December – 3 Limited	London, United Kingdom	100.0	GBP	150	-277
Commerzbank Leasing December – 4 Limited	London, United Kingdom	74.0	GBP	20	0
Commerzbank Leasing December – 7 Limited	Edinburgh, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing December – 8 Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing December – 9 Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Leasing Holdings Limited	London, United Kingdom	100.0	GBP	3,435	56
Commerzbank Leasing Limited	London, United Kingdom	100.0	GBP	2,738	629
Commerzbank Leasing March – 3 Limited	London, United Kingdom	100.0	GBP	4	-1
Commerzbank Leasing September – 5 Limited	London, United Kingdom	100.0	GBP	8	13
Commerzbank Leasing September – 6 Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Online Ventures Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Overseas Holdings Limited	London, United Kingdom	100.0	GBP	8,500	-539
Commerzbank Property Management & Services Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank Securities Ltd	London, United Kingdom	100.0	GBP	10	0
Commerzbank Securities Nominees Limited	London, United Kingdom	100.0	GBP	0	0
Commerzbank U.S. Finance, Inc.	Wilmington, Delaware, USA	100.0	USD	673	17
Commerzbank Zrt.	Budapest, Hungary	100.0	HUF	23,465,000	1,210,935
CommerzFactoring GmbH	Mainz	50.1	EUR	1,099	-
CR KaiserKarree Holding S.a.r.l.	Luxembourg, Luxembourg	100.0	EUR	-1,191	-180
CSA COMMERZ SOUTH AFRICA (PROPRIETARY) LIMITED	Johannesburg, South Africa	100.0	ZAR	5,276	-557
Deutsche Schiffsbank Aktiengesellschaft	Hamburg/Bremen	100.0	EUR	911,722	0
Dom Inwestycyjny BRE Banku S.A.	Warsaw, Poland	100.0	PLN	79,449	26,824

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000
Dresdner Capital LLC I	Wilmington, Delaware, USA	100.0	USD	1,624	42
Dresdner Capital LLC IV	Wilmington, Delaware, USA	100.0	JPY	18,333	124
Dresdner Kleinwort - Grantchester, Inc.	Wilmington, Delaware, USA	100.0	USD	27,846	0
Dresdner Kleinwort & Co. Holdings, Inc.	Wilmington, Delaware, USA	100.0	USD	232,235	7,539
Dresdner Kleinwort Capital Inc.	New York, New York, USA	100.0	USD	1,338	-2,287
Dresdner Kleinwort do Brasil Limitada	Rio de Janeiro, Brazil	100.0	BRL	-14,120	-18
Dresdner Kleinwort EIV Manager, Inc.	Wilmington, Delaware, USA	100.0	USD	-18	0
Dresdner Kleinwort Finance Inc.	Wilmington, Delaware, USA	100.0	USD	2,367	266
Dresdner Kleinwort Flags Inc.	Wilmington, Delaware, USA	100.0	USD	140,479	0
Dresdner Kleinwort Group Holdings, LLC	Wilmington, Delaware, USA	100.0	USD	170,918	1
Dresdner Kleinwort Holdings LLC	Wilmington, Delaware, USA	100.0	USD	40,162	-25,227
Dresdner Kleinwort LLC	Wilmington, Delaware, USA	100.0	USD	34,167	145
Dresdner Kleinwort Limited	London, United Kingdom	100.0	GBP	38,614	74,370
Dresdner Kleinwort Luminary Inc.	Wilmington, Delaware, USA	100.0	USD	806,144	316
Dresdner Kleinwort Moon LLC	Wilmington, Delaware, USA	100.0	USD	28,845	-6,221
Dresdner Kleinwort Pfandbriefe Investments II, Inc.	Wilmington, Delaware, USA	100.0	USD	650,792	-18,028
Dresdner Kleinwort Services (Guernsey) Limited	St. Peter Port, Guernsey	100.0	GBP	2	0
Dresdner Kleinwort Wasserstein (Argentina) S.A.	Buenos Aires, Argentina	100.0	BRL	112	-28
Dresdner Kleinwort Wasserstein Securities (India) Private Limited	Mumbai, India	75.0	INR	78,388	993
Dresdner Lateinamerika Aktiengesellschaft	Hamburg	100.0	EUR	50,109	-
Dresdner UK Investments 2 B.V.	Amsterdam, Netherlands	100.0	EUR	929	9
Dresdner UK Investments N.V.	Amsterdam, Netherlands	100.0	EUR	1,693	9
DSB Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0	EUR	25	-580
EH Estate Management GmbH	Eschborn	100.0	EUR	3,280	-
EHNY MoLu IV, LLC	Dover, Delaware, USA	100.0	USD	75	9,675
EHY Real Estate Fund I, LLC	Wilmington, Delaware, USA	100.0	USD	-3,864	-22
Elco Leasing Limited	London, United Kingdom	100.0	GBP	0	-4
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg, Luxembourg	100.0	EUR	507,765	21,832
Espacio Leon Propco S.L.U.	Madrid, Spain	100.0	EUR	-16,539	601
Eurohypo (Japan) Corporation	Tokyo, Japan	100.0	JPY	2,477,632	-1,479,654
Eurohypo Aktiengesellschaft	Eschborn	100.0	EUR	5,661,992	-
Eurohypo Capital Funding LLC I	Wilmington, Delaware, USA	100.0	EUR	1	0
Eurohypo Capital Funding LLC II	Wilmington, Delaware, USA	100.0	EUR	3	0
Eurohypo Capital Funding Trust I	Wilmington, Delaware, USA	100.0	EUR	1	0
Eurohypo Capital Funding Trust II	Wilmington, Delaware, USA	100.0	USD	1	0
EUROHYPO Europäische Hypothekenbank S.A.	Senningerberg, Luxembourg	100.0	EUR	337,160	-223,725
European Bank for Fund Services Gesellschaft mit beschränkter Haftung (ebase)	Aschheim	100.0	EUR	20,256	5,451
European Venture Partners (Holdings) Ltd	St. Helier, Jersey	85.0	GBP	0	0
European Venture Partners Ltd	London, United Kingdom	100.0	GBP	0	0
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	EUR	26	294
Felix (CI) Limited	George Town, Grand Cayman, Cayman Islands	100.0	GBP	26	0

