

**financial statements in accordance with international accounting standards (ias) / international financial reporting standards (ifrs) for the commerzbank group as of december 31, 2005**

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## income statement

		1.1.-31.12.2005	1.1.-31.12.2004 <sup>1)</sup>	Change
	Notes	€ m	€ m	in %
Interest received		12,527	11,374	10.1
Interest paid		9,355	8,361	11.9
Net interest income	(29)	3,172	3,013	5.3
Provision for possible loan losses	(11, 30, 47)	-566	-836	-32.3
Net interest income after provisioning		2,606	2,177	19.7
Commissions received		2,817	2,587	8.9
Commissions paid		402	337	19.3
Net commission income	(31)	2,415	2,250	7.3
Net result on hedge accounting	(32)	-22	6	.
Trading profit	(33)	707	539	31.2
Net result on investments and securities portfolio (available for sale)	(34)	647	339	90.9
Other result	(35)	26	193	-86.5
Operating expenses	(36)	4,662	4,493	3.8
<b>Operating profit</b>		<b>1,717</b>	<b>1,011</b>	<b>69.8</b>
Regular amortization of goodwill		-	83	.
Restructuring expenses	(37)	37	132	-72.0
<b>Profit from ordinary activities / Pre-tax profit</b>		<b>1,680</b>	<b>796</b>	.
Taxes on income	(38)	409	353	15.9
<b>After-tax profit</b>		<b>1,271</b>	<b>443</b>	.
Profit/loss attributable to minority interests		-106	-81	30.9
<b>Consolidated surplus</b>	(39)	<b>1,165</b>	<b>362</b>	.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

<b>Appropriation of profit</b>		<b>2005</b>	<b>2004<sup>1)</sup></b>	<b>Change</b>
	Notes	€ m	€ m	in %
Consolidated surplus	(39)	1,165	362	.
Allocation to retained earnings		-837	-212	.
<b>Consolidated profit</b>		<b>328</b>	<b>150</b>	.

The consolidated profit represents the distributable profit of Commerzbank Aktiengesellschaft. The proposal will be made to the AGM that a dividend of €0.50 per share be paid from the net profit of Commerzbank Aktiengesellschaft. With 656,812,557 shares issued, this translates into an overall payout of €328m. Last year, a dividend payment of €0.25 per share was made.

<b>Basic earnings per share</b>		<b>2005</b>	<b>2004<sup>1)</sup></b>	<b>Change</b>
	Notes	€	€	in %
Earnings per share	(39)	1.93	0.61	.

The calculation of the earnings per share according to IAS/IFRS is based on the consolidated surplus, with minority interests not taken into consideration. There were no diluted earnings per share, since – as in the previous year – no conversion or option rights were outstanding.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

## balance sheet

Assets	Notes	31.12.2005	31.12.2004 <sup>1)</sup>	Change in %
		€ m	€ m	
Cash reserve	(9, 42)	8,628	4,888	76.5
Claims on banks	(10, 43, 45, 46)	86,203	86,719	-0.6
Claims on customers	(10, 43, 44, 46)	153,674	150,277	2.3
Provision for possible loan losses	(11, 47)	-5,181	-5,305	-2.3
Positive fair values from derivative hedging instruments	(13, 48)	4,734	3,920	20.8
Assets held for dealing purposes	(14, 49)	100,321	102,081	-1.7
Investments and securities portfolio	(15, 50, 53)	86,241	72,193	19.5
Intangible assets	(16, 51, 53)	973	801	21.5
Fixed assets	(17, 18, 52, 53)	1,525	1,766	-13.6
Tax assets	(24, 54)	5,538	5,811	-4.7
Other assets	(55)	2,205	1,726	27.8
<b>Total</b>		<b>444,861</b>	<b>424,877</b>	<b>4.7</b>

Liabilities and equity	Notes	31.12.2005	31.12.2004 <sup>1)</sup>	Change in %
		€ m	€ m	
Liabilities to banks	(19, 45, 56)	129,900	115,430	12.5
Liabilities to customers	(19, 45, 57)	102,846	105,064	-2.1
Securitized liabilities	(19, 58)	96,920	87,250	11.1
Negative fair values from derivative hedging instruments	(20, 59)	9,839	8,653	13.7
Liabilities from dealing activities	(21, 60)	74,999	80,006	-6.3
Provisions	(22, 23, 61)	3,521	3,402	3.5
Tax liabilities	(24, 62)	3,706	3,893	-4.8
Other liabilities	(63)	1,337	1,280	4.5
Subordinated capital	(25, 64)	8,143	8,876	-8.3
Equity	(27, 66, 67, 68)	13,650	11,023	23.8
Subscribed capital	(66)	1,705	1,546	10.3
Capital reserve	(66)	5,686	4,481	26.9
Retained earnings	(66)	4,165	3,383	23.1
Revaluation reserve	(15, 66)	1,995	1,600	24.7
Measurement of cash flow hedges	(6, 66)	-1,069	-1,214	-11.9
Reserve from currency translation	(7, 66)	-107	-192	-44.3
Consolidated profit		328	150	.
Total before minority interests		12,703	9,754	30.2
Minority interests		947	1,269	-25.4
<b>Total</b>		<b>444,861</b>	<b>424,877</b>	<b>4.7</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

## statement of changes in equity

	Sub- scribed capital	Capital reserve	Retained earnings	Revalu- ation reserve	Measure- ment of cash flow hedges	Reserve from currency trans- lation	Consoli- dated profit	Total before minority interests	Minority interests	Equity
€ m										
<b>Equity as of 31.12.2003</b>	<b>1,545</b>	<b>4,475</b>	<b>3,286</b>	<b>1,240</b>	<b>-1,236</b>	<b>-219</b>	<b>-</b>	<b>9,091</b>	<b>1,213</b>	<b>10,304</b>
Changes due to new accounting rules		1	-19	-4				-22	-1	-23
<b>Equity as of 1.1.2004</b>	<b>1,545</b>	<b>4,476</b>	<b>3,267</b>	<b>1,236</b>	<b>-1,236</b>	<b>-219</b>	<b>-</b>	<b>9,069</b>	<b>1,212</b>	<b>10,281</b>
Consolidated profit							150	150		150
Allocation to retained earnings			212					212		212
Profits/losses								-	81	81
Changes in revaluation reserve				364				364	53	417
Changes arising from cash flow hedges					22			22	-74	-52
Changes in currency reserve						27		27		27
<b>Comprehensive income 2004</b>			<b>212</b>	<b>364</b>	<b>22</b>	<b>27</b>	<b>150</b>	<b>775</b>	<b>60</b>	<b>835</b>
Capital increases								-	72	72
Issue of shares to employees	2	8						10		10
Profits/losses in previous year								-	-85	-85
Changes in companies included in consolidation and Other changes*)	-1	-3	-96					-100	10	-90
<b>Equity as of 31.12.2004</b>	<b>1,546</b>	<b>4,481</b>	<b>3,383</b>	<b>1,600</b>	<b>-1,214</b>	<b>-192</b>	<b>150</b>	<b>9,754</b>	<b>1,269</b>	<b>11,023</b>
Consolidated profit							328	328		328
Allocation to retained earnings			837					837		837
Profits/losses								-	106	106
Changes in revaluation reserve				395				395	-73	322
Changes arising from cash flow hedges					145			145	-64	81
Changes in currency reserve						85		85		85
<b>Comprehensive income 2005</b>			<b>837</b>	<b>395</b>	<b>145</b>	<b>85</b>	<b>328</b>	<b>1,790</b>	<b>-31</b>	<b>1,759</b>
Capital increases	150	1,177						1,327	23	1,350
Issue of shares to employees	1	8						9		9
Profits/losses in previous year								-	-81	-81
Dividend							-150	-150		-150
Changes in companies included in consolidation and Other changes*)	8	20	-55					-27	-233	-260
<b>Equity as of 31.12.2005</b>	<b>1,705</b>	<b>5,686</b>	<b>4,165</b>	<b>1,995</b>	<b>-1,069</b>	<b>-107</b>	<b>328</b>	<b>12,703</b>	<b>947</b>	<b>13,650</b>

\*) including changes in treasury shares

As of December 31, 2005, the subscribed capital of Commerzbank Aktiengesellschaft pursuant to the Bank's articles of association stood at €1,708m; it was divided into 656,812,557 no-par-value shares (accounting par value per share: €2.60). After the 1,113,296 treasury shares held by the Bank on December 31, 2005, are deducted, its subscribed capital amounts to €1,705m.

The Bank made use of the authorization resolved by the Annual General Meeting of May 20, 2005 to purchase its own shares for the purpose of securities trading, pursuant to Art. 71, (1), no. 7, German Stock Corporation Act – AktG. Gains and losses from trading in the Bank's own shares have no effect on the net profit.

No use was made in the 2005 financial year of the resolution of the Annual General Meeting of May 20, 2005, authorizing the Bank to repurchase its own shares pursuant to Art. 71, (1), no. 8, AktG, for purposes other than securities trading.

Other changes in retained earnings, the revaluation reserve and the measurement of cash flow hedges relate to changes in equity at associated companies which, in accordance with IAS 28, have to be shown on a pro-rata basis with no effect on the net profit.



## **cash flow statement**

	2005	2004 <sup>1)</sup>
	€ m	€ m
<b>Consolidated surplus</b>	<b>1,165</b>	<b>362</b>
Non-cash positions in net profit and adjustments to reconcile net profit with net cash provided by operating activities:		
Write-downs, depreciation, adjustments, write-ups to fixed and other assets, changes in provisions and net changes due to hedge accounting	1,288	1,551
Change in other non-cash positions	-2,280	2,997
Profit from the sale of assets	-647	-339
Profit from the sale of fixed assets	7	-15
Other adjustments (net interest income)	-3,172	-3,330
<b>Sub-total</b>	<b>-3,639</b>	<b>1,226</b>
Change in assets and liabilities from operating activities after correction for non-cash components:		
Claims on banks	516	-27,702
Claims on customers	-3,397	2,813
Securities held for dealing purposes	-370	-2,931
Other assets from operating activities	-1,082	208
Liabilities to banks	14,470	20,181
Liabilities to customers	-2,218	5,064
Securitized liabilities	9,670	3,258
Other liabilities from operating activities	-114	-338
Interest and dividends received (see Note 29)	12,527	11,374
Interest paid	-9,355	-8,361
Income tax paid	-241	-483
<b>Net cash provided by operating activities</b>	<b>16,767</b>	<b>4,309</b>
Proceeds from the sale of:		
Investments and securities portfolio	44,045	39,720
Fixed assets	66	285
Payments for the acquisition of:		
Investments and securities portfolio	-57,560	-45,806
Fixed assets	-429	-505
Effects of changes in the group of companies included in the consolidation		
Payments from the acquisition of subsidiaries	333	-3
<b>Net cash used by investing activities</b>	<b>-13,545</b>	<b>-6,309</b>
Proceeds from capital increases	1,364	1
Dividends paid	-150	-
Other financing activities (subordinated capital)	-733	-529
<b>Net cash provided by financing activities</b>	<b>481</b>	<b>-528</b>
<b>Cash and cash equivalents at end of previous period</b>	<b>4,888</b>	<b>7,429</b>
Net cash provided by operating activities	16,767	4,309
Net cash used by investing activities	-13,545	-6,309
Net cash provided by financing activities	481	-528
Effects of exchange-rate changes on cash and cash equivalents	37	-13
<b>Cash and cash equivalents at end of period</b>	<b>8,628</b>	<b>4,888</b>

Cash and cash equivalents includes changes in the group of companies included in the consolidation in an amount of €333m.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

The cash flow statement shows the structure of and changes in cash and cash equivalents during the financial year. It is broken down into operating activities, investing activities and financing activities.

Under net cash provided by operating activities, payments (inflows and outflows) from claims on banks and customers and also securities from the trading portfolio and other assets are shown. Additions to and disposals from liabilities to banks and customers, securitized liabilities and other liabilities also belong to operating activities. The interest and dividend payments resulting from operating activities are similarly reflected in the net cash provided by operating activities.

The net cash used by investing activities shows payments for the investments and securities portfolio as well as for fixed assets and payments for the acquisition of subsidiaries. The effects of changes in the list of consolidated companies are also recognized under this item.

The net cash provided by financing activities covers the proceeds from capital increases as well as payments received and made with regard to subordinated capital. Distributed dividends are also shown here.

We consider cash and cash equivalents to be the Cash reserve (see Note 42), consisting of cash on hand, balances held at central banks and also debt issued by public-sector borrowers and bills of exchange eligible for rediscounting at central banks. Claims on banks which are due on demand are not included.

As far as banks are concerned, the cash flow statement can be considered not very informative. For us, the cash flow statement replaces neither liquidity planning nor financial planning, nor do we look upon it as a steering instrument.

## notes

### Consolidated accounting principles

Our consolidated financial statements as of December 31, 2005 were prepared in accordance with Regulation (EC) No. 1606/2002 (IAS Regulation) of the European Parliament and of the Council of 19 July, 2002, together with other regulations for adopting certain international accounting standards on the basis of the International Accounting Standards (IAS) – and the International Financial Reporting Standards (IFRS) – approved and published by the International Accounting Standards Board (IASB) and with their interpretation by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretation Committee (IFRIC). These financial statements are based on the IAS/IFRS rules, as they are to be applied in the EU. With the exception of IAS 39,

all the standards have been recognized. Certain hedge accounting rules of IAS 39 have been ignored. A summary of the regulations that have been applied can be found on pages 108-109.

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements also include a statement of changes in equity, a cash flow statement and the notes. Segment reporting appears in the notes on pages 128-136.

The consolidated management report, including a separate report on the opportunities and risks related to future developments (Risk report) pursuant to Art. 315, German Commercial Code – HGB, appears on pages 56-93 of our annual report.

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

### Accounting policies

#### (1) Basic principles

The consolidated financial statements are based on the going concern principle. Income and expenses are recognized on a pro-rata temporis basis; they are shown for the period to which they may be assigned in economic terms.

We have applied IAS 39, together with the different classification and measurement principles prescribed by this standard, in our accounting. Hedge accounting rules are applied in the case of derivative hedging instruments (further details may be found in note 6).

Throughout the Commerzbank Group, uniform accounting policies are used in preparing the financial statements. All fully consolidated companies prepared their financial statements as of December 31, 2005.

If estimates or assessments are necessary for accounting and measuring under IAS/IFRS rules, we have made these in accordance with the respective standards. They are based on past experience and other factors, such as planning and – from the present standpoint – likely expectations or forecasts of future events.

#### (2) Adjustment of the accounting policies (IAS Improvement Project)

Basically, we have employed the same accounting policies as for the consolidated financial statements as of December 31, 2004. Due to the reformulation or amendment of individual IAS/IFRSs, however, both retrospective and prospective adjustments were necessary, which are outlined below.

##### 1. Claims on banks and customers

Up to now, we have distinguished in our accounting between claims originated by the Bank and those acquired in the secondary market:

Claims originated by the Bank appeared as Claims on banks or Claims on customers at amortized cost. Disposal gains or losses were recognized under Net interest income.

Claims acquired in the secondary market (above all promissory notes) were shown at their fair value in the Investments and securities portfolio. Disposal gains or losses were recognized under Net result on investments and securities portfolio (available for sale).

Under the new rules of IAS 39, the accounting of claims from now on will reflect whether they are listed in an active market or not. Accordingly,

- claims not quoted in an active market will appear at amortized cost as Claims on banks or Claims on customers, with disposal gains or losses recognized under Net interest income;
- claims quoted in an active market will appear at their fair value, with disposal gains or losses recognized under Net result on investments and securities portfolio (available for sale).

In order to make comparisons easier, we have adjusted the year-ago levels and the figures in the income statement. This has had no effect on the consolidated surplus.

### **2. Amortization of goodwill**

Up to now, goodwill has been amortized over 15 years, using the straight-line method. In accordance with the reformulated rule of IFRS 3, no regular amortization of goodwill will be made after January 1, 2005. However, as previously, goodwill will be subjected to an impairment test at least once a year. As this change has to be applied prospectively, we have not adjusted the year-ago figures.

### **3. Minority interests**

Minority interests in the Bank's equity were previously shown separately from equity under Minority interests. In accordance with the reformulated IAS 1, minority interests have appeared within equity since January 1, 2005.

### **4. Staff remuneration plans**

Up to now, provisions have been formed and charged to operating expenses for staff remuneration plans which seem likely to be used. IFRS 2, which has had to be applied since January 1, 2005, also provides for the fair value of staff remuneration plans to be recognized under expenses – spread across the lifetime of the plans. Recognition of the plans in the balance sheet distinguishes between payments to the employee settled in cash and those settled in the form of equities:

Cash-settled plans appear in the balance sheet as a provision.

Equity-settled plans appear in the balance sheet under equity.

Plans offering a choice of payment option have to be split between provisions and equity according to the likelihood of the option being chosen.

This amendment has had to be applied retrospectively. As a result, we have adjusted the year-ago figures for personnel expenses, provisions and equity. The consolidated surplus shown in the previous year was reduced by €31m.

### **5. Fair value option**

In the version of IAS 39 valid as from January 1, 2005, the fair value option was introduced as an additional measurement option. It enables companies preparing their accounts to apply the fair value principle voluntarily on initial recognition when measuring financial instruments which do not have to be measured according to this principle. Changes on remeasurement are recognized in the income statement under Trading profit and are explained individually in Note 33. In June 2005, the IASB presented a revised version of the fair value option, which was recognized by the EU in November 2005. The changes primarily related to the conditions under which the fair value option may be applied.

This regulation also had to be applied retrospectively. As a result, the year-ago figure for the consolidated surplus rose by €0.4m.

**(3) IAS/IFRS, SIC and GASB rules applied**

As a matter of principle, we apply all the valid standards in our accounting and measurement. For this reason, we have not taken into consideration standards and inter-

pretations to be applied only as from January 1, 2006, or later (IFRS 6 and 7, IFRIC 4, 5, 6 and 7). We do not expect the IAS/IFRS rules to be applied for the first time in 2006 to have any material consequences.

The 2005 consolidated financial statements are based on the IASB framework and the following relevant IAS/IFRSs:

IAS 1	Presentation of financial statements
IAS 7	Cash flow statements
IAS 8	Accounting policies, changes in accounting estimates and errors
IAS 10	Events after the balance-sheet date
IAS 12	Income taxes
IAS 14	Segment reporting
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee benefits
IAS 21	The effects of changes in foreign-exchange rates
IAS 23	Borrowing costs
IAS 24	Related party disclosures
IAS 27	Consolidated and separate financial statements
IAS 28	Investments in associates
IAS 30	Disclosures in the financial statements of banks and similar financial institutions
IAS 31	Interests in joint ventures
IAS 32	Financial instruments: disclosure and presentation
IAS 33	Earnings per share
IAS 36	Impairment of assets
IAS 37	Provisions, contingent liabilities and contingent assets
IAS 38	Intangible assets
IAS 39*)	Financial instruments: recognition and measurement
IAS 40	Investment property
IFRS 2	Share-based payment
IFRS 3	Business combinations
IFRS 5	Non-current assets held for sale and discontinued operations

\*) In the version taken over by the EU Commission

We have not taken IFRSs 1, 4 and IASs 2, 11, 20, 26, 29, 34 and 41 into consideration, as we did not have to apply them.

In addition to the standards mentioned, we have also taken into consideration in our consolidated financial statements the following interpretations of SIC or IFRIC that are relevant for us:

No.	Title	relates to
SIC-7	Introduction of the euro	IAS 10, 21
SIC-12	Consolidation – special-purpose entities	IFRS 2, IAS 8, 19, 27, 32
SIC-15	Operating leases – incentives	IAS 17
SIC-21	Income taxes – recovery of revalued non-depreciable assets	IAS 12, 16
SIC-25	Income taxes – changes in the tax status of an enterprise or its shareholders	IAS 12
SIC-27	Evaluating the substance of transactions in the legal form of a lease	IAS 1, 17, 18
SIC-32	Intangible assets – web site costs	IAS 38

IFRICs 1, 2 and SIC-10, 13, 29 and 31 did not have to be taken into consideration.

With the approval of GAAS 1 by the German Accounting Standards Board (GASB) and its publication in the Federal Gazette (*Bundesanzeiger*) on August 31, 2005, the German Accounting Standards (GAS) were altered such that they basically no longer have to be applied if the consolidated financial statements are prepared according to

international accounting standards as defined in Art. 315a, HGB. Exempted from this regulation are GAS 15 Management Reporting and the supplementary GAS 5 and 5-10 Risk Reporting, which we have taken into consideration in our consolidated financial statements.

**(4) Consolidated companies**

Besides the Parent Bank, the consolidated financial statements include 115 subsidiaries (2004: 98) in which Commerzbank Aktiengesellschaft holds more than 50% of the capital directly or indirectly or exerts control over them. Of these, 53 have their legal seat in Germany (2004: 46) and 62 (2004: 52) elsewhere.

154 subsidiaries and associated companies (2004: 162) of minor significance for the Group's asset and financial position and earnings performance have not been included; instead, they have been shown under Investments and securities portfolio as holdings in subsidiaries or investments. These companies account for less than 0.2% (2004: 0.3%) of the Group's overall balance-sheet total.

In the year under review, 18 subsidiaries were included in the consolidation for the first time.

In addition to the 115 (2004: 98) subsidiaries, we included in the 2005 financial year 28 (2004: four) special-purpose entities and 21 (2004: 14) non-publicly-offered funds in our consolidated financial statements in accordance with IAS 27 and SIC-12. 35 special-purpose entities and non-publicly-offered funds have been included in the consolidation for the first time.

No longer included in the list of consolidated companies are:

- von der Heydt-Kersten & Söhne, Wuppertal
- Non-publicly-offered funds/special-purpose entities
- ABN AMRO-Credit Spread-Fonds, Frankfurt am Main
- Comas Strategy Fund I Limited, Grand Cayman
- HIE-COFONDS III, Frankfurt am Main
- HIE-COFONDS IV, Frankfurt am Main

Ten major associated companies (2004: nine) – six of them based in Germany (2004: five) – are measured using the equity method. As a major associated company, Eurohypo Aktiengesellschaft, Eschborn, is included in the consolidated financial statements reflecting the interest we hold in it, as it was in previous years. Two associated companies have been included for the first time.

The following company has been removed from the list of associated companies:

- KEB Commerz Investment Trust Management Company Ltd., Seoul

A complete list of the subsidiaries, associated companies and special-purpose entities and non-publicly-offered funds included in our consolidated financial statements can be found on pages 188-193.

**(5) Principles of consolidation**

For the consolidation of the capital accounts, we measure the assets and liabilities of subsidiaries completely afresh, regardless of the percentage share of the equity which we held at the time of acquisition. With deferred taxes taken into consideration, the remeasured assets and liabilities are included in the consolidated balance sheet; the realized hidden reserves and built-in losses which have been identified are treated in accordance with the standards which have to be applied in subsequent reporting periods. If a positive difference remains after remeasurement, this is shown as goodwill.

Claims and liabilities deriving from business relations between Group companies, as well as expenses and income, are eliminated as part of the consolidation of earnings; intra-Group book gains or losses registered during the financial year are deducted, unless they are of minor importance.

Associated companies are measured according to the equity method and are shown as investments in associated companies under Investments and securities portfolio. The purchase cost of these investments and the goodwill are determined at the time of their first inclusion in the consolidated financial statements, applying the same rules as for subsidiaries. For major associated companies, the equity book value which is carried and appears either in profit or loss or in the revaluation reserve is based on the auxiliary calculations of the associated companies, prepared and audited in accordance with our instructions, with IAS/IFRS rules applied.

Holdings in subsidiaries not consolidated because of their minor significance and investments are shown at their fair value, or if this cannot be reliably established, at cost under Investments and securities portfolio.

**(6) Financial instruments: recognition and measurement (IAS 39)**

In accordance with IAS 39, all financial assets and liabilities – which also include derivative financial instruments – have to be recognized in the balance sheet and measured in accordance with their assigned category. A financial instrument is a contract which automatically produces a financial asset for the one company and a financial liability or equity instrument for the other.

The following remarks present an overview of how the rules of IAS 39, in the version to be employed as from 2005, have been applied within our Group:

a) Categorization of financial assets and liabilities and their measurement

Loans and claims:

Non-derivative financial instruments with fixed or determinable payment claims for which no active market exists are assigned to this category. This holds true regardless of whether they were originated by the Bank or acquired in the secondary market. An active market exists if quoted prices are regularly made available, for example, by a stock exchange or broker, and these prices are representative for current transactions between remote third parties. Measurement is made at amortized cost. Premiums and discounts appear under Net interest income over the entire lifetime.

Held-to-maturity financial assets:

Non-derivative financial assets with fixed or determinable payments and also a fixed maturity may be included in this category if an active market exists for them and both the intent and the ability exist to hold them to final maturity. They are measured at amortized cost, with premiums and discounts being recognized under Net interest income over the entire lifetime to maturity. The Commerzbank Group has not used the Held-to-maturity financial assets category with respect to the 2005 financial year either.

Assets held for dealing purposes and Liabilities from dealing activities:

All financial assets which are held for dealing purposes are assigned to this class. These include original financial instruments (especially interest-bearing securities, equities and promissory notes), precious metals and also derivative financial instruments with a positive fair value. Accordingly, all financial liabilities from dealing activities are assigned to this class. These include above all derivative financial instruments with a negative fair value as well as delivery obligations arising from short sales of securities.

Derivative financial instruments used as hedging instruments are only recognized as assets held for dealing purposes or liabilities from dealing activities insofar as they do not meet the conditions for the application of hedge accounting rules (see below in this note). Otherwise, they are shown as Fair values attributable to hedging instruments.

Assets held for dealing purposes and liabilities from dealing activities are measured at their fair value on each balance-sheet date. The results of such measurement appear under Trading profit in the income statement.

Spot transactions are recognized immediately upon conclusion of the transaction; we make a balance-sheet entry when the contract is performed.

Available-for-sale financial assets:

All non-derivative financial assets not assignable to one of the above categories have to be counted as available-for-sale financial assets. Primarily, these are interest-bearing securities, equities, promissory notes and investments. They are initially measured at cost and subsequently at their fair value. After deferred taxes have been taken into consideration, measured gains and losses are recognized with no effect on the income statement in a separate equity item (revaluation reserve). If the financial asset is sold, the cumulative valuation previously recognized in the revaluation reserve is released and appears in the income statement. Should the asset's value be permanently impaired, the revaluation reserve has to be adjusted for the impairment, and the amount has to be reflected in the income statement. If the fair value cannot be reliably ascertained, measurement is made at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.



**Other financial liabilities:**

This category includes liabilities to banks and customers and also securitized liabilities. Measurement is made at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.

**Fair value option:**

The fair value option, introduced in IAS 39, makes it possible voluntarily to measure each financial instrument at fair value and to reflect the net result of such measurement in the income statement. The decision whether to use the fair value option or not has to be made at the inception of the financial instrument.

The fair value option may be applied for a financial instrument provided that

- an accounting mismatch is avoided or substantially reduced, or
- a portfolio of financial instruments is managed, and its performance is measured on a fair value basis, or
- the financial instrument has one or several embedded derivatives.

Financial instruments for which a fair value option is employed are shown at their fair value in the appropriate balance-sheet item for their respective category. The results of measurement appear under Trading profit. Further details on how and to what extent the fair value option is used can be found in Note 78.

**b) Embedded derivatives**

IAS 39 also regulates the treatment of derivatives embedded in original financial instruments (embedded derivatives). Such financial instruments are also referred to as hybrid financial instruments. These include, for example, reverse convertible bonds (bonds with a right to repayment in the form of equities) or bonds with indexed interest payments. In accordance with IAS 39, under certain conditions the embedded derivative should be shown separately from the original host contract as a stand-alone derivative.

Such separation has to be made if the characteristics and risks of the embedded derivative are not closely related to those of the original host contract. In this case, the embedded derivative has to be regarded as part of the trading portfolio and recognized at its fair value. Changes on remeasurement have to be shown in profit and loss. The host contract is accounted for and measured applying the rules of the category to which the financial instrument is assigned.

However, if the characteristics and risks of the embedded derivative are closely linked to those of the original host contract, the embedded derivative is not shown separately and the hybrid financial instrument is measured as a whole in accordance with the general provisions of the category to which the financial instrument is assigned.

**c) Hedge accounting**

IAS 39 contains extensive hedge accounting regulations, i.e. accounting for hedging instruments – especially derivatives – and the underlying hedged transactions.

In line with general regulations, derivatives are classified as trading transactions (assets held for dealing purposes or liabilities from dealing activities) and are measured at their fair value. The result of such measurement is shown under Trading profit. If it can be demonstrated that derivatives are used to hedge risks from non-trading transactions, IAS 39 permits, under certain conditions, the application of hedge accounting rules. For the most part, two forms of hedge accounting are distinguished:

**Fair value hedge accounting:**

IAS 39 prescribes the use of hedge accounting for derivatives which serve to hedge the fair value of recognized assets or liabilities. Above all, the Group's issuing and lending business and the securities portfolio of liquidity management, insofar as these are fixed-income securities, are subject to such a fair value risk. Primarily, interest-rate and interest-rate/currency swaps are used to hedge these risks.

In line with the regulations for fair value hedge accounting, the derivative financial instruments used for hedging purposes are shown at fair value as Fair values attributable to derivative hedging instruments. Changes upon remeasurement appear as profit or loss in the income statement under Net result on hedge accounting. Any changes in the fair value of the hedged asset or hedged liability resulting from the hedged risk have to be recognized and similarly shown in the income statement under Net result on hedge accounting. Given a perfect hedge, the changes upon remeasurement recognized in the income statement for the hedge and the hedged transaction will balance one another.

**Cash flow hedge accounting:**

IAS 39 prescribes the use of cash flow hedge accounting for derivatives which serve to hedge the risk of a change in future cash flows. A cash-flow risk exists in particular for floating-rate loans, securities and liabilities as well as forecast transactions (for example, forecast fund-raising or financial investments). Within the Commerzbank Group, the interest-rate risks in asset/liability management are largely covered by means of cash flow hedges. Primarily, interest-rate and interest-rate/currency swaps are used for hedging purposes.

Derivative financial instruments used in cash flow hedge accounting are carried at fair value as Fair values attributable to derivative hedging instruments. Reporting of the gain or loss has to be divided into an effective and an ineffective part. The effective result measured is that part of the hedging derivative's change in fair value which represents an effective hedge of the cash flow risk arising from the underlying hedged transaction and is recognized, after deferred taxes have been taken into consideration, in a separate item under equity (Measurement of cash flow hedges). By contrast, the ineffective portion is shown in the income statement. There is no change in the general accounting rules described above for the transactions underlying cash flow hedges.

The application of hedge accounting rules is tied to a number of conditions. These relate above all to the documentation of the hedge and also to its effectiveness.

The hedge has to be documented at the time of its conclusion. Documentation extends above all to an identification of the hedging instrument and the underlying hedged transaction and also details of the hedged risk and the method employed to determine the effectiveness of the hedge. Documentation for an underlying transaction hedged with a derivative may relate either to an individual asset, liability, pending business or forecast transaction or to a portfolio of such items (microhedge) which are given similar accounting treatment. It is not sufficient, however, to document a net risk position to be hedged.

In addition to documentation, IAS 39 calls for evidence of an effective hedge in order for hedge accounting rules to be applied. Effectiveness in this connection means the relationship between the change in fair value or the cash flow resulting from the hedged underlying transaction and the change in fair value or the cash flow resulting from the hedge. If these changes almost entirely balance one another, a high degree of effectiveness exists. Proof of effectiveness requires, on the one hand, that a high degree of effectiveness can be expected from a hedge in the future (prospective effectiveness). On the other hand, when a hedge exists, it must be regularly demonstrated that this was highly effective during the period under review (retrospective effectiveness). A high degree of retrospective effectiveness exists if the ratio of changes in the fair value or the cash flow lies between 0.8 and 1.25. Here, the methods used for determining effectiveness have to be disclosed.

**(7) Currency translation**

Assets and liabilities denominated in foreign currencies, as well as immatured spot foreign-exchange transactions, are translated at the spot rates, and foreign-exchange forward contracts at the forward rate on the balance-sheet date. Expenses and income are translated at market rates. Currency translation for investments and holdings in subsidiaries that are denominated in foreign currencies is effected at historical cost. Translation gains and losses from the consolidation of the capital accounts appear in the balance sheet under Equity.

As a result of their economically independent business activity, the financial statements of our units abroad that are prepared in foreign currencies are translated at the spot rates of the balance-sheet date.

The expenses and income generated by the translation of balance-sheet items are recognized in the income statement. Hedged expenses and income are translated at the hedging rate.

The following translation rates apply for the currencies that are most important to the Commerzbank Group (amount per €1 in the respective currency):

	2005	2004
USD	1.1797	1.3621
GBP	0.6853	0.70505
CHF	1.5551	1.5429
PLN	3.8600	4.0845

#### (8) Offsetting

We set liabilities off against claims if these relate to the same counterparty, are due at call, and agreement has been reached with the contractual partner that interest and commissions be calculated as if only a single account existed.

#### (9) Cash reserve

With the exception of debt issued by public-sector borrowers, which is shown at its fair value, all the items appear at their nominal value.

#### (10) Claims

The Commerzbank Group's claims on banks and customers which are not held for trading and are not quoted on an active market are shown at either their nominal value or at amortized cost. Premiums and discounts appear under Net interest income over the entire lifetime. The book values of claims which qualify for hedge accounting are adjusted for the gain or loss attributable to the hedged risk. Claims recognized under the fair value option appear at their fair value.

#### (11) Provision for possible loan losses

We fully provide for the special risks associated with banking business by forming specific valuation allowances and portfolio valuation allowances.

In order to cover the lending risks represented by claims on customers and banks, we have formed specific valuation allowances according to uniform Group standards. Valuation allowances have to be formed for a loan if it is probable that not all the interest payments and repayments of principal can be made according to the agreement. The size of the valuation allowance corresponds to the difference between the book value of the loan after valuable security has been taken into consideration and the cash value of the expected future cash flow, discounted by the original effective interest rate.

In addition, we cover credit risk by means of portfolio valuation allowances. Actual loan losses serve as a yardstick for the scale on which portfolio valuation allowances have to be formed, differentiated according to sub-portfolios as shown in the balance sheet.

Insofar as it relates to claims in the balance sheet, the aggregate amount of provision for possible loan losses is shown separately from Claims on banks and Claims on customers. However, provision for risks in off-balance-sheet business – guarantees, endorsement liabilities, lending commitments – is shown as a provision for lending risks.

Unrecoverable accounts for which no specific valuation allowance has been formed are written down immediately. Amounts received on written-down claims appear in the income statement.

#### (12) Genuine repurchase agreements and securities-lending transactions

Repo transactions combine the spot purchase or sale of securities with their forward sale or repurchase, the counterparty being identical in either case. The securities sold under repurchase agreements (spot sale) still appear, and are measured, in the consolidated balance sheet as part of the securities portfolio. According to counterparty, the inflow of liquidity from the repo transaction is shown in the balance sheet as a liability to either banks or customers. The agreed interest payments are booked as interest paid, reflecting the respective maturities.

The outflows of liquidity caused by reverse repos appear as claims on banks or customers and are measured accordingly. The securities bought under repurchase agreements and on which the financial transaction is based (spot purchase) are not carried in the balance sheet, nor are they measured. The agreed interest from reverse repos is counted as interest income, reflecting the respective maturities. Claims arising from reverse repos are not netted against liabilities from repos involving the same counterparty.

We show securities-lending transactions in a similar manner to securities in genuine repurchase agreements. Lent securities remain in our securities portfolio and are measured according to the rules of IAS 39. Borrowed securities do not appear in our balance sheet, nor are they measured. We show cash security which we have furnished for securities-lending transactions as a claim and received security as a liability.

**(13) Positive fair values from derivative hedging instruments**

Derivative financial instruments used for hedging which qualify for hedge accounting and have a positive value appear under this item. The instruments are measured at fair value.

Listed instruments are measured at market prices; for non-listed products, internal price models (net present-value or option-price models) are used. The hedge accounting results for fair value hedges appear in the income statement under Net result on hedge accounting. By contrast, effective portions of the gains and losses on cash flow hedges are recognized under Measurement of cash flow hedges in Equity.

**(14) Assets held for dealing purposes**

Securities held for dealing purposes, promissory notes and precious metals appear in the balance sheet at their fair value on the balance-sheet date. Also shown at fair value are all derivative financial instruments which are not used as hedging instruments in hedge accounting and have a positive fair value. For listed products, market prices are used; non-listed products are measured on the basis of the net present-value method or other suitable measurement models (for instance, option-price models). All the realized gains and losses and also the net changes which are not realized appear as part of the Trading profit in the income statement. Under this item, interest and dividend income from trading portfolios are also shown, less the expenses required to finance them.

**(15) Investments and securities portfolio (available for sale)**

Our Investments and securities portfolio comprises all the bonds, notes and other fixed-income securities, shares and other variable-yield securities and all the investments and investments in associated companies, as well as holdings in non-consolidated subsidiaries which are not held for dealing purposes. In addition, we include here claims quoted in an active market and recognize any disposal proceeds under Net result on investments and securities portfolio (available for sale).

These portfolios are recognized and measured at fair value, or according to the equity method in the case of investments in associated companies. If the fair value cannot be reliably calculated, the item is shown at amortized cost; this primarily holds true for non-listed assets. Net

changes are shown – after deferred taxes have been taken into consideration – under the Revaluation reserve in Equity. Realized gains and losses only affect the income statement when the holdings are sold. Premiums and discounts are recognized in Net interest income over the lifetime of the investment or security. If, however, an effective hedge with a derivative financial instrument exists for investments or securities, that part of the change in fair value attributable to the hedged risk is shown under the Net result on hedge accounting in the income statement. In the case of permanent impairment, the required write-down is charged to the income statement.

The objective indicators for determining impaired value were extended in the 2005 financial year, above all for equity instruments of the available-for-sale portfolio. Value is impaired, for instance, if the fair value falls either significantly or for a longer period below acquisition cost. No write-ups may be made affecting profit or loss for available-for-sale equity instruments. Changes in the fair value of listed equity instruments during subsequent reporting periods are shown in the revaluation reserve. This means that the net profit and loss is affected only in the case of impaired value and disposals. Write-ups of non-listed equity instruments whose value cannot be regularly determined may be recognized neither in the income statement nor in the revaluation reserve. If the reasons for a value impairment of debt instruments cease to exist, a write-up has to be made, equal at most to the amortized cost, and reflected in profit or loss. The amount in excess of the amortized cost has to be reflected in the revaluation reserve.

**(16) Intangible assets**

Under Intangible assets, we mainly recognize software and acquired goodwill. Measurement is made at amortized cost. On each balance-sheet date, all goodwill is examined with a view to its future economic utility on the basis of cash-generating units. If it appears that the expected utility will not materialize, an extraordinary depreciation is made. We depreciate software over a period of two to five years.

**(17) Fixed assets**

The land and buildings, and also office furniture and equipment, shown under this item are capitalized at cost, less regular depreciation. Extraordinary depreciation and write-offs are made in the case of permanently impaired value.

In determining the useful life, the likely physical wear and tear, technical obsolescence and also legal and contractual restrictions are taken into consideration. All fixed assets are depreciated or written off over the following periods, using the straight-line method:

	Probable useful life in years
Buildings	30 – 50
Office furniture and equipment	2 – 10
Purchased IT equipment	2 – 8

In line with the materiality principle, purchases of low-value fixed assets in the past financial year are recognized immediately as operating expenses. Profits realized on the disposal of fixed assets appear under Other income, with losses being shown under Other expenses.

#### (18) Leasing

In accordance with IAS 17, a lease is classified as an operating lease if it does not substantially transfer to the lessee all the risks and rewards that are incident to ownership. By contrast, finance leases are considered to be those agreements which substantially transfer all the risks and rewards to the lessee.

#### – The Group as lessor –

Insofar as the leasing companies within the Commerzbank Group are involved in operating lease business, economic ownership of the object of the agreement remains with the Group company. Leased objects appear in the consolidated balance sheet under Fixed assets, shown at cost or production cost, less regular depreciation over their useful economic lives or less extraordinary depreciation which is required if their value is permanently impaired. Unless a different distribution suggests itself in individual cases, the proceeds from leasing transactions are recognized on a straight-line basis over the lifetime of the agreement and are shown under Net interest income.

If virtually all the risks and rewards relating to the leased property are transferred to the lessee (finance leases), the Commerzbank Group recognizes a claim on the lessee. The claim is shown at its net investment value at the inception of the agreement. Leasing payments received are divided into an interest portion, which appears as interest income, and a repayment portion. The income is recognized as interest income for the respective period.

#### – The Group as lessee –

The payments made under operating lease agreements are included under Operating expenses. The costs are computed like a rental payment on a regular basis corresponding to the useful life of the leased object. No contractual obligations existed in the 2005 financial year which have to be classified as finance leases.

#### (19) Liabilities to banks and customers and also Securitized liabilities

Financial liabilities are recognized at amortized cost. The derivatives embedded in liabilities (embedded derivatives) have been separated from their host debt instrument, measured at fair value and shown under either Assets held for dealing purposes or Liabilities from dealing activities. In hedge accounting, hedged liabilities were adjusted for the fair value attributable to the hedged risk.

#### (20) Negative fair values from derivative hedging instruments

Under this item, we show derivative hedging instruments with a negative fair value which do not serve trading purposes. The financial instruments are measured at fair value, with market prices used as a basis for measuring listed instruments; internal price models (net present-value or option-price models) are applied in the case of non-listed products. The net results from hedge accounting for instruments classified as fair value hedges appear in the income statement. We show the effective portions of the gains or losses on cash flow hedges under Measurement of cash flow hedges in Equity.

#### (21) Liabilities from dealing activities

Derivative financial instruments which have a negative fair value, and delivery obligations from short sales of securities, are shown as Liabilities from dealing activities. Such liabilities are measured at their fair value.

#### (22) Provisions for pensions and similar commitments

Virtually all employees of Commerzbank Aktiengesellschaft as well as staff at some subsidiaries in Germany acquire rights to a company pension under various systems of company provision for old age.

Some employees are given an indirect – contribution-based – commitment (defined-contribution plan), for which the Group, with employees also making contributions, pays a fixed amount for old-age provision

to external providers, including Versicherungsverein des Bankgewerbes a.G. (BVV), Berlin, and Versorgungskasse des Bankgewerbes e.V., Berlin.

The size of future pension benefits is determined here by the amounts paid in and – for the non-guaranteed portion of the benefits – by the accrued income on the assets. The classification of this provision as an indirect commitment means that the contributions to BVV and Versorgungskasse are recognized as current expenses, eliminating the need to form provisions.

Other employees are given a direct commitment, under which the size of the benefit is established, being determined by such factors as age, salary and length of service (defined-benefit plan).

In order to cover the promised pension benefits, we accumulate the assets required to meet the pension obligation for the most part internally and show the corresponding provision under Liabilities. A small part of these assets is invested in a trust to provide additional protection against insolvency. The trustee of these assets held in trust is Commerzbank Pension-Trust e.V.

The pension expenses for direct commitments, which have to appear in the income statement, consist of several components. First and foremost, the service cost has to be considered. In addition, there is the interest cost on the cash value of the obligation, as the time at which it must be met has moved one period closer. The net income forecast for the separate plan assets (assets held in trust) is deducted from expenses. If the 10% "corridor" or fluctuation-band rule gives rise to amortization amounts for actuarial gains and losses, the expenses for the period rise or fall accordingly.

The size of the provisions formed is initially determined by the cash value of the obligation to be met. The portion which is covered by the separate assets held in trust has to be set off against the obligation. The "corridor" rule determines the amount of provision to be formed each year as follows:

Cash value of obligation for direct commitments  
less separate pension assets  
less/plus not recognized actuarial losses or gains  
= size of provision for pensions

The pension obligation is calculated annually by an independent actuary, using the projected-unit-credit method. This calculation is based not only on biometric

assumptions but above all on a current market interest rate for prime-quality long-dated bonds as well as the rates of increase for salaries and pensions to be expected in the future. We only recognize higher or lower obligations as a result of actuarial calculations if they lie outside a 10% "corridor" of the actuarial value of the obligation. In the past financial year, adjustment to a lower calculatory interest rate led to the 10% corridor being exceeded. Our internal accounting methods indicate that – as permitted by the rules – we will recognize the excess in our income statement more quickly than IAS 19 prescribes. Pursuant to IAS 19, the amount that falls outside the corridor has to be charged as an expense over the average expected remaining working lives of the employees. The assumptions used in actuarial calculations are:

	31.12.2005	31.12.2004
Calculatory interest rate	4.25%	5.00%
Change in salaries	2.50%	2.50%
Adjustment to pensions	1.40%	1.40%

The former internal agreements on the granting of direct pension benefits were replaced with effect from January 1, 2005, by the Commerzbank modular plan for company pension benefits (CBA). Staff entitled to benefits will receive benefits under CBA, which will be made up of an initial module for the period up to December 31, 2004, and benefit modules – possibly augmented by a dynamic module – for each contributory year from 2005 onwards. Staff joining the Bank after January 1, 2005, will be given a commitment under the Commerzbank capital plan for company retirement pensions (CKA).

The obligations similar to those for pensions include obligations under early-retirement schemes and under part-time work schemes for older staff, which have been computed with the aid of actuarial rules.

### (23) Other provisions

We form Other provisions on the scale deemed necessary for liabilities of uncertain amount towards third parties and for anticipated losses related to immatured contracts. We are not permitted by IAS/IFRS rules to form provisions for expenses not related to an external commitment.

**(24) Taxes on income**

Current tax assets and liabilities were calculated by applying the currently valid tax rates at which a refund from, or a payment to, the relevant fiscal authorities is made.

Deferred tax assets and liabilities derive from differences between the value of an asset or liability as shown in the balance sheet and its assigned value in tax terms. In the future, these will probably either increase or reduce taxes on income (temporary differences). They were measured at the specific income-tax rates which apply in the country where the company in question has its seat and which can be expected to apply for the period in which they are realized. Deferred taxes on as yet unused losses carried forward are shown in the balance sheet if taxable profits are likely to occur at the same unit. No discounting of tax assets and liabilities is practised. Deferred tax assets and liabilities are formed and carried such that – depending on the treatment of the underlying item – they are recognized either under Taxes on income in the income statement or under the respective equity item with no effect on profit or loss.

Income-tax expenses or income are shown under Taxes on income in the consolidated income statement and divided in the notes into current and deferred tax claims and liabilities in the financial year. Other taxes which are not dependent on earnings appear under Other result. Current and deferred tax assets and tax liabilities appear as separate asset or liability items in the balance sheet.

**(25) Subordinated capital**

Under Subordinated capital, we carry issues of profit-sharing certificates as well as securitized and non-securitized subordinated liabilities. After their initial recognition at cost, they are shown at amortized cost. Premiums and discounts are recognized under Net interest income over the entire lifetime.

**(26) Trust business**

Trust business involving the management or placing of assets for the account of others is not shown in the balance sheet. Commissions received from such business are included under Net commission income in the income statement.

**(27) Treasury shares**

Treasury shares held by Commerzbank Aktiengesellschaft in its portfolio on the balance-sheet date are deducted directly from Equity. Gains and losses resulting from the Bank's own shares are set off against one another, with no effect on profit or loss.

**(28) Staff remuneration plans**

For its executives and selected other members of staff, the Group has approved five "long-term performance plans" (LTP). These plans (LTP 2001-2005) permit a remuneration geared to the performance of the share price or a stock index; in view of their conditions, they may be considered as "virtual" stock option plans. The programmes entail a payment commitment if the Commerzbank share outperforms the Dow Jones Euro Stoxx® Banks index and/or the absolute performance of the Commerzbank share is at least 25%. People at Commerzbank Aktiengesellschaft, various subsidiaries in Germany and at selected operational units outside Germany are entitled to participate.

In order to participate in the LTPs, those eligible have to invest in Commerzbank shares. The scale of such an investment for staff who are not members of the Board of Managing Directors depends on their function group (possible investment: between 100 and 1,200 shares). Payments under these plans will be determined by two criteria:

For 50% of the shares:

- the Commerzbank share outperforms the Dow Jones Euro Stoxx® Banks index (payment guaranteed by outperformance of at least 1 percentage point to a maximum of 10 percentage points).

For 50% of the shares:

- an absolute rise in the price of the Commerzbank share (payment guaranteed by a rise of at least 25% to a maximum of 52%).

Provided that the two criteria are achieved, eligible participants will receive a maximum of €100 per share of their own participation, whereby Commerzbank shares will be delivered to the participant's custody account for 50% of this gross amount.

Payment and the delivery of shares are dependent upon Commerzbank Aktiengesellschaft paying a dividend for the financial year.

The first comparison of the base prices of the first quarter of 2001 (LTP 2001), the first quarter of 2002 (LTP 2002), the first quarter of 2003 (LTP 2003), the first quarter of 2004 (LTP 2004), and the first quarter of 2005 (LTP 2005) with the data for the comparable period will be made after three years in each case, or as soon as a first hurdle to exercising is reached or exceeded. Should none of the exercising criteria have been met after this time has elapsed, comparison will be made with the base data at annual intervals. If none of the performance targets have been achieved after five years, the plans will be terminated. The first and second comparisons for LTP 2001 with the prices for the first quarter of 2004 and 2005, respectively, and the first comparison for LTP 2002 with the prices for the first quarter of 2005 revealed that none of the exercise criteria had been fulfilled.

Within the Jupiter International Group plc (JIG), three staff remuneration/stock-option plans existed as of December 31, 2005.

The so-called C shares or Growth Shares Plan gives those eligible – a group of senior staff – the right to subscribe to shares of Commerz Asset Management (UK) plc, which are also subject to an obligation to purchase on the part of Commerzbank Aktiengesellschaft. The value of these shares is oriented to the typified change in value of the JIG Group. Those eligible do not receive a guaranteed payment, as the reference figure may change. Limits have been established for the payment of minimum amounts (corresponding to the costs to employees when awards are granted; i.e. personal income tax and social security charges) and maximum amounts. Employees have the right to tender delivery of shares annually, within certain limits, but they also have the possibility of disposing of their entire portfolio after four years. In addition, certain rights also exist in connection with a change-of-control clause. The reference base for this plan was altered in 2003, with the adjusted profit for 2000 being replaced by that for 2002. No more new awards have been granted under this plan since 2003. In the 2005 financial year, Commerzbank Aktiengesellschaft purchased shares under this plan to an overall value of £15.1m.

At the same time, an ongoing "options programme" was launched in 2003 in favour of the employees of JIG, which entails cash compensation based on the performance of JIG and can be considered to be a virtual

stock option plan. Internally, this plan is known as the "D options plan" and entitles all those to participate who had joined Jupiter by December 31, 2003, most of whom were already entitled under the C Shares Plan. Under this plan, a payment falls due if the adjusted profit in the year prior to the exercising of the option is higher than the level of the base year. By way of exception, the 2003 adjusted profit was established as the reference figure for the options granted in 2003. A third of the options may be exercised three years after they are granted and a further third after four years, while all options must be exercised five years after they are granted, otherwise they expire. In addition, certain rights also exist in connection with a change-of-control clause. In 2005, further adjusted option rights were assigned to these in the described manner, as were rights under the parallel E Options Plan, which differs only in terms of the rights conferred by the change-of-control clause and extends entitlement to staff who joined after December 31, 2003. No rights were exercised under these two plans during the 2005 financial year.

In addition, it is possible at other subsidiaries, including in Asset Management, for selected employees to participate through private equity models in the performance of the respective company. Payment in such cases depends on the extent to which fixed performance targets are attained. These models include direct investment in shares of the respective company. Frequently, these are offered at reduced prices and/or in combination with call or put options. In addition, warrants and share subscription rights are issued. Premiums are also granted which may similarly be used to subscribe to shares. The observance of blocking periods and agreements for later repurchase determine whether additional income is received.

Staff remuneration plans are treated according to the rules of IFRS 2 "Share-based payment". IFRS 2 distinguishes between plans which count as share-based transactions settled in the form of equity instruments and those which count as share-based transactions settled in cash. For both forms, however, the granting of share-based payments has to be recognized at fair value in the annual financial statements. The awards granted under the above-described LTPs are recognized in accordance with IFRS 2 as 50% share-based payments settled in the form of equity instruments and 50% share-based payments settled in cash. The other staff remuneration plans that are described are classified and recognized as cash-settled payment transactions



**Share-based payments settled in the form of equity instruments**

The fair value of share-based payments settled in the form of equity instruments has to be recognized as personnel expenses and reflected accordingly in Equity. The fair value at the time the awards are granted – with the exception of the effect of non-market-based exercising conditions – has to be determined and recognized on a straight-line basis in the form of costs over the time during which the employee acquires irrevocable claims to the awards. The amount recognized as expenses is adjusted only to the extent that the estimates made by accounting staff regarding the number of equity instruments which are finally exercised are taken into consideration.

No expenses are recognized for those rights which are not finally exercised due to the absence of a non-market-based condition. One exception exists for those rights which can be exercised only given a certain market condition. These will be considered to have been exercised regardless of whether the market condition has been fulfilled, provided that the other conditions have been fulfilled (services, non-market-based conditions for performance).

**Share-based cash-settled payments**

The portion of the fair value of share-based payments settled in cash that relates to services performed up to the date of measurement is recognized as personnel expenses, accompanied by its recognition as a provision. The fair value is calculated afresh for every reporting date up to and including the date of settlement. Every change in the fair value of the provision has to be reflected in profit or loss. On the date of settlement, therefore, the accumulated value of the fair value of the provision has to correspond to the amount paid to the relevant employee.

**Measurement models**

In order to calculate the fair values of the staff remuneration plans that exist within the Commerzbank Group, we have engaged external actuaries. Either a Monte Carlo model or a binominal model is used for measurement purposes.

A Monte Carlo model simulating changes which boost future share prices is applied to measure the awards granted under LTPs. The model is based on the assumption that stock yields are normally distributed in statistical terms around a mean corresponding to a risk-free investment in an interest-bearing security.

An actuarial binominal model is used for determining the fair value of the options that exist as a result of staff remuneration plans at JIG, Caisse Centrale de Réescoute (CCR) and their subsidiaries. It takes into account the terms and conditions for granting such awards. The share price on each reporting date and the exercise price are calculated on the basis of the specific conditions and formulae contained in the plans which are linked to the after-tax profit of the company in question.

### Acquisition of the majority interest in Eurohypo Aktiengesellschaft

Under an agreement on November 16, 2005, Commerzbank Inlandsbanken Holding AG, a subsidiary of our Group, concluded purchase agreements to acquire 66.2% of the shares of Eurohypo at a price of €4.56bn. The purchase will take place in two stages: 17.1% was taken over on December 15, 2005, while the remaining 49.1% will probably be acquired at end-March 2006, once various conditions (in particular antitrust approval) have been met.

With the Group's previous interest of 31.8% in Eurohypo included, we held 48.9% of its equity per December 31, 2005. On the balance-sheet date, therefore, the company still had to be included as an associated company in the list of consolidated companies, applying the equity method. For the newly acquired interest of 17.1%, a difference in amount of €77m exists between the purchase cost and the share of equity we hold; as far as possible, we have spread this amount over the assets shown in the balance sheet and other individually identifiable assets (customer base, brand name), thereby revaluing them, and treated the re-

maining amount as goodwill. In accordance with IAS 28, the overall amount has to be assigned to the book value of the investment and shown in the balance sheet under Investments and securities portfolio (available-for-sale).

Changes in the investment's book value (including goodwill, pro-rata revaluation reserve and cash-flow hedge reserve) in the 2005 financial year were as follows:

	€ m
<b>As of 1.1.2005</b>	<b>2,109</b>
Profit contribution of Eurohypo in 2005 plus changes in the revaluation reserve and the measurement of cash flow hedges, less dividend	67
Share of equity acquired on 15.12.2005, including incidental expenses	1,185
<b>As of 31.12.2005</b>	<b>3,361</b>

When the purchase agreement has been finally implemented, Eurohypo Aktiengesellschaft will be fully included in the list of consolidated companies, taking into account the provisions of IFRS 3.

## Notes to the income statement

### (29) Net interest income

	2005	2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Interest income from lending and money-market transactions and also from available-for-sale securities portfolio	11,924	10,926	9.1
Dividends from securities	109	89	22.5
Current result on investments and subsidiaries	95	130	-26.9
Current result on investments in associated companies	182	93	95.7
Current income from leasing	217	136	59.6
<i>Interest income</i>	<i>12,527</i>	<i>11,374</i>	<i>10.1</i>
Interest paid on subordinated capital	481	505	-4.8
Interest paid on securitized liabilities	3,206	3,159	1.5
Interest paid on other liabilities	5,494	4,595	19.6
Current expenses from leasing	174	102	70.6
<i>Interest expenses</i>	<i>9,355</i>	<i>8,361</i>	<i>11.9</i>
<b>Total</b>	<b>3,172</b>	<b>3,013</b>	<b>5.3</b>

#### Interest margin:

The average interest margin, based on the average risk-weighted assets in balance-sheet business according to BIS, was 2.86% (previous year: 2.76%).

### (30) Provision for possible loan losses

Provision for possible loan losses appears as follows in the consolidated income statement:

	2005	2004	Change
	€ m	€ m	in %
Allocation to provisions	-1,346	-1,282	5.0
Reversals of provisions	829	550	50.7
Direct write-downs	-95	-124	-23.4
Income received on written-down claims	46	20	.
<b>Total</b>	<b>-566</b>	<b>-836</b>	<b>-32.3</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(31) Net commission income**

	2005	2004	Change
	€ m	€ m	in %
Securities transactions	901	839	7.4
Asset management	620	576	7.6
Payment transactions and foreign commercial business	422	426	-0.9
Guarantees	153	142	7.7
Income from syndicated business	110	99	11.1
Other net commission income	209	168	24.4
<b>Total</b>	<b>2,415</b>	<b>2,250</b>	<b>7.3</b>

**(32) Net result on hedge accounting**

	2005	2004	Change
	€ m	€ m	in %
Net result on derivatives used as hedging instruments	-1,330	-1,554	-14.4
Net result on hedged items	1,308	1,560	-16.2
<b>Total</b>	<b>-22</b>	<b>6</b>	

This item reflects the gains and losses attributable to effective hedges in connection with hedge accounting. The result deriving from hedging instruments and the related hedged items represents only the measurement effects arising from fair value hedges.

**(33) Trading profit**

Trading profit has been split into three components:

- Net result on trading in securities, promissory notes, precious metals and derivative instruments.
- Net result on the measurement of derivative financial instruments which do not form part of the trading book and do not qualify for hedge accounting.
- Net result from applying the fair value option.

All financial instruments held for dealing purposes are measured at their fair value. We use market prices to measure listed products, while internal price models (above all, net present-value and option-price models) are used in determining the current value of non-listed trading transactions. Apart from the realized and unrealized gains and losses attributable to trading activities, the Trading profit also includes the interest and dividend income related to such transactions and also their funding costs.

	2005	2004	Change
	€ m	€ m	in %
Net result on trading	834	632	32.0
Net result on the measurement of derivative financial instruments	-148	-93	59.1
Net result from applying the fair value option	21	0	
<b>Total</b>	<b>707</b>	<b>539</b>	<b>31.2</b>

**(34) Net result on investments and securities portfolio (available for sale)**

Under the Net result on investments and securities portfolio, we show the disposal proceeds and the gains and losses on available-for-sale securities, investments, investments in associated companies and holdings in subsidiaries which have not been consolidated.

	2005	2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Net result on available-for-sale securities	216	193	11.9
Net result on disposals and measurement of investments, investments in associated companies and holdings in subsidiaries	431	146	.
<b>Total</b>	<b>647</b>	<b>339</b>	<b>90.9</b>

**(35) Other result**

The Other result primarily comprises allocations to and reversals of provisions, as well as interim expenses and income attributable to hire-purchase agreements. Expenses and income arising from building and archi-

itects' fees occur in connection with the construction management of our sub-group CommerzLeasing und Immobilien AG. Other taxes are also included in this item.

	2005	2004	Change
	€ m	€ m	in %
<b>Major other expenses</b>	<b>146</b>	<b>170</b>	<b>-14.1</b>
Expenses arising from building and architects' services	42	51	-17.6
Allocations to provisions	69	49	40.8
Hire-purchase expenses and interim costs	35	70	-50.0
<b>Major other income</b>	<b>198</b>	<b>284</b>	<b>-30.3</b>
Reversals of provisions	108	127	-15.0
Hire-purchase proceeds and interim income	35	72	-51.4
Income from building and architects' services	47	57	-17.5
Income from disposal of fixed assets	8	28	-71.4
<b>Balance of sundry other expenses/income</b>	<b>-26</b>	<b>79</b>	<b>.</b>
<b>Other result</b>	<b>26</b>	<b>193</b>	<b>-86.5</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(36) Operating expenses**

The Group's Operating expenses consist of personnel and other expenses, and depreciation on office furniture and equipment, real property, and on other intangible assets. The expenses break down as follows:

**Personnel expenses:**

	2005	2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Wages and salaries	2,108	1,954	7.9
Compulsory social-security contributions	305	293	4.1
Expenses for pensions and other employee benefits	254	205	23.9
of which:			
contributions to BVV and Versorgungskasse des Bankgewerbes	48	48	0.0
company pension scheme	206	157	31.2
<b>Total</b>	<b>2,667</b>	<b>2,452</b>	<b>8.8</b>

**Other expenses:**

	2005	2004	Change
	€ m	€ m	in %
Expenses for office space	480	503	-4.6
IT costs	394	455	-13.4
Compulsory contributions, other operating and company-law expenses	248	244	1.6
Advertising, PR and promotional costs, consulting	130	110	18.2
Workplace costs	171	181	-5.5
Sundry expenses	137	146	-6.2
<b>Total</b>	<b>1,560</b>	<b>1,639</b>	<b>-4.8</b>

The auditors' fee (excluding turnover tax) of €7.6m, recognized as expenses in Germany in the financial year, breaks down as follows:

€1,000	2005
Audit of financial statements	4,978
Provision of other certificates or assessments	1,338
Tax consulting services	507
Other services	762
<b>Total</b>	<b>7,585</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**Depreciation of office furniture and equipment, real property and other intangible assets:**

	2005	2004	Change
	€ m	€ m	in %
Office furniture and equipment	219	315	-30.5
Real property	148	52	.
Other intangible assets	68	35	94.3
<b>Total</b>	<b>435</b>	<b>402</b>	<b>8.2</b>

The depreciation on real property includes an unplanned decrease in value of €118m on land and buildings in Asia.

**(37) Restructuring expenses**

	2005	2004	Change
	€ m	€ m	in %
Expenses for restructuring measures introduced	37	132	-72.0
<b>Total</b>	<b>37</b>	<b>132</b>	<b>-72.0</b>

In the 2004 financial year, expenses related to the restructuring of our Corporates & Markets department. One of the various concrete individual measures was to reduce the non-customer-based business lines – proprietary trading, brokerage and research – in particular.

In the 2005 financial year, we launched two projects intended to improve the efficiency of our back-office procedures in our corporate business and elsewhere. Restructuring expenses of €37m were incurred in connection with staff reductions and the closing-down of outlets.

**(38) Taxes on income**

Income-tax expenses break down as follows:

	2005	2004	Change
	€ m	€ m	in %
Current taxes on income	264	423	-37.6
Deferred taxes	145	-70	.
<b>Total</b>	<b>409</b>	<b>353</b>	<b>15.9</b>

Deferred taxes on the assets side include tax expenses of €50m (previous year: €73m) from the writing-back of capitalized advantages deriving from loss carry-forwards, which were used in the past financial year.

The following transitional presentation shows the connection between the Profit from ordinary activities and Taxes on income in the past financial year:

	2005	2004
	€ m	€ m
<b>Net pre-tax profit according to IAS/IFRS</b>	<b>1,680</b>	<b>796</b>
Group's income-tax rate (%)	39.9	39.9
<b>Calculated income-tax payments in financial year</b>	<b>670</b>	<b>318</b>
Effects due to differing tax rates affecting income during periods in question	-27	-41
Effects of taxes from previous years recognized in past financial year	8	104
Effects of non-deductible operating expenses and tax-exempt income	-498	-347
Regular amortization of goodwill	-	34
Deferred tax assets not recognized	210	68
Other effects	46	217
<b>Taxes on income</b>	<b>409</b>	<b>353</b>

The Group income-tax rate selected as a basis for the transitional presentation is made up of the corporate income-tax rate of 25% applied in Germany, plus the solidarity surcharge of 5.5%, and an average rate of 18.4% for trade earnings tax. With the deductibility of trade earnings

tax taken into consideration, the German income-tax rate is roughly 39.9%.

Income effects result from discrepancies between the tax rates valid for foreign units. Tax rates outside Germany ranged between 0% and 46%.

#### (39) Basic earnings per share

	2005	2004 <sup>1)</sup>	Change in %
Operating profit (€ m)	1,717	1,011	69.8
Consolidated surplus (€ m)	1,165	362	.
Average number of ordinary shares issued (units)	603,956,296	593,373,110	1.8
Operating profit per share (€)	2.84	1.70	67.1
Earnings per share (€)	1.93	0.61	.

The earnings per share, calculated in accordance with IAS 33, is based on consolidated surplus without the profit/loss for the year attributable to minority interests.

In the past financial year and on December 31, 2005, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the earnings per share.

#### (40) Cost/income ratio

	2005	2004 <sup>1)</sup>	Change in %
Cost/income ratio before regular amortization of goodwill and restructuring expenses	67.1	70.9	-5.4

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

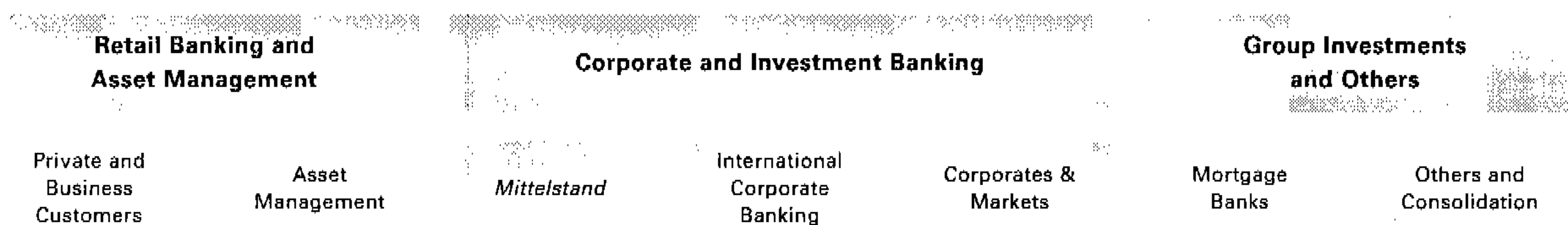


#### (41) Segment reporting

Segment reporting reflects the results of the operational business lines included in the Commerzbank Group. Our internal management information memoranda, which are prepared monthly in line with IAS rules, serve as a basis.

The organizational structure of the Commerzbank Group was altered in autumn 2004. Since January 1, 2005, we have adapted our segment reporting – and also the year-ago figures – to the new structure.

#### Survey of the structure of the operating divisions valid in the past financial year:



We report on seven segments:

- Private and Business Customers includes branch business with private individuals, professional people and business people, private banking, and the activities of comdirect bank.
- Asset Management comprises above all COMINVEST Asset Management, Jupiter International Group, Caisse Centrale de Réescompte, Commerzbank Europe (Ireland) and Commerz Grundbesitzgesellschaft.
- *Mittelstand* presents the results of corporate banking in Germany, the Central and Eastern European region as well as CommerzLeasing und Immobilien.
- International Corporate Banking covers Western Europe, America, Asia, Africa and the Financial Institutions department.
- Corporates & Markets comprises equity and bond-trading activities, trading in derivative instruments, interest-rate and currency management, as well as mergers and acquisitions and the London Branch. In addition, this segment is responsible for business involving multinational companies and major corporates requiring capital-market products.
- Mortgage Banks consists of Eurohypo Aktiengesellschaft, which we include at equity, Hypothekenbank in Essen and Erste Europäische Pfandbrief- und Kommunalkreditbank in Luxemburg.

In the "Others and Consolidation" segment, the expenses and income appear for which the operational banking departments are not responsible. These also include those expenses and income items that are necessary in order to reconcile the control variables of internal accounting, shown in the segment reporting of the operational departments, with the corresponding external accounting data. This segment also covers equity holdings which are not assigned to other segments.

While foreign treasury activities have been assigned to the respective locations outside Germany, the revenue from German treasury activities (domestic liquidity management and equity structure management) is divided between the relevant segments.

The result generated by each segment is measured in terms of the operating profit and the pre-tax profit, as well as the figures for the return on equity and the cost/income ratio. Through the presentation of pre-tax profits, minority interests are included in both the result and the average equity tied up. All the revenue for which a segment is responsible is thus reflected in the pre-tax profit.

The return on equity is calculated from the ratio between the operating profit (operating or pre-tax) and the average amount of equity that is tied up. It shows the return on the equity that is invested in a given business line. The cost/income ratio in operating business reflects the cost efficiency of the various segments. It represents the quotient formed by operating expenses and income before provisioning.

Income and expenses are shown such that they reflect the originating unit and appear at market prices, with the market interest rate applied in the case of interest-rate instruments. Net interest income reflects the actual funding costs of the equity holdings which, since 2005, have been assigned to the respective segments according to their specific business orientation. The investment yield achieved by the Group on its equity is assigned to the net interest income of the various units such that it reflects the average amount of equity that is tied up. The interest rate corresponds to that of a risk-free investment in the long-term capital market. The average amount of equity tied up is worked out using the BIS system, based on the established average amount of risk-weighted assets and the capital charges for market risk positions (risk-weighted asset equivalents). The capital backing for risk-weighted assets which we assume for segment reporting purposes is 7%.

Direct and indirect expenditure represent the operating expenses which are shown in the operating profit. They consist of personnel costs, other expenses and depreciation of fixed assets and other intangible assets, excluding goodwill. The amortization of goodwill, expenses arising from special factors and restructuring expenses appear below the operating profit in the pre-tax profit. Operating expenses are assigned to the individual segments on the basis of the causation principle. The indirect expenses arising in connection with internal services are charged to the beneficiary or credited to the segment performing the service.

## Breakdown, by segment

2005 financial year	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	1,124	-10	1,193	294	187	528	-144	3,172
Provision for possible loan losses	-205	-	-394	69	-3	-33	-	-566
Net interest income after provisioning	919	-10	799	363	184	495	-144	2,606
Net commission income	1,065	575	568	153	69	-12	-3	2,415
Net result on hedge accounting	-	-	-	5	-1	-24	-2	-22
Trading profit	3	9	75	15	758	-130	-23	707
Net result on investments and securities portfolio	-	16	-4	21	-12	73	553	647
Other result	14	-4	-1	2	7	-4	12	26
<b>Revenue</b>	<b>2,001</b>	<b>586</b>	<b>1,437</b>	<b>559</b>	<b>1,005</b>	<b>398</b>	<b>393</b>	<b>6,379</b>
Operating expenses	1,719	466	1,029	260	793	48	347	4,662
<b>Operating profit</b>	<b>282</b>	<b>120</b>	<b>408</b>	<b>299</b>	<b>212</b>	<b>350</b>	<b>46</b>	<b>1,717</b>
Regular amortization of goodwill	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	22	11	4	-	-	37
<b>Pre-tax profit</b>	<b>282</b>	<b>120</b>	<b>386</b>	<b>288</b>	<b>208</b>	<b>350</b>	<b>46</b>	<b>1,680</b>
<b>Average equity tied up</b>	<b>1,891</b>	<b>537</b>	<b>3,028</b>	<b>1,388</b>	<b>1,818</b>	<b>1,007</b>	<b>566</b>	<b>10,235</b>
<b>Operating return on equity (%)</b>	<b>14.9</b>	<b>22.3</b>	<b>13.5</b>	<b>21.5</b>	<b>11.7</b>	<b>34.8</b>		<b>16.8</b>
<b>Cost/income ratio in operating business (%)</b>	<b>77.9</b>	<b>79.5</b>	<b>56.2</b>	<b>53.1</b>	<b>78.7</b>	<b>11.1</b>		<b>67.1</b>
<b>Return on equity of pre-tax profit (%)</b>	<b>14.9</b>	<b>22.3</b>	<b>12.7</b>	<b>20.7</b>	<b>11.4</b>	<b>34.8</b>		<b>16.4</b>
Staff (average no.)	10,461	1,705	8,680	1,313	912	206	8,265	31,542

## Breakdown, by segment

2004 financial year	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	1,137	-7	1,152	301	190	233	7	3,013
Provision for possible loan losses	-213	-	-555	12	-29	-51	-	-836
Net interest income after provisioning	924	-7	597	313	161	182	7	2,177
Net commission income	1,010	529	403	155	152	-12	13	2,250
Net result on hedge accounting	-	1	-	-	-	4	1	6
Trading profit	3	8	43	32	567	-110	-4	539
Net result on investments and securities portfolio	3	13	1	28	-2	126	170	339
Other result	40	25	85	14	-11	-6	46	193
<b>Revenue</b>	<b>1,980</b>	<b>569</b>	<b>1,129</b>	<b>542</b>	<b>867</b>	<b>184</b>	<b>233</b>	<b>5,504</b>
Operating expenses	1,657	392	998	231	942	45	228	4,493
<b>Operating profit</b>	<b>323</b>	<b>177</b>	<b>131</b>	<b>311</b>	<b>-75</b>	<b>139</b>	<b>5</b>	<b>1,011</b>
Regular amortization of goodwill	-	59	10	-	-	8	6	83
Restructuring expenses	-	-	-	-	132	-	-	132
<b>Pre-tax profit</b>	<b>323</b>	<b>118</b>	<b>121</b>	<b>311</b>	<b>-207</b>	<b>131</b>	<b>-1</b>	<b>796</b>
<b>Average equity tied up</b>	<b>1,894</b>	<b>558</b>	<b>2,663</b>	<b>1,337</b>	<b>2,022</b>	<b>1,003</b>	<b>781</b>	<b>10,258</b>
<b>Operating return on equity (%)</b>	<b>17.1</b>	<b>31.7</b>	<b>4.9</b>	<b>23.3</b>	<b>-3.7</b>	<b>13.9</b>		<b>9.9</b>
<b>Cost/income ratio in operating business (%)</b>	<b>75.6</b>	<b>68.9</b>	<b>59.3</b>	<b>43.6</b>	<b>105.1</b>	<b>19.1</b>		<b>70.9</b>
<b>Return on equity of pre-tax profit (%)</b>	<b>17.1</b>	<b>21.1</b>	<b>4.5</b>	<b>23.3</b>	<b>-10.2</b>	<b>13.1</b>		<b>7.8</b>
Staff (average no.)	10,207	1,671	8,095	1,328	1,294	192	8,613	31,400

## Quarterly results, by segment

1 <sup>st</sup> quarter 2005	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	274	4	280	64	49	96	-46	721
Provision for possible loan losses	-46	-	-118	-19	-7	-8	-	-198
Net interest income after provisioning	228	4	162	45	42	88	-46	523
Net commission income	264	127	124	38	27	-2	-	578
Net result on hedge accounting	-	-	-	-2	-	-8	-2	-12
Trading profit	1	2	15	6	258	-35	15	262
Net result on investments and securities portfolio	-	1	1	6	-1	36	251	294
Other result	-3	-2	4	-	-2	-	6	3
<b>Revenue</b>	<b>490</b>	<b>132</b>	<b>306</b>	<b>93</b>	<b>324</b>	<b>79</b>	<b>224</b>	<b>1,648</b>
Operating expenses	421	95	238	62	225	10	56	1,107
<b>Operating profit</b>	<b>69</b>	<b>37</b>	<b>68</b>	<b>31</b>	<b>99</b>	<b>69</b>	<b>168</b>	<b>541</b>
Regular amortization of goodwill	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>69</b>	<b>37</b>	<b>68</b>	<b>31</b>	<b>99</b>	<b>69</b>	<b>168</b>	<b>541</b>

## Quarterly results, by segment

2 <sup>nd</sup> quarter 2005	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	269	-1	307	67	52	138	15	847
Provision for possible loan losses	-46	-	-115	-8	-1	-7	-	-177
Net interest income after provisioning	223	-1	192	59	51	131	15	670
Net commission income	272	133	134	40	15	-2	1	593
Net result on hedge accounting	-	-	-	2	-	-6	-1	-5
Trading profit	-	3	17	-2	77	-36	-48	11
Net result on investments and securities portfolio	-	3	2	6	-4	13	64	84
Other result	4	-4	2	2	4	-	18	26
<i>Revenue</i>	<i>499</i>	<i>134</i>	<i>347</i>	<i>107</i>	<i>143</i>	<i>100</i>	<i>49</i>	<i>1,379</i>
Operating expenses	415	117	244	62	198	10	42	1,088
<b>Operating profit</b>	<b>84</b>	<b>17</b>	<b>103</b>	<b>45</b>	<b>-55</b>	<b>90</b>	<b>7</b>	<b>291</b>
Regular amortization of goodwill	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>84</b>	<b>17</b>	<b>103</b>	<b>45</b>	<b>-55</b>	<b>90</b>	<b>7</b>	<b>291</b>

## Quarterly results, by segment

3 <sup>rd</sup> quarter 2005	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	287	-7	300	75	43	139	-66	771
Provision for possible loan losses	-46	-	-104	9	2	-12	-	-151
Net interest income after provisioning	241	-7	196	84	45	127	-66	620
Net commission income	267	145	143	35	11	-3	1	599
Net result on hedge accounting	-	1	-	-	-	-6	-	-5
Trading profit	1	1	20	6	206	-21	4	217
Net result on investments and securities portfolio	1	4	1	18	-2	12	45	79
Other result	3	5	4	-	5	-1	-10	6
<b>Revenue</b>	<b>513</b>	<b>149</b>	<b>364</b>	<b>143</b>	<b>265</b>	<b>108</b>	<b>-26</b>	<b>1,516</b>
Operating expenses	433	103	261	63	183	10	44	1,097
<b>Operating profit</b>	<b>80</b>	<b>46</b>	<b>103</b>	<b>80</b>	<b>82</b>	<b>98</b>	<b>-70</b>	<b>419</b>
Regular amortization of goodwill	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	-	-	-	-	-	-
<b>Pre-tax profit</b>	<b>80</b>	<b>46</b>	<b>103</b>	<b>80</b>	<b>82</b>	<b>98</b>	<b>-70</b>	<b>419</b>

## Quarterly results, by segment

4 <sup>th</sup> quarter 2005	Retail Banking and Asset Management		Corporate and Investment Banking			Group Investments and Others		Total
	Private and Business Customers	Asset Management	Mittelstand	International Corporate Banking	Corporates & Markets	Mortgage Banks	Others and Consolidation	
€ m								
Net interest income	294	-6	306	88	43	155	-47	833
Provision for possible loan losses	-67	-	-57	87	3	-6	-	-40
Net interest income after provisioning	227	-6	249	175	46	149	-47	793
Net commission income	262	170	167	40	16	-5	-5	645
Net result on hedge accounting	-	-1	-	5	-1	-4	1	-
Trading profit	1	3	23	5	217	-38	6	217
Net result on investments and securities portfolio	-1	8	-8	-9	-5	12	193	190
Other result	10	-3	-11	-	-	-3	-2	-9
<b>Revenue</b>	<b>499</b>	<b>171</b>	<b>420</b>	<b>216</b>	<b>273</b>	<b>111</b>	<b>146</b>	<b>1,836</b>
Operating expenses	450	151	286	73	187	18	205	1,370
<b>Operating profit</b>	<b>49</b>	<b>20</b>	<b>134</b>	<b>143</b>	<b>86</b>	<b>93</b>	<b>-59</b>	<b>466</b>
Regular amortization of goodwill	-	-	-	-	-	-	-	-
Restructuring expenses	-	-	22	11	4	-	-	37
<b>Pre-tax profit</b>	<b>49</b>	<b>20</b>	<b>112</b>	<b>132</b>	<b>82</b>	<b>93</b>	<b>-59</b>	<b>429</b>



### Results, by geographical market

Assignment to the respective segments on the basis of the seat of the branch or consolidated company produces the following breakdown:

2005 financial year	Europe including Germany	America	Asia	Other countries	Total
€ m					
Net interest income	2,942	175	46	9	3,172
Provision for possible loan losses	-646	46	36	-2	-566
Net interest income after provisioning	2,296	221	82	7	2,606
Net commission income	2,339	52	21	3	2,415
Hedging result	-27	5	-	-	-22
Trading profit	697	4	3	3	707
Net result on investments and securities portfolio (available for sale)	651	-4	-	-	647
Other result	15	8	3	-	26
<b>Revenue</b>	<b>5,971</b>	<b>286</b>	<b>109</b>	<b>13</b>	<b>6,379</b>
Operating expenses	4,360	122	55	125	4,662
<b>Operating profit</b>	<b>1,611</b>	<b>164</b>	<b>54</b>	<b>-112</b>	<b>1,717</b>
<b>Risk-weighted assets according to BIS*)</b>	<b>129,828</b>	<b>12,016</b>	<b>3,523</b>	<b>711</b>	<b>146,078</b>

\*) excluding market risk

In the previous year, we achieved the following results in the geographical markets:

2004 financial year <sup>1)</sup>	Europe including Germany	America	Asia	Other countries	Total
€ m					
Net interest income	2,770	199	35	9	3,013
Provision for possible loan losses	-843	-11	18	-	-836
Net interest income after provisioning	1,927	188	53	9	2,177
Net commission income	2,093	108	46	3	2,250
Hedging result	6	-	-	-	6
Trading profit	498	23	11	7	539
Net result on investments and securities portfolio (available for sale)	331	4	4	-	339
Other result	177	1	15	-	193
<b>Revenue</b>	<b>5,032</b>	<b>324</b>	<b>129</b>	<b>19</b>	<b>5,504</b>
Operating expenses	4,248	167	72	6	4,493
<b>Operating profit</b>	<b>784</b>	<b>157</b>	<b>57</b>	<b>13</b>	<b>1,011</b>
<b>Risk-weighted assets according to BIS*)</b>	<b>122,161</b>	<b>9,640</b>	<b>2,387</b>	<b>719</b>	<b>134,907</b>

\*) excluding market risk

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

## Notes to the balance sheet

### (42) Cash reserve

We include the following items in the cash reserve:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Cash on hand	597	597	0.0
Balances with central banks	4,868	3,037	60.3
Debt issued by public-sector borrowers, and bills of exchange rediscountable at central banks	3,163	1,254	-
Treasury bills and discountable treasury notes, as well as similar debt issues by public-sector borrowers	2,761	945	-
Bills of exchange	402	309	30.1
<b>Total</b>	<b>8,628</b>	<b>4,888</b>	<b>76.5</b>

The balances with central banks include claims on the Bundesbank totalling €4,120m (previous year: €2,145m). The minimum reserve requirement to be met at end-December 2005 amounted to €1,899m (previous year: €1,646m).

### (43) Claims on banks

	total		Change	due on demand		other claims	
	31.12.2005	31.12.2004 <sup>1)</sup>		31.12.2005	31.12.2004 <sup>1)</sup>	31.12.2005	31.12.2004 <sup>1)</sup>
	€ m	€ m	in %	€ m	€ m	€ m	€ m
German banks	39,123	40,976	-4.5	5,211	4,289	33,912	36,687
Foreign banks	47,080	45,743	2.9	11,602	16,588	35,478	29,155
<b>Total</b>	<b>86,203</b>	<b>86,719</b>	<b>-0.6</b>	<b>16,813</b>	<b>20,877</b>	<b>69,390</b>	<b>65,842</b>

The claims on banks include €11,432m of public-sector loans (previous year: €11,548m) extended by the mortgage banks.

### (44) Claims on customers

The claims on customers break down as follows:

	31.12.2005	31.12.2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Claims on domestic customers	112,607	109,613	2.7
Claims on foreign customers	41,067	40,664	1.0
<b>Total</b>	<b>153,674</b>	<b>150,277</b>	<b>2.3</b>

The claims on customers include €26,985m (previous year: €27,283m) of loans secured by mortgages or other security interests in real property (loans of up to 60% of the collateral value) as well as €33,479m (previous year: €31,388m) of communal loans.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(45) Claims on and liabilities to subsidiaries and equity investments**

The claims on and liabilities to unconsolidated subsidiaries, associated companies and companies in which an equity investment exists are as follows:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Claims on banks</b>	<b>8,848</b>	<b>4,916</b>	<b>80.0</b>
Subsidiaries	-	-	.
Associated companies and companies in which an equity investment exists	8,848	4,916	80.0
<b>Claims on customers</b>	<b>154</b>	<b>253</b>	<b>-39.1</b>
Subsidiaries	97	218	-55.5
Associated companies and companies in which an equity investment exists	57	35	62.9
<b>Bonds, notes and other fixed-income securities</b>	<b>1,500</b>	<b>1,687</b>	<b>-11.1</b>
Subsidiaries	-	-	.
Associated companies and companies in which an equity investment exists	1,500	1,687	-11.1
<b>Shares and other variable-yield securities</b>	<b>222</b>	<b>318</b>	<b>-30.2</b>
Associated companies and companies in which an equity investment exists	222	318	-30.2
<b>Total</b>	<b>10,724</b>	<b>7,174</b>	<b>49.5</b>
<b>Liabilities to banks</b>	<b>1,042</b>	<b>321</b>	<b>.</b>
Subsidiaries	-	-	.
Associated companies and companies in which an equity investment exists	1,042	321	.
<b>Liabilities to customers</b>	<b>66</b>	<b>731</b>	<b>-91.0</b>
Subsidiaries	39	727	-94.6
Associated companies and companies in which an equity investment exists	27	4	.
<b>Total</b>	<b>1,108</b>	<b>1,052</b>	<b>5.3</b>

**(46) Total lending**

	31.12.2005	31.12.2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Loans to banks	18,940	20,704	-8.5
Claims on customers	145,297	139,533	4.1
Bills discounted	403	311	29.6
<b>Total</b>	<b>164,640</b>	<b>160,548</b>	<b>2.5</b>

We distinguish loans from claims on banks and customers such that only those claims are shown as loans for which special loan agreements have been concluded with the borrowers. Therefore, interbank money-market transactions and repo transactions, for example, are not shown as loans.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(47) Provision for possible loan losses**

Provision for possible loan losses is made in accordance with rules that apply Group-wide and covers all discernible creditworthiness risks. On the basis of past experience, we have formed portfolio valuation allowances for the latent credit risk.

	Specific valuation allowances <sup>*)</sup>		Portfolio valuation allowances		Total		Change in %
	2005	2004	2005	2004	2005	2004	
	€ m	€ m	€ m	€ m	€ m	€ m	
<b>As of 1.1.</b>	<b>5,352</b>	<b>5,506</b>	<b>326</b>	<b>348</b>	<b>5,678</b>	<b>5,854</b>	<b>-3.0</b>
Allocations	1,263	1,265	83	17	1,346	1,282	5.0
Deductions	1,529	1,405	45	46	1,574	1,451	8.5
of which: utilized	745	900	-	1	745	901	-17.3
of which: reversals	784	505	45	45	829	550	50.7
Changes in consolidated companies	3	-	1	-	4	-	.
Exchange-rate changes/transfers	30	-14	2	7	32	-7	.
<b>Provision for possible loan losses as of 31.12.</b>	<b>5,119</b>	<b>5,352</b>	<b>367</b>	<b>326</b>	<b>5,486</b>	<b>5,678</b>	<b>-3.4</b>

<sup>\*)</sup> including provisions

With direct write-downs and income received on written-down claims taken into account, the allocations and reversals reflected in the income statement gave rise to provision of €566m (previous year: €836m) for lending risks.

Provision for possible risks was formed for:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Claims on banks	20	13	53.8
Claims on customers	5,161	5,292	-2.5
<b>Provision to cover balance-sheet items</b>	<b>5,181</b>	<b>5,305</b>	<b>-2.3</b>
Guarantees, endorsement liabilities, credit commitments	305	373	-18.2
<b>Total</b>	<b>5,486</b>	<b>5,678</b>	<b>-3.4</b>

The provision for credit risk by customer group breaks down as follows:

€ m	Specific valuation allowances and provisions for lending business	Loan losses <sup>1)</sup> in 2005	Net allocation <sup>2)</sup> to valuation allowances and provisions in lending business
<b>German customers</b>	<b>4,646</b>	<b>754</b>	<b>506</b>
Companies and self-employed	3,823	675	406
Manufacturing	723	114	59
Construction	247	55	-41
Distributive trades	392	86	26
Services, incl. professions, and others	2,461	420	362
Other retail customers	823	79	100
<b>Foreign customers</b>	<b>473</b>	<b>86</b>	<b>-27</b>
Banks	16	2	-
Corporate and retail customers	457	84	-27
<b>Total</b>	<b>5,119</b>	<b>840</b>	<b>479</b>

1) Direct write-downs, utilized specific valuation allowances and provisions in lending business

2) Allocation less reversals

Data on provision for credit risk:

in %	2005	2004
Allocation ratio <sup>1)</sup>	0.34	0.52
Write-off ratio <sup>2)</sup>	0.48	0.63
Cover ratio <sup>3)</sup>	3.33	3.54

1) Net provisioning (new provisions less reversals of valuation allowances and provision for commercial loans, plus the balance of direct write-downs and income received on previously written-down claims) as a percentage of total lending

2) Defaults (utilized valuation allowances and provision for commercial loans, plus the balance of direct write-downs and income received on previously written-down claims) as a percentage of total lending

3) Existing provisions (level of valuation allowances and provisions for credit risk in commercial lending) as a percentage of total lending

Total lending = Total lending in commercial business (Note 46)

**(48) Positive fair values attributable to derivative hedging instruments**

Derivative instruments used for hedging purposes and for hedge accounting and also showing a positive fair value appear under this item in the balance sheet.

These instruments are measured at their fair value. For the most part, interest-rate and interest-rate/currency swaps are used.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Positive fair values from related effective fair value hedges	3,011	2,111	42.6
Positive fair values from related effective cash flow hedges	1,723	1,809	-4.8
<b>Total</b>	<b>4,734</b>	<b>3,920</b>	<b>20.8</b>

**(49) Assets held for dealing purposes**

The Group's trading activities include trading in bonds, notes and other fixed-income securities, shares and other variable-yield securities, promissory notes, foreign exchange and precious metals as well as derivative financial instruments. All the items in the trading portfolio are shown at their fair value.

The positive fair values also include financial instruments which cannot be used as hedging instruments in hedge accounting.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Bonds, notes and other fixed-income securities	22,080	20,137	9.6
Money-market instruments	1,332	903	47.5
issued by public-sector borrowers	341	504	-32.3
issued by other borrowers	991	399	.
Bonds and notes	20,748	19,234	7.9
issued by public-sector borrowers	6,498	6,338	2.5
issued by other borrowers	14,250	12,896	10.5
Shares and other variable-yield securities	8,417	10,338	-18.6
Promissory notes held in the trading portfolio	1,287	798	61.3
Positive fair values attributable to derivative financial instruments	68,537	70,808	-3.2
Currency-based transactions	4,136	8,824	-53.1
Interest-based transactions	58,370	58,307	0.1
Other transactions	6,031	3,677	64.0
<b>Total</b>	<b>100,321</b>	<b>102,081</b>	<b>-1.7</b>

€26,685m (previous year: €26,314m) of the bonds, notes and other fixed-income securities and also shares and other variable-yield securities were listed securities.

**(50) Investments and securities portfolio (available for sale)**

The Investments and securities portfolio represents financial instruments not assigned to any other category. It includes all bonds, notes and other fixed-income securities, shares and other variable-yield securities not held

for trading purposes, investments, holdings in associated companies measured at equity and holdings in subsidiaries not included in the consolidation.

	31.12.2005	31.12.2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Bonds, notes and other fixed-income securities	77,539	64,320	20.6
Money-market instruments	1,926	821	.
issued by public-sector borrowers	13	54	-75.9
issued by other borrowers	1,913	767	.
Bonds and notes	75,613	63,499	19.1
issued by public-sector borrowers	36,302	30,075	20.7
issued by other borrowers	39,311	33,424	17.6
Shares and other variable-yield securities	2,402	2,138	12.3
Investments	2,537	3,217	-21.1
of which: in banks	1,181	1,667	-29.2
Investments in associated companies	3,643	2,379	53.1
of which: in banks	3,580	2,322	54.2
Holdings in subsidiaries	120	139	-13.7
of which: in banks	-	-	.
<b>Total</b>	<b>86,241</b>	<b>72,193</b>	<b>19.5</b>
of which: measured at amortized cost	709	594	19.4

**Fair values of listed financial investments:**

	31.12.2005	31.12.2004
€ m	Fair value	Fair value
Bonds, notes and other fixed-income securities	68,544	56,484
Shares and other variable-yield securities	1,057	830
Investments	1,946	2,751
<b>Total</b>	<b>71,547</b>	<b>60,065</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

Investments in large incorporated companies held by the Commerzbank Group, pursuant to Art. 313, (2), no. 4, HGB:

Name	Seat	Percentage share of capital held 31.12.2005
Carmeile AG	Wülfrath	10.0 <sup>*)</sup>
ConCardis GmbH	Frankfurt am Main	6.0
EURO Kartensysteme GmbH	Frankfurt am Main	6.0
Ferrari S.p.A.	Maranello, Modena	8.5
GZS Gesellschaft für Zahlungssysteme mbH	Frankfurt am Main	6.1
Korea Exchange Bank	Seoul	14.6
Linde Aktiengesellschaft	Wiesbaden	10.0 <sup>*)</sup>

<sup>\*)</sup> indirectly held

#### (51) Intangible assets

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Goodwill	758	697	8.8
Other intangible assets	215	104	.
<b>Total</b>	<b>973</b>	<b>801</b>	<b>21.5</b>

We amortized goodwill on a regular basis for the last time as of December 31, 2004. Since January 1, 2005, we only make a write-down when the result of the annual impairment test is lower than the book value.

Further goodwill arising from companies shown at equity is contained in investments in associated companies (€114m).

Of the other intangible assets, capitalized software accounted for €208m (previous year: €82m).

#### (52) Fixed assets

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Land and buildings	663	762	-13.0
Office furniture and equipment	628	859	-26.9
Leased equipment	234	145	61.4
<b>Total</b>	<b>1,525</b>	<b>1,766</b>	<b>-13.6</b>



**(53) Changes in book value of fixed assets and investments**

The following changes were registered for intangible and fixed assets, and also for investments, investments in associated companies and subsidiaries in the past financial year:

€ m	Intangible assets		Fixed assets	
	Goodwill	Other intangible assets	Land and buildings	Office furniture and equipment
<b>Book value as of 1.1.2005</b>	<b>697</b>	<b>104</b>	<b>762</b>	<b>859</b>
Cost of acquisition/production as of 1.1.2005	1,618	239	990	3,535
Additions in 2005	63	68	69	131
Disposals in 2005	–	9	94	346
Transfers/changes in consolidated companies	8	370	29	–376
Cost of acquisition/production as of 31.12.2005	1,689	668	994	2,944
Write-ups in 2005	–	–	–	–
Cumulative write-downs as of 31.12.2004	921	135	228	2,676
Changes in exchange rates	2	1	3	8
Additions in 2005	–	68	148	219
Disposals in 2005	–	4	49	333
Transfers/changes in consolidated companies	8	253	1	–254
Cumulative write-downs as of 31.12.2005	931	453	331	2,316
<b>Book value as of 31.12.2005</b>	<b>758</b>	<b>215</b>	<b>663</b>	<b>628</b>

€ m	Fixed assets	Investments	Investments	Holdings in
	Leased equipment		in associated companies	subsidiaries
<b>Book value as of 1.1.2005</b>	<b>145</b>	<b>3,217</b>	<b>2,379</b>	<b>139</b>
Cost of acquisition/production as of 1.1.2005	200	4,122	2,995	190
Additions in 2005	61	142	1,191	23
Disposals in 2005	20	1,446	11	36
Transfers/changes in consolidated companies	90	198	–	22
Cumulative changes arising from measurement at fair value or at equity	–	220	80	–
Cost of acquisition/production/fair value as of 31.12.2005	331	3,236	4,255	199
Write-ups in 2005	–	–	–	–
Cumulative write-downs as of 31.12.2004	55	905	616	51
Additions in 2005	44	59	–	28
Disposals in 2005	8	307	4	–
Transfers/changes in consolidated companies	6	42	–	–
Cumulative write-downs as of 31.12.2005	97	699	612	79
<b>Book value as of 31.12.2005</b>	<b>234</b>	<b>2,537</b>	<b>3,643</b>	<b>120</b>

**(54) Tax assets**

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Current tax assets</b>	<b>400</b>	<b>606</b>	<b>-34.0</b>
Germany	350	544	-35.7
Abroad	50	62	-19.4
<b>Deferred tax claims</b>	<b>5,138</b>	<b>5,205</b>	<b>-1.3</b>
Deferred taxes carried as assets	5,138	5,205	-1.3
<b>Total</b>	<b>5,538</b>	<b>5,811</b>	<b>-4.7</b>

Deferred taxes represent the potential income-tax relief arising from temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IAS/IFRS and their values for tax-accounting purposes in accordance with the local tax regulations for consolidated companies.

Altogether, the deferred tax claims and liabilities directly set off against equity as of December 31, 2005, amounted to €457m.

No deferred taxes have been recognized for loss carry-forwards of €3,797m (previous year: €3,428m), as it is uncertain at present whether they will be realized.

For the most part, there are no time limits on the use of the existing tax loss carry-forwards.

Deferred taxes carried as assets were formed in connection with the following balance-sheet items:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Fair values of derivative hedging instruments	2,325	2,092	11.1
Assets held for dealing purposes and liabilities from dealing activities	1,654	2,189	-24.4
Claims on banks and customers	221	306	-27.8
Provisions	197	101	95.0
Securitized liabilities	1	31	-96.8
Liabilities to banks and customers	133	16	.
Sundry balance-sheet items	269	196	37.2
Tax loss carry-forwards	338	274	23.4
<b>Total</b>	<b>5,138</b>	<b>5,205</b>	<b>-1.3</b>

**(55) Other assets**

Other assets mainly comprise the following items:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Collection items	182	211	-13.7
Precious metals	982	350	.
Non-current assets held for sale in accordance with IFRS 5	228	-	.
Sundry assets, including deferred items	813	1,165	-30.2
<b>Total</b>	<b>2,205</b>	<b>1,726</b>	<b>27.8</b>

**(56) Liabilities to banks**

	total		Change in %
	31.12.2005 € m	31.12.2004 € m	
German banks	58,517	57,987	0.9
Foreign banks	71,383	57,443	24.3
<b>Total</b>	<b>129,900</b>	<b>115,430</b>	<b>12.5</b>

of which:	due on demand		other liabilities	
	31.12.2005 € m	31.12.2004 € m	31.12.2005 € m	31.12.2004 € m
German banks	5,358	7,449	53,159	50,538
Foreign banks	9,833	10,359	61,550	47,084
<b>Total</b>	<b>15,191</b>	<b>17,808</b>	<b>114,709</b>	<b>97,622</b>

**(57) Liabilities to customers**

Liabilities to customers consist of savings deposits, demand deposits and time deposits, including savings certificates.

	total		Change in %
	31.12.2005 € m	31.12.2004 € m	
<b>German customers</b>	<b>73,258</b>	<b>72,514</b>	<b>1.0</b>
Corporate customers	42,735	39,656	7.8
Retail customers and others	27,834	31,071	-10.4
Public sector	2,689	1,787	50.5
<b>Foreign customers</b>	<b>29,588</b>	<b>32,550</b>	<b>-9.1</b>
Corporate and retail customers	28,057	31,894	-12.0
Public sector	1,531	656	.
<b>Total</b>	<b>102,846</b>	<b>105,064</b>	<b>-2.1</b>

€ m	Savings deposits		Other liabilities			
	31.12.2005	31.12.2004	due on demand		with agreed lifetime or period of notice	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
<b>German customers</b>	<b>11,238</b>	<b>15,604</b>	<b>30,217</b>	<b>26,495</b>	<b>31,803</b>	<b>30,415</b>
Corporate customers	62	71	19,145	16,338	23,528	23,247
Retail customers and others	11,141	15,498	10,620	9,759	6,073	5,814
Public sector	35	35	452	398	2,202	1,354
<b>Foreign customers</b>	<b>1,194</b>	<b>1,288</b>	<b>10,972</b>	<b>9,987</b>	<b>17,422</b>	<b>21,275</b>
Corporate and retail customers	1,193	1,287	10,585	9,854	16,279	20,753
Public sector	1	1	387	133	1,143	522
<b>Total</b>	<b>12,432</b>	<b>16,892</b>	<b>41,189</b>	<b>36,482</b>	<b>49,225</b>	<b>51,690</b>

Savings deposits break down as follows:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Savings deposits with agreed period of notice of three months	11,549	15,797	-26.9
Savings deposits with agreed period of notice of more than three months	883	1,095	-19.4
<b>Total</b>	<b>12,432</b>	<b>16,892</b>	<b>-26.4</b>

#### (58) Securitized liabilities

Securitized liabilities consist of bonds and notes, including mortgage and public-sector *Pfandbriefe*, money-market instruments (e.g. certificates of deposit, Euro-notes, commercial paper), index certificates, own acceptances and promissory notes outstanding.

	total		of which: issued by mortgage banks	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
	€ m	€ m	€ m	€ m
Bonds and notes issued	85,235	76,478	65,162	55,650
Money-market instruments issued	11,608	10,677	3,685	3,046
Own acceptances and promissory notes outstanding	77	95	-	-
<b>Total</b>	<b>96,920</b>	<b>87,250</b>	<b>68,847</b>	<b>58,696</b>

The nominal interest paid on money-market paper ranges from 2.00% to 26.07% (previous year: 1.167% to 25.0%); for bonds and notes, from 0.0619% to 17.00% (previous year: 0.049% to 17.67%). The original maturity periods for

money-market paper are up to one year. €55bn (previous year: €52bn) of the bonds and notes have an original lifetime of more than four years.

The following table presents the most important bonds and notes issued in 2005:

Equivalent in € m	Currency	Issuer	Interest rate %	Maturity date
2,000	EUR	Hypothekebank in Essen AG	2.750	2009
2,000	EUR	Hypothekebank in Essen AG	2.000	2006
1,500	EUR	Hypothekebank in Essen AG	2.750	2008
1,500	EUR	Hypothekebank in Essen AG	3.000	2010
1,466	EUR	Kaiserplatz Funding Limited	2.500	2006
1,250	EUR	Hypothekebank in Essen AG	2.500	2010
1,000	EUR	Hypothekebank in Essen AG	2.450	2008
1,000	EUR	Hypothekebank in Essen AG	1.850	2009
1,000	EUR	Hypothekebank in Essen AG	2.750	2011
1,000	EUR	Hypothekebank in Essen AG	2.362	2007
1,000	EUR	Hypothekebank in Essen AG	2.589	2007
1,000	EUR	Hypothekebank in Essen AG	2.875	2010
848	USD	Hypothekebank in Essen AG	4.250	2008
848	USD	Hypothekebank in Essen AG	4.750	2010
600	EUR	Hypothekebank in Essen AG	2.129	2006
500	EUR	Hypothekebank in Essen AG	2.220	2006
500	EUR	Hypothekebank in Essen AG	2.219	2007
461	EUR	Commerzbank AG (reverse convertible bonds)	12.000	2006
461	EUR	Commerzbank AG (reverse convertible bonds)	12.000	2006
458	EUR	Hypothekebank in Essen AG	2.505	2006
424	USD	Erste Europäische Pfandbrief- und Kommunalkreditbank AG	4.000	2009

#### (59) Negative fair values attributable to derivative hedging instruments

Derivative instruments not serving trading purposes but used for effective hedging and showing a negative fair value appear under this item in the balance sheet.

These financial instruments are measured at their fair value.

For the most part, interest-rate and interest-rate/currency swaps are used as hedging instruments.

	31.12.2005 € m	31.12.2004 € m	Change in %
Negative fair values from related effective fair value hedges	5,447	4,049	34.5
Negative fair values from related effective cash flow hedges	4,392	4,604	-4.6
<b>Total</b>	<b>9,839</b>	<b>8,653</b>	<b>13.7</b>

**(60) Liabilities from dealing activities**

Liabilities from dealing activities shows the negative fair values of derivative financial instruments not employed as hedging instruments in connection with hedge accounting. Delivery commitments arising from short sales of securities are also included under Liabilities from dealing activities.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Currency-based transactions	4,070	9,204	-55.8
Interest-based transactions	60,767	60,886	-0.2
Delivery commitments arising from short sales of securities	3,299	5,600	-41.1
Sundry transactions	6,863	4,316	59.0
<b>Total</b>	<b>74,999</b>	<b>80,006</b>	<b>-6.3</b>

**(61) Provisions**

Provisions break down as follows:

	31.12.2005	31.12.2004 <sup>1)</sup>	Change
	€ m	€ m	in %
Provisions for pensions and similar commitments	1,587	1,495	6.2
Other provisions	1,934	1,907	1.4
<b>Total</b>	<b>3,521</b>	<b>3,402</b>	<b>3.5</b>

The changes in provisions for pensions were as follows:

	as of 1.1.2005	Pension payments	Additions	Change in plan assets	Transfers/ changes in consolidated companies	as of 31.12.2005
€ m						
Pension expectancies of active and former employees and also pensioners	1,472	83	172	7	5	1,559
Early retirement	19	10	5	-	1	15
Part-time scheme for older staff	4	22	10	-14	7	13
<b>Total</b>	<b>1,495</b>	<b>115</b>	<b>187</b>	<b>-7</b>	<b>13</b>	<b>1,587</b>

For the most part, provisions for pensions and similar commitments represent provisions for obligations to pay company retirement pensions on the basis of direct pledges of benefits. The type and scale of the retirement pensions for employees entitled to benefits are determined by the terms of the pension arrangement that

finds application (including pension guidelines, pension scheme, contribution-based pension plan, individual pension commitments), which mainly depends upon when the employee joined the Bank. On this basis, pensions are paid to employees reaching retirement age, or earlier in the case of invalidity or death (see also Note 22).

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

The changes in the assets held in trust at Commerzbank Pension Trust e.V., which count as plan assets pursuant to IAS 19, were as follows:

	2005	2004
	€ m	€ m
Fair value as of January 1	147	139
Allocation/withdrawal	-9	3
Income from plan assets	2	5
Benefits paid	-	-
<b>Fair value as of December 31</b>	<b>140</b>	<b>147</b>

The pension obligations are worked out annually by an independent actuary, applying the projected unit credit method.

The projected unit credit for pension commitments as of December 31, 2005, was €2,078m (previous year: €1,797m).

The difference between this figure and the pension provisions is the result of changes in the actuarial parameters and the bases of calculation amounting to €351m (previous year: €155m) and of changes in the fair value of the plan assets of €140m (previous year: €147m).

Changes in pension obligations:

	2005	2004
	€ m	€ m
Provisions for pensions, including plan assets, as of January 1	1,642	1,571
Service cost	32	29
Interest cost	81	71
Cost of early retirement and part-time scheme for older staff	29	16
Amortization of actuarial assets	45	33
Pension benefits	-115	-110
Other changes	13	32
Actuarial loss	351	155
<b>Pension obligations as of December 31</b>	<b>2,078</b>	<b>1,797</b>

We have recognized pension costs of altogether €206m (previous year: €157m) in the income statement, €187m of which relates to the allocation to provisions for pensions (previous year: €149m).

## Changes in Other provisions:

€ m	As of 1.1.2005 <sup>1)</sup>	Utilized	Reversals	Allocation/changes in consolidated companies	as of 31.12.2005
Personnel area	578	399	32	645	792
Restructuring measures	169	106	1	37	99
Lending risks	373	16	200	148	305
Bonuses for special savings schemes	95	39	-	24	80
Legal proceedings and recourse claims	114	11	36	58	125
Sundry items	578	161	32	148	533
<b>Total</b>	<b>1,907</b>	<b>732</b>	<b>301</b>	<b>1,060</b>	<b>1,934</b>

The provisions in the personnel area basically relate to provisions for various types of bonuses, to be paid to employees of the Group in the first half of 2006. In principle, all the other provisions fall due on a short-term basis.

**(62) Tax liabilities**

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Current income-tax liabilities</b>	<b>229</b>	<b>432</b>	<b>-47.0</b>
Income-tax liabilities to tax authorities	4	7	-42.9
Provisions for income taxes	225	425	-47.1
<b>Deferred income-tax liabilities</b>	<b>3,477</b>	<b>3,461</b>	<b>0.5</b>
Deferred taxes carried as liabilities	3,477	3,461	0.5
<b>Total</b>	<b>3,706</b>	<b>3,893</b>	<b>-4.8</b>

Provisions for taxes on income are possible tax liabilities for which no final formal assessment note has been received. The liabilities to tax authorities represent payment obligations from current taxes towards German and foreign tax authorities. Deferred taxes on the liabilities side represent the potential income-tax burden from

temporary differences between the values assigned to assets and liabilities in the consolidated balance sheet in accordance with IAS/IFRS and their values for tax-accounting purposes in accordance with the local tax regulations for consolidated companies.

Deferred income-tax liabilities were formed in connection with the following items:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Assets held for dealing purposes and liabilities from dealing activities	1,043	703	48.4
Fair values of derivative hedging instruments	1,018	1,290	-21.1
Investments and securities portfolio	490	852	-42.5
Claims on banks and customers	340	67	.
Liabilities to banks and customers	44	196	-77.6
Sundry balance-sheet items	542	353	53.5
<b>Total</b>	<b>3,477</b>	<b>3,461</b>	<b>0.5</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)



**(63) Other liabilities**

Other liabilities of €1,337m (previous year: €1,280m) include obligations arising from still outstanding invoices, deductions from salaries to be passed on and deferred liabilities.

**(64) Subordinated capital**

Subordinated capital breaks down as follows:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Subordinated liabilities</b>	<b>5,410</b>	<b>5,673</b>	<b>-4.6</b>
of which: Tier-III capital as defined in Art. 10, (7), KWG	-	-	.
of which: maturing within two years	829	835	-0.7
<b>Profit-sharing certificates outstanding</b>	<b>1,895</b>	<b>2,111</b>	<b>-10.2</b>
of which: maturing within two years	673	630	6.8
Deferred interest, incl. discounts	159	273	-41.8
Measurement effects (IAS 39)	679	819	-17.1
<b>Total</b>	<b>8,143</b>	<b>8,876</b>	<b>-8.3</b>

Subordinated liabilities are own funds as defined in Art. 10, (5a), KWG. The claims of creditors to repayment of these liabilities are subordinate to those of other creditors.

The issuer cannot be obliged to make premature repayment. In the event of insolvency or winding-up, subordinated liabilities may only be repaid after the claims of all senior creditors have been met.