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000	
FHB - Immobilienprojekte GmbH	Eschborn	100.0	EUR	26	-	”
Film Library Holdings LLC	Melville, New York, USA	51.0	USD	28,678	-318	
FM LeasingPartner GmbH	Bissendorf	50.4	EUR	827	268	
Forum Almada, Gestao de Centro Comercial, Sociedade Unipessoal Lda. II & Comandita	Lisbon, Portugal	100.0	EUR	-36,505	699	
Forum Almada-Gestao de Centro Commercial, Sociedade Unipessoal, Lda.	Lisbon, Portugal	100.0	EUR	30,044	6,433	
Forum Immobiliengesellschaft mbH	Eschborn	100.0	EUR	1,861	-	”
Forum Montijo, Gestao de Centro Comercial Sociedade Unipessoal, Lda	Lisbon, Portugal	100.0	EUR	-25,076	-5,848	
Frankfurter Gesellschaft für Vermögenanlagen mit beschränkter Haftung	Eschborn	100.0	EUR	5,952	-	”
Futura Hochhausprojektgesellschaft mbH	Eschborn	100.0	EUR	2,421	-	”
General Leasing (No.16) Limited	London, United Kingdom	43.8	GBP	343	640	
G-G-B Gebäude- und Grundbesitz GmbH	Eschborn	100.0	EUR	256	-	”
GIE Dresdner Kleinwort France i.L.	Paris, France	100.0	EUR	0	0	
GO German Office GmbH	Wiesbaden	100.0	EUR	28,508	-	”
gr Grundstücks GmbH Objekt Corvus	Frankfurt/Main	100.0	EUR	50	-7	
gr Grundstücks GmbH Objekt Corvus & Co. Sossenheim KG	Frankfurt/Main	100.0	EUR	228	-131	
Gresham Leasing March – 1 Limited	London, United Kingdom	25.0	GBP	1,065	0	
Gresham Leasing March – 2 Limited	London, United Kingdom	25.0	EUR	2,171	-240	
Grundbesitzgesellschaft Berlin Rungestr. 22–24 mbH	Eschborn	100.0	EUR	258	-29	
Herradura Ltd	London, United Kingdom	100.0	EUR	5	0	
Hibernia Beta Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	100.0	EUR	59,953	-16,469	
Hibernia Eta Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	85.0	EUR	42,823	-11,767	
Hibernia Gamma Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	60.6	EUR	102,633	-36,453	
Hibernia Sigma Beteiligungsgesellschaft mit beschränkter Haftung	Frankfurt/Main	100.0	EUR	42,827	-11,766	
Hurley Investments No.3 Limited	London, United Kingdom	100.0	GBP	1,943	-801,350	
IVV - Immobilien - Verwaltungs- und Verwertungsgesellschaft mbH	Eschborn	100.0	EUR	26	-	”
KENSTONE GmbH	Eschborn	100.0	EUR	26	-	”
Kommanditgesellschaft MS “CPO ALICANTE” Offen Reederei GmbH & Co.	Hamburg	90.0	EUR	20,290	-1,434	
Kommanditgesellschaft MS “CPO ANCONA” Offen Reederei GmbH & Co.	Hamburg	77.2	EUR	39,557	-231	
Kommanditgesellschaft MS “CPO BILBAO” Offen Reederei GmbH & Co.	Hamburg	90.0	EUR	20,755	954	
Kommanditgesellschaft MS “CPO MARSEILLE” Offen Reederei GmbH & Co.	Hamburg	77.2	EUR	36,950	-951	
Kommanditgesellschaft MS “CPO PALERMO” Offen Reederei GmbH & Co.	Hamburg	73.9	EUR	39,460	-477	
Kommanditgesellschaft MS “CPO TOULON” Offen Reederei GmbH & Co.	Hamburg	90.0	EUR	38,213	-5,864	
Kommanditgesellschaft MS “CPO VALENCIA” Offen Reederei GmbH & Co.	Hamburg	90.0	EUR	21,424	-667	