At end-2005, the following major subordinated liabilities were outstanding:

Start of maturity	€ m	Currency in m	Issuer	Interest rate	Maturity date
2000	590	590 EUR	Commerzbank AG	6.500	2010
1999	550	550 EUR	Commerzbank AG	4.750	2009
2001	490	490 EUR	Commerzbank AG	6.125	2011
1999	300	300 EUR	Commerzbank AG	6.250	2009
1997	292	200 GBP	Commerzbank AG	7.875	2007
2002	275	275 EUR	Commerzbank AG	5.500	2008
2001	250	250 EUR	Commerzbank AG	5.400	2011
1999	219	150 GBP	Commerzbank AG	6.625	2019

In the year under review, the interest paid by the Group for subordinated liabilities totalled €347m (previous year: €349m). Deferred interest expenses for interest due but not yet paid are shown at €128m (previous year: €131m).

Profit-sharing certificates outstanding form part of the Bank's liable equity capital in accordance with the provisions of the German Banking Act (Art. 10, (5), KWG). They are directly affected by current losses. Interest pay-

ments are made solely if the issuing institution achieves a distributable profit. The claims of holders of profit-sharing certificates to a repayment of principal are subordinate to those of other creditors.

At end-2005, the following major profit-sharing certificates were outstanding:

Start of maturity	€ m	Issuer	Interest rate	Maturity date
1993	392	Commerzbank AG	7.250	2005
2000	320	Commerzbank AG	6.375	2010
1994	256	Commerzbank AG	2.775	2006
1996	256	Commerzbank AG	7.900	2008

Interest to be paid for the 2005 financial year on the profit-sharing certificates outstanding amounts to €134m (previous year: €156m). Deferred interest expenses for interest due but not yet paid are shown at €122m (previous year: €142m).

#### (65) Hybrid capital

As in previous years, the Commerzbank Group raised no hybrid capital in the 2005 financial year.

**(66) Equity structure**

	31.12.2005	31.12.2004 <sup>1)</sup>
	€ m	€ m
a) Subscribed capital	1,705	1,546
b) Capital reserve	5,686	4,481
c) Retained earnings	4,165	3,383
d) Revaluation reserve	1,995	1,600
e) Measurement of cash flow hedges	-1,069	-1,214
f) Reserve from currency translation	-107	-192
g) Consolidated profit	328	150
<b>Total before minority interests</b>	<b>12,703</b>	<b>9,754</b>
Minority interests	947	1,269
<b>Equity</b>	<b>13,650</b>	<b>11,023</b>

**a) Subscribed capital**

The subscribed capital (share capital) of Commerzbank Aktiengesellschaft consists of no-par-value shares, each with an accounting par value of €2.60. The shares are issued in the form of bearer shares.

	1,000 units
<b>Number of shares outstanding on 1.1.2005</b>	<b>594,484</b>
plus: treasury shares on 31.12. of the previous year	4,103
Issue of new shares (including shares issued to employees)	58,226
<b>Number of shares issued on 31.12.2005</b>	<b>656,813</b>
less: treasury shares on balance-sheet date	1,113
<b>Number of shares outstanding on 31.12.2005</b>	<b>655,700</b>

Before treasury shares are deducted, the subscribed capital stands at €1,708m.

No preferential rights exist or restrictions on the payment of dividends at Commerzbank Aktiengesellschaft. All the issued shares have been fully paid in.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

The value of issued, outstanding and authorized shares is as follows:

	31.12.2005		31.12.2004	
	€ m	1,000 units	€ m	1,000 units
Shares issued	1,708	656,813	1,556	598,587
- Treasury shares	3	1,113	10	4,103
= Shares outstanding (subscribed capital)	1,705	655,700	1,546	594,484
+ Shares not yet issued from authorized capital	471	181,036	622	239,262
<b>Total</b>	<b>2,176</b>	<b>836,736</b>	<b>2,168</b>	<b>833,746</b>

The number of authorized shares is 837,849 thousand units (previous year: 837,849 thousand units). The accounting par value of the authorized shares is €2,179m (previous year: €2,179m).

As of December 31, 2005, 3,627 thousand shares (previous year: 5,324 thousand shares) had been pledged with the Group as security. This represents 0.6% (previous year: 0.9%) of the shares outstanding on the balance-sheet date.

Securities transactions in treasury shares pursuant to Art. 71, (1), no. 1 and no. 7, AktG

	Number of shares in units	Accounting* <sup>1</sup> par value in €1,000	Percentage of share capital
Portfolio on 31.12.2005	1,113,296	2,895	0.17
Largest total acquired during the financial year	17,619,857	45,812	2.69
Total shares pledged by customers as collateral on 31.12.2005	3,627,292	9,431	0.55
Shares acquired during the financial year	210,745,115	547,937	-
Shares disposed of during the financial year	213,735,108	555,711	-

\*) Accounting par value per share €2.60

#### b) Capital reserve

In the capital reserve, premiums from the issue of shares are shown. In addition, the capital reserve contains amounts realized for conversion and option rights entitling holders to purchase shares when bonds and notes were issued.

#### c) Retained earnings

Retained earnings consist of the legal reserve and other reserves. The legal reserve contains those reserves which have to be formed in accordance with national law; in the individual financial statements, the amounts assigned to this reserve may not be distributed. The overall amount of retained earnings shown in the balance sheet consists of €3m of legal reserves (previous year: €3m) and €4,162m (previous year: €3,380m<sup>1)</sup>) of other revenue reserves.

#### d) Revaluation reserve

The results of measuring the investments and securities portfolio – consisting of interest-bearing and dividend-based instruments – at fair value, with deferred taxes taken into consideration, are assigned to the revaluation reserve. Gains or losses appear in the income statement only when the asset has been disposed of or written off.

#### e) Measurement of cash flow hedges

The result of measuring effective hedges used in cash flow hedges appears, after deferred taxes have been taken into consideration, under this equity item.

#### f) Reserve from currency translation

The reserve from currency translation relates to translation gains and losses arising through the consolidation of capital accounts. Here exchange-rate differences are included that arise through the consolidation of subsidiaries and associated companies.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(67) Conditional capital**

Conditional capital is intended to be used for the issue of convertible bonds or bonds with warrants and also of profit-sharing certificates with conversion or option rights.

Changes in the Bank's conditional capital:

	Conditional capital 1.1.2005	Additions	Expiring/ Used	Conditional capital 31.12.2005	of which:	
€ m					used conditional capital	avai- lable lines
Convertible bonds/bonds with warrants/ profit-sharing rights	403	-	-	403	-	403
<b>Total</b>	<b>403</b>	<b>-</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>403</b>

As resolved by the AGM of May 30, 2003, the Bank's share capital has been conditionally increased by up to €403,000,000. Such conditional capital increase will only be effected to the extent that the holders or creditors of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by May 30, 2008, by either Commerzbank Aktiengesellschaft or companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority

interest (group companies as defined in Art. 18, (1), AktG) exercise their conversion or option rights, or the holders or creditors of the convertible bonds or convertible profit-sharing rights to be issued by May 30, 2008 by either Commerzbank Aktiengesellschaft or companies in which Commerzbank Aktiengesellschaft directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG) meet their obligation to exercise their conversion rights.

**(68) Authorized capital**

Date of AGM resolution	Original amount € m	Used in previous years for capital increases € m	Used in 2005 for capital increases € m	Authorization expired € m	Remaining amount € m	Date of expiry
31.05.2002	30	8	1	–	21	30.04.2007
12.05.2004	225	–	–	–	225	30.04.2009
12.05.2004	225	–	–	–	225	30.04.2009
12.05.2004	150	–	150	–	0	30.04.2009
<b>Total</b>	<b>630</b>	<b>8</b>	<b>151</b>	<b>–</b>	<b>471</b>	

The Board of Managing Directors is authorized to increase, with the approval of the Supervisory Board, the share capital of the Bank by April 30, 2007, through the issue of new no-par-value shares against cash, in either one or several tranches, by a maximum amount of altogether €20,694,262, thereby excluding the subscription rights of shareholders for the purpose of issuing these shares to the Bank's staff.

The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €225,000,000 (authorized capital 2004/I). On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary in order to offer to 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 Art. 18, (1), *Aktiengesetz*), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights.

The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009 through the issue of new no-par-value shares against cash or con-

tributions in kind, in either one or several tranches, but by a maximum amount of €225,000,000 (authorized capital 2004/II). On principle, shareholders are to be offered subscription rights; however, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights to the extent necessary to offer to 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 Art. 18, (1), *Aktiengesetz*), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. In addition, any fractional amounts of shares may be excluded from shareholders' subscription rights.

Furthermore, the Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.

The Board of Managing Directors is authorized, with the approval of the Supervisory Board, to increase the Company's share capital by April 30, 2009, through the issue of new no-par-value shares against cash, in either one or several tranches, but by a maximum amount of €1.80 (authorized capital 2004/III). The Board of Managing Directors may, with the approval of the Supervisory Board, exclude shareholders' subscription rights if the issue price of the new shares is not substantially lower than that of already listed shares offering the same conditions.

**(69) The Bank's foreign-currency position**

On December 31, 2005, the Commerzbank Group had the following foreign-currency assets and liabilities (excluding fair values of derivatives):

	31.12.2005				Total	31.12.2004 <sup>1)</sup>	Change in %
	USD	PLN	€ m			€ m	
			GBP	Others		Total	
Cash reserve	33	540	10	1,167	1,750	693	.
Claims on banks	10,589	694	1,840	2,992	16,115	21,095	-23.6
Claims on customers	20,791	2,471	2,434	7,151	32,847	31,074	5.7
Assets held for dealing purposes	3,681	1,641	1,241	1,220	7,783	8,597	-9.5
Investments and securities portfolio	9,132	178	857	2,413	12,580	8,430	49.2
Other balance-sheet items	2,662	169	771	1,817	5,419	5,353	1.2
<b>Foreign-currency assets</b>	<b>46,888</b>	<b>5,693</b>	<b>7,153</b>	<b>16,760</b>	<b>76,494</b>	<b>75,242</b>	<b>1.7</b>
Liabilities to banks	18,848	520	5,618	7,908	32,894	28,648	14.8
Liabilities to customers	9,616	4,314	2,120	4,092	20,142	24,988	-19.4
Securitized liabilities	9,879	346	1,201	3,080	14,506	10,828	34.0
Liabilities from dealing activities	3	298	-	89	390	1,253	-68.9
Other balance-sheet items	3,504	151	1,440	775	5,870	5,954	-1.4
<b>Foreign-currency liabilities</b>	<b>41,850</b>	<b>5,629</b>	<b>10,379</b>	<b>15,944</b>	<b>73,802</b>	<b>71,671</b>	<b>3.0</b>

Due to exchange-rate movements in the 2005 financial year, the consolidated balance-sheet total expanded by roughly €7bn (previous year: -€4bn). Total lending rose by €7bn (previous year: -€3bn).

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

## Notes to financial instruments

### (70) Derivative transactions

A derivative is a financial instrument whose value is determined by a so-called underlying asset. The latter may be, for example, an interest rate, a commodity price, a share price, a currency rate or a bond price.

Most derivatives transactions involve OTC derivatives, whose nominal amount, maturity and price are agreed individually between the Bank and its counterparties. However, the Bank also concludes derivatives contracts on regulated stock exchanges. These are standardized contracts with standardized nominal amounts and settlement dates.

The nominal amount specifies the business volume traded by the Bank. On the other hand, the positive or negative fair values appearing in the tables are the costs which would be incurred by the Bank or the counterparty in order to replace the transactions.

In order to minimize (reduce) both the economic and the regulatory credit risk arising from these instruments, our Legal Services department concludes master agreements (bilateral netting agreements) with our business associates (such as 1992 ISDA Master Agreement Multi-currency Cross-Border; German Master Agreement for Financial Futures). By means of such bilateral netting agreements, the positive and negative fair values of the derivatives contracts included under a master agreement can be offset against one another and the future regulatory risk add-ons for these products can be reduced. Through this netting process, the credit risk is limited to a single net claim on the party to the contract (close-out netting).

For both regulatory reports and the internal measurement and monitoring of our credit commitments, we use such risk-reducing techniques only if we consider them enforceable under the respective legal system, should the business associate become insolvent. In order to check enforceability, we avail ourselves of legal opinions from various international law firms.

Similar to the master agreements are the collateral agreements (e.g. collateralization annex for financial futures contracts, Credit Support Annex), which we conclude with our business associates to secure the net claim or liability remaining after netting (receiving or furnishing of security). As a rule, this collateral management reduces credit risk by means of prompt – mostly daily or weekly – measurement and adjustment of the customer commitment.

On average, we achieve a credit-risk mitigation of 74.51% of the exposure for the derivatives contracts and collateral covered by the process of risk-reducing techniques.

In the credit derivatives area, we registered 15.64% higher volume than in the previous year. We employ these products which serve to transfer credit risk in both trading for arbitrage purposes and in the investment area for diversifying our loan portfolios. The following table illustrates our risk structure in terms of the various risk assets that have been hedged.

#### Breakdown, by reference assets

€ m	31.12.2005		31.12.2004	
	Nominal amounts		Nominal amounts	
	Protection bought	Protection sold	Protection bought	Protection sold
OECD central governments	2,511	2,674	2,663	2,705
OECD banks	5,922	6,111	4,570	5,217
OECD financial institutions	9,881	10,005	8,153	8,483
Other companies, private individuals	56,525	54,803	47,774	48,902
Non-OECD banks	95	37	9	–
<b>Total</b>	<b>74,934</b>	<b>73,630</b>	<b>63,169</b>	<b>65,307</b>



31.12.2005	Nominal amount			Fair value		
	under 1 year	Remaining lifetimes		total	positive	negative
€ m		1-5 years	more than 5 years			
<b>Foreign-currency-based forward transactions</b>						
OTC products	244,699	127,298	65,671	437,668	4,385	4,494
Foreign-exchange spot and forward contracts	146,531	9,970	160	156,661	1,674	1,692
Interest-rate and currency swaps	56,683	101,236	62,055	219,974	2,101	2,200
Currency call options	20,874	8,353	1,725	30,952	610	-
Currency put options	20,611	7,739	1,731	30,081	-	602
Other foreign-exchange contracts	-	-	-	-	-	-
Products traded on a stock exchange	489	19	-	508	-	-
Currency futures	489	19	-	508	-	-
Currency options	-	-	-	-	-	-
<b>Total</b>	<b>245,188</b>	<b>127,317</b>	<b>65,671</b>	<b>438,176</b>	<b>4,385</b>	<b>4,494</b>
<b>Interest-based forward transactions</b>						
OTC products	1,540,940	1,442,884	1,264,422	4,248,246	62,837	70,152
Forward-rate agreements	149,781	4,547	6	154,334	57	67
Interest-rate swaps	1,351,071	1,329,439	1,178,897	3,859,407	59,281	65,955
Call options on interest-rate futures	17,121	47,732	32,825	97,678	2,849	-
Put options on interest-rate futures	18,779	51,625	40,091	110,495	-	3,235
Other interest-rate contracts	4,188	9,541	12,603	26,332	650	895
Products traded on a stock exchange	59,170	21,211	-	80,381	-	-
Interest-rate futures	49,760	21,211	-	70,971	-	-
Interest-rate options	9,410	-	-	9,410	-	-
<b>Total</b>	<b>1,600,110</b>	<b>1,464,095</b>	<b>1,264,422</b>	<b>4,328,627</b>	<b>62,837</b>	<b>70,152</b>
<b>Other forward transactions</b>						
OTC products	47,183	162,409	14,407	223,999	6,049	6,893
Structured equity/index products	6,070	13,606	4,775	24,451	1,072	1,726
Equity call options	7,785	13,689	804	22,278	3,434	-
Equity put options	8,216	14,298	532	23,046	-	3,602
Credit derivatives	20,290	119,978	8,296	148,564	1,263	1,360
Precious metal contracts	4,822	838	-	5,660	280	205
Other transactions	-	-	-	-	-	-
Products traded on a stock exchange	50,458	44,186	3,139	97,783	-	-
Equity futures	5,077	-	-	5,077	-	-
Equity options	45,381	44,186	3,139	92,706	-	-
Other futures	-	-	-	-	-	-
Other options	-	-	-	-	-	-
<b>Total</b>	<b>97,641</b>	<b>206,595</b>	<b>17,546</b>	<b>321,782</b>	<b>6,049</b>	<b>6,893</b>
<b>Total immatured forward transactions</b>						
OTC products	1,832,822	1,732,591	1,344,500	4,909,913	73,271	81,539
Products traded on a stock exchange	110,117	65,416	3,139	178,672	-	-
<b>Total</b>	<b>1,942,939</b>	<b>1,798,007</b>	<b>1,347,639</b>	<b>5,088,585</b>	<b>73,271</b>	<b>81,539</b>

As of December 31, 2004, the figures were as follows:

31.12.2004	Nominal amount			Fair value		
	under 1 year	Remaining lifetimes 1-5 years	more than 5 years	total	positive	negative
€ m						
<b>Foreign-currency-based forward transactions</b>						
OTC products	268,282	119,157	61,901	449,340	9,578	9,878
Foreign-exchange spot and forward contracts	145,469	9,710	109	155,288	4,133	4,756
Interest-rate and currency swaps	70,117	96,329	58,577	225,023	4,644	4,294
Currency call options	26,605	7,386	1,612	35,603	801	-
Currency put options	26,091	5,732	1,603	33,426	-	828
Other foreign-exchange contracts	-	-	-	-	-	-
Products traded on a stock exchange	670	107	-	777	-	-
Currency futures	670	107	-	777	-	-
Currency options	-	-	-	-	-	-
<b>Total</b>	<b>268,952</b>	<b>119,264</b>	<b>61,901</b>	<b>450,117</b>	<b>9,578</b>	<b>9,878</b>
<b>Interest-based forward transactions</b>						
OTC products	1,273,623	1,236,339	1,014,175	3,524,137	61,408	68,737
Forward-rate agreements	135,079	2,673	-	137,752	87	77
Interest-rate swaps	1,094,167	1,116,192	927,596	3,137,955	58,120	64,985
Call options on interest-rate futures	17,549	43,085	32,095	92,729	2,558	-
Put options on interest-rate futures	22,275	49,001	38,165	109,441	-	2,786
Other interest-rate contracts	4,553	25,388	16,319	46,260	643	889
Products traded on a stock exchange	125,257	7,685	8,277	141,219	-	-
Interest-rate futures	52,889	3,864	2,495	59,248	-	-
Interest-rate options	72,368	3,821	5,782	81,971	-	-
<b>Total</b>	<b>1,398,880</b>	<b>1,244,024</b>	<b>1,022,452</b>	<b>3,665,356</b>	<b>61,408</b>	<b>68,737</b>
<b>Other forward transactions</b>						
OTC products	37,556	145,482	10,837	193,875	3,742	4,444
Structured equity/index products	4,238	11,988	1,086	17,312	758	1,162
Equity call options	9,202	9,567	508	19,277	1,238	-
Equity put options	11,157	10,800	774	22,731	-	1,534
Credit derivatives	8,553	111,713	8,210	128,476	1,451	1,501
Precious metal contracts	4,406	1,414	259	6,079	295	247
Other transactions	-	-	-	-	-	-
Products traded on a stock exchange	33,813	8,887	155	42,855	-	-
Equity futures	4,734	-	-	4,734	-	-
Equity options	29,079	8,887	155	38,121	-	-
Other futures	-	-	-	-	-	-
Other options	-	-	-	-	-	-
<b>Total</b>	<b>71,369</b>	<b>154,369</b>	<b>10,992</b>	<b>236,730</b>	<b>3,742</b>	<b>4,444</b>
<b>Total immatured forward transactions</b>						
OTC products	1,579,461	1,500,978	1,086,913	4,167,352	74,728	83,059
Products traded on a stock exchange	159,740	16,679	8,432	184,851	-	-
<b>Total</b>	<b>1,739,201</b>	<b>1,517,657</b>	<b>1,095,345</b>	<b>4,352,203</b>	<b>74,728</b>	<b>83,059</b>

## Breakdown of derivatives business, by borrower group:

€ m	31.12.2005		31.12.2004	
	Fair value		Fair value	
	positive	negative	positive	negative
OECD central governments	695	414	1,137	380
OECD banks	46,474	54,672	50,259	57,708
OECD financial institutions	23,815	24,635	20,360	21,352
Other companies, private individuals	1,946	1,547	2,488	3,233
Non-OECD banks	341	271	484	386
<b>Total</b>	<b>73,271</b>	<b>81,539</b>	<b>74,728</b>	<b>83,059</b>

Fair values appear as the sum totals of the positive and negative amounts per contract, from which no pledged security has been deducted and no possible netting agreements have been taken into consideration. By definition, no positive fair values exist for put options.

## (71) Use made of derivative financial instruments

€ m	31.12.2005		31.12.2004	
	Fair value		Fair value	
	positive	negative	positive	negative
Derivative financial instruments used for trading purposes	66,630	69,369	67,982	71,195
Hedging derivatives which cannot be employed in hedge accounting	1,907	2,331	2,826	3,211
Derivatives used as hedging instruments	4,734	9,839	3,920	8,653
for fair value hedge accounting	3,011	5,447	2,111	4,049
for cash flow hedge accounting	1,723	4,392	1,809	4,604
<b>Total</b>	<b>73,271</b>	<b>81,539</b>	<b>74,728</b>	<b>83,059</b>

In the above table, we show the use made of our derivative financial instruments. We use derivatives for both trading and hedging purposes. In Notes 6, 13, 14, 20 and 21, we have described the above-mentioned criteria.

**(72) Market risk arising from trading activities**

For the daily quantification and monitoring of market risk, especially that arising in proprietary trading, mathematical-statistical methods are used to calculate the value-at-risk. The underlying statistical parameters are based on an observation period of the past 255 trading days, a 10-day holding period and a confidence level of 99%. The value-at-risk models are constantly being adapted to the changing environment.

On the basis of the risk data, the Group manages the market risk for all operational units by a system of risk limits, primarily by means of limits for the potential risk (value-at-risk) and stress scenarios, as well as loss-review triggers.

The risk position of the Group's trading portfolio at year-end shows the value-at-risk, broken down by the various business lines engaged in proprietary trading. The value-at-risk shows the potential losses which will not be exceeded with a 99% degree of probability.

Risk position of the trading portfolio (Principle I risks):

Portfolio	Holding period Confidence level 99%	31.12.2005	31.12.2004
		€ m	€ m
Group	10 days	39.2 *)	54.7 *)
Corporates & Markets (Securities)	10 days	26.1	50.7
Treasury department	10 days	22.1	12.4

\*) The relatively low value-at-risk at Group level is the result of strong portfolio effects between the Corporates & Markets and Treasury departments.

**(73) Interest-rate risk**

The interest-rate risk of the Commerzbank Group results from items in both the trading book and the banking book. In the latter, interest-rate risk mainly arises through maturity mismatches between the Bank's interest-bearing assets and liabilities – for instance, through the short-term funding of long-dated loans. The interest-rate items

shown in the balance sheet as well as the derivatives employed to steer them are included in the measurement of interest-rate risk.

The interest-rate risk of the banking book is measured on the basis of a net present value approach, applying the historical simulation method:

31.12.2005 Portfolio	Holding period	Banking book	Trading book	Overall interest- rate risk
		€ m	Confidence level: 99% € m	
Group	10 days	103.78	30.15	101.19

31.12.2004 Portfolio	Holding period	Banking book	Trading book	Overall interest- rate risk
		€ m	Confidence level: 99% € m	
Group	10 days	118.04	19.55	106.62

**(74) Concentration of credit risk**

Concentrations of credit risk may arise through business relations with individual borrowers or groups of borrowers who share a number of features and whose individual ability to service debt is influenced to the same extent by changes in certain overall economic conditions. These risks are managed by the Global Credit Operations department. Credit risk throughout the Group is monitored by the use of limits for each individual borrower and borrower unit, through the furnishing of the appropriate

security and through the application of a uniform lending policy. In order to minimize credit risk, the Bank has entered into a number of master netting agreements ensuring the right to set off the claims on and liabilities to a client in the case of default by the latter or insolvency. In addition, the management regularly monitors individual portfolios. The Group's lending does not reveal any special dependence on individual sectors.

In terms of book values, the credit risks relating to financial instruments in the balance sheet were as follows on December 31, 2005:

€ m	Claims	
	31.12.2005	31.12.2004 <sup>1)</sup>
<b>Customers in Germany</b>	<b>112,607</b>	<b>109,613</b>
Companies and self-employed	43,906	45,253
Manufacturing	9,593	10,633
Construction	785	809
Distributive trades	4,849	5,140
Services, incl. professions and others	28,679	28,671
Public sector	29,744	26,980
Other retail customers	38,957	37,380
<b>Customers abroad</b>	<b>41,067</b>	<b>40,664</b>
Corporate and retail customers	37,332	36,211
Public sector	3,735	4,453
<b>Sub-total</b>	<b>153,674</b>	<b>150,277</b>
less valuation allowances	-5,161	-5,292
<b>Total</b>	<b>148,513</b>	<b>144,985</b>

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(75) Assets pledged as security**

Assets in the amounts shown below were pledged as security for the following liabilities:

	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
	€ m	€ m	in %
Liabilities to banks	76,850	60,973	26.0
Liabilities to customers	12,996	7,267	78.8
Liabilities from dealing activities	3,292	2,802	17.5
<b>Total</b>	<b>93,138</b>	<b>71,042</b>	<b>31.1</b>

The following assets were pledged as security for the above-mentioned liabilities:

	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Change</b>
	€ m	€ m	in %
Claims on banks and customers	15,871	12,994	22.1
Assets held for dealing purposes and investments and securities portfolio	77,498	58,460	32.6
<b>Total</b>	<b>93,369</b>	<b>71,454</b>	<b>30.7</b>

The furnishing of security in order to borrow funds took the form of genuine securities repurchase agreements (repos). At the same time, security was furnished for funds borrowed for specific purposes and securities-lending transactions.

**(76) Maturities, by remaining lifetime**

€ m	Remaining lifetimes as of 31.12.2005				
	due on demand and unlimited lifetime	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Claims on banks	16,813	35,004	19,529	7,129	7,728
Claims on customers	14,646	28,858	14,052	40,286	55,832
Bonds and notes from the assets held for dealing purposes	–	1,995	1,641	9,453	8,991
Bonds, notes and other fixed-income securities held in investments and securities portfolio	14	3,809	5,327	24,823	43,566
<b>Total</b>	<b>31,473</b>	<b>69,666</b>	<b>40,549</b>	<b>81,691</b>	<b>116,117</b>
Liabilities to banks	15,191	84,680	13,318	4,747	11,964
Liabilities to customers	41,189	48,019	3,609	3,187	6,842
Securitized liabilities	4	18,877	17,295	49,638	11,106
Subordinated capital <sup>*)</sup>	–	548	637	4,146	1,974
<b>Total</b>	<b>56,384</b>	<b>152,124</b>	<b>34,859</b>	<b>61,718</b>	<b>31,886</b>

<sup>\*)</sup> excl. deferred interest and discounts (€159m) and IAS measurement effects (€679m)

€ m	Remaining lifetimes as of 31.12.2004 <sup>1)</sup>				
	due on demand and unlimited lifetime	up to 3 months	3 months to 1 year	1 year to 5 years	more than 5 years
Claims on banks	20,877	38,316	13,356	6,661	7,509
Claims on customers	15,424	27,046	15,398	36,865	55,544
Bonds and notes from the assets held for dealing purposes	86	1,897	2,396	9,054	6,704
Bonds, notes and other fixed-income securities held in investments and securities portfolio	33	2,891	4,379	17,694	39,323
<b>Total</b>	<b>36,420</b>	<b>70,150</b>	<b>35,529</b>	<b>70,274</b>	<b>109,080</b>
Liabilities to banks	17,808	65,821	14,271	5,311	12,219
Liabilities to customers	36,482	55,645	3,094	3,308	6,535
Securitized liabilities	48	16,733	15,643	42,279	12,547
Subordinated capital <sup>*)</sup>	–	239	736	3,515	3,294
<b>Total</b>	<b>54,338</b>	<b>138,438</b>	<b>33,744</b>	<b>54,413</b>	<b>34,595</b>

<sup>\*)</sup> excl. deferred interest (€273m) and IAS measurement effects (€819m)

The remaining lifetime is defined as the period between the balance-sheet date and the contractual maturity of the claim or liability. In the case of claims or liabilities which are paid in partial amounts, the remaining lifetime has been recognized for each partial amount.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)

**(77) Fair value of financial instruments**

The table below compares the fair values of the balance-sheet items with their book values. Fair value is the amount at which financial instruments may be sold or purchased at fair terms on the balance-sheet date. Insofar as market prices (e.g. for securities) were available, we have used these for measurement purposes. For a large number of financial instruments, internal measurement mod-

els involving current market parameters were used in the absence of market prices. In particular, the net present-value method and option-price models were applied. Wherever claims on and liabilities to banks and customers had a remaining lifetime of less than a year, the fair value was considered for simplicity's sake to be that shown in the balance sheet.

€ bn	Fair value		Book value		Difference	
	31.12.2005	31.12.2004 <sup>1)</sup>	31.12.2005	31.12.2004 <sup>1)</sup>	31.12.2005	31.12.2004 <sup>1)</sup>
<b>Assets</b>						
Cash reserve	8.6	4.9	8.6	4.9	-	-
Claims on banks	86.2	86.7	86.2	86.7	0	0
Claims on customers	155.8	152.7	153.7	150.3	2.1	2.4
Hedging instruments	4.7	3.9	4.7	3.9	-	-
Assets held for dealing purposes	100.3	102.1	100.3	102.1	-	-
Investments and securities portfolio	86.2	72.2	86.2	72.2	-	-
<b>Liabilities</b>						
Liabilities to banks	129.9	115.4	129.9	115.4	0	0
Liabilities to customers	102.9	105.2	102.8	105.1	0.1	0.1
Securitized liabilities	97.5	87.8	96.9	87.3	0.6	0.5
Hedging instruments	9.8	8.7	9.8	8.7	-	-
Liabilities from dealing activities	75.0	80.0	75.0	80.0	-	-
Subordinated capital	8.1	8.9	8.1	8.9	-	-

In net terms, the difference between the book value and fair value, which can be seen as unrealized appreciation, amounted for all items to €1.4bn (previous year: €1.8bn) as of December 31, 2005. For covering these items, cash flow hedges are used for the most part. As of December

31, 2005, the measurement of cash flow hedges yielded a figure of -€1.1bn (previous year: -€1.2bn). As of both December 31, 2005 and December 31, 2004, the unrealized appreciation in interest-bearing assets and liabilities exceeded the negative measurement of cash flow hedges.

1) The year-ago figures have been adjusted to the changed rules (see Note 2)



**(78) Information on financial assets and financial liabilities in fair value option category**

The fair value option was used:

- to avoid or reduce accounting mismatches arising from securities and credits which were hedged with interest-rate or credit derivatives;
- for financial instruments (funds, securities and securitized liabilities, together with their related hedging instruments), whose management and performance is measured on a fair value basis in accordance with a documented risk-management or investment strategy.

As of December 31, 2005, the fair value of the financial assets assigned to the fair value option category was €1,258m (previous year: €417m) and that of the financial liabilities €294m (with a repayment amount of €289m). All told, the result of measurement was €21m (previous year: €0m).

The aggregate volume of claims assigned to the fair value option was €155m on December 31, 2005, €95m of which was hedged by derivatives. As of December 31, 2004, no claims were assigned to the fair value option.

For liabilities assigned to the fair value option, the change in fair value for credit-risk reasons was -€8m. As of December 31, 2004, no liabilities were assigned to the fair value option.

## Other notes

### (79) Subordinated assets

The following subordinated assets are included in the assets shown in the balance sheet:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Claims on banks	8	-	.
Claims on customers	127	127	0.0
Bonds and notes	230	205	12.2
Other variable-yield securities	245	344	-28.8
<b>Total</b>	<b>610</b>	<b>676</b>	<b>-9.8</b>
including: banks in which an equity investment exists	222	318	-30.2

Assets are considered to be subordinated if the claims they represent may not be met before those of other creditors in the case of the liquidation or insolvency of the issuer.

### (80) Off-balance-sheet commitments

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Contingent liabilities</b>	<b>27,521</b>	<b>24,541</b>	<b>12.1</b>
from rediscounted bills of exchange credited to borrowers	1	2	-50.0
from guarantees and indemnity agreements	27,520	24,539	12.1
Credit guarantees	3,490	3,869	-9.8
Other guarantees	15,110	12,653	19.4
Letters of credit	7,164	6,256	14.5
Other warranties	1,756	1,761	-0.3
<b>Irrevocable lending commitments</b>	<b>36,695</b>	<b>36,977</b>	<b>-0.8</b>
Book credits to banks	2,079	3,844	-45.9
Book credits to customers	33,383	29,813	12.0
Credits by way of guarantee	569	1,195	-52.4
Letters of credit	664	2,125	-68.8
<b>Other commitments</b>	<b>52</b>	<b>11</b>	<b>.</b>

In this table, provision for risks arising from off-balance-sheet commitments has been deducted from the respective items.

**(81) Volume of managed funds**

By type of managed fund, the assets which we manage break down as follows:

	31.12.2005		31.12.2004	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Retail investment funds	438	53.7	479	48.1
Equity-based and mixed funds	240	28.5	313	26.0
Bond-based funds	109	9.9	123	10.3
Money-market funds	21	11.0	22	10.8
Other <sup>*)</sup>	68	4.3	21	1.0
Non-publicly-offered funds	1,480	28.5	1,377	25.8
Property-based funds	4	9.9	3	11.8
<b>Total</b>	<b>1,922</b>	<b>92.1</b>	<b>1,859</b>	<b>85.7</b>

<sup>\*)</sup> includes fund-of-funds and retirement funds

The regional breakdown of the funds launched is shown in the following chart:

	31.12.2005		31.12.2004	
	Number of funds	Fund assets € bn	Number of funds	Fund assets € bn
Germany	371	43.7	397	43.7
United Kingdom	1,116	18.3	1,084	14.1
Other European countries	300	26.6	244	22.0
America	10	0.7	11	1.1
Other countries	125	2.8	123	4.8
<b>Total</b>	<b>1,922</b>	<b>92.1</b>	<b>1,859</b>	<b>85.7</b>

**(82) Genuine repurchase agreements (repo and reverse repo transactions)**

Under its genuine repurchase agreements, the Commerzbank Group sells or purchases securities with the obligation to repurchase or return them. The money equivalent deriving from repurchase agreements in which the

Commerzbank Group is a borrower (obligation to take the securities back) is shown in the balance sheet as a liability to banks or customers.

The genuine repurchase agreements concluded up to the balance-sheet date break down as follows:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Genuine repurchase agreements as a borrower (repo agreements)</b>			
Liabilities to banks	41,820	36,695	14.0
Liabilities to customers	12,674	15,764	-19.6
<b>Total</b>	<b>54,494</b>	<b>52,459</b>	<b>3.9</b>
<b>Genuine repurchase agreements as a lender (reverse repo agreements)</b>			
Claims on banks	42,329	35,436	19.5
Claims on customers	8,377	10,744	-22.0
<b>Total</b>	<b>50,706</b>	<b>46,180</b>	<b>9.8</b>

**(83) Securities-lending transactions**

Securities-lending transactions are conducted with other banks and customers in order to cover our need to meet delivery commitments or to enable us to effect securities repurchase agreements in the money market. We show lent securities in our balance sheet under our Trading portfolio or under Investments and securities portfolio,

whereas borrowed securities do not appear in the balance sheet. The expenses and income from securities-lending transactions, insofar as they relate to the past financial year, were recognized under interest paid or received in the income statement and reflect the respective maturities.

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Lent securities	7,173	10,618	-32.4
Borrowed securities	7,789	7,638	2.0

**(84) Trust transactions at third-party risk**

Trust transactions which do not have to be shown in the balance sheet amounted to the following on the balance-sheet date:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
Claims on banks	8	4	.
Claims on customers	330	393	-16.0
Other assets	608	602	1.0
<b>Assets on a trust basis at third-party risk</b>	<b>946</b>	<b>999</b>	<b>-5.3</b>
Liabilities to banks	319	382	-16.5
Liabilities to customers	627	617	1.6
<b>Liabilities on a trust basis at third-party risk</b>	<b>946</b>	<b>999</b>	<b>-5.3</b>

**(85) Risk-weighted assets and capital ratios as defined by the Basel capital accord (BIS)**

Like other internationally active banks, the Commerzbank Group has committed itself to meeting the capital adequacy requirements contained in the currently valid version of the Basel accord. This imposes on banks a minimum requirement of 8% of own funds to risk-weighted assets (own funds ratio). A minimum requirement of 4% applies universally for the ratio between core capital and risk-weighted assets (core capital ratio).

Own funds are defined as liable capital that is made up of core and supplementary capital, plus Tier III capital. Core capital mainly consists of subscribed capital plus reserves and minority interests, less goodwill. Supplementary capital comprises outstanding profit-sharing certificates and subordinated long-term liabilities. Tier III capital consists of short-term subordinated liabilities.

The structure of the Commerzbank Group's capital in accordance with the Basel capital accord yields the following picture:

	31.12.2005	31.12.2004	Change
	€ m	€ m	in %
<b>Core capital (Tier I)</b>			
Subscribed capital	1,705	1,546	10.3
Reserves, minority interests, treasury shares	10,456	8,938	17.0
Hybrid capital	-	-	.
Other	-	-	.
<b>Total</b>	<b>12,161</b>	<b>10,484</b>	<b>16.0</b>
<b>Supplementary capital (Tier II)</b>			
Profit-sharing rights	1,870	2,073	-9.8
Reserves in securities (amount reported: 45%)	1,003	623	61.0
Subordinated liabilities	3,574	4,214	-15.2
Other	109	229	-52.4
<b>Total</b>	<b>6,556</b>	<b>7,139</b>	<b>-8.2</b>
<b>Tier III capital</b>	<b>-</b>	<b>-</b>	<b>.</b>
<b>Eligible own funds according to BIS</b>	<b>18,717</b>	<b>17,623</b>	<b>6.2</b>

as of 31.12.2005	Capital charges in %						Total
€ m	100	50	25	20	10	4	
Balance-sheet business	96,894	7,001	–	12,246	–	–	116,141
Traditional off-balance-sheet business	4,224	17,844	189	623	349	74	23,303
Derivatives business in investment portfolio	–	2,141	–	4,493	–	–	6,634
<b>Risk-weighted assets, total</b>	<b>101,118</b>	<b>26,986</b>	<b>189</b>	<b>17,362</b>	<b>349</b>	<b>74</b>	<b>146,078</b>

Risk-weighted market-risk position multiplied by 12.5	3,638
Total items to be risk-weighted	149,716
Eligible own funds	18,717
Core capital ratio (excluding market-risk position)	8.3
Core capital ratio (including market-risk position)	8.1
Own funds ratio (including market-risk position)	12.5

as of 31.12.2004	Capital charges in %						Total
€ m	100	50	25	20	10	4	
Balance-sheet business	89,855	6,787	–	11,253	–	–	107,895
Traditional off-balance-sheet business	3,776	15,474	84	755	286	55	20,430
Derivatives business in investment portfolio	–	2,467	–	4,115	–	–	6,582
<b>Risk-weighted assets, total</b>	<b>93,631</b>	<b>24,728</b>	<b>84</b>	<b>16,123</b>	<b>286</b>	<b>55</b>	<b>134,907</b>

Risk-weighted market-risk position multiplied by 12.5	4,838
Total items to be risk-weighted	139,745
Eligible own funds	17,623
Core capital ratio (excluding market-risk position)	7.8
Core capital ratio (including market-risk position)	7.5
Own funds ratio (including market-risk position)	12.6

## Reconciliation of reported capital with eligible equity in accordance with BIS

31.12.2005	Core capital/ Equity	Supplementary/ subordinated capital (excl. IAS effects and deferred interest)	Tier III capital	Total
€ m				
Reported in balance sheet	13,650	7,305		20,955
Revaluation reserve	-1,995			-1,995
Measurement of cash flow hedges	1,069			1,069
Consolidated profit	-328			-328
Minority interests not to be shown in core capital (incl. revaluation reserve, measurement of cash flow hedges) and changes in consolidated companies and goodwill	-226			-226
Parts of subordinated capital not eligible due to limited remaining lifetime		-1,819		-1,819
Latent revaluation reserves for securities		1,003		1,003
General provisions/reserves for defaults		339		339
Other differences	-9	-272		-281
<b>Eligible equity</b>	<b>12,161</b>	<b>6,556</b>	-	<b>18,717</b>

**(86) Liquidity ratio of Commerzbank Aktiengesellschaft (Principle II)**

Pursuant to Art. 11, KWG, banks are obliged to invest their funds such that adequate liquidity for payment purposes is guaranteed at all times. They have to demonstrate that they have adequate liquidity in the form of a liquidity analysis (Principle II). Liquidity-weighted assets (claims, securities, etc.), structured to reflect their respective maturity brackets, are set off against certain liquidity-weighted balance-sheet and off-balance-sheet liabilities (liabilities, lending commit-

ments), broken down by remaining lifetime. Every day, the ratio between the funds in the first maturity bracket (remaining life of up to one month) and the payment obligations which may fall due during this period has to reach a value of one. If the ratio registers this value, liquidity is considered to be adequate. As of December 31, 2005, the liquidity ratio worked out by Commerzbank Aktiengesellschaft was 1.13 (previous year: 1.14). Excess liquidity reached €17.2bn (previous year: €18.5bn).

## Liquidity ratios of Commerzbank Aktiengesellschaft in 2005:

	Month-end level		Month-end level	
January	1.16	July	1.17	
February	1.17	August	1.17	
March	1.10	September	1.17	
April	1.12	October	1.15	
May	1.16	November	1.16	
June	1.20	December	1.13	

**(87) Securitization of credits**

The use of credit derivatives (such as credit default swaps, total return swaps, and credit-linked notes) can reduce the risk weighting of a loan portfolio, whereby the hedging effect of a credit derivative may relate both to individual credits or securities and to entire portfolios of loans or securities. As a rule, security is furnished by means of a synthetic securitization (credit default swap) and/or by credit-linked notes. The hedging programmes launched by the Commerzbank Group are intended to ease the strain on regulatory capital.

By the end of the 2005 financial year, Commerzbank Aktiengesellschaft had launched six securitization programmes as the buyer of protection. The PanEuropean CLO securitization transaction was cancelled by Commerzbank Aktiengesellschaft per August 20, 2005, and Kaiserplatz K263 expired in the course of 2005 according to plan.

The time band (legal maturity date) stretches from eight to 33 years. All told, credits to customers of €7.1bn had been covered by end-December 2005. This eased the burden on the Bank's risk-weighted assets by €4.5bn.

Name of transaction	Year of conclusion	Duration of transaction in years (legal maturity date)	Type of claim	Size of credit € m	Reduction of risk-weighted assets € m	Buyer of protection
Residence 2000-1	2000	32	Private home loans	575	344	Commerzbank AG (CLN)
Residence 2000-1	2000	32	Private home loans	750	305	Commerzbank AG (CDS)
Residence 2001-1	2001	30	Private home loans	1,023	392	Commerzbank AG
Residence 2002-1	2002	33	Private home loans	1,058	1,027	Commerzbank AG
Residence 2002-2	2002	33	Private home loans	1,051	629	Commerzbank AG
Residence 2003-1	2003	33	Private home loans	1,125	682	Commerzbank AG
Promise C 2002-1	2002	8	Corporate loans	1,470	1,170	Commerzbank AG
				<b>7,052</b>	<b>4,549</b>	



**(88) Average number of staff employed by the Bank during the year**

	2005			2004		
	Total	male	female	total	male	female
Group	31,542	16,979	14,563	31,400	16,946	14,454
in Germany	24,014	11,935	12,079	24,055	11,965	12,090
abroad	7,528	5,044	2,484	7,345	4,981	2,364

The above figures include both full-time and part-time personnel. Not included in the figures is the average number of employees undergoing training within the Group. The average time worked by part-time staff is 60% (previous year: 55%) of the standard working time.

	Total		male		female	
	2005	2004	2005	2004	2005	2004
Trainees	1,173	1,292	467	502	706	790

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

Apart from the fixed salary, the remuneration of the members of the Board of Managing Directors also comprises variable, performance-related components and those with a long-term incentive effect. All the remuneration components are determined by the Presiding Committee of the Supervisory Board. With effect from July 1, 2004, the Presiding Committee altered the remuneration structure of the members of the Board of Managing Directors.

With German commercial law and accounting provisions taken into consideration, €15,851 thousand has to be shown as overall remuneration for the members of the Board of Managing Directors in the 2005 financial year. This includes €651 thousand of remuneration in kind,

which in tax terms has to be treated as benefits in money's worth. In the appropriate cases, the stated overall remuneration of the individual members of the Board of Managing Directors includes the fees paid with respect to the financial year for serving on the boards of consolidated subsidiaries (€483 thousand).

The following table presents the remuneration (fixed salary and variable remuneration) of the individual members of the Board of Managing Directors, subject to the annual financial statements of Commerzbank Aktiengesellschaft for the 2005 financial year being established in their present form and the Presiding Committee adopting the relevant resolution on variable remuneration for 2005.

2005	Fixed salary	Variable remuneration <sup>2)</sup>	Overall amount for 2005
Name	in €1,000	in €1,000	in €1,000
Klaus-Peter Müller	760	2,280	3,040
Martin Blessing	480	1,500	1,980
Wolfgang Hartmann	480	1,500	1,980
Dr. Achim Kassow	480	1,500	1,980
Andreas de Maizière <sup>1)</sup>	280	—	280
Klaus M. Patig	480	1,500	1,980
Dr. Eric Strutz	480	1,500	1,980
Nicholas Teller	480	1,500	1,980
<b>Total</b>	<b>3,920</b>	<b>11,280</b>	<b>15,200</b>

1) p.r.t. for the time up to resignation; 2) payable in 2006; less the already received fees paid for serving on the boards of subsidiaries (€483m).

The active members of the Board of Managing Directors have participated in the 2001-2005 long-term performance plans (LTPs) which are described in detail in Note 28 and represent a share-based form of compensation. In order to take part in the various plans, the members of the Board of Managing Directors have invested on the basis of individual decisions in up to 2,500 Commerzbank Aktiengesellschaft shares, the chairman in up to 5,000 Commerzbank Aktiengesellschaft shares per plan at current market prices.

The following table shows the number of shares (corresponding per share to a "virtual" option) per individual active member of the Board and per respective LTP as well as the fair values at the time the share-based payment was granted. The information relates to the participation of members of the Board of Managing Directors in their function as officers of the Bank. No payments under these plans were made in the 2005 financial year.

#### Long-term performance plans

Name	2001		2002		2003	
	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €
Klaus-Peter Müller	2,500	96,350	5,000	175,150	5,000	142,700
Martin Blessing	–	–	2,500	87,575	2,500	71,350
Wolfgang Hartmann	2,500	96,350	2,500	87,575	2,500	71,350
Dr. Achim Kassow	–	–	–	–	–	–
Klaus M. Patig	1,000	38,540	–	–	–	–
Dr. Eric Strutz	–	–	–	–	–	–
Nicholas Teller	–	–	–	–	2,500	71,350

Name	2004		2005	
	Number of shares purchased	Fair value €	Number of shares purchased	Fair value €
Klaus-Peter Müller	5,000	120,900	5,000	137,300
Martin Blessing	2,500	60,450	2,500	68,650
Wolfgang Hartmann	2,500	60,450	2,500	68,650
Dr. Achim Kassow	–	–	2,500	68,650
Klaus M. Patig	–	–	–	–
Dr. Eric Strutz	2,500	60,450	2,500	68,650
Nicholas Teller	2,500	60,450	2,500	68,650

Payments to former members of the Board of Managing Directors and their surviving dependents amounted to €7,756 thousand in the 2005 financial year. In the previous year, they had totalled €6,479 thousand. The figure for 2005 includes severance payments of €2,140 thousand in connection with a resignation from the Board of Managing Directors.

For present and former members of the Board of Managing Directors or their surviving dependents, the Bank has established a provision for old age, which was par-

tially invested with Commerzbank Pension Trust e.V. in the 2005 financial year. The subsequently remaining provisions for pension commitments as of December 31, 2005, amounted to €4.2m for active members and €11.1m for former members of the Board of Managing Directors or their surviving dependents.

The pension obligations (defined-benefit obligations) for active and former members of the Board of Managing Directors or their surviving dependents amounted to €90.2m on December 31, 2005.

The transparency provisions of the German Corporate Governance Code (in the version of June 2, 2005) and the legal provisions of Art. 15a, of the German Securities Trading Act – WpHG require that transactions by the members of the Board of Managing Directors in Commerzbank shares and options be disclosed. Pursuant to both sets of regulations, purchases and disposals by members of the

Board of Managing Directors have to be reported if they exceed €5,000 with a calendar year. The Bank publishes such information on its internet site. In the following table, the transactions subject to such disclosure requirements are presented in tabular form; see also the presentation in the Corporate Governance report.

Name	Day of trade 2005	Description of securities	Type of transaction	Number of units	Price €
Klaus-Peter Müller	16.2.	Commerzbank AG shares	Buy	2,047	16.77
	16.2.	Commerzbank AG shares	Buy	2,953	16.78
	9.5.	Commerzbank AG shares	Buy	5,000	16.41
Martin Blessing	16.2.	Commerzbank AG shares	Buy	3,000	16.82
	3.5.	Commerzbank AG shares	Buy	3,000	16.34
	23.5.	Commerzbank AG shares	Buy	7,500	16.41
Dr. Achim Kassow	16.2.	Commerzbank AG shares	Buy	2,000	16.84
	3.5.	Commerzbank AG shares	Buy	2,000	16.28
	17.11.	Commerzbank AG shares	Buy	2,500	23.66
Dr. Eric Strutz	16.2.	Commerzbank AG shares	Buy	2,000	16.79
Nicholas Teller	25.5.	Commerzbank AG shares	Buy	2,500	16.35

The members of our Supervisory Board will receive remuneration of €1,394 thousand for the 2005 financial year (previous year: €1,054 thousand), provided that the AGM of Commerzbank Aktiengesellschaft resolves that a dividend of €0.50 be paid per no par-value share.

The remuneration of the members of the Supervisory Board is regulated by Art. 15 of the articles of association of Commerzbank Aktiengesellschaft and, in addition to attendance fees, is divided as follows between the individual members:

2005	Basic remuneration <sup>1)</sup> in €1,000	Committee remuneration in €1,000	Total in €1,000
Supervisory Board members			
Dr. h.c. Martin Kohlhaussen	108	72	180
Uwe Tschäge	72	18	90
Hans-Hermann Altenschmidt	36	18	54
Dott. Sergio Balbinot	36	18	54
Herbert Bludau-Hoffmann	36	-	36
Astrid Evers	36	-	36
Uwe Foullong	36	-	36
Daniel Hampel	36	-	36
Dr.-Ing. Otto Happel	36	18	54
Dr. jur. Heiner Hasford	36	18	54
Sonja Kasischke	36	-	36
Wolfgang Kirsch	36	18	54
Werner Malkhoff	36	18	54
Klaus Müller-Gebel	36	54	90
Dr. Sabine Reiner	36	-	36
Dr. Erhard Schipporeit	36	-	36
Dr.-Ing. Ekkehard D. Schulz	36	-	36
Prof. Dr. Jürgen F. Strube	36	18	54
Dr. Klaus Sturany	36	-	36
Dr.-Ing. E.h. Heinrich Weiss	36	18	54
<b>Total</b>	<b>828</b>	<b>288</b>	<b>1,116</b>

1) This basic remuneration consists of a fixed portion (roughly 55.6%) and a variable portion dependent on the dividend payment (roughly 44.4%)

Altogether €277 thousand was paid in attendance fees for participation in the meetings of the Supervisory Board and its four committees (Presiding, Audit, Risk and Social Welfare Committees) which met in the year under review; this represents €1,500 per meeting attended. The turnover tax of €223 thousand to be paid on the overall remuneration of the members of the Supervisory Board is refunded by Commerzbank Aktiengesellschaft.

Purchases and disposals of Commerzbank shares and options by members of the Supervisory Board in excess of €5,000 overall during a calendar year have to be disclosed pursuant to Art. 15a, German Securities Trading Act – WpHG and the German Corporate Governance Code. In the 2005 financial year, this applied to the following transactions:

Name	Day of trade 2005	Description of securities	Type of transaction	Number of units	Price €
Sonja Kasischke	12.4.	Commerzbank AG shares	Sell	300	17.88
Hans-Hermann Altenschmidt	9.9.	Commerzbank AG shares	Sell	530	22.50
Daniel Hampel	21.10.	Commerzbank AG shares	Buy	250	20.80

All told, the Board of Managing Directors and Supervisory Board held no more than 1% of the issued shares and option rights of Commerzbank Aktiengesellschaft on December 31, 2005.

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

	31.12.2005	31.12.2004
	€1,000	€1,000
Board of Managing Directors	3,591	4,141
Supervisory Board	1,601	1,703

Members of the Board of Managing Directors have been granted cash advances and loans with lifetimes ranging between until further notice and a due date of 2030 and at interest rates ranging between 2.89% and 11.00%. Collateral security is provided on a normal market scale, wherever necessary through land charges and pledging of security holdings. The overall figure (€3,591 thousand) includes rental guarantees of €23 thousand, provided without a commission fee being charged; this is in line with the Bank's general terms and conditions for members of staff.

The loans and advances to members of the Supervisory Board – including those to employee representatives on this body – were granted with lifetimes ranging between until further notice and a due date of 2031 and at interest rates ranging between 3.04% and 6.57%. In line with market conditions, some loans were granted without collateral security, against land charges or against the assignment of credit balances and life insurances.

#### **(90) Share-based payments plans**

In accordance with the transitional provisions of IFRS 2, we have applied the Standard retrospectively to all equity-settled plans after November 7, 2002, that were unvested as of January 1, 2005, and to all cash-settled plans existing on January 1, 2005.

For 2004, the change in accounting policy resulted in a net decrease in the net profit for the year of €31m. The balance sheet as of December 31, 2004, has been restated to reflect recognition of a provision of €45m for cash-settled plans and a share-based payments reserve (appearing under Equity) of €6m for equity-settled plans.

For 2005, total expenses of €77m were recognized for employee services received during the year. The portion of these expenses arising from equity-settled plans is €4m, while for cash-settled plans it is €73m. As of December 31, 2005, the share-based payments reserve in Equity amounted to €7m and the provision that was formed €109m.

In the following, more information is provided on the long-term performance plans (LTPs) and the staff remuneration plans/stock option programmes within the Jupiter International Group plc (JIG). In addition to the LTPs and the plans at JIG, further subsidiaries of the Commerzbank Group offer their staff share-based remuneration plans. The overall expenditure for these plans was €6m in 2005. As of December 31, 2005, provisions of €8m and a reserve of €2m were recognized in Equity.

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

As of January 1, 2005, there were five plans outstanding. The terms and conditions of the LTPs are described in Note 28 of this annual report. Three of these LTP awards were made prior to November 7, 2002, and in accordance with the transitional provisions in IFRS 2, the accounting principles have not been applied to the portions of the plans 50% of which are equity-settled. A further grant on similar terms was made to the eligible employee groups on April 1, 2005.