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000
Langham Nominees Ltd	St. Peter Port, Guernsey	100.0	GBP	0	0
LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Anthropolis KG	Ludwigshafen	94.5	EUR	-4,883	1,836
LAUREA MOLARIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Berlin Grindelwaldweg KG	Düsseldorf	94.5	EUR	-7,355	3,949
Limited Liability Company "ABRIO"	Kiev, Ukraine	100.0	UAH	83,899	-13,255
Limited Liability Company "ACUS"	Kiev, Ukraine	100.0	UAH	183,507	-94,429
Limited Liability Company "CLIOS"	Kiev, Ukraine	100.0	UAH	119,369	-100,864
Limited Liability Company "FESTLAND"	Kiev, Ukraine	100.0	UAH	465,385	0
Limited Liability Company "MERUS"	Kiev, Ukraine	100.0	UAH	37,704	-24,388
Limited Liability Company "MODUS CAPITAL"	Kiev, Ukraine	100.0	UAH	381,168	-228,291
Limited Liability Company "RIDOS"	Kiev, Ukraine	100.0	UAH	96,288	-83,611
Limited Liability Company "SANTOS CAPITAL"	Kiev, Ukraine	100.0	UAH	169,736	-70,545
Limited Liability Company "VALIDUS"	Kiev, Ukraine	100.0	UAH	468,567	-312,527
LUGO Photovoltaik Beteiligungsgesellschaft mbH	Düsseldorf	100.0	EUR	-12,012	-12,420
Marlyna Ltd	London, United Kingdom	100.0	GBP	0	0
Marylebone Commercial Finance -2	London, United Kingdom	25.0	GBP	7,047	32
Marylebone Commercial Finance Limited	London, United Kingdom	25.0	EUR	571	0
Max Lease S.à.r.l. & Cie. Secs	Luxembourg, Luxembourg	100.0	EUR	3,711	799
MERKUR Grundstücks GmbH	Frankfurt/Main	100.0	EUR	7,594	-
Messestadt Riem "Office am See" I GmbH	Eschborn	94.0	EUR	-134	-
Messestadt Riem "Office am See" II GmbH	Eschborn	94.0	EUR	459	-
Messestadt Riem "Office am See" III GmbH	Eschborn	94.0	EUR	19	-
Morris (S.P.) Holdings Limited	London, United Kingdom	100.0	GBP	0	0
NAVALIS Schiffsbetriebsgesellschaft mbH & Co. MS "NEDLLOYD JULIANA" KG	Hamburg	93.6	EUR	17,771	1,477
NAVIPOS Schiffsbeteiligungsgesellschaft mbH	Hamburg	100.0	EUR	902	443
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Lampertheim KG	Düsseldorf	100.0	EUR	20	166
NORA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekte Plön und Preetz KG	Düsseldorf	90.0	EUR	-526	82
Nordboden Immobilien- und Handelsgesellschaft mbH	Eschborn	100.0	EUR	315	-
NOVELLA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	EUR	10,804	-
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Jupiter KG	Grünwald	100.0	EUR	25,466	2,096
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Luna KG	Grünwald	100.0	EUR	2,825	336
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Neptun KG	Grünwald	100.0	EUR	16,467	1,645
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Pluto KG	Grünwald	100.0	EUR	27,178	2,383
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Uranus KG	Grünwald	100.0	EUR	43,882	1,728
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Venus KG	Grünwald	100.0	EUR	23,288	1,769
Pisces Nominees Limited	London, United Kingdom	100.0	GBP	76,844	-74,154
Property Invest GmbH	Eschborn	100.0	EUR	21,337	-70

Name	Registered office	Share of capital held %	Currency	Equity 1,000	Net profit or loss 1,000	
Property Invest Italy S.r.l.	Milan, Italy	100.0	EUR	47,262	-96	
PUBLIC JOINT STOCK COMPANY "BANK FORUM"	Kiev, Ukraine	96.1	UAH	1,491,141	-777,209	
Real Estate Holdings Limited	Hamilton, Bermuda	100.0	BMD	20,148	-9,237	
Real Estate TOP TEGEL Drei GmbH	Eschborn	94.0	EUR	60	-	"
Real Estate TOP TEGEL Eins GmbH	Eschborn	94.0	EUR	421	-	"
Real Estate TOP TEGEL Sechs GmbH	Eschborn	94.0	EUR	129	-	"
Real Estate TOP TEGEL Vier GmbH	Eschborn	94.0	EUR	60	-	"
Real Estate TOP TEGEL Zwei GmbH	Eschborn	94.0	EUR	60	-	"
REFUGIUM Beteiligungsgesellschaft mbH	Grünwald	100.0	EUR	8,846	5,701	
Rood Nominees Limited	London, United Kingdom	100.0	GBP	0	0	
Rook Finance LLC	Wilmington, Delaware, USA	100.0	USD	77,315	-453	
SB-Bauträger GmbH & Co. Urbis Hochhaus-KG	Frankfurt/Main	100.0	EUR	199	-	
SECUNDO Grundstücks-Vermietungs-gesellschaft mbH	Düsseldorf	100.0	EUR	5,811	-	"
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0	EUR	130	-	"
South East Asia Properties Limited	London, United Kingdom	100.0	GBP	31,874	10,355	
Space Park GmbH & Co. KG	Frankfurt/Main	90.0	EUR	-95,092	-54	
Sterling Energy Holdings Inc.	Wilmington, Delaware, USA	76.2	USD	45,973	-44	
Sterling Energy LLC	Wilmington, Delaware, USA	100.0	USD	132,338	-1,816	
Süddeutsche Industrie-Beteiligungs-GmbH	Frankfurt/Main	100.0	EUR	6,676	-	"
TARA Immobiliengesellschaft mbH	Eschborn	100.0	EUR	25	-	"
TARA Immobilienprojekte GmbH	Eschborn	100.0	EUR	25	-	"
Thurlaston Finance Limited	George Town, Grand Cayman, Cayman Islands	100.0	GBP	2	0	
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG	Eschborn	100.0	EUR	1,293	9,457	
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt/Main	100.0	EUR	22,778	-	"
Transfinance a.s.	Prague, Czech Republic	100.0	CZK	269,458	16,932	
Twins Financing LLC	Dover, Delaware, USA	60.0	USD	25,511	-23,074	
U.S. Residential Investment I, L.P.	Wilmington, Delaware, USA	90.0	USD	23,827	3,555	
Unica Immobiliengesellschaft mbH	Eschborn	100.0	EUR	43	-	"
Watling Leasing March - 1	London, United Kingdom	25.0	GBP	11,146	-28	
WebTek Software Private Limited	Bangalore, India	100.0	INR	219,976	0	
WESTBODEN - Bau- und Verwaltungsgesellschaft mit beschränkter Haftung	Eschborn	100.0	EUR	55	-	"
Westend Grundstücksgesellschaft mbH	Eschborn	100.0	EUR	260	-	"
Wohnbau-Beteiligungsgesellschaft mbH	Eschborn	90.0	EUR	299	-8	
Yarra Finance Limited	George Town, Grand Cayman, Cayman Islands	100.0	GBP	55	0	