For the equity-settled portion of the LTPs (50%), the estimated fair values (per option right) at the respective grant dates are as follows:

Type	Date of grant	Fair value per award at grant date in euros
LTP2003	April 1, 2003	28.54
LTP2004	April 1, 2004	24.18
LTP2005	April 1, 2005	27.46

For the cash-settled portion of the LTPs (50%), the estimated fair values as of December 31, 2005, are as follows:

Type	Date of grant	Fair value per option right on	
		31.12.2005 in euros	31.12.2004 in euros
LTP2001	April 1, 2001	0.01	0.07
LTP2002	April 1, 2002	44.54	10.22
LTP2003	April 1, 2003	99.35	93.11
LTP2004	April 1, 2004	76.10	25.67
LTP2005	April 1, 2005	62.36	-

Further details on the long-term performance plans – both the equity-settled and the cash-settled plans – outstanding during the year:

	2005	2004
	Number of awards	Number of awards
<b>Outstanding at beginning of year</b>	<b>771,600</b>	<b>631,000</b>
Granted during the year	222,350	198,550
Forfeited during the year	38,250	57,950
Vested during the year	-	-
Expired during the year	62,050	-
<b>Outstanding at year-end</b>	<b>893,650</b>	<b>771,600</b>

No awards expired during the year. The remaining expected lives of the awards outstanding at year-end vary from 0.3 years to 2.3 years.



The fair values of the LTP awards are calculated using the Monte Carlo model. The inputs into the model were as follows:

	Equity-settled portion			Cash-settled portion	
	Parameters at grant date			Parameters at balance-sheet date	
	1.4.2005	1.4.2004	1.4.2003	31.12.2005	31.12.2004
Volatility of the Commerzbank share price	43%	49%	47%	23%-29%	14%-43%
Volatility of the Euro Stoxx Banks Index	22%	28%	28%	10%-12%	6%-21%
Correlation of Commerzbank share price to Index	81%	83%	80%	57%-68%	40%-80%
Commerzbank dividend yield	3.7%	2.6%	2.0%	1.9%-2.4%	1.6%-3.3%
Dividend yield of DJ Euro Stoxx Banks Index	2.2%	2.2%	3.3%	2.3%	2.3%
Risk-free interest rate	2.7%	2.7%	2.8%	2.7%-2.8%	2.0%-2.6%

The volatility and the correlation were determined by calculating the historical volatility of Commerzbank's share price and the Dow Jones Stoxx Banks Index and their correlation over the period up to the date of measurement, taking into account the remaining expected life of the awards. A rate of 5% p.a. was assumed for staff turnover.

For 2005, the expenses recognized for the services performed by staff amounted to €15m. The portion of the expenses related to equity-settled plans is €3m and that related to cash-settled plans €12m. As of December 31, 2005, the reserve (in Equity) for equity-based plans was €5m and the provision which had been formed €20m.

### Staff remuneration/share option plans of Jupiter International Group

As of January 1, 2005, there were four plans outstanding. The terms and conditions of these are described in Note 28 of this annual report. Two further plans on similar

terms were offered to the eligible employee groups on May 6, 2005. In accordance with IFRS 2, all the plans are recognized as cash-settled.

Details of the plans outstanding during the year:

	2005		2004	
	Number of awards	Weighted average exercise price in euros	Number of awards	Weighted average exercise price in euros
Outstanding at beginning of year	21,057,999	3.57	16,011,019	3.13
Granted during the year	5,679,235	7.66	5,046,980	5.00
Forfeited during the year	940,264	5.14	-	-
Exercised during the year	4,574,384	2.02	-	-
Expired during the year	-	-	-	-
Outstanding at year-end	21,222,586	4.93	21,057,999	3.58
Exercisable at year-end	4,503,147	2.02	4,616,416	2.02

The weighted average fair value of D and E options/awards granted during the year was €4.95 (2004: €3.73). The share value on the exercise date for the C shares exercised in 2005 was €7.12.

The following table provides details on the awards outstanding at year-end, dependent upon the respective exercise prices for the awards/options:

Exercise price in euros	2.02	4.99	7.66
Number of outstanding awards	5,370,969	10,342,382	5,509,235
Weighted average fair value in euros	7.83	6.45	4.95
Weighted average remaining contractual life	1 year	2.1 years	3.7 years

The fair values of the plans are calculated at each balance-sheet date, using an actuarial binominal model. The inputs into the model were as follows:

	2005	2004
C share value (in euros)	10.30	7.12
D and E share value (in euros)	11.10	7.68
Expected volatility (in %)	33.0	44.0
Risk-free interest rate (in %)	4.2	4.3-4.5

As Jupiter is not a listed company, no historical volatility is available. Volatility has been assumed, therefore, on the basis of an average historical volatility of comparable listed shares and for the expected remaining life of the options.

In 2005, the expenses recognized for the services performed by staff amounted to €56m. As of December 31, 2005, the provision which had been formed was €81m.



**(91) Other commitments**

Commitments towards companies both outside the Group and not included in the consolidation for uncalled payments on shares in private limited-liability companies issued but not fully paid amount to €2m (previous year: €4m).

The Bank is responsible for the payment of assessments of up to €173m to Liquiditäts-Konsortialbank (Liko) GmbH, Frankfurt am Main, the "lifeboat" institution of the German banking industry. The individual banking associations have also declared themselves responsible for the payment of assessments to Liko. To cover such assessments, Group companies have pledged to Liko that they will meet any payment in favour of their respective associations.

Under Art. 5, (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks, Berlin, for any losses incurred through support provided for banks in which Commerzbank holds a majority interest.

Obligations towards futures and options exchanges and also towards clearing centres, for which securities have been deposited as collateral, amount to €802m (previous year: €1,235m).

Our subsidiaries Caisse Centrale de Réescompte S.A., Paris, and COMINVEST Asset Management S.A., Luxembourg, have provided performance guarantees for selected funds.

The Group's existing obligations arising from rental and leasing agreements – buildings, office furniture and equipment – will lead to expenses of €261m in 2006, €187m per year in 2007-2009, and €179m as from 2010.

**(92) Letter of comfort**

In respect of the subsidiaries listed below and included in the consolidated financial statements of our Bank, we ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

Name	Seat
BRE Bank Hipoteczny SA	Warsaw
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
Caisse Centrale de Réescmpte, S.A.	Paris
CCR Actions	Paris
CCR Chevrillon-Philippe	Paris
CCR Gestion	Paris
comdirect bank Aktiengesellschaft	Quickborn
COMINVEST Asset Management GmbH	Frankfurt am Main
COMINVEST Asset Management Ltd.	Dublin
COMINVEST Asset Management S.A.	Luxembourg
Commerz (East Asia) Ltd.	Hong Kong
Commerz Advisory Management Co. Ltd.	British Virgin Islands
Commerz Asset Management (UK) plc	London
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore
Commerz Equity Investments Ltd.	London
Commerz International Capital Management (Japan) Ltd.	Tokyo
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank (Switzerland) Ltd	Zurich
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Belgium S.A./N.V.	Brussels
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland)	Dublin
Commerzbank Europe Finance (Ireland) plc	Dublin
Commerzbank International S.A.	Luxembourg
Commerzbank Overseas Finance N.V.	Curaçao
Commerzbank Rt. *)	Budapest
CommerzLeasing und Immobilien AG	Düsseldorf
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
European Bank for Fund Services GmbH (ebase)	Haar near Munich
Gracechurch TL Ltd.	London
Hypothesenbank in Essen AG	Essen
Intermarket Bank AG	Vienna
Jupiter Administration Services Limited	London
Jupiter Asset Management (Asia) Limited	Hong Kong
Jupiter Asset Management (Bermuda) Limited	Bermuda
Jupiter Asset Management Limited	London
Jupiter Asset Managers (Jersey) Limited	Jersey
Jupiter International Group plc	London
Jupiter Unit Trust Managers Limited	London

\*) renamed Commerzbank Zrt. as from January 2, 2006

Name	Seat
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf
P.T. Bank Finconesia	Jakarta
Stampen S.A.	Brussels
Transfinance a.s.	Prague
Tyndall Holdings Limited	London
Tyndall International Holdings Limited	Bermuda
Tyndall Investments Limited	London
Tyndall Trust International I.O.M. Limited	Isle of Man

### (93) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Stock Corporation Act – AktG and made it available to shareholders on the internet ([www.commerzbank.com](http://www.commerzbank.com)).

## Boards of Commerzbank Aktiengesellschaft

### Supervisory Board

Dr. Walter Seipp  
*Honorary Chairman*

Dr. h.c. Martin Kohlhaussen  
*Chairman*

Uwe Tschäge\*)  
*Deputy Chairman*

Hans-Hermann Altenschmidt\*)

Dott. Sergio Balbinot

Herbert Bludau-Hoffmann\*)

Astrid Evers\*)

Uwe Foullong\*)

Daniel Hampel\*)

Dr.-Ing. Otto Happel

Dr. jur. Heiner Hasford

Sonja Kasischke\*)

Wolfgang Kirsch\*)

Werner Malkhoff\*)

Klaus Müller-Gebel

Dr. Sabine Reiner\*)

Dr. Erhard Schipporeit

Dr.-Ing. Ekkehard D. Schulz

Prof. Dr. Jürgen F. Strube

Dr. Klaus Sturany

Dr.-Ing. E.h. Heinrich Weiss

### Board of Managing Directors

Klaus-Peter Müller  
*Chairman*

Martin Blessing

Wolfgang Hartmann

Dr. Achim Kassow

Andreas de Maizière  
(until July 15, 2005)

Klaus M. Patig

Dr. Eric Strutz

Nicholas Teller

\*) elected by the Bank's employees

## Holdings in affiliated and other companies

### Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity in 1,000
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Bad Homburg v.d.H.	100.0	€	1,006,924
ATBRECOM Limited	London	100.0	100.0 €	758
BRE Bank Hipoteczny SA	Warsaw	100.0	100.0 ZI	165,395
TOMO Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0 €	22,778
Zweite Umbra Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0 €	51
CB Building Kirchberg GmbH*)	Düsseldorf	100.0	6.0 €	-647
Commerz (East Asia) Ltd.	Hong Kong	100.0	€	45,245
Commerz Asset Management (UK) plc	London	100.0	£	180,495
Jupiter International Group plc (sub-group)	London	100.0	100.0 £	190,613
Jupiter Asset Management Limited	London	100.0	100.0	
Jupiter Unit Trust Managers Limited	London	100.0	100.0	
Tyndall Holdings Limited	London	100.0	100.0	
Jupiter Administration Services Limited	London	100.0	100.0	
Tyndall Investments Limited	London	100.0	100.0	
Tyndall International Holdings Limited	Bermuda	100.0	100.0	
Jupiter Asset Management (Asia) Limited	Hong Kong	100.0	100.0	
Jupiter Asset Management (Bermuda) Limited	Bermuda	100.0	100.0	
Jupiter Asset Managers (Jersey) Limited	Jersey	100.0	100.0	
Tyndall Trust International I.O.M. Limited	Isle of Man	100.0	100.0	
Real Estate Holdings Limited**)	Bermuda	100.0	100.0	
Lanesborough Limited	Bermuda	55.7	55.7	
NALF Holdings Limited	Bermuda	100.0	100.0	
The New Asian Property Fund Limited	Bermuda	99.4	99.4	
Commerz Asset Management Holding GmbH	Frankfurt am Main	100.0	€	415,000
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0	100.0 €	47,001
COMINVEST Asset Management Ltd.	Dublin	100.0	100.0 €	3,827
COMINVEST Asset Management S.A.	Luxembourg	100.0	100.0 €	73,205
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore	100.0	100.0 S\$	22,733
Commerz Advisory Management Co. Ltd.	British Virgin Islands	100.0	100.0 TWD	615,730
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0 S\$	43,658
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0 ¥	567,434
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0	100.0 €	22,231
CBG Commerz Beteiligungsgesellschaft Holding mbH	Bad Homburg v.d.H.	100.0	€	6,137
CBG Commerz Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0 €	13,318
CBG Commerz Beteiligungskapital GmbH*)	Frankfurt am Main	100.0	100.0 €	1,138
Commerz Business Consulting AG	Frankfurt am Main	100.0	€	2,375
Commerz Equity Investments Ltd.	London	100.0	£	1,120

**Affiliated companies included in the consolidation**

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity in 1,000
Commerz Grundbesitzgesellschaft mbH	Wiesbaden	100.0		€ 138,344
Commerz Grundbesitz-Investmentgesellschaft mbH	Wiesbaden	75.0	75.0	€ 34,705
Commerz Grundbesitz-Spezialfondsgesellschaft mbH	Wiesbaden	100.0	100.0	€ 7,486
Commerz Securities (Japan) Company Ltd. i.L.	Hong Kong/Tokyo	100.0		¥ 5,281,265
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0		€ 26
Commerzbank (Eurasija) SAO	Moscow	100.0		Rbl 4,385,634
Commerzbank (Nederland) N.V.	Amsterdam	100.0		€ 180,153
Commerzbank (South East Asia) Ltd.	Singapore	100.0		€ 56,372
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main	100.0		€ 2,505,125
BRE Bank SA (sub-group)	Warsaw	71.5	71.5	Zl 2,108,470
BRE Finance France SA*)	Levallois Perret	100.0	100.0	
BRE Leasing Sp. z o.o.	Warsaw	100.0	100.0	
Dom Inwestycyjny BRE Banku SA*)	Warsaw	100.0	100.0	
Intermarket Bank AG	Vienna	56.2	56.2	
Magyar Factor Rt. *)	Budapest	100.0	100.0	
Polfactor SA*)	Warsaw	100.0	100.0	
PTE Skarbiec – Emerytura SA	Warsaw	100.0	100.0	
Skarbiec Asset Management Holding SA (sub-group)	Warsaw	100.0	100.0	
BRE Agent Transferowy Sp. z o.o. *)	Warsaw	100.0	100.0	
SKARBIEC Towarzystwo Funduszy Inwestycyjnych S.A. *)	Warsaw	100.0	100.0	
SKARBIEC Investment Management SA *)	Warsaw	100.0	100.0	
SKARBIEC Serwis Finansowy Sp. z o.o. *)	Warsaw	100.0	100.0	
Transfinance a.s.	Prague	100.0	100.0	
Caisse Centrale de Réescompte, S.A.	Paris	99.4	99.4	€ 172,879
CCR Actions	Paris	92.6	92.6	€ 6,342
CCR Chevrillon-Philippe	Paris	87.0	87.0	€ 4,141
CCR Gestion	Paris	100.0	100.0	€ 7,898
Commerzbank (Switzerland) Ltd	Zurich	100.0	100.0	Sfr. 203,441
Commerzbank International S.A.	Luxembourg	100.0	100.0	€ 754,739
Max Lease S.a.r.l. & Cie. Secs*)	Luxembourg	100.0	100.0	€ 154
Commerzbank Belgium S.A./N.V.	Brussels	100.0		€ 8,238
Commerzbank Capital Markets Corporation	New York	100.0		US\$ 181,129
Commerzbank Europe (Ireland)	Dublin	61.0	41.0	€ 532,325
Commerzbank Europe Finance (Ireland) plc	Dublin	100.0	100.0	€ 49
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0		€ 10,030
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main	100.0		€ 3,843,258
comdirect bank Aktiengesellschaft	Quickborn	79.9	79.9	€ 578,145
comdirect private finance AG	Quickborn	100.0	100.0	
Commerzbank Overseas Finance N.V.	Curaçao	100.0		€ 1,050
Commerzbank Rt.***)	Budapest	100.0		Ft. 17,846,930
Commerzbank U.S. Finance, Inc. *)	Wilmington/Delaware	100.0		US\$ 783

**Affiliated companies included in the consolidation**

Name	Seat	Share of capital held in %	of which: indirectly in %		Equity in 1,000
CommerzLeasing und Immobilien AG	Düsseldorf	100.0	94.5	€	86,823
ALMURUS Grundstücks-Vermietungsgesellschaft mbH <sup>*)</sup>	Düsseldorf	100.0	100.0	€	9,004
ASTRIFA Mobilien-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	25
CFB Commerz Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	26
CFB Verwaltung und Treuhand GmbH	Düsseldorf	100.0	100.0	€	26
COBA Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	100.0	€	26
CommerzImmobilien GmbH	Düsseldorf	100.0	100.0	€	12,936
CommerzBaucontract GmbH	Düsseldorf	100.0	100.0	€	52
CommerzBaumanagement GmbH	Düsseldorf	100.0	100.0	€	52
CommerzBaumanagement GmbH und CommerzImmobilienGmbH GbR – Neubau Molegra	Düsseldorf	100.0	100.0	€	414
CommerzLeasing Mobilien GmbH	Düsseldorf	100.0	100.0	€	8,349
CommerzLeasing Auto GmbH	Düsseldorf	100.0	100.0	€	281
CommerzLeasing Mietkauf GmbH	Düsseldorf	100.0	100.0	€	26
Hansa Automobil Leasing GmbH	Hamburg	100.0	100.0	€	7,488
ComSystems GmbH	Düsseldorf	98.0	98.0	€	-2,317
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	95.0	€	-567
NESTOR GVG mbH & Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0	€	-2,933
NORA GVG mbH & Co. Objekt Lampertheim KG <sup>*)</sup>	Düsseldorf	95.0	95.0	€	-765
NORA GVG mbH & Co. Objekte Plön und Preetz KG <sup>*)</sup>	Düsseldorf	90.0	90.0	€	-850
NOVELLA GVG mbH	Düsseldorf	100.0	100.0	€	8,960
SECUNDO GVG mbH	Düsseldorf	100.0	100.0	€	3,144
CORECD Commerz Real Estate Consulting and Development GmbH	Berlin	100.0		€	1,000
Erste Europäische Pfandbrief- und Kommunal- kreditbank Aktiengesellschaft in Luxemburg	Luxembourg	75.0		€	69,962
Gracechurch TL Ltd.	London	100.0		€	772
Hibernia Eta Beteiligungsgesellschaft mbH <sup>*)</sup>	Frankfurt am Main	85.0		€	51,172
Hibernia Gamma Beteiligungsgesellschaft mbH <sup>*)</sup>	Frankfurt am Main	100.0		€	169,030
Hypothekenbank in Essen AG	Essen	51.0		€	801,651
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG <sup>*)</sup>	Düsseldorf	100.0	100.0	€	1,617
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf	100.0		€	17,400
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf	100.0		€	2,582
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf	100.0		€	9,319
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf	100.0		€	16,551
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf	100.0		€	26,578
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf	100.0		€	13,675
P.T. Bank Finconesia	Jakarta	51.0		Rp.	212,649,238
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0		€	128
Stampen S.A.	Brussels	99.4		€	11,248

<sup>\*)</sup> first consolidated in 2005; <sup>\*\*)</sup> renamed: "Tyndall International Group Limited" has been transformed into "Real Estate Holdings Limited";

<sup>\*\*\*)</sup> renamed Commerzbank Zrt. as from January 2, 2006

**Associated companies included in the consolidation at equity**

Name	Seat	Share of capital held in &	of which: indirectly in %		Equity in 1,000
Alon Technology Ventures Limited	British Virgin Islands	40.1	40.1	€	9,857
Capital Investment Trust Corporation	Taipei/Taiwan	24.0	4.8	TWD	1,520,838
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	40.0		€	116,761
COMUNITHY Immobilien AG	Düsseldorf	49.9	49.9	€	-8,780
Deutsche Schiffsbank Aktiengesellschaft	Bremen/Hamburg	40.0	40.0	€	413,905
Eurohypo Aktiengesellschaft	Eschborn	48.9	48.9	€	5,592,292
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf	50.0	47.0	€	29,983
Prospect Poland UK, L.P.	St. Helier/Jersey	39.5	1.6	US\$	1,423
Reederei MS „E.R. INDIA“ Beteiligungsgesellschaft mbH & Co.KG*)	Hamburg	26.1	26.1	€	15,557
Tele-Tech Investment Sp. z o.o.*)	Warsaw	24.0	24.0	ZI	994

\*) first included in 2005

**Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12**

Name	Seat/ seat of management company	Share of capital held or share of investor in fund in %		Equity or fund's assets in 1,000
<b>Special-purpose entities</b>				
Al Shorouq 1 Limited*)	St. Helier/Jersey	0.0	£	1
CB MezzCAP Limited Partnership*)	St. Helier/Jersey	0.0	€	0
Comas Strategy Fund Limited*)	Grand Cayman	0.0	US\$	0
Four Winds Funding Corporation	Wilmington/Delaware	0.0	US\$	326
Hanging Gardens 1 Limited	Grand Cayman	0.0	€	7
Kaiserplatz Gesellschaften		0.0	€	4,054
Kaiserplatz Holdings Incorporated*)	Wilmington/Delaware			
Kaiserplatz Funding (Delaware) LLC*)	Wilmington/Delaware			
Kaiserplatz Holdings Limited*)	St. Helier/Jersey			
Kaiserplatz Funding Limited*)	St. Helier/Jersey			
Kaiserplatz Sub-Holdings Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 2 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 3 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 4 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 5 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 6 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 9 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 10 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 11 Limited*)	St. Helier/Jersey			
Kaiserplatz Purchaser No. 13 Limited*)	St. Helier/Jersey			

\*) first consolidated in 2005



## Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12

Name	Seat/ seat of management company	Share of capital held or share of investor in fund in %	Equity or fund's assets in 1,000
MidCABS Limited <sup>*)</sup>	St. Helier/Jersey		
Premium Receivables Intermediate Securisation Entity Funding Limited <sup>*)</sup>	London		
Mainz Holdings Limited <sup>*)</sup>	St. Helier/Jersey		
Sword Funding No. 1 Limited <sup>*)</sup>	St. Helier/Jersey		
KREATIV 1 Limited <sup>*)</sup>	St. Helier/Jersey	0.0	€ 0
Plymouth Capital Limited	St. Helier/Jersey	0.0	€ 45
Portland Capital Limited <sup>*)</sup>	St. Helier/Jersey	0.0	£ 10
Ryder Square Limited <sup>*)</sup>	St. Helier/Jersey	0.0	£ 1
Shannon Capital plc <sup>*)</sup>	Dublin	0.0	€ 0
<b>Non-publicly-offered funds</b>			
Activest Grugafonds	Munich	100.0	€ 106,463
CDBS-Cofonds	Frankfurt am Main	100.0	€ 106,703
CDBS-Cofonds II	Frankfurt am Main	100.0	€ 99,988
CDBS-Cofonds III <sup>*)</sup>	Frankfurt am Main	100.0	€ 102,038
CDBS-Cofonds IV <sup>*)</sup>	Frankfurt am Main	100.0	€ 89,905
OP-Fonds CDBS V <sup>*)</sup>	Frankfurt am Main	100.0	€ 90,363
CICO-Fonds I	Frankfurt am Main	100.0	€ 186,880
CICO-Fonds II	Frankfurt am Main	100.0	€ 250,521
Commerzbank Alternative Strategies-Global Hedge	Luxembourg	100.0	€ 59,278
DBI-Fonds HIE 1	Frankfurt am Main	100.0	€ 116,588
DBI-Fonds HIE 2 <sup>*)</sup>	Frankfurt am Main	100.0	€ 109,915
DBI-Fonds HIE 3 <sup>*)</sup>	Frankfurt am Main	100.0	€ 109,851
DEGEF-Fonds HIE 1	Frankfurt am Main	100.0	€ 116,407
DEGEF-Fonds HIE 2 <sup>*)</sup>	Frankfurt am Main	100.0	€ 100,000
DEVIF-Fonds Nr. 533	Frankfurt am Main	100.0	€ 110,267
DEVIF-Fonds Nr. 606 <sup>*)</sup>	Frankfurt am Main	100.0	€ 109,000
HIE-Cofonds I	Frankfurt am Main	100.0	€ 115,993
HIE-Cofonds II	Frankfurt am Main	100.0	€ 118,482
HIE-Cofonds III-N <sup>*)</sup>	Frankfurt am Main	100.0	€ 111,376
HIE-Cofonds IV-N <sup>*)</sup>	Frankfurt am Main	100.0	€ 111,380
HIE-Cofonds V-N <sup>*)</sup>	Frankfurt am Main	100.0	€ 111,396

\*) first consolidated in 2005

**Other major companies not included in the consolidation**

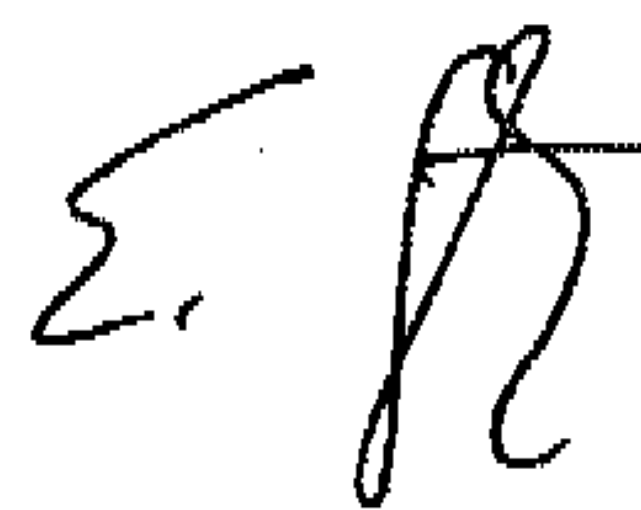
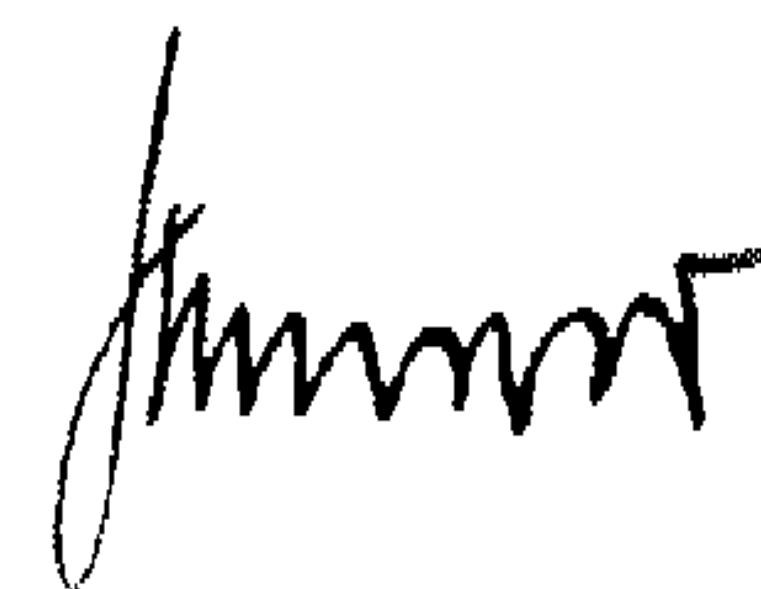
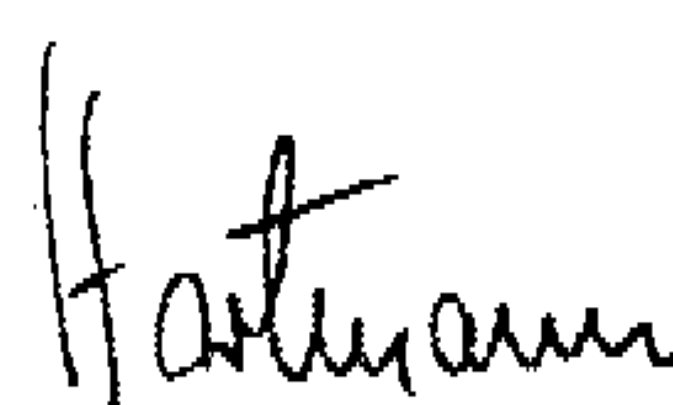
Name	Seat	Share of capital held in %	of which: indirectly in %	Equity in 1,000
ALNO Aktiengesellschaft	Pfullendorf	20.6	€	31,068

Currency translation rates  
(in units for €1)

Ft.	252.87000	Sfr.	1.55510
¥	138.90000	S\$	1.96280
£	0.68530	TWD	38.86000
Rbl	33.92000	US\$	1.17970
Rp.	11,596.45000	Zl	3.86000

Frankfurt am Main, March 7, 2006

The Board of Managing Directors



## **group auditors' report**

We have audited the consolidated financial statements prepared by Commerzbank Aktiengesellschaft, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the Parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 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). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those

entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 8, 2006

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rausch  
(Wirtschaftsprüfer)  
(German public auditor)

Steinrück  
(Wirtschaftsprüfer)  
(German public auditor)



Martin Kohlhausen

## ***report of the supervisory board***

*Dear shareholders,*

During the past business year, we regularly advised the Board of Managing Directors in its conduct of the Bank's affairs and supervised the way in which Commerzbank was managed. The Board of Managing Directors reported to us regularly, promptly and extensively, in both written and verbal form, on all the main developments at the Bank. We received regular information on the company's business position and the economic situation of its individual business lines, on its corporate planning and on the strategic orientation of the Bank, and we advised the Board of Managing Directors on these topics. Between meetings, I was constantly informed by the Chairman of the Board of Managing Directors about current business progress and major business events within both the Bank and the Group. We were involved in decisions of major importance for the Bank, giving our approval wherever required after extensive consultation and examination of the matter.

### **Meetings of the Supervisory Board**

All told, five ordinary and two extraordinary meetings of the Supervisory Board took place in the past financial year. No member attended fewer than half of the meetings.

In the past business year, the main topic of discussion was the further improvement of the Commerzbank Group's earnings performance. We received regular, comprehensive reports on the Bank's current business situation and discussed these in detail with the Board of Managing Directors. Another focus of our activity was the discussion of the strategic options available to the Bank, in particular the acquisition of Eurohypo AG and other possible acquisitions. In addition, the Board of Managing Directors informed us regularly about the reduction of the Bank's non-strategic equity holdings. We subjected each report

of the Board of Managing Directors to critical analysis, in some cases requesting supplementary information, which was always provided immediately and to our satisfaction.

At the meeting on February 15, 2005, our discussion centred on the Bank's new credit-risk strategy, but above all on the presentation of the Corporates & Markets department, newly created in 2004. Drawing upon detailed documents, the Board of Managing Directors described the progress made with restructuring investment banking and the Bank's current positioning in this area. In intensive talks with the Board of Managing Directors, we examined the sustainability of the earnings turnaround at Corporates & Markets and discussed measures to raise profitability further.

At the meeting on March 18, 2005, we examined the annual financial statements and the consolidated financial statements for 2004; we reported on this in detail in the last annual report. The meeting on May 20, 2005, was devoted exclusively to preparing for the following Annual General Meeting of shareholders.

At the meeting on July 6, 2005, the Board of Managing Directors presented current developments in the Private and Business Customers area, outlining the planned measures for further improving results in this area. The Board of Managing Directors also reported to us at this meeting on the current situation in the Bank's mortgage-bank business. In the ensuing discussion, we satisfied ourselves that the expectations and targets that had been presented were plausible and reviewed various options open to the Bank in these segments.

The Supervisory Board was intensively involved in the negotiations to acquire Eurohypo AG and in the related capital increase. During the negotiations, it received detailed reports via conference call on the planned transaction and gave its approval for the acquisition of Eurohypo AG and the capital increase through the relevant committees. After the transaction had been concluded, the Board of Managing Directors reported once again at an extraordinary meeting on November 29, 2005, on details of the acquisition of Eurohypo AG and also the related capital-raising measures. We congratulated the Board of Managing Directors on this move, welcoming the fact that Commerzbank has taken an active role in banking consolidation in Germany.

At an extraordinary meeting of the Supervisory Board on July 15, 2005, we received a report on the special examination by the German Financial Supervisory Authority (BaFin) into the Bank's measures to prevent money laundering. We satisfied ourselves that the Board of Managing Directors are seriously tackling the deficiencies established in the report and at a further meeting received a report supported by detailed documentation on the measures introduced. In addition, we received several reports in written and verbal form on the investigations by the public prosecutor's office into suspected money laundering.

At the meeting on November 3, 2005, discussion mainly focused on budgetary planning for 2006. Here we had the targets for the Bank and the Group presented to us and discussed them with the Board of Managing Directors. Another topic at this meeting was the Bank's corporate governance, especially the evaluation of the Supervisory Board's examination of its efficiency, adjustments due to amendments to the German Corporate Governance Code in June 2005 and the approval of the annual declaration of compliance. Further details on corporate governance at Commerzbank and on the Supervisory Board's examination of its efficiency can be found in this annual report on pages 13 to 19.



At several meetings, we dealt with routine extensions to the contracts of members of Board of Managing Directors and with other matters relating to the Board.

### **Committees**

The Supervisory Board continues to have five committees. Their composition appears on page 200 of this annual report.

The Presiding Committee met five times during the year under review. In addition, after the committee had been informed by telephone and had discussed the issues involved, it adopted three resolutions outside meetings. Its discussions were devoted to preparing the plenary meetings and to studying the topics in greater depth, especially with regard to the business situation, the Bank's strategic orientation, the acquisition of Eurohypo AG, capital-raising measures and matters relating to the Board of Managing Directors. The report on the Bank's internal auditing was also discussed. Other topics were loans to Bank staff and members of its boards, as well as strategic financial equity holdings.

The Audit Committee met altogether five times in 2005. With the auditors attending, it discussed Commerzbank's financial statements and consolidated financial statements, and also the auditors' reports. The Audit Committee requested the statement of independence by the auditors pursuant to section 7.2.1 of the German Corporate Governance Code and commissioned the auditors to conduct the audit. It arranged the main points of the audit with the auditors, also reaching agreement with them on their fee. The Audit Committee also dealt with commissions for the auditors to perform non-audit services and regularly received reports on the current state and individual findings of the audit of the annual financial statements. The auditors were represented at the various meetings and reported on their auditing activities.

In the past business year, the Risk Committee also met five times. In addition, five resolutions were adopted by circulating the documents, each related to the acquisition or disposal of equity holdings. Two of the resolutions adopted by circulating the documents came about after more intensive discussion at an extraordinary meeting, otherwise on the basis of extensive documents. At four ordinary meetings, the Risk Committee studied the Bank's risk situation and risk management intensively, especially market, credit and operational risk. Significant individual commitments for the Bank were discussed in detail with the Board of Managing Directors. Another regular topic was a review of the Bank's policy with regard to equity holdings.

The Social Welfare Committee held one meeting in the year under review, in which it dealt with the Bank's personnel work, company healthcare management, especially health-promoting measures taken by the Bank, the staff survey carried out by Commerzbank in June 2005, and also the "ComWerte" project, which is intended to develop and implement a code of conduct as the basis for fair interpersonal behaviour within the Bank.

The Conciliation Committee, formed pursuant to Art. 27, (3), German Co-determination Act (*Mitbestimmungsgesetz*) did not have to meet in 2005 either.

The committees regularly reported on their work at plenary sessions.

During the Risk Committee's discussion of the acquisition of Eurohypo AG, Mr. Müller-Gebel informed the other members of the committee that he was also a member of the supervisory board of Eurohypo AG and, as a precautionary measure, abstained from voting when the subsequent resolution was adopted. No other conflicts of interest arose during the year under review.

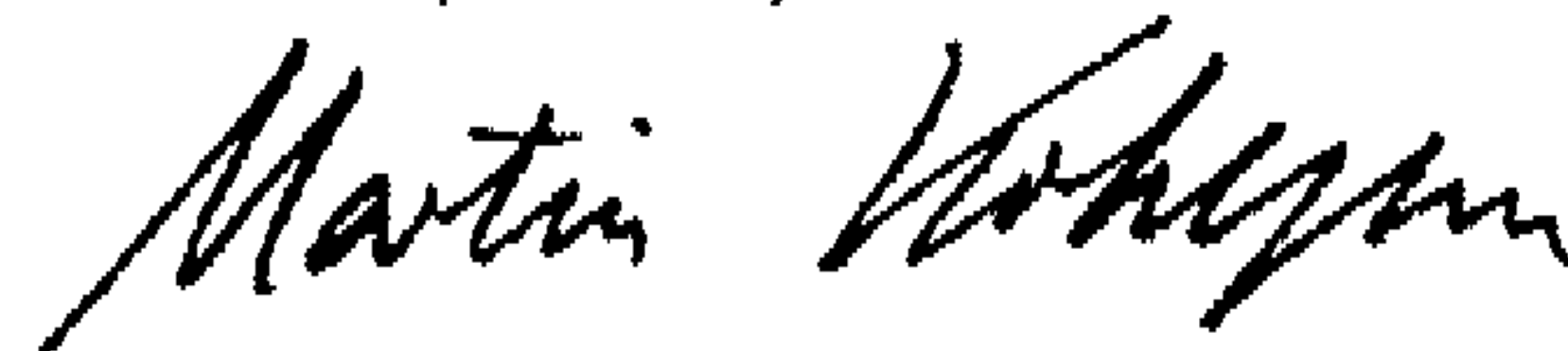
#### **Financial statements and consolidated financial statements**

The auditors and Group auditors appointed by the Annual General Meeting, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (formerly: PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft), Frankfurt am Main, audited the annual financial statements and the consolidated financial statements of Commerzbank AG and also the management reports of the Parent Bank and the Group, giving them their unqualified certification. The financial statements were prepared according to the rules of the German Commercial Code (HGB) and the consolidated financial statements according to the International Accounting Rules (IAS) and the International Financing Reporting Standards (IFRS). The documents of the financial statements and the auditors' reports, together with the management's proposal for the appropriation of profit, were sent to all members of the Supervisory Board in good time. In addition, the members of the Audit Committee received the complete annexes and notes relating to the auditors' reports; all members of the Supervisory Board had the opportunity to inspect these documents. At today's meeting, the Audit Committee dealt at length with the financial statements. At our plenary meeting today for this purpose, we also examined the documents. The auditors attended both meetings, explaining the main findings of their audit and answering questions. At both meetings, the financial statements were discussed at length with the Board of Managing Directors and the representatives of the auditors.

In view of the final outcome of the examination by the Audit Committee and of our own examination, we raised no objections to the financial and consolidated financial statements and concur with the findings of the auditors. The Supervisory Board has approved the financial statements of the Parent Bank and the Group presented by the Board of Managing Directors, and the financial statements of the Parent Bank may accordingly be regarded as adopted. We concur with the proposal of the Board of Managing Directors regarding the appropriation of profit.

We thank the Board of Managing Directors and also all employees for their great personal commitment and efforts, which made Commerzbank's good result possible in 2005.

For the Supervisory Board



Martin Kohlhaussen  
Chairman

Frankfurt am Main, March 28, 2006

## ***supervisory board***

**Dr. Walter Seipp**

*Honorary Chairman*  
Frankfurt am Main

**Dr. h.c. Martin Kohlhaussen**

*Chairman*  
Frankfurt am Main

**Uwe Tschäge\*)**

*Deputy Chairman*  
Commerzbank AG  
Düsseldorf

**Hans-Hermann Altenschmidt\*)**

Commerzbank AG  
Essen

**Dott. Sergio Balbinot**

Managing Director  
Assicurazioni Generali S.p.A.  
Trieste

**Herbert Bludau-Hoffmann\*)**

Dipl.-Volkswirt  
ver.di Financial Services  
Essen

**Astrid Evers\*)**

Commerzbank AG  
Hamburg

**Uwe Foullong\*)**

Member of the  
ver.di National Executive  
Committee  
Berlin

**Daniel Hampel\*)**

Commerzbank AG  
Berlin

**Dr.-Ing. Otto Happel**

Manager  
Luserve AG  
Lucerne

**Dr. jur. Heiner Hasford**

Member of the Board of  
Managing Directors  
Münchener Rückversicherungs-  
Gesellschaft AG  
Munich

**Sonja Kasischke\*)**

Commerzbank AG  
Brunswick

**Wolfgang Kirsch\*)**

Commerzbank AG  
Frankfurt am Main

**Werner Malkhoff\*)**

Commerzbank AG  
Frankfurt am Main

**Klaus Müller-Gebel**

Lawyer  
Frankfurt am Main

**Dr. Sabine Reiner\*)**

Trade Union Specialist  
Economic Policy  
ver.di National Administration  
Berlin

**Dr. Erhard Schipporeit**

Member of the Board of  
Managing Directors  
E.ON Aktiengesellschaft  
Düsseldorf

**Dr.-Ing. Ekkehard D. Schulz**

Chairman  
ThyssenKrupp AG  
Düsseldorf

**Prof. Dr. Jürgen F. Strube**

Chairman  
Supervisory Board  
BASF Aktiengesellschaft  
Ludwigshafen

**Dr. Klaus Sturany**

Member of the Board of  
Managing Directors  
RWE Aktiengesellschaft  
Dortmund

**Dr.-Ing. E.h. Heinrich Weiss**

Chairman  
SMS GmbH  
Düsseldorf

\*) elected by the Bank's employees



## ***committees of the supervisory board***

### **Presiding Committee**

Dr. h.c. Martin Kohlhaussen, Chairman  
Werner Malkhoff  
Prof. Dr. Jürgen F. Strube  
Uwe Tschäge

### **Audit Committee**

Klaus Müller-Gebel, Chairman  
Hans-Hermann Altenschmidt  
Dott. Sergio Balbinot  
Dr.-Ing. Otto Happel  
Wolfgang Kirsch

### **Risk Committee**

Dr. h.c. Martin Kohlhaussen, Chairman  
Dr. jur. Heiner Hasford  
Klaus Müller-Gebel  
Dr.-Ing. E.h. Heinrich Weiss

### **Social Welfare Committee**

Dr. h.c. Martin Kohlhaussen, Chairman  
Astrid Evers  
Daniel Hampel  
Klaus Müller-Gebel  
Uwe Tschäge  
Dr.-Ing. E.h. Heinrich Weiss

### **Conciliation Committee**

(Art. 27, (3), German Co-determination Act)

Dr. h.c. Martin Kohlhaussen, Chairman  
Werner Malkhoff  
Prof. Dr. Jürgen F. Strube  
Uwe Tschäge

## **central advisory board**

### **Dr.-Ing. Burckhard Bergmann**

Chairman of the Board of  
Managing Directors  
E.ON Ruhrgas AG  
Essen  
Member of the Board of  
Managing Directors  
E.ON AG  
Düsseldorf

### **Dominic Brenninkmeyer**

Chairman  
C&A Deutschland  
Düsseldorf

### **Dr. Hubertus Erlen**

Chairman of the Board of  
Managing Directors  
Schering AG  
Berlin

### **Dietrich-Kurt Frowein**

Frankfurt am Main

### **Gabriele Galateri di Genola**

Chairman  
Mediobanca  
Banca di Credito  
Finanziario S.p.A.  
Milan

### **Prof. Dr.-Ing. E.h. Hans-Olaf Henkel**

Honorary Professor of  
University of Mannheim  
Berlin

### **Prof. Dr. Johanna Hey**

Chair of  
Corporate Tax Law  
Heinrich-Heine-  
Universität Düsseldorf  
Düsseldorf

### **Dr.-Ing. Dr.-Ing. E.h.**

**Hans-Peter Keitel**  
Chairman of the Board of  
Managing Directors  
HOCHTIEF AG  
Essen

### **Uwe Lüders**

Chairman of the Board of  
Managing Directors  
L. Possehl & Co. mbH  
Lübeck

### **Friedrich Lürssen**

Chief Executive  
Fr. Lürssen Werft GmbH & Co. KG  
Bremen

### **Wolfgang Mayrhober**

Chairman of the Board of  
Managing Directors  
Deutsche Lufthansa  
Aktiengesellschaft  
Cologne/Frankfurt am Main

### **Friedrich Merz, MdB**

Lawyer  
Mayer, Brown, Rowe & Maw LLP  
Berlin/Frankfurt am Main

### **Dr. Jörg Mittelsten Scheid**

General Partner  
Vorwerk & Co. KG  
Wuppertal

### **Dr. Christoph M. Müller**

Lawyer  
Member of the  
Shareholders' Committee  
and the Supervisory Board  
Vaillant GmbH  
Remscheid

### **Dr. Jürgen Radomski**

Member of the Board of  
Managing Directors  
Siemens AG  
Munich

### **Hans Reischl**

Cologne

### **Dr. Axel Frhr. v. Ruedorffer**

Bad Homburg

### **Dr. Ernst F. Schröder**

General Partner  
Dr. August Oetker KG  
Bielefeld

### **Jürgen Schulte-Laggenbeck**

Member of the Board of  
Managing Directors  
OTTO (GmbH + Co KG)  
Hamburg

### **Dr.-Ing. Ulrich Schumacher**

General Partner  
Francisco Partners  
Munich

### **Dr. Walter Thiessen**

Chairman of the Board of  
Managing Directors  
AMB Generali Holding AG  
Aachen

### **Dr. Klaus Trützscher**

Member of the Board of  
Managing Directors  
Franz Haniel & Cie. GmbH  
Duisburg

### **Wilhelm Werhahn**

General Partner  
Wilh. Werhahn KG  
Neuss

### **Dr. Wendelin Wiedeking**

Chairman of the Board of  
Managing Directors  
President and  
Chief Executive Officer  
Dr. Ing. h.c. F. Porsche AG  
Stuttgart

## **board of managing directors**

**Klaus M. Patig**

**Staff departments**  
Group Treasury  
Human Resources  
Legal Services

**Banking department**  
Financial Institutions

**International Corporate Banking**

**Dr. Achim Kassow**

**Banking departments**  
Asset Management  
Private Banking  
Private and Business Customers

**Klaus-Peter Müller**

**Chairman of the Board of  
Managing Directors**

**Staff departments**  
Corporate Communications  
and Economic Research  
Strategy and Controlling

**Martin Blessing**

**Banking department**  
Corporate Banking

**Service departments**  
Information Technology  
Transaction Banking

**Wolfgang Hartmann**

**Staff department**  
Risk Control

**Banking departments**  
Credit Operations Private Customers  
Global Credit Operations

**Dr. Eric Strutz**

**Staff departments**  
Accounting and Taxes  
Compliance and Security  
Financial Controlling  
Internal Auditing

**Service department**  
Organization

**Nicholas Teiler**

**Banking department**  
Corporates & Markets

## **regional board members**

### **Corporate customers**

#### **Mittelstand**

#### **Martin Fishedick**

##### **Main branches**

Bielefeld, Bremen, Cologne,  
Dortmund, Düsseldorf, Essen,  
Hamburg, Hanover

#### **Klaus Kubbetat**

##### **Main branches**

Berlin, Central Germany,  
Frankfurt, Mainz, Mannheim,  
Munich, Nuremberg, Stuttgart

### **Larger corporates**

#### **Andreas Kleffel**

Larger corporates centres  
Western Germany

#### **Andreas Schmidt**

Larger corporates centres  
Central, Southern,  
South-Western Germany

#### **Werner Weimann**

Larger corporates centres  
Northern Germany  
Center of Competence  
– Renewable Energies  
– Global Shipping

### **Abroad**

#### **Peter Bürger**

Asia, Oceania

#### **Ulrich Leistner**

Western Europe  
(excl. London Branch),  
Johannesburg Branch

#### **Wilhelm Nüse**

Central and Eastern Europe,  
CIS

### **Private customers**

#### **Joachim Hübner**

##### **Main branches**

Bielefeld, Bremen,  
Cologne, Dortmund,  
Düsseldorf, Essen,  
Hamburg, Hanover,  
Kiel, Wuppertal

#### **Dr. Dirk Mattes**

##### **Main branches**

Berlin, Dresden,  
Erfurt, Frankfurt,  
Leipzig, Mainz,  
Mannheim, Munich,  
Nuremberg, Stuttgart

## **chief information officer**

#### **Frank Annuscheit**

Information Technology  
Transaction Banking



## **group managers**

**Frank Annuscheit**  
Transaction Banking

**Dr. Thorsten Broecker**  
Financial Controlling

**Peter Bürger**  
Risk Control

**Dr. Detlev Dietz**  
Asset Management  
Chief Operating Officer

**Dr. Rudolf Duttweiler**  
Group Treasury

**Dr. Mihael Foit**  
IT Production

**Dr. Peter Hennig**  
Financial Institutions

**Günter Hugger**  
Legal Services  
Chief Legal Adviser

**René Kaselitz**  
Private Banking

**Wolfgang Kirsch**  
Organization

**Dr. Sebastian Klein**  
Asset Management  
Germany

**Hartwig Kock**  
Internal Auditing

**Dr. Renate Krümmer**  
Strategy and Controlling

**Burkhard Leffers**  
Corporates & Markets  
Corporate Relationship  
Management

**Corinna Barbara Linner**  
Accounting and Taxes

**Richard Lips**  
Corporate Communications

**Torsten Lüttich**  
Credit Operations  
Private Customers

**Michael Mandel**  
Private and Business Customers

**Hugues de la Marnierre**  
Corporates & Markets  
Sales

**Thomas Müssener**  
IT Applications

**Dr. Frank Pörschke**  
Asset Management  
Real Estate

**Michael Schmid**  
Global Credit Operations

**Roman Schmidt**  
Corporates & Markets  
Corporate Finance

**Dr. Friedrich Schmitz**  
Asset Management  
International

**Ulrich Sieber**  
Human Resources

**Thomas Steidle**  
Compliance and Security

**Willi Ufer**  
Corporates & Markets  
Markets

**Roland Wolf**  
IT Support

**Martin Zielke**  
Corporate Banking



## ***managers of domestic main branches***

### **Corporate Banking**

#### **Berlin**

Jörg Schauerhammer

#### **Bielefeld**

Thomas Elshorst

#### **Bremen**

Carl Kau

#### **Central Germany**

Kai Uwe Schmidt

#### **Cologne**

Michael Hoffmann

#### **Dortmund**

Karl-Friedrich Schwagmeyer

#### **Düsseldorf**

Manfred Breuer

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#### **Mainz**

Peter Radermacher

#### **Mannheim**

Ilse Maria Arnst

#### **Munich**

Michael Bucker

Franz Jung (until July 31, 2006)

#### **Nuremberg**

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### **Brno**

Bronislav Hybl

### **Brussels**

Erik Puttemans

### **Chicago**

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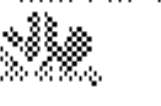
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Krüger GmbH & Co. KG  
Bergisch Gladbach

**Rudolph Erbprinz von Croÿ**  
Herzog von Croÿ'sche  
Verwaltung  
Dülmen

**Gustav Deiters**  
Managing Partner  
Crespel & Deiters GmbH & Co. KG  
Ibbenbüren

**Dr. jur. Hansjörg Döpp**  
General Manager  
Verband der Metall-  
und Elektro-Industrie  
Nordrhein-Westfalen e.V. and  
Landesvereinigung der  
Arbeitgeberverbände  
Nordrhein-Westfalen e.V.  
Düsseldorf

**Klaus Dohle**  
Managing Partner  
Dohle Handelsgruppe  
Holding GmbH & Co. KG  
Siegburg

**Dr. Udo Eckel**  
General Manager  
V & I Management  
GmbH & Co. KG,  
General Manager  
BFH Beteiligungsholding GmbH  
Wachtendonk



**Christian Eigen**

Deputy Chairman  
MEDION AG  
Essen

**Norbert Fiebig**

Member of the Board of  
Managing Directors  
REWE Zentral AG  
Cologne

**Norbert Frece**

Member of the Board of  
Managing Directors  
Ruhrverband  
Essen

**Heinz Gawlak**

Chairman  
AMB Generali Asset Managers  
Kapitalanlagegesellschaft mbH  
Cologne

**Jens Gesinn**

Member of the Board of  
Managing Directors  
MAN Ferrostaal AG  
Essen

**Claes Göransson**

General Manager  
Vaillant GmbH  
Remscheid

**Rüdiger Andreas Günther**

Chairman  
CLAAS KGaA mbH  
Harsewinkel

**Dipl.-Kaufmann Dieter Gundlach**

Chairman  
ARDEX GmbH  
Witten

**Stefan Hamelmann**

Managing Partner  
Franz Hamelmann  
GmbH & Co. KG  
Franz Hamelmann  
Projekt GmbH  
Düsseldorf

**Dr. h.c. Erivan Karl Haub**

Chairman of the Board  
and the Advisory Board  
Tengelmann  
Warenhandels-gesellschaft  
Mülheim an der Ruhr

**Klaus Hellmann**

Managing Partner  
Hellmann Worldwide  
Logistics GmbH & Co. KG  
Osnabrück

**Dr. Kurt Hochheuser**

Düsseldorf

**Prof. Dr. Bernd J. Höfer**

Deputy Chairman  
Deutsches Zentrum für  
Luft- und Raumfahrt e.V. (DLR)  
Cologne

**Hermann Hövelmann**

Managing Partner  
Chairman  
Mineralquellen und Getränke  
H. Hövelmann GmbH  
Duisburg

**Dr. jur. Stephan J. Holthoff-Pförtner**

Lawyer and Notary  
Partner  
Hopf-Unternehmensgruppe  
Essen

**Dipl.-Wirtsch.-Ing.****Hans-Dieter Honsel**

Managing Partner  
Honsel Family Holdings S.a.r.l.  
Luxembourg,  
Vice Chairman Supervisory Board  
Honsel International  
Technologies SA  
Brussels

**Wilfried Jacobs**

Chief Executive  
AOK Rheinland –  
Die Gesundheitskasse  
Düsseldorf

**Dipl.-Ing. TU Dipl.-Wirtsch.-Ing. TU****Dieter Köster**

Chief Executive Officer  
Köster AG  
Osnabrück

**Martin Krenzel**

Chairman  
Managing Partner  
WEPA Papierfabrik  
P. Krenzel GmbH & Co. KG  
Arnsberg

**Hans-Joachim Küpper**

General Manager  
Küpper Group  
Velbert/Heiligenhaus

**Kurt Küppers**

Managing Partner  
Hülskens Holding  
GmbH & Co. KG  
Wesel

**Assessor Georg Kunze**

General Manager  
Landesverband Rheinland-  
Westfalen der gewerblichen  
Berufsgenossenschaften  
Düsseldorf

**Dipl.-Kaufmann Ulrich Leitermann**

Member of the Board of  
Managing Directors  
SIGNAL IDUNA Group  
Dortmund/Hamburg

**Prof. Dr. Dirk Lepelmeier**

General Manager  
Nordrheinische Ärzteversorgung  
Düsseldorf

**Jyri Luomakoski**

Chief Financial Officer  
Deputy Chief Executive Officer  
Uponor Corporation  
Vantaa/Finland

**Tim Henrik Maack**

Chief Executive Officer  
ERCO Leuchten GmbH  
Lüdenscheid

**Dipl.-Kaufmann Peter Mazzucco**

General Manager  
Novem Car Interior Design GmbH  
Vorbach

**Dipl.-Kaufmann Helmut Meyer**

Member of the Board of  
Managing Directors  
DEUTZ AG  
Cologne

**Friedrich Neukirch**

Chairman  
Klosterfrau Deutschland GmbH  
Cologne

**Dipl.-oec. Bernd Pederzani**

Managing Partner  
EUROPART Holding GmbH  
Hagen

**Dipl.-Ing. Volkmar Peters**

Managing Partner  
Peters Beteiligungs  
GmbH & Co. KG  
Moers

**Dipl.-Kaufmann**

**Eberhard Pothmann**  
Executive Vice President  
Vorwerk & Co. KG  
Wuppertal

**Dipl.-Kaufmann**

**Ulrich Reifenhäuser**  
Managing Partner  
Reifenhäuser GmbH & Co. KG  
Maschinenfabrik  
Troisdorf

**Dr. Joachim F. Reuter**

General Manager  
Gebrüder Trox GmbH  
Neukirchen-Vluyn

**Klaus H. Richter**

Member of the Executive Board  
Barmer Ersatzkasse  
Wuppertal

**Robert Röseler**

Chief Executive Officer  
ara Shoes AG  
Langenfeld

**Martin Rohm**

Member of the Board of  
Managing Directors  
Volkswahl Bund Versicherungen  
Dortmund

**Peter Rostock**

Managing General Partner  
BPW Bergische Achsen KG  
Wiehl

**Dr. Jürgen Rupp**

Member of the Board of  
Managing Directors  
STEAG Aktiengesellschaft  
Essen

**Dipl.-Kaufmann Albert Sahle**

Managing Partner  
SAHLE WOHNEN  
Greven

**Hans Schafstall**

Managing Partner  
Schafstall Holding  
GmbH & Co. KG  
Mülheim an der Ruhr

**Peter Nikolaus Schmetz**

Managing Partner  
Schmetz Capital  
Management GmbH  
Aachen

**Prof. Dr. Christoph M. Schmidt**

President  
Rheinisch-Westfälisches Institut  
für Wirtschaftsforschung  
(RWI Essen)  
Essen

**Heinz G. Schmidt**

Member of the  
Supervisory Board  
Douglas Holding AG  
Hagen

**Henning Schmidt**

General Manager  
NBV/UGA GmbH  
Straelen

**Dr. Peter Schörner**

Member of the Board of  
Managing Directors  
RAG Aktiengesellschaft  
Essen

**Dipl.-Betriebswirt Horst Schübel**

General Manager  
Miele & Cie. KG  
Gütersloh

**Reinhold Semer**

Public Accountant and  
Tax Consultant  
Partner  
Hellweg Group  
Die Profi-Baumärkte  
GmbH & Co. KG  
Dortmund

**Dr. Reiner Spatke**

General Manager  
Johnson Controls GmbH  
Burscheid

**Werner Stickling**

Proprietor  
Nobilia-Werke  
J. Stickling GmbH & Co. KG  
Verl

**Karl-Heinz Stiller**

Chairman  
Wincor Nixdorf AG  
Paderborn

**Dipl.-Kaufmann Christian Sutter**

Managing Partner  
A. Sutter GmbH  
Essen

**Dr. Wolfgang Theis**

Chief Executive Officer  
Kiekert AG  
Heiligenhaus

**Detlef Thielgen**

Member of the Board of  
Managing Directors  
Schwarz Pharma AG  
Monheim

**Dr. Hans-Georg Vater**

Member of the Board of  
Managing Directors  
Hochtief AG  
Essen

**Dipl.-Volkswirt Antonius Voss**

Member of the Board of  
Managing Directors  
RWE Power AG  
Essen

**Konsul****Dipl.-Kaufmann Michael Wirtz**

Member of the Advisory Board  
Grünenthal GmbH,  
Partner  
Dalli-Werke Mäurer & Wirtz  
GmbH & Co. KG  
Stolberg

**Horst Wortmann**

p.h.G. Managing Partner  
Wortmann Schuhproduktions-  
Holding KG  
Detmold

**Rhineland-Palatinate****Benoît Claire**

Chief Executive Officer  
Coface Holding AG  
Mainz

**Dipl.-Kaufmann Folkhart Fissler**

Managing Partner  
VESTA GmbH  
Idar-Oberstein

**Alois Kettern**

Chief Executive Officer  
WASGAU Produktions &  
Handels AG  
Pirmasens

**Andreas Land**

Managing Partner  
Griesson – de Beukelaer  
GmbH & Co. KG  
Polch

**Dr. Eckhard Müller**

Head of Finance  
BASF Aktiengesellschaft  
Ludwigshafen

**Prof. Dr. Marbod Muff**

Member of the Management  
Finance and Personnel Divisions  
Boehringer Ingelheim GmbH  
Ingelheim am Rhein

**Matthäus Niewodniczanski**

General Manager  
Bitburger Holding GmbH  
Bitburg

**Karlheinz Röthemeier**

Munich-Neubiberg

**Klaus Rübenthaler**

Member of the Board of  
Managing Directors  
Schott Glas  
Mainz

**Dipl. oec. Berta Schuppli**

Partner  
Helvetic Grundbesitz-  
verwaltung GmbH  
Wiesbaden

**Hans Joachim Suchan**

Administrative Director  
ZDF  
Mainz

**Siegfried F. Teichert**

Chief Executive Officer  
ATS Group  
ATS Beteiligungsgesellschaft mbH  
Bad Dürkheim  
Executive Board Director  
Chief Executive Officer  
of the ATS group  
Tiger Wheels Limited  
Midrand, Republic of South Africa

**Herbert Verse**

Partner  
H+H SENIOR ADVISORS GMBH  
Gesellschaft für strategische  
Unternehmensberatung  
Stuttgart

**Dr. Alois Wittmann**

Member of the Board of  
Managing Directors  
KSB Aktiengesellschaft  
Frankenthal (Pfalz)

**Saarland****Wendelin von Boch-Galhau, lic. oec.**

Chairman  
Villeroy & Boch AG  
Mettlach

**Dipl.-Kaufmann Thomas Bruch**

Managing Partner  
Globus Holding GmbH & Co. KG  
St. Wendel

**Dipl.-Kaufmann Christian Erhorn**

Business Manager  
Saarbrücker Zeitung  
Verlag und Druckerei GmbH  
Saarbrücken

**Sanitätsrat****Dr. med. Franz Gadomski**

President  
Ärztchamber des Saarlandes  
Saarbrücken

**Dipl.-Volkswirt Dr. Richard Weber**

Managing Partner  
Karlsberg Brauerei KG Weber  
Homburg (Saar)

**Saxony****Linden Blue**

Chairman  
Spezialtechnik Dresden GmbH  
Dresden

**Karl Gerhard Degreif**

Member of the Executive Board  
Stadtwerke Chemnitz AG  
Chemnitz

**Günter Errmann**

General Manager  
NARVA Lichtquellen  
GmbH & Co. KG  
Brand-Erbisdorf

**Dr. Friedrich Josef Glatzel**

Member of the Board of  
Managing Directors  
envia Mitteldeutsche Energie AG  
Chemnitz

**Dr. Wolfgang Gross**

Managing Partner  
fit GmbH  
Hirschfelde

**Dr. Detlef Hamann**

General Manager  
Dresden Chamber of Industry  
and Commerce  
Dresden

**Generalkonsul****Dr.-Ing. Klaus-Ewald Holst**

Chief Executive Officer  
VNG-Verbundnetz Gas AG  
Leipzig

**Dr. Hans J. Naumann**

Managing Partner  
NILES-SIMMONS Industrie-  
anlagen GmbH  
Chemnitz  
HEGENSCHEIDT-MFD GmbH  
Erkelenz  
NILES-SIMMONS-  
HEGENSCHEIDT GmbH  
Chemnitz  
Chairman/CEO  
SIMMONS-MACHINE-TOOL  
CORPORATION  
Albany, N.Y.

**H.-Jürgen Preiss-Daimler**

Managing Partner  
P-D Management Industries –  
Technologies GmbH  
Preiss-Daimler Group  
Wilsdruff/Dresden

**Wolfgang Schmid**

General Manager  
Infineon Technologies SC 300  
GmbH & Co. OHG  
Dresden

**Thilo von Selchow**

Chief Executive Officer  
ZMD Zentrum Mikroelektronik  
Dresden AG  
Dresden

**Rolf Steinbronn**

Chief Executive  
AOK Sachsen  
Dresden

**Holger Tanhäuser**

Administrative Director  
Mitteldeutscher Rundfunk  
Leipzig

**Saxony-Anhalt****Dr.-Ing. Klaus Hieckmann**

Managing Partner  
Symacon Engineering GmbH  
Barleben/Magdeburg,  
President  
Magdeburg Chamber of Industry  
and Commerce  
Magdeburg

**Hans Hübner**

Managing Director  
Unternehmensgruppe Hübner  
Neugattersleben

**Heiner Krieg**

General Manager  
MIBRAG mbH  
Theissen

**Schleswig-Holstein****Stefan Dräger**

Chairman  
Drägerwerk AG  
Lübeck

**Prof. Dr. Hans Heinrich Driftmann**

Managing General Partner  
Peter Kölln  
Kommanditgesellschaft  
auf Aktien  
Elmshorn

**Lothar-Joachim Jenne**

Managing Partner  
Max Jenne Arzneimittel-  
Grosshandlung KG  
Kiel

**Dr. jur. Dr. h.c. Dr. h.c.**

**Klaus Murmann**  
Chairman Emeritus  
Sauer-Danfoss Inc.  
Neumünster  
Lincolnshire, Illinois/USA

**Hans Wilhelm Schur**

Group Director  
Schur International a/s  
Horsens/Denmark

**Dr. Ullrich Wegner**

General Manager  
Schwartauer Werke  
GmbH & Co. KG aA  
Bad Schwartau

**Dr. Ernst J. Wortberg**

Chairman  
Supervisory Board  
Norddeutsche Affinerie AG  
Hamburg

**Thuringia****Reinhard Böber**

General Manager  
Glatt Ingenieurtechnik GmbH  
Weimar

**Dr. Hans-Werner Lange**

Chief Executive Officer  
TUPAG-Holding AG  
Mühlhausen

**Klaus Lantzsch**

Managing Partner  
Lantzsch VVWBC GmbH  
Hörselberg

**Dr.-Ing. Michael Militzer**

Chief Executive Officer  
MITEC Automotive AG  
Eisenach

**Andreas Trautvetter**

Minister for  
Building and Transport  
Free State of Thuringia  
Erfurt

## **seats on supervisory boards and similar bodies**

### **Members of the Board of Managing Directors of Commerzbank AG**

Information pursuant to Art. 285,  
no. 10, HGB  
As of December 31, 2005

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

#### **Klaus-Peter Müller**

- a) Linde AG\*)  
Steigenberger Hotels AG
- b) Assicurazioni Generali S.p.A. \*)  
KfW Kreditanstalt für  
Wiederaufbau  
Liquiditäts-Konsortialbank GmbH  
Parker Hannifin Corporation\*)  
**within Commerzbank Group:**  
Commerzbank International S.A.  
*Chairman*  
Commerzbank (Switzerland) Ltd  
*Chairman*

#### **Martin Blessing**

- a) AMB Generali Holding AG\*)  
Heidelberger  
Druckmaschinen AG\*)  
ThyssenKrupp Services AG  
**within Commerzbank Group:**  
Commerzbank Inlandsbanken  
Holding AG  
CommerzLeasing und  
Immobilien AG  
*Chairman*
- b) **within Commerzbank Group:**  
BRE Bank SA  
*Deputy chairman*

#### **Wolfgang Hartmann**

- a) Vaillant GmbH  
**within Commerzbank Group:**  
Commerz Grundbesitz-  
Investmentgesellschaft mbH  
*1<sup>st</sup> Deputy chairman*  
Hypothesenbank in Essen AG
- b) **within Commerzbank Group:**  
Commerz Grundbesitz-  
gesellschaft mbH  
*Deputy chairman*  
CORECD Commerz  
Real Estate Consulting  
and Development GmbH  
*Chairman*

#### **Dr. Achim Kassow**

- a) Volksfürsorge Deutsche  
Sachversicherung AG  
ThyssenKrupp Steel AG  
**within Commerzbank Group:**  
comdirect bank AG  
*Chairman*  
COMINVEST  
Asset Management GmbH  
*Chairman*  
Commerz Grundbesitz-  
Investmentgesellschaft mbH  
*Chairman*  
CommerzLeasing und  
Immobilien AG  
*Deputy chairman*
- b) **within Commerzbank Group:**  
Commerz Grundbesitz-  
gesellschaft mbH  
*Chairman*  
COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH  
*Chairman*

#### **Klaus M. Patig**

- a) MAN Ferrostaal AG  
G. Kromschröder AG\*)  
*Deputy chairman*
- b) Korea Exchange Bank  
*Non-standing director*  
**within Commerzbank Group:**  
Commerzbank Capital  
Markets Corporation  
Commerz Securities  
(Japan) Company Ltd.  
*Chairman*

#### **Dr. Eric Strutz**

- a) ABB AG  
**within Commerzbank Group:**  
comdirect bank AG  
COMINVEST  
Asset Management GmbH  
Commerzbank Auslandsbanken  
Holding AG  
*Chairman*  
Commerzbank Inlandsbanken  
Holding AG  
*Chairman*  
Hypothesenbank in Essen AG  
*Chairman*
- b) Banca Intesa S.p.A. \*)  
Mediobanca – Banca di Credito  
Finanziario S.p.A. \*)  
**within Commerzbank Group:**  
Commerzbank International S.A.  
Erste Europäische Pfandbrief-  
und Kommunalkreditbank AG

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)



### Nicholas Teller

- a) Deutsche Schiffsbank AG  
*Chairman*

**within Commerzbank Group:**

Commerzbank Auslandsbanken  
Holding AG

Commerz Unternehmens-  
beteiligungs-AG

- b) **within Commerzbank Group:**

BRE Bank SA

Commerzbank Capital  
Markets Corporation  
*Chairman*

### Former members of the Board of Managing Directors

#### Andreas de Maizière

- a) Borgers AG  
Rheinische Bodenverwaltung AG  
*Chairman*

RWE Power AG

STEAG AG

- b) Arenberg-Schleiden GmbH  
*Chairman*

BVV Versicherungsverein  
des Bankgewerbes a.G.

### Members of the Supervisory Board of Commerzbank AG

- a) Seats on other mandatory  
supervisory boards

- b) Seats on similar bodies

#### Dr. h.c. Martin Kohlhaussen

- a) Bayer AG  
Heraeus Holding GmbH  
HOCHTIEF AG  
*Chairman*

Infineon Technologies AG  
*Deputy chairman*  
(until January 25, 2005)

Schering AG

ThyssenKrupp AG

- b) Verlagsgruppe  
Georg von Holtzbrinck GmbH  
Intermediate Capital Group plc  
(until July 31, 2005)

#### Uwe Tschäge

–

#### Hans-Hermann Altenschmidt

- b) BVV Versorgungskasse  
BVV Unterstützungskasse

### Dott. Sergio Balbinot

- a) **within group:**

Aachener und Münchener  
Lebensversicherung AG

Aachener und Münchener  
Versicherung AG

AMB Generali Holding AG

- b) **within group:**

Banco Vitalicio de España,  
C.A. de Seguros y Réaseguros

Europ Assistance Holding

Generali Asia N.V.

Generali China Life  
Insurance Co. Ltd.  
*Deputy chairman*

Generali España, Holding de  
Entidades de Seguros, S.A.  
*Deputy chairman*

Generali Finance B.V.

Generali France S.A.  
*Deputy chairman*

Generali Holding Vienna AG  
*Deputy chairman*

Generali (Schweiz) Holding

La Estrella S.A.

Migdal Insurance Co. Ltd.

Migdal Insurance Holdings Ltd.

Participatie Maatschappij  
Graafschap Holland N.V.

Transocean Holding Corporation

### Herbert Bludau-Hoffmann

–

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)

**Astrid Evers**

-

**Uwe Foullong**

- a) DBV-Winterthur Holding AG  
DBV-Winterthur  
Lebensversicherung AG

**Daniel Hampel**

-

**Dr.-Ing. Otto Happel**

- a) GEA Group AG\*)  
(formerly: mg technologies AG)

**Dr. jur. Heiner Hasford**

- a) Europäische  
Reiseversicherung AG  
*Chairman*  
MAN AG\*)  
(until June 3, 2005)  
Nürnberger Beteiligungs-AG\*)  
WMF Württembergische  
Metallwarenfabrik AG\*)  
**within group:**  
D.A.S. Deutscher Automobil  
Schutz – Allgemeine Rechts-  
schutz-Versicherungs-AG  
ERGO  
Versicherungsgruppe AG  
VICTORIA  
Lebensversicherung AG  
VICTORIA Versicherung AG

- b) **within group:**  
American Re Corporation

**Sonja Kasischke**

-

**Wolfgang Kirsch**

- a) Commerz Business Consulting AG  
*Chairman*  
b) COLLEGIUM GLASHÜTTEN  
Zentrum für Kommunikation  
GmbH

**Werner Malkhoff**

-

**Klaus Müller-Gebel**

- a) comdirect bank AG  
*Deputy chairman*  
Deutsche Schiffsbank AG  
Eurohypo AG

**Dr. Sabine Reiner**

-

**Dr. Erhard Schipporeit**

- a) Deutsche Börse AG\*)  
(since October 7, 2005)  
SAP AG\*)  
(since May 12, 2005)  
Talanx AG  
**within group:**  
Degussa AG  
E.ON Ruhrgas AG  
E.ON IS GmbH  
(since January 11, 2005)  
b) HDI V.a.G.  
**within group:**  
E.ON Audit Services GmbH  
*Chairman*  
E.ON Risk Consulting GmbH  
*Chairman*  
E.ON UK plc  
E.ON US Investments Corp.

**Dr.-Ing. Ekkehard D. Schulz**

- a) AXA Konzern AG\*)  
Bayer AG\*)  
(since April 29, 2005)  
Deutsche Bahn AG  
MAN AG\*)  
*Chairman (since June 3, 2005)*  
RAG AG  
*Deputy chairman*  
TUI AG\*)

**within group:**

- ThyssenKrupp Automotive AG  
*Chairman*  
ThyssenKrupp Elevator AG  
(since October 1, 2005)  
*Chairman*  
(since October 26, 2005)  
ThyssenKrupp Services AG  
*Chairman*  
ThyssenKrupp Steel  
Beteiligungen AG  
(formerly: ThyssenKrupp  
Steel AG)  
*Chairman*  
(until December 9, 2005)

**b) within group:**

- ThyssenKrupp Budd Company

**Prof. Dr. Jürgen F. Strube**

- a) Allianz Lebensversicherungs AG  
BASF AG  
*Chairman*  
Bayerische Motorenwerke AG  
Bertelsmann AG  
*Deputy chairman*  
Fuchs Petrolub AG  
*Chairman*  
Hapag-Lloyd AG  
Linde AG

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)



**Dr. Klaus Sturany**

## a) Hannover Rückversicherungs AG\*)

Heidelberger  
Druckmaschinen AG\*)  
RAG AG

**within group:**

RWE Power AG  
RWE Energy AG  
RWE Systems AG  
(since July 7, 2005)  
*Chairman*  
(since September 8, 2005)  
RWE Umwelt AG  
(until February 24, 2005)

b) Österreichische  
Industrieholding AG**within group:**

RWE Npower Holdings Plc  
RWE Thames Water plc  
RWE Trading GmbH  
(until April 30, 2005)

**Dr.-Ing. E.h. Heinrich Weiss**

## a) Deutsche Bahn AG

HOCHTIEF AG\*)  
Voith AG

**within group:**

SMS Demag AG  
*Chairman*

## b) Thyssen-Bornemisza Group

Bombardier Inc. \*)  
(since January 25, 2005)

**within group:**

Concast AG  
*Vice-President*

**Employees of  
Commerzbank AG**

Information pursuant to Art. 340a, (4),  
no. 1, HGB  
As of December 31, 2005

**Manfred Breuer**

Schumag AG

**Bernd Förster**

SE Spezial Electronic AG

**Bernd Grossmann**

Textilgruppe Hof AG

**Herbert Huber**

Saarländische Investitions-  
kreditbank AG

**René Kaselitz**

CommerzLeasing und  
Immobilien AG

**Andreas Kleffel**

Adolf Ahlers AG

**Dr. Renate Krümmer**

Hypothekenbank in Essen AG

**Klaus Kubbetat**

Pensor AG

**Burkhard Leffers**

CommerzLeasing und  
Immobilien AG  
Goodyear Dunlop Tires  
Germany GmbH  
Kolbenschmidt Pierburg AG

**Michael Mandel**

COMINVEST  
Asset Management GmbH

Commerz Grundbesitz-  
Investmentgesellschaft mbH

COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH

**Dr. Dirk Mattes**

COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH

MEWA Textil-Service AG & Co.  
Management OHG

**Wilhelm Nüse**

Rasmussen GmbH

**Michael Schmid**

CommerzLeasing und  
Immobilien AG

**Dr. Friedrich Schmitz**

COMINVEST  
Asset Management GmbH

**Frank Schulz**

Woba Dresden GmbH

**Arno Walter**

ConCardis GmbH

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Commerz Grundbesitz-  
Investmentgesellschaft mbH

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)

## ***glossary***

### **Ad hoc disclosure**

A key objective of ad hoc disclosure is to prevent insider trading. Art. 15 of the German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) requires issuers whose securities are admitted to official trading or to the Regulated Market to make disclosures on an ad hoc basis. A new fact has to be disclosed if it has occurred within the company's area of activity and is not familiar to the public. In addition, the new fact must affect the issuer's net assets or financial position or its general business progress and must exert a considerable influence on the market price of the listed securities or, in the case of listed bonds, must impair the issuer's ability to meet its obligations.

### **ADR (American Depositary Receipts)**

In order to make trading easier in non-US equities, US banks issue depositary receipts for equities, whose originals are kept as a rule in their country of origin. These may be traded like equities on American stock exchanges, but can be issued in various forms. An ADR may, for instance, securitize merely part of a share, thereby creating an apparently cheaper price for it.

### **Asset-backed securities (ABS)**

Securities whose interest payment and repayment of principal are covered, or backed, by the underlying pool of claims. As a rule they are issued by a special-purpose entity in securitized form.

### **Assets held for dealing purposes**

Under this balance-sheet item, securities, promissory notes, foreign exchange and derivative financial instruments which are used for dealing purposes are shown. They appear at their fair value.

### **Associated company**

A company included in the consolidated financial statements neither on a fully or partially consolidated basis, but rather according to the equity method; however, a company which is included in the consolidation has a significant influence on its business and financial policies.

### **Available for sale**

A term used to refer to financial assets that may be disposed of.

### **Back-testing**

A procedure for monitoring the quality of value-at-risk models. For this purpose, the potential losses projected by the VaR approach are examined over a lengthy period to ascertain whether in retrospect they were not exceeded far more frequently than the applied confidence level would have suggested.

### **Benchmarks**

Reference figures like indices, which are used, for instance, in portfolio management. For one thing, they can determine the direction of an investment strategy by providing the portfolio manager with orientation as regards the composition of portfolios. For another, they serve as a measure of investment performance.

### **Business continuity planning**

A company's emergency planning, covering all of its units.

### **Cash flow hedge**

This entails covering the risk related to future interest payments from a floating-interest balance-sheet transaction by means of a swap. It is measured at fair value.

### **Cash flow statement**

This shows the breakdown and changes in a company's cash and cash equivalents during the business year. It is divided up into the items operating, investing and financing activities.

### **Collateral agreement**

An agreement covering the security or collateral to be furnished.

### **Confidence level**

The probability with which a potential loss will not exceed the loss ceiling defined by the value-at-risk.

**Corporate governance**

Corporate governance establishes guidelines for transparent corporate management and supervision. The recommendations of the German Corporate Governance Code create transparency and strengthen confidence in responsible management; in particular, they serve shareholder protection.

**Cost/income ratio**

This represents the ratio of operating expenses to income before provisioning, indicating the cost-efficiency of the company or of one of its business units.

**Credit default swap (CDS)**

A financial instrument for taking over the credit risk from a reference asset (e.g. a security or credit). For this purpose, the buyer of protection pays the seller of protection a premium and receives a compensation payment if a previously specified credit event occurs.

**Credit derivative**

A financial instrument whose value depends on an underlying claim, e.g. a loan or security. As a rule, these contracts are concluded on an OTC basis. They are used in both proprietary trading and in managing risk. The most frequently used credit derivative product is the credit default swap.

**Credit-linked note (CLN)**

A security whose performance is tied to a credit event. CLNs are frequently part of a securitization transaction or serve to restructure credit risk in order to satisfy specific customer wishes.

**Credit VaR**

The concept stems from the application of the value-at-risk concept for market risk to the area of credit-risk measurement. In substantive terms, the credit VaR is an estimate of the amount by which the losses arising from credit risk might potentially exceed the expected loss within a single year; for this reason: also unexpected loss. This approach is based on the idea that the expected loss merely represents the long-term median value for loan losses, which may differ (positively or negatively) from the actual loan losses in the current business year.

**DAX 30**

Deutscher Aktienindex (German stock index), which covers the 30 largest German blue chips with the highest turnover in official trading.

**Deferred taxes**

These are taxes on income to be paid or received in the future, resulting from discrepancies in assigned values between the balance sheet for tax purposes and the commercial balance sheet. At the time the accounts are prepared, they represent neither actual claims on nor liabilities to the tax authorities.

**Derivatives**

Financial instruments whose value depends on the value of another financial instrument. The price of the derivative is determined by the price of an underlying object (security, interest rate, currency, credit). These instruments offer greater possibilities for managing and steering risk.

**Due diligence**

The term is used to describe the process of intensive examination of the financial and economic situation and planning of a company by external experts (mostly banks, lawyers, auditors). In the run-up to an IPO or a capital increase, due diligence is needed before an offering prospectus can be compiled.

**Economic capital**

The amount which is sufficient to cover unexpected losses from risk-bearing items with a high degree of certainty (at Commerzbank currently 99.95%). It is not identical to either equity as shown in the balance sheet or regulatory capital.

**Embedded derivatives**

Embedded derivatives are components of an underlying financial instrument and inseparably linked to the latter, so-called hybrid financing instruments such as reverse convertible bonds. Legally and economically, they are bound up with one another.

**Equity method**

A consolidation method in a group's accounting to cover holdings in associated companies. The company's pro-rata net profit/loss for the year is included in the consolidated income statement as income/loss from equity investments.

**Expected loss**

Measure of the potential loss of a loan portfolio which can be expected within a single year on the basis of historical loss data.

**Fair value**

The price at which financial instruments may be sold or purchased on fair conditions. For measurement purposes, either market prices (e.g. stock-exchange prices) or – if these are unavailable – internal measurement models are used.

**Fair value hedge**

This is a fixed-interest balance-sheet item (e.g. a claim or a security) which is hedged against market risk by means of a swap. It is measured at fair value.

**Financial instruments**

Above all, credits or claims, interest-bearing securities, shares, equity investments, liabilities and derivatives are subsumed here.

**Futures**

The futures contract is a binding agreement committing both parties to deliver or take delivery of a certain number or amount of an underlying security or asset at a fixed price on an agreed date. Unlike options, futures contracts are very strongly standardized.

**Goodwill**

The difference between the purchase price and the value of the net assets thereby acquired, which remains after the hidden reserves have been realized when an equity investment is acquired or a company is taken over.

**Hedge accounting**

The presentation of discrepancies between the change in value of a hedging device (e.g. an interest-rate swap) and the hedged item (e.g. a loan). Hedge accounting

is designed to reduce the influence on the income statement of measuring and recognizing changes in the fair value of derivative transactions.

**Hedging**

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rates, prices, commodities).

**Hybrid financial instruments**

These are financing instruments which can be flexibly adjusted to a company's needs. In terms of character, they rank somewhere between borrowed funds and equity, making it always possible to find an optimal balance between the wish to take on risks and the restriction of entrepreneurial management. Typical examples of hybrid financial instruments are subordinated loans, dormant equity holdings and profit-sharing certificates.

**International Accounting Standards (IAS)**

Accounting regulations approved by the International Accounting Standards Committee. The objective of financial statements prepared according to IAS is to provide investors with information to help them reach a decision with regard to the company's asset and financial position and also its earnings performance, including changes in the course of time. By contrast, financial statements according to HGB (German Commercial Code) are primarily geared to investor protection.

**Investor relations**

The term describes the dialogue between a company and its shareholders or creditors. Investor relations targets this special group with the intention of using communicative means to ensure an appropriate valuation of the company by the capital market.

**Letter of comfort**

Usually, the commitment of a parent company towards third parties (e.g. banks) to ensure orderly business conduct on the part of its subsidiary and the latter's ability to meet liabilities.

**Liabilities from dealing activities**

Under this balance-sheet item, the derivative instruments of proprietary trading with a negative fair value appear, and also delivery commitments arising from the short-selling of securities. They are measured at fair value.

**Loss review trigger**

A warning signal that a trading unit might exceed its prescribed maximum loss. If this trigger is reached, appropriate measures are taken to prevent further losses.

**Mark-to-market**

Measurement of items at current market prices, including unrealized profits – without purchase costs being taken into consideration.

**Mergers & acquisitions**

In banking, M&A represents the advisory service offered to companies involved in such transactions, especially the purchase and sale of companies or parts of them.

**Mezzanine**

An Italian word meaning the intermediate storey of a building. A flexible financing instrument between equity and borrowed funds in balance-sheet terms. It is especially suitable for smaller businesses seeking to strengthen their capital base but not wishing to alter their ownership structure.

**Netting**

The setting-off of items (amounts or risks) which appear on different sides of a balance.

**Online banking**

A whole series of banking services handled with IT support and offered to customers electronically (by telephone line).

**Options**

Options are agreements giving one party the unilateral right to buy or sell a previously determined amount of goods or securities at a price established in advance within a defined period of time.

**OTC**

Abbreviation for "over the counter", which is used to refer to the off-the-floor trading of financial instruments.

**Positive/negative fair value**

The positive/negative fair value of a derivative financial instrument is the change in fair value between the conclusion of the transaction and the date of measurement, which has arisen due to favourable or unfavourable overall conditions.

**Profit-sharing certificate**

Securitization of profit-and-loss-sharing rights which are issued by companies of various legal forms and are introduced to official (stock-exchange) trading. Under certain conditions, profit-sharing certificates may be counted as part of banks' liable funds.

**Rating**

Standardized assessment of the creditworthiness of companies, countries or of debt instruments issued by them, on the basis of standardized qualitative and quantitative criteria. The rating process forms the basis for determining the probability of default, which in turn is used in calculating the capital needed to back the credit risk. Ratings may be worked out by the Bank itself (internal ratings) or by specialized rating agencies such as Standard&Poor's, Fitch and Moody's (external ratings).

**Repo transactions**

Abbreviation for repurchase agreements; these are combinations of spot purchases or sales of securities and the simultaneous forward sale or repurchase of these securities in an agreement involving the same counterparty.

**Return on equity**

This is calculated by the ratio between the pre- and after-tax profit and the average amount of equity as shown in the balance sheet; it indicates the return achieved by the company on the capital which it employs.

**Revaluation reserve**

In the revaluation reserve, changes in the fair value of securities and equity investments appear, with no effect on the income statement.

**Securitization**

In a securitization, claims (e.g. loans, trade bills or leasing claims) are pooled and transferred to a special-purpose entity or vehicle (SPV). The SPV raises funds by issuing securities (e.g. ABS or CLNs), placed with potential investors. Repayment and the interest payments on the securities are directly linked to the performance of the underlying claims rather than to that of the issuer.

**Shareholder value**

Shareholder value gives priority to the interests of proprietors or, in the case of listed companies, shareholders.

Under this approach, the company's management is committed to increasing the value of the company over the long term and thus to lifting its share price. This contrasts with a "stakeholder policy", which aims to achieve a balance between the interests of shareholders and other groups involved, such as customers, employees, providers of outside funds, banks, etc.

One major component of the shareholder value principle is also a shareholder-oriented, transparent information policy, which above all at major listed companies is entrusted to investor relations.

**Spread**

The difference between prices or interest rates, e.g. the differential between the buying and the selling price of securities, or the premium paid on a market interest rate in the case of weaker creditworthiness.

**Standard risk costs**

These represent the average expected calculatory risk costs in a given year (expected loss) or the valuation allowances due to the default of customers or counterparties.

**Stop-loss limit**

This type of limit serves to restrict or prevent losses, such that if the fair value falls below a previously determined level, the trading position in question has to be closed or the asset sold.

**Stoxx**

The Stoxx "family" of indices is a system of European benchmark, blue chip and sectoral indices. Stoxx Limited itself is a joint venture between Deutsche Börse AG, Dow Jones & Company, SBF-Bourse de France and the Swiss Stock Exchange.

**Stress testing**

Stress tests are used in an attempt to model the losses produced by extreme events, as these cannot as a rule be adequately presented by VaR models. Generally, VaR risk ratios are based on a "normal" market environment, rather than on very rare extreme situations which cannot, as a result, be represented statistically – such as the 1987 stock-market crash or the Asian crisis. Stress tests therefore represent a rational complement to VaR analyses, and also one that is required by regulators.

**Subsidiary**

Company controlled by its parent and fully consolidated. If it is of minor significance, it is not included in the consolidation. In this case, the company appears at amortized cost.

**Sustainability**

Sustainability describes business management on a long-term basis which is compatible with acceptable living conditions now and in the future. Its guiding objectives are responsibility for the environment and balanced social relations.

**Swaps**

Financial instruments in which the swapping of payment flows (interest and/or currency amounts) is agreed over a fixed period. Through interest-rate swaps, interest-payment flows are exchanged (e.g. fixed for floating rate). Currency swaps offer the additional opportunity to eliminate the exchange-rate risk by swapping amounts of capital.

**Value-at-risk model (VaR)**

VaR refers to a method of quantifying risk. VaR is only informative if the holding period (e.g. 1 day) and the confidence level (e.g. 97.5%) are specified. The VaR figure then indicates the loss ceiling which will not be exceeded within the holding period with a probability corresponding to the confidence level.

**Volatility**

The term volatility is used to characterize the price fluctuation of a security or currency. Frequently, this is calculated from the price history or implicitly from a price-fixing formula in the form of the standard deviation. The greater the volatility, the riskier it is to hold the investment.

## index

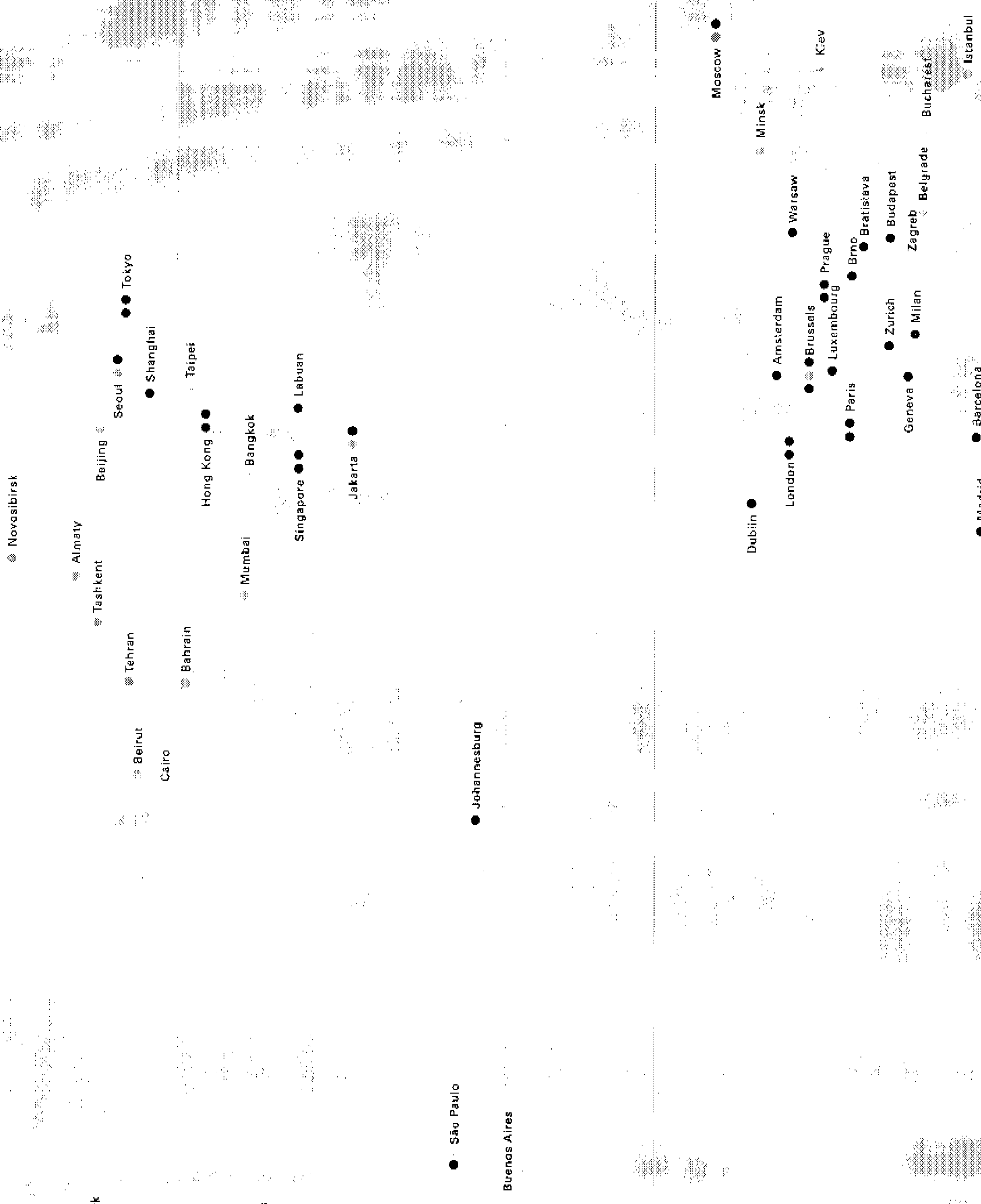
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## **commerzbank group business progress 1968–2005<sup>1)</sup>**

	Business volume	Total lending	Customers' deposits	Taxes paid	Allocation to reserves	Equity	Total amount of dividend paid	Staff	Offices
	€ bn	€ bn	€ bn	€ m	€ m	€ m	€ m		
1968	8.5	5.4	6.6	33.2	16.1	346	23.9	14,689	691
1969	9.8	6.5	7.1	41.8	16.3	439	32.0	15,630	743
1970	12.5	8.8	8.0	26.1	5.8	463	30.4	16,952	783
1971	15.9	11.4	9.2	39.2	13.0	541	31.5	17,533	800
1972	18.7	12.6	10.7	45.0	14.6	599	34.8	17,707	805
1973	20.5	13.5	11.1	39.2	9.2	656	40.7	18,187	826
1974	23.0	15.1	11.7	54.8	26.7	735	40.7	17,950	834
1975	29.0	18.2	14.1	97.5	42.5	844	48.8	18,749	855
1976	32.6	21.3	15.0	87.5	57.2	993	55.9	20,275	861
1977	38.6	24.0	17.3	128.0	52.3	1,165	55.9	20,429	870
1978	45.3	29.5	20.0	126.4	50.9	1,212	63.1	20,982	875
1979	52.2	34.8	20.4	97.0	20.5	1,403	64.6	21,656	885
1980	52.4	37.4	20.3	53.6	16.6	1,423	–	21,487	880
1981	53.2	38.6	21.0	52.4	12.9	1,414	–	21,130	878
1982	56.8	41.8	22.6	86.8	43.8	1,416	–	21,393	877
1983	59.1	43.3	23.2	121.3	62.3	1,491	51.7	22,047	884
1984	63.9	46.2	26.5	140.8	77.9	1,607	51.7	22,801	882
1985	71.4	48.3	28.0	164.4	89.5	1,756	72.6	24,154	882
1986	77.1	52.5	30.3	169.0	80.2	2,292	95.5	25,653	881
1987	83.8	55.7	33.5	168.0	89.8	2,379	95.7	26,640	882
1988	93.3	61.7	37.8	192.4	120.2	2,670	104.0	27,320	888
1989	99.1	64.7	43.5	252.4	143.7	3,000	115.3	27,631	897
1990	111.4	74.9	50.5	246.7	112.4	3,257	131.6	27,275	956
1991	117.1	80.7	57.2	276.6	120.1	3,420	132.0	28,226	973
1992	120.4	85.0	61.6	283.4	209.0	3,680	134.0	28,722	998
1993	147.1	92.7	68.2	310.8	143.9	4,230	176.8	28,241	1,006
1994	176.1	112.7	68.8	334.5	306.8	5,386	231.2	28,706	1,027
1995	208.1	133.1	73.2	109.4	204.5	6,297	265.8	29,615	1,060
1996	230.6	158.2	82.8	297.1	332.3	6,909	276.3	29,334	1,045
1997	276.0	185.3	93.3	489.2	295.5	8,765	344.2	30,446	1,044
1998	327.4	207.6	93.6	298.1	511.3	10,060	380.5	32,593	1,052
1999	372.1	223.2	91.0	395.6	500.0	11,141	410.8	34,870	1,064
2000	459.7	239.7	107.7	822.7	800.0	12,523	541.8	39,044	1,080
2001	501.3	239.7	116.4	–114.0	–115.0	11,760	216.7	39,481	981
2002	422.1	171.5	95.7	–103.0	–352.0	8,808	54.2	36,566	904
2003	381.6	164.7	100.0	249.0	–2 320.0	9,091	–	32,377	884
2004	424.9	160.5	105.1	352.8	212.3	11,023 <sup>2)</sup>	149.6	32,820	965
2005	444.9	164.6	102.8	408.9	836.5	13,650 <sup>2)</sup>	328.4	33,056	1,039

1) as from 1997, according to IAS; 2) including minority interests.





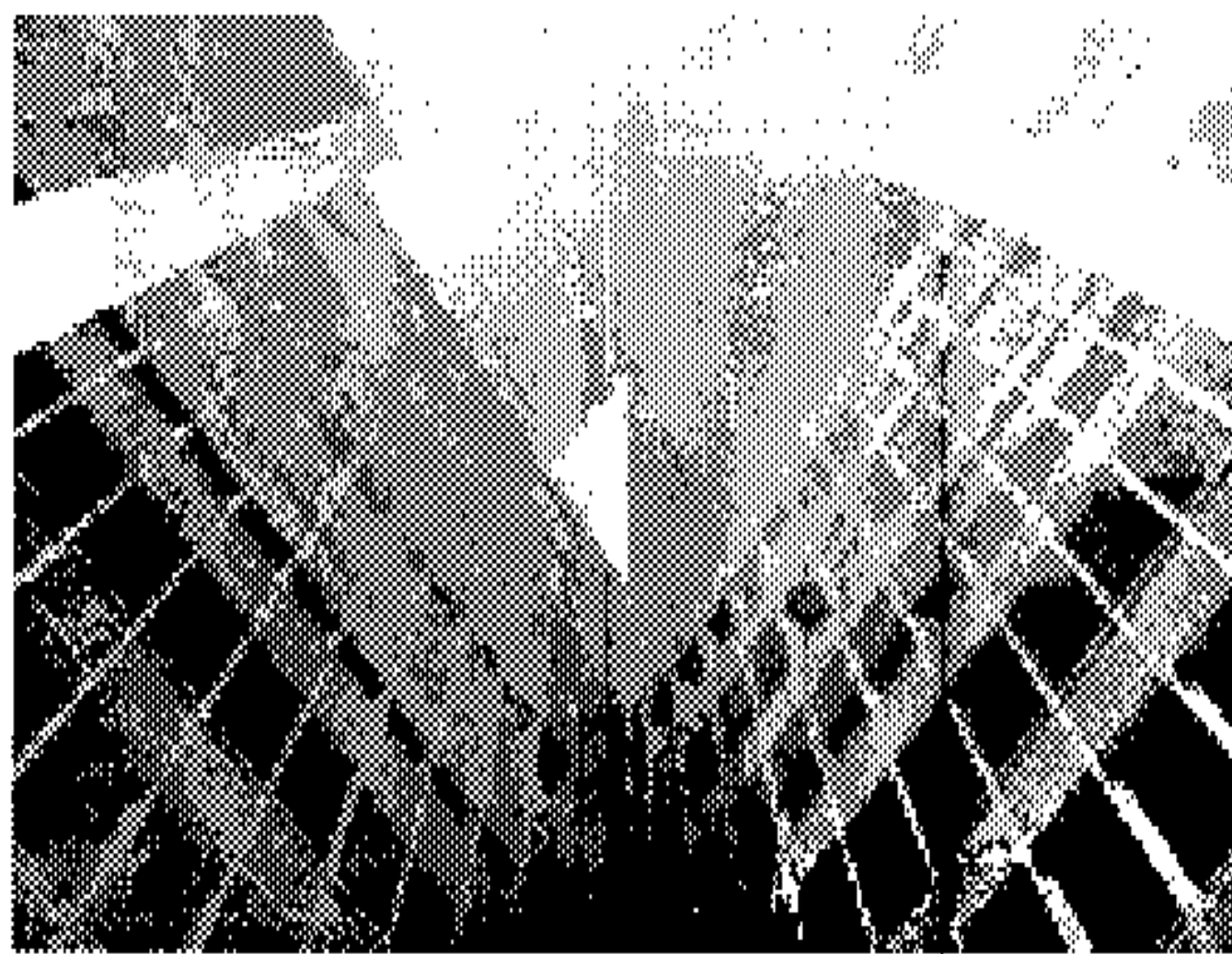
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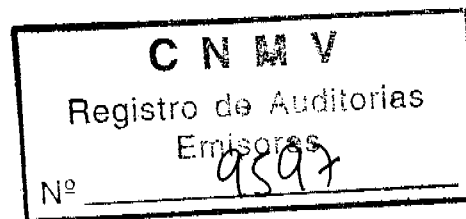
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ISSN 0414-0443

VKI02041

**| financial statements and  
management report 2005 |**

**COMMERZBANK AG**



**COMMERZBANK**



# **financial statements and management report 2005**

## **COMMERZBANK AG**

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## **management report of commerzbank ag**

### **Business and overall conditions**

In 2005, there was a slight improvement in Germany's overall economic conditions. While economic performance did not rebound as strongly as had been hoped, buoyant foreign demand lifted corporate profits. Activity on stock markets was encouragingly brisk as a result, from which we were also able to benefit. After several years of cost-cutting and restructuring, we are now back on a successful course. This is reflected in the key figures of Commerzbank AG: our pre-tax return on equity rose from 5.1% to 8.5%, while our cost/income ratio improved from 67.9% to 54.8%.

#### **Acquisition of Eurohypo AG agreed in November**

In November, we reached agreement with Deutsche Bank AG and Allianz/Dresdner Bank AG to acquire their interests in Eurohypo AG in two steps. We bought 17.1% on December 15, 2005, transferring the entire investment to Commerzbank Inlandsbanken Holding AG. A further 49.1% will follow as of March 31, 2006. The average purchase price was €19.60 per share. Given the approval of the authorities, we will hold more than 98% of the equity of Eurohypo AG in future.

To support this transaction, a capital increase with the subscription rights of Commerzbank shareholders excluded was effected in November 2005. The new shares were allocated to institutional investors at a price of €23.50 per share, providing Commerzbank with about €1.36bn of new equity. Our subscribed capital now stands at €1,707,712,648.20, divided into 656,812,557 no-par-value shares. When we purchase the other 49.1% of Eurohypo on March 31, 2006, we will make the first issue of hybrid capital in Commerzbank's history. This will ensure that the core capital ratio stays within our target range after Eurohypo has been fully consolidated.

With the takeover of Eurohypo AG, Commerzbank will become the second-largest German credit institution and the leading bank in the domestic market. The transaction, which represents an important contribution towards consolidating the German banking system, is Commerzbank's largest in the past 50 years.

### **Earnings performance, net asset and financial position**

With its 791 offices, Commerzbank has a nationwide branch network in Germany for its corporate and retail customers. In specialized areas, the Bank also operates through subsidiaries, above all in the fields of leasing, asset management and real estate. Outside Germany, it is active mainly in corporate banking through 21 branches, 25 representative offices and 15 major subsidiaries. An overview of the international outlets can be found on page 66 of this report.

#### **Profit and loss account**

Our sharp focus and systematic strategic orientation are also beginning to bear fruit on the revenue side. Benefiting from somewhat improved overall conditions, we raised our revenues by altogether 9.5% to €5.24bn.

In purely interest-generating business, the result was practically unchanged on the previous year, at €2,445m (€2,442m). However, thanks to the better result for Inlandsbanken Holding, the income from profit-pooling and from partial or full profit-transfer agreements was substantially higher. For this item, we registered €693m compared with €155m a year earlier.

Commission income was up €35m to €1,691m, primarily on account of our success in selling investment-fund units. We also achieved a slight increase in our syndicated business. All told, net commission income reached €1.51bn, 6.8% more than a year earlier.

#### **Cost management remains strict**

The number of people employed by Commerzbank AG contracted slightly. All the same, personnel expenses rose by 5.0% to €2.09bn; apart from salary increases, this was due above all to higher provisions for bonuses.

Other operating expenses advanced by 8.3% to €1.23bn; depreciation sank by a hefty 21.1%. All in all, operating expenses declined again from their already low level, by 1.8%, to €3.52bn.

In the year under review, the income from financial investments reflects, among other things, the proceeds from the disposal of our interests in Unibanco and Banca Intesa. All told, we achieved €837m on this item, as against €277m a year previously.

**Net profit more than doubled**

The balance on all the income and expenses described above – representing the result from ordinary activities – reached €1,264m, compared with €557m in the previous year. From this result, we have allocated €500m to the fund for general banking risks. In addition, two projects were launched in the 2005 financial year which are intended to lead to more efficient back-office procedures in corporate lending and other areas. In this connection, jobs will be shed and offices closed down. For these measures, we have recognized restructuring expenses of €30m.

After taxes of €406m have been deducted, a net profit for the year or distributable profit of €328m remains. We will propose to the Annual General Meeting of shareholders that this amount be used to pay a dividend of €0.50 per Commerzbank share on the augmented share capital. Last year, we paid €0.25 per share.

**Balance sheet of Commerzbank AG**

At end-2005, the balance-sheet total of Commerzbank AG stood at €281.7bn and was thus practically €31bn higher than a year earlier. After declines in recent years, risk-weighted assets – including market-risk items – expanded by 9.1% to €121.8bn. This development shows that credit demand is picking up again somewhat. In particular, increases were registered for claims on banks (+€19.6bn to €80.7bn), claims on customers (+€5.8bn to €112.6bn) and bonds, notes and other fixed-income securities (+€5.4bn to €49.0bn). However, our portfolio of shares and other variable-yield securities contracted by €2.4bn to €7.2bn.

Investments declined by €950m to €1.3bn. In the course of restructuring our investment portfolio, we had already in the preceding years moved investments in financial institutions to either Commerzbank Inlandsbanken Holding AG or Commerzbank Auslandsbanken Holding AG. In 2005, the participations in BRE Bank, Mediobanca and Caisse Centrale de Réescompte were transferred to Commerzbank Auslandsbanken Holding AG. We have transferred our stakes in Linde and Hochtief to Atlas Vermögensverwaltungsgesellschaft, where we bundle our industrial holdings.

By contrast, holdings in affiliated companies increased by 26.8% to €9.8bn, on account of the raising of our stake in comdirect bank AG to almost 80% in the summer of 2005, the acquisition of Eurohypo shares in November and, last but not least, the above-mentioned transfer of individual participations to holding companies.

Fixed assets continued to develop as previously; due to our strict cost management, they declined by another 18.5%.

**Time deposits up practically 30%**

Liabilities to banks expanded by €13.3bn to €121.2bn; customers' deposits similarly registered an encouragingly strong rise of altogether €10.5bn to €94.1bn. However, this growth conceals divergent underlying trends. Whereas savings deposits contracted by €4.4bn, demand and time deposits rose by €14.9bn. Securitized liabilities expanded by €3.7bn to €30.3bn.

Last December, we raised the capital of the Commerzbank Foundation by €5m to €31.1m. In January 2006, the foundation was endowed with a further €5m. In accordance with its statutes, it can become active in all non-profit fields. The increase in its capital will enable it to devote itself even more intensively to its main support activities.

**Equity €1.5bn higher**

Subscribed capital and the capital reserve were €1.4bn higher, thanks primarily to the November capital increase. An amount of €9m was generated by the issue of shares to employees. Revenue reserves were unchanged year-on-year. With the distributable profit included, we have equity of altogether €10.1bn, as against €8.6bn a year previously.

The sharp increase in our equity more than offset the expansion in our risk-weighted assets. This is underlined by our capital ratios: the core capital ratio now stands at 8.0% (previous year: 7.5%), the own funds ratio at 12.6%, compared with 12.4%.

We further reduced our high-interest subordinated capital (profit-sharing certificates outstanding and subordinated liabilities) by €409m to €6.6bn.

### Sustainability gaining in importance

In December 2005, Commerzbank published its first sustainability report, entitled *idea-Is*. In it, the Bank describes its corporate responsibility for the impact of its business activities on society, its staff, the environment and the economic setting. We provide an extensive information on our commitment to sustainability. The spectrum ranges from corporate governance to relations with the various groups of customers, environmental commitment, sponsoring activities and the responsibility we show towards employees.

Employees are the key to the success of a service company. That is why Commerzbank sets especially great store by the qualifications and opportunities for development of its younger personnel. In 2005, 600 trainees were taken on, 80 more than in the previous year. In the past financial year, the Bank offered roughly 500 internships, twice as many as in 2004. About 300 students, above all former trainees, belong to Commerzbank's study circle, which means that they gain practical experience while their study. Roughly 250 graduates per year take part in one of the Bank's junior executive training programmes.

Flexible working hours are part of a modern work culture. To enable qualified staff to combine family, social functions or further training with their careers, we offer a variety of models. Just over 20% of our staff use the opportunities afforded by part-time working, flexitime, variable working hours and teleworking.

At end-2005, Commerzbank had altogether 24,649 employees, 22,715 of them in Germany and 1,934 abroad. The staff turnover rate has fallen from 7.0% in 2003 to 5.3% in 2004 and a current figure of 3.1%.

### Résumé: 2005 business situation

We can be very satisfied with the business progress in all core segments in 2005. We have come closer to realizing our long-term targets for our return on equity. With the Eurohypo transaction, we have prepared the stage for the future.

### Report on subsequent transactions

No business transactions of material significance have occurred since the balance-sheet date.

### Current forecast

Over the next few years, we expect only a slight upward trend in economic performance. We believe Germany's GDP will expand by 1.5% in 2006 and 1.0% in 2007. This would leave Germany somewhat below the average for the eurozone, for which we forecast economic growth of 1.8% in both years. Credit demand will not pick up notably, therefore. The positive mood on the stock exchange should continue; we expect the DAX index to reach an annual high of 6,300 points. This will have a further positive effect on the Bank's securities business.

In 2006 and 2007, we will above all be concerned with integrating Eurohypo into the Commerzbank Group. We are currently working intensively to identify the synergies on both the revenue and the cost side arising from cooperation between the two banks. We will introduce the resolved measures for realizing synergies from May 2006 onwards.

Over the next two years as well, we plan to work intensively on increasing the profitability of the individual segments.

In the Private and Business Customers area, we intend to expand in attractive market and product segments, continue raising the level of qualifications of our staff and maintain our tight control over costs. We will boost efficiency through more extensive use of the "branch of the future" and through constant optimization of procedures all along the value chain. In 2005, we launched our business customers initiative, gaining more than 20,000 new customers in what is an interesting segment for us. We are confident, therefore, that we will achieve our target of 50,000 new business customers overall by end-2006. In retail business, we will continue to pay close attention to provisioning. Given the continuing strains on the labour market, we have to reckon on a slight increase.

Our goal in Private Banking is to maintain our organic expansion in terms of both clients and assets. It is important in this connection to improve contact with clients; we plan to open two further offices in 2006. We will also build upon our successful position in foreign markets, such as Switzerland.



In Asset Management, too, we are aiming for growth. We intend to strengthen contacts with the distributors of third-party funds and at the same time investigate possible acquisitions. On April 1, 2006, we are taking over 51% of the capital of Münchner Kapitalanlage AG (MK) from Continentale Holding AG. The remaining 49% will be transferred to Cominvest on April 30, 2009. For its roughly 120,000 customers, MK manages assets worth €1.4bn. Commerzbank will also cooperate closely in future with the Continentale insurance group to sell fund and banking products. Over the medium term, we expect this to generate an inflow of around €1bn. As the problems of several competitors have led to sizeable outflows of funds since last December, we are closely watching the development of open-ended property funds. However, we are confident that, thanks to our professional management and also to the industry's new guidelines, the situation will definitely return to normal again.

Our systematic focus on *Mittelstand* companies is bearing fruit – in terms of both the service we provide and special products. Since 2004, we have run our "Move to the top" initiative, which is designed to make Commerzbank into the best bank in Germany for *Mittelstand* companies. In the course of this campaign, we have gained more than 9,700 new customers over the past two years, thereby achieving our target of altogether 9,000 by end-2006 ahead of schedule. We expect stronger sales activities to produce significant revenue growth in future. As things stand today, we will be able to reduce our provisioning in Germany further. In Central and Eastern Europe – a region which belongs to the *Mittelstand* segment – we will continue to examine possibilities to expand through acquisitions. In these locations, we also intend to streamline procedures and back-office functions.