## b) Associated companies

Name	Registered office	Share of capital %	Currency	Equity 1,000	Net profit or loss 1,000
36th Street CO-INVESTMENT, L.P.	Wilmington, Delaware, USA	49.0	USD	14,497	242
AKA Ausfuhrkredit-Gesellschaft mbH	Frankfurt/Main	31.6	EUR	161,822	8,605
Argor-Heraeus S.A.	Mendrisio, Switzerland	31.2	CHF	6,369	28,324
Capital Investment Trust Corporation	Taipei, Taiwan	24.0	TWD	54,852	12,361
Captain Holdings S.à.r.l.	Luxembourg, Luxembourg	46.0	GBP	3,853	-1
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt/Main	40.0	EUR	30,000	4,822
COMUNITHY Immobilien GmbH	Düsseldorf	49.9	EUR	-8,143	747
DTE Energy Center, LLC	Wilmington, Delaware, USA	49.5	USD	104,300	0
Exploitatiemaatschappij Wijkertunnel C.V.	Amsterdam, Netherlands	33.3	EUR	10,607	0
GIE Céline Bail	Paris, France	40.0	EUR	0	4,213
GIE Morgane Bail	Paris, France	40.0	EUR	0	3,581
GIE Northbail	Puteaux, France	25.0	EUR	0	7
HAJOBANTA GmbH & Co. Asia Opportunity I KG	Düsseldorf	20.8	EUR	149,041	-1,127
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf	50.0	EUR	43,779	5,967
KGAL GmbH & Co. KG	Grünwald	40.5	EUR	97,648	3,684
KGAL Verwaltungs-GmbH	Grünwald	45.0	EUR	8,362	396
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG	Grünwald	29.4	EUR	-63,291	3,024
MM Cogène 2	Paris, France	49.8	EUR	0	2,476
RECAP Alta Phoenix Lofts Investment, L.P.	New York, New York, USA	50.0	USD	16,158	0
RECAP/Commerz AMW Investment, L. P.	New York, New York, USA	50.0	USD	15,480	0
RECAP/Commerz Greenwich Park Investment, L.P	New York, New York, USA	50.0	USD	10,870	0
Reederei MS "E.R. INDIA" Beteiligungsgesellschaft mbH & Co.KG	Hamburg	26.1	EUR	9,224	2,166
Southwestern Co-Investment, L.P.	New York, New York, USA	50.0	USD	13,196	0

## c) Joint ventures

Name	Registered office	Share of capital %	Currency	Equity 1,000	Net profit or loss 1,000
Carbon Trade & Finance SICAR S.A.	Senningerberg, Luxembourg	50.0	EUR	9,167	1,039
Commerz Finanz GmbH	Munich	49.9	EUR	346,158	-23,441
Delphi I LLC	Wilmington, Delaware, USA	33.3	USD	-420,910	-13,679
FV Holding S.A.	Brussels, Belgium	60.0	EUR	30,283	-19,390
Kaiserkarree S.a.r.l.	Luxembourg, Luxembourg	50.0	EUR	-71,611	-48,630
Servicing Advisors Deutschland GmbH	Frankfurt/Main	50.0	EUR	3,038	-677

## d) Special purpose entities

Name	Registered office	Share of capital %	Currency	Equity 1,000
Honeywell Grundbesitzverwaltungs-GmbH & Co Vermietungs KG	Grünwald	100.0	EUR	-13,215

## e) Investments in large corporations where the investment exceeds 5% of the voting rights

Name	Registered office	Share of capital %	Voting rights %
ConCardis Gesellschaft mit beschränkter Haftung	Frankfurt/Main	13.9	13.9
EURO Kartensysteme Gesellschaft mit beschränkter Haftung	Frankfurt/Main	13.9	13.9
GEWOBA Aktiengesellschaft Wohnen und Bauen	Bremen	7.1	7.1
Open Joint-Stock Company Promsvyazbank	Moscow, Russia	14.4	14.4

## Footnotes

- <sup>1)</sup> Renamed: Polfactor S.A. has been transformed to BRE Factoring S.A.
- <sup>2)</sup> Renamed: Dresdner Kleinwort (Japan) Limited has been transformed to Commerz Securities Hong Kong Limited

## Comments and explanations

- <sup>\*)</sup> Profit transfer agreement

**Foreign-exchange rates for €1 as at December 31, 2011**

Bermuda	BMD	1.2939
Brazil	BRL	2.4159
United Kingdom	GBP	0.8353
India	INR	68.7130
Japan	JPY	100.2000
Poland	PLN	4.4580
Russia	RUB	41.7650
Switzerland	CHF	1.2156
Singapore	SGD	1.6819
South Africa	ZAR	10.4830
Taiwan	TWD	39.1797
Czech Republic	CZK	25.7870
Ukraine	UAH	10.3625
Hungary	HUF	314.5800
USA	USD	1.2939

**(39) Investment funds**

The disclosable investment fund units are included in the liquidity reserve and the trading portfolio and are measured at fair value. The fair value corresponds to the carrying amount. In some cases restrictions may apply to daily redemptions. The

following table shows the value of investment funds in which Commerzbank Aktiengesellschaft has a holding of more than 10%, by category as at December 31, 2011:

€m	Fair value		Distributions	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Index funds	5,118	5,398	22	2
Balanced funds	754	469	1	–
Life insurance funds	210	372	–	–
Bonds and other fixed-income funds	111	180	5	1
Hedge funds	82	91	–	–
Equities and equity funds	21	50	–	–
Other	25	47	–	–
<b>Total</b>	<b>6,321</b>	<b>6,607</b>	<b>28</b>	<b>3</b>

**(40) Seats on supervisory boards and similar bodies**
**Members of the Board of Managing  
Directors of Commerzbank  
Aktiengesellschaft**

Details pursuant to Art. 285 (10) HGB

- a) Seats on mandatory supervisory boards
- b) Seats on similar bodies

**Martin Blessing**

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**Frank Annuscheit**

- a) comdirect bank Aktiengesellschaft<sup>1</sup>  
Deputy Chairman

**Markus Beumer**

- a) Commerz Real AG<sup>1</sup>

**Dr. Achim Kassow**

(until July 12, 2011)

- a) comdirect bank Aktiengesellschaft<sup>1</sup>  
Deputy Chairman  
(until June 30, 2011)  
  
Commerzbank Auslandsbanken  
Holding AG<sup>1</sup>  
Chairman  
(until July 5, 2011)
- b) BRE Bank SA<sup>1</sup>  
(until July 12, 2011)

**Jochen Klösge**

- a) Commerz Real AG<sup>1</sup>  
Chairman  
  
Commerz Real Investment-  
gesellschaft mbH<sup>1</sup>  
Chairman  
  
Deutsche Schiffsbank  
Aktiengesellschaft<sup>1</sup>  
Chairman  
  
Eurohypo Aktiengesellschaft<sup>1</sup>  
Chairman

- b) Commerzbank Auslandsbanken  
Holding Nova GmbH<sup>1</sup>  
(until May 16, 2011)

Commerzbank Inlandsbanken  
Holding GmbH<sup>1</sup>  
Deputy Chairman

**Michael Reuther**

- a) Eurohypo Aktiengesellschaft<sup>1</sup>

**Dr. Stefan Schmittmann**

- a) Commerzbank Auslandsbanken  
Holding AG<sup>1</sup>  
  
Commerz Real AG<sup>1</sup>  
Deputy Chairman  
  
Eurohypo Aktiengesellschaft<sup>1</sup>  
Schaltbau Holding AG<sup>2</sup>  
  
Verlagsgruppe Weltbild GmbH

- b) BRE Bank S.A.<sup>1</sup>  
(until March 3, 2011)  
  
KGAL GmbH & Co. KG  
Chairman  
(until September 8, 2011)

**Ulrich Sieber**

- a) BVV Pensionsfonds des  
Bankgewerbes AG  
Deputy Chairman  
  
BVV Versicherungsverein  
des Bankgewerbes a.G.  
Deputy Chairman  
  
Commerzbank Auslandsbanken  
Holding AG<sup>1</sup>  
Chairman
- b) BRE Bank S.A.<sup>1</sup>  
Deputy Chairman  
  
SWAB Stiftung der Deutschen  
Wirtschaft für Arbeit und  
Beschäftigung GmbH  
(until August 31, 2011)

**Dr. Eric Strutz**

- a) ABB AG  
  
Commerzbank Auslandsbanken  
Holding AG<sup>1</sup>  
Deputy Chairman  
  
RWE Power AG
- b) BRE Bank S.A.<sup>1</sup>  
  
Commerzbank Auslandsbanken  
Holding Nova GmbH<sup>1</sup>  
Chairman  
  
Commerzbank Inlandsbanken  
Holding GmbH<sup>1</sup>  
Chairman  
  
Mediobanca Banca di Credito  
Finanziario S.p.A.<sup>2</sup>  
  
Partners Group Holding AG  
  
SdB-Sicherungseinrichtungsgesellschaft  
deutscher Banken mbH  
  
Verlagsbeteiligungs- und Verwaltungs-  
gesellschaft mit beschränkter Haftung

**Martin Zielke**

- a) Allianz Global Investors  
Kapitalanlagegesellschaft mbH  
  
comdirect bank Aktiengesellschaft<sup>1</sup>  
Chairman  
  
Commerz Real AG<sup>1</sup>  
  
Commerz Real Investment-  
gesellschaft mbH<sup>1</sup>  
Deputy Chairman
- b) BRE Bank SA<sup>1</sup>  
(until March 31, 2011)  
  