In International Corporate Banking, we want to concentrate on selling Commerzbank products outside Germany. The core of our strategy is to provide support for German clients doing business abroad. But we also still see great rationalization potential in this segment. For several months, we have been subjecting the operating structures of our Western European units to a process of optimization. In future, for instance, loan processing and other back-office functions are to be more strongly centralized. As a next step, we are examining various scenarios for further improving the profitability of our operational units in Asia.

We made good progress in the Corporates & Markets section in 2005. Its development shows that we were right to concentrate on the two centres Frankfurt and London as well as customer-driven business. We intend to pursue this course systematically. However, in the future as well, earnings performance will be largely determined by the stock markets.

For the next few years, we have the following goals:

1. Strengthening of our position as Germany's leading commercial bank and an active role in the consolidation of the German banking market
2. Successful conclusion to the integration of Eurohypo
3. Higher profitability in all core segments, both through boosting efficiency and by seizing opportunities for expansion
4. Professional capital management in order to hold our core capital ratio in the upper part of our target range.

All these efforts are intended to take us steadily closer to achieving our earnings goals. By 2010, we are aiming for an after-tax return on equity at Group level of 15% and a cost/income ratio of about 60%.



## risk report

### Main highlights in 2005

- For the third year in a row, the Bank was able to lower its **loan-loss provisions**.
- **Economic capital** was reduced as planned during the year by removing bulk risks in lending.
- The introduction of the **Commerzbank Master Scale** at the start of the year as well as new **incisive rating and scoring procedures** – combined with improved risk-adjusted pricing – led to better risk selection and, in future, to the need for less economic capital.
- The results produced by statistical methods of estimating the security furnished and recovery rates, implemented in connection with the Basel II project, were integrated into the **credit risk model**, as part of **current efforts to enhance it**.  
The main goals set for the Basel II project in 2005 were achieved according to plan and the **application for certification of the IRB Advanced Approach was submitted to BaFin by July 2005**.  
The methods required by the supervisory authorities for identifying, measuring, monitoring and steering **operational risk** are either already in use throughout the Bank or at the pilot stage. It is planned to submit an application for approval of the Advanced Measurement Approach for operational risk in accordance with Basel II in the second quarter of 2006.
- The implementation of the Minimum requirements for the risk management of credit institutions (**MaRisk**), which is supposed to take place by January 1, 2007, is proceeding according to plan at the Bank. Many of the requirements have already been implemented and we assume that the points still to be covered will be dealt with on time.
- In 2005, the Bundesbank conducted an **examination of trading activities pursuant to Art. 44, (1), KWG** (German Banking Act) on the instructions of BaFin. As a result, BaFin confirmed that, in the areas examined, our Bank is complying with MaH and that its internal control system is appropriate in terms of the scope, complexity and risk character of the trading activities it conducts.
- The German banks' auditing association conducted an **examination** of Commerzbank's **system**

of **deposit protection** in 2005. The examination confirmed that, in the areas examined, Commerzbank pursues a cautious credit policy and evaluates security properly.

### I. Risk-based overall Bank management

#### 1) Risk-policy principles

Commerzbank's value-based overall Bank management involves taking on identified risks and managing them professionally. Risk-management activities focus on making efficient use of equity from the risk and return standpoints:

The Bank's Board of Managing Directors defines risk-policy guidelines as part of the annually reviewed **overall risk strategy**, which it has established. Previously consisting of various sub-strategies, this overall strategy will be examined in future for its compatibility with business strategy in accordance with the new MaRisk.

The Board of Managing Directors and the Supervisory Board are informed promptly in the form of comprehensive, objective reports of the Bank's risk situation.

- At Board level, the **Chief Risk Officer (CRO)** is responsible for controlling all of Commerzbank's quantifiable risks (especially credit, market, liquidity and operational risk) and also for working out and implementing the overall risk strategy.
- As part of his **responsibility for the operative credit function**, the CRO assumes the management function for all credit risks.

All quantifiable risks are monitored under the **economic capital approach** according to uniform standards and geared to Commerzbank's risk-taking capability. This makes possible an efficient use of capital.

The CEO bears responsibility for risks related to the Bank's business strategy and **reputational risks**.

The CFO assumes responsibility for **compliance risk** (investor protection, insider guidelines, money laundering, etc.).

- The risk-policy guidelines and structures are presented in a **Risk Manual**, available to all staff via intranet. It is the basis for processing and commu-

nicating all the major types of risk in a uniform manner and consequently provides support for the management of identified risks at Commerzbank.

The **early-warning and monitoring systems for risk** are designed to achieve qualified and prompt identification of all the major risks.

We make sure that the **risk functions**, whose efficiency we constantly examine using modern steering systems, are **well-equipped with personnel** in qualitative and quantitative terms.

In view of the contribution made by efficient risk management to corporate success, especially in the case of a financing bank like Commerzbank, we always want to be **state-of-the-art** here.

- ✦ Applying appropriate **stress and scenario analyses**, we keep a watchful eye on the downside risk for all the relevant portfolios and, if necessary in terms of risk management, we launch counter-measures in good time.

As a result, the risk-management system makes a major contribution towards optimizing the structure of the Bank's risk and returns, and towards a value-based management of the Bank.

## 2) Risk categories

Commerzbank defines risk as the danger of possible losses or lost profits which may be caused by internal or external factors. For risk-management purposes, Commerzbank distinguishes between **quantifiable and non-quantifiable types of risk**.

All quantifiable risks are part of Commerzbank's overall risk strategy in accordance with MaRisk requirements and the economic capital approach (the refinancing risk not being included here).

The individual risks are:

- ✦ **Credit risk:** the risk of losses or lost profits due to defaults (default or deterioration in creditworthiness) of counterparties and also the change in this risk. Apart from this traditional risk, credit risk also covers country risk and issuer risk as well as counterparty risk and settlement risk arising from trading activities.
- ✦ **Market risk:** the potential negative change in value of the Bank's positions as a result of changes in market prices (interest rates, spreads, currency and equity prices), their derivatives or parameters

which influence prices (volatilities, correlations). In Commerzbank's definition, risks from equity holdings in the banking book and equity event risk (modelling of equity risk extending beyond VaR, such as the insolvency of the issuer) also represent market risks and are monitored like these.

- ✦ **Interest-rate risk in the banking book:** the risk of adverse effects of changes in market interest rates on the capital or current income. Different fixed-interest periods for claims and liabilities in balance-sheet transactions and derivatives represent the most important source of such risks.
- ✦ **Operational risk:** the risk of losses through inadequate or defective systems and processes, human or technical failures, or external events (such as system breakdowns or fire damage). By analogy with the Basel Committee's definition, operational risk also includes legal risk, i.e. risks stemming from inadequate contractual agreements or changes in the legal framework.
- ✦ **Liquidity risk:** the risk of the Bank not being able to meet its current and future payment commitments, or of not being able to do so on time (refinancing risk).
- ✦ **Market-liquidity risk:** the risk that inadequate market liquidity will prevent the Bank from selling trading positions at short notice or hedging them to the desired extent.
- ✦ **Business risk:** the risk of losses due to negative deviations in revenue (especially commissions) and costs from the budgeted figures. Business risk is influenced both by business strategy and by the Bank's internal planning process, as well as by changed overall conditions such as the market environment, customers' behaviour or technological developments.
- ✦ **Overall risk:** the proper recognition and representation of all Commerzbank's relevant quantifiable risks in a model (economic capital approach) and the gearing and limiting of the economic capital calculated in this way (= unexpected loss, UL) to the Bank's risk-taking capability. The expected loss (EL), similarly calculated within this model, is crucial for managing business (risk-adjusted pricing/determining what business is sought).

The non-quantifiable risks are subjected to qualitative monitoring in connection with pillar II of the Basel Accord and MaRisk. They include:

- \* **Strategic risk:** the risk of negative results on account of previous or future fundamental business-policy decisions, produced by investment decisions in various business lines/regions (internal/external growth or divestments).
- \* **Compliance risk:** legal, regulatory sanctions or financial losses due to failure to comply with laws, regulations, guidelines or organizational standards and codes of conduct which have a bearing on Commerzbank business activities and which, for example, relate to the prevention of money laundering, the protection of data and business secrets, investor protection or observing the rules of the German legislation on securities trading.
- \* **Personnel risk:** based on the consideration of all the major risks that is required by MaRisk, personnel risk will also be integrated in future into Commerzbank's qualitative reporting. MaRisk requires the quantitative and qualitative staffing of a bank to reflect *inter alia* its business activities, strategy and risk situation.
- \* **Reputational risk:** the risk of losses, falling revenue or a reduction in the Bank's market value on account of business events which erode the confidence in the Bank of the public, rating agencies, investors or business associates. As a rule, reputational risks result from one of the above-mentioned sources and reinforce them.

### 3) Overall Bank management and economic capital

As part of overall Bank management, risk management and profitability management are consistently combined to yield an integrated value-based steering approach. Commerzbank's overall management has two main objectives:

- \* to ensure a capital base that is adequate for its risk profile,
- \* to achieve the most efficient allocation of the scarce resource equity, taking into consideration medium- and long-term strategic goals and growth prospects.

#### Expected loss (EL)

- \* Based on the structure of the Bank (aggregate portfolio, systems, staff), the EL represents the expected loss calculated in connection with the economic capital approach which has to be considered as a cost factor in budget planning.

Its high discrimination in modelling parameters is essential for steering business, as only then is it possible to achieve risk-adjusted pricing and to avoid alpha and beta errors (alpha error: positive lending decision subsequently leading to loan losses; beta error: credit refused to borrowers/business that in retrospect prove to be stable during the requested lifetime of the credit).

- \* Each set of results for individual portfolios is compared with the actual risk outcome as part of the validation process.
- \* Unlike loan losses and losses arising from operational risks, changes in market prices and business risks in principle have the same effect in both directions. *Ex ante*, therefore, no expected gain or expected loss can be assumed. The gains or losses produced by uncertain future changes in market prices – such as changes in commission-earning business – are defined as entirely unexpected, therefore.

The decline in expected loss – above all in the Corporate and Investment Banking division – can be traced back to improvements to the model in connection with the Basel II project and the resulting probabilities of default, loss-given-default parameters and charges for unutilized credit lines, all of which reflect risk more accurately.

#### Unexpected loss (UL = economic capital)

The use of economic capital is a measure for the unexpected loss (= volatility of EL), which is consequently not included in the profit/loss calculation in the course of budgetary planning. It can be traced back, for example, to economic ups and downs, problems in given industries and also bulk risks. Commerzbank's integrated risk/return-based management is built around the concept of economic capital, developed over a number of years, which forms the basis for a system of risk-adjusted key parameters. It makes possible the early risk recognition of negative developments in the form of transparent reports and the establishment of a suitable escalation procedure.

- \* Economic capital represents an internal measure reflecting the Bank's risk appetite.
- \* It is defined as the amount of capital which should be held available with a given probability in the course of one year to cover unexpected losses

arising from risk positions. It represents the aggregate of all quantifiable risks which have to be backed by equity.

The confidence level of 99.95% which is used as a basis here is derived from the probability of default for Commerzbank's A1 (Moody's) target rating.

The approach adopted has been validated in national and international benchmark studies and counts as best practice. It is constantly being enhanced.

In 2006, the risks arising from real-estate business (own investments) will be integrated into monitoring.

Economic capital reflects the Bank's specific risk profile and consequently includes risk categories which previously had not been considered under regulatory capital.

The differences between regulatory and economic measures of capital have been reduced by Basel II, but the currently significant discrepancies will not disappear altogether even with the new Basel capital rules. Among other things, this is due to the diversification effects and bulk risks which Basel II does not take into consideration. In the past financial year, further differentiation was introduced into the measurement of credit risk, which improved the steering of risk concentrations and bulk risks in lending.

Economic capital is now an integral part of overall Bank management; as from 2006, the economic capital approach will also be used in the capital management of the individual business lines. In the relevant calculations, the Bank's business lines and the units of which they are comprised are assigned not only costs and revenues but also economic capital and risk-adjusted performance benchmarks. This makes it possible to compare the respective divisions with regard to their revenue and risk components, to recognize value-destroyers/drivers, and to allocate capital efficiently on that basis.

The decline in the economic capital for **credit risks** mainly stems from Corporate and Investment Banking. Whereas the reduction in the *Mittelstand* segment was primarily achieved through improved portfolio quality (better ratings, higher collateral), the decline at Corporates & Markets is principally attributable to the reduction of bulk risks.

In the past financial year, the Basel parameters (PD and LGD), worked out or validated in the course of the Basel II project, were successfully integrated into the calculation of the internal risk capital for credit risks. We expect the EL and UL arising from credit risk to be further reduced in 2006 as a result.

Thanks to further disposals of non-strategic equity holdings (in particular MAN, Banca Intesa and Heidelberger Druck), there was a marked reduction in the economic capital to cover the **market risk** from equity holdings at Others and Consolidation. By contrast, the economic capital for market risk not related to equity holdings increased during the year, primarily due to the strategic build-up of interest-rate risks in the banking book; it was not reflected, therefore, in a higher regulatory capital requirement (under both Principle I and Basel II, interest-rate risks in the banking book do not need to be backed by equity).

Recognition of diversification effects between event categories in modelling led to a marked reduction in the capital needed to cover **operational risk**. This takes account of the fact that different serious events do not occur simultaneously.

The economic capital for **business risk** was slightly lower than a year earlier.

#### **Risk-taking capability**

Calculation of the risk-taking capability is the second important pillar of overall Bank management after integrated risk/return-oriented steering based on economic capital.

Here, the overall risk figure worked out for the Bank – measured as economic capital – is set off against the total capital available for covering risk in the form of a "traffic-lights" system.

- The capital components corresponding to the various traffic-light scenarios correspond to Commerzbank's ability to anticipate potential losses in terms of absolute figures and priority.
- The objective of this comparison is to establish whether the Bank is in a position to anticipate potential unexpected losses without serious negative effects on its business activity and to cover them from its own funds.
- For this purpose, a risk buffer of at least 20% was defined between Commerzbank's overall risk – adjusted for portfolio effects – and the disposable parts of the capital available for risk coverage.

At the individual borrower level, a limit of €20m CVaR has been set for steering bulk risks. If this is exceeded on more than a short-term basis (e.g. in the course of underwriting), the appropriate measures must be taken in order to reduce the risk (e.g. purchase of security via credit derivatives).

Within the Bank's overall risk strategy, the risk buffer requirement has been translated into specific targets for individual portfolios.

During the year under review, the capital available for risk coverage was always greater than the 20% risk buffer which has been defined.

## II. Risk-management/risk-control organization

Responsibility for implementing the risk-policy guidelines laid down by the Board of Managing Directors lies with the Chief Risk Officer (CRO). The CRO regularly reports to the **Risk Committee of the Supervisory Board** and to the Board of Managing Directors on the Bank's overall risk situation. In addition to being responsible for Risk Control (ZRC), the CRO is also in charge of the operative credit units; the operative credit function is shared by Global Credit Operations (ZCO), responsible for corporate clients, financial institutions/sovereigns and private clients outside Germany, and Credit Operations Private Customers (ZCP), responsible for private customers in Germany.

For the operational implementation of risk management, the Board of Managing Directors have delegated functions to specific committees, which support them in making decisions on all risk-relevant issues:

- The **Risk Committee**, headed by the CRO, is responsible for issues related to monitoring all the major types of risk, as well as their aggregation as part of the economic-capital approach and Commerzbank's overall risk situation. At fortnightly intervals, the Risk Committee discusses market-risk issues and general risk topics.
- The **Credit Committee** meets every week, chaired by the CRO. It is made up of equal numbers of front-office (Commerzbank AG's Board and Regional Board Members) and risk-management personnel (CRO and CCO = Chief Credit Officer) and is responsible for all credit risk at the individual and portfolio levels. The committee issues a recommendation on all the lending decisions to be taken by the

Board of Managing Directors. Its work is supported by three credit sub-committees for corporates, financial institutions and private customers. MaRisk requires that the CRO or the risk-management side are not outvoted in lending decisions – the exception being decisions adopted by the Board of Managing Directors. Where there is disagreement, we have a well-functioning escalation process.

The **Operational Risk Committee** is responsible for all the broader issues relating to operational risk. It provides support for the Risk Committee in decisions relating to the management and monitoring of operational risk.

As a sub-committee of the Risk Committee, the **New Product Committee**, which is chaired by the head of ZRC, decides whether to launch activities in new products or new markets in the form of trading or loan products. In accordance with MaRisk, it will also focus on the investment side in future.

The **Asset & Liability Committee** (ALCO) is headed by the Board member in charge of Treasury. It is responsible for fundamental issues in asset/liability management, the Bank's liquidity, and also its borrowing and equity.

### 1) Risk control

After the Board of Managing Directors, Risk Control (ZRC), which with its global organization reports directly to the CRO, bears overall responsibility for controlling all types of quantifiable risk. The core functions of ZRC within the risk-control process include:

- the ongoing identification, recognition, evaluation and monitoring of all quantifiable risks and their proactive control;
- the working-out of internal guidelines to ensure a uniform risk standard throughout the Bank;
- the conception and enhancement of models and methods for quantifying risk (e.g. rating methods); the implementation of risk-related supervisory requirements at Commerzbank (e.g. Basel II and MaRisk);
- internal and external risk reporting;
- performing an advisory function within the Bank on all risk-relevant issues and with regard to the conception of its risk strategy.

A central role here is played by the aggregation of all types of quantifiable risk to form an overall risk position, its integration into a calculation of the Bank's risk-taking capability and also the development of a risk/return-based overall Bank management as part of the economic-capital approach.

## 2) Risk management: the operative credit function

As required by MaRisk, it has been ensured that lending decisions are independent of the front office by systematically separating the market side from risk assessment/risk decision-making in every phase of the credit process and up to management board level.

- \* The operative credit function (back office) for corporate customers, sovereigns, institutions and banks worldwide, as well as for private customers abroad, has been concentrated at Global Credit Operations (ZCO).
- \* For retail business in Germany, the operative credit function is performed by Credit Operations Private Customers (ZCP).
- \* ZCO and ZCP monitor risk closely, an activity for which regional credit officers (RCO) are responsible, who report either to the CCO (head of ZCO) or to the head of ZCP.
- \* ZCO has global credit officers for industries (bulk risks), financial institutions (including non-bank financial institutions) and intensive treatment.
- \* It is planned to establish a separate global credit office for specialized finance (LBOs, ABS, CDO, special and project financing) in Frankfurt in 2006 to meet the steadily increasing demand for special expertise.  
Special expertise is bundled in centres of competence for renewable energies and global shipping. In 2006, two further centres will be set up for communal financing and the financing of small *Mittelstand* companies (loans of up to €750,000).
- \* Specialized intensive treatment know-how exists for handling problem loans, making it possible to deal with them intensively at an early stage. The principal goal is to improve the customer's ability to survive by adopting timely measures and to return the intensive-treatment loans, wherever possible, to better credit ratings.
- \* All customer mezzanine financing transactions are treated as credits at Commerzbank.

In addition to the functions of the back-office departments (ZCP, ZCO) which relate to individual customers, such as rating, loan approval, documentation and monitoring/early recognition, the targeted and proactive risk management of individual portfolios is becoming ever more important. Achieving a more dynamic portfolio and ensuring a high portfolio quality are increasingly developing into a core function in the forward-oriented steering of asset quality. Transactions to optimize the portfolio are closely coordinated between the front- and back-office teams, using modern trading-based instruments provided by Corporates & Markets (ZCM) or the capital market. For multinationals, hedging instruments are employed to a growing extent in order to obtain the best return on the capital invested.

## 3) Risk management: operative risk-steering of market units

Within the scope of their business activities, the individual divisions of the Bank bear immediate responsibility for risk and earnings. Unlike the centralized responsibilities of risk control (steering, planning, control), operative risk management is handled – with the exception of credit risk (back-office departments ZCO/ZCP) – by the Bank's respective front-office units.

## 4) Internal risk reporting

The Risk Committee of the Supervisory Board, the Board of Managing Directors and the Risk Committee are regularly informed about all of the major risks and Commerzbank's overall risk situation in the form of structured risk reports.

- \* Events of major significance for the Bank's risk situation are reported to decision-makers on an *ad hoc* basis.
- \* The central information and steering instrument for the Board of Managing Directors and the Risk Committee of the Supervisory Board is the Quarterly Risk Report (QRR) produced by ZRC.
- \* This also presents the target/performance comparison with the formulated portfolio targets and limits. Countermeasures are adopted at short notice.

## 5) Compliance and security

For Commerzbank, it is especially important that its employees are people of integrity, who observe the relevant laws precisely because they have to deal

every day with highly sensitive customer data and information. The crucial point, therefore, is to prevent conflicts of interest from arising and to make sure that market manipulation and insider trading do not occur. The declared goals of compliance are to protect customers and investors, but also employees and the Bank's reputation.

Supervisory and capital-market regulations as well as the Bank's internal rules are monitored centrally by Compliance and Security (ZCS) with the aid of a highly-developed monitoring system which covers both the Bank's proprietary trading and transactions on the part of employees.

#### 6) Internal auditing

Internal Auditing works on behalf of the Board of Managing Directors, free from directives and external influence, as a unit independent of business processes. In reporting and in evaluating the results of its audits, Internal Auditing also operates free from directives.

The instrument employed by Internal Auditing is risk-oriented audit planning. It assesses the systems for risk management, control and also for general management and monitoring, thus helping to improve them.

In accordance with the Minimum requirements for the risk management of credit institutions (MaRisk), it audits all sections of Commerzbank. In addition to processes and systems, preventive individual audits are conducted and special audits are performed at less than annual intervals if the need arises.

#### 7) Implementation of supervisory requirements:

##### Basel II and MaRisk

Implementation of the supervisory requirements at Commerzbank is coordinated by ZRC project teams, in close cooperation with the banking departments and staff departments.

- Steering committees monitor the progress of the project.
- Commerzbank was selected by the German financial supervisory authority, BaFin, as a case study for the Basel II home-host monitoring process.

Further key aspects in the implementation of Basel II at Commerzbank last year were:

- the methodological refinement of internal rating methods in credit business;
- the collation of the necessary loss histories;
- the refinement of methods for estimating the main Basel parameters;
- the elaboration of methods for quantifying operational risk.

This fulfilled important requirements for the use of the IRB Advanced Approach and the Advanced Measurement Method (AMA), thereby creating the basis for a sophisticated risk-adjusted capital allocation. The procedure for examining ("certifying") the IRB approaches to credit risk were initiated by the German authorities early in 2005. Further steps to follow in the near future are:

- In close cooperation with the banking supervisory authority, the Bank expects the examination to begin sometime in 2006. Commerzbank submitted its application for certification of the IRB Advanced Approach in the third quarter of 2005.
- A similar regulatory certification process for operational risk (Advanced Measurement Approach) is being introduced in Germany at present.

As things stand today, the advanced Basel II approaches can be implemented and certified according to plan within the deadline that has been set – on the current planning of the supervisory authority: January 1, 2008.

Alongside the internal progress made with the project, the question of the ultimate calibration is decisive as regards the comparative advantages of the various approaches. The supervisory authority will make this calibration on the basis of the findings of QIS 5, which are to be presented in 2006. At the moment, the originally promised incentives to be generated by the advanced approaches have not yet emerged. It is also not compatible with a level playing field that the US supervisory authorities have extended the timetable for introducing Basel II. We are concerned that the Bank's large investments over the years in the implementation of the Advanced Approach of Basel II will not lead to a lower regulatory capital requirement. Depending upon the ultimate calibration, therefore, we reserve the right temporarily to select less advanced approaches leading to a better capital allocation as far as our shareholders are concerned.

On December 20, 2005, BaFin published the definitive version of the so-called **Minimum requirements for the risk management of credit institutions (MaRisk)**. The new requirements contained in MaRisk have to be implemented in general by January 1, 2007.

- \* MaRisk will represent the main qualitative requirements of the second pillar of Basel II and will form the basis for an integrated approach to risk.
- \* MaRisk formulates requirements for the organization of risk management which replace the minimum standards for credit business (MaK), trading activities (MaH) and internal auditing (MaIR), which have applied up to now.
- \* They will be complemented by further Basel II elements (e.g. interest-rate risk in the banking book and liquidity risk), for which no overall provisions have existed up to now in Germany. MaRisk, therefore, provides the organizational framework for the Basel II requirements regarding the supervisory process and the internal process for assessing capital adequacy (ICAAP), which has to be formally approved by banks before the Basel framework is introduced.
- \* MaRisk was already implemented to a large extent at Commerzbank in 2005.

On BaFin's instructions, the Bundesbank examined the trading activities of Commerzbank AG last year in Frankfurt and London pursuant to Art. 44, (1), German Banking Act – KWG. BaFin confirmed that, in the areas examined, Commerzbank is complying with MaH and that its internal system of control is appropriate with regard to the scope, complexity and risk attached to the trading activities conducted.

### III. Risk-control/risk-management process

#### 1) Credit risk

##### **Credit-risk strategy**

Building upon the overall Bank strategy, Commerzbank's credit-risk strategy establishes the framework for the medium-term management of the loan portfolio, based on an analysis of the business-policy situation and an assessment of the risks and returns related to lending. The credit-risk strategy provides the basis for the planned lending activities. The overriding goals are:

- identifying value drivers and reflecting them in the Bank's business policy, and also reducing value destroyers;
- supporting the goals of overall Bank management: maximizing the return on the equity tied up, taking into account Commerzbank's risk-taking capability, and defining the framework for optimizing the current portfolio;
- and selecting new and follow-up business from a risk/return perspective.

With the Bank's general risk appetite taken into consideration, the starting point for the credit-risk strategy is a critical analysis of the strengths and weaknesses of the current credit portfolio. Complemented by a forward-looking evaluation of the opportunities and risks in the target markets, this provides the framework for the definition of a risk/return-optimized target portfolio together with the related planning of measures. In the realization of the targeted risk/return profile, this "benchmark portfolio" forms the target and the basis of comparison for steering new business and for portfolio-management activities.

A major priority of the credit-risk strategy is the growth of business with *Mittelstand* companies (including major corporates) in Germany as well as in Central and Eastern Europe, and also with private and business customers in Germany. By contrast, the focus in limiting risk continues to fall on bulk risks and equity holdings. Insofar as individual industries and countries are considered critical, the operative management has been performed for years with the aid of the Bank's well-established traffic-lights system.

As part of a comprehensive controlling process, observance of the credit-risk strategy is subjected to constant independent monitoring by Risk Control. In connection with its quarterly risk report (QRR), ZRC decides whether the structure and development of the loan portfolio are compatible with its credit-risk strategy. On this basis, the Board of Managing Directors review significant deviations from the credit-risk strategy and any countermeasures to be adopted as a result. At its meetings, the Risk Committee of the Supervisory Board is regularly informed about the resolutions and assessments of the Board of Managing Directors on the basis of the QRR.

In order to ensure that the risk-strategy rules are implemented and to restrict concentrations of risk, the economic capital that is tied up is used as a measure of,



and a risk cap for, sub-portfolios and concentration risks (business lines, sectors, products and regions). The traditional target/performance comparison is complemented by a regular review of the underlying assumptions – such as GNP growth and industry forecasts.

#### **Rating procedures**

Rating methods form an integral part of the risk-control/risk-management system and at the same time represent a core competence and competitive factor for our Bank. Apart from their function as a traditional instrument for judging creditworthiness, rating procedures provide the basis for working out margins which reflect risk and thus differentiate between degrees of risk. They are also the basis for calculating economic capital and for portfolio management. The high discriminatory power of our rating procedures leads to improved risk selection and consequently to lower capital requirements. The processing costs in lending business can be reduced significantly through the use of rating procedures in connection with a (partially) automated lending procedure.

The predominant feature of the year under review was the introduction of the Commerzbank Master Scale at the start of the year, the launch of the new and refined rating procedures for corporates and of the rating procedures for the banks, specialized finance and commercial real estate segments. The procedures were also revised for credit-card portfolios and for deciding on alternative payments packages for retail customers.

#### **Rating and scoring procedures in retail business**

In its retail lending, Commerzbank successfully employs application scoring procedures and rating methods for assessing the creditworthiness of both dependently employed borrowers and business customers. All of the methods used are computer-based and draw upon for the most part mathematical-statistical methods for the early recognition of risk and the assessment of the risk of default.

From January 2006 onwards, behavioural scoring is also being extended to business customers who are not obliged to prepare a balance sheet; it is being fully integrated into rating-based process management.

#### **Rating procedures in corporate business**

In the corporate-customer segment, three different models are applied, distinguished by the criteria size of turnover and region of origin of the company. The structural procedure for arriving at a rating is identical in each case: six sub-analyses are processed in a fixed order, yielding a probability of default for the corporate customer (so-called PD rating). The back-office unit is responsible for establishing the definitive PD rating.

#### **Rating for specialized finance**

Commerzbank subsumes cash-flow-based financings – such as LBO financing, project finance, structured trade finance – under the heading specialized finance (SF). For this segment, a simulation-based rating procedure was employed in 2005. With the aid of the new SF procedure, the expected loss of a transaction is worked out directly. For this purpose, the risk parameters probability of default, loss given default and the expected exposure at default are calculated for tranches representing the same level of risk and for each year of the respective tranche's lifetime. The SF rating procedure is expert-based and effectively examines the debt-servicing and restructuring capability of a transaction, using scenario analyses.

#### **Rating procedures for banks**

Commerzbank's procedure for rating banks is based on a mathematical-statistical model with expert-based extensions. Overall, the bank rating procedure breaks down into five different regionally-specific models. Alongside the developed-markets model, four different models exist for banks in emerging markets (Asia, Middle East and Africa, South America, Eastern Europe). Under this procedure, six sub-analyses have to be processed in a fixed order, yielding a probability of default for the bank in question.

#### **Commitment rating**

Apart from the PD rating, Commerzbank establishes for all rating-relevant segments a commitment rating, which takes into account such transaction-specific features as collateral, credit types, the lifetimes of loans and other qualitative criteria. In order to calculate the rating for a commitment, the expected loss (EL) is worked out as a percentage of the exposure at default (EAD). This presents the ratio of the expected loss to the overall exposure of a customer, taking into account

all the credit lines. Like the PD rating, the rating for the commitment is geared to the Master Scale recently introduced throughout the Bank. This makes the PD and the commitment rating directly compatible.

All credit commitments are assigned by the Bank to one of three areas in accordance with their commitment rating. The so-called white area comprises the unremarkable credits (R 1.0-3.2) and the so-called monitoring risks (R 3.4-4.4). The grey area covers all substandard risks (R 4.6-5.8), while in the black area all the problem loans are bundled (R 6.1-6.5). With the exception of small commitments, those in the grey and black areas are not only analysed and decided by the back-office unit but are also managed directly by risk managers from this department.

From a minimum credit level upwards, every Commerzbank business and corporate customer has the right to be informed by his relationship manager in a personal interview about his probability of default. Written statements and more detailed analyses (Rating Coach, for instance) are made available at an appropriate fee.

#### **Assessing creditworthiness in international business: country rating**

The assessment of country risk draws upon an internal rating model reflecting a country's economic performance and political stability. The country rating evaluates the ability and readiness of a country to pay in foreign currency. The rating figures serve to assess the transfer risk (risk of the state restricting cross-border payment flows), the sovereign risk (creditworthiness of the state as a borrower) and the systemic risk.

#### **Credit-approval powers**

The management of credit risk at Commerzbank is based on a structure of rating-related credit-approval powers and the principle of committee decision-making. On all committees, the front office and the back office are equally represented, with the operative credit side also taking the chair; it cannot be outvoted on risk-related issues. The central body in such matters is the Credit Committee, which is chaired by the CRO. Drawing upon predefined entry levels, this committee is responsible for all of Commerzbank's major and large lending decisions (based on Bank-wide limits for borrowers) or for passing the matter on for the Board of Managing Directors to decide. Smaller commitments may be approved by two loan officers;

in the so-called "non-relevant" area pursuant to MaRisk, we make use of the possibility to delegate credit-approval powers to a single officer.

Credit decisions for individual borrowers or groups of borrowers are made on the basis of either the aggregated exposure that has been applied for, pursuant to Art. 19, (2), German Banking Act – KWG (borrower unit), or a larger economically defined risk entity. In 2006, a project for improving the efficiency of corporate loan processing and decisions (end-to-end credit, "etec") will be implemented.

We see even more efficient credit processing as a way of increasing value in order to provide our customers with credit at favourable prices – particularly since risk-adjusted pricing will lead to greater risk-oriented differences in terms and conditions. Wherever possible, we are going over to bundling standardized credit procedures and moving them to the front-office side. The remaining operational risks can be well monitored via key performance indicators at such credit-processing units. By contrast, for complex and individual credit decisions, a major component of the individual default risk is to be found in the loan documentation – liability and duty to supply information, security arrangements, covenants, etc. – together with the establishment and monitoring of the disbursement and repayment conditions as well as the possible courses of action in the event of default. For this reason, we set great store by the credits being processed by back-office personnel.

#### **Modelling and quantifying credit risk**

All credit risks are aggregated at the portfolio level with the aid of the internal credit-risk model. By providing key figures, this model is one of the bases for risk monitoring, portfolio management and the credit-risk strategy. Within the context of an overall Bank management geared to the use of economic capital, it also makes a major contribution towards steering business.

The main result produced by the portfolio model is a loss distribution, permitting probability statements on possible losses arising from credit business. From this function both the expected loss (EL) and the unexpected loss (UL) are derived.

The expected loss (EL) is the product of the expected exposure at default (EAD), the probability of default (PD) and the percentage loss given default (LGD):

$$EL = PD \times EAD \times LGD$$

The expected loss plays a central role both in risk-based pricing and – especially with regard to Basel II – as a benchmark for forming provisions.

Credit value-at-risk (Credit VaR) serves as the measure for unexpected loss; for a given confidence level, it represents an estimate of the maximum amount by which losses could exceed the expected loss. For the portfolio, the Credit VaR is calculated using a time frame of one year and a confidence level of 99.95%; at the same time, it represents the credit-risk portion of the Bank's economic capital.

The portfolio and diversification effects which occur are redistributed in the credit-risk model down to the individual client level in risk-adjusted form. In this way, the relative share of individual units in the overall credit risk can be determined at various aggregation levels.

In the traditional *Mittelstand* segment (Corporate Banking), where the Bank's main credit risks arise, and in the Retail Banking segment, the ratio of unexpected to expected loss is roughly 9:2. In the Corporates & Markets section, however, where the structure of customers' creditworthiness is generally good and bulk risks with their own specific volatility represent the main loss potential, the ratio is roughly 8:1 – in other words, the risk is significantly determined by the unexpected loss.

A variety of risk factors and parameters are included in the credit-risk model. In addition to estimates of the exposure to be expected in the case of default and the conservative recognition of collateral, guarantees and netting agreements, these also take into account such statistical quantities as default rates, recovery rates and sectoral correlations. As part of the ongoing modification of the model, the input parameters for calculating risk were altered in 2005. In particular, further results produced by the statistical methods for estimating collateral and recovery factors were integrated into the model.

The credit-risk model plays a key role both in portfolio and business-line analysis and also for risk/return-based overall Bank management. In connection with the value-based steering of corporate business, standard risk costs and the economic capital costs are used in working out an economic contribution margin. Through risk-adjusted pricing, the Bank is increasingly creating steering impulses on the loan origination side by making the risk/return ratio central to lending in the acquisition of new and follow-up

business as well. In this way, it is ensured that the portfolio targets defined by the Bank as part of its credit-risk strategy are considered even when the loan is being made available.

#### Monitoring of credit portfolio

The goal and measure in the targeted monitoring of credit risk is the risk/return-based target portfolio defined as part of the credit-risk strategy, with the relevant sub-portfolios formed on the basis of target groups and markets.

Concentrations of risk in clusters, countries, target groups and products are restricted by means of a traffic-lights system.

New business (origination) is steered by means of selective instructions with regard to lending, which in themselves lay the basis for ZCP and ZCO to practice active portfolio management. One key feature in this respect is the creation of more dynamic parts of portfolios through recourse to credit derivatives, securitization and asset trading. Apart from secondary-market transactions involving written-down claims (single names), a portfolio of called-in non-performing loans (NPLs) was disposed of in the year under review.

The steering impulses for bulk risks and also for products and target groups take into consideration those features that are specific to a segment. As a central element of risk management, the **monitoring of bulk risks** is based on the economic capital approach. In order to reflect the risk structure characteristic of the Bank's commitments, the main factors in working out economic capital are volume, maturity and an analysis of creditworthiness, which takes into account among other things sectoral and country-specific factors. The appetite for each current bulk risk is indicated by means of a traffic-light colour.

Bulk risks are defined as borrower units accounting for at least €5m of economic capital; a graduated process is used to monitor them. Borrower units accounting for more than €20m of economic capital are not wanted in a long-term perspective and are systematically reduced, also with recourse to modern capital-market instruments such as CDS. For problem commitments (6.1-6.5 rating), all credits over €50m count as bulk risks.

The essential core of **country-risk monitoring** is a well-established limits/traffic-lights system pointing the direction for future business activities and lending. The degree to which the internally established and

regularly adjusted country limits have been exhausted determines the colour of the traffic lights, which steers sales efforts, using resources economically, and indicates where the Bank seeks new business and where its commitment is deemed to be large enough.

Country-risk monitoring entails all the decisions, measures and processes which – drawing upon the information provided by risk quantification – are intended to influence portfolio structure in order to attain management goals.

Under the traffic-lights system, groups of countries with a certain rating and minimum exposure are covered. For risk optimization purposes, the Bank has extended its controlling for a number of countries to so-called total exposure. This takes account not only of the net country exposure but also of the claims in a non-risk country on the foreign outlets and subsidiaries of a parent company based in a risk country. Monthly country-risk reporting ensures that in the case of unexpected portfolio developments countermeasures can be taken promptly. Country-risk reports appear at periodic intervals, describing the development of individual country exposures and the breakdown by rating category and region. In this way, the Bank achieves both risk-based control and geographical diversification in its exposure abroad. In 2006, the credit-risk model will be adopted for country monitoring, as it is in the monitoring of individual bulk risks.

Like country-risk monitoring, **sectoral monitoring** also operates with a system of limits and traffic lights. The colours for the various sectors are worked out using both internal and external key sector data, taking into account the historical performance of the sector in question, the quality of the current loan portfolio and a sector overview.

#### **Monitoring credit risk for trading activities**

The management of credit risk resulting from trading activities is based on MaRisk. It takes account not only of counterparty and issuer risk but also of all the settlement risks resulting from trading activities. Primarily, a forward-looking presentation based on dynamic add-ons and simulation methods is used to quantify the risk for trading activities. Here, the risk-mitigating effects of netting agreements are taken into consideration, as is the effect of collateral agreements.

A system of limits is used to monitor whether daily utilization remains within the set framework. The system of limits directly intervenes in trading systems and

ensures that credit exposure arising from trading activities is monitored right around the clock. The trading units establish whether free trading lines are available by means of a so-called pre-deal limit check and may only conclude new deals to the extent that limits are free. Limit breaches are reported daily to the management. In addition, the management is informed monthly about the largest off-balance-sheet transactions. Risk reporting, which also includes regular portfolio reports devoted to certain groups of counterparties, is complemented by an evaluation of limits and exposures by type of business, maturity, counterparty category and class of risk. A graduated procedure ensures that overdrafts are brought back within set limits.

#### **Development of risk and risk provisioning**

Good performance in 2005 was mainly attributable to large-scale reversals of provisions for bulk risks in particular both in Germany and elsewhere. At the same time, provisioning in German corporate business, where the focus is on *Mittelstand* firms, has eased considerably. Net provisioning in retail business stayed at a high level as the market environment remained difficult.

We see considerable potential negative factors on the retail side as the environment remains difficult (rising consumer insolvency figures, persistently high unemployment). Against this background, we expect no scope in 2006 for reducing provisioning in this segment; on the contrary, we believe it may tend to increase.

Reflecting a change in the credit culture, Commerzbank's main focus is not on minimizing provisioning. On the contrary, pursuing an opportunity-oriented approach, we want to assume selective risks provided that the returns are adequate. For small and medium-sized enterprises, for instance, we intend to gradually increase our risk appetite over the next few years, accepting higher provisioning in this sub-segment provided that this makes economic sense. The same holds true for consumer and credit-card business. Changes in the absolute level of the provisioning ratio cannot, therefore, be used as a basis for judging the success and quality of risk management. This is only possible if changes in net interest income from lending are also taken into consideration. International comparison reveals that apparently those banks are very successful which are able to increase their risk appetite

in the sub-investment-grade area thanks to efficient steering systems and systematically implemented risk-adjusted pricing.

All identifiable credit risks are taken account of by forming the appropriate provisions. Doubtful credit exposures are kept in a special IT system, making it possible to process individual transactions effectively and to monitor risks. Under the Commerzbank Master Scale, problem loans in corporate business are assigned to five different default classes, differentiated by the reason for default. This ensures that the specific risk situation of individual cases is optimally recognized, which in turn finds expression in the amount of provisioning needed. In addition, an assessment of the individual borrower's future ability to pay will be used in calculating the amount of provisioning that is required.

In corporate business in particular, considerable excess cover exists for non-performing loans in the form of the provisions formed and the collateral furnished. However, this excess cover is not a "luxury" but rather it is necessary – depending on the volume of performing problem loans (so-called reporting accounts) – to cover the existing acute risks.

For latent risks in the white and grey areas, portfolio provisions are formed, representing coverage for the acute credit risks that exist there but which have not yet become transparent. Portfolio-based parameters (loss identification period, "LIP factor") are used to represent the time-lag here.

For concrete creditworthiness risks – which are indicated by the rating – provision is made, applying uniform standards, by means of specific valuation allowances on the scale of the potential loss ("loss-free valuation"); here we base our calculations on an updated conservative valuation of the furnished collateral. The amount of provisioning required for problem loans is gauged by the unsecured part of the exposure. In international credit business, the economic and political situation of the country is also reflected in the overall assessment of a borrower. For loans to countries with an enhanced country risk (transfer or event risk), provisions are formed, if necessary, on the unsecured exposure, reflecting the relevant internal country rating, in the form of provision for country or individual risks, with priority always given to the latter type.

The steady decline in the provisioning trend over several years is attributable, for one thing, to such external factors as bulk and country risks and, for another, to better risk management as a result of improvements to the system in connection with Basel II, the creation and implementation of the credit-risk strategy and more early recognition.

The adequacy of the Bank's risk provisioning is regularly monitored at the portfolio level. The expected need for provisions throughout the entire financial year is worked out each spring and autumn on the basis of careful bottom-up estimates. The early recognition of risk is complemented by two top-down estimates, whereby a gradual improvement in the early recognition of all portfolio risks has been achieved over the past few years.

Risk monitoring is complemented by the careful monitoring of the largest sub-standard and problem loans in terms of the overall volume of risk, the development of ratings and other relevant risk parameters. This creates a great sensitivity towards risk in all portfolios and at all levels of decision-making. Usually, claims are removed from the books and residual amounts are written off or reversed only after the conclusion of insolvency proceedings, after they have been disposed of, or after an accord has been reached with the borrower, or debts are waived at the expense of existing provisions. Experience has shown that, as a result, the level of problem loans – which includes non-performing loans and endangered performing loans – is higher than at institutions which follow a policy of making early write-downs due to their accounting rules. Our experience indicates that, seen overall, a work-out policy of great staying power leads to more favourable provisioning charges.

#### **Credit portfolio analysis**

Central and regional credit risk management at Commerzbank relies heavily upon an intranet-based management information system (CoMKIS), a reporting and analytical tool forming an integral part of credit-risk control. CoMKIS makes it possible to present the main steering parameters and important risk figures; it can also be used to perform individual evaluations, such as rating- or sector-based portfolio analyses. In this way, analyses of weak points may be made on the basis of various search criteria for the purpose of credit-risk strategy, and early-recognition indicators can be defined and evaluated.

At the start of 2005, several new rating methods for corporate business were introduced together with the Commerzbank Master Scale, which have led to a distinct improvement in discriminatory power. Gradually, this is affecting the rating structures in both commercial and investment banking. Selective measures in risk management as well as healthier economic conditions are producing a further improvement in rating structure.

The rating structure in Investment Banking with a large proportion in rating groups 1 and 2 reflects the focus on counterparty risks of investment-grade quality.

#### Use of credit derivatives

For Commerzbank, the use of credit derivatives represents a central instrument for transferring credit risk. The Bank is successful in proprietary trading as a market maker for credit default swaps and also offers its customers structured, derivative credit products. Commerzbank draws upon the expertise gained in proprietary trading to make selective use of the instruments as a credit surrogate in its banking book, thus enabling it to tap extra potential revenue in the form of risk/return-optimized earnings. In addition, the instruments are employed on the basis of publicly available information as hedging vehicles in the systematic reduction of risk. Here, Commerzbank uses credit derivatives to manage risk selectively as well and to diversify the portfolio in line with its credit-risk strategy.

Credit hedges are mainly bought from investment-grade counterparties. Similarly, the reference assets are primarily to be found in the investment-grade bracket. The development of counterparty risk and long/short positions is steered by means of the system of limits and the established credit limits. Open long positions may be taken up in the trading book within the approved issuer limits.

With hedge funds, we assume counterparty risk virtually only on a secured basis (collateral agreements) and ensure that our confirmations are themselves promptly confirmed.

#### Securitization transactions

Commerzbank arranges and places ABS/MBS transactions for clients in Germany and other European countries. Issuing activity was concentrated on true-sale securitizations last year. The underlying securities are primarily commercial mortgages, corporate loans and trade bills. Borrower's note loans and mezzanine

portfolios are actively sold in Germany to *Mittelstand* clients with the aim of placing them in the capital market.

In order to achieve broader diversification of its portfolio and to tap extra earnings potential, Commerzbank is active to a reasonable extent as an investor – as defined by the new Basel Capital Accord (Basel II) – in tranches of other securitization transactions. The Bank also uses securitizations as an originator in accordance with the Basel II definition for freeing up regulatory capital and for selectively selling and covering credit risk.

In order to promote the true-sale market in Germany and to improve the overall framework for such transactions, Commerzbank has joined the True Sale Initiative (TSI), cooperating with Kreditanstalt für Wiederaufbau and other banks.

## 2) Market risk

### Organization and strategy

- The active management of market risk is entrusted to the various business lines, which within the scope of set limits and trading competencies expose themselves to market risk for the purpose of generating revenue.
- The central management of risk is performed by specialized market-risk control units within ZRC that are independent of trading activities.
  - The Risk Committee deals exclusively with topics relating to market risk on a monthly basis. Detailed reports are presented at these meetings on the development of risk in the trading and banking books, complemented by scenario analyses of specific movements in interest-rate, equity, currency and credit markets.
  - Market risk is managed by means of a sophisticated system of limits, combined with reliable and optimized methods for measuring and monitoring risk. The methodological competence, including the provision of the required market data and reporting, lies with ZRC.
  - ZRC in consultation with the various business lines and the Board of Managing Directors establishes the limits in a top-down and bottom-up planning process, taking into account the Bank's risk-taking capability.
  - Commerzbank uses economic capital and business expectations in establishing its market-risk limits, creating a risk/return-based steering of market risk.

The extent to which the limits are used, together with the relevant P&L figures, is reported daily to the Board of Managing Directors and the various heads of business lines.

- \* We ensure high liquidity for our market-risk positions and subject portfolios comprising less liquid products to particularly close observation.

### Methodology

The calculation of market risk is based on the value-at-risk method. In line with the supervisory requirements, ZRC's monitoring of market risk by covers the following categories:

- The general market risk: calculated by means of historical simulation.
- \* The specific market risk: worked out using the variance-covariance method.
- \* The interest-rate risk: calculated as part of the market-risk model on the basis of sensitivities related to certain maturities and extensive stress tests.
- The market liquidity risk: for quantifying such risk, closing-out strategies for specific portfolios are defined.

At the Parent Bank and its foreign branches, an internal model is used in order to calculate the capital requirements for the general and specific market risk.

Through the employment of backtesting methods, the internal model's reliability is regularly checked. Apart from meeting supervisory requirements, the aim is to assess and steadily improve forecasting quality. The total number of significant deviations provides the basis for the evaluation of the internal risk model by the supervisory authorities.

### Stress test and scenario analysis

While the value-at-risk approach provides a forecast for possible losses under "normal" market conditions, it cannot predict contingent losses under extreme conditions. For this reason, the VaR approach is complemented by the calculation of stress tests in order to take account of possible extreme market movements. Stress tests are intended to simulate the impact of crises, extreme market conditions and major changes in correlations and volatilities.

As part of daily reporting, stress tests are applied in a system of "overnight" stress limits, which are adapted to accommodate the risk factors of individual portfolios in each business line.

Stress tests performed across portfolios simulate the impact of historical and conceivable future crisis scenarios on the Bank.

The impact of an interest-rate shock on the economic value of the banking books is simulated every quarter.

- \* The overall picture is rounded off by monthly scenario analyses for each investment category (e.g. hypothetical interest-rate, equity, foreign-exchange and credit-spread scenarios).

### Development in 2005 financial year

For Commerzbank, 2005 was another year in which market risk was systematically reduced even further in various sections. In Investment Banking, this was achieved through the continuing concentration on customer-related business and the accordingly narrower scope for proprietary trading. Further reductions were realized by systematically paring down the Bank's portfolio of equity holdings.

At the same time, risk control itself had to adjust considerably to the market environment and to changes in customers' preferences. In response to greater demand for hedge funds and banking products related to hedge funds, for instance, and to Commerzbank's increasing activities in this area, the relevant approval powers were introduced and suitable internal guidelines were implemented.

The Bank's own investments in this area are systematically counted against the available market-risk limits and in future they will also be subject to special volume limits for hedge-fund investments, hedge-fund-specific stress tests, diversification criteria for target investments and a strict due diligence for hedge-fund partners.

In refining its methods of calculating risk, the Bank devoted special attention to the market liquidity of its trading positions in the past financial year. Over and above the supervisory requirements, it introduced a market-liquidity VaR on the basis of hedging strategies for market risk which are used for specific portfolios.



### 3) Liquidity risk

#### Organization and strategy

At Commerzbank, liquidity risk is used as a synonym for the cash liquidity risk and describes the risk of possible payment gaps in terms of the Bank's solvency. Ensuring that Commerzbank is solvent at all times, including in crisis situations, is the duty of the staff department Group Treasury (ZGT). Measurement and monitoring, however, are performed by the staff department Accounting and Taxes (ZBS) and ZRC.

In accordance with the current supervisory requirements (Principle II), an institution's liquidity is deemed to be guaranteed if the weighted liquid assets available to it within 30 days cover the weighted payment obligations callable during this period. This figure is calculated and reported by ZBS. All the same, in practice, a liquidity risk also exists over an institution's full maturity spectrum and for its off-balance-sheet items. For this reason, and to meet elementary requirements of Basel II, Commerzbank has introduced supplementary liquidity ratios.

Since the year under review, liquidity risk is additionally controlled by means of a differentiated system of limits on the basis of the computed available net liquidity. The use made of such limits is worked out both for a base scenario reflecting current market conditions and for stress scenarios influenced by either market or behavioural factors; it is monitored at the relevant steering and limit levels. The current use of limits is calculated weekly and made available for further processing on special pages of Commerzbank's intranet. All limit overruns are reported to both ZGT and the Risk Committee.

#### Liquidity ratios

The available net liquidity (ANL) approach is used for controlling purposes. Crucial to applying the ANL approach is the calculation of so-called legal and economic cash flows, for both balance-sheet and off-balance-sheet items. Legal cash flows cover the flows of payments expected under contractual agreements, whereas economic cash flows also include the effects of customers' behaviour. For possible liquidity gaps in the future, offset assets are worked out (balance sheet liquidity), which are the result of borrowing against liquid assets and/or disposing of such assets.

All three ratios are worked out both under current market conditions and under various stress scenarios influenced by either market or behavioural factors.

Limits are established for both the base case and the stress case. Commerzbank also aims to ensure that it always has a supply of liquidity in times of greater stress, while preserving the flexibility of the individual market units.

#### Liquidity management

The future funding need is calculated on the basis of the ANL figures, projected into the future, complemented by the expected liquidity effects resulting from business-policy decisions. The aim is to manage liquidity efficiently and to cover the Bank against liquidity bottlenecks, taking into account the recommendations of Basel II. For this purpose, the Bank practises the stable funding concept, whereby long-term lending is largely funded at long term. In order to react promptly to any gaps that are identified between Commerzbank's assets and its funding side, the structure of the balance sheet is constantly analysed. In addition, ZGT maintains liquidity portfolios in the leading currency centres.

### 4) Equity holding risk

Equity holding risk is controlled by ZRC, whereas the management of such risks is handled by two different units of the Bank. Private equity business is managed by ZCM and monitored by the operative credit unit ZCO. Strategy and Controlling (ZKE), performing the independent back-office function, is responsible for all the strategic and other equity holdings.

Before new equity holdings are acquired, the potential risks are analysed by means of due diligence measures, while already existing equity investments are controlled on the basis of regular reports from the enterprises in question. At the same time, the market risk stemming from the Bank's listed equity investments is monitored daily – like the calculation of trading positions – by ZRC and reported, together with the risk from non-listed investments, to the Board of Managing Directors.

### 5) Operational risk

#### Organization and strategy

Commerzbank's management of operational risk is built upon the recommendations of the Basel II specialist committee OpRisk, which were worked out in the year under review with the Bundesbank and BaFin. Work focused on steadily expanding the operational risk management framework and preparing for supervisory approval of the Advanced Measurement



Approach (AMA) pursuant to Basel II. The various organizational units as well as independent Risk Control draw upon the same methods and systems for identifying, evaluating, analysing, reporting and managing operational risk.

The Operational Risk Committee and the Risk Committee are regularly informed about the risk situation. In addition, the Global OpRisk Forum serves to help Risk Control and the operational risk managers prepare the ground for decisions and discuss ongoing developments, projects and events; it also serves the general exchange of views at work level.

#### **Operational risk methods**

On the basis of the requirements which were made more concrete last year, the Bank continued to prepare the ground for working out the capital needed to cover operational risk under the Basel II Advanced Measurement Approach (AMA). Above all, this makes it necessary to carry out cross-process quality self-assessment. With the aid of this method, the quality of work processes, internal controls and the business environment are systematically evaluated locally and analysed centrally on the basis of end-to-end processes. The findings are used to identify potential weak spots and represent a major qualitative component in the AMA model.

The collection of loss data exceeding €5,000 – in line with Basel II – continued in the year under review and was extended to include information relevant from the insurance standpoint. In this way, the management of operational risk and insurance have been more strongly integrated, creating the conditions for insurance to be included in the calculation of the Bank's capital. The internal loss data collected since 2002 thus more than meet the Basel II requirement of a minimum collection of three years for the first-time application of the AMA approach for calculating equity as from 2008.

For modelling the fat tail of the loss distribution – i.e. the financial risk of rare major loss events – external loss data from Operational Riskdata eXchange Association, Zurich (ORX) are used in addition to the internal loss data. The data syndicate, which the Bank helped to found, now consists of 22 international banks. These data also enable the Bank to compare its own risk profile with that of other international banks, which provides important impulses for managing operational risk.