Commerzbank Auslandsbanken  
Holding Nova GmbH<sup>1</sup>  
Deputy Chairman  
(until May 16, 2011)  
  
PUBLIC JOINT STOCK COMPANY  
"BANK FORUM"<sup>1</sup>  
(until April 26, 2011)

<sup>1</sup> Group mandate

<sup>2</sup> Seat on the supervisory board of an external listed company or a supervisory body of a company subject to similar regulations (pursuant to section 5.4.5 of the German Corporate Governance Code).

**Members of the Supervisory Board of  
Commerzbank Aktiengesellschaft**

Details pursuant to Art. 285 (10) HGB

- a) Seats on mandatory supervisory boards  
b) Seats on similar bodies

**Klaus-Peter Müller**

- a) Fresenius Management SE  
Fresenius SE & KGaA  
(formerly Fresenius SE)  
Linde Aktiengesellschaft  
MaschmeyerRürup AG Independent  
International Consultancy  
(until October 31, 2011)  
b) Landwirtschaftliche Rentenbank  
Parker Hannifin Corporation

**Uwe Tschäge**

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**Hans-Hermann Altenschmidt**

- a) BVV Pensionsfonds des  
Bankgewerbes AG  
BVV Versicherungsverein  
des Bankgewerbes a.G.  
b) BVV Versorgungskasse  
des Bankgewerbes e.V.

**Dott. Sergio Balbinot**

- a) AachenMünchener  
Lebensversicherung AG<sup>1</sup>  
AachenMünchener Versicherung AG<sup>1</sup>  
Deutsche Vermögensberatung AG  
Generali Deutschland Holding AG<sup>1</sup>  
b) Europ Assistance Holding<sup>1</sup>  
Future Generali India  
Insurance Co. Ltd.<sup>1</sup>  
Future Generali India  
Life Insurance Co. Ltd.<sup>1</sup>  
Generali Asia N.V.<sup>1</sup>

Generali China Insurance  
Company Ltd.<sup>1</sup>

Deputy Chairman

Generali China Life  
Insurance Co. Ltd.<sup>1</sup>  
Deputy Chairman

Generali España, Holding de  
Entidades de Seguros, S.A.<sup>1</sup>  
Deputy Chairman

Generali España S.A. de Seguros y  
Reaseguros<sup>1</sup>

Generali Finance B.V.<sup>1</sup>

Generali France S.A.<sup>1</sup>  
Deputy Chairman

Generali Holding Vienna AG<sup>1</sup>  
Deputy Chairman

Generali Investments SpA<sup>1</sup>

Generali PPF Holding BV<sup>1</sup>  
Chairman

Generali (Schweiz) Holding<sup>1</sup>  
Deputy Chairman

La Centrale Finanziaria  
Generale S.p.A.<sup>1</sup>  
(until April 14, 2011)

Migdal Insurance & Financial  
Holdings Ltd.<sup>1</sup>

Participatie Maatschappij  
Graafschap Holland N.V.<sup>1</sup>

Transocean Holding Corporation<sup>1</sup>

**Dr.-Ing. Burckhard Bergmann**

- a) Allianz Lebensversicherungs-AG  
Deputy Chairman  
E.ON Energie AG  
b) Accumulatorenwerke Hoppecke  
Carl Zoellner & Sohn GmbH  
Jaeger Beteiligungsgesellschaft  
mbH & Co. KG  
Chairman  
Nord Stream AG  
(until May 27, 2011)  
OAO Gazprom  
(until June 30, 2011)  
OAO Novatek  
Telenor

**Dr. Nikolaus von Bomhard**

- a) ERGO Versicherungsgruppe AG<sup>1</sup>  
Chairman  
Munich Health Holding AG<sup>1</sup>  
Chairman

**Karin van Brummelen**

--

**Astrid Evers**

--

**Uwe Foullong**

--

**Daniel Hampel**

--

**Dr.-Ing. Otto Happel**

--

**Beate Hoffmann**

(since May 6, 2011)

--

**Sonja Kasischke**

(until May 6, 2011)

--

**Prof. Dr.-Ing. Dr.-Ing. E.h.**

**Hans-Peter Keitel**

- a) Deutsche Messe AG  
(since November 24, 2011)  
Hochtief AG  
(until May 12, 2011)  
National-Bank AG  
ThyssenKrupp AG  
b) Heitkamp & Thumann Group  
(since November 11, 2011)  
RAG Stiftung

**Alexandra Krieger**

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<sup>1</sup> Group mandate

**Dr. h.c. Edgar Meister**

- b) DWS Investment GmbH  
Standard & Poor's Credit Market  
Services Europe Limited

**Prof. h.c. (CHN) Dr. rer. oec.  
Ulrich Middelmann**

- a) Deutsche Telekom AG  
LANXESS AG  
LANXESS Deutschland GmbH  
ThyssenKrupp Materials  
International GmbH<sup>1</sup>  
(until December 31, 2011)  
ThyssenKrupp Steel Europe AG<sup>1</sup>  
(until December 31, 2011)
- b) Hoberg & Driesch GmbH  
Chairman

**Dr. Helmut Perlet**

- a) Allianz Deutschland AG  
GEA GROUP AG
- b) Allianz France S.A.  
Allianz Life Insurance Company  
of North America  
Allianz of America Inc.  
Allianz S.p.A.  
Fireman's Fund Ins. Co.

**Barbara Priester**

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**Mark Roach**

- (since January 10, 2011)
- a) Fiducia IT AG

**Dr. Marcus Schenck**

- a) AXA S.A.  
(since April 27, 2011)  
E.ON Ruhrgas AG<sup>1</sup>
- b) E.ON Energy Trading SE<sup>1</sup>  
E.ON IT GmbH<sup>1</sup>  
SMS GmbH

**Employees of Commerzbank Aktien-  
gesellschaft**

In accordance with Art. 340a (4) no. 1 HGB

**Manfred Breuer**

Deutsche Edelstahlwerke GmbH

**Gerold Fahr**

Stadtwerke Ratingen GmbH

**Martin Fishedick**Borgers AG  
Commerz Real AG  
Commerz Real Investment  
gesellschaft mbH**Bernd Förster**SE Spezial Electronic  
Aktiengesellschaft**Jörg van Geffen**Häfen und Güterverkehr Köln AG  
NetCologne Gesellschaft für Tele-  
kommunikation mit beschränkter  
Haftung**Sven Gohlke**

Bombardier Transportation GmbH

**Bernd Grossmann**

Textilgruppe Hof AG

**Detlef Hermann**Kaiser's Tengelman GmbH  
Ritzenhoff AG**Jochen H. Ihler**Hüttenwerke Krupp  
Mannesmann GmbH**Karin Katerbau**

comdirect bank Aktiengesellschaft

**Dr. Gerhard Kebbel**Deutsche Schiffsbank  
Aktiengesellschaft**Werner Lubeley**

TNT Express GmbH

**Michael Mandel**Commerz Real AG  
Commerz Real Investment-  
gesellschaft mbH**Annegret Oerder**BVV Pensionsfonds des  
Bankgewerbes AG**Andreas Schmidt**Goodyear Dunlop Tires  
Germany GmbH**Dirk Wilhelm Schuh**GEWOBA Aktiengesellschaft  
Wohnen und Bauen**Berthold Stahl**Maincor AG  
Deputy Chairman**Rupert Winter**

Klinikum Burgenlandkreis GmbH

<sup>1</sup> Group mandate

**(41) Boards of Commerzbank Aktiengesellschaft****Supervisory Board****Klaus-Peter Müller**

Chairman

**Uwe Tschäge<sup>1</sup>**Deputy Chairman  
Employee of  
Commerzbank Aktiengesellschaft**Hans-Hermann Altenschmidt<sup>1</sup>**Employee of  
Commerzbank Aktiengesellschaft**Dott. Sergio Balbinot**Managing Director Assicurazioni  
Generali S.p.A.**Dr.-Ing. Burckhard Bergmann**Former Chairman of the  
Board of Managing Directors  
E.ON Ruhrgas AG**Dr. Nikolaus von Bomhard**Chairman of the  
Board of Managing Directors  
Münchener Rückversicherungs-  
Gesellschaft AG**Karin van Brummelen<sup>1</sup>**Employee of  
Commerzbank Aktiengesellschaft**Astrid Evers<sup>1</sup>**Employee of  
Commerzbank Aktiengesellschaft**Uwe Foullong<sup>1</sup>**Secretary Trade Union ver.di  
Member of the ver.di National  
Executive Committee  
(until September 2011)**Daniel Hampel<sup>1</sup>**Employee of  
Commerzbank Aktiengesellschaft**Dr.-Ing. Otto Happel**Entrepreneur  
Luverse AG**Beate Hoffmann**(since May 6, 2011)  
Employee of  
Commerzbank Aktiengesellschaft**Sonja Kasischke<sup>1</sup>**(until May 6, 2011)  
Employee of  
Commerzbank Aktiengesellschaft**Prof. Dr.-Ing. Dr.-Ing. E.h. Hans-Peter****Keitel**  
President of the Federation  
of German Industries (BDI)**Alexandra Krieger<sup>1</sup>**Cert. Business Manager  
Head Economics Department I  
Promotion of Co-Determination  
Hans Böckler Foundation**Dr. h.c. Edgar Meister**Lawyer  
Former member of the Executive Board  
of Deutsche Bundesbank**Prof. h.c. (CHN) Dr. rer. oec.****Ulrich Middelmann**  
Former Deputy Chairman of the  
Board of Managing Directors  
ThyssenKrupp AG**Dr. Helmut Perlet**Former member of the  
Board of Managing Directors  
Allianz SE**Barbara Priester<sup>1</sup>**Employee of  
Commerzbank Aktiengesellschaft**Mark Roach<sup>1</sup>**(since January 10, 2011)  
Secretary Trade Union ver.di  
National Administration**Dr. Marcus Schenck**Member of the  
Board of Managing Directors  
E.ON AG**Dr. Walter Seipp**

Honorary Chairman

**Board of Managing Directors****Martin Blessing**

Chairman

**Frank Annuscheit****Markus Beumer****Dr. Achim Kassow**

(until July 12, 2011)

**Jochen Klösger****Michael Reuther****Dr. Stefan Schmittmann****Ulrich Sieber****Dr. Eric Strutz****Martin Zielke**<sup>1</sup> Elected by the Bank's employees.