In addition to the anonymous external data from ORX, the Bank continued to evaluate public external data last year. These are particularly useful for developing suitable scenario analyses. Scenario analysis has already been launched at Commerzbank and provides support for those responsible for assessing their local operational risk.

Last year, the Bank's organizational units began to collect key risk indicators (KRI) permitting statements about potential risks of loss. In addition, Commerzbank continues to participate in an initiative of international banks to establish a uniform system for ordering and collecting these indicators. Our KRIs in the credit derivatives area, for instance, show that the Bank can confirm business in this market segment far more quickly than the benchmark of the International Swaps and Derivatives Association (ISDA).

In the reconciliation area, the Bank has substantially optimized processes and monitors any breaks which occur promptly by means of a revamped management information system (MIS). Here the breaks (EL/UL) are measured, which facilitates the escalation process, making adequate provisioning possible. Compared with the average ISDA data of large international banks, Commerzbank has far fewer breaks and open confirmations relative to its transaction volume, which we see as evidence of our efficient settlement procedures.

The stability, quality and information value of the mathematical-statistical model were improved further in the year under review and its depth was increased. Explicit inclusion of the correlations between the Bank's various business units produces diversification effects which give rise to a figure about €300m lower than the previous year's (in either case, before insurances). Regular benchmarking and exchanges with leading banks ensure that the model can be used for international comparisons.

Parallel to this, the Bank's future capital requirements are still calculated according to the standardized approach of Basel II. The partial use of AMA and the standardized approach is also possible for individual units of the Bank.

#### **Legal risk**

The worldwide management of legal risk at Commerzbank is entrusted to Legal Services (ZRA). The central function of ZRA is to recognize potential losses arising from legal risk at an early stage and to devise solutions



for reducing, restricting or avoiding such risks. In this connection, ZRA produces guidelines and standard contracts which are implemented in close cooperation with business lines and branches.

ZRA also manages the provisions which are formed for Commerzbank's legal proceedings and ensures that they are included in the calculation of operational risk. The major legal proceedings against Commerzbank are reported at regular intervals to the Operational Risk Committee, the Risk Committee, the Board of Managing Directors and the Supervisory Board in the form of individual analyses. Worldwide, a growing readiness can be noted in the financial sector to press customers' claims through legal action. This is also being encouraged by the ever more complex regulation of the financial markets, with the constant additions to banks' catalogue of duties.

#### **Business contingency and continuity planning**

In order to ensure that banking activities are maintained and to reduce losses arising from serious interruptions of its operations to a minimum, the Bank has business contingency plans in written form. In a central business contingency policy, the responsibilities of the different head-office departments and individual units are described.

By means of regular business contingency self-assessments, the Bank creates for itself a standardized overview of the emergency measures for which the units assume responsibility. These assessments were performed in all the main relevant units last year. In addition, numerous emergency tests are conducted in which the failure of individual locations or systems is simulated.

#### **6) Business risk**

In line with their immediate responsibility for risk and earnings, the Bank's individual divisions also take charge of the operational management of business risks which occur in their area of activity. As part of overall Bank management, business risk is also included in the calculation of economic capital.

Business risk is worked out using an earnings/cost-volatility model, which calculates historical monthly deviations of actual fee income and general non-period costs from the planned result. As with the procedure applied for other types of risk, the calculation is based on a confidence level of 99.95% and a one-year time frame.

#### **7) Non-quantifiable risks**

Pillar II of the new Basel framework and MaRisk call for an integrated approach to risk and consequently require that other non-quantifiable categories of risk be considered, such as reputational risk. As it is not possible to model these risks, they are subject to qualitative controlling.

#### **Strategic risk**

Responsibility for the strategic steering of Commerzbank lies with the Board of Managing Directors, with support in the case of strategic issues provided by ZKE. Some business-policy decisions – e.g. the acquisition of equity holdings exceeding 1% of the Bank's equity – also require the approval of the Risk Committee of the Supervisory Board. Constant observation of German and international competitors leads to an analysis of the major changes and developments, with conclusions derived for the Bank's strategic positioning and the appropriate measures introduced for ensuring competitiveness. In accordance with MaRisk, the Bank has to document both a business strategy and an overall risk strategy compatible with it.

#### **Reputational risk**

Reputational risk may lead to groups which Commerzbank addresses – above all the public, its employees and rating agencies, investors and business associates – losing confidence in the Bank or to its reputation being impaired. For the most part, reputational risk stems from other types of risk, which it reinforces. Against this background, all business-policy measures and activities are subjected to careful scrutiny. In particular, Commerzbank avoids business-policy measures and transactions which entail extreme tax or legal risks and also environmental risks.

In their business activities, the operational divisions, branches and subsidiaries bear immediate responsibility for reputational risk arising from their particular business activity. In retail business, for example, the focus is on providing risk-sensitive advice appropriate to the customer's investment approach. Competent advice reflecting customers' needs and intensive information ensure that customers suffer no harm, consequently preventing reputational risk. The satisfaction of Commerzbank customers is regularly measured by the relevant market research institutes. The Bank's professional complaints management is an additional instrument

through which customers can establish contact. In corporate business and in export finance, environmental risks are increasingly taken into consideration – wherever necessary, when loan applications are being examined.

In the course of its corporate governance, Commerzbank ensures that it remains within the framework of its articles of association and published business-policy principles. The staff department Compliance and Security (ZCS), which reports directly to the CFO, monitors compliance with all German and foreign regulations and supervisory requirements in connection with securities transactions. The following topics also play an important role in protecting the Bank's reputation: investor protection, reducing the potential for insider trading and the general avoidance of conflicts of interest or – wherever necessary – managing such conflicts with the goal of resolving them.

Contact with the financial community (investors and analysts), the media and the general public is managed by the staff department Corporate Communications (ZKV), which reports directly to the Chairman of the Board of Managing Directors. A communication guideline for the entire Bank lays down binding rules in this respect. On the basis of media observation and market research as well as stakeholder surveys and dialogue with various groups, topics relevant for the Bank's reputation are constantly identified, evaluated and actively dealt with, if necessary.

In 2005, a first milestone was reached with the Bank's publication of its corporate responsibility report.

In the course of 2006, a newly installed team will coordinate reputation management.

#### **Compliance risk**

Very strict legal provisions apply in the financial sector as regards compliance. Commerzbank has established additional rules which are intended to ensure that the conduct of its employees is always correct even in difficult situations and is in line with current legislation. The Bank's compliance manual should be mentioned here, as well as staff guidelines of the Federal Banking Supervisory Office and the Federal Supervisory Office for Securities Trading (now German Financial Supervisory Authority – BaFin), which have been integrated through employment contracts or internal Bank agreements, and job instructions published on the Bank's intranet, providing staff with concrete guidelines for

implementing the respective legislation. At Commerzbank, the staff department Compliance and Security sets up and monitors observance of such rules.

Compliance not only advises and informs the various business lines and the Bank's employees on general issues relevant to compliance, supporting colleagues in critical cases of day-to-day business as well; in conjunction with the respective specialist departments, it also ensures that statutory or supervisory requirements relating to compliance are implemented. In this connection, the German legislation to improve investor protection (AnSVG) should be mentioned, which became effective on October 31, 2004. Further legislative or supervisory measures have been enacted by the supervisory authority in order to make AnSVG more concrete.

When these statutory and supervisory requirements were implemented, the areas of the Bank affected as well as the Board of Managing Directors and Supervisory Board were informed, detailed information was published on the intranet and a procedure was implemented by Compliance for reporting suspected offences. Compliance monitors staff who are potentially capable of insider trading in the form of a watch list.

Since the attack on the World Trade Center in New York, the legal and supervisory requirements in connection with money laundering and the financing of terrorism have steadily increased, as has the public's interest in this topic. The third EU money-laundering directive, which is now being incorporated into German law, will lead to further requirements as regards the preventive measures of the financial sector.

In order to counter the specific risk that its business activities will be misused by third parties for the purpose of money-laundering or funding terrorism, the Bank is conducting an analysis of the threat posed by the existing relevant risks. The findings of this analysis will be taken into account as part of the constant adjustment and improvement of the Bank's preventive measures. They will be integrated through the implementation of specific risk-mitigating measures, either when new customers are accepted, or when their transactions are monitored, but also in training staff and making them sensitive to the dangers. All the experience gained through this selective analysis and its continual monitoring will be used in adjusting the system of risk management.

The Bank's employees are obliged to report out-of-the-ordinary transactions giving rise to suspicions of money laundering or the funding of terrorist activities to Compliance/Financial Investigations, so that the transaction can be subjected to individual scrutiny.

#### IV. Summary and outlook

##### Summary

In the 2005 financial year, Commerzbank further extended its risk-control and risk-management system. In many areas, significant progress was achieved, which will make a major contribution in the future as well towards improving overall Bank management.

In this connection, the stronger integration of the internal economic capital approach into more individual and overall Bank management processes represents a considerable contribution towards realizing potential value at Commerzbank.

At all times, it was ensured that the available risk capital was well above the defined capital buffer.

All the parties involved showed great commitment in maintaining the current projects for implementing the new supervisory requirements (Basel II, MaRisk) in 2005. The Bank took a major step forward in this respect, leading not only to optimized capital allocation in accordance with Basel II but also to a distinct improvement in risk-sensitive steering.

##### Outlook

The supervisory authority is expected to start examining Commerzbank's application for certification of the Basel II IRB Advanced Approach in 2006. As things stand today, the advanced Basel II approaches can definitely be implemented and tested within the set period – which, according to the supervisory authority's present planning, means by December 31, 2007.

Thanks to the continuing progress made in collating, evaluating and modelling operational risk, the stability and information value of Basel II's ambitious AMA approach were further enhanced in the year under review.

##### Overhaul of credit-risk strategy

The Bank's credit-risk strategy was subjected to its annual review in 2005. Based on the stock-taking conducted jointly by Risk Control and the front- and back-office units, the strategic direction was established for lending and measures were planned for the 2006-2008

period. This year, a comprehensive overall risk strategy for 2007-2009 will be worked out. The forward-looking orientation of the loan portfolio in keeping with the credit-risk strategy is being systematically maintained. Clear incentives are being created here for expanding overall lending to SMEs according to plan, but also for reducing and limiting risk-carrying sub-portfolios. The focus in risk mitigation is on bulk risks.

##### Intensive treatment and development of provisioning

In the intensive treatment area, the Bank is prepared to act as lead manager; its staff in this segment are developing quite consciously into risk managers, concentrating on preserving the company in question and its jobs and acting, therefore, in their clients' interest.

Through the expansion of portfolio-management activities and the early adoption of risk-mitigating measures, it proved possible to lower provisioning considerably again last year, with the selective reduction of latent bulk risks and problem loans making an important contribution here. For 2006, Commerzbank has set itself the goal of further optimizing its risk/return-based provisioning. For bulk and country risks, the optimum level has been achieved, with no net charges registered in 2005; realistically, though, we must expect setbacks here at some time. In the meantime, we have achieved a positive level on the whole in German *Mittelstand* business, which is why we do not see a further reduction of overall net provision for possible loan losses at Commerzbank as the most realistic case in 2006. Under normal circumstances, we would be able at best to hold the level now achieved; however, we expect additional charges on the retail side.

##### Boosting efficiency in credit processing

Starting in 2006, the results of a worldwide project to further boost productivity in the overall lending process ("etec" – end-to-end credit) will substantially help to raise efficiency, thereby improving our market presence for the targeted *Mittelstand* clients in particular. Over the medium term, we see not only a chance of making credit processing far more efficient, but also an opportunity for much improved risk selection. Since market conditions in the Private and Business Customers segment continue to be difficult, we intend to place special emphasis in future on the risk-based steering of business in selectively expanding our share of the mass retail market. As we can expect our retail portfolio to tie up far less equity with the

implementation of Basel II, however, we want to explore all the scope for growth that is reasonable from a risk/return aspect.

Key milestones were reached for rating and scoring in the year under review. The introduction of rating methods with demonstrably great discriminatory power is a major contribution to value creation at Commerzbank. Together with the certification of rating methods, the migration of further methods to a uniform web-based platform and also the support provided for business lines in the form of follow-up releases will represent significant steps in 2006.

#### **Enhancing overall Bank management**

In overall Bank management, a review of resource allocation and the steering process will take place, with the objective of establishing new control variables, including the respective profit targets, based on the economic capital approach. Subsequently, consistent value-based planning and steering will be implemented at the overall Bank and business-line levels, based on the economic capital approach.

Another main activity in 2006 will be developing and establishing specific stress scenarios for the use of economic capital for the overall Bank portfolio and for individual portfolios.

Making our employees even more sensitive to risk is a key goal this year. The establishment of a risk culture, which this entails, will be supported by a risk manual, available throughout the Bank, the publication of last year's report on corporate responsibility and a code of conduct.

#### **Corrigan Report implemented**

Now that BaFin's MaH examination has been successfully completed, Commerzbank will subject the recommendations of the so-called Corrigan Report (Counterparty Risk Management Policy Group II [CRMPG II]) to intensive scrutiny in 2006 and ensure that they are systematically implemented – insofar as they have not already been met. This applies in particular to business involving hedge funds. The report's 47 recommendations for market participants are intended to create a more stable financial market overall through the proactive behaviour of all market participants, especially in risk management. In this way, systemic risk is to be reduced to a minimum and crises of the financial markets as a whole prevented.

#### **Summing up**

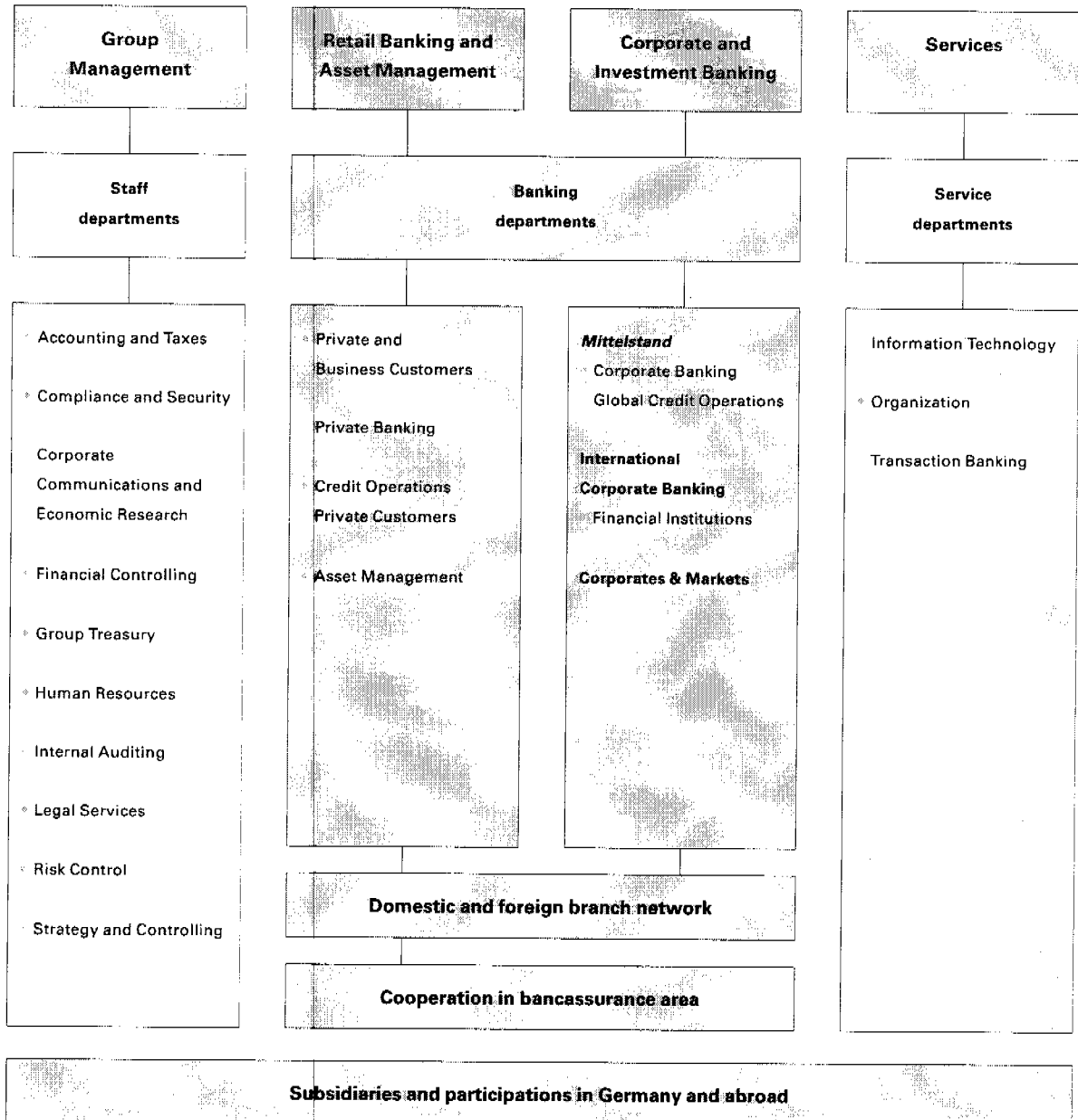
We believe that considerable value leverage for further boosting Commerzbank's earnings performance over the next few years lies in the claim to being the benchmark in risk control and management. The importance of highly-developed risk management was also confirmed in an international benchmarking study last year, where it is seen as the most significant challenge to successful business management for internationally competitive banks. We share this view and are confident that we can achieve further major breakthroughs in risk control and management during this decade. This will prove highly positive for Commerzbank's positioning in its target markets and for the selective exploration of the risk/return-based scope for expansion in lending. What is more, the cyclical volatility of business performance in lending can be further reduced as a result.

The aim to be a national and international leader in risk management is not an end in itself for Commerzbank and by no means implies avoiding risk wherever possible. Rather, it stands for creating and developing efficient structures, systems and strategies and implementing them with the aid of skilful front- and back-office staff with the goal of achieving good risk/return results in the target portfolios. We intend to take on risks wherever we are able to steer and monitor them and wherever they pay off for our shareholders.

# structure of commerzbank group

## Board of Managing Directors

### Corporate Divisions



Balance sheet of Commerzbank Aktiengesellschaft as of December 31, 2005

Assets (in € m)		31.12.2005	31.12.2004
<b>Cash reserve</b>			
a) cash on hand		569	570
b) balances with central banks		4,058	2,321
including: with Deutsche Bundesbank	3,916		(1,880)
		<b>4,627</b>	<b>2,891</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		2,668	759
including: rediscountable at Deutsche Bundesbank	1,682		(251)
b) bills of exchange		392	296
including: rediscountable at Deutsche Bundesbank	392		(296)
		<b>3,060</b>	<b>1,055</b>
<b>Claims on banks</b>			
a) payable on demand		12,885	14,429
b) other claims		67,851	46,745
		<b>80,736</b>	<b>61,174</b>
<b>Claims on customers</b>			
including: secured by mortgages on real estate	20,273		(20,060)
communal loans	5,313		(4,561)
		<b>112,608</b>	<b>106,821</b>
<b>Bonds and other fixed-income securities</b>			
a) money-market instruments			
aa) issued by public-sector borrowers	20		213
including: rediscountable at Deutsche Bundesbank	13		(90)
ab) issued by other borrowers	3,016	3,036	1,465
including: rediscountable at Deutsche Bundesbank	409		(13)
			1,678
b) bonds and notes			
ba) issued by public-sector borrowers	14,157		16,781
including: rediscountable at Deutsche Bundesbank	10,965		(11,349)
bb) issued by other borrowers	23,848	38,005	21,854
including: rediscountable at Deutsche Bundesbank	9,657		(9,217)
			38,635
c) bonds and notes issued by Commerzbank		7,945	3,305
nominal amount €7,926m			
		<b>48,986</b>	<b>43,618</b>
<b>Shares and other variable-yield securities</b>		<b>7,186</b>	<b>9,611</b>
<b>Subsidiaries, associated companies and trade investments (investments)</b>		<b>1,326</b>	<b>2,278</b>
including: investment in banks	728		(1,646)
investment in financial-service institutions	0		(0)
<b>Holdings in affiliated companies</b>		<b>9,840</b>	<b>7,762</b>
including: in banks	1,007		(1,526)
in financial-service institutions	13		(32)
<b>Assets held on a trust basis</b>		<b>322</b>	<b>386</b>
including: loans at third-party risk	322		(386)
<b>Recovery claims on federal and Länder authorities under post-war currency reform acts including bonds in exchange for the former</b>		-	105
<b>Intangible assets</b>		<b>45</b>	<b>16</b>
<b>Fixed assets</b>		<b>612</b>	<b>751</b>
<b>Bank's holding of its own shares</b>	accounting par value: €2.4m	<b>25</b>	<b>58</b>
<b>Other assets</b>		<b>10,384</b>	<b>11,555</b>
<b>Deferred items</b>			
a) difference arising from consolidation pursuant to Art. 250, (3) of the German Commercial Code - HGB		116	130
b) other deferred items		1,856	2,268
		<b>1,972</b>	<b>2,398</b>
<b>Deferred taxes pursuant to Art. 274, (2), German Commercial Code - HGB</b>		-	319
		<b>Total Assets</b>	<b>281,729</b>
			<b>250,798</b>

<b>Liabilities and Shareholders' Equity (in € m)</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
<b>Liabilities to banks</b>		
a) payable on demand	19,269	24,816
b) with agreed periods or periods of notice	101,941	83,144
	<b>121,210</b>	<b>107,960</b>
<b>Liabilities to customers</b>		
a) savings deposits,		
aa) with agreed period of notice of three months	11,087	15,402
ab) with agreed period of notice of more than three months	525	640
	11,612	16,042
b) other liabilities		
ba) payable on demand	36,910	32,190
bb) with agreed periods or periods of notice	45,619	35,448
	82,529	67,638
	<b>94,141</b>	<b>83,680</b>
<b>Securitized liabilities</b>		
a) bonds and notes issued	23,977	21,677
b) other securitized liabilities	6,344	4,920
	<b>30,321</b>	<b>26,597</b>
including:		
ba) money-market instruments	6,042	(4,660)
bb) own acceptances and promissory notes outstanding	75	(62)
<b>Liabilities on a trust basis</b>		<b>322</b>
including: loans at third-party risk	322	(386)
<b>Other liabilities</b>		<b>13,645</b>
<b>Deferred items</b>		<b>10,362</b>
a) difference arising from consolidation pursuant to Art. 340e, (2), 2 of the German Commercial Code – HGB	70	93
b) other deferred items	719	907
	<b>789</b>	<b>1,000</b>
<b>Provisions</b>		
a) provisions for pensions and similar commitments	1,351	1,311
b) provisions for taxation	137	338
c) other provisions	2,333	3,324
	<b>3,821</b>	<b>4,973</b>
<b>Commerzbank Foundation</b>		<b>33</b>
<b>Subordinated liabilities</b>		<b>5,242</b>
<b>Profit-sharing certificates outstanding</b>		<b>1,794</b>
including: maturing in less than two years	647	(604)
<b>Fund for general banking risks</b>		<b>705</b>
<b>Capital and reserves</b>		
a) subscribed capital (conditional capital €403m)	1,708	1,556
b) capital reserve	5,918	4,705
c) revenue reserves		
ca) legal reserve	3	3
cb) reserve for the Bank's own shares	25	58
cd) other revenue reserves	2,133	2,100
	2,161	2,161
d) distributable profit	328	150
	<b>10,115</b>	<b>8,572</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>281,729</b>	<b>250,798</b>
<b>1. Contingent liabilities</b>		
a) contingent liabilities from rediscounted bills of exchange credited to borrowers	2	3
b) liabilities from guarantees and indemnity agreements (see also Note 31)	23,202	20,553
	<b>23,204</b>	<b>20,556</b>
<b>2. Other commitments</b>		
c) irrevocable lending commitments	31,917	32,291
	<b>31,917</b>	<b>32,291</b>



Profit and loss account of Commerzbank Aktiengesellschaft for the period from January 1 to December 31, 2005

in € m	2005	2004
<b>Interest income from</b>		
a) lending and money-market transactions	7,234	6,787
b) fixed-income securities and government-inscribed debt	1,548	1,241
	8,782	8,028
<b>Interest paid</b>	-6,337	-5,586
	<b>2,445</b>	<b>2,442</b>
<b>Current income from</b>		
a) shares and other variable-yield securities	454	385
b) investments (subsidiaries, associated companies, and trade investments)	48	86
c) holdings in affiliated companies	115	182
	<b>617</b>	<b>653</b>
<b>Income from profit-pooling and from partial or full profit-transfer agreements</b>	<b>693</b>	<b>155</b>
Commissions received	1,691	1,656
Commissions paid	-178	-240
	<b>1,513</b>	<b>1,416</b>
<b>Net income from financial transactions</b>	<b>-23</b>	<b>125</b>
<b>Other operating income</b>	<b>148</b>	<b>254</b>
<b>General operating expenses</b>		
a) personnel expenses		
aa) wages and salaries	-1,654	-1,544
ab) compulsory social-security contributions, expenses for pensions and other employee benefits of which: for pensions	-438	-449
	-193	(-206)
	-2,092	-1,993
b) other administrative expenses	-1,227	-1,338
	<b>-3,319</b>	<b>-3,331</b>
<b>Depreciation on and value adjustments to fixed assets</b>	<b>-199</b>	<b>-252</b>
<b>Other operating expenses</b>	<b>-145</b>	<b>-118</b>
<b>Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses</b>	<b>-1,302</b>	<b>-1,061</b>
<b>Income from additions to investments, holdings in affiliated companies and securities treated as fixed assets</b>	<b>837</b>	<b>277</b>
<b>Expenses from the transfer of losses</b>	<b>-1</b>	<b>-3</b>
<b>Result from ordinary activities before restructuring expenses and appropriation to fund for general banking risks</b>	<b>1,264</b>	<b>557</b>
Appropriation to fund for general banking risks	-500	-
Restructuring expenses	-30	-125
<b>Result from ordinary activities after restructuring expenses and appropriation to fund for general banking risks</b>	<b>734</b>	<b>432</b>
<b>Taxes on income</b>	-414	-283
<b>Other taxes</b>	8	1
	<b>-406</b>	<b>-282</b>
<b>Net income for the year</b>	<b>328</b>	<b>150</b>
<b>Withdrawals from revenue reserves</b>		
b) from reserve for the Bank's own shares	-33	-
d) from other revenue reserves	-	-8
	<b>-33</b>	<b>-8</b>
<b>Allocation to revenue reserves</b>		
b) to reserve for the Bank's own shares	-	8
d) to other revenue reserves	33	-
	<b>33</b>	<b>8</b>
<b>Distributable profit</b>	<b>328</b>	<b>150</b>



## notes

### General information

#### (1) Accounting principles

The annual financial statements of Commerzbank Aktiengesellschaft as of December 31, 2005, were prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch* – HGB) in combination with the regulation on the accounting of banks (RechKredV) and with due regard to the provisions of the German Stock Corporation Act (*Aktien-gesetz* – AktG).

The annual financial statements consist of the balance sheet, profit and loss account and notes. In addition, a management report has been included (including a risk report) pursuant to Art. 289, HGB, which appears on pages 2 to 26.

#### (2) Accounting policies

The cash reserve appears in nominal figures.

Debt issued by public-sector borrowers and bills of exchange rediscountable at central banks are shown in discounted form.

Claims on banks and claims on customers appear at their nominal values, with the loan-loss provisions that have been formed deducted. Differences between the acquisition cost and the nominal amount which have interest character are assigned to deferred items and recognized successively over their entire lifetime in interest income.

Bonds, notes and other fixed-income securities as well as shares and other variable-yield securities held for trading and liquidity purposes appear – according to the rules for current assets, with the lower-of-cost-or-market principle strictly applied – at the lower of acquisition cost and fair value. Securities held as fixed assets are treated in accordance with the diluted lower value principle (see Note 5).

In accordance with the rules for fixed assets, investments and holdings in affiliated companies are carried at cost. Where a permanent impairment of value seemed likely, we have made the relevant non-scheduled depreciation. Insofar as the reasons for the write-down no longer apply, we make a write-up amounting to no more than the amount written down.

We show expenses and income (write-ups) in net form – insofar as these stem from the portfolio held for trading purposes, they appear under Net income from financial transactions, while those from the liquidity portfolio are shown under Write-downs of and value adjustments to claims and certain securities, and additions to provisions for possible loan losses.

Securities-lending transactions are shown according to the principles of Art. 340b, (2), HGB for genuine repurchase agreements. Lent securities remain as such in our balance sheet, whereas borrowed securities do not appear there.

Tangible fixed assets are carried at their cost of acquisition or production and, insofar as they are subject to wear and tear, they are regularly depreciated. For the underlying economic usefulness and depreciation rates, we consult the tables published by the fiscal authorities. Minor-value items are written off immediately in the year of acquisition. Non-scheduled depreciation and write-offs are effected in the case of permanent impairments in value.

We made no use of the option to form a deferred tax item pursuant to Art. 274, (2), HGB as of December 31, 2005. We released the previous year's amount to income in the financial year.

Liabilities are shown in the balance sheet at the respective amounts to be repaid. The difference between the amount to be repaid and the amount paid out is recognized as a deferred item and appears on a pro-rata basis in the profit and loss account. We recognize long-dated discounted liabilities (zero-coupon bonds) at their present value.

Provisions for pensions are formed according to actuarial principles, applying a calculatory interest rate of 6% for our pension liabilities worked out according to the "normal entry-age" method, which is acceptable for tax purposes. The impact of the amended Heubeck 2005 G tables was taken fully into account. For measuring our obligations under early retirement and part-time schemes for older staff, we have recourse to methods permissible under tax rules. Provisions for taxes and other provisions are formed in accordance with reasonable commercial judgement. Provisions for contingent losses from pending transactions have been formed in the commercial balance sheet.

We provide for the risks associated with banking business by forming specific valuation allowances, country valuation allowances, global valuation allowances and provisions. We adopt a cautious provisioning approach, applying strict criteria. In addition, we have formed reserves pursuant to Art. 340f, HGB, and Art. 340g, HGB, to cover the special risks arising from banks' business activity.

Derivative financial instruments (swaps, forward transactions and options) are used both to hedge balance-sheet items and for trading purposes. On the balance-sheet date, the derivative financial instruments are remeasured individually. However, to a reasonable extent, the results of remeasurement are netted against those for other transactions within the same valuation unit. If net expenses arise, a provision for contingent losses from pending transactions is formed.

In the past financial year, the existing portfolio valuation units under German commercial law were adapted to risk-adjusted mark-to-market measurement in order to measure trading portfolios, with market risk deducted. The market risk to be deducted is calculated on the basis of a value-at-risk approach and is gauged such that an expected maximum loss arising from these trading books will not be exceeded with a high degree of probability within a defined period of time.

In the profit and loss account, we make use in the financial statements as of December 31, 2005, of the setting-off options pursuant to Art. 340c, (2), HGB and Art. 340f, (3), HGB.

### (3) Currency translation

Foreign currencies are translated into the reporting currency in accordance with the provisions of Art. 340h, HGB. We translate items in the balance sheet and the profit and loss account which are denominated in foreign currencies, as well as pending spot foreign-exchange transactions, at the middle spot rate on the balance-sheet date; forward foreign-exchange transactions are translated at the forward rate. Assets treated as fixed assets – investments and holdings in affiliated companies – which are not specially covered by either liabilities or forward transactions in the same currency are translated at the rate of the date of purchase. 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. Pursuant to Art. 340h, (2), HGB, losses and gains from currency translation are reflected in the profit and loss account.

## Notes to the balance sheet

### (4) Remaining lifetimes of claims and liabilities

€ m	31.12.2005	31.12.2004
<b>Other claims on banks</b>	<b>67,851</b>	<b>46,745</b>
with a remaining lifetime of		
less than three months	45,587	32,307
more than three months, but less than one year	18,631	12,794
more than one year, but less than five years	2,923	1,316
more than five years	710	328
<b>Claims on customers</b>	<b>112,608</b>	<b>106,821</b>
with indeterminate lifetime	9,848	8,961
with a remaining lifetime of		
less than three months	33,615	30,039
more than three months, but less than one year	9,603	9,320
more than one year, but less than five years	23,429	21,927
more than five years	36,113	36,574

Of the bonds, notes and other fixed-income securities in an amount of €48,986m (previous year: €43,618m), €10,688m will mature during the 2006 financial year.

€ m	31.12.2005	31.12.2004
<b>Liabilities to banks</b>		
<b>with agreed lifetime or period of notice</b>	<b>101,941</b>	<b>83,144</b>
with a remaining lifetime of		
less than three months	72,869	53,756
than three months, but less than one year	11,718	12,235
more than one year, but less than five years	5,537	5,121
more than five years	11,817	12,032
<b>Savings deposits</b>		
<b>with agreed period of notice of more than three months</b>	<b>525</b>	<b>640</b>
with a remaining lifetime of		
less than three months	42	78
more than three months, but less than one year	109	138
more than one year, but less than five years	286	301
more than five years	88	123
<b>Other liabilities to customers</b>		
<b>with agreed lifetime or period of notice</b>	<b>45,619</b>	<b>35,448</b>
with a remaining lifetime of		
less than three months	38,316	28,677
more than three months, but less than one year	2,727	1,606
more than one year, but less than five years	1,186	1,450
more than five years	3,390	3,715
<b>Other securitized liabilities</b>	<b>6,344</b>	<b>4,920</b>
with a remaining lifetime of		
less than three months	2,797	3,121
more than three months, but less than one year	3,469	1,695
more than one year, but less than five years	68	104
more than five years	10	0

Of the €23,977m of bonds and notes issued (previous year: €21,677m), €5,680m will fall due in the 2006 financial year.

**(5) Marketable securities**

€ m	marketable		listed on a stock exchange		not listed	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Bonds, notes and other fixed-income securities	48,986	43,618	40,049	36,697	8,937	6,921
Shares and other variable-yield securities	6,570	8,794	6,241	8,357	329	437
Investments	1,260	2,161	1,044	2,068	216	93
Holdings in affiliated companies	8,014	6,387	0	410	8,014	5,977

Under Shares and other variable-yield securities, investment fund shares of €121m (previous year: €132m) are shown as a financial investment; these may be used solely to meet obligations arising from old-age pensions and

part-time work schemes for older staff. A contractually agreed, mutual obligation to make further contributions exists here, or a right to demand repayment, between Commerzbank AG and Commerzbank Pension-Trust e.V.

**(6) Relations with affiliated companies and equity investments**

€ m	Affiliated companies		Investments	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Claims on banks	5,832	2,386	8,640	4,899
Claims on customers	5,763	11,318	28	7
Bonds, notes and other fixed-income securities	1,247	2,408	1,036	1,158
Liabilities to banks	4,945	5,145	1,042	321
Liabilities to customers	212	1,199	25	3
Securitized liabilities	498	530	-	-
Liabilities on a trust basis at third-party risk	40	40	-	-
Subordinated liabilities	-	261	-	-

**(7) Trust business**

€ m	31.12.2005	31.12.2004
Claims on banks	0	1
Claims on customers	322	385
<b>Assets on a trust basis at third-party risk</b>	<b>322</b>	<b>386</b>
Liabilities to banks	317	380
Liabilities to customers	5	6
<b>Liabilities on a trust basis at third-party risk</b>	<b>322</b>	<b>386</b>

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

€ m	Intangible assets	Fixed assets	Securities held as financial investments	Invest- ments* <sup>1</sup>	Holdings in affiliated companies* <sup>1</sup>
<b>Cost of acquisition/production as of 1.1.2005</b>	<b>18</b>	<b>3,151</b>	<b>132</b>		
Additions in 2005	17	93	4		
Disposals in 2005	4	323	15		
Transfers	245	-245	0		
<b>Cost of acquisition/production as of 31.12.2005</b>	<b>276</b>	<b>2,676</b>	<b>121</b>		
Cumulative write-downs/ changes in exchange rates	231	2,064	0		
Additions in 2005	0	0	0		
<b>Residual book values 31.12.2005</b>	<b>45</b>	<b>612</b>	<b>121</b>	<b>1,326</b>	<b>9,840</b>
<b>Residual book values 31.12.2004</b>	<b>16</b>	<b>751</b>	<b>132</b>	<b>2,278</b>	<b>7,762</b>
Write-downs in 2005	16	183	0		

\*<sup>1</sup>) Use was made of the option to present an aggregate figure, pursuant to Art. 34, (3), RechKredV.

Of the land and buildings with an overall book value of €77m (previous year: €86m), the Bank uses premises of €64m (previous year: €71m) for its own purposes. Office furniture and equipment of €535m (previous year: €665m) is included in Fixed assets.

**(9) Other assets**

Other assets of €10,384m (previous year: €11,555m) mainly comprise premiums paid for option contracts and interest-rate caps amounting to €7,903m (previous year: €7,607m) and claims arising from profit-transfer agreements with affiliated companies.

**(10) Deferred tax items**

The deferred taxes of €319m carried as assets as of December 31, 2004, pursuant to Art. 274, (2), HGB were released to profit and loss in the year under review.

**(11) Subordinated assets**

€ m	31.12.2005	31.12.2004
Claims on banks	80,736	61,174
of which: subordinated	472	531
Claims on customers	112,608	106,821
of which: subordinated	218	212
Bonds and notes		
a) of other issuers	23,848	21,854
of which: subordinated	228	202
b) own bonds	7,945	3,305
of which: subordinated	22	36
Shares and other variable-yield securities	7,186	9,611
of which: subordinated	56	60
<b>Total</b>	<b>996</b>	<b>1,041</b>

**(12) Repurchase agreements**

The book value of the securities pledged under repurchase agreements, which appear in the balance sheet, is €50,068m (previous year: €42,564m).

**(13) The Bank's foreign-currency position**

On the balance-sheet date, the aggregate amount of foreign-currency assets was €56,793m (previous year: €52,843m). Foreign-currency liabilities amounted to €56,560m (previous year: €52,412m) on the balance-sheet date.

**(14) Security pledged for own liabilities**

The following assets were pledged as security for the above-mentioned liabilities:

€ m	31.12.2005	31.12.2004
Treasury bills	389	2
Claims on customers and banks	13,218	9,888
Securities	60,708	48,249
<b>Total</b>	<b>74,315</b>	<b>58,139</b>

Security was furnished in connection with genuine securities repurchase agreements to raise funds, for funds borrowed for fixed specific purposes and in connection with open-market transactions.



#### (15) Other liabilities

Other liabilities of €13,645m (previous year: €10,362m) mainly include premiums for option contracts and interest-rate caps amounting to €8,771m (previous year: €8,328m).

#### (16) Provisions

Other provisions were primarily formed for contingent losses from pending transactions of the trading book, lending transactions, other administrative expenses and matters related to the personnel area.

Other provisions also include restructuring provisions of €81m (previous year: €139m).

#### (17) Subordinated liabilities

In the event of insolvency or winding-up, the subordinated liabilities of €5,046m (previous year: €5,242m) may only be repaid after the claims of all non-subordinate creditors have been met. Until such time, no repayment obligation or claims to interest payments exist.

The obligations arising from the bonds and notes are subordinated obligations of the issuer, which will be met on an equal basis with all the issuer's other subordinated liabilities.

In the financial year, interest paid on subordinated liabilities amounted to €306m (previous year: €301m).

As of December 31, 2005, the following fund-raising measures exceeded 10% of the aggregate amount for this item:

Code number	Currency	Amount in € m	Interest rate	Maturity date
WKN 159353	Euro	550	4.75%	21.4.2009
WKN 223445	Euro	590	6.50%	12.7.2010

The issuer cannot be obliged by creditors to make premature repayment. The conditions for subordinated obligations find application. Conversion into capital or into another form of debt is not laid down in the contractual agreements.



**(18) Profit-sharing certificates outstanding**

Of the profit-sharing rights outstanding which appear in the balance sheet, €913m (previous year: €1,158m) count as liable equity funds as defined in Art. 10, (5a), KWG.

Repayments of the 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.

<b>31.12.2005</b>			
Volume in € m	Interest rate	Maturing on 31.12.	
392	7.25%	2005	Profit-sharing certificate with warrants *) WKN 803366 <i>Warrant exercise period expired</i>
320	6.38%	2010	Profit-sharing certificate WKN 803205
256	7.90%	2008	Profit-sharing certificate WKN 816120
255	EUR- 12-month Libor +0.6%	2006	Profit-sharing certificate with warrants WKN 803625 <i>Warrant exercise period expired</i>
150	6.38%	2009	Profit-sharing certificate WKN 816406
100	7.00%	2009	Profit-sharing certificate WKN 816407
50	7.53%	2014	Registered profit-sharing certificate WKN 422785
25	7.56%	2014	Registered profit-sharing certificate WKN 422720
10	7.24%	2009	Registered profit-sharing certificate WKN 422714
10	7.50%	2009	Registered profit-sharing certificate WKN 423280
8	7.24%	2009	Registered profit-sharing certificate WKN 422721
5	7.52%	2009	Registered profit-sharing certificate WKN 423289
<b>1,581</b>			

\*) Repayment on July 1, 2006

€ m	Profit-sharing rights outstanding 31.12.2004	Matured in financial year	Profit-sharing rights outstanding 31.12.2005
<b>Total</b>	<b>1,794</b>	<b>213</b>	<b>1,581</b>

**(19) Equity**

€ m	
<b>Equity as of 31.12.2005</b>	<b>10,115</b>
a) Subscribed capital	1,708
b) Capital reserve	5,918
c) Revenue reserves	2,161
Legal reserve	3
Reserve for treasury shares	25
Other revenue reserves	2,133
d) Distributable profit	328

**a) Subscribed capital**

The subscribed capital of Commerzbank AG (share capital) of €1,707,712,648.20 is evidenced in the form of bearer shares and was divided as of December 31, 2005, into 656,812,557 no-par-value shares (accounting par value per share: €2.60). No preferential rights or restrictions on the payment of dividends exist.

€	Subscribed capital
<b>as of 31.12.2004</b>	<b>1,556,326,015.40</b>
Issue of shares to employees	1,386,634.60
Capital increase	149,999,998.20
<b>as of 31.12.2005</b>	<b>1,707,712,648.20</b>

**b) Capital reserve**

In the capital reserve, premiums from the issue of Commerzbank AG shares are shown. Additional cash payments from the issue of conversion and option rights entitling holders to purchase Commerzbank AG shares are also recognized here.

€	Capital reserve
<b>as of 31.12.2004</b>	<b>4,704,640,525.16</b>
Issue of shares to employees	7,578,491.41
Capital increase	1,205,769,216.30
<b>as of 31.12.2005</b>	<b>5,917,988,232.87</b>

## c) Revenue reserves

€ m	Total	Legal reserve	Reserve for treasury shares	Other revenue reserves
as of 31.12.2004	2,161	3	58	2,100
Changes in portfolio of treasury shares	-	-	-33	33
as of 31.12.2005	2,161	3	25	2,133

We draw attention to the comments under Note 27 with regard to the reserve for treasury shares.

## (20) Authorized capital

Year of resolution	Original authorized capital € m	Remaining authorized capital €	Expiring on	Special conditions
2004	225 (Art. 4, (3), Articles of Association)	225,000,000	April 30, 2009	Shareholders' subscription rights may be excluded to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank AG or by companies in which it directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. Shareholders' subscription rights may be excluded for fractional amounts of shares.
2002	30 (Art. 4, (4), Articles of Association)	20,694,262	April 30, 2007	The Board of Managing Directors may, with the approval of the Supervisory Board, restrict shareholders' subscription rights in order to issue shares to the Bank's staff against cash.
2004	225 (Art. 4, (6), Articles of Association)	225,000,000	April 30, 2009	Shareholders' subscription rights may be excluded to the extent necessary to offer to the holders of conversion or option rights, either already issued or still to be issued by Commerzbank AG or by companies in which Commerzbank AG directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG), subscription rights to the extent to which they would be entitled after they have exercised their conversion or option rights. Shareholders' subscription rights may be excluded for fractional amounts of shares. Furthermore, subscription rights may be excluded insofar as the capital increase is made against contributions in kind for the purpose of acquiring companies or interests in companies.
2004	150 (Art. 4, (7), Articles of Association)	1.80	April 30, 2009	Shareholders' subscription rights may be excluded if the issue price of the new shares is not substantially lower than that of already listed shares offering the same conditions.
as of 31.12.2005	630	470,694,263.80		

In the financial year, authorized capital of €1,386,634.60 was used for the capital increase from the issue of shares to the Bank's staff.

In addition, a capital increase of a nominal €149,999,998.20 was effected in connection with the purchase of shares of Eurohypo AG with subscription rights excluded.

	Remaining authorized capital 31.12.2004	Added in financial year	Used in financial year	Expired in financial year	Remaining authorized capital 31.12.2005
€	<b>31.12.2004</b>				<b>31.12.2005</b>
<b>Total</b>	<b>622,080,896.60</b>	<b>-</b>	<b>151,386,632.80</b>	<b>-</b>	<b>470,694,263.80</b>

#### (21) Conditional capital

	Conditional capital 31.12.2004	Added in financial year	Expired in financial year	Conditional capital 31.12.2005	of which used conditional capital	of which available lines
€						
<b>Total</b>	<b>403,000,000</b>	<b>-</b>	<b>-</b>	<b>403,000,000</b>	<b>-</b>	<b>403,000,000</b>

As resolved by the AGM of May 30, 2003, the Bank's share capital has been conditionally increased by up to €403m (Art. 4, (5), Articles of Association).

In accordance with the AGM authorization of May 30, 2003, such conditional capital increase will only be effected to the extent that the holders or creditors of the convertible bonds, bonds with warrants or profit-sharing rights – carrying conversion or option rights – to be issued by May 30, 2008, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a majority interest (group companies as defined in Art. 18, (1), AktG) exercise their conversion or option rights, or the holders or creditors of the convertible bonds or convertible profit-sharing rights to be issued by May 30, 2008, by either Commerzbank AG or companies in which Commerzbank AG directly or indirectly holds a

majority interest (group companies as defined in Art. 18, (1), AktG) meet their obligations to exercise their conversion rights. The total nominal amount of the convertible bonds or bonds with warrants or profit-sharing rights to be issued is limited to €2bn.

Through the AGM resolution of May 20, 2005, the Board of Managing Directors is also authorized to issue further convertible bonds or bonds with warrants or profit-sharing rights – with or without conversion rights – by May 30, 2008.

The total nominal amount of the convertible bonds or bonds with warrants or profit-sharing rights to be issued is limited to €1.5bn.

Both authorizations may be used altogether up to the amount of the conditional capital.

## (22) Treasury shares

	Number of shares* <sup>1</sup> in units	Accounting par value in €1,000	Percentage of share capital
Portfolio on 31.12.2005	931,796	2,423	0.14
Largest total acquired during the financial year	17,619,857	45,812	2.68
Shares pledged by customers as collateral on 31.12.2005	3,364,552	8,748	0.51
Shares acquired during the financial year	210,534,215	547,389	–
Shares disposed of during the financial year	213,699,708	555,619	–

\*) accounting par value per share €2.60

The AGM on May 20, 2005 authorized us, pursuant to Art. 71, (1), no. 7, AktG, to purchase and sell the Bank's shares for the purpose of securities trading. The authorization is valid until October 31, 2006. The aggregate amount of shares acquired for this purpose may not exceed 5% of the share capital of Commerzbank AG at the end of any given day.

The lowest price at which the Bank may purchase one of its shares may not be 10% lower than the mean value for the share prices (closing auction prices or similar successor prices for the Commerzbank share in XETRA trading or a similar successor system to the XETRA system on the Frankfurt Stock Exchange) on the last three trading days preceding the respective day of purchase, and the highest price at which the Bank may purchase one of its shares may not exceed this value by more than 10%.

The average purchase price in the past financial year was €21.31 (previous year: €14.85), and the average selling price €21.15 (previous year: €14.81). The reduction in proceeds from the above transactions was recognized as expenses during the financial year.

For the Commerzbank shares held in the Bank's portfolio at year-end, a reserve of €25m (previous year: €58m) was formed.

The AGM on May 20, 2005 also authorized us, pursuant to Art. 71, (1), no. 8, AktG, to purchase the Bank's shares, in one or in several tranches, for purposes other than securities trading. Together with the treasury shares purchased for other reasons, which are held by the Bank or are attributable to it pursuant to Art. 71a et seq., AktG, the shares purchased on the basis of this authorization may at no time exceed 10% of the share capital of Commerzbank AG. The purchase shall be effected – as decided by the Board of Managing Directors – on the stock exchange, by means of a public offer to all shareholders or by means of an invitation to all shareholders to submit an offer to sell. The authorization is valid until October 31, 2006.

We did not use this authorization in the 2005 financial year.



## Notes to the profit and loss account

### (23) Revenues, by geographical market

€ m	2005	2004
Germany	8,782	8,674
Europe (excl. Germany)	1,677	1,556
America	537	334
Asia	165	91
Africa	54	61
<b>Total</b>	<b>11,215</b>	<b>10,716</b>

The aggregate amount covers the following items of the profit and loss account: Interest income, Current income from shares and other variable-yield securities, Invest-

ments, Holdings in affiliated companies, Commissions received, Net income from financial transactions and Other operating income.

### (24) Auditors' fees

The auditors' fees (excluding turnover tax) of €5m, recognized as expenses in the 2005 financial year, break down as follows:

€1,000	2005
Audit of financial statements	3,677
Provision of other certificates or assessments	1,099
Tax consulting services	33
Other services	560
<b>Total</b>	<b>5,369</b>

### (25) Other operating income

Other operating income of €148m (previous year: €254m) mainly includes revenues from the reversal of provisions not related to lending and rental income.

### (26) Other operating expenses

Other operating expenses of €145m (previous year: €118m) mainly include expenses from allocations to provisions not related to lending and also to rental and leasing charges for re-let premises.

### (27) Administrative and agency services

The following major administration and agency services were performed for third parties:

- \* Custody account administration
- \* Agency services for insurance and home loan savings plans
- \* Portfolio management
- \* Fiduciary services
- \* Investment business
- \* Securities commission business

## Other notes

### (28) Contingent liabilities

€ m	31.12.2005	31.12.2004
Contingent liabilities from bills of exchange credited to borrowers	2	3
Liabilities from guarantees and indemnity agreements	23,202	20,553
of which: Credit guarantees	2,502	2,878
Other guarantees	14,048	11,888
Letters of credit	6,652	5,787
<b>Total</b>	<b>23,204</b>	<b>20,556</b>

### (29) Other commitments

€ m	31.12.2005	31.12.2004
<b>Irrevocable lending commitments</b>	<b>31,917</b>	<b>32,291</b>
Book credits to customers	29,235	26,861
Book credits to banks	1,945	3,817
Credits by way of guarantee	569	1,195
Letters of credit	168	418

### (30) Other financial commitments

On December 31, 2005, the existing commitments arising from rental and leasing agreements amounted to altogether €2,063m for subsequent years (previous year: €2,535m); €1,070m (previous year: €1,338m) of this relates to commitments to affiliated companies.

Payment commitments for equities, shares in private limited companies and other interests amounted to €1m (previous year: €2m) on the balance-sheet date.

Due to our participation in Liquiditäts-Konsortialbank mbH, Frankfurt, we are responsible for the payment of assessments of €38m (previous year: €38m) in accordance with Art. 26, GmbHG. In addition, a guarantee obligation of €135m exists.

Under Art. 5, (10) of the statutes of the German banks' Deposit Insurance Fund, we have undertaken to indemnify the Association of German Banks for any possible losses incurred through measures to support banks in which we hold a majority interest.

**(31) Letter of comfort**

In respect of the subsidiaries listed below and included in the consolidated financial statements of our Bank, we ensure that, except in the case of political risks, they are able to meet their contractual liabilities.

Name	Seat
BRE Bank Hipoteczny SA	Warsaw
BRE Bank SA	Warsaw
BRE Leasing Sp. z o.o.	Warsaw
Caisse Centrale de Réescompte, S.A.	Paris
CCR Actions	Paris
CCR Chevrillon-Philippe	Paris
CCR Gestion	Paris
comdirect bank Aktiengesellschaft	Quickborn
COMINVEST Asset Management GmbH	Frankfurt am Main
COMINVEST Asset Management Ltd.	Dublin
COMINVEST Asset Management S.A.	Luxembourg
Commerz (East Asia) Ltd.	Hong Kong
Commerz Advisory Management Co. Ltd.	British Virgin Islands
Commerz Asset Management (UK) plc	London
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore
Commerz Equity Investments Ltd.	London
Commerz International Capital Management (Japan) Ltd.	Tokyo
Commerzbank (Eurasija) SAO	Moscow
Commerzbank (South East Asia) Ltd.	Singapore
Commerzbank (Switzerland) Ltd	Zurich
Commerzbank Asset Management Asia Ltd.	Singapore
Commerzbank Belgium S.A./N.V.	Brussels
Commerzbank Capital Markets Corporation	New York
Commerzbank Europe (Ireland)	Dublin
Commerzbank Europe Finance (Ireland) plc.	Dublin
Commerzbank International S.A.	Luxembourg
Commerzbank Overseas Finance N.V.	Curaçao
Commerzbank Rt.*)	Budapest
CommerzLeasing und Immobilien AG	Düsseldorf
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Luxembourg
European Bank for Fund Services GmbH (ebase)	Haar near Munich
Gracechurch TL Ltd.	London
Hypothekenbank in Essen AG	Essen
Intermarket Bank AG	Vienna
Jupiter Administration Services Limited	London
Jupiter Asset Management (Asia) Limited	Hong Kong
Jupiter Asset Management (Bermuda) Limited	Bermuda
Jupiter Asset Management Limited	London
Jupiter Asset Managers (Jersey) Limited	Jersey
Jupiter International Group plc	London
Jupiter Unit Trust Managers Limited	London

\*) renamed Commerzbank Zrt. as from January 2, 2006.



Name	Seat
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf
P.T. Bank Finconesia	Jakarta
Stampen S.A.	Brussels
Transfinance a.s.	Prague
Tyndall Holdings Limited	London
Tyndall International Holdings Limited	Bermuda
Tyndall Investments Limited	London
Tyndall Trust International I.O.M. Limited	Isle of Man

## (32) Forward transactions

€ m	Nominal amount			Fair value		
	under 1 year	Remaining lifetimes		total	positive	negative
		1-5 years	more than 5 years			
<b>31.12.2005</b>						
<b>Foreign-currency-based forward transactions</b>						
OTC products						
Foreign-exchange forward contracts	145,934	9,277	147	155,358	1,676	1,762
Interest-rate and currency swaps	48,401	99,310	58,514	206,225	1,905	1,892
Currency call options	20,465	8,330	1,725	30,520	577	-
Currency put options	20,204	7,722	1,731	29,657	-	564
Other foreign-exchange contracts	-	-	-	-	-	-
Products traded on a stock exchange						
Currency futures	-	-	-	-	-	-
Currency options	-	-	-	-	-	-
<b>Total</b>	<b>235,004</b>	<b>124,639</b>	<b>62,117</b>	<b>421,760</b>	<b>4,158</b>	<b>4,218</b>
<b>Interest-based forward transactions</b>						
OTC products						
Forward-rate agreements	126,271	1,244	-	127,515	39	52
Interest-rate swaps (same currency)	1,341,871	1,340,852	1,145,262	3,827,985	61,195	62,488
Interest-rate call options	17,543	47,855	34,018	99,416	2,857	-
Interest-rate put options	18,495	50,965	40,479	109,939	-	3,074
Structured interest-rate products	4,168	9,448	7,586	21,202	649	517
Products traded on a stock exchange						
Interest-rate futures	49,374	21,004	-	70,378	62	113
Interest-rate options	7,681	-	-	7,681	6	5
<b>Total</b>	<b>1,565,403</b>	<b>1,471,368</b>	<b>1,227,345</b>	<b>4,264,116</b>	<b>64,808</b>	<b>66,249</b>
<b>Other forward transactions</b>						
OTC products						
Structured equity/index products	7,232	14,775	5,059	27,066	1,086	1,743
Equity call options	8,931	14,226	818	23,975	3,781	-
Equity put options	9,432	14,872	553	24,857	-	4,010
Credit derivatives	20,294	119,312	8,271	147,877	1,262	1,359
Precious metal contracts	2	1	-	3	0	0
Other transactions	-	-	-	-	-	-
Products traded on a stock exchange						
Equity futures	5,063	-	-	5,063	80	49
Equity options	45,370	44,134	3,139	92,643	2,331	2,099
Other futures	-	-	-	-	-	-
Other options	-	-	-	-	-	-
<b>Total</b>	<b>96,324</b>	<b>207,320</b>	<b>17,840</b>	<b>321,484</b>	<b>8,540</b>	<b>9,260</b>
<b>Total pending forward transactions</b>						
OTC products	1,789,243	1,738,189	1,304,163	4,831,595	75,027	77,461
Products traded on a stock exchange	107,488	65,138	3,139	175,765	2,479	2,266
<b>Total</b>	<b>1,896,731</b>	<b>1,803,327</b>	<b>1,307,302</b>	<b>5,007,360</b>	<b>77,506</b>	<b>79,727</b>

The fair values of derivative financial instruments are derived, among other things, from interest rates and indices, as well as equity prices and currency rates. Various mark-to-market measurement methods are used to calculate the fair values of the derivatives which we show. Both the choice of measurement method and

the selected influential parameters depend upon the individual product.