# Responsibility statement by the Board of Managing Directors

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of the Company, and the management report

includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Frankfurt am Main, February 27, 2012  
The Board of Managing Directors



Martin Blessing



Frank Annuscheit



Markus Beumer



Jochen Klösges



Michael Reuther



Stefan Schmittmann



Ulrich Sieber



Eric Strutz



Martin Zielke



# Independent Auditor's Report<sup>1</sup>

To COMMERZBANK Aktiengesellschaft, Frankfurt am Main

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## Report on the Annual Financial Statements

We have audited the accompanying annual financial statements of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, which comprise the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, for the business year from January 1, to December 31, 2011.

### **Board of Managing Directors' Responsibility for the Annual Financial Statements**

The Board of Managing Directors of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, is responsible for the maintenance of the books and records and the preparation of these annual financial statements. This responsibility includes that these annual financial statements are prepared in accordance with German commercial law and that these annual financial statements 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 Board of Managing Directors is also responsible for the internal controls as the Board of Managing Directors determines are necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these annual financial statements, together with the bookkeeping system, based on our audit. We conducted our audit in accordance with § (Article) 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the Company's preparation of annual financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit opinion**

According to § 322 Abs. (paragraph) 3 Satz (sentence) 1 HGB, we state that our audit of the annual financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply, in all material respects, with the legal and give a true and fair view of the net assets and financial position of the Company as at December 31, 2011 as well as the results of operations for the business year then ended, in accordance with (German) principles of proper accounting.

<sup>1</sup> Translation of the independent auditor's report issued in German language on the consolidated financial statements prepared in German language by the management of Commerzbank Aktiengesellschaft, Frankfurt/Main. The German language statements are decisive.

## Report on the Management Report

We have audited the accompanying management report of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, for the business year from January 1, to the December 31, 2011. The Board of Managing Directors of COMMERZBANK Aktiengesellschaft, Frankfurt am Main, is responsible for the preparation of the management report in accordance with the legal requirements. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the management report promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the management report to obtain reasonable assurance about whether the management report is consistent with the annual financial statements and the audit findings, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB we state, that our audit of the management report has not led to any reservations.

In our opinion based on the findings of our audit of the annual financial statements and management report, the management report is consistent with the annual financial statements, as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 1, 2012

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Lothar Schreiber	Peter Goldschmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

## Significant subsidiaries and associates

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Germany	Abroad
Atlas Vermögensverwaltungs-Gesellschaft mbH, Frankfurt am Main	BRE Bank SA, Warsaw
comdirect bank AG, Quickborn	Commerzbank (Eurasija) SAO, Moscow
Commerz Real AG, Eschborn	Commerzbank Europe (Ireland), Dublin
Deutsche Schiffsbank AG, Bremen/Hamburg	Commerzbank International S.A., Luxembourg
Eurohypo AG, Eschborn	Commerzbank Zrt., Budapest
	Commerz Markets LLC, New York
	Erste Europäische Pfandbrief- und Kommunalkreditbank AG, Luxembourg
	Public Joint Stock Company "Bank Forum", Kiev

### Operative foreign branches

Amsterdam, Barcelona, Bratislava, Beijing, Brno (office), Brussels, Dubai, Hong Kong, Hradec Králové (office), Košice (office), London, Luxembourg, Madrid, Milan, New York, Ostrava (office), Paris, Plzeň (office), Prague, Shanghai, Singapore, Tianjin, Tokyo, Vienna, Zurich

### Representative Offices and Financial Institutions Desks

Addis Ababa, Almaty, Ashgabat, Baku, Bangkok, Beijing (FI Desk), Beirut, Belgrade, Brussels (Liaison Office to the European Union), Bucharest, Buenos Aires, Cairo, Caracas, Dubai (FI Desk), Ho Chi Minh City, Hong Kong (FI Desk), Istanbul, Jakarta, Johannesburg, Kiev, Kuala Lumpur, Lagos, Melbourne, Milan (FI Desk), Minsk, Moscow, Mumbai, New York (FI Desk), Novosibirsk, Panama City, Riga, Santiago de Chile, São Paulo, Seoul, Shanghai (FI Desk), Singapore (FI Desk), Taipei, Tashkent, Tblisi, Tripoli, Zagreb

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## Disclaimer

### Reservation regarding forward-looking statements

This Financial Statements and Management Report contains forward-looking statements on Commerzbank's business and earnings performance, which are based upon our current plans, estimates, forecasts and expectations. The statements entail risks and uncertainties, as there are a variety of factors which influence our business and to a great extent lie beyond our sphere of influence. Above all, these include the economic situation, the state of the financial markets worldwide and possible loan losses. Actual results and developments may, therefore, diverge considerably from our current assumptions, which, for this reason, are valid only at the time of publication. We undertake no obligation to revise our forward-looking statements in the light of either new information or unexpected events.

#### 2012/2013 Financial calendar

May 9, 2012	Interim Report Q1 2012
May 23, 2012	Annual General Meeting
August 9, 2012	Interim Report Q2 2012
November 8, 2012	Interim Report Q3 2012
End-March 2013	Annual Report 2012

#### Commerzbank AG

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The Group annual report (in accordance with the International Financial Reporting Standards) appears in German and English, also in an abridged version.