The fair values of forwards and swaps are calculated by means of the net present value method, taking into account discount factors worked out from the interest-rate curve of the relevant trading currency.

Plain vanilla and digital options are priced using the Black-Scholes model. In the case of exotic options, such as those with a path-dependent payoff, pricing models based on tree-building or the Monte Carlo methods are applied. For the volatilities used in measuring options, volatility surfaces are calculated from volatilities quoted

in the market, wherever these are available. If it is not possible to calculate such volatilities, because – for example – not enough issues are quoted in the market, the historical volatility is calculated instead. Monte Carlo simulation is also used for structured transactions.

### (33) The Bank's staff

On average, we employed 23,467 people (previous year: 23,668) last year, who were deployed as follows:

		total		male		female	
		FT	WF	FT	WF	FT	WF
AG in Germany	2005	19,662	21,491	9,772	10,681	9,890	10,810
	2004	19,701	21,439	9,774	10,637	9,927	10,802
AG abroad	2005	1,923	1,976	1,288	1,324	635	652
	2004	2,204	2,229	1,514	1,531	690	698
AG total	2005	21,585	23,467	11,060	12,005	10,525	11,462
	2004	21,905	23,668	11,288	12,168	10,617	11,500

The figures for full-time staff (FT) include part-time personnel with the time actually worked. The average time worked by part-time staff is 60% (previous year: 60%). The figures for the workforce (WF) also cover all part-time staff. Trainees are not included in the employee figures.

		total	male	female
		Trainees	2005	1,147
	2004	1,244	475	769



### (34) Board of Managing Directors and Supervisory Board

In the past financial year, the following overall remuneration was paid to the members of the Board of Managing Directors and the Supervisory Board:

	2005	2004
	€1,000	€1,000
Members of Board of Managing Directors	15,368*)	6,137
Members of Supervisory Board	1,616	1,222
Former members of the Board of Managing Directors and their surviving dependents	7,756	6,479
<b>Total</b>	<b>24,740</b>	<b>13,838</b>

\*) including variable remuneration, payable in 2006, after it has been finally determined by the Presiding Committee on March 28, 2006.

On the balance-sheet date, the overall amount of advances and loans granted, as well as contingent liabilities, to board members was as follows:

	31.12.2005	31.12.2004
	€1,000	€1,000
Members of Board of Managing Directors	1,559	1,934
Members of Supervisory Board	1,504	1,601
<b>Total</b>	<b>3,063</b>	<b>3,535</b>

Members of the Board of Managing Directors have been granted cash advances and loans with lifetimes ranging between until further notice and a due date of 2018, and at floating or fixed interest rates ranging between 2.89% and 11.00%. Collateral security is provided on a normal market scale, wherever necessary through land charges and the pledging of security holdings. The overall figure includes rental guarantees for members of the Board of Managing Directors, provided without a commission fee being charged; this is in line with the Bank's general terms and conditions for members of staff.

The loans and advances to members of the Supervisory Board – including those to employee representatives on this body – were granted with lifetimes ranging between until further notice and a due date of 2031 and at interest rates ranging between 3.04% and 6.57%. In line with market conditions, some loans were granted without collateral security, against land charges or against the assignment of credit balances and life insurances.

On December 31, 2005, provisions for pensions for present and former members of the Board of Managing Directors and their surviving dependents amounted to €65m (previous year: €65m).

### (35) Corporate Governance Code

We have issued our declaration of compliance with the German Corporate Governance Code pursuant to Art. 161, German Stock Corporation Act – AktG and made it available on November 3, 2005, to shareholders on the internet ([www.commerzbank.com](http://www.commerzbank.com)).

The compensation of the Board of Managing Directors and the Supervisory Board in individualized form is published for the first time in the notes to the consolidated financial statements for 2005 pursuant to section 4.2.4 of the Code.

In addition, the management report of the consolidated financial statements contains the 2005 corporate governance report.

## (36) Seats on supervisory boards and similar bodies

**Members of the Board of  
Managing Directors of  
Commerzbank AG**

Information pursuant to Art. 285,  
no. 10, HGB  
As of December 31, 2005

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

**Klaus-Peter Müller**

- a) Linde AG\*)  
Steigenberger Hotels AG
- b) Assicurazioni Generali S.p.A. \*)  
KfW Kreditanstalt für  
Wiederaufbau  
Liquiditäts-Konsortialbank GmbH  
Parker Hannifin Corporation\*)  
**within Commerzbank Group:**  
Commerzbank International S.A.  
*Chairman*  
Commerzbank (Switzerland) Ltd  
*Chairman*

**Martin Blessing**

- a) AMB Generali Holding AG\*)  
Heidelberger  
Druckmaschinen AG\*)  
ThyssenKrupp Services AG  
**within Commerzbank Group:**  
Commerzbank Inlandsbanken  
Holding AG  
CommerzLeasing und  
Immobilien AG  
*Chairman*
- b) **within Commerzbank Group:**  
BRE Bank SA  
*Deputy chairman*

**Wolfgang Hartmann**

- a) Vaillant GmbH  
**within Commerzbank Group:**  
Commerz Grundbesitz-  
Investmentgesellschaft mbH  
*1st Deputy chairman*  
Hypothekbank in Essen AG
- b) **within Commerzbank Group:**  
Commerz Grundbesitz-  
gesellschaft mbH  
*Deputy chairman*  
CORECD Commerz  
Real Estate Consulting  
and Development GmbH  
*Chairman*

**Dr. Achim Kassow**

- a) Volksfürsorge Deutsche  
Sachversicherung AG  
ThyssenKrupp Steel AG  
**within Commerzbank Group:**  
comdirect bank AG  
*Chairman*  
COMINVEST  
Asset Management GmbH  
*Chairman*  
Commerz Grundbesitz-  
Investmentgesellschaft mbH  
*Chairman*  
CommerzLeasing und  
Immobilien AG  
*Deputy chairman*
- b) **within Commerzbank Group:**  
Commerz Grundbesitz-  
gesellschaft mbH  
*Chairman*  
COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH  
*Chairman*

**Klaus M. Patig**

- a) MAN Ferrostaal AG  
G. Kromschroder AG\*)  
*Deputy chairman*
- b) Korea Exchange Bank  
*Non-standing director*  
**within Commerzbank Group:**  
Commerzbank Capital  
Markets Corporation  
Commerz Securities  
(Japan) Company Ltd.  
*Chairman*

**Dr. Eric Strutz**

- a) ABB AG  
**within Commerzbank Group:**  
comdirect bank AG  
COMINVEST  
Asset Management GmbH  
Commerzbank Auslandsbanken  
Holding AG  
*Chairman*  
Commerzbank Inlandsbanken  
Holding AG  
*Chairman*  
Hypothekbank in Essen AG  
*Chairman*
- b) Banca Intesa S.p.A. \*)  
Mediobanca – Banca di Credito  
Finanziario S.p.A. \*)  
**within Commerzbank Group:**  
Commerzbank International S.A.  
Erste Europäische Pfandbrief-  
und Kommunalkreditbank AG

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)

Nicholas Teller

a) Deutsche Schiffsbank AG  
*Chairman*

**within Commerzbank Group:**

Commerzbank Auslandsbanken  
Holding AG

Commerz Unternehmens-  
beteiligungs-AG

b) **within Commerzbank Group:**

BRE Bank SA

Commerzbank Capital  
Markets Corporation  
*Chairman*

**Former members of the  
Board of Managing Directors**

Andreas de Maizière

a) Borgers AG

Rheinische Bodenverwaltung AG  
*Chairman*

RWE Power AG

STEAG AG

b) Arenberg-Schleiden GmbH  
*Chairman*

BVV Versicherungsverein  
des Bankgewerbes a.G.

**Members of the Supervisory  
Board of Commerzbank AG**

a) Seats on other mandatory  
supervisory boards

b) Seats on similar bodies

Dr. h.c. Martin Kohlhausen

a) Bayer AG

Heraeus Holding GmbH

HOCHTIEF AG

*Chairman*

Infineon Technologies AG

*Deputy chairman*

*(until January 25, 2005)*

Schering AG

ThyssenKrupp AG

b) Verlagsgruppe

Georg von Holtzbrinck GmbH

Intermediate Capital Group plc

*(until July 31, 2005)*

Uwe Tschäge

–

Hans-Hermann Altenschmidt

b) BVV Versorgungskasse

BVV Unterstützungskasse

Dott. Sergio Balbinot

a) **within group:**

Aachener und Münchener  
Lebensversicherung AG

Aachener und Münchener  
Versicherung AG

AMB Generali Holding AG

b) **within group:**

Banco Vitalicio de España,  
C.A. de Seguros y Réaseguros

Europ Assistance Holding

Generali Asia N.V.

Generali China Life

Insurance Co. Ltd.

*Deputy chairman*

Generali España, Holding de

Entidades de Seguros, S.A.

*Deputy chairman*

Generali Finance B.V.

Generali France S.A.

*Deputy chairman*

Generali Holding Vienna AG

*Deputy chairman*

Generali (Schweiz) Holding

La Estrella S.A.

Migdal Insurance Co. Ltd.

Migdal Insurance Holdings Ltd.

Participatie Maatschappij

Graafschap Holland N.V.

Transocean Holding Corporation

Herbert Bludau-Hoffmann

–

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)

<b>Astrid Evers</b>	<b>Wolfgang Kirsch</b>	<b>Dr.-Ing. Ekkehard D. Schulz</b>
–	a) Commerz Business Consulting AG <i>Chairman</i>	a) AXA Konzern AG*) Bayer AG*) <i>(since April 29, 2005)</i>
<b>Uwe Foullong</b>	b) COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Deutsche Bahn AG MAN AG*) <i>Chairman (since June 3, 2005)</i>
a) DBV-Winterthur Holding AG DBV-Winterthur Lebensversicherung AG	<b>Werner Malkhoff</b>	RAG AG <i>Deputy chairman</i>
<b>Daniel Hampel</b>	–	TUI AG*)
–	<b>Klaus Müller-Gebel</b>	<b>within group:</b> ThyssenKrupp Automotive AG <i>Chairman</i>
<b>Dr.-Ing. Otto Happel</b>	a) comdirect bank AG <i>Deputy chairman</i>	ThyssenKrupp Elevator AG <i>(since October 1, 2005)</i> <i>Chairman</i>
a) GEA Group AG*) <i>(formerly: mg technologies AG)</i>	Deutsche Schiffsbank AG Eurohypo AG	<i>(since October 26, 2005)</i> ThyssenKrupp Services AG <i>Chairman</i>
<b>Dr. jur. Heiner Hasford</b>	<b>Dr. Sabine Reiner</b>	ThyssenKrupp Steel Beteiligungen AG <i>(formerly: ThyssenKrupp Steel AG)</i> <i>Chairman</i>
a) Europäische Reiseversicherung AG <i>Chairman</i>	–	<i>(until December 9, 2005)</i>
MAN AG*) <i>(until June 3, 2005)</i>	<b>Dr. Erhard Schipporeit</b>	b) <b>within group:</b> ThyssenKrupp Budd Company
Nürnberger Beteiligungs-AG*)	a) Deutsche Börse AG*) <i>(since October 7, 2005)</i>	
WMF Württembergische Metallwarenfabrik AG*)	SAP AG*) <i>(since May 12, 2005)</i>	
<b>within group:</b>	Talanx AG	
D.A.S. Deutscher Automobil Schutz – Allgemeine Rechts- schutz-Versicherungs-AG	<b>within group:</b>	<b>Prof. Dr. Jürgen F. Strube</b>
ERGO Versicherungsgruppe AG	Degussa AG	a) Allianz Lebensversicherungs AG
VICTORIA Lebensversicherung AG	E.ON Ruhrgas AG	BASF AG <i>Chairman</i>
VICTORIA Versicherung AG	E.ON IS GmbH <i>(since January 11, 2005)</i>	Bayerische Motorenwerke AG Bertelsmann AG <i>Deputy chairman</i>
b) <b>within group:</b>	b) HDI V.a.G.	Fuchs Petrolub AG <i>Chairman</i>
American Re Corporation	<b>within group:</b>	Hapag-Lloyd AG Linde AG
<b>Sonja Kasischke</b>	E.ON Audit Services GmbH <i>Chairman</i>	
–	E.ON Risk Consulting GmbH <i>Chairman</i>	
	E.ON UK plc	
	E.ON US Investments Corp.	

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)

**Dr. Klaus Sturany**

## a) Hannover Rückversicherungs AG\*)

Heidelberger  
Druckmaschinen AG\*)  
RAG AG

**within group:**

RWE Power AG  
RWE Energy AG  
RWE Systems AG  
(since July 7, 2005)  
*Chairman*  
(since September 8, 2005)  
RWE Umwelt AG  
(until February 24, 2005)

b) Österreichische  
Industrieholding AG**within group:**

RWE Npower Holdings Plc  
RWE Thames Water plc  
RWE Trading GmbH  
(until April 30, 2005)

**Dr.-Ing. E.h. Heinrich Weiss**

## a) Deutsche Bahn AG

HOCHTIEF AG\*)  
Voith AG

**within group:**

SMS Demag AG  
*Chairman*

## b) Thyssen-Bornemisza Group

Bombardier Inc. \*)  
(since January 25, 2005)

**within group:**

Concast AG  
*Vice-President*

**Employees of  
Commerzbank AG**

Information pursuant to Art. 340a, (4),  
no. 1, HGB  
As of December 31, 2005

**Manfred Breuer**

Schumag AG

**Bernd Förster**

SE Spezial Electronic AG

**Bernd Grossmann**

Textilgruppe Hof AG

**Herbert Huber**

Saarländische Investitions-  
kreditbank AG

**René Kaselitz**

CommerzLeasing und  
Immobilien AG

**Andreas Kieffel**

Adolf Ahlers AG

**Dr. Renate Krümmer**

Hypothekenbank in Essen AG

**Klaus Kubbetat**

Pensor AG

**Burkhard Leffers**

CommerzLeasing und  
Immobilien AG

Goodyear Dunlop Tires  
Germany GmbH

Kolbenschmidt Pierburg AG

**Michael Mandel**

COMINVEST  
Asset Management GmbH

Commerz Grundbesitz-  
Investmentgesellschaft mbH

COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH

**Dr. Dirk Mattes**

COMMERZ PARTNER Beratungs-  
gesellschaft für Vorsorge- und  
Finanzprodukte mbH

MEWA Textil-Service AG & Co.  
Management OHG

**Wilhelm Nüse**

Rasmussen GmbH

**Michael Schmid**

CommerzLeasing und  
Immobilien AG

**Dr. Friedrich Schmitz**

COMINVEST  
Asset Management GmbH

**Frank Schulz**

Woba Dresden GmbH

**Arno Walter**

ConCardis GmbH

**Martin Zielke**

COMINVEST  
Asset Management GmbH

CommerzLeasing und  
Immobilien AG

Commerz Grundbesitz-  
Investmentgesellschaft mbH

\*) listed company outside group (pursuant to no. 5.4.3, German Corporate Governance Code)



## (37) Holdings in consolidated companies

## Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity		Result	
				in 1,000	in 1,000	in 1,000	in 1,000
Atlas-Vermögensverwaltungs-Gesellschaft mbH	Bad Homburg v.d.H.	100.0		€	1,006,924		- <sup>2)</sup>
ATBRECOM Limited	London	100.0	100.0	€	758		474
BRE Bank Hipoteczny SA	Warsaw	100.0	100.0	Zł	165,395		21,757
TOMO Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	€	22,778		- <sup>2)</sup>
Zweite Umbra Vermögensverwaltungs-gesellschaft mbH	Frankfurt am Main	100.0	100.0	€	51		- <sup>2)</sup>
CB Building Kirchberg GmbH	Düsseldorf	100.0	6.0	€	-647		503 <sup>1)</sup>
Commerz (East Asia) Ltd.	Hong Kong	100.0		€	45,245		4,342
Commerz Asset Management (UK) plc	London	100.0		£	180,495		-1,848
Jupiter International Group plc (sub-group)	London	100.0	100.0	£	190,613		-21,963
Jupiter Asset Management Limited	London	100.0	100.0				
Jupiter Unit Trust Managers Limited	London	100.0	100.0				
Tyndall Holdings Limited	London	100.0	100.0				
Jupiter Administration Services Limited	London	100.0	100.0				
Tyndall Investments Limited	London	100.0	100.0				
Tyndall International Holdings Limited	Bermuda	100.0	100.0				
Jupiter Asset Management (Asia) Limited	Hong Kong	100.0	100.0				
Jupiter Asset Management (Bermuda) Limited	Bermuda	100.0	100.0				
Jupiter Asset Managers (Jersey) Limited	Jersey	100.0	100.0				
Tyndall Trust International I.O.M. Limited	Isle of Man	100.0	100.0				
Real Estate Holdings Limited *)	Bermuda	100.0	100.0				
Lanesborough Limited	Bermuda	55.7	55.7				
NALF Holdings Limited	Bermuda	100.0	100.0				
The New Asian Property Fund Limited	Bermuda	99.4	99.4				
Commerz Asset Management Holding GmbH	Frankfurt am Main	100.0		€	415,000		- <sup>2)</sup>
COMINVEST Asset Management GmbH	Frankfurt am Main	100.0	100.0	€	47,001		- <sup>2)</sup>
COMINVEST Asset Management Ltd.	Dublin	100.0	100.0	€	3,827		1,247
COMINVEST Asset Management S.A.	Luxembourg	100.0	100.0	€	73,205		16,643
Commerz Asset Management Asia Pacific Pte Ltd.	Singapore	100.0	100.0	S\$	22,733		-1,882
Commerz Advisory Management Co. Ltd.	British Virgin Islands	100.0	100.0	TWD	615,730		9,506
Commerzbank Asset Management Asia Ltd.	Singapore	100.0	100.0	S\$	43,658		863
Commerz International Capital Management (Japan) Ltd.	Tokyo	100.0	100.0	¥	567,434		88,476
European Bank for Fund Services GmbH (ebase)	Haar near Munich	100.0	100.0	€	22,231		3,057
CBG Commerz Beteiligungsgesellschaft Holding mbH	Bad Homburg v.d.H.	100.0		€	6,137		- <sup>2)</sup>
CBG Commerz Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0	€	13,318		-295
CBG Commerz Beteiligungskapital GmbH	Frankfurt am Main	100.0	100.0	€	1,138		137 <sup>1)</sup>
Commerz Business Consulting AG	Frankfurt am Main	100.0		€	2,375		- <sup>2)</sup>
Commerz Equity Investments Ltd.	London	100.0		£	1,120		1,119
Commerz Grundbesitzgesellschaft mbH	Wiesbaden	100.0		€	138,344		22,088

\*) renamed: "Tyndall International Group Limited" has been transformed into "Real Estate Holdings Limited"

## Affiliated companies included in the consolidation

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity		Result	
				in 1,000	in 1,000	in 1,000	in 1,000
Commerz Grundbesitz-Investmentgesellschaft mbH	Wiesbaden	75.0	75.0	€	34,705	14,768	
Commerz Grundbesitz-Spezialfondsgesellschaft mbH	Wiesbaden	100.0	100.0	€	7,486	1,510	
Commerz Securities (Japan) Company Ltd. i.L.	Hong Kong/Tokyo	100.0		¥	5,281,265	557,159	
Commerz Service Gesellschaft für Kundenbetreuung mbH	Quickborn	100.0		€	26	- <sup>2)</sup>	
Commerzbank (Eurasija) SAO	Moscow	100.0		Rbl	4,385,634	738,735	
Commerzbank (Nederland) N.V.	Amsterdam	100.0		€	180,153	3,055	
Commerzbank (South East Asia) Ltd.	Singapore	100.0		€	56,372	40,517	
Commerzbank Auslandsbanken Holding AG	Frankfurt am Main	100.0		€	2,505,125	- <sup>2)</sup>	
BRE Bank SA (sub-group)	Warsaw	71.5	71.5	Zl	2,108,470	247,543	
BRE Finance France SA	Levallois Perret	100.0	100.0				<sup>1)</sup>
BRE Leasing Sp. z o.o.	Warsaw	100.0	100.0				<sup>1)</sup>
Dom Inwestycyjny BRE Banku SA	Warsaw	100.0	100.0				<sup>1)</sup>
Intermarket Bank AG	Vienna	56.2	56.2				<sup>1)</sup>
Magyar Factor Rt.	Budapest	100.0	100.0				<sup>1)</sup>
Polfactor SA	Warsaw	100.0	100.0				<sup>1)</sup>
PTE Skarbiec – Emerytura SA	Warsaw	100.0	100.0				
Skarbiec Asset Management Holding SA (sub-group)	Warsaw	100.0	100.0				
BRE Agent Transferowy Sp. z o.o.	Warsaw	100.0	100.0				
SKARBIEC Towarzystwo Funduszy Inwestycyjnych SA	Warsaw	100.0	100.0				
SKARBIEC Investment Management SA	Warsaw	100.0	100.0				
SKARBIEC Serwis Finansowy Sp. z o.o.	Warsaw	100.0	100.0				
Transfinance a.s.	Prague	100.0	100.0				
Caisse Centrale de Réescompte, S.A.	Paris	99.4	99.4	€	172,879	33,537	
CCR Actions	Paris	92.6	92.6	€	6,342	23,040	
CCR Chevrillon-Philippe	Paris	87.0	87.0	€	4,141	1,178	
CCR Gestion	Paris	100.0	100.0	€	7,898	5,558	
Commerzbank (Switzerland) Ltd	Zurich	100.0	100.0	Sfr.	203,441	18,310	
Commerzbank International S.A.	Luxembourg	100.0	100.0	€	754,739	50,159	
Max Lease S.a.r.l. & Cie. Secs	Luxembourg	100.0	100.0	€	154	29 <sup>1)</sup>	
Commerzbank Belgium S.A./N.V.	Brussels	100.0		€	8,238	2,004	
Commerzbank Capital Markets Corporation	New York	100.0		US\$	181,129	-12,728	
Commerzbank Europe (Ireland)	Dublin	61.0	41.0	€	532,325	21,708	
Commerzbank Europe Finance (Ireland) plc	Dublin	100.0	100.0	€	49	1	
Commerzbank Immobilien- und Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0		€	10,030	- <sup>2)</sup>	
Commerzbank Inlandsbanken Holding AG	Frankfurt am Main	100.0		€	3,843,258	- <sup>2)</sup>	
comdirect bank Aktiengesellschaft (sub-group)	Quickborn	79.9	79.9	€	578,145	33,782	
comdirect private finance AG	Quickborn	100.0	100.0				
Commerzbank Overseas Finance N.V.	Curaçao	100.0		€	1,050	499	
Commerzbank Rt.**)	Budapest	100.0		Ft.	17,846,930	2,438,561	
Commerzbank U.S. Finance, Inc.	Wilmington/Delaware	100.0		US\$	783	3 <sup>1)</sup>	

\*\*) renamed Commerzbank Zrt. as from January 2, 2006

## Affiliated companies included in the consolidation

Name	Seat	Share of capital held	of which: indirectly	Equity	Result
		in %	in %	in 1,000	in 1,000
CommerzLeasing und Immobilien AG	Düsseldorf	100.0	94.5	€ 86,823	- <sup>2)</sup>
ALMURUS Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0	€ 9,004	-21 <sup>1)</sup>
ASTRIFA Mobilien-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0	€ 25	- <sup>2)</sup>
CFB Commerz Fonds Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0	€ 26	- <sup>2)</sup>
CFB Verwaltung und Treuhand GmbH	Düsseldorf	100.0	100.0	€ 26	- <sup>2)</sup>
COBA Vermögensverwaltungsgesellschaft mbH	Düsseldorf	100.0	100.0	€ 26	- <sup>2)</sup>
CommerzImmobilien GmbH	Düsseldorf	100.0	100.0	€ 12,936	- <sup>2)</sup>
CommerzBaucontract GmbH	Düsseldorf	100.0	100.0	€ 52	- <sup>2)</sup>
CommerzBaumanagement GmbH	Düsseldorf	100.0	100.0	€ 52	- <sup>2)</sup>
CommerzBaumanagement GmbH und CommerzImmobilienGmbH GbR – Neubau Molegra	Düsseldorf	100.0	100.0	€ 414	414
CommerzLeasing Mobilien GmbH	Düsseldorf	100.0	100.0	€ 8,349	7,631
CommerzLeasing Auto GmbH	Düsseldorf	100.0	100.0	€ 281	- <sup>2)</sup>
CommerzLeasing Mietkauf GmbH	Düsseldorf	100.0	100.0	€ 26	- <sup>2)</sup>
Hansa Automobil Leasing GmbH	Hamburg	100.0	100.0	€ 7,488	- <sup>2)</sup>
ComSystems GmbH	Düsseldorf	98.0	98.0	€ -2,317	-387
FABA Vermietungsgesellschaft mbH	Düsseldorf	95.0	95.0	€ -567	-114
NESTOR GVG mbH & Co. Objekt ITTAE Frankfurt KG	Düsseldorf	100.0	95.0	€ -2,933	-26
NORA GVG mbH & Co. Objekt Lampertheim KG	Düsseldorf	95.0	95.0	€ -765	104 <sup>1)</sup>
NORA GVG mbH & Co. Objekte Plön und Preetz KG	Düsseldorf	90.0	90.0	€ -850	11 <sup>1)</sup>
NOVELLA GVG mbH	Düsseldorf	100.0	100.0	€ 8,960	- <sup>2)</sup>
SECUNDO GVG mbH	Düsseldorf	100.0	100.0	€ 3,144	2,568
CORECD Commerz Real Estate Consulting and Development GmbH	Berlin	100.0		€ 1,000	- <sup>2)</sup>
Erste Europäische Pfandbrief- und Kommunal- kreditbank Aktiengesellschaft in Luxemburg	Luxembourg	75.0		€ 69,962	11,219
Gracechurch TL Ltd.	London	100.0		€ 772	-
Hibernia Eta Beteiligungsgesellschaft mbH	Frankfurt am Main	85.0		€ 51,172	-9 <sup>1)</sup>
Hibernia Gamma Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0		€ 169,030	6,108 <sup>1)</sup>
Hypothekenbank in Essen AG	Essen	51.0		€ 801,651	103,000
TIGNATO Beteiligungsgesellschaft mbH & Co. KölnTurm MediaPark KG	Düsseldorf	100.0	100.0	€ 1,617	-153 <sup>1)</sup>
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Jupiter KG	Düsseldorf	100.0		€ 17,400	1,881
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Luna KG	Düsseldorf	100.0		€ 2,582	302
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Neptun KG	Düsseldorf	100.0		€ 9,319	1,475
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Pluto KG	Düsseldorf	100.0		€ 16,551	1,970
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Uranus KG	Düsseldorf	100.0		€ 26,578	2,520
OLEANDRA Grundstücks-Vermietungsgesellschaft mbH&Co., Objekt Venus KG	Düsseldorf	100.0		€ 13,675	1,785
P.T. Bank Finconesia	Jakarta	51.0		Rp. 212,649,238	12,449,623
Service-Center Inkasso GmbH Düsseldorf	Düsseldorf	100.0		€ 128	- <sup>2)</sup>
Stampen S.A.	Brussels	99.4		€ 11,248	122

## Associated companies included in the consolidation at equity

Name	Seat	Share of capital held in %	of which: indirectly in %	Equity		Result	
				in 1,000	in 1,000	in 1,000	in 1,000
Alon Technology Ventures Limited	British Virgin Islands	40.1	40.1	€	9,857	-888	
Capital Investment Trust Corporation	Taipei/Taiwan	24.0	4.8	TWD	1,520,838	407,347	
Commerz Unternehmensbeteiligungs-Aktiengesellschaft	Frankfurt am Main	40.0		€	116,761	6,201	
COMUNITY Immobilien AG	Düsseldorf	49.9	49.9	€	-8,780	-2,486	
Deutsche Schiffsbank Aktiengesellschaft	Bremen/Hamburg	40.0	40.0	€	413,905	50,173	
Eurohypo Aktiengesellschaft	Eschborn	48.9	48.9	€	5,592,292	483,260	
ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbH	Düsseldorf	50.0	47.0	€	29,983	1,860	
Prospect Poland UK, L.P.	St. Helier/Jersey	39.5	1.6	US\$	1,423	276	
Reederei MS "E.R. INDIA" Beteiligungsgesellschaft mbH & Co.KG	Hamburg	26.1	26.1	€	15,557	2,030	
Tele-Tech Investment Sp. z o.o.	Warsaw	24.0	24.0	ZI	994	-511	

## Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12

Name	Seat/seat of management company	Share of capital held or share of investor in fund in %	Equity or fund's assets	
			in 1,000	in 1,000
<b>Special-purpose entities</b>				
Al Shorouq 1 Limited	St. Helier/Jersey	0.00	£	1 <sup>1)</sup>
CB MezzCAP Limited Partnership	St. Helier/Jersey	0.00	€	0 <sup>1)</sup>
Comas Strategy Fund Limited	Grand Cayman	0.00	US\$	0 <sup>1)</sup>
Four Winds Funding Corporation	Wilmington/Delaware	0.00	US\$	326
Hanging Gardens 1 Limited	Grand Cayman	0.00	€	7
Kaiserplatz Gesellschaften:		0.00	€	4,054
Kaiserplatz Holdings Incorporated	Wilmington/Delaware			1)
Kaiserplatz Funding (Delaware) LLC	Wilmington/Delaware			1)
Kaiserplatz Holdings Limited	St. Helier/Jersey			1)
Kaiserplatz Funding Limited	St. Helier/Jersey			1)
Kaiserplatz Sub-Holdings Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 2 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 3 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 4 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 5 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 6 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 9 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 10 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 11 Limited	St. Helier/Jersey			1)
Kaiserplatz Purchaser No. 13 Limited	St. Helier/Jersey			1)
MidCABS Limited	St. Helier/Jersey			1)
Premium Receivables Intermediate Securisation Entity Funding Limited	London			1)

**Special-purpose entities and non-publicly-offered funds included in the consolidation pursuant to IAS 27 and SIC-12**

Name	Seat/seat of management company	Share of capital held or share of investor in fund	Equity or fund's assets
		in %	in 1,000
Mainz Holdings Limited	St. Helier/Jersey		<sup>1)</sup>
Sword Funding No. 1 Limited	St. Helier/Jersey		<sup>1)</sup>
KREATIV 1 Limited	St. Helier/Jersey	0.00	€ 0 <sup>1)</sup>
Plymouth Capital Limited	St. Helier/Jersey	0.00	€ 45
Portland Capital Limited	St. Helier/Jersey	0.00	£ 10 <sup>1)</sup>
Ryder Square Limited	St. Helier/Jersey	0.00	£ 1 <sup>1)</sup>
Shannon Capital plc	Dublin	0.00	€ 0 <sup>1)</sup>
<b>Non-publicly-offered funds</b>			
Activest Grugafonds	Munich	100.00	€ 106,463
CDBS-Cofonds	Frankfurt am Main	100.00	€ 106,703
CDBS-Cofonds II	Frankfurt am Main	100.00	€ 99,988
CDBS-Cofonds III	Frankfurt am Main	100.00	€ 102,038 <sup>1)</sup>
CDBS-Cofonds IV	Frankfurt am Main	100.00	€ 89,905 <sup>1)</sup>
OP-Fonds CDBS V	Frankfurt am Main	100.00	€ 90,363 <sup>1)</sup>
CICO-Fonds I	Frankfurt am Main	100.00	€ 186,880
CICO-Fonds II	Frankfurt am Main	100.00	€ 250,521
Commerzbank Alternative Strategies-Global Hedge	Luxembourg	100.00	€ 59,278
DBI-Fonds HIE 1	Frankfurt am Main	100.00	€ 116,588
DBI-Fonds HIE 2	Frankfurt am Main	100.00	€ 109,915 <sup>1)</sup>
DBI-Fonds HIE 3	Frankfurt am Main	100.00	€ 109,851 <sup>1)</sup>
DEGEF-Fonds HIE 1	Frankfurt am Main	100.00	€ 116,407
DEGEF-Fonds HIE 2	Frankfurt am Main	100.00	€ 100,000 <sup>1)</sup>
DEVIF-Fonds Nr. 533	Frankfurt am Main	100.00	€ 110,267
DEVIF-Fonds Nr. 606	Frankfurt am Main	100.00	€ 109,000 <sup>1)</sup>
HIE-Cofonds I	Frankfurt am Main	100.00	€ 115,993
HIE-Cofonds II	Frankfurt am Main	100.00	€ 118,482
HIE-Cofonds III-N	Frankfurt am Main	100.00	€ 111,376 <sup>1)</sup>
HIE-Cofonds IV-N	Frankfurt am Main	100.00	€ 111,380 <sup>1)</sup>
HIE-Cofonds V-N	Frankfurt am Main	100.00	€ 111,396 <sup>1)</sup>

**Other major companies not included in the consolidation**

Name	Seat	Share of capital held	of which: indirectly	Equity	Result
		in %	in %	in 1,000	in 1,000
ALNO Aktiengesellschaft	Pfullendorf	20.6		€ 31,068	-4,018 <sup>4)</sup>

**Holdings in major incorporated companies pursuant to Art. 285, no. 11, final half-sentence, HGB**

Name	Seat	Share of capital held in %	of which: indirectly in %
CarMeile AG	Wülfrath	10.0	10.0
ConCardis GmbH	Frankfurt am Main	6.0	
EURO Kartensysteme GmbH	Frankfurt am Main	6.0	
Ferrari S.p.A.	Maranello, Modena	8.5	
GZS Gesellschaft für Zahlungssysteme mbH	Bad Vilbel	6.1	
Korea Exchange Bank	Seoul	14.6	
Linde Aktiengesellschaft	Wiesbaden	10.0 <sup>*)</sup>	10.0 <sup>*)</sup>

<sup>\*)</sup> unrounded figure: 9.9934%

**Affiliated companies not included in the consolidation due to their minor importance**

Name	Seat	Share of capital held in %	of which: indirectly in %
Achte Umbra Beteiligungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
AFINA, Bufete de Socios Financieros S.A.	Madrid	93.0	
AFÖG Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
ALMONDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0
Alternative Asset Management S.A.	Luxembourg	100.0	100.0
AMBRESA Sp. z o.o.	Warsaw	100.0	100.0
ASTUTIA Beteiligungsgesellschaft mbH	Düsseldorf	100.0	100.0
Bankowy Dom Hipoteczny Sp. z o.o.	Warsaw	100.0	100.0
Beteiligungsgesellschaft für Industrie und Handel mbH	Frankfurt am Main	100.0	
BeVerwal Beteiligungs- und Verwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
BMF Capital Sp. z o.o.	Warsaw	100.0	100.0
BRE Corporate Finance SA	Warsaw	100.0	100.0
BRE International Finance B.V. i.L.	Amsterdam	100.0	100.0
BREL - FIN Sp. z o.o.	Warsaw	100.0	100.0
BREL - FINANCE Sp. z o.o. <sup>*)</sup>	Warsaw	100.0	100.0
BREL - AN Sp. z o.o.	Warsaw	100.0	100.0
BREL - COM Sp. z o.o.	Warsaw	100.0	100.0
BREL - IMMO Sp. z o.o.	Warsaw	100.0	100.0
BREL - MAR Sp. z o.o.	Warsaw	100.0	100.0
BREL - MIG Sp. z o.o.	Warsaw	100.0	100.0
BREL - PRO Sp. z o.o.	Warsaw	100.0	100.0
BRELIM Sp. z o.o.	Warsaw	100.0	100.0
BRELINVEST Sp. z o.o.	Warsaw	100.0	100.0
BRELINVEST Sp. z o.o. Fly 2 Sp. Komandytowa	Warsaw	100.0	100.0
CB Lux Kirchberg GmbH	Frankfurt am Main	100.0	
Chevillon Philippe Assurance CPA	Paris	100.0	100.0
CCR Courtages	Paris	100.0	100.0

<sup>\*)</sup> renamed: RAVENNA Gdansk Sp. z o.o. has been transformed into BREL - FINANCE Sp. z o.o.

**Affiliated companies not included in the consolidation due to their minor importance**

Name	Seat	Share of capital held in %	of which: indirectly in %
Centrum Rozliczen i Informacji CERI Sp. z o.o.	Aleksandrów Łódzki	100.0	100.0
CFM Commerz Finanz Management GmbH i.L.	Frankfurt am Main	100.0	
CGG Canada GmbH	Wiesbaden	100.0	100.0
CGI Victoria Square Limited	London	100.0	100.0
COLLEGIUM GLASHÜTTEN Zentrum für Kommunikation GmbH	Glashütten	100.0	2)
Commercium Vermögensverwaltungsgesellschaft m.b.H.	Hamburg	100.0	
Commerz Europe (Ireland), Inc.	Wilmington/Delaware	100.0	100.0
Commerz Export Finance Ltd.	London	100.0	
Commerz Grundbesitz – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Commerz Keyes Avenue Properties (Pty) Ltd.	Johannesburg	100.0	
Commerz Management Services Ltd.	Dublin	100.0	
Commerz Nominees Ltd.	London	100.0	
Commerz Overseas Services Ltd.	London	100.0	
Commerz U.S. Holding, Inc.	Wilmington/Delaware	100.0	
Commerzbank International Trust (Jersey) Ltd.	St. Helier/Jersey	100.0	20.0
Commerzbank International Trust (Singapore) Ltd.	Singapore	100.0	80.0
Commerzbank (Properties South Africa) (Proprietary) Limited	Johannesburg	100.0	
Commerzbank São Paulo Servicos Ltda.	São Paulo	100.0	73.9
CommerzProjektconsult GmbH	Frankfurt am Main	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Taunustor KG	Frankfurt am Main	100.0	100.0
DOMINO Projektentwicklungsgesellschaft mbH & Co Objekt Neue Mainzer Strasse KG	Frankfurt am Main	100.0	100.0
dozent.it Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dreizehnte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dritte Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Dritte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
emFinanse Sp. z o.o.	Łódz	100.0	100.0
Erste StorCom AG	Frankfurt am Main	100.0	
Essen Hyp Immobilien GmbH	Essen	100.0	100.0
EuREAM GmbH	Wiesbaden	100.0	100.0
FAMCO SA i.L.	Warsaw	100.0	100.0
FIDES Trust Company Ltd.	Luxembourg	100.0	10.0
Forum Algarve – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Almada – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Forum Montijo – Gestão de Centros Comercias Sociedade Unipessoal, Lda.	Lisbon	100.0	100.0
Frega Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	
Garbary Sp. z o.o.	Poznań	100.0	100.0
Grundstücksgesellschaft CORECD Alpha mbH	Berlin	100.0	100.0
Grundstücksgesellschaft CORECD Beta mbH	Berlin	100.0	100.0
Grundstücksgesellschaft CORECD Gamma mbH	Berlin	100.0	100.0

**Affiliated companies not included in the consolidation due to their minor importance**

Name	Seat	Share of capital held in %	of which: indirectly in %
Handelsgest S.A.R.L.	Luxembourg	100.0	25.0
Haus am Kai 2 O.O.O.	Moscow	100.0	100.0
Hildegund Ltd.	London	100.0	
Houston Main GP, LLC	New York	100.0	100.0
Immobilien Expertise GmbH	Essen	100.0	100.0
Immobilien-Gesellschaft Ost Hägle spol.s.r.o.	Prague	100.0	
Immobilienverwaltungs- und Vertriebsgesellschaft Villen am Glienicker Horn mbH	Berlin	100.0	
Immobilienverwaltungsgesellschaft Altwismar mbH	Berlin	100.0	100.0
Immobilienverwaltungsgesellschaft Grammophon Büropark mbH	Berlin	100.0	100.0
Immobilienverwaltungsgesellschaft Kampffmeyer Villa mbH	Berlin	100.0	
Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH **)	Berlin	100.0	
Indugest S.A.R.L.	Luxembourg	100.0	25.0
L.I.A. Leasinggesellschaft für Immobilien und Anlagegüter mbH	Düsseldorf	100.0	0.1
LIBRA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Hannover KG	Düsseldorf	52.5	52.5
Mädler-Passage Leipzig Grundstück GmbH & Co. KG	Leipzig	87.5	
Mädler-Passage Leipzig Grundstück Verwaltung GmbH	Leipzig	88.0	
Max Lease S.a.r.l.	Luxembourg	100.0	100.0
MKF Sp. z o.o.	Warsaw	100.0	100.0
Neuma Vermögensverwaltungsgesellschaft mbH	Hamburg	69.0	
RAVENNA Kraków Sp. z o.o.	Warsaw	100.0	100.0
RAVENNA Szczecin Sp. z o.o.	Warsaw	100.0	100.0
Regensburg Arcaden Verwaltungs-GmbH	Regensburg	100.0	100.0
Regina Finanz- und Versicherungsvermittlung GmbH	Essen	100.0	100.0
ROSEA Grundstücksvermietungs-ges. mbH & Co. Objekt Veldhoven KG	Düsseldorf	100.0	100.0
ROTUNDA Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	100.0	100.0
Schunk GmbH	Willich	51.0	51.0
Service Point Sp. z o.o.	Warsaw	100.0	100.0
Serwis Finansowy Sp. z o.o. i.L.	Warsaw	100.0	100.0
SOLTRX Solutions for financial business GmbH	Frankfurt am Main	51.0	
SOLTRX Transaction Services GmbH	Düsseldorf	100.0	75.0
Transfactor Slovakia AS	Bratislava	100.0	100.0
TV-Tech Investment 1 Sp. z o.o.	Warsaw	100.0	100.0
TV-Tech Investment 2 Sp. z o.o.	Warsaw	100.0	100.0
Vartimex s.r.o.	Prague	100.0	100.0
Vierte Commercium Vermögensverwaltungsgesellschaft mbH	Bad Soden a.Taunus	100.0	
Vierte Umbra Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	100.0
Wijkertunnel Beheer III B.V.	Amsterdam	100.0	
Winning Partners Limited	Hong Kong	100.0	
WST-Broker-GmbH	Frankfurt am Main	90.0	54.0
Zweite Commercium Vermögensverwaltungsgesellschaft mbH	Frankfurt am Main	100.0	

\*\*) renamed: Hibernia Omega Beteiligungsgesellschaft mbH has been transformed into Immobilienverwaltungsgesellschaft Schlachthof Offenbach mbH



## Associated companies not included at equity in the consolidation due to their minor importance

Name	Seat	Share of capital held in %	of which: indirectly in %
ABC Gestion	Paris	30.0	30.0
Argor-Heraeus S.A.	Mendrisio	26.5	26.5
AV America Grundbesitzverwaltungsgesellschaft mbH	Frankfurt am Main	25.0	
BHG und CIMO GbR Sonninstrasse	Düsseldorf	50.0	50.0
Bonitos Verwaltungs GmbH	Frankfurt am Main	50.0	
Bonitos GmbH & Co. KG	Frankfurt am Main	50.0	
BRE.locum Sp. z o.o.	Lódz	50.0	50.0
Clearing Bank Hannover Aktiengesellschaft i.L.	Hanover	20.0	
COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH	Frankfurt am Main	50.0	
Commerzbank Aktiengesellschaft von 1870 i.L.	Hamburg	37.9	
COMPAT Immobilien GmbH	Düsseldorf	49.9	49.9
C&W Projektentwicklungsgesellschaft mbH & Co. Objekt Bad Homburg, Siemensstr. KG	Bad Homburg v.d.H.	46.9	46.9
Deutsche Gesellschaft für Immobilienanlagen "America" mbH i.L.	Bad Homburg v.d.H.	25.0	
Exploitiemaatschappij Wijkertunnel C.V.	Amsterdam	33.3	33.3
FUGA Vermietungsgesellschaft mbH	Düsseldorf	47.0	47.0
GALDANA Grundstücks-Leasinggesellschaft mbH	Düsseldorf	47.0	47.0
Gesellschaft für Kreditsicherung mbH	Berlin	26.7	
GMF German Mittelstand Fund GmbH	Frankfurt am Main	23.5	23.5
GOPA Gesellschaft für Organisation, Planung und Ausbildung mbH	Bad Homburg v.d.H.	24.8	24.8
Grundstücks-Vermietungsgesellschaft Objekt 12 GmbH	Düsseldorf	46.5	46.5
Hibernia Sigma Beteiligungsgesellschaft mbH	Frankfurt am Main	40.0	
Kapelaansdijk I BV	Amsterdam	25.0	25.0
Koppelenweg I BV	Hoevelaken	33.3	33.3
Liegenschaft Hainstrasse GbR	Frankfurt am Main	50.0	50.0
LUX Leasing S.A.	Luxembourg	50.0	50.0
MAHO Grundstücks-Vermietungsgesellschaft mbH	Düsseldorf	47.0	47.0
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aquarius KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Aries KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Geminus KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Riegel KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Halle Markt 11 KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Düsseldorf Hohe Strasse KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Pforzheim KG	Düsseldorf	98.5	<sup>3)</sup>
MOLSOLA Vermietungsgesellschaft mbH & Co. Objekt Taurus KG	Düsseldorf	98.5	<sup>3)</sup>
Montrada GmbH	Bad Vilbel	50.0	

**Associated companies not included at equity in the consolidation due to their minor importance**

Name	Seat	Share of capital held in %	of which: indirectly in %
Moto Objekt CAMPEON GmbH & Co. KG	Düsseldorf	100.0	100.0 <sup>3)</sup>
MS "Meta" Stefan Patjens GmbH & Co KG	Drochtersen	30.5	30.5
Neue Krausenhöfe Berlin Erste Grundstücksgesellschaft mbH	Düsseldorf	47.4	47.4
Neue Krausenhöfe Berlin Zweite Grundstücksgesellschaft mbH	Düsseldorf	47.4	47.4
Novitus SA	Nowy Sacz	24.9	24.9
pdv.com Beratungs-GmbH	Bremen	30.0	
ProCredit Bank S.A.	Bucharest	20.0	
ProCredit Bank Sh.A.	Tirana	20.0	
RVG Rondo I Verwaltungs GmbH & Co. Objekt Warsaw KG	Düsseldorf	45.0	45.0
SOMENTEC Software AG	Langen	35.7	35.7
The World Markets Company GmbH i.L.	Frankfurt am Main	25.2	
Xtrade SA	Warsaw	24.9	24.9
ZM Pozmeat SA	Poznań	34.5	34.5

1) Included in the consolidation for the first time in the financial year

2) Profit-and-loss transfer agreement

3) Voting rights of less than 50%

4) Intended for further disposal pursuant to Art. 296, (1), no. 3, HGB




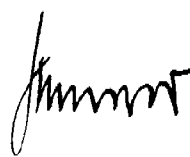
**Currency translation rates**


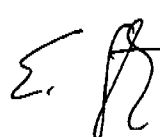

(in units for €1)

Ft.	252.87000	Sfr.	1.55510
¥	138.90000	SS	1.96280
£	0.68530	TWD	38.86000
Rbl	33.92000	US\$	1.17970
Rp.	11,596.45000	Zl	3.86000

Frankfurt am Main, March 7, 2006

The Board of Managing Directors

## **boards of commerzbank aktiengesellschaft**

### Supervisory Board

Dr. Walter Seipp <i>Honorary Chairman</i>	Daniel Hampel*) Bank employee Commerzbank AG	Dr. Sabine Reiner*) Trade Union Specialist Economic Policy ver.di National Administration
Dr. h.c. Martin Kohlhaussen <i>Chairman</i>	Dr.-Ing. Otto Happel Manager Luserve AG	Dr. Erhard Schipporeit Member of the Board of Managing Directors E.ON Aktiengesellschaft
Uwe Tschäge*) <i>Deputy Chairman</i>	Dr. jur. Heiner Hasford Member of the Board of Managing Directors Münchener Rückversicherungs- Gesellschaft AG	Dr.-Ing. Ekkehard D. Schulz Chairman ThyssenKrupp AG
Hans-Hermann Altenschmidt*) Bank employee Commerzbank AG	Sonja Kasischke*) Bank employee Commerzbank AG	Prof. Dr. Jürgen F. Strube Chairman Supervisory Board BASF Aktiengesellschaft
Dott. Sergio Balbinot Managing Director Assicurazioni Generali S.p.A.	Wolfgang Kirsch*) Bank employee Commerzbank AG	Dr. Klaus Sturany Member of the Board of Managing Directors RWE Aktiengesellschaft
Herbert Bludau-Hoffmann*) Dipl.-Volkswirt ver.di Financial Services	Werner Malkhoff*) Bank employee Commerzbank AG	Dr.-Ing. E.h. Heinrich Weiss Chairman SMS GmbH
Astrid Evers*) Bank employee Commerzbank AG	Klaus Müller-Gebel Lawyer	
Uwe Foullong*) Member of the ver.di National Executive Committee		

\*) elected by the Bank's employees

### Board of Managing Directors

Klaus-Peter Müller <i>Chairman</i>	Wolfgang Hartmann	Klaus M. Patig
Martin Blessing	Dr. Achim Kassow	Dr. Eric Strutz
	Andreas de Maizière (until July 15, 2005)	Nicholas Teller

## **auditors' report**

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Commerzbank Aktiengesellschaft, Frankfurt am Main for the business year from January 1 to December 31, 2005. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

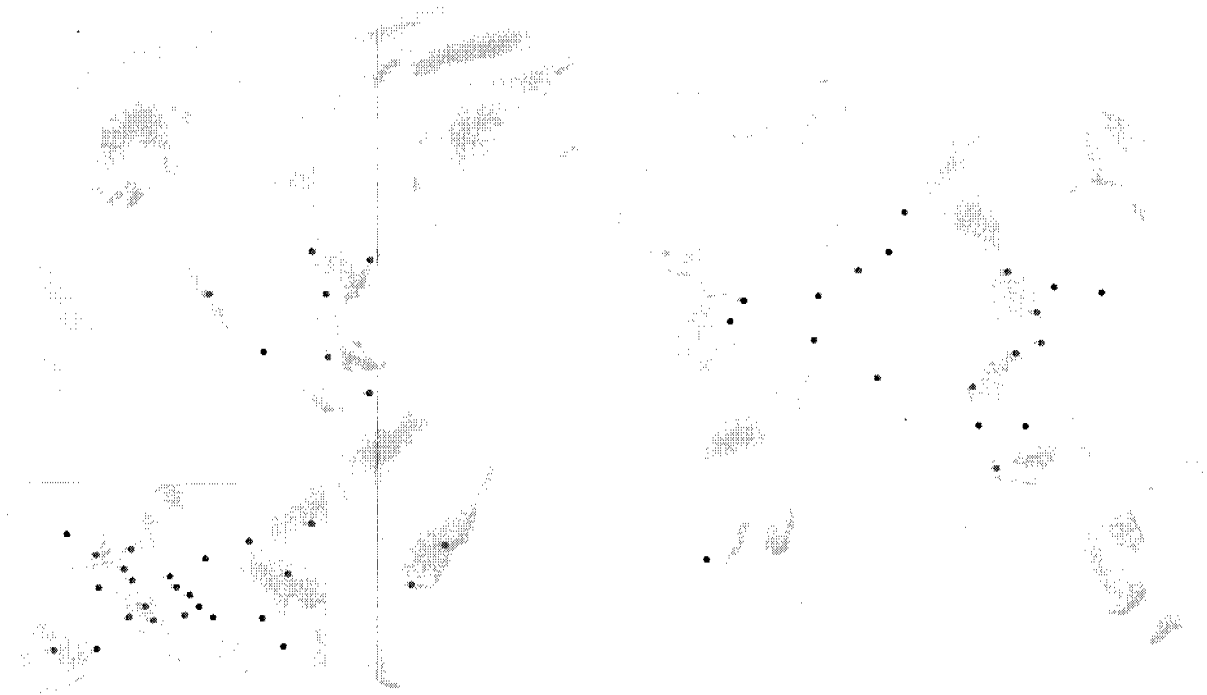
Frankfurt am Main, March 8, 2006

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rausch  
(Wirtschaftsprüfer)  
(German public auditor)

Koch  
(Wirtschaftsprüfer)  
(German public auditor)

## **commerzbank worldwide**



### **Major foreign holdings**

BRE Bank SA, Warsaw  
 Caisse Centrale de Réescmpte, S.A., Paris  
 COMINVEST Asset Management S.A., Luxembourg  
 Commerzbank Capital Markets Corporation, New York  
 Commerzbank (Eurasija) SAO, Moscow  
 Commerzbank Europe (Ireland), Dublin  
 Commerzbank International S.A., Luxembourg  
 Commerzbank (South East Asia) Ltd., Singapore

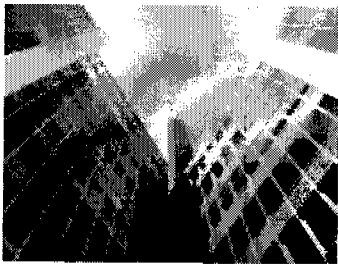
Commerzbank (Switzerland) Ltd, Zurich/Geneva  
 Commerzbank Zrt., Budapest  
 Commerz (East Asia) Ltd., Hong Kong  
 Erste Europäische Pfandbrief- und  
 Kommunalkreditbank AG, Luxembourg  
 Jupiter International Group plc, London  
 P. T. Bank Finconesia, Jakarta  
 Korea Exchange Bank, Seoul

### **Foreign branches**

Amsterdam · Atlanta (agency) · Barcelona · Bratislava ·  
 Brno (office) · Brussels · Chicago · Grand Cayman ·  
 Hong Kong · Johannesburg · Labuan · London ·  
 Los Angeles · Madrid · Milan · New York · Paris ·  
 Prague · Shanghai · Singapore · Tokyo

### **Representative offices**

Almaty · Bahrain · Bangkok · Beijing · Beirut · Belgrade ·  
 Brussels · Bucharest · Buenos Aires · Cairo · Caracas ·  
 Istanbul · Jakarta · Kiev · Mexico City · Minsk · Moscow ·  
 Mumbai · Novosibirsk · São Paulo · Seoul · Taipei ·  
 Tashkent · Tehran · Zagreb



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[www.commerzbank.com](http://www.commerzbank.com)

The Group annual report (in accordance with the International Financial Reporting Standards) appears in German and English, also in an abridged version.

*/ ideas ahead /* **COMMERZBANK** 



*/ www.commerzbank.com /*